

South Hams Executive



Title:	Agenda
Date:	Thursday, 17th December, 2020
Time:	10.00 am
Venue:	Via Teams
Full Members:	<p style="text-align: center;">Chairman Cllr Pearce Vice Chairman Cllr Bastone</p> <p><i>Members:</i> Cllr Hopwood Cllr Hawkins Cllr Baldry</p>
Interests – Declaration and Restriction on Participation:	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.
Committee administrator:	Democratic.Services@swdevon.gov.uk

- | | |
|--|----------------|
| 1. Minutes | 1 - 12 |
| to approve as a correct record the minutes of the meeting of the Executive held on 3 December 2020; | |
| 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 Question Time | 13 - 14 |
| a period of up to 15 minutes is available to deal with questions submitted to the Council in accordance with the Executive Procedure Rules; | |
| 6. Month 7 Revenue Budget Monitoring 2020/2021 (to the end of October 2020) | 15 - 32 |
| 7. Draft Revenue Budget Proposals for 2021-22 | 33 - 70 |

**MINUTES OF A MEETING OF
THE EXECUTIVE
HELD VIA TEAMS ON THURSDAY 3 DECEMBER 2020**

Members in attendance:			
* Denotes attendance			
∅ Denotes apologies for absence			
*	Cllr K J Baldry	*	Cllr N A Hopwood
*	Cllr H D Bastone (Vice Chairman)	*	Cllr J A Pearce (Chairman)
*	Cllr J D Hawkins		

Also in attendance	
Cllrs Abbott, Austen, Birch, Brazil, Foss, Holway, Long, O'Callaghan, Pannell, Pringle, McKay, Reeve, Sweett, and Taylor	

Officers in attendance and participating		
All items		Senior Leadership Team; Monitoring Officer; and Democratic Services Manager
Items 7 & 8	E.39/20 and E.40/20	Senior Specialist Parking
Item 10	E.42/20	Head of Housing, Revenues and Benefits
Item 11	E.43/20	Specialist – Place Making (Open Space, Sport and Recreation)
Item 12	E.44/20	Senior Specialist (Waste)
Item 13	E.45/20	Head of Assets

E.32/20 MR DAVID MAY

Since this was the first formal Member meeting since Cllr David May (District Council Member from May 2003 to 2 December 2020) had sadly passed away, the Leader paid a glowing tribute to him. In so doing, the Leader stated that David had been a funny, generous, kind and devoted family man and a successful businessman too. During his terms of office, David had proven to be a competent and hardworking colleague, who had served his constituents well and was a much valued and appreciated Member of the Council.

Members then proceeded, as a mark of respect, to observe a moment's reflection in his memory.

E.33/20 APOLOGIES FOR ABSENCE

The Leader informed the meeting that, whilst not a Member of the Executive, Cllr Rowe had formally offered her apologies to this meeting. In her capacity as Chairman of the Council, Cllr Rowe was instead attending the funeral of Mrs Kath Pennington and, on behalf of the Council, the Leader extended her best wishes to Cllr Pennington at this very sad time.

E.34/20 MINUTES

The minutes of the Executive meeting held on 22 October 2020 were confirmed as a true and correct record.

E.35/20 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of this meeting but none were made.

E.36/20 URGENT BUSINESS

The Chairman advised that she had agreed for one item of urgent business to be raised at this Committee meeting. The item related to the Additional Restrictions Grant (ARG) scheme and was considered urgent in line of the associated time constraints.

In discussion, the importance of this Scheme was recognised.

It was then:

RESOLVED

1. That the Additional Restrictions Grant (ARG) Scheme (as set out in Appendix A and including the Scheme of Delegation to administer the scheme contained therein) be noted;
2. That approval be given to the use of £50,000 from the ARG funding for wider business support measures; and
3. That expenditure against the Reserve be delegated to the Director of Place and Enterprise and Head of Place Making, in consultation with the Leader of the Council.

E.37/20

PUBLIC QUESTION TIME

It was noted that three public questions had been received in accordance with the Executive Procedure Rules for consideration at this meeting. These were as follows:

Q1 from Mr Tony Dale:

Clean Air Strategy Draft re. Totnes Air Quality Management Area:

In reference to Totnes, it makes no recommendations for planting of any sort. Yet trees and shrubs are the only available tool for mitigating NOx emissions. Can the department liaise with landscapers to ensure the science of trees and air quality is fully understood and able to be actioned?

In response, Cllr Hawkins made the following statement:

'Since the early days of the Local Air Quality Management legal regime in the 1990s, DEFRA guidance for reducing pollution had focussed very much on technical measures for getting pollutant levels below the legally binding objectives in as short a time as possible.

In Totnes, the only pollutant listed in the legislation that breached the objective level was Nitrogen Dioxide (NO₂), which was breached at specific locations alongside the A385. Along with other local authorities, South Hams District Council had tried to follow DEFRA advice on reducing this pollutant, and measures in our Air Quality Plans and Air Quality Strategy had therefore tended to focus on technical means to directly reduce the sources of Nitrogen Dioxide, eg. by promoting the use of less polluting technology in vehicles and the increased use of more sustainable travel as well as liaising with the highways authority (DCC) about improvements to road layouts to ease congestion etc.

Very recent research (ref 1 below) suggested that this approach was justified because although vegetation was generally beneficial for air quality (as plants could take up some pollutants and also act as a barrier to polluted air) it was not seen as an effective overall solution to air quality problems. This was because the beneficial impacts of vegetation on air quality varied according to circumstances and the pollutant under consideration. For example, regarding Nitrogen Dioxide and other nitric oxides (NOx), vegetation had been deemed to be generally of little benefit. It was reported that uptake of NOx gases was not effectively made by vegetation and soil actually could be a source of NO (Nitric Oxide) so the presence of soil in an urban environment could at least partially offset any potential benefits of vegetation on NOx removal (ref 1 below).

Trees and other vegetation could act as a barrier to pollutants in the air but such barriers may be impractical to implement in narrow street canyons where the worst excesses of nitrogen dioxide tended to occur. Indeed in Totnes, a key location where NO₂ levels exceeded the objective was the terrace of cottages immediately adjacent to the road on Bridgetown Hill. Planting trees along here would clearly not be possible.

In some situations, tree planting could exacerbate the build-up of pollution within streets by reducing air-flow hence reducing dilution of the pollutants. Moreover, some tree species increased pollution directly as they gave off biogenic volatile organic compounds which could enhance the formation of particulate matter and ozone (ref 1 below).

However, despite these issues, it was agreed that there were many benefits of trees and other plants within urban landscapes (e.g. in improving the environment visually, providing shade and shelter, helping counter climate change and increasing biodiversity) and I am grateful for the enquirer for bringing up this interesting subject in relation to our Clean Air Strategy.

Our current Clean Air Strategy was dated 2018. It was due to be revised at least every 5 years and, at the next revision, we would consult with our colleagues within landscaping, planning and climate change about including planting considerations in situations where it was felt that they could make an overall improvement to the environment, including to air quality.'

Ref 1

Impacts of Vegetation on Urban Air Pollution

Prepared for:

Department for Environment, Food and Rural Affairs; Scottish Government; Welsh Government; and Department of the Environment in Northern Ireland, Air Quality Expert Group 2018

Q2 from Mr Derek Hore:

'Can the Committee advise Marldon residents when they envisage releasing S106 money, bearing in mind clause 5.11 has now been sufficiently fulfilled and clauses 5.13 and 5.17 are not possible due to COVID restrictions, and will they use their Executive powers to overrule our Ward Councillor who is against the project?'

In response, Cllr Hawkins informed that Section 106 funds would be allocated in accordance with the recommendations contained within the presented agenda report (Minute E.43/20 below refers). The recommendations had since been updated and these would be reported under agenda item 11. Paragraph 5.17 was still valid and referred to the remaining Section 106 funds after the allocation of up to £45,000 towards the Torfield Play Area project.

Q3 from Mr Gordon Page:

'Does the Executive think that they were correct in allowing questions at their last meeting to be asked which publicly denigrated Marldon Parish Council, whilst not reading out our responses to those questions publicly, leaving a completely unbalanced and wrong perspective of the whole regeneration process under question to prevail?'

In reply, Cllr Hawkins advised that the Council recognised that the renewal of the Torfield Play Area had generated strong feelings on both sides of the argument. However, the public right to ask questions at meetings of the Executive was an important part of the Council's interaction with the community. While there were some necessary limits on what could be asked, if a question was within the scope allowed, then there was no reason why it should not be answered.

E.38/20 EXECUTIVE FORWARD PLAN

Members were presented with the Executive Forward Plan setting out items on the agenda for Executive meetings for the next four months and noted its content.

E.39/20 PAY AND DISPLAY CHARGES REVIEW

The Executive was presented with a report that sought to implement a previous decision taken by the Council to raise parking charges only once during the current political term (up to May 2023).

In debate, a lengthy discussion ensued on the need to increase the provision of Electric Charging Points in Council Car Parks. As a way forward, the lead Executive Member committed to providing a report on a draft Electric Charging Points Strategy to Members during early 2021.

It was then:

RESOLVED

1. That the Head of Assets be authorised to publish notice of proposals for the South Hams District Council (Off-Street Parking Places) Order 2021 to consolidate (with amendments) the current Off-Street Parking Places Order. The amendments to be made to be:
 - 1.1 applying the Pay and Display Charges in accordance with Appendix A of the presented agenda report;
 - 1.2 making reference to Electric Charging Points;
 - 1.3 incorporating the new reserved parking bays at Bigbury Car Park (as set out in Appendix B of the presented agenda report);
 - 1.4 providing for no parking between 10.00pm and 6.00am at the Memorial and Strete Gate Car Parks Slapton;

- 1.5 applying parking charges 24 hours a day at Mayors Avenue Car Park, Dartmouth during the High Season only (March to October);
 - 1.6 applying parking charges from 8.00am until 10.00pm at Memorial, Strete Gate, Torcross Tank and Torcross Layby Car Park, Slapton;
 - 1.7 increasing the Dittisham Sailing Club, Dittisham permit from £25 to £30;
 - 1.8 amending the Dartmouth Market Square, Dartmouth no parking restriction from between 6.00am and 5.00pm to no parking between 6.00am and 9.00am Tuesday and Friday;
 - 1.9 reserving 3 bays at Dartmouth Market Square (as set out in Appendix C of the presented agenda report) for Dartmouth Town Council permit holders only Monday – Friday between 7.30am and 5.00pm;
 - 1.10 where the all-day parking tariff is increased as a result of these recommendations, the permit price will be increased thereafter should it be introduced in line with the permit pricing formula; and
 - 1.11 including Steamer Quay Road, Totnes (as shown at Appendix D of the presented agenda report) within the Off-Street Parking Places Order; and
2. That the Head of Assets be requested to prepare a report summarising the representations received in response to the notice of proposals for consideration by the Executive before making a decision whether to make the Off-Street Parking Places Order as proposed or with modifications.

E.40/20 **PARKING PERMIT REVIEW**

A report was considered that sought to approve revisions to the Permit Review and Charges to come into effect in March 2021.

During his introduction, the lead Executive Member wished to put on record his thanks to lead officers for presenting such a sensible solution to what had been a longstanding problem.

In discussion, the following points were raised:

- (a) Some Members highlighted that, in certain Council Car Parks, the number of permits allocated to second home owners was disproportionately high. In response, the lead Member informed that the conclusion had been reached that it would be unfair to take permits away from existing customers. However, a further review into the Permit Policy would be carried out in 2021;
- (b) It was noted that one of the main drivers underpinning the review had been to increase the availability of car parking spaces during peak times and that this would be beneficial to the local economy;

- (c) In citing the revised proposals at Slapton, Torcross and Bigbury, a Member stated that this had demonstrated that feedback gained from the consultation process had been taken into account;
- (d) A non-Executive Member stated his strong opposition to the proposed revisions and felt it to be wholly unacceptable that, if approved, some permits were to more than double in price. In her agreement, another non-Executive Member highlighted the economic impact of the COVID-19 Pandemic and felt the timing of these proposals were very unfortunate. Other Members replied that the current provision of Permits was very inconsistent and the pricing strategy had been frozen for a number of years;
- (e) In response to an invitation, the lead Member confirmed that he would be happy to attend a remote public meeting in Kingsbridge to address some of the concerns that were being raised within that community.

It was then:

RESOLVED

That the proposed revisions to the Permit Review and Charges be approved in accordance with Appendix A of the presented agenda report and the Off-Street Parking Order be amended and come into effect in March 2021.

E.41/20

COVID-19 RECOVERY PLAN PROGRESS UPDATE

Members considered a report that provided an update on the Council's ongoing response and recovery activity and presented the recommendations of the Overview and Scrutiny Panel Task and Finish Groups.

In discussion, the following points were raised:-

- (a) A non-Executive Member highlighted the following action within the draft Recovery Plan and questioned whether it would be given a high priority:

'To explore opportunities to invest in our High Streets by buying empty premises and letting with a rent free period / other incentives to attract businesses into the area.'

In response, it was hoped that this matter could be addressed when the draft Plan was presented to the Council meeting on 17 December 2020. In taking this point a step further, officers committed to adding a short / medium and high priority to each action contained within the draft Plan. Furthermore, it was also requested that these time based priorities should be defined within the Council report;

(b) An amendment to the report recommendation was **PROPOSED** and **SECONDED** that read as follows:

3. *That, for the Localities and Communities Task and Finish Group findings, officers assess the feasibility and cost of implementing the proposals and present a further report back to a future Executive meeting;*
4. *That officers use the Framework developed by the Consultation & Engagement Task and Finish Group to develop and present (for adoption) a draft Consultation & Engagement Strategy to the Council Meeting to be held on 17 December 2020 and that reference to the: 'If you want to go fast go alone, if you want to go far, go together' proverb be deleted;*

The proposer of the amendment wished to thank both Task and Finish Groups for their findings and was of the view that they had been positive examples of the Overview and Scrutiny function complimenting the Executive. In discussion on the amendment, reference was made to:

- a wish for the report on the Localities and Communities Task and Finish Group findings to take into account the potential for an increased service provision during the February half-term period. Without wishing to put undue pressure on the lead officers, the need for this report to be published as soon as was practically possible was recognised;
- a wish to thank the Localities Team for their excellent work during this year; and
- confirmation that the principles established by the Consultation & Engagement Task and Finish Group would be applied to the public consultation exercise on the draft Housing Strategy;

When put to the vote, the amendment was declared **CARRIED**.

It was then:

RESOLVED

1. That the Council's continuing response to the COVID-19 Pandemic be noted;
2. That the Council's progress in developing and delivering the Recovery and Renewal Plan be noted;
3. That, for the Localities and Communities Task and Finish Group findings, officers assess the feasibility and cost of implementing the proposals and present a further report back to a future Executive meeting;

4. That officers use the Framework developed by the Consultation & Engagement Task and Finish Group to develop and present (for adoption) a draft Consultation & Engagement Strategy to the Council Meeting to be held on 17 December 2020 and that reference to the: 'If you want to go fast go alone, if you want to go far, go together' proverb be deleted; and
5. That officers be requested to finalise the Recovery and Renewal Plan in-line with the approach outlined in the presented agenda report and present it to the Council meeting to be held on 17 December 2020 for adoption.

E.42/20

HOUSING STRATEGY PUBLIC CONSULTATION

Consideration was given to a report that recommended that approval be given, for public consultation purposes, to the draft Housing Strategy and that the Council undertake a five week public consultation exercise on this important strategic document.

In discussion, reference was made to:-

- (a) the production of an Annual Delivery Plan. Officers stated that it was their intention for an Annual Delivery Plan to be produced with the first iteration being published alongside the revised draft Strategy in March 2021;
- (b) emphasis on social housing. Members welcomed the emphasis in the draft Strategy to social housing;
- (c) the focus to be given to both the need for a locally based calculated housing allowance and making far better use of the current housing stock. Members were of the view that there was a need for ongoing lobbying on both of these important matters;
- (d) the Strategy being a joint document with West Devon Borough Council. When questioned, officers confirmed that a similar proposal had been approved at the Borough Council's Hub Committee meeting held on 1 December 2020. In addition, officers gave assurances that, wherever possible, the feedback gained during the public consultation exercise would be separated between the two Councils;
- (e) the work of officers. Members noted the excellent work undertaken by the lead officers in producing this draft Strategy in such a tight timescale.

It was then:

RESOLVED

1. That the draft Housing Strategy 2021-26 (as set out at Appendix A of the presented agenda report) be approved for consultation;
2. That the Head of Housing, Revenues and Benefits be authorised to carry out a public consultation exercise on the draft Strategy; and
3. That a report on the outcome of the consultation exercise be brought back to the Executive in March 2021.

E.43/20

ALLOCATION OF SECTION 106 FUNDS FOR OPEN SPACE, SPORT AND RECREATION PROJECTS

Members considered a report that requested the release or allocation of Section 106 funds over £30,000 for the delivery of a number of Open Space, Sport and Recreation Projects.

In his introduction, the lead Executive Member informed of his intention, at the appropriate time, to propose an alternative set of recommendations for the Marldon Parish Council proposal (recommendation parts 4, 5 and 6 below refer). In addition, the Member acknowledged the vast number of representations from Marldon residents that had been received by the Council and circulated to all Members. The fact that the Parish Council had now conducted a Public Survey and that 82% of responses received were supportive of the proposals was also recognised.

At the invitation of the lead Member, the report author also wished to make the point that some projects highlighted in the presented agenda report were being delivered in neighbouring wards. For example, with regard to the funds generated in Bickleigh and Cornwood, they were not only supporting projects within that ward but also within the Plymouth City Council ward boundaries.

In discussion, the following points were raised:-

- (a) Members hoped that these projects could be delivered as quickly as was practically possible;
- (b) It was noted that all Members had a key role to play in this process and they were strongly encouraged to attend their local town and parish councils and raise awareness of the ability to bring forward potential projects and schemes.

It was then:

RESOLVED

1. That approval be given to the release or allocation of Section 106 funds for Open Space, Sport and Recreation projects as set out in Table 1 of the presented agenda report (for Bickleigh and Cornwood; Dartington and Staverton; and Ivybridge West wards);
2. That, where a project is identified, agreement of specific details be delegated to the Head of Place Making, in consultation with the local Ward Member(s) and lead Executive Member;
3. That agreement to any substitution of alternative projects to those identified in Table 1 of the presented agenda report be delegated to the Head of Place Making, in consultation with the local Ward Member(s) and lead Executive Member, subject to the alternative being in accordance with the Section 106 Agreement;
4. That, in view of the further public consultation undertaken by Marldon Parish Council, and the amount of grant applied for representing a proportionately small amount of the total costs of the renewal works identified by Marldon Parish Council as being necessary, approval be given to the allocation of up to £45,000 towards the renewal of Torfield Play Area, subject to the Director of Place and Enterprise being satisfied as to the value for money. (NB. the release of funds will also be subject to confirmation that funding for the remainder of the project has been secured);
5. That approval be given to the allocation of the remainder of the funds available in Marldon, in accordance with a Parish Open Space, Sport and Recreation Plan; and
6. That agreement of the details of specific projects within the Open Space, Sport and Recreation Plan be delegated to the Head of Place Making, in consultation with the local Ward Member and the lead Executive Member.

E.44/20

SCHOOLS' RECYCLING SERVICE

A report was considered that recommended the continuation of the provision of a free recycling service to schools using the domestic rounds. However, in order to reduce the burden this service had on the domestic collection rounds, the containers used would be aligned to the new domestic recycling service, with a limit being introduced on the number of containers that could be used. In instances where schools generated recycling above the limits, they would be required to arrange a trade recycling collection.

During discussion, the importance of educating schoolchildren on the importance of recycling was highlighted.

It was then:

RESOLVED

That approval be given to:

1. the proposal for a continuation to the free recycling service for schools ('Option 1') as set out in Section 4.2 of the presented agenda report; and
2. the policy as set out at Appendix A of the presented agenda report.

E.45/20 **GRANTING OF A LONG LEASE AT ERME VALLEY PLAYING FIELDS, IVYBRIDGE**

A report was considered that sought to approve a long lease of land at Erme Valley Playing Fields to Ivybridge Town Council, currently let to Ivybridge Football Club.

In discussion, reference was made to:

- (a) the successes of the Football Club. In support of the proposals, Members wished the Football Club continued success;
- (b) the ownership boundaries relating to this site. In response to some specific points raised by a local Ward Member, officers agreed to follow these issues up with legal colleagues outside of the meeting.

It was then:

RESOLVED

That approval be given to a long lease of land at Erme Valley Playing Fields to Ivybridge Town Council, currently let to Ivybridge Football Club.

(NOTE: THESE DECISIONS WILL BECOME EFFECTIVE FROM 5.00PM ON MONDAY 14 DECEMBER 2020 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).

(Meeting commenced at 10:00 am and concluded at 12:40 pm)

PUBLIC QUESTIONS AT EXECUTIVE MEETINGS

The Council has agreed that 15 minutes should be set aside at the beginning its monthly Executive meetings to allow members of the public to ask questions.

Any member of the public who wants to raise a question at a meeting should:-

- (a) submit the question in writing to Democratic Services (Democratic.Services@swdevon.gov.uk) by 5.00 pm on the Monday prior to the Executive meeting. This will allow a detailed answer to the question to be given at the meeting. If advance notice of the question cannot be given, the Chairman of the meeting has the discretion to allow questions on matters which are felt to be urgent;
- (b) ensure that normally questions are no longer than 50 words in length;
- (c) ensure that the question does not relate to a specific planning matter (this is specifically excluded from the public question time);
- (d) ensure that the question relates to something over which the Council has some control and is suitable to be considered, ie, that it is not derogatory to the Council; or relates to matters which the Council could consider confidential; or is substantially the same as a question which has previously been put in the past six months.

For any further advice on questions for Executive meetings, please contact Democratic Services (Democratic.Services@swdevon.gov.uk)

This page is intentionally left blank

Report to: **Executive**

Date: **17th December 2020**

Title: **Month 7 Revenue Budget Monitoring
2020/2021 (to the end of October 2020)**

Portfolio Area: **Support Services – Cllr H Bastone**

Wards Affected: **All**

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

Date next steps can be taken: **N/A**

Author: **Pauline Henstock** Role: **Head of Finance Practice
and Deputy S.151 Officer**

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

Contact: pauline.henstock@swdevon.gov.uk
lisa.buckle@swdevon.gov.uk

Recommendations:

That the Executive resolves to:-

- i) Note the significant forecast income and expenditure variations for the 2020/21 financial year and **the overall projected underspend of £69,000** (0.7% of the total Budget £9.41 million).
- ii) Note the loss of income streams already experienced by the Council in April 2020 to October 2020 of £1.475 million in total as shown in Section 6 of the report.
- iii) Recommend to Council to transfer £100,000 into a COVID Earmarked Reserve, to protect against future COVID losses in 2021-22, as set out in 1.8.

1. Executive summary

- 1.1 Covid 19 has caused financial strain for all Councils up and down the country where Councils find themselves being caught in a 'perfect storm'. Councils have to manage both the increased costs of coping with Covid19 and supporting vulnerable people in the community and the loss of key income streams such as car parking income and council tax income.
- 1.2 The factors affecting the Council's finances are issues affecting the whole Local Government sector. The Council is well-placed to meet the financial challenges arising from Covid19, due to its prudent financial management over previous years.
- 1.3 This report enables Members to monitor income and expenditure variations against the approved budget for 2020/21, and provides a forecast for the year end position.
- 1.4 The gross service expenditure budget for 2020/21 was set at £40 million (£9.41 million net). ***This report identifies a projected underspend of £69,000 which is 0.7% of the overall Budget set for 2020-21 of £9.41 million.***
- 1.5 This position is after taking into account the £1.121 million Government grant already received for Covid-19 and the estimated £1.1 million Government funding that the Council is anticipating towards income losses on sales, fees and charges. This position is also after factoring in the one-off funding sources of £1.313 million, which were approved by Council on 24th September 2020 for the Amended Budget for 2020-21. The figures in 1.4 excludes any reimbursement of lost income for Salcombe Harbour, as this is a ring fenced account so any financial impact on the Harbour has been excluded from this report.
- 1.6 The Council's level of Unearmarked Reserves currently stands at £1.898 million. The underspend reported in this report of £69,000 would be added to Unearmarked Reserves. It was approved as part of the Amended Budget to use £200,000 from Unearmarked Reserves to fund the Base Budget. This gives a year end balance of £1.767 million. As part of the Budget process, Members have set a minimum balance for Unearmarked Reserves of £1.5 million.
- 1.7 The loss of income streams already experienced by the Council from April 2020 to October 2020 total £1.475 million, as shown in Section 6 of the report.
- 1.8 It is recommended to transfer £100,000 into a COVID Earmarked Reserve, to protect against future COVID losses in 2021-22. The £100,000 is the 4th tranche of Government COVID funding. This will provide some funding in 2021-22, should the Council still be experiencing losses in income from COVID. The £69,000 underspend predicted in this report is the position after factoring in the transfer of £100,000 into a COVID Earmarked Reserve.

2. Background

2.1 Regional and national context

2.2 The previous budget monitoring position for the end of June was reported to the Executive on 30th July 2020. This report contained details on the joint lobbying with 'Team Devon' regarding the Coronavirus pandemic and its impact on the Councils' finances across Devon Councils. Local Government is a frontline service and we want to ensure our voice is heard in the calls for financial support.

2.3 On 2nd July, the Rt Hon Robert Jenrick MP announced a new comprehensive package of support for Councils, to address spending pressures and losses in income streams. There were three central pillars of support announced:-

- A new scheme to compensate Councils for losses of income, though not in their entirety (an 'income guarantee' scheme)
- An extra £500million to cover extra COVID19 expenditure costs
- To allow council tax and business rate losses in income to be repaid over the next 3 years of budget cycles, instead of just the next one year

2.4 The Government will compensate Councils for their income losses above the first 5% of their budgeted income from sales, fees and charges. Income losses above the first 5% will be compensated by the Government paying for 75 pence in every pound of the losses thereafter. This has been estimated at £1.1 million for the Council for 2020-21, based on the income shortfalls to date. The first claim for £560,625 has already been paid by the Government. In the Spending Review announced on 25th November 2020, the Chancellor confirmed that the sales, fees and charges income compensation scheme will be extended to cover the first three months of 2021-22.

2.5 This Budget Monitoring report also excludes the impact of reductions in income from Business Rates and Council Tax as these do not affect the General Fund in 2020/21 (apart from the pooling gain). This is further explained in Section 6.

2.6 The Chancellor announced a Tax Income Guarantee Scheme for 2020-21 as part of the Spending Review 2020. The new reimbursement scheme, worth £762m nationally for 2020-21 local tax losses, will be launched to compensate Councils for 75% of irrecoverable losses of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. This will be paid through an unringfenced grant. Further details are awaited.

2.7 Financial Monitoring arrangements

2.8 The Council's financial procedure rules require that reports must be made on budget monitoring on a regular basis to the Executive as part of the Council's arrangements for budget management. Revenue budget monitoring reports are normally brought to the Executive on a quarterly basis. However due to the current Covid 19 pandemic and the subsequent financial pressures facing Local Authorities, it was felt more prudent to update the Executive on a more regular basis.

3. Outcomes/outputs

3.1 **Budget overview** - Table 1 below provides an analysis of the projected variances against budget.

TABLE 1: 2020/21 BUDGET FORECAST

	2020/21 Budget expenditure /(income)	Budget variations		£000	Note
		%	£000		
	£000	%	£000	£000	
APPROVED BUDGET 20/21				9,411	
Reductions in expenditure/additional income					
Customer Service & Delivery					
COVID-19 Government grant support (the Council's share of allocations – 1 st , 2 nd and 4 th tranches of COVID funding)	-	-	(1,000)		A
Savings on staff and Member travel and expenses	98	51%	(50)		B
Savings on trade waste disposal costs	390	21%	(80)		C
Place and Enterprise					
Follaton House utility savings	142	14%	(20)		D
Sub total of variations				(1,150)	
Increases in expenditure/reductions in income					
Customer Service & Delivery					
COVID-19 expenditure	n/a	n/a (no budget)	290		E

	2020/21 Budget expenditure /(income)	Budget variations			Note
Planning income	(918)	24%	220		F
Homelessness – reimbursement of expenditure	(256)	37%	95		G
Investment income	(203)	30%	60		H
Licensing income	(201)	30%	60		I
Land Charges income	(170)	12%	20		J
Council Tax Collection income	(155)	75%	115		K
Housing Benefit overpayment recoveries	(145)	100%	145		L
Pannier Markets income	(110)	28%	30		M
Pollution Control income – mainly private water sampling	(33)	30%	10		N
Place and Enterprise					
Car and boat parking income - assumes actual losses in April to October, 90% reduction in November and 40% reduction December to March	(3,160)	35%	1,120		O
Employment Estates income	(877)	15%	130		P
Dartmouth Lower Ferry income	(818)	25%	205		Q
Community Parks & Open Spaces income	(129)	78%	100		R
Coast Protection income	(59)	25%	15		S
Outdoor Sports & Recreation income	(50)	50%	25		T
Governance & Assurance					
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service	2,778	8%	209		U
Trade Waste income	(819)	17%	140		V
Other Comprehensive Income & Expenditure					
Business Rates Pooling gain	(225)	100%	225		W
Provision for Bad and Doubtful Debts	n/a	n/a	180		X
Sub total of variations				3,394	
PROJECTED OUTTURN				11,655	
Government grant funding anticipated from the income guarantee scheme for sales, fees and charges				(1,100)	Y

	2020/21 Budget expenditure /(income)	Budget variations			Note
Recommendation 3: Transfer to a COVID Earmarked Reserve: (Fourth tranche of COVID funding of £100K)				100	Z
Amended Budget 2020/21 financing sources (includes the third tranche of Government COVID funding of £121K)				(1,313)	AA
Sub-total				9,342	
PROJECTED UNDERSPEND FOR 2020-21				(69)	

There is projected to be an overall underspend (surplus) of £69,000 when compared against the total net revenue budget set for 2020/21

This position is after taking into account the £1.12 million Government grant received for Covid-19 and the estimated £1.1 million Government funding that the Council is anticipating towards income losses on sales, fees and charges. This excludes Salcombe Harbour which is a ring-fenced account.

Notes

- A. **COVID-19 grant support** – The Council has received £1.12m of Government grant support for the Covid19 pandemic from four tranches of Government funding. This will assist the Council to partly meet its projected loss of income streams but it is only part of the solution.
- B. **Savings on staff and Member travel and expenses** – due to Covid 19 it is currently anticipated that a saving of up to £50,000 could be achieved in 2020/21. These savings are due to staff and Members working from home in accordance with Government guidance.
- C. **Savings on trade waste disposal costs** – due to the anticipated shortfall in trade waste income (see Note V) there is likely to be a consequential reduction in disposal costs of £80,000 in 2020/21.
- D. **Follaton House utility savings** – savings on utility costs, mainly water and electricity

- E. **COVID-19 expenditure** – One-off items of direct Covid 19 expenditure such as extra housing and homelessness costs, ICT and remote working, cleaning costs, community support and shielding costs. These costs are included on the monthly DELTA Government returns completed.
- F. **Planning income** – planning income is projected to be down by 24% (£220,000) due to Covid 19, this is a slightly improved position from the July monitoring report which projected a 30% shortfall. However, this is a volatile area which can be very difficult to forecast so it will be kept under close review over the coming months.
- G. **Homelessness – reimbursement of homelessness expenditure** is currently forecast to be reduced by 37% (£95,000) due to Covid 19.
- H. **Investment income** – due to the historic low in interest rates (base rates are 0.1%), investment income is currently anticipated to be 30% down which equates to a shortfall of £60,000. Further options for fixed term deposits will continue to be explored with the Council's treasury management advisers.
- I. **Licensing income** – due to Covid-19 it is currently anticipated that licensing income could be reduced by 30% (£60,000) in 2020/21.
- J. **Land Charges income** – based on income to date a shortfall of 12% in land charges income is currently forecast for 2020/21 which equates to £20,000.
- K. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates are currently anticipated to be 75% down on the 2020/21 budget.
- L. **Housing Benefit overpayment recoveries** – it is unlikely that any of this income target (£145,000) will be achieved in 2020/21 as we expect to see fewer overpayments being created due to the introduction of DWP Real Time Information referrals. There is also an expectation that recovery will reduce year on year as collection becomes more difficult. This is partly due to Covid 19. This is in line with the outturn position for 2019/20 where this income target has not been achieved. The income target has been reduced to Nil for 2021/22 and reflected within the Medium Term Financial Strategy.
- M. **Pannier Markets income** – assumes a 28% drop in Pannier Markets income in the year.
- N. **Pollution Control income** – pollution control income (mainly private water sampling) is likely to be 30% down on budget due to Covid 19.

- O. **Car & boat parking income** – The prediction for the year (a £1.120 million reduction in income) includes the actual losses in car parking income for the first seven months and an assumption of a 90% drop in November followed by an on-going 40% drop in income levels from 1st December 2020 for the rest of the year. This would equate to an overall 35% reduction in the budgeted income for the year of £3.160 million. The actual shortfall in income from April to October is £555,000. This position will be monitored on a monthly basis.
- P. **Employment Estates income** – based on a high level review of invoices paid to date an income shortfall of 15% is currently modelled for Employment Estates. This equates to £130,000. This is a worst case scenario.
- Q. **Dartmouth Lower Ferry income** – assumes a reduction in income of 25% over the financial year which equates to a loss of £205,000. In the first seven months to the end of October, the ferry income has been down by £101,000 in total.
- R. **Community Parks & Open Spaces income** – due to Covid 19 a shortfall in Community Parks & Open Spaces income of 78% is currently anticipated. This equates to £100,000.
- S. **Coast Protection income** – Coast Protection income is likely to be 25% down on the 2020/21 budget due to Covid 19.
- T. **Outdoor Sports & Recreation income** – an income shortfall of £25,000 is currently anticipated for outdoor sports and recreation due to Covid 19 (contribution for use of leisure facilities).
- U. **Waste and Recycling – Devon Aligned Service start date** - there will be a delay to the end of September 2020 start date for the Devon Aligned Service. The new recycling service was due to be introduced this Autumn with collections starting on 28 September 2020. However, due to the Covid-19 situation, this date is no longer achievable and our officers and the waste contractor are closely monitoring the situation and striving to ensure the delay is as short as possible. The main reasons for the delay are associated with the impacts of Covid19 on the delivery dates of the recycling fleet, the delivery dates of the new containers and the construction of the Ivybridge transfer station. The costs of £209,000 are included on the monthly DELTA Government returns completed.

Previously, the costs incurred by the delay to the new service were reported at £325,000 as a worse-case scenario. However, continued negotiation by officers with suppliers and Devon County Council, has resulted in the more likely lower figure of £209,000 (based on a five month delay). The majority of the costs are associated with continuing to supply single-use sacks for recycling and the reprocessing of the recyclable materials in the current global market.

- V. **Trade Waste income** – it is currently modelled that trade waste income could be down by 17% in 2020/21 due to Covid 19 equating to £140,000. However, this cost is anticipated to be partly offset by a reduction in trade waste disposal costs of £80,000 (see C. above)
- W. **Business Rates Pooling Gain** – due to Covid 19 it is anticipated that there will be no Business Rates Pooling Gain in 2020/21. The S151 Officer and the Business Rates Specialist will continue to attend the Devon Business Rates Pooling meetings and provide quarterly monitoring information on the business rates position. A worst case scenario of no pooling gain has been modelled in this report.
- X. **Provision for Bad and Doubtful Debts** – An increase in the provision for bad and doubtful debts of £180,000 has been estimated for 2020/21. This provision covers debts such as Sundry Debtors and Housing Benefit debt but will exclude bad debt provisions for Council Tax and Business Rates income streams.
- Y. **Government Grant Funding for Income Losses** – on 2 July, the Rt Hon Robert Jenrick MP announced a new scheme to compensate Councils for losses of sales, fees and charges income, though not in their entirety. The Government will compensate Councils for their income losses above the first 5% of their budgeted income from sales, fees and charges. Income losses above the first 5% will be compensated by the Government paying for 75 pence in every pound of the losses thereafter. This has been estimated at £1.1m for the Council for 2020-21, based on the income shortfalls to date. The first claim for £560,625 has already been paid by the Government.
- Z. **Transfer to Earmarked Reserves** – It is recommended to transfer £100,000 into a COVID Earmarked Reserve, to protect against future COVID losses in 2021-22. The £100,000 is the 4th tranche of Government COVID funding. This will provide some funding in 2021-22, should the Council still be experiencing losses in income from COVID.
- AA. **Amended Budget 2020/21** – The Council set an Amended Budget in 2020/21 on 24th September 2020. The one-off funding sources identified totalled £1.313m.

4. Review of Earmarked Reserves

- 4.1 The Council annually undertakes a review of the level of its Earmarked Reserves as part of the budget setting process. Budgeted contributions to and from Earmarked Reserves as part of the 2021/22 Budget will also be assessed.
- 4.2 A schedule of Earmarked Reserves is attached at Appendix A, which shows Earmarked Reserves have a projected balance of £10.254 million at 31.3.2021 currently.
- 4.3 The Council's level of Unearmarked Reserves currently stands at £1.898 million. The underspend reported in this report of £69,000 would be added to Unearmarked Reserves. It was approved as part of the Amended Budget to use £200,000 from Unearmarked Reserves to fund the Base Budget. This gives a year end balance of £1.767 million. As part of the Budget process, Members have set a minimum balance for Unearmarked Reserves of £1.5 million.

5. Prudential Indicators

- 5.1 The prudential code indicators were approved in the Capital, Investment and Treasury Management Strategy report to Council on 30th April 2020. The indicators are monitored during the year through the normal revenue and capital monitoring processes. All Treasury Management limits have been adhered to.

6. Income and Reserves

Income monitoring is an integral part of financial management. Below shows the current income shortfalls already experienced for April to October 2020 (**which total £1,475,000**). The table also shows the latest 2020/21 projections for the major streams of income.

Service	April - June 2020 £'000	July - Sept 2020 £'000	Oct 2020 £'000	Projected Income 2020/21 £'000	Income Budget 2020/21 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks*	633	(18)	(60)	2,040	3,160	1,120	35%
Planning	67	48	9	698	918	220	24%
Employment Estates*	56	54	18	747	877	130	15%
Trade Waste*	75	57	19	679	819	140	17%
Dartmouth Ferry	155	(37)	(17)	613	818	205	25%
Homelessness*	31	33	11	161	256	95	37%
Business Rates Pooling Gain	57	36	12	-	225	225	100%
Investment income	45	18	6	143	203	60	30%
Licensing*	29	3	1	141	201	60	30%
Land Charges	22	(25)	(9)	150	170	20	12%
Council Tax Collection	18	33	11	40	155	115	75%
Housing Benefit overpayments	36	36	12	-	145	145	100%
TOTAL	1,224	238	13	5,412	7,947	2,535	32%

Note* N.B. It is difficult to gauge an exact income position for these services as some of the income is raised via sundry debtors. As soon as the sundry debtor invoice is raised the income is credited to the ledger in line with proper accounting practice. For these services a best judgement has been made at this stage in terms of how much debt is likely to remain unpaid. All invoices raised in excess of £5,000 have been looked at in detail to see if they have been settled as at 30th October 2020.

Salcombe Harbour

Salcombe Harbour is a ring-fenced account and therefore any financial impact on Salcombe Harbour is excluded from this report. Separate budget monitoring updates are being presented to the Salcombe Harbour Board.

Council Tax and Business Rates Income

Reductions in Council Tax and Business Rates income are excluded from this report, as these do not affect the General Fund in 2020/21, due to the way the accounting for these income streams go through the Collection Fund. Therefore a large part of the reductions in income will affect the Council's financial position in 2021/22, although it does affect the cashflow position of the Council in 2020/21. Reductions in the collection rate for Council Tax and Business Rates will be reflected within the Collection Fund accounting. No pooling gain for Business Rates has been assumed for 2020/21.

On 25th November 2020, the Chancellor announced a Tax Income Guarantee Scheme for 2020-21 as part of the Spending Review 2020. The new reimbursement scheme, worth £762m nationally for 2020-21 local tax losses, will be launched to compensate Councils for 75% of irrecoverable losses of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. This will be paid through an unringfenced grant.

7. Management Actions

- 7.1 It is best practice as part of Budget Monitoring reports, for the Council to state whether there are any corrective actions that need to be taken for the variances identified in the report.
- 7.2 The Recovery and Renewal Plan, as the Council's response to Covid19, sets out Financial Stability as a Recovery and Renewal Theme.
- 7.3 The management actions for this Budget Monitoring report are as set out below:-
 - To complete monthly Government returns on COVID costs and loss of income
 - To continue lobbying with 'Team Devon' for further Government financial support in light of the impact of Covid 19
 - Regular budget monitoring reports, to including monitoring reserves
 - A continual review of statutory versus discretionary expenditure
 - A continual review of the Council's Capital Programme
 - A continual review of all Earmarked Reserves and contributions to Earmarked Reserves
 - The Medium Term Financial Strategy was revised in October
 - To lobby Government for a change in some of the 'rules' for Councils (such as to change the accounting rules for capital repayments on borrowing and capital receipts flexibility)
 - To lobby for fair funding for rural Councils
 - Assess options for further investment

8. Options available and consideration of risk

8.1 At this stage it is important to note that these forecasts can change over the course of the year. Managers can seek out opportunities to reduce any overspends, whilst considering the risk of any adverse impact on the customer experience.

9. Proposed Way Forward

9.1 Revenue budget monitoring will continue on a regular basis and further reports will be brought to the Executive during the current Covid 19 situation.

10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is required to make arrangements for the proper administration of its financial affairs. As part of those arrangements, the Council is under a duty to monitor its budgets throughout the financial year and to take appropriate action to deal with any deterioration in the financial position revealed by the regular monitoring.
Financial implications to include reference to value for money	Y	<p>The report identifies a projected underspend of £69,000 which is 0.7% of the overall budget set for 2020/21 of £9.41 million.</p> <p>This position is after taking into account the £1.12 million Government grant received for Covid-19 and the estimated £1.1 million Government funding that the Council is anticipating towards income losses on sales, fees and charges. This position is also after factoring in the one-off funding sources of £1.313 million, which were approved by Council on 24th September 2020 for the Amended Budget for 2020-21.</p> <p>The loss of income streams already experienced by the Council from April 2020 to October 2020 total £1.475 million, as shown in Section 6 of the report.</p> <p>It is recommended to transfer £100,000 into a COVID Earmarked Reserve, to protect against future COVID losses in 2021-22. The £100,000 is the 4th tranche of Government COVID funding received. This will provide some funding in 2020-21, should the Council still be experiencing losses in income from COVID. The £69,000 underspend predicted in this report is the position after factoring in the transfer of £100,000 into a COVID Earmarked Reserve.</p>

Risk	Y	<p>1) Budget variances – continual monthly budget monitoring at all levels within the Council ensures early identification of variances. Reporting to the Executive provides an opportunity for Members to identify and instigate remedial action where appropriate.</p> <p>2) Resource Planning – the Executive takes into account any significant issues when developing the Council’s Medium Term Financial Strategy. These are identified in the Management Actions section of the report (Section 7).</p>
Supporting Corporate Strategy		The budget monitoring process supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change – Carbon / Biodiversity Impact		There is a report being presented to Council on 17 th December 2020 ‘Climate Change and Biodiversity Strategy and Action Plan update’. This report recommends that the Climate Change and Biodiversity Strategy is adopted. The report also sets out the proposed allocation of the £400,000 in the Climate Change Earmarked Reserve. (£20,000 has already been allocated to support the delivery of work to improve the energy efficiency of the existing housing stock in light of the successful Green Homes Grant bid – Minute E.31/20 refers).
<i>Comprehensive Impact Assessment Implications</i>		
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

Appendix A – Schedule of Reserves (Earmarked Reserves and Unearmarked Reserves)

Background Papers:

Council – 24th September 2020 – Amended Budget 2020-21

Executive – 30th July 2020 – Month 3 Revenue Budget Monitoring 2020/21

Executive – 18th June 2020 - Months 1 & 2 Revenue Budget Monitoring 2020/2021

Finance Community of Practice budget monitoring working papers.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

This page is intentionally left blank

RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)						APPENDIX A
	Cost Centre	Opening balance 01.04.2020 £000s	Additions to Reserve 2020/21 £000s	Predicted Spend 2020/21 £000s	Projected balance 31.03.2021 £000s	Comments
EARMARKED RESERVES						
Specific Reserves - General Fund						
Affordable Housing	S0822	(706)	0	211	(495)	Funding of Capital Programme commitments and £40K set up costs of the Community Benefit Society, Wholly Owned Company (E.78/19)
Beach Safety	S0839	(14)			(14)	
Capital Programme	S0820	(26)	(182)	208	0	Capital Programme commitments
Community Housing Fund	S0854	(494)		351	(143)	Community Housing schemes
Community Parks and Open Spaces	S0826	(37)	(17)	25	(29)	South Devon Tennis Courts, Cycling Design Work Plym to Tavistock etc.
Covid Earmarked Reserve (subject to Council approval)	New code	0	(100)	0	(100)	It is recommended that the COVID-19 LA Support Grant (4th tranche of £100K) is put into a COVID Earmarked Reserve as per Recommendation 3.
Dartmouth Ferry Repairs & Renewals	S0830	(446)	(117)	118	(445)	Dart Lower Ferry Workshops engineering (health and safety urgent works) £94k, additional fleet refurbishment works £24k
District Elections	S0838	0	(10)		(10)	
Economic Initiatives	S0831	(6)		4	(2)	Pop up Business School
Economic Regeneration (Business Rates pilot gain 2018/19)	S0858	(319)		280	(39)	Spend commitments include £65,000 for the Ivybridge Regeneration project (Executive 18th June 2020), £88,000 Fusion Leisure support payments July to Sept, and £127,000 contribution to Base Budget (part of Amended Budget 20/21)
Emergency Climate Change Projects Reserve	S0852	0	(400)	20	(380)	Set up of this reserve approved Exec 6th Feb 20 E74/19, funded by contribution from New Homes Bonus Reserve. As per the Executive report on 22nd October 2020, to utilise £20,000 to support the delivery of the Green Homes Grant scheme. There is a report on Council on 17.12.20 'Climate Change and Biodiversity Strategy and Action Plan update', which proposes initiatives for the £380,000.
Environmental Health Initiatives	S0857	(20)		11	(9)	EH student specialist salary costs
Homelessness Prevention	S0851	(112)			(112)	This reserve has been created following underspends on Homelessness Prevention Costs in previous years.
ICT Development	S0836	(122)	(50)	122	(50)	Commitments include £83,000 towards the Future IT Procurement, Council 13/2/20 E75/19
Innovation Fund (Invest to Earn)	S0850	(9)		9	0	Commitment to Community Housing Fund Reserve
Joint Local Plan	S0860	(21)			(21)	This is a new reserve for Joint Local Plan funding
Land and Development	S0829	(211)	(7)	104	(114)	Commitments include £103.5k Fusion Leisure monthly support due to temporary closure of leisure facilities during Covid 19 pandemic (April, May and June), £55k Follaton House Arboretum & Wedding Venue works
Leisure Services	S0858	(57)		14	(43)	Commitments include Playing Pitch Strategy £13k
Maintenance, Management and Risk Management Reserve (MMRM)	S0861	(8)	(29)		(37)	This is a new reserve set up to manage the ongoing maintenance costs of the Council's Commercial Property. The contributions to the reserve equate to 10% of the rental income, this is anticipated to be £29,000 in 2020/21.
Marine Infrastructure	S0828	(268)	(58)	0	(326)	Commitment of £200,000 relates to Batson Harbour Workshops (2019/20 £200K Capital Programme)
Members Sustainable Community Locality	S0846	(28)			(28)	This reserve holds the unspent balances.
New Homes Bonus	S0804	(1,696)	(1,199)	2,089	(806)	The NHB allocation for 20/21 was £1.199m. Commitments include £564k contribution to base revenue budget, £400k to Emergency Climate Change Projects Reserve and the Capital Programme budget 2018/19 & 2019/20. At Council in February 2020, it was approved to transfer the unallocated balance of £235,016 (from the 20/21 NHB allocation) into the New Homes Bonus Earmarked Reserve, with its future use to be decided when more details are known about the Spending Review for 2021/22 and following a Government consultation document on a replacement scheme for NHB. The uncommitted balance is £235,016.
On-Street Parking	S0834	(44)			(44)	
Pay & Display Equipment Renewals	S0833	(144)	(21)		(165)	This reserve provides for the periodic replacement of Pay & Display machines.
Pension Fund Strain Payments Reserve	S0810	(29)	(99)	99	(29)	This reserve is used to fund pension strain costs
Planning Policy & Major Developments	S0840	(187)			(187)	This reserve is for all planning matters and is also to meet appeal costs.
Renovation Grant Reserve	S0823	(7)			(7)	
Repairs & Maintenance	S0827	(203)	(13)	28	(188)	Commitment (£28K) relates to Mobile Phone Signal improvement works at Follaton House
Revenue Grants	S0821	(608)		54	(554)	This reserve comprises of government grants received for specific initiatives or new burdens and are held in the reserve for accounting purposes. The annual contribution of £48,700 from this reserve relates to the funding of three housing posts which were made permanent in the 2020/21 budget process and are funded from the Flexible Homelessness Support Grant.
Section 106 Deposits	S0842	(38)			(38)	This reserve comprises deposits with no repayment conditions - created as a result of IFRS
Section 106 Monitoring	S0929	(133)		22	(111)	This reserve funds the cost of an officer to oversee the administration of S106 deposits and how they are spent
Section 106 Technical Support	S0862	(16)		16	0	To meet the salary costs of a S106 technical support officer.
Strategic Change Reserve (T18)	S0849	(30)		30	0	Contribution to the Base Budget as per the Amended budget 20/21

Support Services Trading	S0856	(43)			(43)	Reserve was created from external work carried out in other Councils e.g. HR work with Councils also embarking on a Transformation Programme. Reserve maybe required in the future.
Sustainable Waste Management	S0837	(54)	(25)		(79)	Reserve was created for one-off waste management costs
Vehicles & Plant Renewals	S0832	(1,183)	(550)	1,733	0	Earmarked for the Fleet Replacement Programme as part of the Waste Contract. An annual contribution of £550,000 is made to this reserve. All committed for new fleet.
Sub Total excluding the Business Rates Reserve		(7,319)	(2,877)	5,548	(4,648)	
Business Rates Retention	S0824	(6,192)	0	586	(5,606)	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. Commitments mainly relate to (a) £3.5m ringfenced for Employment for the creation of local jobs (Council Feb 2018) (b) employment land opportunities - Amended Budget 24.9.2020 (c) 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. As part of the Amended Budget for 2020-21, it was agreed to use £343,000 from this reserve towards the 2020-21 budget shortfall of £1.3million. In addition, at Council in September 2020, it was approved to use £243,000 from this Reserve for further financial support for Fusion (the Council's leisure operator), so as to deliver improved health and wellbeing outcomes.
TOTAL EARMARKED RESERVES		(13,511)	(2,877)	6,134	(10,254)	
TOTAL UNEARMARKED RESERVES (General Fund Balance)		(1,898)	(69)	200	(1,767)	Note: This Unearmarked Reserve has a minimum balance of £1.5million (set by Members as part of the budget process). The predicted underspend for 2020-21 of £69,000 (as set out in this report) would be added to this Unearmarked Reserve. The Amended Budget set for 2020-21 approved the use of £200,000 from this Reserve to fund the Base Budget in 2020-21.
TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)		(15,409)	(2,946)	6,334	(12,021)	

Report to: **Executive**

Date: **17th December 2020**

Title: **Draft Revenue Budget Proposals for 2021-22**

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

Wards Affected: **All**

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

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

Contact: Email: lisa.buckle@swdevon.gov.uk

Recommendations:

It is recommended that the Executive :

- i) Notes the forecast budget gap for 2021/22 of £75,871 (0.8% of the predicted Net Budget of £9.6 million) and the position for future years.
- ii) Notes the current options identified and timescales for closing the budget gap in 2021/22 and future years, to achieve long term financial sustainability.

It is recommended to Council:

- iii) That South Hams District Council continues to be part of the Devon Business Rates Pool for 2021/22, subject to there being no announcements within the Finance Settlement (expected to be announced in the week commencing 14th December), which in the opinion of the S151 Officer (in consultation with the Leader of the Council and the Portfolio Holder for Finance), would change this recommendation.

1. Executive summary

- 1.1 The Council's Medium Term Financial Strategy (MTFS) is based on a financial forecast over a rolling five year timeframe to 2025/26. The Council, along with other local authorities, has faced unprecedented reductions in Government funding. Between 2009/10 and 2020/21, the Council's Core Government funding has reduced by £4 million. The Council now receives **no main Government Grant (Revenue Support Grant)** – this has been reduced to zero.
- 1.2 South Hams has continued to work in partnership with West Devon Borough Council which has allowed South Hams 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 per annum. 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 Medium Term Financial Strategy (MTFS) was considered by Members on 22nd October 2020 and it set out the budget strategy for the Council for the next five years, with regular reviews (at least annually) and updates when items are further known or are announced by the Government.
- 1.4 The MTFS sets out the strategic intention for all of the different strands of funding available to the Council. The Council will then be able to rely on this to inform future decisions.
- 1.5 Covid 19 has caused financial strain for all Councils up and down the country where Councils find themselves being caught in a 'perfect storm'. Councils have to manage both the increased costs of coping with Covid19 and supporting vulnerable people in the community and the loss of key income streams such as ferry income, car parking income, planning income and council tax and business rates income.
- 1.6 The factors affecting the Council's finances are issues affecting the whole Local Government sector. The Council is well-placed to meet the financial challenges arising from Covid19, due to its prudent financial management over previous years.
- 1.7 Due to the rapidly changing financial position, the Council is now undertaking frequent revenue budget monitoring reports. The latest revenue budget monitoring report for Month 7 (end of October) predicts an underspend (surplus) of £69,000 for 2020/21. This takes into account the Amended Budget for 2020/21 which was set by Council on 24 September 2020.
- 1.8 The key assumptions within the Medium Term Financial Strategy are as below. Each of these is described in more detail in Section 4.

- A one year 'rollover settlement' (with no negative Revenue Support Grant in 2021/22) continues to be the most likely scenario
- The business rates baseline reset will be deferred until 2022/23
- The Settlement Funding Assessment (SFA) will increase in line with inflation – this is essentially the business rates baseline and is the amount of money the Council retains from its share of the business rates income.
- There will be a phasing in of negative Revenue Support Grant (RSG) as part of the business rates baseline reset with a transition period over three years, to avoid Local Authorities losing/gaining too much in one go
- It is assumed Council Tax limits for District Councils will remain at the higher of £5 or 1.99% for 2021/22 onwards onwards – the Spending Review referred to a council tax referendum limit of 2%, which we interpret as a simplified description (The Finance Settlement expected to be announced in the week commencing 14th December should confirm the limit for District Councils)
- The Spending Review confirmed that there will be one more year of the New Homes Bonus payments (as part of a one year 'rollover settlement'). We anticipate that bonuses will still be payable for growth in 2020/21 (Year 11), although that has not been officially confirmed as yet
- A modest business rates pooling gain of £125,000 has been modelled for 2021/22 with no further gains for 2022/23 onwards. Business rates income is assumed to be down by 3%.
- No council tax collection fund surplus has been assumed for any years going forward (normally the Council receive a surplus share of around £60,000 per annum) and it has been assumed that the council tax collection rate will reduce by 1%. The Collection Fund deficit for 2020-21 – which would ordinarily be recouped in 2021-22 – will instead be recovered in equal instalments over three years, in line with new Government regulations. The deficit is expected to be around £29,000 per annum.
- No permanent reductions to the Council's income streams (such as ferry income, car parking income, planning income etc. as a result of the Covid pandemic) have been built into the Base Budget for 2021/22. This will be regularly monitored over the next few months. The Government has confirmed that its income compensation scheme for sales, fees and charges for Councils will continue to apply in 2021/22, but only for the first quarter of the year. This is less than the full-year extension lobbied for through the South West Councils response to the Comprehensive Spending Review, and leaves the Council reliant on a rapid return to normal economic conditions by the Summer.
- Rural Services Delivery Grant has been assumed to continue at the same level with a slight inflationary increase across the 5

years – In 2021-22, the national total of £81 million has been frozen.

- The last pay award offer for 2020-21 was 2.75%. A 1% pay increase has been modelled from 2021/22 onwards (1% equates to £70,000). The Government has imposed a pay freeze on much of the public sector, subject to increases in the National Living Wage and a minimum increase of £250 in full-time equivalent wages of less than £24,000. Although setting pay levels in Local Government falls outside Central Government control, this freeze will have informed the setting of funding for Local Government and is likely to be a significant factor in determining the outcome.

1.9 The following table illustrates the predicted budget gap from 2021/22 onwards for the Council as shown in **Appendix B**:

Budget Gaps	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Total Aggregated Budget Gap £
'New' Budget Gap each year	75,871	413,624	355,590	336,609	375,630	1,557,325
*Cumulative Budget Gap	75,871	489,496	845,086	1,181,695	1,557,325	4,149,474

* (Cumulative Budget Gap assumes annual new budget gaps have not been addressed)

1.10 ***The forecast budget gap for 2021/22 is £75,871. This is 0.8% of the Net Budget of 20/21 of £9.6million.*** A cumulative budget gap of £489,496 is predicted for 2022/23 (the £489,496 assumes that the 21/22 budget gap of £75,871 has not been closed). The cumulative aggregated Budget Gap by 2025/26 is £4.1 million, if no action has been taken in each individual year to close the budget gap annually.

1.11 The Government's Spending Review announcement contained no real surprises for local government, and largely confirmed the assumptions previously made within the Medium Term Financial Strategy in October.

1.12 The scale of the reduction in economic output this year and the consequent increase in Government borrowing were slightly higher than forecasts made by independent observers such as the IFS (Institute for Fiscal Studies).

1.13 The Medium Term Financial Strategy on 22nd October 2020 set out a predicted budget gap of £137,871 for 2021/22. Since that report, two

further areas for savings have been identified from items highlighted by the Spending Review announcement.

- 1.14 The two areas are:
- Pay Award – the assumption for a pay award has been reduced from 2% to 1%. A 1% reduction equates to £70,000 (see 3.2 for further explanation). The Government has implied that it expects local government to exercise restraint about pay, given the wider macro-economic climate.
 - The Spending Review confirmed that the business rates multiplier is being frozen for 2021/22, therefore the annual inflationary provision of £110,000 to provide for inflation and increases in goods and services (which includes business rates) has been reduced by £20,000 in 2021/22.
- 1.15 In addition, new Regulations for the spreading of the Collection Fund deficit (for Business Rates and Council Tax income) have been announced and the collection fund deficit for 2021/22 has been estimated at £29,000. This is an additional cost in 2021/22 to fund.
- 1.16 These areas together mean that the forecast budget gap for 2021/22 has decreased from £137,871 in the Medium Term Financial Strategy (October 2020) to £75,871 in these Draft Revenue Budget Proposals (December 2020) for 2021/22.
- 1.17 It is recommended that South Hams District Council continues to be part of the Devon Business Rates Pool for 2021/22, subject to there being no announcements within the Finance Settlement (expected to be announced in the week commencing 14th December), which in the opinion of the S151 Officer (in consultation with the Leader of the Council and the Portfolio Holder for Finance), would change this recommendation.

2 COMPREHENSIVE SPENDING REVIEW 2020

2.1 The Autumn Budget was cancelled on 23 September 2020 because there is too much uncertainty about the UK's economic outlook. Instead a one-year Spending Review was announced on 25 November 2020. This revealed that the economy is likely to contract by 11.3% this year – the largest single-year decline in more than three centuries.

2.2 The Government is expected to borrow £394 billion this year – seven times the amount anticipated in March. The spending plans announced

have to be viewed in that context, and represent a holding position pending a more fundamental reappraisal of the country's ongoing economic capacity.

What are the implications for local government?

- 2.3 For 2021-22 there will be a **one year “rollover” settlement**, similar to that in 2020-21. A one year settlement has the advantage that it is simple, and there is no significant redistribution of funds. All local authorities will face increased financial pressure through a combination of increased demand for personal & protective services and reduced income from both taxes and demand-led income streams. Capacity to absorb these pressures will vary – which in turn will lead to calls for redistribution of the total sum available. However, it seems unlikely that significant changes will, or indeed, could be introduced before 2022-23.
- 2.4 Support for the impact of Covid-19 has largely been kept separate from the core funding for local authorities. In particular, the Government has stated that compensation will be provided for 75% of council tax or business rates income deemed to be irrecoverable. Further information is awaited on what criteria will be applied before tax is deemed to be irrecoverable, but this does at least provide some mitigation for losses that would otherwise feed into Collection Fund adjustments in 2022/23.
- 2.5 The compensation scheme for income lost from sales, fees and charges will continue for the first three months of 2021/22.
- 2.6 A further £1.55 billion in new funding for local government's COVID expenditure pressures was announced in the Spending Review. It is unknown whether this will be allocated using the COVID Relative Needs Formula (RNF) that was launched alongside Tranche 4 of the COVID Grant. It is also unknown whether the allocations will be published in the Provisional Local Government Finance Settlement (expected in the week commencing 14th December), or later next year.
- 2.7 There will be separate grant funding to help tackle homelessness amounting to £254 million – considerably more than the £103 million previously announced. Details of allocations and criteria are not yet available. The LGA has requested greater flexibility in the use of these funds than has previously been allowed.
- 2.8 Finally, there is a new, albeit small, £16 million grant programme to help local authorities improve their cyber security.

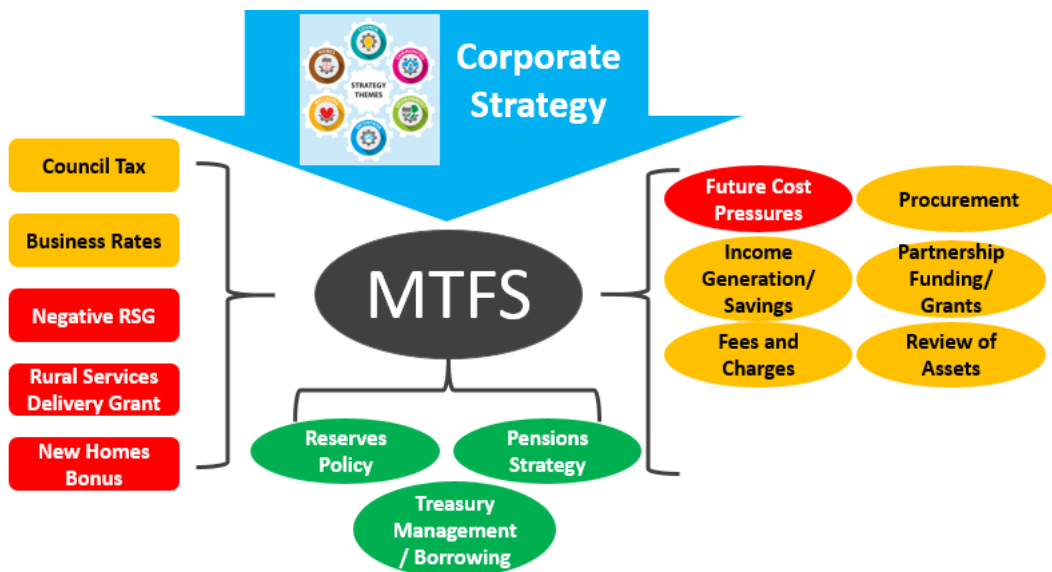
- 2.9 Many of the Spending Review announcements related to capital investment, which will extend beyond 2021-22. Of particular interest are the following proposals (details of which will follow at a later date):

- a) a new Levelling Up Fund, allowing bids of up to £20 million to be made against a total allocation of £4 billion. Bids are to be evaluated jointly by the Treasury, MHCLG and Department for Transport. The inclusion of the latter department in evaluation suggests the likely focus of the overall fund. Bids must have real impact within the current Parliamentary term - which suggests a very short bidding and evaluation timescale if projects have to be complete and operational in less than four years' time - and must have local support, including that of the local MPs.
- b) £2 billion each for the Affordable Housing Programme and the National Home Building Fund in 2021-22. Over the next five years the funding for these two programmes is expected to come to nearly £20 billion in aggregate.
- c) £0.9 billion for flood and coastal defence projects. This is roughly double the previous provision, and is expected to continue at this level for at least a further four years.
- d) £220 million as a transitional arrangement pending introduction of a new UK Shared Prosperity Fund. This new Fund is intended to take the place of EU regeneration funds, although the 2021/22 funding appears to be for preparatory work, rather than fully-fledged schemes.

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

- 3.1 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.

2020/21 Net Amended Budget £9.4 million



3.2 The key assumptions within the MTFS are as below. Each of these is described in more detail in Section 4.

- A one year 'rollover settlement' (with no negative Revenue Support Grant in 2021/22)
- The business rates baseline reset will be deferred until 2022/23
- The Settlement Funding Assessment (SFA) will increase in line with inflation – this is essentially the business rates baseline and is the amount of money the Council retains from its share of the business rates income. September CPI was 0.5%
- There will be a phasing in of negative Revenue Support Grant (RSG) as part of the business rates baseline reset with a transition period over three years, to avoid Local Authorities losing/gaining too much in one go
- It is assumed Council Tax limits for District Councils will remain at the higher of £5 or 1.99% for 2021/22 onwards: although the Spending Review documents refer to 2%, we are interpreting this as a simplified description of the arrangements that applied in 20-21 and which we expect to see repeated – i.e. that Districts can increase their share by the higher of 1.99% or £5. In terms of the overall council tax bill, the County Council are able to increase their proportion of the council tax bill by up to 4.99%, to include a 3% precept for adult social care. This could lead to further requests for relief through Council Tax Support. Police and Crime Commissioners will be able to increase their share of the council tax bill by £15. No announcement has yet been made by the Government as to whether any council tax referendum principles will apply to Town and Parish Councils in 2021/22. Details of the council tax principles for 2021/22 are expected to be announced

with the Draft Local Government Finance Settlement in the week commencing 14th December.

- There will be one more year of the New Homes Bonus payments (as part of a one year 'rollover settlement'). We are waiting for full details of this scheme, but we expect existing legacy payments will be honoured – albeit with no new legacy payment in respect of year 10 of the scheme. Some of the NHB payments envisaged are modelled to be used to finance the revenue base budget.
- A modest business rates pooling gain of £125,000 has been modelled for 2021/22 with no further gains for 2022/23 onwards. Business rates income is assumed to be down by 3%.
- Normally the Council receive a surplus share of around £60,000 per annum. The Collection Fund will be in deficit this year, which will be spread equally across the three years 21-22, 22-23 and 23-24 (£29,000 for each of the three years), in line with new Government regulations introduced earlier this year. We are currently assuming that there will be no Collection Fund surplus in future years, and that the council tax collection rate will reduce by 1%.
- Rural Services Delivery Grant has been assumed to continue at the same level with a slight inflationary increase across the 5 years. – In 21-22 the national total has been frozen at £81 million.
- The last pay award offer for 2020-21 was 2.75%. A 1% pay increase has been modelled from 2021/22 onwards (1% equates to £70,000). Although setting pay levels in Local Government falls outside Central Government control, this freeze will have informed the setting of funding for Local Government and is likely to be a significant factor in determining the outcome.
- No permanent reductions to the Council's income streams (such as ferry income, car parking income, planning income etc. as a result of the Covid pandemic) have been built into the Base Budget for 2021/22. This will be regularly monitored over the next few months. The Government's income compensation scheme for sales, fees and charges for Councils has only been extended for the first three months of 2021/22. The Month 7 Revenue Budget Monitoring report for 2020/21 (also on this Executive agenda) makes a recommendation to transfer £100,000 into a Covid Earmarked Reserve, to protect against future COVID losses in 2021/22.

OVERALL POSITION – BUDGET GAP

- 3.3 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 3.4 **Appendix A** to the Medium Term Financial Strategy sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. **Appendix B** illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £9.4 million in 2020/21.
- 3.5 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 the Council Tax is increased by £5 per annum (shown in Appendix B).
- 3.6 The following table illustrates the predicted budget gap from 2021/22 onwards for the Council **as shown in Appendix B**:

Budget Gaps	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Total Aggregated Budget Gap £
'New' Budget Gap each year	75,871	413,624	355,590	336,609	375,630	1,557,325
*Cumulative Budget Gap	75,871	489,496	845,086	1,181,695	1,557,325	4,149,474

* (Cumulative Budget Gap assumes annual new budget gaps have not been addressed)

- 3.7 **The forecast budget gap for 2021/22 is £75,871. This is 0.8% of the Net Budget of 20/21 of £9.6million.** A cumulative budget gap of £489,496 is predicted for 2022/23 (the £489,496 assumes that the 21/22 budget gap of £75,871 has not been closed). The cumulative aggregated Budget Gap by 2025/26 is £4.1 million, if no action has been taken in each individual year to close the budget gap annually.
- 3.8 The Government's Spending Review announcement on 25th November 2020 contained no real surprises for local government, and largely confirmed the assumptions previously made within the Medium Term Financial Strategy (MTFS) in October.
- 3.9 The Medium Term Financial Strategy on 22nd October 2020 set out a predicted budget gap of £137,871 for 2021/22. Since that report, two

further areas for savings have been identified from items highlighted by the Spending Review announcement.

- 3.10 The two areas are:
- Pay Award – the assumption for a pay award has been reduced from 2% to 1% (see 3.2 for further explanation). The Government has implied that it expects local government to exercise restraint about pay, given the wider macro-economic climate.
 - The Spending Review confirmed that the business rates multiplier is being frozen for 2021/22, therefore the annual inflationary provision of £110,000 to provide for inflation and increases in goods and services (which includes business rates) has been reduced by £20,000 in 2021/22.
- 3.11 In addition, new Regulations for the spreading of the Collection Fund deficit (for Business Rates and Council Tax income) have been announced and the collection fund deficit for 2021/22 has been estimated at £29,000. This is an additional cost in 2021/22 to fund.
- 3.12 These areas together mean that the forecast budget gap for 2021/22 has decreased from £137,871 in the Medium Term Financial Strategy (October 2020) to £75,871 in these Draft Revenue Budget Proposals (December 2020) for 2021/22.

4 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

- 4.1 In the Medium Term Financial Strategy (MTFS), it has been assumed that the Settlement Funding Assessment (SFA) will increase in line with inflation.
- 4.2 The SFA is essentially the business rates baseline and is the amount of money the Council retains from its share of the business rates income. The breakdown of the increase in SFA for 2020/21 is shown below.
- 4.3 The 'Core Spending Power' is a headline figure used by MHCLG to represent the key revenue resources available to local authorities, including an estimate of actual and potential council tax, as below. The Council now receives no main Government grant (Revenue Support Grant). In the Spending Review (SR) 2020, the Chancellor announced that Core Spending Power (a measure of a Council's resources) is forecast to rise by 4.5% nationally in cash terms next year (mainly due to anticipated council tax increases nationally).

Chart 1 - Core Spending Power

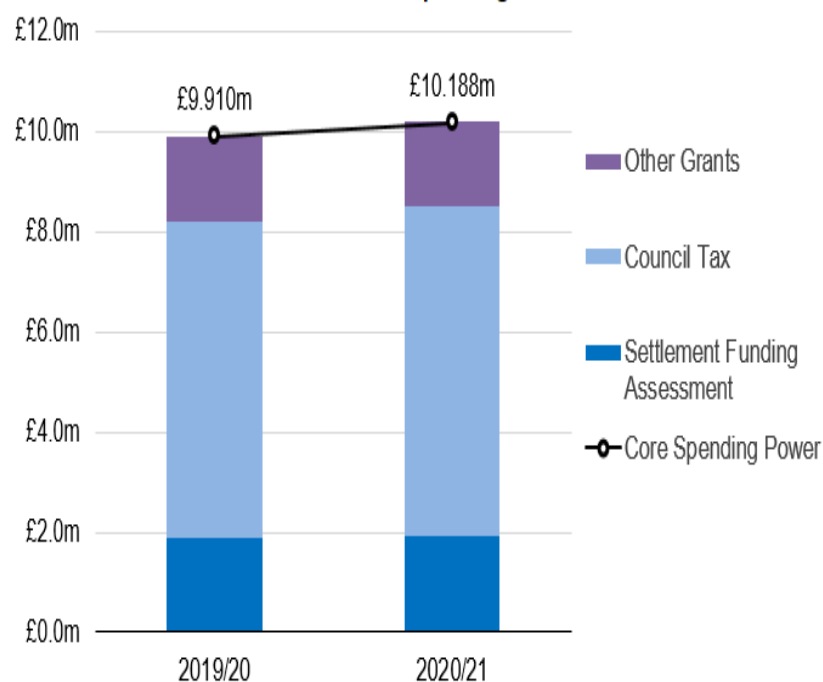


Chart 2 – Core Spending Power (£m)

	2019/20	2020/21	Change
Core Spending Power	9.910	10.188	2.81%
<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%

Business Rates and Negative Revenue Support Grant (RSG)

- 4.4 The Business Rates Reset will be delayed to 2022/23. A reset based on the current taxbase would have been badly distorted by the current economic crisis, and very unlikely to reflect the potential business rates that authorities can collect in future years.
- 4.5 A one year 'rollover settlement' (with no negative Revenue Support Grant in 2021/22) is the most likely scenario now. 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 2021/22. Negative RSG is effectively the Council's further predicted funding cuts.

- 4.6 It is anticipated there will be a phasing in of negative RSG as part of the business rates baseline reset in 2022/23, with a transition period over three years, to avoid Local Authorities losing/gaining too much in one go. Some of the negative RSG is expected to be offset by growth being dispersed across as Local Authorities.
- 4.7 Estimates have been made of the business rates baseline funding levels for 2021/22 onwards and the relative deductions for negative RSG. For example in 2019/20, the £2.155m is the amount the Council retains from its business rates income collected of £30 million (the Council keeps about 7p in every £1 collected of business rates to fund its services). The Council responded to the Government consultation on the Call for Evidence on Business Rates Reform. A joint response was also sent by the Devon Business Rates Pooling partners. A final report setting out the full conclusions of the Government review will be published in Spring 2021.

	Business Rates Income projected in the MTFS (£m)					
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Business Rates Income	2.155	2.350	2.398	2.344	2.387	2.320
Less: Negative RSG change to baseline need	0	0	(0.270)	(0.360)	(0.450)	(0.500)
TOTAL	2.155	2.350	2.128	1.984	1.937	1.820

Business Rates reliefs

- 4.8 Aside from the retail relief, the other variance expected in business rates income in 2020/21 will be due to the businesses failing and subsequent reliefs. This is forecast at a -3% reduction in 2020/21, with a further 3% reduction in 2021/22. It is too early to tell the implications for the economy of COVID, other than the more general expectations of negative growth. See 4.20 on the Collection Fund.
- 4.9 The net collectable debt for Business Rates is £18.6 million for 2020/21. Prior to the pandemic, this was predicted to be £30million and the additional NNDR reliefs for the total value of the expanded retail discount and nursery discount for 2020/21 total £13.778million. Therefore over £13.7million worth of the Council's normal business rates bills issued of £30million (46%) are entitled to 100% business rates relief and have no

business rates to pay in 2020/21 due to the coronavirus expanded retail discount and nursery discount. This amount is being reimbursed to the Council by the Government through a Section 31 Grant.

- 4.10 The Council and SWCouncils are lobbying the Government for these business rates reliefs to continue into 2021/22. The Spending Review referred to a freeze in the business rates multiplier next year, as the multiplier was going to increase by 0.5% but will now be frozen. Many businesses are asking whether the business rates reliefs in 2020-21 will be extended into next year to support retail, hospitality and leisure businesses. The Government will make a decision on this in the New Year to respond to the 'evolving challenges presented by COVID-19'. If the Retail Discount is discontinued, then this will place more pressure on business rates income for Councils in 2021-22.
- 4.11 By October 2020, the Council has collected 58.4% of the net collectable debt. This is 6.76% lower than October 2019 – a cash reduction of £830,000. The lockdown in November may have had an impact on payment profiles. Hence a reduction of 3% is assumed. The 2019/20 collection rate for South Hams for business rates was 98.67%. The national average was 98%.

Devon Business Rates Pool

- 4.12 It is recommended that South Hams District Council continues to be part of the Devon Business Rates Pool for 2021/22, subject to there being no announcements within the Finance Settlement (expected to be announced in the week commencing 14th December), which in the opinion of the S151 Officer (in consultation with the Leader of the Council and the Portfolio Holder for Finance), would change this recommendation. Modelling has been carried out with the other Devon Authorities and Local Government Futures to inform this recommendation. A modest business rates pooling gain of £125,000 has been modelled for 2021/22 with no further gains for 2022/23 onwards.

Council Tax

- 4.13 The Council Tax Referendum limits for District Councils for 2020/21 was the higher of 1.99% or £5, for 2020/21. Although the Spending Review refers to a 2% limit for 21-22, we have interpreted this as being a simplified description of the limits that applied this year. Confirmation is not expected until the Local Government Finance Settlement but it is expected that the £5 limit for Districts will still apply for 2021/22. An increase in council tax of £5 for the next five years has been modelled for council tax purposes. ***This would equate to a Band D council tax for South Hams of £175.42 in 2021/22 as shown in Appendix B (an increase of £5 for the year (10 pence per week) which equates to a 2.93% increase.*** The council tax for 2021/22, the SHDC share, will be set at the Council meeting on 11th February 2021. (A 1% increase in council tax generates £66,000 of extra council tax income).

- 4.14 The table below shows how an average Band D council bill is made up for South Hams District Council for 2020/21 as compared to the previous year. Of an average Band D Council Tax within the District of £1,990.82, an amount of £170.42 is the element of a council tax bill set by South Hams District Council. Therefore 9pence of every £1 paid (9%) in council tax is received by South Hams District Council to pay for our services. The rest of the council tax bill is set by Devon County Council, the Fire, the Police and Town and Parish Councils to fund the services they provide.

Precepting Authority	Band D 2019/20	Band D 2020/21	£ Increase	% Increase
South Hams District Council	£165.42	£170.42	£5.00	3.02%
Devon County Council Precept	£1,286.19	£1,313.73	£27.54	3.99%
Adult Social Care Precept *	£98.10	£125.73	£27.63	
Devon & Cornwall Police & Crime Commissioner	£212.28	£221.64	£9.36	4.41%
Devon & Somerset Fire & Rescue	£86.52	£88.24	£1.72	1.99%
Average Parishes/Towns	£64.53	£71.06	£6.53	10.12%
TOTAL	£1,913.04	£1,990.82	£77.78	4.07%

- 4.15 A 1% reduction in council tax collection rates has been assumed for 2021/22 onwards. This may need to be revisited in future budget reports depending on the payment profiles being experienced in latter months of the year. As at the end of October 2020, 64.13% of the council tax has been collected. This is a decrease of 1.27% against the 2019/20 collection rates at the end of October. The 1.27% drop equates to £987,000 (SHDC share £89,000). See 4.20 on the Collection Fund.
- 4.16 The District Council is responsible for collecting all the Council Tax debt of £78m in 2020/21 as South Hams DC is the Billing Authority. After keeping 9% of the council tax collected to run the Council's services, the rest is paid over to Devon County Council, the Police, the Fire and Town and Parish Councils. The collection rate for Council Tax for South Hams was 98.3% for 2019-20. This was 1.5% higher than the national average of 96.8%.

- 4.17 More work will need to be carried out on the Council TaxBase calculations for 2021/22 onwards, following the Council TaxBase estimate form (CTB1) submission. The effect of an increase in working age claimants for Council Tax Support for 2021/22 onwards has been modelled. The TaxBase for 2021/22 has been estimated at 38,708 Band D Equivalent Properties, following some further analysis on estimates of housing growth and the impact of the Council Tax Support scheme. This will be firmed up in the next report as the Council TaxBase will be calculated towards the middle of December. The Council has written to Town and Parish Councils to advise that it would be prudent to budget for a 2% reduction in the TaxBase for 2021/22, to take into account the effect of a reduction in the council tax collection rate and also the impact of the Council Tax Support Scheme.
- 4.18 It has been assumed that the number of properties within the District will increase by 200 per annum from 2021/22 onwards. A low figure has been assumed to partly offset the impact of Council Tax Support on the Taxbase.
- 4.19 In 2020/21 the Government set no council tax referendum principles for Town and Parish Councils. It has not yet been announced by the Government whether any referendum principles will apply to Town and Parish Councils in 2021/22 onwards. This is expected to be announced in the Finance Settlement.

The Collection Fund - Council Tax and Business Rates Income

- 4.20 The Collection Fund holds all payments in and out relating to Council Tax and Business Rates. As such any losses incurred will be suffered by the Collection Fund in the year and then distributed to the Council and Precepting Authorities in future years. A large part of the reductions in income will affect the Council's financial position in 2021/22 onwards, although it does affect the cashflow position of the Council in 2020/21. In view of the exceptional conditions experienced in 2020/21, the Government has introduced Regulations requiring that the Collection Fund deficit this year be divided equally across 2021/22, 2022/23 and 2023/24. This is a one-off change to established practice.
- 4.21 Council Tax and Business Rates form a large share of the funding for the Council's budget and therefore these income streams are funding the essential services being delivered.
- 4.22 In the Spending Review 2020, the Government announced a Tax Income Guarantee Scheme for 2020-21. This new reimbursement scheme, worth £762m for 2020-21 local tax losses, will be launched to compensate councils for 75% of irrecoverable losses of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years. This will be paid through an unringfenced grant. Further details of this scheme and how irrecoverable losses will be calculated are awaited.

Rural Services Delivery Grant

- 4.23 Rural Services Delivery Grant has been modelled to continue for 2021/22 onwards at previous levels (£81m nationally – SHDC share of £408,055) and the methodology for distribution to remain unchanged from 2020/21. The Council will continue to lobby on the basis that the £81m should be increased. This is Government grant to recognise the additional cost of delivering services in rural areas.

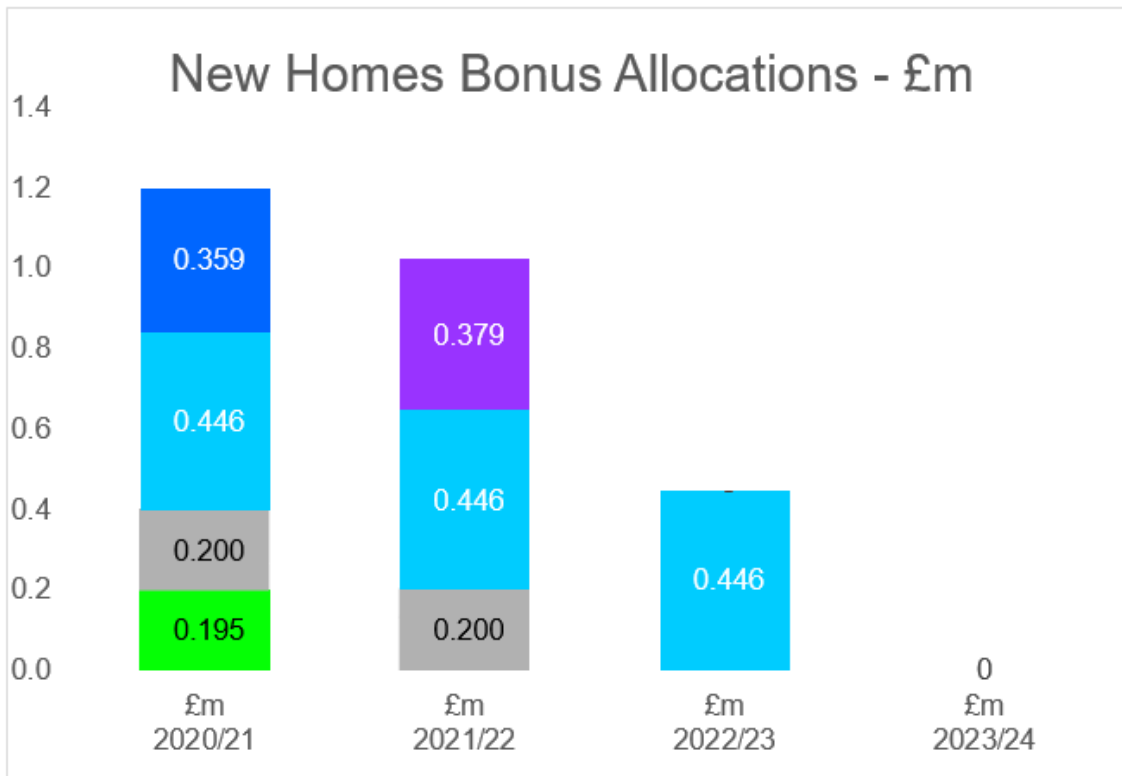
New Homes Bonus (NHB)

- 4.24 In theory, the New Homes Bonus (NHB) scheme is being phased-out although consultation on any replacement has been deferred for a further year. The Spending Review has merely confirmed that for 2021/22 the scheme will continue to operate, albeit with no further legacy payments.
- 4.25 On 25 September, the Ministry for Housing, Communities & Local Government wrote to local authority Chief Finance Officers to request Council Tax Base data. The letter notes that the planned Spring consultation on the future of the New Homes Bonus (NHB) has been delayed. Authorities are asked to provide the usual data relating to NHB calculations, which “may be needed in calculating the bonus”, though no firm commitment as to the form this may take was given. The Council’s New Homes Bonus allocation for 2020/21 was £1.199 million as shown below.

New Homes Bonus	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
2017/18 allocation	0.195			
2018/19 allocation	0.200	0.200		
2019/20 allocation	0.446	0.446	0.446	
2020/21 allocation	0.359			
2021/22 forecast allocation		0.379		
2022/23 forecast allocation			-	
Equals NHB Funding	1.199	1.025	0.446	-

This legacy payment is assumed not to apply - confirmation is awaited

No future years' allocations assumed



4.26 If the legacy payments for NHB from previous years are honoured by the Government, this would equate to £646,000 in 2021/22. In light of the recent Government letter accompanying the CTB1 return issued on 25th September, it is reasonable to assume that a further allocation for 2021/22 (at least £100,000) will also be made.

4.27 The modelling in the MTFS therefore assumes NHB funding of £746,000 in 2021/22 will be available to fund the revenue base budget (this is the legacy payments plus an anticipated £100,000 allocation for 2021/22). The 2021/22 allocation (Year 11) could be higher than £100,000 and could be as much as £379,000 (shown in purple), which would result in 2021/22 allocation of NHB of £1.025 million as shown. It is expected actual allocations will be announced with the provisional finance settlement in the week commencing 14th December. The Government will consult on reforms to the New Homes Bonus scheme shortly, with a view to implementing reform in 2022-23.

Other assumptions within the Medium Term Financial Strategy (MTFS)

4.28 The last pay award offer for 2020-21 was 2.75%. A 1% pay increase has been modelled from 2021/22 onwards (1% equates to £70,000). 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.

- 4.29 This report assumes inflation will run at 1% over the five year period. The Consumer Prices Index (CPI) was 1.0% in July 2020. RPI was 1.6%. CPI in September – the reference point for business rate increases and many welfare benefits – was 0.5%.
- 4.30 The predicted interest rate forecast from our treasury management advisors, Link Services, is that interest rates will remain at 0.75% up to March 2021. By March 2022 the bank base rate is predicted to increase to 1.25%.

SAVINGS

- 4.31 On 24 September 2020 Council considered a report on strategic leisure options. It was agreed to continue with the Fusion contract as being the most appropriate means of supporting health and wellbeing objectives within the District. The savings from the re-profiled management fees from the leisure contract have been built within the Medium Term Financial Strategy. Management fees are repayable from 2021/22.
- 4.32 Members have a future opportunity as to whether to implement a charged garden waste service from April 2022. A proposed annual charge of £40 for an opt in service, could release net income of £250,000 in the first year, rising to £400,000 in following years with a 20% participation rate. If participation rates are higher, income of up to £700,000 per annum could be achieved. These potential savings have not been reflected within the Medium Term Financial Strategy as Members have not yet taken a decision on charged garden waste.
- 4.33 The Medium Term Financial Strategy on 22nd October 2020 set out a predicted budget gap of £137,871 for 2021/22. Since that report, two further areas for savings have been identified from items highlighted by the Spending Review announcement.
- 4.34 The two areas are:
- Pay Award – the assumption for a pay award has been reduced from 2% to 1% (see 3.2 for further explanation). The Government has implied that it expects local government to exercise restraint about pay, given the wider macro-economic climate.
 - The Spending Review confirmed that the business rates multiplier is being frozen for 2021/22, therefore the annual inflationary provision of £110,000 to provide for inflation and increases in goods and services (which includes business rates) has been reduced by £20,000 in 2021/22.

5 PARTNERSHIP FUNDING AND GRANTS

5.1 At the Executive meeting on 19th 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 19th December 2019 was £89,647 as above. The current partnership funding in the base budget is £96,647.

At Council on 13th February 2020, it was resolved:-
That Partnership funding levels be as set out within Section 2.38 of the Revenue Budget Proposals to the Executive on 6 February 2020, with the addition of £10,000 to the South Hams CVS for 2020/21 only, subject to the organisation demonstrating that it meets the criteria set out at Section 2.38 of the Revenue Budget report, with the additional £3,000 required to be taken from Unearmarked Reserves in 2020/21.

6 Treasury Management and Borrowing Strategy

- 6.1 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 2019. It is recommended that this limit is retained as the Council's circumstances and financial indicators have not changed since this work was carried out.
- 6.2 In March, the Government launched a consultation on reforms to the Public Works Loan Board intended to prevent the trend, in a minority of local authorities, of taking on debt to buy assets primarily for income.
- 6.3 In the Spending Review 2020, the Government has announced the outcome of the consultation and has lowered the interest rate of Public Works Loan Board lending by 1%. This brings Public Works Loan Board interest rates back to the levels they were at before October 2019. Local Authorities will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB.

7 FEES AND CHARGES

- 7.1 A Fees and Charges Appendix will be considered at a meeting of the Joint Development Management Committee and Overview & Scrutiny Panel on 14 January 2021.
- 7.2 No permanent reductions to the Council's income streams (such as ferry income, car parking income, planning income etc. as a result of the Covid pandemic) have been built into the Base Budget for 2021/22. This will be regularly monitored over the next few months. The Government's income compensation scheme for sales, fees and charges for Councils will only run for the first three months of 2021/22, so any losses from July onwards will have to be addressed by the Council's own finances.

8 FINANCIAL SUSTAINABILITY AND TIMESCALES

8.1 The Council will assess various options for closing the budget gap for 2021/22 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>Extended Leadership Team (ELT) Budget options</p> <p>The Extended Leadership (ELT) will continually look to identify budget options for Members to consider for income generation/savings/reduced expenditure for 2021/22 onwards, taking into consideration the Council's corporate strategy and the latest budget monitoring position. Fees and Charges will be considered at the meeting of Joint Development Management Committee and Overview & Scrutiny Panel on 14 January 2021.</p>	To be quantified	As per the Budget Timetable outlined in 11.3
<p>Monthly Revenue Budget Monitoring reports</p> <p>Regular Revenue Budget Monitoring reports also highlight possible areas of future savings and additional income</p>	To be quantified	Options to be assessed as per the Budget Timetable outlines in 11.3
<p>Asset and Accommodation Review</p> <p>Members and Officers are assessing options for the Council's Asset review.</p>	To be quantified	On-going
<p>Charged Garden Waste</p> <p>Members have a future opportunity as to whether to implement a charged garden waste service from April 2022. A proposed annual charge of £40 for an opt in service, could release net income of £250,000 in the first year, rising to £400,000 in following years with a 20% participation rate. If participation rates are higher, income of up to £700,000 per annum could be achieved.</p>	Net income could be as high as £250,000 in the first year, rising to £400,000 in the following years.	Future decision of the Council These potential savings have not been reflected within the Medium Term Financial Strategy as Members have not yet taken a decision on charged garden waste.

Option	Possible Budget Impact	Timescale
Funding Options		
<p>Contributions to Earmarked Reserves</p> <p>The Council could chose to reduce some of its contributions to Earmarked Reserves currently budgeted for 2021/22 as set out in Appendix D. For example the Council may wish to consider whether it continues to make the following contributions to Earmarked Reserves in 2021/22:-</p> <p>Capital Programme Reserve (£181,600) Repairs and Maintenance Reserve (£80,000) Planning Reserve (£50,000)</p>	<p>As set out in Appendix D</p>	<p>To be decided as part of the Budget Setting process for 2021/22</p>
<p>New Homes Bonus allocations for 2021/22 onwards</p> <p>The Council is awaiting details of the precise scheme that will apply in 2021/22. See 4.24 to 4.27 of the report.</p> <p>There is also an unallocated balance (currently £235,016) of New Homes Bonus from 2020/21, which has been transferred into the New Homes Bonus Earmarked Reserve, with its future use to be decided when more details are known about the Spending Review and following a Government consultation document on a replacement scheme for NHB.</p>	<p>To be assessed. It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced.</p>	<p>Awaiting further announcements from the Government</p>
<p>Use of Earmarked Reserves as a temporary measure</p> <p>The Council could temporarily utilise an element of Earmarked Reserves to balance an element of the 2021/22 budget, whilst longer term solutions are being implemented.</p> <p>This would be a very short term solution though.</p>	<p>To be assessed</p>	<p>To be decided as part of the Budget Process</p>

- 8.2 Through the budget setting process, further measures will continue to be considered to balance future years' budget positions.
- 8.3 Financial Stability is one of the themes within the Recovery and Renewal Plan. The action plan, setting out the areas being progressed and the timescales within which this will take place, was set out in Appendix 1 of the Recovery Plan.
- 8.4 The Revenue Budget Monitoring report (Month 7) for 2020-21 is projecting an underspend of £69,000, which is 0.7% of the overall budget set for 2020/21 of £9.41 million.

9 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

- 9.1 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. The Capital Budget Proposals for 2021/22 will be a separate report to the Joint Development Management Committee and Overview & Scrutiny Panel on 14 January 2021.
- 9.2 **Investment Property Strategy** – The Council has agreed an Investment Property strategy. To date, Investment Properties have a value of £19.156 million in aggregate as at 31.3.2020.
- 9.3 Purchases made within the strategy are capital expenditure. An income projection of £75,000 from the net ancillary income from investments in Investment property has been included within the 2020/21 Base Budget.
- 9.4 The Council's Asset Base is £99 million at 31 March 2020. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council's Assets.

10 Earmarked and Unearmarked Reserves Policy

- 10.1 As part of the Budget Workshop on 27th August, the Council also undertook a review of its Earmarked Reserves through reviewing the commitments against the Earmarked Reserves, its unallocated balance and the contributions to/from Earmarked Reserves for 2020/21 also.
- 10.2 A schedule of Earmarked Reserves is attached at Appendix C , which shows Earmarked Reserves have a projected balance of £10.254 million at 31.3.2021. Reserve levels will be kept under constant review.
- 10.3 The Council's level of Unearmarked Reserves currently stands at £1.898 million. The underspend reported in this report of £69,000 would be added to Unearmarked Reserves, increasing the Unearmarked Reserves to £1.967 million. However, as part of the Amended Budget, Council agreed to use £200,000 from Unearmarked Reserves to fund the Base Budget. Accordingly this gives a year end balance of £1.767 million.

- 10.4 As part of the Medium Term Financial Strategy and at Council in February 2020, Members have set a minimum balance for Unearmarked Reserves of £1.5 million, based on a risk assessment basis and a sensitivity analysis. Therefore the current level of £1.767m is still above the minimum level set of £1.5m.
- 10.5 Legislation does not prescribe how much the minimum level of reserves should be. The Section 151 officer is tasked with recommending the minimum level of reserves required as part of the budget setting process having regard to elements of risk in the Council's finances (this was recommended at £1.5million being the minimum level). Since February 2020, the financial risks which all Councils face will have increased. Section 25 of the Local Government Act 2003 requires the S151 officer to report on the adequacy of the Council's financial resources on an annual basis.
- 10.6 Measures to replenish £200,000 of unearmarked reserves will be continually reviewed as part of the budget setting process. The Council is currently awaiting details of the Finance Settlement.
- 10.7 As set out in the report to Council on the Amended Budget for 2020/21, all other uncommitted amounts in all other Earmarked Reserves (see Appendix C) will remain subject to review, with the exception of Reserves for the Salcombe Harbour Board, as these are subject to decisions by the Salcombe Harbour Board.
- 10.8 In view of the relatively modest budget gap predicted for 2021/22 of £75,871 set out in this report (based on current assumptions), limited spending of Earmarked Reserves will be considered to support wider corporate objectives.

11 NEXT STEPS AND PROPOSED WAY FORWARD

- 11.1 The MTFS is the starting point for developing a meaningful five year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. The Council will then be able to rely on this to inform future decisions.
- 11.2 Officers will continue to work with the Executive and the results of this will be incorporated into future Budget reports. Section 8 sets out the potential timescales against the areas identified.

- 11.3 The Council awaits the details of the Government's Finance Settlement announcement which will enable the Council to further firm up some of the assumptions within the Medium Term Financial Strategy.

17th December 2020	Executive – To consider draft proposals for the Revenue Budget for 2021/22.
14 January 2021	Joint Development Management Committee and Overview & Scrutiny Panel - To consider draft proposals for the Revenue and Capital Budget for 2021/22.
28 January 2021	Executive – To recommend Final Budget Proposals to Council for 2021/22
8th February 2021 (9am)	Date which Council Procedure Rule 16 applies
11th February 2021	Full Council – To approve Final Budget Proposals for 2021/22 and set the SHDC share of the Council Tax
23 February 2021	Council Tax Resolution Panel – to agree the Council Tax Resolution for 2021/22 (This is SHDC share plus all other precepting authorities share).

Note 1- Council Procedure Rule 16 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 8th February 2021.

12. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Executive is responsible for recommending to Council the budgetary framework. It is the role of the 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 report is evidence of whether 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		<p><i>The forecast budget gap for 2021/22 is £75,871. This is 0.8% of the Net Budget of 20/21 of £9.6million. A cumulative budget gap of £489,496 is predicted for 2022/23 (the £489,496 assumes that the 21/22 budget gap of £75,871 has not been closed).</i></p> <p>The cumulative aggregated Budget Gap by 2025/26 is £4.1 million, if no action has been taken in each individual year to close the budget gap annually.</p> <p>The recommendations adopted and the annual budget setting process will ensure the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Council's auditors, Grant Thornton, provided an unqualified value for money opinion for the District Council for 2019-20, which was reported to the Council's Audit Committee in October 2020.</p>
Risk		<p>Each of the budget options taken forward by Members will consider the risks of the option.</p>
Supporting Corporate Strategy		<p>The Budget report supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.</p>

Climate Change - Carbon / Biodiversity Impact		<p>The Council declared a Climate Change and Biodiversity Emergency on 25 July 2019 and the potential for this to have significant financial implications for the Council was highlighted.</p> <p>A Climate Change Action Plan was presented to Council in December 2019. Following this report, a strategy will be implemented as to how the Council could finance the items within the Action Plan, whether that is from external grant sources or some funding from the Council's own resources. The Council has Earmarked £400,000 in a Climate Change Earmarked Reserve as part of the 2020-21 Budget.</p> <p>There is a report being presented to Council on 17th December 2020 'Climate Change and Biodiversity Strategy and Action Plan update'. This report recommends that the Climate Change and Biodiversity Strategy is adopted. The report also sets out the proposed initiatives for the £400,000 in the Climate Change Earmarked Reserve. (£20,000 has already been allocated to support the delivery of work to improve the energy efficiency of the existing housing stock in light of the successful Green Homes Grant bid – Minute E.31/20 refers).</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		Equality Impact Assessments are completed for the budget proposals.
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 – Budget pressures and savings

Appendix B – Modelling of the Budget Position

Appendix C - Schedule of Earmarked Reserves

Appendix D – Contributions to & from Earmarked Reserves

Background Papers:

Council 17th December 2020 – Climate Change and Biodiversity Strategy and Action Plan update

Executive 17th December 2020 – Revenue Budget Monitoring report (Month 7)

Council 24th September 2020 – Amended Budget Proposals 2020-21

Council 24th September 2020 – Climate Change and Biodiversity Strategy and Action Plan Update

Council 24th September 2020 – Strategic Leisure Options (Fusion Update)

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes

This page is intentionally left blank

BUDGET PROPOSALS 2021/22
(This shows the changes to the existing Base Budget)

APPENDIX A

	(Amended Budget)					
	BASE 2020/21	Yr1 2021/22	Yr2 2022/23	Yr3 2023/24	Yr4 2024/25	Yr 5 2025/26
	£	£	£	£	£	£
BUDGET PRESSURES						
Inflation and increases on goods and services (Business Rates Multiplier is being frozen in 2021/22)	110,000	90,000	110,000	110,000	110,000	110,000
Triennial Pension revaluation (increase in Pension Employer primary rate contributions)	140,000					
Salaries - provision for pay award at 1% for 21/22 onwards (the actual pay award for 20/21 was 2.75% and therefore 21/22 includes an extra 0.75% to build this extra amount for 2020/21 into the base budget as 2% was budgeted for 2020/21)	140,000	123,000	70,000	70,000	70,000	70,000
Waste collection, recycling and cleansing contract (estimate)	130,000	130,000	130,000	130,000	130,000	130,000
National Living Wage and National Insurance	70,000	70,000	70,000	70,000	70,000	70,000
Two planning enforcement officers (SHDC share of the cost - Council September 19)	50,078					
Employer's pension costs - Waste collection, recycling and cleansing contract	25,000					
Depot annualised costs - Waste collection, recycling and cleansing contract	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	95,000					
ICT future service provision	150,000					
Housing Benefit overpayment recoveries (to reduce income target to Nil in 21/22)	100,000	145,000				
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					
Economy Post - 50% of cost (shdc share), for two years	25,000		(25,000)			
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					
TOTAL BUDGET PRESSURES	1,600,640	668,761	330,000	355,000	380,000	380,000
Changes to contributions to Earmarked Reserves						
Reduce the contribution from the New Homes Bonus Reserve (assumes a contribution of £564,143 in 2020/21 and contributions in future years equating to the legacy payments plus an estimated allocation for 2021/22 from NHB equating to £0.746m in 2021/22 and £0.546m in 22/23)	(64,143)	(181,857)	200,000	100,000	150,000	96,000
Dartmouth Ferry - increase annual contribution to reserve (except in 21/22 and 22/23)	30,000			30,000	30,000	30,000
Transformation Project (T18) - Approved at 11 December 2014 Council <i>Contribution to Strategic Change Reserve to meet pension strain costs</i>	(90,000)	30,000				
Funding from the Economic Regeneration (Business Rates Pilot Gain) Earmarked Reserve (one-off in 2020-21)	(127,000)	127,000				
Repairs and Maintenance Reserve - reduce annual contribution of £55,000	(55,000)	80,000		25,000		
Cease making a contribution to the Planning Earmarked Reserve in 2020-21	(50,000)	50,000				
Funding from the Business Rates Retention Earmarked Reserve (one-off in 2020-21)	(343,000)	343,000				
Contribution from the Flexible Homelessness Government Grant for three housing posts (SHDC share of costs)	(48,700)					
Total changes in contributions to Earmarked Reserves (as per Appendix D)	(747,843)	448,143	200,000	155,000	180,000	126,000

BUDGET PROPOSALS 2021/22
(This shows the changes to the existing Base Budget)

APPENDIX A

SAVINGS AND INCOME GENERATION IDENTIFIED

	BASE 2020/21	Yr1 2021/22	Yr2 2022/23	Yr3 2023/24	Yr4 2024/25	Yr 5 2025/26
Savings from re-procurement of contracts (e.g. leisure contract)	(165,000)		(186,000)			
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)	(129,674)	(129,672)				
Income from economic regeneration projects within the District			(40,000)	(58,000)		
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	(55,203)	(54,537)				
Senior Leadership Team - Interim arrangement (£34,000) - Restructure (£60,000) as per July 2019 Council report - a total of £94,000	(60,000)					
Review ICT contracts	(6,300)					
Digital Downloads of Planning applications	(3,500)					
Implement e-billing for Council Tax	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)
Council Tax Support Grant -Reduction by 50% per annum over two years	(37,000)	(37,000)				
Car parking pay & display fees - increase by 4%	(80,000)					
Commercial Investment Strategy	(75,000)					
Employment Estates income	(25,000)	(10,000)				
Treasury Management income	(20,000)					
Corporate Consultancy income	(10,000)					
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)					
3rd tranche of COVID funding received from the Government (one-off in 20-21)	(121,000)	121,000				
Cease the 2020-21 annual contribution towards building up a budget for future years for the Follaton Roof and Follaton Lift (one-off in 20-21)	(80,000)	80,000				
Use of New Burdens Government grant funding received for the administration of the Business Rates Grants (one-off in 20-21)	(170,000)	170,000				
TOTAL SAVINGS AND INCOME GENERATION	(1,275,877)	125,691	(228,100)	(60,100)	(2,100)	(2,100)

Line	Appendix B - Council Tax is increased by the higher of £5 or 1.99% each year	BASE	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
		Amended 2020/21 Budget £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
No.	Modelling for the financial years 2021/22 onwards						
1	Base budget brought forward	8,832,752	9,410,672	9,576,396	9,464,671	9,558,981	9,780,272
2	Budget pressures (as per Appendix A)	1,600,640	668,761	330,000	355,000	380,000	380,000
	One -off budget shortfall identified for 2020-21 (as per Amended Budget report)	1,313,000	(1,313,000)				
3	Savings already identified (as per Appendix A)	(1,275,877)	125,691	(228,100)	(60,100)	(2,100)	(2,100)
4	Changes in contributions to Earmarked Reserves (App A)	(747,843)	448,143	200,000	155,000	180,000	126,000
	Funding from Unearmarked Reserves (Amended Budget 2020-21)						
6	(£200,000 plus £112,000 Statement of Accounts for 2019-20 Accounts)	(312,000)	312,000				
7	Projected Net Expenditure:	9,410,672	9,652,267	9,878,296	9,914,571	10,116,881	10,284,172
	Funded By:-						
	(See Note 1 below regarding New Homes Bonus funding)						
8	Council Tax income - Modelling a £5 increase in 2021/22 onwards	6,562,617	6,722,341	6,949,671	7,178,981	7,410,272	7,643,542
9	Collection Fund Surplus/(Deficit)	60,000	(29,000)	(29,000)	(29,000)	0	0
10	Localised Business Rates (estimate of business rates resources received in the year)	2,155,000	2,350,000	2,398,000	2,344,000	2,387,000	2,320,000
11	Tariff/Top Up Adjustment amount (negative RSG - phased in from 2022/23)		0	(270,000)	(360,000)	(450,000)	(500,000)
12	Business Rates Pooling Gain	225,000	125,000	0	0	0	0
13	Rural Services Delivery Grant	408,055	408,055	416,000	425,000	433,000	445,000
14	Total Projected Funding Sources	9,410,672	9,576,396	9,464,671	9,558,981	9,780,272	9,908,542
	Budget Gap per year						
15	(Projected Expenditure line 7 - Projected Funding line 14)	0	75,871	413,624	355,590	336,609	375,630
	Actual Predicted Cumulative Budget Gap	0	75,871	489,496	845,086	1,181,695	1,557,325
	Aggregated Budget Gap (if no action is taken in each individual year to close the budget gap annually)	0	75,871	565,367	1,410,453	2,592,148	4,149,474
	Modelling Assumptions:						
	Council Tax (Band D) (Modelling the higher of £5 or a 1.99% increase)	170.42	175.42	180.42	185.42	190.42	195.42
	Council Tax Base (Assumes an increase in Band D Equivalent properties of 200 per annum)	38,508.49	38,708.49	38,908.49	39,108.49	39,308.49	39,508.49

Note 1 - New Homes Bonus Funding

The modelling for 2021/22 includes a contribution of £746,000 from New Homes Bonus (NHB) funding to fund the Base Budget. This reduces to £546,000 in 2022/23 and a phased reduction in 2023/24 onwards. Although the NHB scheme is due to be replaced in 2022/23, it is assumed that a successor scheme will be implemented that will also be based on housing growth.

This page is intentionally left blank

RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)						APPENDIX C
	Cost Centre	Opening balance 01.04.2020 £000s	Additions to Reserve 2020/21 £000s	Predicted Spend 2020/21 £000s	Projected balance 31.03.2021 £000s	Comments
EARMARKED RESERVES						
Specific Reserves - General Fund						
Affordable Housing	S0822	(706)	0	211	(495)	Funding of Capital Programme commitments and £40K set up costs of the Community Benefit Society, Wholly Owned Company (E.78/19)
Beach Safety	S0839	(14)			(14)	
Capital Programme	S0820	(26)	(182)	208	0	Capital Programme commitments
Community Housing Fund	S0854	(494)		351	(143)	Community Housing schemes
Community Parks and Open Spaces	S0826	(37)	(17)	25	(29)	South Devon Tennis Courts, Cycling Design Work Plym to Tavistock etc.
Covid Earmarked Reserve (subject to Council approval)	New code	0	(100)	0	(100)	It is recommended that the COVID-19 LA Support Grant (4th tranche of £100K) is put into a COVID Earmarked Reserve as per Recommendation 3.
Dartmouth Ferry Repairs & Renewals	S0830	(446)	(117)	118	(445)	Dart Lower Ferry Workshops engineering (health and safety urgent works) £94k, additional fleet refurbishment works £24k
District Elections	S0838	0	(10)		(10)	
Economic Initiatives	S0831	(6)		4	(2)	Pop up Business School
Economic Regeneration (Business Rates pilot gain 2018/19)	S0858	(319)		280	(39)	Spend commitments include £65,000 for the Ivybridge Regeneration project (Executive 18th June 2020), £88,000 Fusion Leisure support payments July to Sept, and £127,000 contribution to Base Budget (part of Amended Budget 20/21)
Emergency Climate Change Projects Reserve	S0852	0	(400)	20	(380)	Set up of this reserve approved Exec 6th Feb 20 E74/19, funded by contribution from New Homes Bonus Reserve. As per the Executive report on 22nd October 2020, to utilise £20,000 to support the delivery of the Green Homes Grant scheme. There is a report on Council on 17.12.20 'Climate Change and Biodiversity Strategy and Action Plan update', which proposes initiatives for the £380,000.
Environmental Health Initiatives	S0857	(20)		11	(9)	EH student specialist salary costs
Homelessness Prevention	S0851	(112)			(112)	This reserve has been created following underspends on Homelessness Prevention Costs in previous years.
ICT Development	S0836	(122)	(50)	122	(50)	Commitments include £83,000 towards the Future IT Procurement, Council 13/2/20 E75/19
Innovation Fund (Invest to Earn)	S0850	(9)		9	0	Commitment to Community Housing Fund Reserve
Joint Local Plan	S0860	(21)			(21)	This is a new reserve for Joint Local Plan funding
Land and Development	S0829	(211)	(7)	104	(114)	Commitments include £103.5k Fusion Leisure monthly support due to temporary closure of leisure facilities during Covid 19 pandemic (April, May and June), £55k Follaton House Arboretum & Wedding Venue works
Leisure Services	S0858	(57)		14	(43)	Commitments include Playing Pitch Strategy £13k
Maintenance, Management and Risk Management Reserve (MMRM)	S0861	(8)	(29)		(37)	This is a new reserve set up to manage the ongoing maintenance costs of the Council's Commercial Property. The contributions to the reserve equate to 10% of the rental income, this is anticipated to be £29,000 in 2020/21.
Marine Infrastructure	S0828	(268)	(58)	0	(326)	Commitment of £200,000 relates to Batson Harbour Workshops (2019/20 £200K Capital Programme)
Members Sustainable Community Locality	S0846	(28)			(28)	This reserve holds the unspent balances.
New Homes Bonus	S0804	(1,696)	(1,199)	2,089	(806)	The NHB allocation for 20/21 was £1.199m. Commitments include £564k contribution to base revenue budget, £400k to Emergency Climate Change Projects Reserve and the Capital Programme budget 2018/19 & 2019/20. At Council in February 2020, it was approved to transfer the unallocated balance of £235,016 (from the 20/21 NHB allocation) into the New Homes Bonus Earmarked Reserve, with its future use to be decided when more details are known about the Spending Review for 2021/22 and following a Government consultation document on a replacement scheme for NHB. The uncommitted balance is £235,016.
On-Street Parking	S0834	(44)			(44)	
Pay & Display Equipment Renewals	S0833	(144)	(21)		(165)	This reserve provides for the periodic replacement of Pay & Display machines.
Pension Fund Strain Payments Reserve	S0810	(29)	(99)	99	(29)	This reserve is used to fund pension strain costs
Planning Policy & Major Developments	S0840	(187)			(187)	This reserve is for all planning matters and is also to meet appeal costs.
Renovation Grant Reserve	S0823	(7)			(7)	
Repairs & Maintenance	S0827	(203)	(13)	28	(188)	Commitment (£28K) relates to Mobile Phone Signal improvement works at Follaton House
Revenue Grants	S0821	(608)		54	(554)	This reserve comprises of government grants received for specific initiatives or new burdens and are held in the reserve for accounting purposes. The annual contribution of £48,700 from this reserve relates to the funding of three housing posts which were made permanent in the 2020/21 budget process and are funded from the Flexible Homelessness Support Grant.
Section 106 Deposits	S0842	(38)			(38)	This reserve comprises deposits with no repayment conditions - created as a result of IFRS
Section 106 Monitoring	S0929	(133)		22	(111)	This reserve funds the cost of an officer to oversee the administration of S106 deposits and how they are spent
Section 106 Technical Support	S0862	(16)		16	0	To meet the salary costs of a S106 technical support officer.
Strategic Change Reserve (T18)	S0849	(30)		30	0	Contribution to the Base Budget as per the Amended budget 20/21

Support Services Trading	S0856	(43)			(43)	Reserve was created from external work carried out in other Councils e.g. HR work with Councils also embarking on a Transformation Programme. Reserve maybe required in the future.
Sustainable Waste Management	S0837	(54)	(25)		(79)	Reserve was created for one-off waste management costs
Vehicles & Plant Renewals	S0832	(1,183)	(550)	1,733	0	Earmarked for the Fleet Replacement Programme as part of the Waste Contract. An annual contribution of £550,000 is made to this reserve. All committed for new fleet.
Sub Total excluding the Business Rates Reserve		(7,319)	(2,877)	5,548	(4,648)	
Business Rates Retention	S0824	(6,192)	0	586	(5,606)	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. Commitments mainly relate to (a) £3.5m ringfenced for Employment for the creation of local jobs (Council Feb 2018) (b) employment land opportunities - Amended Budget 24.9.2020 (c) 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. As part of the Amended Budget for 2020-21, it was agreed to use £343,000 from this reserve towards the 2020-21 budget shortfall of £1.3million. In addition, at Council in September 2020, it was approved to use £243,000 from this Reserve for further financial support for Fusion (the Council's leisure operator), so as to deliver improved health and wellbeing outcomes.
TOTAL EARMARKED RESERVES		(13,511)	(2,877)	6,134	(10,254)	
TOTAL UNEARMARKED RESERVES (General Fund Balance)		(1,898)	(69)	200	(1,767)	Note: This Unearmarked Reserve has a minimum balance of £1.5million (set by Members as part of the budget process). The predicted underspend for 2020-21 of £69,000 (as set out in this report) would be added to this Unearmarked Reserve. The Amended Budget set for 2020-21 approved the use of £200,000 from this Reserve to fund the Base Budget in 2020-21.
TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)		(15,409)	(2,946)	6,334	(12,021)	

ANALYSIS OF CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES

Amended Budget 2020/21			Estimate 2021/22		Estimate 2022/23	
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	
117,000		Ferry major repairs & renewals	117,000		117,000	
	(564,143)	New Homes Bonus (replacement scheme in 21/22)		(746,000)		(546,000)
	(48,700)	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	
0		Repairs and maintenance	80,000		80,000	
	(30,000)	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	
0		Planning Policy and Major Developmen	50,000		50,000	
	(127,000)	Economic Regeneration (Pilot Gain)	0		0	
	(343,000)	Business Rates Retention Reserve	0		0	
2,000		Interest from Reserves	2,000		2,000	
1,079,300	(1,112,843)	TOTALS	1,209,300	(794,700)	1,209,300	(594,700)
(33,543)		GRAND TOTAL	414,600		614,600	

Shaded items denote one-off funding changes with regards to the Amended Budget for 20/21 (agreed by Council September 2020)

This page is intentionally left blank