

Report to: **Hub Committee**
Date: **17 December 2019**
Title: **Revenue Budget Proposals for 2020-21**
Portfolio Area: **Cllr N Jory – Budget Setting Process**

Wards Affected: **All**

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

Date next steps can be taken:

14 January 2020

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Recommendations:

It is recommended that the Hub Committee:

- (i) Notes the forecast budget gap for 2020/21 of £16,284 (a near balanced budget) and the position for future years (a projected £0.367 million budget gap in 2021/22)
- (ii) Notes the current options identified and timescales for closing the budget gap in 2020/21 and future years, to achieve long term financial sustainability
- (iii) Resolves to request the views of the Overview and Scrutiny Committee on the Revenue Budget Proposals set out within this report for 2020/21.

That the Hub Committee requests the views of the Overview and Scrutiny Committee on the Fees and Charges below which form part of the Revenue Budget Proposals for 2020/21:

- (iv) To approve the proposed Environmental Health charges in Appendix D.*
- (v) To approve the proposed unchanged fees and charges set out for Development Management in Appendix C.*
- (vi) To approve that charges be introduced for the use of the existing electric charging points at Kilworthy Park.*
- (vii) To approve the introduction of Proof of Life charges with immediate effect, once approval from Members has been received as set out in paragraph 5.13.*
- (viii) To approve the changes to S257 Footpath Diversion Orders charges with immediate effect, once approval from Members has been received as set out in paragraph 5.14.*
- (ix) To approve the proposals to increase charges to Parish and Town Councils for the emptying of dog waste and litter bins as set out in paragraph 5.15*
- (x) delegated authority is given to the Section 151 Officer and the Portfolio Holder to set the Local Land Charges as appropriate for cost recovery.*

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 2024/25. The Council, along with other local authorities, has faced unprecedented reductions in Government funding. Between 2009/10 and 20/21, the Council's Core Government funding has reduced by £3 million.
- 1.2 West Devon has continued to work in partnership with South Hams District Council which has allowed West Devon Borough Council to achieve annual savings of £2.2 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.3 The latest Budget position for the Revenue Budget for 2020/21 is set out in this report. In the Modelling in Appendix B, ***the total projected budget gap is £16,284 in 2020/21 (a near balanced budget) and this is predicted to increase to £367,937 in 2021/22*** (the £367,937 assumes the budget gap in 20/21 of £16,284 has not been closed). The aggregated Budget Gap is £1.41 million.

- 1.4 A Members' Budget Workshop was held on 12th November. The results of the Members' Budget Survey have been circulated to all Members. A total of twenty two responses were received to the survey. Based on those results, the following changes have been reflected within this latest budget report:-
- A Climate Change Policy Officer (a two year temporary post) has been included at a cost of £25,000 per annum
 - The business rates pooling gain has been increased by £30,000 to £110,000 in 2020/21
 - Following the Triennial Pension Revaluation (see 2.12), the Council has been notified that its Pension Deficit has reduced from £7.116m (75.8% funded) at 31.3.2016 to £5.076m (84.3% funded) at 31.3.2019. This will result in a reduction in the Pension Employer secondary rate contributions (due to a reduction in the actuarial deficit at 31.3.2019) of £175,000 per annum (see 2.13)
 - The primary rate, the employer's pension contribution rate is increasing by 1.5% for WDBC from 13.3% to 14.8% producing a cost pressure of £75,000 per annum from 2020/21 for the next three years (see 2.11). The Devon Pension Fund in general is experiencing a 2% increase in the primary rate due to the change in financial assumptions.
 - A £4,800 saving per annum from the introduction of a premium planning service
 - Additional treasury management income of £15,000 per annum, from the investment of an extra £0.5million in the CCLA (see 2.27 for details)
 - Additional employments estates income of £25,000 per annum
 - An annual income from street naming and numbering of £15,000 per annum
 - Corporate consultancy income of £10,000 per annum
 - A reduction in ICT contracts of £8,000 per annum
 - Modelling work will be carried out on car parking fees to model the effect of increasing fees by approximately 4% in 2020-21 (£40,000) and to review the range of current tariffs in different car parks. This is on the basis that car parking fees would not be increased in 2021-22. The last time fees were increased was in July 2018. This will be the subject of a future report to the Hub Committee.
 - The latest Quarter 2 Budget Monitoring report shows that car parking income is expected to underachieve its income target for 2019/20 of £1,006,000 by 6% (£60,000). Therefore no increase in car parking income has been built into Appendix A for the 2020/21 Budget as the increase in fees is likely to only meet part of the current shortfall in budgeted income.
- 1.5 There are estimated one off redundancy and pension strain costs following the Senior Leadership Team and Extended Leadership Team restructure of £25,000 per annum for three years.

- 1.6 In addition, three temporary housing posts (shared with South Hams District Council) have been proposed in this report to be made permanent, to be funded by the Flexible Homelessness Government grant funding, to provide stability of resource within the Council's Housing team. The wdbc share of costs is £32,500. This does not create a cost pressure on the 'bottom line' as the cost pressure is offset by the government grant income (both the cost and the income are budgeted for), therefore there is a neutral impact on the budget.
- 1.7 Members' views are also sought on including an Economy post (shared with South Hams District Council) within the staffing establishment going forward, to be funded from the business rates pooling gains, to further drive the Council's economic aims and the Enterprise strategic theme, creating places for enterprise to thrive and business to grow. The cost of this post is expected to be around £25,000 per annum (WDBC share). Currently, this cost has not been built in to Appendix A as a budget pressure for 2020/21 onwards.
- 1.8 **Income from fees and charges**
The fees and charges outlined in this report in Section 5 are expected to either be cost neutral or to have a non-material impact in 2020/21. Therefore no additional income has been built into the budget for 2020/21 for these.
- 1.9 A Cross Party Member Working Group (Financial Stability Review Group) was set up in November 2017 with defined Terms of Reference to look at the Medium Term Financial Strategy and to further look at options for securing financial stability for the longer term. The Group have met monthly since September 2019 and report to the Overview and Scrutiny Committee on a regular basis.

2. BACKGROUND

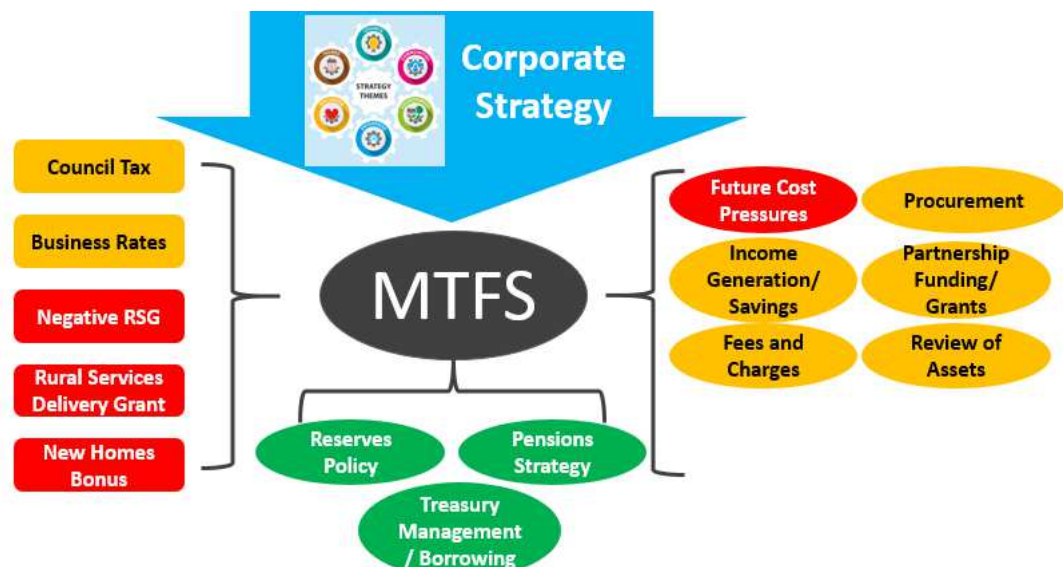
- 2.1 The Medium Term Financial Strategy (MTFS) report was approved by Council in September 2019. A Budget update report was presented to the Hub Committee on 5th November 2019 and reflected the following changes:-
- Negative Revenue Support Grant has been assumed to be withdrawn by the Government for 2020-21 (one year only)
 - A council tax referendum limit of the higher of £5 or 1.99% has been assumed
 - Rural Services Delivery Grant has been assumed to be paid at the same level in 2020/21 as in 2019/20 – i.e. £464,365
 - The provision for a pay award has been increased from 1% to 2% for each year of the Medium Term Financial Strategy. This is subject to national negotiation on an annual basis. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the financial planning of the Council.

- Two planning enforcement posts (the WDBC share of costs) have been included within the cost pressures.
- The Public Lavatories Bill has been dropped due to the proroguing of Parliament. Therefore the savings from business rates not being payable on public toilets (£18,000) will be delayed until at least 2021-22. This does not change any of the previous discussions between Town and Parish Councils and the Borough Council on public conveniences and the Borough Council would not be seeking to re-open discussions due to the Public Lavatories Bill being delayed.

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

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

2019/20 Net Budget £7.1 million



2.3 Technical consultation on Local Government Finance Settlement

On 3rd October, a technical consultation on the Finance Settlement for 2020-21 was issued by the Government, with the consultation closing on 31st October. A copy of the Council's response to the consultation was circulated to all Members in the Members' Bulletin.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836539/Local Government Finance Settlement 2020-21 Technical Consultation .pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836539/Local_Government_Finance_Settlement_2020-21_Technical_Consultation_.pdf)

2.4 The main items within the consultation were as follows:

- Spending Round 2019 - There will be a one year Spending Round for 2020-21 and plans for a more substantial Spending Review for 2021-22 onwards. So effectively this a 'roll-forward' settlement for 2020-21 for one year.
- Business rates – A similar system in 2020-21 to that in place for 2019-20 is being proposed, with further reform delayed until 2021-22.
- Negative Revenue Support Grant (RSG) - It states in 4.3.3 of the consultation that 'the Government is currently minded to pay off negative RSG again in 2020-21'. The Government welcomes views in response to the consultation on whether eliminating negative RSG is the right approach for 2020-21. This means the Council wouldn't have to forego some of its business rates income (£293,000) by paying some of it back to Government in the form of 'negative government grant'.
- Council Tax Referendum Principles – A core referendum principle of 2% for 2020-21, with the consultation asking the question of whether for Shire District Councils such as West Devon, this should be a principle of 2% or £5, whichever is the greater.
- Council Tax referendum limits for Town and Parish Councils
In 5.3.3 the Government proposes to continue with no referendum principles for Town and Parish Councils in 2020-21. Town and Parish Councils have been informed of this and also that they may wish to respond to Question 4 of the consultation.
- Better Care Fund
The Government proposes to continue with the existing Better Care Fund funding at the 2019-20 levels, using the same methodology as 2019-20.
- New Homes Bonus
NHB will continue for 2020-21 for one year, with any funding beyond 2020-21 being subject to the 2020 Spending Review. For one year the Government will fund legacy payments and the Government is minded to make a new round of allocations for 2020-21. However they may change the 0.4% baseline when the Finance Settlement is announced in December.
The consultation asks if Councils agree that there should be a new round of 2020-21 NHB allocations or would Councils prefer to see this funding allocated for a different purpose.
- Rural Services Delivery Grant (RSDG)
The Government is proposing to pay Councils the same level of RSDG as they received in 2019-20. This is £464,365 for West Devon Borough Council.

Council Tax

- 2.5 Council in September 2019 (Council Minute CM36) has set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to endeavour to continue to deliver services. The actual council tax for any given year will be decided by Council in the preceding February. (The council tax for 2020/21, the WDBC share, will be set at the Council meeting on 18th February 2020).
- 2.6 A £5 increase in council tax would equate to a Band D council tax of £236.63 for 2020/21. This is an increase of 2.16%. A 1% increase in council tax generates £47,000. It has been assumed that the number of properties within the Borough will increase by 70 per annum from 2020/21 to 2024/25 – this is an increase of approximately 0.3% and is based on projections from the Strategic Planning team. The results of the Members' Budget Survey were such that 69% of Members supported increasing council tax by the maximum allowable, without triggering a council tax referendum. 22% of Members supported a lower increase of 1.99% (this would add a budget pressure of £7,900 in 2020/21) and 9% of Members supported a lower increase of 0.99% (this would add a budget pressure of £54,800 in 2020/21).

Business Rates

- 2.7 The income from Business Rates which West Devon Borough Council retained in 2018-19 was the funding baseline of £2,049,573 plus the pilot gain of £460,000. Estimates have been made of the Baseline funding Level for 2020/21 onwards as set out in Appendix B. This is £1.66m for 2020/21 and £1.70m for 2021/22.

New Homes Bonus (NHB)

- 2.8 For one year the Government will fund legacy payments and the Government is minded to make a new round of allocations for 2020-21. However the Government may change the 0.4% baseline when the Finance Settlement is announced in December. The financial modelling has included using £200,000 of New Homes Bonus funding for 2020/21 to fund the revenue base budget and this has then been reduced to £100,000 in 2021/22 and £50,000 in 2022/23 for modelling purposes.
- 2.9 The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council – this is the equivalent of 98 properties for West Devon. So the Council receives no New Homes Bonus on the first 98 properties of property growth per year (Note property growth is modelled at 70 extra properties per year so the Council may only receive legacy payments). The Council's New Homes Bonus allocation for 2019/20 was £500,595. The allocation for 2020/21 is expected to be announced in December 2019 and is expected to be in the region of £330,000.

Pensions Strategy (Actuarial Valuation)

- 2.10 The Council has taken specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. Options were presented to the Council's Audit Committee on 22nd January 2019 and this work is being progressed by the S151 Officer in accordance with the timetable for the Triennial Pension Revaluation. The S151 Officer attended an employers' meeting on 14th November and has received the results of the Triennial Revaluation of the Pension Fund.
- 2.11 The total pension contribution rates payable for employers consists of two elements, the primary rate and the secondary rate:
- **The primary rate** – this is the anticipated cost to the Council of the pension rights that members will accrue each year in the future. The primary rate, or future service rate is expressed as a percentage of pensionable payroll. The primary rate, the employer's pension contribution rate is increasing by 1.5% for WDBC from 13.3% to 14.8% producing a cost pressure of £75,000 per annum from 2020/21 for the next three years. The Devon Pension Fund in general is experiencing a 2% increase in the primary rate due to the change in financial assumptions.
 - **The secondary rate** – this arises where the cost of pension rights that have already been accrued turn out to be higher than expected, resulting in a deficit. This happens where the Fund experience differs from previous assumptions, and so the contributions paid do not match the cost of the pension rights accrued during a previous period. The secondary rate, or deficit recovery rate is set as a cash figure.

2019 Pension Actuarial Valuation result

- 2.12 The funding level and the movement in the Council's pension position following the Triennial Pension Revaluation are shown below:

	As at 31st March 2016 (£'000)	As at 31st March 2019 (£'000)
Assets	22,282	27,258
Liabilities	29,398	32,334
(Deficit)	(7,116)	(5,076)
Funding Level	75.8%	84.3%

- 2.13 The Pension Deficit has reduced from £7.116m (75.8% funded) at 31.3.2016 to £5.076m (84.3% funded) at 31.3.2019. The secondary rate, the amount paid to meet the pension deficit, will reduce from £500,000 per annum (the amount budgeted in the base budget) to around £325,000 per annum – an annual saving of £175,000 for the next three years (£500,000 less £325,000). This is on the basis of the pension deficit recovery period remaining at 17 years. The actuaries have also offered the option of reducing the deficit recovery period to 14 years and this would produce an annual saving of £113,000 (£500,000 less £387,000). ***It is recommended by the S151 Officer that the deficit recovery period is maintained at 17 years and is not reduced to 14 years and an annual saving of £175,000 has been built into Appendix A.***

The table below shows the primary rate (shown in a percentage) and the secondary rate (cash amount).

Employer Contribution Rate	Applicable from 1st April 2020	Applicable from 1st April 2021	Applicable from 1st April 2022
Primary Rate (% of Pay)	14.8%	14.8%	14.8%
Secondary Rate (cash amount per annum) based on 14 year deficit recovery period	£387,294	£401,413	£416,048
Secondary Rate (cash amount per annum) based on 17 year deficit recovery period <i>(Option recommended by the S151 Officer)</i>	£325,000	£337,000	£350,000

Note – the amount budgeted for the secondary rate (pension deficit contributions) in the 2019/20 base budget is £500,000 per annum.

Treasury Management and Borrowing Strategy

- 2.14 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 £50 million. In March 2019, the Council considered its Capital Strategy and Treasury Management Strategy which contained the new requirements issued by MHCLG in February 2018 of the new guidance.

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

- 2.15 At the Hub Committee meeting on 5th November 2019, (Minute HC45) Members had a detailed debate on the third recommendation of the report, which sought authority to withdraw 100% Council Tax Support Grant from Town and Parish Councils with effect from 1 April 2020. Some Members felt it would better serve Town and Parish Councils to stagger the withdrawal of the Council Tax Support Grant, particularly in light of the consultation responses received. However, other Members noted that to delay the withdrawal could adversely impact Town and Parish Councils, particularly if a council tax referendum limit on raising precept levels for Town and Parish Councils was introduced by Central Government in 2021/22. On balance, the Committee agreed with the recommendation as set out in the presented report. It was then resolved that Council be recommended to withdraw the Council Tax Support Grant from Town and Parish Councils with effect from 1 April 2020 by 100%.

Results of the Members' Budget Survey 2019

- 2.16 A Members' Budget Workshop was held on 12th November. The results of the Members' Budget Survey have been circulated to all Members. A total of twenty two responses were received to the survey. Based on those results, the following changes have been reflected within this latest budget report:-
- A Climate Change Policy Officer (a two year temporary post) has been included at a cost of £25,000 per annum.
 - The business rates pooling gain has been increased by £30,000 to £110,000 in 2020/21
 - A reduction in the Pension Employer secondary rate contributions (due to a reduction in the actuarial deficit at 31.3.2019) of £175,000 per annum (see 2.13)
 - A £4,800 saving per annum from the introduction of a premium planning service. Applicants can pay an additional fee, over and above the statutory fee, in return for a set of specific actions/commitments with a view to getting an application determined faster than under the normal service. The additional income is based on an estimate of one application per month over the year. N.B. the service would not in any way influence the outcome of the decision making process.
 - Additional treasury management income of £15,000 per annum, from the investment of an extra £0.5million in the CCLA (see 2.27 for details).
 - Additional employments estates income of £25,000 per annum
 - An annual income from street naming and numbering of £15,000 per annum
 - Corporate consultancy income of £10,000 per annum. The Council will look to attract more work from other Councils. This would primarily be through the Council delivering consultancy or short term work activities for other Councils (e.g. Disabled Facilities Grants), rather than delivering full services.

- A reduction in ICT contracts of £8,000 per annum
- Modelling work will be carried out on car parking fees to model the effect of increasing fees by approximately 4% in 2020-21 (£40,000) and to review the range of current tariffs in different car parks. This is on the basis that car parking fees would not be increased in 2021-22. The 4% was the average of the range of options which were supported by Members in the Members' Budget Survey. The last time fees were increased was in July 2018 (See 5.18 for further detail). This will be the subject of a future report to the Hub Committee.

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

- **Increase car parking pay and display fees and transfer the additional income to an earmarked reserve to help fund installation of rapid electric charging points (on a larger scale, over and above grant funding already available)** – Members considered an option which looked at increasing car parking pay and display fees and transferring the additional income to an earmarked reserve to help fund investment in the installation of rapid electric charging points in the Council's car parks. Some Members made the point that the Council should be able to access government grant funding.

Other Budget Ideas raised by Members in the Budget Survey

2.18 A Member requested that additional funds be made available to the Community Safety Partnership and included as an extra cost pressure from 2020/21 onwards.

2.19 Some Members asked for more information as to what duties the Climate Change Officer would undertake before they made a decision. The Climate Change Action Plan is a separate item on the December Council agenda. Another Member suggested this post was essential to transition the Council's climate change emergency to one of 'business as usual'.

2.20 The other ideas from Members that were suggested to generate Income or reduce expenditure in the Members' Budget Survey were as follows:

- Private companies be invited to bid for the right to install electric charging points wherever needed
- A woodland creation scheme – buy land and create a diverse 'zoned' woodland
- Cut down on travel reimbursement by further use of the IT/Skype

2.21 This latest budget position includes a provision for the pay award of 2% per annum in line with the previous Medium Term Financial Strategy. This is subject to national negotiation on an annual basis. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council. The 2020/21 pay

award is still being negotiated and therefore the pay award cost pressure might change once this has been agreed in the New Year.

2.22 In addition, three temporary housing posts (shared with South Hams District Council) have been proposed in this report to be made permanent, to be funded by the Flexible Homelessness Government grant funding, to provide stability of resource within the Council's Housing team. The wdbc share of costs is £32,500.

2.23 The Government has reformed temporary accommodation finance through a flexible homeless support grant. There has also been financial recognition of the enormous additional burden placed on local authorities through the Homeless Reduction Act, meaning that the service has been able to continue delivering its statutory service, perform highly in preventing homelessness and reducing lengths of stays in temporary accommodation. The Council has robust homeless and rough sleeper prevention strategies which has meant the Council has prevented homelessness for 799 households since its inception in 2017. The short term nature of grant funding has meant the Council has only been able to offer short term contracts, and the Council has used significant resource on the training and induction of staff, only to lose staff to our neighbouring Authorities when permanent positions have arisen. In order to provide stability of resource to really drive homeless prevention in our area, it is recommended that three housing posts are made permanent posts on the establishment, to be funded by flexible homelessness grant (Government grant funding). This does not create a cost pressure on the 'bottom line' as the cost pressure is offset by the government grant income (both the cost and the income are budgeted for), therefore there is a neutral impact on the budget.

2.24 Members' views are also sought on including an Economy post (shared with South Hams District Council) within the staffing establishment going forward, to be funded from the business rates pooling gains, to further drive the Council's economic aims and the Enterprise strategic theme, creating places for enterprise to thrive and business to grow.

2.25 The cost of this post is expected to be £25,000 per annum (WDBC share). Currently, this cost has not been built in to Appendix A as a budget pressure for 2020/21 onwards. It is envisaged that this Economy post would:

- Put together bids for external funding and use Grantfinder to attract external grants
- Set up projects to support local business growth, create new jobs and improve local skills.
- Help to promote tourism and investment in the local region.
- Conduct research and analyse statistics.

- Build partnerships between local government, businesses and communities.
- Work in partnership with the Federation of Small Businesses (FSB).
- Advise businesses and community groups about available grants and funding.
- Work with the Local Enterprise Partnership on opportunities for funding.
- Promote our local area to attract new businesses and retain existing businesses through a targeted approach.
- Develop local economic development strategies and an action plan to implement them – assist with the Town Centre work.
- Help local businesses to become more competitive in finding new markets.

Senior Leadership Team/Extended Leadership Team restructure

- 2.26 The Corporate Peer Challenge report, carried out in November 2018, recommended a review of the management structure of the Councils. The first part of this review was carried out in September 2019 with the formation of a Senior Leadership Team (SLT) that provides the clarity and capacity to meet the challenge of delivering the ambitious objectives of the Councils. The report to Council on 23rd July requested that the Chief Executive review and implement changes to the Extended Leadership Team (ELT) by December 2019. The annual savings (WDBC share) from the SLT and ELT staff restructure are £94,000 per annum. There are estimated to be some one-off redundancy and pension strain costs associated with the restructure and an amount of £25,000 for three years has been budgeted for as a cost pressure.

Investment in the CCLA (Churches, Charities and Local Authorities) Property Fund

- 2.27 The CCLA (Churches, Charities and Local Authorities) Property Fund has been specifically set up for local authorities and currently has investments of over £1,178 million, with local authority investors including county councils, metropolitan councils/London boroughs and unitary and district councils. Devon County Council, Plymouth City Council and four Devon town councils are invested in the Fund. The fund own and operate commercial properties across the UK, across various sectors with many having blue-chip tenants. The Council could consider increasing its investment in CCLA from £0.5m to £1m generating extra income of say 3% so an extra £15,000 of income from 20/21 onwards. *(The interest rate achieved on the CCLA Property Fund will be in the region of 4.5% - This is predicted to be 3% higher than what the Council could achieve by investing its funds with Money Market Funds or fixed term deposits with Banks and Building Societies).* The extra £0.5m investment will be taken from the Council's Treasury Management balances and instead of investing this money in Money Market Funds the investment would instead be made in CCLA.

3 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

- 3.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 3.2 **Appendix A** to the Medium Term Financial Strategy sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast.

These figures in Appendix A show the changes to the existing base budget.

(As set out in Appendix A)	2020/21	2021/22	2022/23	2023/24	2024/25
Cost Pressures	£638,500	£350,000	£285,000	£360,000	£310,000
Contributions to Earmarked Reserves	£87,500	£87,500	£87,500	£87,500	£87,500
Savings and additional income	(£535,000)	(£247,200)	(£391,200)	(£1,200)	(£1,200)

4. OVERALL POSITION – BUDGET GAP

- 4.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £7.1 million in 2019/20.
- 4.2 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).
- 4.3 The following table illustrates the predicted budget gap from 2020/21 onwards for the Council as shown in Appendix B:

Cumulative Budget Gap	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	Total Aggregated Budget Gap £
Modelling as set out in Appendix B	16,284	367,937	146,890	346,143	534,696	1,411,950

- 4.4 In the Modelling in Appendix B, the total projected budget gap is £16,284 in 2020/21 (a near balanced budget) and this is predicted to increase to £367,937 in 2021/22 (the £367,937 assumes the budget gap in 20/21 of £16,284 has not been closed). The aggregated Budget Gap is £1.41 million.

5 FEES AND CHARGES

5.1 Environmental Health Charges

5.2 Appendix D sets out proposals for Environmental Health Charges for 2020/21.

5.3 Environmental Health charges were reviewed for 2016/17 to ensure that the Council charges were consistent across WDBC and SHDC and complied with the legislation in terms of the maximum charge being full cost recovery. The charges were changed to reflect this requirement and the review of charges for 2020/21 reflects the full cost recovery concept and the proposals are as follows.

5.4 New animal licensing regulations were introduced in October 2018. This year's (2019-20) fees were based on estimates of the times to be taken for the various requirements of the new regulations. In practice these turned out to be slight underestimates, so additional staff time has been allocated this year, also staff costs have risen due to the pay award. All costs have been calculated by assessing staff time taken for all licensing work divided according to pay scale and adding other relevant costs. The proposed costs are in line with those of other Devon Local Authorities.

5.5 The setting of fees for the issuing of licences for Hackney Carriage and Private Hire Vehicles, as well as Private Hire operators is governed by the Local Government (Miscellaneous Provisions) Act 1976, this requires that where the fee set is proposed to be greater than £25 the Council must advertise these changes for a period of 28 days, and publish a notice in the local newspaper. Due to the cost of the advertisement of fees it is not economically beneficial to the local authority to increase these fees by inflation each year. Fees for these licences will be reviewed on a 3 yearly basis to ensure that the Council is not subsidising the delivery of the service substantially. Therefore, no increases are proposed for 2020/21.

5.6 A new charge of £300 is being introduced in response to new legislation whereby tenants are able to request that a Local Council carries out an inspection of the rented property to support a civil action taken against a landlord. In addition, a charge of £41 per hour will be levied if attendance at court is necessary.

5.7 In the event of a serious private water supply sampling failure, a new fee of £100 will be charged for the officer time required to investigate further.

5.8 Following a review of charges for the granting and renewal of zoo licenses, increases are proposed to reflect the time spent by officers in processing applications and inspecting premises.

5.9 In terms of additional income, the changes to existing Environmental Health and Licensing charges shouldn't have a significant impact since most charges are remaining the same and those that are increasing are based on cost recovery rather than income generation.

- 5.10 The Council currently charges £60 for a Disclosure & Barring Service (DBS) which covers the cost of an enhanced check and administration fees. The cost to us from central government is set to decrease by £4 and so the proposal is to pass this saving on to our customers and charge £56 for the service instead. This action will be cost neutral to the Council.

Development Management

- 5.11 Substantial changes were made to many of the Development Management fees and charges in 2019/20. It is considered that these figures represent fair and appropriate amounts to charge for 2020/21 and so the proposal is to freeze charges at their current levels for 2020/21 and then review once again when setting fees for 2021/22. A breakdown of these fees can be found at Appendix C to this report.

Electric Charging points outside Kilworthy Park

- 5.12 It is proposed to charge for the use of the electric charging points outside Kilworthy Park.

Proof of Life

- 5.13 British nationals in receipt of pensions from a foreign country are required to periodically confirm 'Proof of Life' to continue receipt of their pension payments. This requires completion of a form with ID and utility bills in order that the form can be validated. Within the last couple of years, GP's have introduced a fee for completing the form. This ranges from £30 - £60. As a result, Councils have now experienced an increase in the numbers of people requesting that we sign the forms for them. In the absence of a charging policy, we have continued to do this for free. While the volumes are not currently large (under 30 in the past 12 months), introducing a small fee of £25 would cover the costs of validating the forms. The proposal is to introduce these charges with immediate effect, once approval from Members has been received.

S257 Footpath Diversion Orders

- 5.14 This fee relates to applications to divert a Public Right Of Way (PROW) to facilitate the delivery of a development using section 257 of the Town and Country Planning Act. The proposal is to increase the fee from £1,460 to £2,500 to reflect the actual costs of providing the service. Since there are 2-3 applications each year on average, this is likely to increase income overall by approximately £2,100 in 2020/21, with increased income in 2019/20 dependant on whether any further applications are received. The proposal is to introduce these increases with immediate effect, once approval from Members has been received.

Emptying of dog waste and litter bins

- 5.15 A number of litter and dog bins are serviced by the waste contractor on behalf of town and parish councils. The new waste and cleansing contract which started on 1 April 2019 includes a new pricing structure for emptying and cleansing bins and so it is necessary to review charges in line with actual contract costs. It is worth noting that these charges have been maintained at the current level and not increased in line with inflation since 2015. For this reason the percentage increase in charges appears high and it is therefore proposed that the increase is phased in over two years to allow the town and parish councils to adjust their budgets accordingly as set out in the table below.

Activity	Current Fee	Proposed Fee 2020-21	Proposed Fee 2021-22*
Servicing of litter bins	£1.00	£2.00	£3.06
Servicing of dog bins	£1.00	£2.00	£3.06

*It is proposed that from 2021-22 onwards, fees are increased in line with contract inflation.

- 5.16 The proposed changes will allow the budget to reflect the actual costs of bin emptying and will track inflation over the life-time of the contract. Whilst income from bin servicing will increase by £18,000 this will be offset by the higher costs incurred from an increase in bin numbers in recent years.

Local Land Charges

- 5.17 Local Land Charges (LLC) is a statutory service where the income raised is intended to cover the cost of providing the service, so far as it's possible to do so. Officers are in the process of determining the actual cost of providing the service in order to ensure the appropriate fees are being charged. It is proposed that delegated authority is given to the Section 151 Officer and the Portfolio Holder to agree the LLC fees for 2020/21.

Car Parking Fees

- 5.18 Modelling work will be carried out on car parking fees to model the effect of increasing fees by approximately 4% in 2020-21 (£40,000) and to review the range of current tariffs in different car parks. This is on the basis that car parking fees would not be increased in 2021-22. The last time fees were increased was in July 2018. The latest Quarter 2 Budget Monitoring report shows that car parking income is expected to underachieve its income target for 2019/20 of £1,006,000 by 6% (£60,000). Therefore no increase in car parking income has been built into Appendix A for the 2020/21 Budget as the increase in fees is likely to only meet part of the current shortfall in budgeted income.

Income from fees and charges

- 5.19 The fees and charges outlined in this report in Section 5 are expected to either be cost neutral or to have a non-material impact in 2020/21. Therefore no additional income has been built into the budget for 2020/21 for these.

6 FINANCIAL SUSTAINABILITY AND TIMESCALES

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

Option	Possible Budget Impact	Timescale
Extended Leadership Team (ELT) Budget options The Extended Leadership (ELT) have been tasked with identifying budget options for Members to consider for income generation/savings/reduced expenditure for 2020/21 and 2021/22 onwards, taking into consideration the Council's corporate strategy and the latest budget position.	To be quantified	Options were considered at the Members' Budget Workshop on Tuesday 12 th November. This work is on-going.
Asset Review The Invest to Earn Committee are considering commercial property business cases within the Commercial Property acquisition strategy. A report on the updated Commercial Investment Strategy was a separate report on the July 2019 Hub Committee agenda.	To be quantified	On-going through meetings of the Invest to Earn Committee

Option	Possible Budget Impact	Timescale
<p data-bbox="360 309 877 376">Three weekly residual waste collection</p> <p data-bbox="360 421 877 817">A report was taken to the Hub Committee in June 2019 for the three weekly residual waste collection. A recommendation is being made to the Waste Working Group to extend the trial for a full financial year to provide more robust data, with the potential to go live around September to October 2021 (if supported by the results of the trial).</p> <p data-bbox="360 862 877 1153">Savings are likely to be in the region of £100k to £150k p.a. Currently 16 to 20 Local Authorities operate a three or four weekly residual collection service, the majority of these have experienced an increase in recycling rates and a reduction in cost after introduction of the system.</p>	<p data-bbox="898 421 1064 631">£50,000 in 2021/22 and £100,000 per annum thereafter</p>	<p data-bbox="1086 421 1343 779">A trial would be for a full financial year, with the potential to go live around September to October 2021 (if supported by the results of the trial).</p>
<p data-bbox="360 1191 877 1258">Strategic Accommodation Review</p> <p data-bbox="360 1265 877 1863">Members of the Accommodation Working Group are reviewing options. A report was presented to the Hub Committee on 5th November 2019. Currently West Devon BC pays South Hams DC £90,000 per year which reflects the cost of the shared service provision and the far greater footprint used at Follaton House for the provision of some frontline services (call centre) and all back office functions. Members have requested that this annual payment is reviewed as part of the budget setting process for 2020/21. The Medium Term Financial Strategy currently includes an aspirational savings target of £50,000 for 2021/22 onwards.</p>	<p data-bbox="898 1265 1064 1332">To be quantified</p>	<p data-bbox="1086 1265 1284 1294">By April 2020</p>

Option	Possible Budget Impact	Timescale
Funding Options		
<p>New Homes Bonus allocations for 2020/21 onwards</p> <p>The Government has stated that 2020/21 represents the final year of NHB funding and from 2021 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue.</p> <p>The financial modelling has included using £200,000 of New Homes Bonus (or its replacement) funding for 2020/21 to fund the revenue base budget and this has then been reduced to £100,000 for 2021/22 and £50,000 for 2022/23 onwards for modelling purposes.</p> <p>It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced. This remains a risk for the Council.</p>	<p>To be assessed</p> <p>It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced.</p>	<p>Awaiting further announcements from the Government</p>
<p>Negative Revenue Support Grant (RSG)</p> <p>Negative Revenue Support Grant (RSG) for 2019/20 of £293,000 was eliminated by the Government for one year.</p> <p>The Government are consulting on funding negative RSG for one year for 2020-21. This has been assumed in the modelling in Appendix B.</p>	<p>Negative RSG of £293,000 for 2021/22 onwards has been built into this budget report.</p>	<p>It is assumed that negative RSG of £293,000 will be deferred for one year until 2021/22.</p>

Option	Possible Budget Impact	Timescale
<p data-bbox="360 309 877 376">Use of Reserves as a temporary measure</p> <p data-bbox="360 416 877 600">The Council could temporarily utilise Reserves to balance an element of the 2020/21 budget, whilst longer term solutions are being implemented.</p> <p data-bbox="360 640 877 851">This would be a very short term solution though. The current levels of Reserves are £1.3 million Unearmarked Reserves and Earmarked Reserves of £4.3 million.</p>	<p data-bbox="898 309 1064 376">To be assessed</p>	<p data-bbox="1086 309 1342 416">To be decided as part of the Budget Process</p>

- 6.2 Through the Financial Stability Review Group, further measures will continue to be considered to balance future budget positions.

7 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

- 7.1 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 2020/21 are a separate report on this agenda. This sets out a Proposed Capital Programme for 2020/21 of £1,050,000 and the sources of funding for the Capital Programme.
- 7.2 **Commercial Property Acquisition Strategy** – The Council has agreed a commercial property acquisition strategy. To date, four investment properties have been purchased with a value of £21.3 million in aggregate.
- 7.3 Purchases made within the strategy are capital expenditure. A report on the updated Commercial Investment Strategy to include the renewable energy sector was a separate report on the July 2019 Hub Committee agenda. The Council is progressing work on the business case for the renewable energy sector. An income projection of £280,000 from the net ancillary income from investments in commercial property has been included within the budget model for 2020/21, as this is the level currently being achieved by the portfolio in 2019/20.
- 7.4 The Council's Asset Base is £46 million at 31 March 2019. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council's Assets.

- 7.5 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made.
- 7.6 Public Works Loans Board (PWLB) borrowing – On 9th October the Council received notification that overnight, the PWLB borrowing rate had increased by 1% across all of their loans which are available. This was without any prior notice and this dramatic increase overnight is unprecedented in years gone by. For example 50 year borrowing is now 3% interest rate (previously just under 2%). This only affects new loans taken out and this doesn't affect loans taken out for commercial property in 2018/19, which were fixed at the time for a fixed interest rate for the next 50 years.
- 7.7 The Council is assessing the impact on all of its business cases which involve external borrowing. It is thought that other market providers e.g. bank and pension funds will look to offer products that are at a more competitive rate than the current PWLB offering.
- 7.8 An overall Borrowing Limit (£50 million) has been approved as part of the Medium Term Financial Strategy for all of the Council's services.

8 Earmarked and Unearmarked Reserves Policy

- 8.1 The current Levels of Reserves: £1.286 million Unearmarked Reserves and Earmarked Reserves of £4.3 million. The Council's Net Budget is £7.1 million for 2019/20. Therefore Unearmarked Reserves equate to 18% of the Council's Net Budget. A full list of Earmarked Reserves is attached at Appendix E.
- 8.2 Given the increase in financial risks which the Council faces, the Council has increased the minimum level of Unearmarked Reserves to be held to £900,000. The increased financial risks are in part from the Council's commercial investment strategy where prudential borrowing of up to a total borrowing limit of £50 million (for all Council services) has been approved.
- 8.3 **Budget Monitoring** – The latest Quarter 2 Budget Monitoring report shows the actual net revenue expenditure is forecast to be under budget by £54,000 when compared against the total budget set for 2019/20. This is a separate agenda item on the Hub Committee agenda.

9 NEXT STEPS AND PROPOSED WAY FORWARD

- 9.1 This report is a snapshot (a position statement) in December 19 and future Member decisions on the budget strategy will inform future figures within the 14th January 2020 Budget report to the Overview and Scrutiny Committee.

- 9.2 Officers will continue to work with the Cross Party Member Working Group (Financial Stability Review Group) and the results of this will be incorporated into future Budget reports. Section 6 sets out the potential timescales against the areas identified.
- 9.3 In particular, the Council keenly awaits the announcement of the Draft Local Government Finance Settlement which is anticipated in December.

10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Hub Committee is responsible for recommending to Council the budgetary framework. It is the role of the Overview and Scrutiny Committee 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 that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>
Financial implications to include reference to value for money		<p>In the Modelling in Appendix B, the total projected budget gap is £16,284 in 2020/21 (a near balanced budget) and this is predicted to increase to £367,937 in 2021/22 (the £367,937 assumes the budget gap in 20/21 of £16,284 has not been closed). The Aggregated Budget Gap is £1.41 million.</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 Borough Council for 2018-19, which was reported to the Council's Audit Committee in July 2019.</p>
Risk		Each of the budget options taken forward by Members will consider the risks of the option.
Supporting Corporate Strategy		The Budget report supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.

Climate Change - Carbon / Biodiversity Impact		A Climate Change Action Plan will be presented to Council in December 2019, with associated financial implications. 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.
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 – Development Management Fees and Charges for 2020/21

Appendix D – Environmental Health Fees and Charges for 2020/21

Appendix E - Schedule of Reserves (Unearmarked and Earmarked)

Background Papers:

Hub Committee – 5th November 2019 – Budget Update report for 2020/21 to 2024/25

Hub Committee – 16th July 2019 – Medium Term Financial Position for 2020/21 onwards

Council 17th September 2019 – Medium Term Financial Strategy

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