

**SOUTH HAMS DISTRICT
COUNCIL**

13 FEBRUARY 2020

**2020/21
REVENUE BUDGET PROPOSALS**

2020/21 REVENUE BUDGET PROPOSALS – FINAL RECOMMENDATIONS

Purpose of the Report

This report provides an update of our overall financial position and details the formal proposals of the Executive to achieve a balanced budget. The minutes of the Executive meeting of 6 February 2020 are included elsewhere on this agenda and provide a more complete picture of the decisions taken.

The General Fund Revenue Budget, Medium Term Financial Strategy (MTFS) and the recommendations for the 2020/21 financial pressures and savings are summarised in Appendices A to F of this report. The MTFS has been rolled forward to enable Members to look ahead to future years in considering their spending plans and council tax levels.

The Final Local Government Finance Settlement was published by the Government on 6th February 2020. This confirmed that there were no changes to any of the Council's figures from the information that was announced in the draft Local Government Finance Settlement in December 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 is a 'roll-forward' Finance Settlement from the Government for 2020/21 for one year. The point is being made by the Local Government Association (LGA) that Councils need more certainty of their funding longer term post 2020.

The Council no longer receives any Government Grant (Revenue Support Grant) to fund its services and the Council has to be self-sufficient. The Council Tax Referendum limits for District Councils will be the higher of £5 or 1.99% for 2020/21.

The Council's Net Budget would be £9.4 million for 2020/21, for all of the services it delivers.

Negative Revenue Support Grant (RSG) for 2020/21 will be eliminated by the Government. There has been no news on what will happen to negative RSG from 2021/22 onwards and therefore the modelling in this report has assumed negative RSG will remain for 2021/22 onwards in some form (e.g. as part of the business rates baseline reset).

For 2020/21, the funding amount (£81m nationally) and the methodology for the distribution of Rural Services Delivery Grant remain unchanged from 2019/20. South Hams District Council's share of this is £408,055 for 2020/21. This is Government grant to recognise the additional cost of delivering services in rural areas.

This report sets out the revenue budget proposals for a balanced budget for 2020/21. The Council is currently forecasting a budget gap of £0.57m for 2021/22. The aggregated Budget Gap by 2024/25 is £3.2million

In Summer 2019, the Council declared a Climate Change and Biodiversity Emergency. As part of the 2020/21 Budget Proposals, it is being recommended to set up a fund of £400,000 for emergency climate change projects.

2020/21 REVENUE BUDGET PROPOSALS – FINAL RECOMMENDATIONS

This is a one-off amount of money and the Climate Change and Biodiversity Working Group will have a key role to play in the process of how this is allocated. The Budget Proposals also include a Climate Change Policy Officer (a two year temporary post) to help deliver the Council's Action Plan.

Given the level of uncertainty facing Local Authorities finances, it is also being recommended by the Executive, to transfer the unallocated balance of New Homes Bonus funding of £235,000, into the New Homes Bonus Earmarked Reserve. Its future use is proposed 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 which will be published in the Spring of 2020.

Statutory Powers: Local Government Act 1972, Section 151
Local Government Finance Act 1992

RECOMMENDATIONS:-

(The references in the Recommendations below refer to the Appendices in this report or to the relevant Section of the 2020/21 Revenue Budget report presented to the Executive at its meeting on 6 February 2020).

It is RECOMMENDED that:

- i) **Council Tax is increased by £5 (which equates to a Band D council tax of £170.42 for 2020/21, an increase of £5 per year or 10 pence per week. This is a 3.02% increase). This equates to a Council Tax Requirement of £6,562,617.**
- ii) **The financial pressures in Appendix B of £1,600,640 be agreed.**
- iii) **The schedule of savings identified in Appendix B totalling £904,877 be agreed.**
- iv) **The Collection Fund Surplus of £60,000 as shown in Appendix B be agreed.**
- v) **The net contributions to reserves (£117,843) to be included within the Authority's budget, as set out in Appendix D be**

2020/21 REVENUE BUDGET PROPOSALS – FINAL RECOMMENDATIONS

agreed (this includes using £564,143 of New Homes Bonus funding to fund the 2020/21 Revenue Budget.

- vi) The use of £400,000 of New Homes Bonus funding to set up an emergency climate change projects Earmarked Reserve, as set out within 2.20 of the Executive Revenue Budget Proposals report on 6th February 2020, be agreed.
- vii) To transfer the unallocated balance (currently £235,016) of New Homes Bonus 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 which will be published in the Spring of 2020
- viii) The inclusion of an Economy post (shared with West Devon Borough Council) within the staffing establishment for two years, as 2.37 of the Executive report on 6th February 2020 on the Revenue Budget Proposals for 2020/21, be agreed.
- ix) Partnership funding levels are as set out within 2.38 of the Revenue Budget report to the Executive on 6 February 2020, with the addition of £5,000 to the CVS for 2020/21 only
- x) Delegation is given to the S151 Officer, in consultation with the Leader and Executive Member for Finance to agree the final amount of New Homes Bonus funding for the Dartmoor National Park for 2020/21.
- xi) The Council should set its total net expenditure for 2020/21 as shown in Appendix B as £9,410,672.
- xii) The minimum level of the Unearmarked Revenue Reserves is maintained at £1,500,000, as per Section 7 of the Revenue Budget report to the Executive on 6 February 2020.
- xiii) The level of reserves as set out within the report to the Executive on 6 February 2020 and the assessment of their adequacy and the robustness of budget estimates are noted. This is a requirement of Part 2 of the Local Government Act 2003.
- xiv) Delegated authority is given to the S151 Officer, in consultation with the Leader of the Council, to carry out a virement within the 2020-21 Budget, to increase both the partnership expenditure budget by £9,000 and the estates

2020/21 REVENUE BUDGET PROPOSALS – FINAL RECOMMENDATIONS

management income budget by £9,000, to reflect a commercial rate of rent for the Citizens Advice South Hams but also to ensure no loss of service provision to local residents.

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Part 1: The Executive's considerations in arriving at its final proposals for financial pressures, savings and Council Tax (Executive meeting held on 6th February 2020).

1. Over the last six months, the Executive has given the budget very detailed consideration and has sought views on budget proposals. This process has enabled and informed Members in their consideration of the appropriate level of service provision and council tax levels.
2. The Executive are recommending increasing council tax by £5 and are recommending that Full Council approve this. This would mean the council tax would increase to £170.42 for 2020/21 (a 3.02% increase), an increase of £5 per year or 10 pence per week.
3. Council in September 2019 (Council Minute 34/19) set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to enable the continued delivery of services. It was recognised that this measure would increase the base budget for ensuing years and protect the delivery of services and the Council's financial resilience. To balance the budget of £9.4 million, the Council has identified £0.9 million in savings. The Council is still forecasting a £0.57 million budget gap by 2021/22.
4. The Executive also recommends a capital works programme for 2020/21 amounting to £3,730,000. This is covered in detail in a separate report 'Capital Budget Proposals for 2020/21' on this Council Agenda. Projects include:-
 - Public Sector Renewals (including Disabled Facility Grants)
 - The sixth year of a planned programme of coastal assets repairs based on a marine survey
 - Waste fleet replacement programme
 - Waste containers for the Devon aligned service
 - Replacement equipment for play parks (owned by SHDC)

2020/21 REVENUE BUDGET PROPOSALS – FINAL RECOMMENDATIONS

- Commercial Development opportunities

(A capital budget was not requested by officers for affordable housing in 2020/21, due to the amount of funding already available through the community housing fund (a budget of £8.5m was approved at Council on 21st March 2019), s106 contributions and second homes monies).

5. Sensitivity analysis and risk analysis – The figures within the Budget proposals have been subject to a sensitivity analysis and a risk analysis. This has identified a potential adverse revenue effect of £1.04 million (from the sensitivity analysis in Appendix F). Revenue Reserves are recommended to be maintained at a minimum of £1.5 million. The S151 Officer therefore confirms the robustness of the Budget Proposals and the adequacy of the reserves.

Part 2: Conclusion

6. The above paragraphs summarise the overall position faced by the Council and the considerations of the Executive in arriving at its final proposals to achieve a balanced budget.
7. The proposed budget will leave the Council on a stable financial footing with a level of reserves which will help us manage the uncertainty of the forthcoming Spending Review.
8. The Council no longer receives any Government Grant (Revenue Support Grant) to fund its services and the Council has to be self-sufficient. The Council is currently forecasting a budget gap of £0.57m for 2021/22. The aggregated Budget Gap by 2024/25 is £3.2million. The recent Peer Review report in 2019 stated that it will be important to ensure that financial self-sufficiency becomes the byword over the medium term and focus is maintained to achieve this.
9. The Council continues to do everything it can to make sure that residents, businesses and front-line services come first. Forward planning has allowed us to ease the pressures on front line services and for those in our community who face financial difficulties.
10. Looking ahead, South Hams District Council has agreed an action plan to support the Council's aim of becoming a carbon neutral organisation by 2030 and to help the District of South Hams reach Zero Carbon by 2050. As part of next year's budget, the proposal is for the Council to set up a fund of £400,000 for emergency climate change projects.
11. Local Government finances are increasingly stretched and there is a great deal of financial uncertainty for District Councils from 2020 onwards with a "fair funding review" due to be implemented in 2021/22, which will

2020/21 REVENUE BUDGET PROPOSALS – FINAL RECOMMENDATIONS

set new baseline funding allocations for Councils, based on an assessment of needs and resources. There will also be a reform of the Business Rates retention scheme.

12. The Council will continue to maximise its current sources of income through business development, ensuring the maximum utilisation of our assets, identifying new income streams, and actively pursuing all opportunities to increase the resources available and further reduce costs. The Council will also continue to transform services through the use of digital technology. In this financial climate, income generation becomes a key priority area. 2019 has seen the Council purchase its first commercial investment property within the South Hams District.
13. This is a budget to maintain frontline services, invest in an action plan to support the Council's declaration of a climate change and biodiversity emergency and further drive our commercial and community endeavours, whilst also preserving the longer term future of the Council. Strong financial management over many years and the continual drive for efficiency has enabled the Council to accommodate service pressures while still maintaining a low level of council tax. I commend the budget proposals to the Council.

Councillor J Pearce
Leader of the Council

7 February 2020

APPENDICES

Appendix A – Summary of Budget pressures, savings and income generation and contributions to Earmarked Reserves

Appendix B – Summary of Budget Position for the years 2020/21 to 2024/25

Appendix C – Schedule of Reserves

Appendix D – Analysis of Contributions to/(from) Earmarked Reserves

Appendix E – Summary of Draft Revenue Budget for 2020/21

Appendix F – Sensitivity Analysis and Risk Analysis of the MTFS

BACKGROUND PAPERS

Executive 6 February 2020 – Revenue Budget Proposals 2020/21

Executive 6 February 2020 – Capital Budget Proposals 2020/21

Joint Development Management Committee and Overview and Scrutiny Panel 23 January 2020.

Council – 26th September 2019 – Medium Term Financial Position 2020/21 onwards