

**SOUTH HAMS DISTRICT
COUNCIL**

11 FEBRUARY 2021

**2021/22
REVENUE BUDGET PROPOSALS**

2021/22 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 28 January 2021 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 2021/22 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 has been announced on 4th February and the main change is that the Lower Tier Services Grant has increased by £24 to £82,147 in the Final Settlement. This small amendment of £24 has been amended in Appendix B and the income from business rates has been reduced by £24 to produce a balanced budget of the same amount (£9,676,767).

There will be a one year Spending Round for 2021/22 and plans for a more substantial Spending Review for 2022/23 onwards. So effectively this is a 'roll-forward' Finance Settlement from the Government for 2021/22 for one year. The point is being made by Councils, the Local Government Association (LGA) and the District Councils' Network that Councils need more certainty of their funding longer term post 2021.

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 2021/22.

The Council's Net Budget would be £9.68 million for 2021/22, for all of the services it delivers. Negative Revenue Support Grant (RSG) will be eliminated by the Government for 2021/22. The Business rates multiplier has been frozen for 2021/22 and the Devon Business Rates Pool is one of 22 Pools nationally for 2021/22.

For 2021/22, the funding amount for the Rural Services Delivery has been increased by £4million to £85million nationally. South Hams District Council's share of this is £428,206 for 2021/22. 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 2021/22. The Council is currently forecasting a budget gap of £0.51m for 2022/23. The cumulative aggregated Budget Gap by 2025/26 is £3.9million.

As part of these Revenue Budget Proposals, it is also proposed to allocate £500,000 for funding the Recovery and Renewal Plan and a further £200,000 funding for the Climate Change Action Plan.

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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 2021/22 Revenue Budget report presented to the Executive at its meeting on 28 January 2021).

It is RECOMMENDED that:

- i) Council Tax is increased by £5 (which equates to a Band D council tax of £175.42 for 2021/22, an increase of £5 per year or 10 pence per week. This is a 2.93% increase). This equates to a Council Tax Requirement of £6,718,291.
- ii) The financial pressures in Appendix B of £696,761 be agreed.
- iii) The net contributions to/(from) Earmarked Reserves of £414,600 as shown in Appendix D, including the proposed use of £746,000 of New Homes Bonus funding to fund the 2021/22 Revenue Budget be agreed;
- iv) The savings of £122,191 as shown in Appendix A be agreed;
- v) Partnership funding levels set out in Section 5 of the Executive report of 28 January 2021, including a £10,000 contribution to the CVS in 2021/22 and 2022/23 be agreed;
- vi) The allocation of £500,000* for funding for the Recovery and Renewal Plan and a further £200,000* funding for the Climate Change Action Plan be approved, to be funded by:
 - a. *withdrawing the contribution to the Planning Earmarked Reserve in 2021-22 of £50,000;*
 - b. *utilising £200,000 of New Homes Bonus funding from 2021-22 (instead of using £200,000 of New Homes Bonus funding for the 2021-22 Capital Programme);*
 - c. *using £450,000 of funding from the Business Rates Retention Earmarked Reserve*
*(*This funding is to be put into an Earmarked Reserve for the purpose stated)*

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- vii) An amount of £380,789 (the fifth tranche of COVID funding as set out in 11.2 and 1.9 of the Executive report of 28 January 2021), is approved to be transferred into a COVID Earmarked Reserve, to protect against future COVID losses in 2021/22.
- viii) The Council should set its total net expenditure for 2021/22 as shown in Appendix B as £9,676,767.
- ix) The minimum level of the Unearmarked Revenue Reserve is maintained at £1.5million.
- x) That the level of reserves as set out within this report 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.

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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 28 January 2021).

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 £175.42 for 2021/22 (a 2.93% increase), an increase of £5 per year or 10 pence per week.
3. Council in December 2020 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 £9.68 million, the Council has identified £0.25 million in savings. The Council is still forecasting a £0.51 million budget gap by 2022/23.

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4. The Executive also recommends a capital works programme for 2021/22 amounting to £2,380,000. This is covered in detail in a separate report 'Capital Budget Proposals for 2021/22' on this Council Agenda. Projects include:-
 - Public Sector Renewals (including Disabled Facility Grants)
 - Waste fleet replacement programme
 - Provision of car parking adjacent to the Dartmouth Health and Wellbeing Hub

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 £1.27 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 future reform of Local Government Finances.

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 £0.51m for 2022/23. The aggregated Budget Gap by 2025/26 is £3.9million. The 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 in these unprecedented times.

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10. Looking ahead, South Hams District Council adopted its Climate Change and Biodiversity Strategy in December 2020 which aims to reduce its organisational carbon emissions (Scope 1, 2 and 3 emissions) to net-zero by 2030 and to help the District of South Hams reach Zero Carbon by 2050. The Council is also aiming for a 10% Biodiversity Net Gain in the habitat value of its green and wooded public open space by 2025. As part of next year's budget for 2021/22, it is proposed to allocate a further £200,000 to the climate change action plan, which can be used for projects that tackle both climate change and help a green recovery from the pandemic.
11. This budget also proposes to allocate £500,000 to the Council's Recovery and Renewal Plan. It is important that we take a strategic approach to recovery, to ensure that we learn from the response, understand the new challenges we face and emerge as an organisation that is fit for purpose and financially sustainable. The Council will follow the principle of 'Build Back Better' in our Recovery Plan, so that the opportunities to learn and become more efficient and effective are realised wherever possible.
12. Local Government finances are increasingly stretched and there is a great deal of financial uncertainty for District Councils from 2021 onwards. The next few years will be challenging as the Council moves into the Recovery phase and the Government's Fair Funding Review and the reset of the Business Rates baseline will be introduced, coupled with receiving no Government Grant and the cessation of the current New Homes Bonus scheme.
13. This is a budget to maintain frontline services, allocate £500,000 to the Council's Recovery and Renewal Plan and a further £200,000 to the climate change action plan, 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

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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 2021/22 to 2025/26

Appendix C – Schedule of Reserves

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

Appendix E – Summary of Revenue Budget for 2021/22

Appendix F – Sensitivity Analysis and Risk Analysis of the MTFS

BACKGROUND PAPERS

Executive 28 January 2021 – Draft Revenue Budget Proposals for 2021-22

Joint Development Management Committee and Overview and Scrutiny Panel –

Draft Revenue Budget Proposals for 2021-22

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

Executive 17th December 2020 – Draft Revenue Budget Proposals for 2021-22

Executive 17th December 2020 – Revenue Budget Monitoring report

(Month 7)

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

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

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