

Report to: **Executive**

Date: **1 February 2018**

Title: **Budget Proposals Report 2018-19**

Portfolio Area: **Cllr R Tucker - Annual Budget Setting Process**

Wards Affected: **All**

Relevant Scrutiny Committee: **Joint Development Management Committee and Overview and Scrutiny Panel**

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

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Recommendations:

That the Executive resolves to RECOMMEND to Council:

- i) To increase Council Tax by £5 (which equates to a Band D council tax of £160.42 for 2018/19, an increase of £5 per year or 10 pence per week – as shown in 5.12). This equates to a Council Tax Requirement of £6,072,207.
- ii) That the financial pressures in Appendix B of £895,700 be agreed
- iii) That the £10,000 discretionary budget bid for the Citizens Advice Bureau be agreed;
- iv) That the schedule of savings identified in Appendix B totalling £689,350 be agreed;

- v) To approve the budget proposals for Public Conveniences as set out in 6.11, 6.23 and 6.24 (This requires a decision as part of the 2018-19 budget process, due to the implementation timescales).
- vi) That the Collection Fund Surplus of £73,000 as shown in Appendix B be agreed ;
- vii) That the level of contributions to reserves to be included within the Authority's budget, as set out in Appendix C be agreed (this includes using £721,688 of New Homes Bonus funding to fund the 2018-19 Revenue Budget and a contribution of £475,000 into an Economic Regeneration Projects Earmarked Reserve);
- viii) To withdraw the Community Reinvestment Projects budget of £153,900 in 2018/19 onwards (This was previously funded by New Homes Bonus funding as set out in Appendix E)
- ix) To delegate to the S151 Officer, in consultation with the Leader and Executive Member for Support Services to agree the final amount of New Homes Bonus funding for the Dartmoor National Park Sustainable Community Fund for 18/19
- x) To ring-fence £3.5 million from the Business Rates Retention Earmarked Reserve for employment for the creation of local jobs and to better support the local economy, as per Appendix D
- xi) That the Council Tax Support Grant paid to Town and Parish Councils is reduced by 9.85% for 2018/19 as per Appendix A. This equates to a payment of £82,615 for 2018/19.
- xii) That the Council should set its total net expenditure for 2018/19 as shown in Appendix B as £8,902,590.
- xiii) That the minimum level of the Unearmarked Revenue Reserves is maintained at £1,500,000 as per Section 9.
- xiv) 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.

1. Executive summary

- 1.1 The Council's Medium Term Financial Position (MTFP) is based on a financial forecast over a rolling five year timeframe to 2022/23. The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. Between 2009/10 and 2019/20, the Council's Core Government funding has reduced by £4 million.
- 1.2 South Hams has continued to work in partnership with West Devon Borough Council which has allowed South Hams District Council to achieve annual savings of £3.9 million and more importantly protect all statutory front line services.
- 1.3 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 as outlined in the Comprehensive Spending Review.
- 1.4 ***South Hams District Council is currently forecasting a £0.64m budget gap by 2019/20.***
- 1.5 The latest budget proposals were presented to a meeting of the Joint Development Management Committee and Overview and Scrutiny Panel on 18 January 2018. The report highlighted a budget gap of £345,688 for 2018/19. Following the recommendations of this meeting (Minute OSDM.3/17 refers) and further to an Informal meeting of the Executive (Executive Briefing), it is recommended to Council that the budget gap of £345,688 for 2018/19 is closed in the following way:-
- Increasing the New Homes Bonus funding to fund the 2018/19 Revenue Budget by £221,688 (increases the NHB funding used to fund the base budget from £500,000 to £721,688)
 - Using £100,000 from extra business rates (to reflect the fact that the Council would have received a pooling gain – see 5.6)
 - Ceasing the contribution of £6,500 to the South Devon Green Infrastructure Partnership (this Partnership has ceased)
 - Cease taking cash or cheques in the Council offices by 1st April 2018 (£17,500 extra saving from implementing this six months earlier)
- Note: There is also a recommendation to Council to withdraw the Community Reinvestment projects budget of £153,900 in 2018/19 as per Appendix E.
- 1.6 Section 2 shows that by 2019/20, the Council has a predicted £0.64m budget gap. It is important to note that this position is after the Council having achieved the predicted level of savings from transferring public conveniences to Town and Parish Councils (£180,000), securing a 75% cost contribution from some public conveniences (£10,000) and installing pay on entry on others (£36,000).

These savings have been built into the financial modelling and the £0.64m budget gap in 2019/20 is after taking these savings into account. If these savings are not achieved, the budget gap in 2019/20 increases to over £0.85 million.

- 1.7 Devon has also been successful in achieving business rates Pilot status for 2018-19 and this has meant a predicted extra amount of business rates funding of £575,000 for South Hams for 2018-19 (this is for one year only).
- 1.8 Following the recommendations of the Joint Development Management Committee and Overview and Scrutiny Panel on 18th January, it is recommended that £100,000 of the pilot gain (the element that the Council would normally receive in a pooling gain) is used to fund the revenue base budget in 2018/19, with the remainder (£475,000 of the pilot gain), being transferred into an Economic Regeneration Projects Earmarked Reserve, to meet the primary aims of the Pilot bid which are to achieve higher levels of investment in economic regeneration in Devon and encourage further business rates growth.

2. OVERALL POSITION – BUDGET GAP

- 2.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £8.3 million in 2017/18. 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 the higher of £5 or 2.99% (shown in Appendix B).
- 2.2 The following table illustrates the predicted budget gap from 2018/19 onwards for the Council as shown in Appendix B:

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Cumulative budget gap	Nil	638,998	561,175	624,698	627,691

(See the comments in paragraph 1.6 in the Executive Summary. If these budget gaps are not closed annually, the aggregated budget gap would equate to £2.45 million by 2022/23, as shown in Appendix B).

- 2.3 **This shows that by 2019/20, the Council has a predicted £0.64m budget gap.**
- 2.4 The cost pressures, savings and additional income already identified for 2018/19 are shown in Appendix A. It is to be noted that this is the best estimate of the financial position at the current time and new items could arise and the report will be updated.

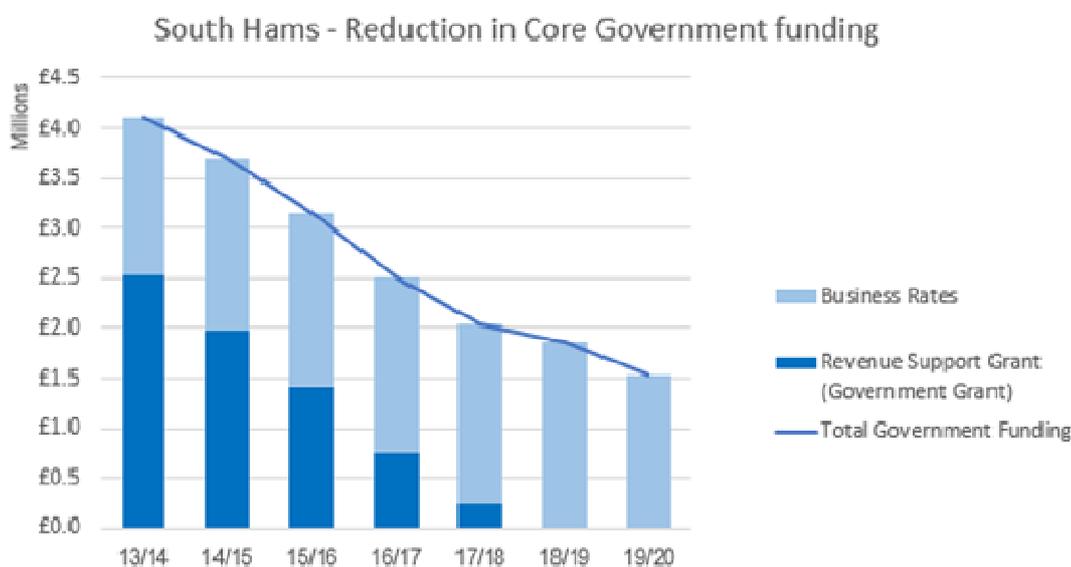
2.5 The recommendations of the Joint Development Management Committee and Overview and Scrutiny Panel meeting of 18th January 2018 are set out in Minute OSDM. 3/17.

3 THE FOUR YEAR SETTLEMENT FUNDING OFFER

3.1 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. The Council applied and was accepted for the four year agreement.

3.2 By 2018/19 the Council receives no Government funding (Revenue Support Grant) and the Council will need to be self-sufficient. The withdrawal of Government funding has happened two years earlier than expected. The Council's Settlement Funding Assessment (Government Grant and funding from Business Rates) is reducing by a further 39.3% between now and 2019/20. This compares to an 18.7% cut for Metropolitan Districts and 32.4% for Shire Districts. Counties vary between 30% to 31%.

3.3 District Councils such as South Hams have also suffered a large reduction in their New Homes Bonus funding (£0.5 million in 17/18) due to the number of years payments are being reduced, from six years to five years in 17/18 and to four years from 18/19 onwards. The funding being released is to contribute towards adult social care costs, a function carried out by Unitary and County Councils.



In 2009/10, South Hams District Council received £5.5m in Core Government funding. By 2019/20 this has been reduced to £1.5 million as shown.

3.4 It can be seen from the graph above that between 2009/10 and 2019/20 the Council's Core Government funding will have reduced by £4 million (this excludes the one-off pilot gain in 2018-19).

4 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

4.1 The National Employers have made a final pay offer covering 1 April 2018 to 31 March 2020. The majority of employees (those on salaries starting at £19,430 p.a.) would receive an uplift of 2% on 1/4/18 and a further 2% on 1/4/19, with those on lower salaries receiving higher increases. The cost of this would be £255,000 in 2018/19 and a further £280,000 in 2019/20. This has been reflected in Appendix A. The Medium Term Financial Position 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.

4.2 The report assumes inflation will run at 2.5% over the five year period. The Consumer Prices Index (CPI) rose to 3.0% in October 17 (RPI was 4%).

4.3 The Medium Term Financial Position has included a cost pressure of £220,000 for Inflation and increases on Goods and Services. The main items are:-

£80,000 – Staff salary increments

£40,000 – Business Rates increases (Revaluation 2017/18 onwards)

£30,000 – Utilities inflation

£20,000 – Fuel inflation

An amount of £50,000 is to fund a 2.5% uplift on other expenditure budgets (£2 million). Within this, there is a cost pressure of £4,000 for General Data Protection Regulation which will apply from May 2018.

4.4 The predicted interest rate forecast from our treasury management advisors, Capita, is that interest rates will remain at 0.5% up to September 2018 and then in December 2018 the base rate is predicted to rise to 0.75%. By December 2019 the bank base rate is predicted to increase to 1%.

Officers will make recommendations in February 2018 on the strategy for internal borrowing and external borrowing for the Leisure Investment (as part of the Treasury Management Strategy). A Council is not able to borrow in advance of need and borrowing will be undertaken on review of the Council's whole Capital Financing Requirement and projected Balance Sheet for future years.

4.5 An increase in council tax of the higher of £5 or 2.99% 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 £160.42 in 2018/19 as shown in Appendix B and equates to a council tax increase of 3.2%.

- 4.6 It has been assumed that the number of properties within the District will increase by 450 per annum from 2018/19 to 2022/23 – this is an increase of approximately 1.2% - the Council had 37,379.62 Band D equivalent properties in 2017/18. These additional properties have been used to calculate the amount of additional Council Tax and also the potential for New Homes Bonus. The Tax Base for 2018/19 has been confirmed at 37,851.93 (this was an increase of 472.31 Band D properties from the 2017/18 position).

5. BUSINESS RATES AND COUNCIL TAX

- 5.1 **Retained Business Rates** - The Government introduced the Business Rates Retention system from April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline.

- 5.2 Of the Business Rates collected of £30.8 million, the Council currently retains approximately 6p in every £1 to run our services.

Self-sufficient local government: 100% Growth on Business Rates

- 5.3 The Secretary of State has announced in December 2017 that local business rates retention of business rates growth would move from 50% to 75% in 2020/21.

5.4 Business Rates Pilot status for 2018/19

Devon was successful in achieving Business Rates Pilot status for 2018-19 and the pilot will begin on 1st April 2018. Financial modelling shows that the Devon business rates pool could benefit by somewhere in the region of between £10m to £16.9m by becoming a pilot in 2018/19. The recent modelling shows that South Hams could benefit by at least £0.5 million and it could be higher (e.g. £0.7 million) depending on business rates growth estimates. For the purposes of this report, a pilot gain of £575,000 has been modelled. As part of a Pilot, South Hams would receive 40% of all business rates growth above the baseline in 2018-19 (as opposed to 20% outside of the Pool or 22% inside the Pool).

- 5.5 This is one-off additional revenue money for the year of the pilot only (2018/19). The bid set out how pilot status for Devon would meet the principles of higher levels of investment in economic regeneration in Devon, assisting financial sustainability for the District Councils and support for Upper Tier Councils with the growing financial cost pressures of areas such as adult social care and children's services.

- 5.6 Following the recommendations of the Joint Development Management Committee and Overview and Scrutiny Panel on 18th January, it is recommended that £100,000 of the pilot gain (the element that the Council would normally receive in a pooling gain) is used to fund the revenue base budget in 2018/19, with the remainder (£475,000 of the pilot gain), being transferred into an Economic Regeneration Projects Earmarked Reserve, to meet the primary aims of the Pilot bid which are to achieve higher levels of investment in economic regeneration in Devon and encourage further business rates growth. There will be an opportunity for Councils to bid for pilot status in 2019-20 and details of this will be announced by the Government around the Summer time.

Tariff/Top Up Adjustment in 2019/20 (negative RSG)

- 5.7 The Tariff/Top Up Adjustment is an amount in 2019/20 which increases an authority's tariff. It is applied where cuts to a Council's Settlement Funding Assessment (SFA) cannot be achieved through further cuts to the Revenue Support Grant (RSG), as the RSG is already zero.

In effect the Tariff/Top Up Adjustment is negative Revenue Support Grant (RSG). Settlement Funding Assessment is the income received by local authorities in the form of (i) Revenue Support Grant from Central Government and (ii) a share of business rates retained locally.

Draft Local Government Finance Settlement for 2018-19

- 5.8 In the draft Local Government Finance Settlement, the Government has said that a consultation will take place in Spring 2018 regarding the current £153million in negative RSG that remains in the 2019/20 funding allocations, with the outcome feeding into the 2019/20 local government finance settlement. The negative RSG currently included within the Council's funding allocation for 2019/20 amounts to £399,900. *If the Government were to partly or wholly remove this following the consultation process, the Council's budget position would be bettered by this amount for 2019/20 and future years.*

- 5.9 Rural Services Delivery Grant – the 2018/19 funding has been increased from £50 million to £65 million. This has meant extra RSDG funding of £75,565 for 2018/19 as the Council's allocation has increased from £251,886 to £327,451. The £327,451 has been built into the Council's business rates baseline for 2018/19 due to the Council's Pilot status.

Council Tax

- 5.10 South Hams District Council's share of the council tax bill in 2017/18 was **9%**, being £155.42 out of an average Band D council tax bill of £1,737.25. The total income from council tax in 2018/19 is predicted to be £6.07 million. A 1% increase in council tax generates an extra £59,000 for South Hams.

Council tax referendum limit of £5 or less than 3% for District Councils

- 5.11 The draft Finance Settlement has stated that for District Councils, increases of less than 3% or up to and including £5 (whichever is higher), can be made without triggering a council tax referendum. This is for 2018/19 and is indicative only for 2019/20 (this is to reflect the level of inflation).
- 5.12 For South Hams, a £5 increase in council tax equates to a Band D council tax for 2018-19 of £160.42 and equates to a council tax increase of 3.2%. Therefore the highest amount that South Hams District Council can increase council tax before triggering a referendum is £5. A council tax increase of the higher of £5 or 2.99% per annum has been modelled in Appendix B for 2018-19 and beyond for illustration purposes.
- 5.13 At the Members' Budget Workshop held on 28th September 2017, there was early support for increasing council tax by the maximum allowable of £5. This was replicated at the budget meeting on 18th January 2018. At this event 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.
- 5.14 In the draft Local Government Finance Settlement, the Government has also announced that it will defer the setting of referendum principles for town and parish councils for three years. However, this is conditional upon the sector taking all available steps to mitigate the need for council tax increases.

6 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

- 6.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 6.2 **Appendix A** to the Medium Term Financial Position sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. ***These figures in Appendix A show the changes to the existing base budget.*** A description of the larger budget pressures are set out below.
- 6.3 **Torr Quarry Transfer Station** - The Council currently receives a payment from DCC for operation of the Torr Quarry transfer station of up to £280,000 depending on the tonnage throughput at the transfer station. This payment was linked to a tipping away payment which was payable to the District Council when our main tipping site for waste was the Heathfield landfill site near Newton Abbot. Now that our main site for disposal is Plymouth energy from waste plant the County Council are withdrawing the payment for tipping away.

- 6.4 Given the scale of the payment to the District Council, representation was made to DCC to phase the withdrawal of this payment. It has been agreed that a payment of £142,500 will be paid as a contribution to the transfer station in 2018/19. After 2019 then the transfer station would need to be fully funded by the Council, or other arrangements be made to transport waste direct to the Plymouth disposal facility. During the procurement process for waste and cleansing, bidders may express an interest to run the station as a commercial enterprise which may offset the running costs and still make it available for the District to use.
- 6.5 **Salaries** – A 2% provision for a pay award has been included for 2018/19 and 2019/20 which totals £255,000 and £280,000 respectively. This is explained in section 4.1. A further £30,000 provision for salary costs for a steady state review of roles and grades (following the implementation of the Transformation Programme) has been included within this report.
- 6.6 **ICT support contracts** - An extra cost pressure of £40,000 has been added for 2018/19 for ICT support contracts, to align the budget to actual expenditure. The additional cost of ICT contracts such as IEG4 software are offset by additional recovery of housing benefit overpayments of £40,000. A further cost pressure of £15,000 for IT to replace ageing network switches and £6,000 for a line to Ivybridge Depot has also been identified since the December 2017 Executive budget report and has been included within this report. (Note there is an annual contribution of £50,000 per annum into an IT Reserve).
- 6.7 **Controlled Waste Regulations income** - Properties which are chargeable under the Controlled Waste Regulations legislation and which can be identified from our own internal data have now all been written to and where appropriate invoiced. This is projected to achieve an income for 2017/18 of £35,000. The budget is £75,000 in 17/18 and this will not be achieved. It is recommended to reduce the income target for 2018/19 by £40,000 to reflect actual income achievable.
- 6.8 **Partnership Grant funding** – It is recommended to increase the current contribution (£2,710) to the Ivybridge Ring and Ride by £2,000, in acknowledgement that since the Totnes Ring and Ride closed down, Ivybridge has added to its services, mainly to South Brent and Dartington.

SAVINGS AND INCOME GENERATION

- 6.9 **Batson Boat Storage Fees** (£6,100) - Increase fees to store boats/trailers at Batson Boat Park in Salcombe. Charges proposed to be increased as follows: Amend charges: Daily rate increases from £8 to £10 per day; Weekly rate (paid in advance) raised from £49 to £60 per week; Weekly rate (paid on arrival) raised from £59 to £60. It is assumed no reduction in usage as pricing will remain competitive and demand exceeds supply.

- 6.10 **Winter Boat Storage Fees** (£8,200) - Proposal to raise charges by 10%. Customers may seek alternatives, but overall the price to customers remains broadly competitive when compared to other harbours. Because demand currently outstrips supply, it is assumed that overall numbers of over-wintering boats will not decrease.
- 6.11 **Public Conveniences pay on entry** (£16,000 in 18/19 and £36,000 by 19/20) – To install pay on entry on the following Public Conveniences - Bigbury, Whitestrand, Creek (Salcombe), North Sands, South Sands, Coronation Road (Totnes), Steamer Quay (Totnes), Civic Hall (Totnes), Fore Street, Slapton Line, Glanville’s Mill, Wembury, Dittisham. This would require a capital outlay and a capital budget has been included within the Capital Budget Proposals for 2018/19, which is a separate item on this Executive agenda. The charge would be 20 pence and this represents a contribution towards the running costs of the Public Conveniences.
- 6.12 **Beach Huts within the District** (£31,000 19/20 onwards) – Concept of installing beach huts within the District. The huts would be rented out for the week during the summer. It is felt that this would add to the appeal and ambiance of popular beaches within the District. The costing exercise has been based on “premium” beach huts and life expectancy of the huts would be 15 years. This is currently a concept and it would require planning permission and a capital investment which is estimated to be re-couped by year 3. A capital budget has been included within the Capital Proposals for 2018/19, which is a separate report on this Executive agenda.
- 6.13 **Car parking fees** (£53,000) - An income target equivalent to a 2% increase in car parking fees (£38,000) is proposed for 2018/19, with consultation with communities as to how this is achieved through the community led tariffs policy. It is also proposed to withdraw weekly parking tickets and this is likely to result in increased Pay and Display income of £15,000 per annum due to increased sales across the District.
- 6.14 **Additional car parking income** (£70,000) - The car parking income target has also been increased by £70,000 in 18/19, to reflect actual income being achieved in 17/18.
- 6.15 **Duty planning** – charged appointment basis (£5,000) - The proposal is to increase the appointment time from 15 mins to 30 mins and charge £30 per appointment.
- 6.16 **Re-procurement of contracts (leisure)** – The Medium Term Financial position shows the savings in Appendix A from the re-procurement of outsourced contracts e.g. the leisure contract.

- 6.17 **Planning fee income** (£110,000) - The planning income target has also been increased by £110,000 in 18/19, to reflect actual income being achieved in 17/18. The Government sets planning application fees and the long awaited 20% increase in fees came into force on 17 January 2018. Although this will significantly increase income from planning applications, it is important to recognise that this increase is ring-fenced for the planning service and is in addition to the existing budget for the planning service. The extra 20% in planning fee income and the extra 20% expenditure has been factored into the 2018-19 Budget figures (it is a net Nil impact on the Budget position).
- 6.18 **Income from commercial developments** (£30,000) – The employment units at Burke Road, Totnes and Admiral Court, Dartmouth will be ready to let for 2018/19. These have been built during 2017/18.
- 6.19 **Licensing income** (£30,000) – An income target for Licensing income from shellfish export certificates has been built into the Budget for 2018/19.
- 6.20 **Housing Benefit recoveries of overpayments** (£40,000) - A sum of £40,000 has been built into the 2018/19 forecasts as a recurring income for Housing Benefit recoveries of overpayments.
- 6.21 **Dartmouth Lower Ferry** (£75,000 in 18/19, £100,000 by 19/20) - The saving is based upon a combination of savings from:
- Changes in the ferry operating rota & a review of terms and conditions
 - Improving the fees and charges setting process
 - Improvement in administration of the service

Due to the length of time that union negotiations have taken around the ferry working rota and terms and conditions, new contracts could not become effective until November 2017. This issue has been revisited a number of times with the ferry workforce over a number of years so it was important that all issues were fully considered. A saving of £46,000 will be achieved as a service saving in 2017/18, with this being increased to £100,000 by 2019/20.

- 6.22 **Reduce RNLI contracted lifeguard provision** (£40,000) - This option reduces the non-statutory provision of beach safety services from 7 to 3 beaches in South Hams by stopping RNLI contracted life guarding services at Hope Cove, Slapton Sands, Thurlestone and Sedgewell beaches. Life guarding services will continue at Challaborough, Blackpool Sands and Bantham as these are funded by the private land-owners. This option has been taken by other Councils regionally.

6.23 **Public Conveniences transfer to Parish Council/ closure** (£90,000 in 19/20 and increasing to £180,000 by 20/21) – Transfer to the Parish Council in 2019/20 (Parish Council assume responsibility from 2019/20 onwards) or closure for the following Public Conveniences:-

Higher Ferry, Bittaford, Ugborough, Thurlestone, Holbeton, Staverton, Newton Ferrers, Coronation Park*, Lower Ferry, Stoke Fleming, Malborough, Manor Gardens, Mill Bay, South Brent and Shipley Bridge.

*Only if it does not get transferred to the Parish as part of a wider asset transfer, as currently planned.

A decision would be required as part of the 2018/19 budget process, due to the implementation timescales. This would then enable a dialogue with Town/Parish Councils regarding them assuming responsibility for the public conveniences from 2019/20 onwards and reflecting this in their 2019/20 Precept calculations.

6.24 **Public Conveniences** (£10,000) - Obtain a 75% Contribution from Café's to help fund the following Public Conveniences:- South Milton and Ferry Steps.

6.25 **Partnership grant funding** – The Partnership Task and Finish Group gave an update to the Overview and Scrutiny meeting on 12th October. Following this, the draft budget proposals include a proposal to reduce partnership funding to the CVS by £20,000 for 2018/19.

6.26 **Partnership grant funding** - There is also a proposal to reduce the level of funding to BIP (Business Information Point) which is currently £8,000 per annum (N.B £2,300p.a. is committed until 2020 to support the Devon-wide growth hub). The funding to BIP is not currently budgeted for in the base budget and this year this funding was paid out of reserves.

6.27 **Cessation of accepting cash and cheques** (£35,000) – The proposal is to remove the facility for accepting cash and cheques at Council premises, excluding Car Parks. The Council would procure a new card acquiring contract. Customers (as now) will be able to pay by cash or cheques via Paypoint or at Post Office. The current budget proposals envisage that this would become effective from 1st April 2018, saving £35,000 in 2018/19.

6.28 The following savings have been identified and included within this report:-

- £77,000 saving on the re-procurement of the Insurance contract
- £10,000 saving on external audit fees for 2018-19 onwards
- Ceasing the contribution of £6,500 to the South Devon Green Infrastructure Partnership (this Partnership has ceased)
- Other budget savings (£4,000) – possible savings on concessions

6.29 **Budget Monitoring position** - The nine monthly Revenue Budget Monitoring position is also an item on this Executive agenda. This shows a predicted underspend against budget of £103,000 for 2017-18. This is due to additional planning income. Where there are variances identified against budget, the budget for 2018/19 has been adjusted where necessary.

6.30 **Areas where further work is needed** – There are some areas where further work is needed to inform next year’s Budget Proposals.

- The Members’ Budget Workshop included a proposal for the Council to invest some of its funds in the CCLA Property Fund (returns can be in the region of 5% - this is a longer term investment as this is effectively tying the investment up for at least 5 years). More modelling work is required on this option and this is linked to the work in Section 4.4 regarding officers making recommendations on the strategy for internal borrowing and external borrowing for the Leisure Investment. This will be part of the Treasury Management Strategy for 2018-19 onwards.

6.31 **Income targets**

At the Members’ Budget Workshop, the concept of Members setting stretched income targets (e.g. income targets which are in addition to those formally built into the base budget) for certain areas of the Council’s activities and services was discussed. The suggested stretched income targets for the 2018-19 financial year are below:-

- i) 90% occupancy of Follaton House
- ii) 90% occupancy for the Council’s commercial estate
- iii) To maintain Housing Benefits overpayments debt at below £1.1 million
- iv) To maintain the level of uncollected Sundry Debt below £700,000
- v) Treasury Management Income – to achieve an extra £25,000 over the current budgeted income target of £123,000
- vi) Fees and charges for trade waste are not yet set as these need to take account of competitors charging regimes and the Devon County Council set disposal fees which are currently being considered. An appropriate income target for 2018/2019 can be set on receipt of these figures. The potential for improved delivery for the service as a whole is being considered as part of the current waste and cleansing procurement. The specification requests that service solutions which facilitate service growth are modelled and this will inform the trade waste budget for 2019/2020.

7. NEW HOMES BONUS (NHB)

- 7.1 Appendix E sets out estimated amounts of NHB receivable in future years and possible uses of the NHB for Members' views. The amount of NHB anticipated for 2018/19 was just below £1.1 million and the NHB allocation for 2018/19 has been published at £1,109,065. Of this it is proposed that £721,688 is used to fund the revenue base budget in 18/19 and £417,700 is used to fund the capital programme budget in 18/19.
- 7.2 At the meeting of the Joint Development Management Committee and Overview and Scrutiny Panel held on 18th January 2018, it was resolved that the Community Reinvestment Projects fund of £153,900 should be reduced to £75,000 for 2018/19, to reflect the reduction in New Homes Bonus funding which the Council is experiencing.
- 7.3 Following an Informal meeting of the Executive (Executive Briefing) which followed later on the same day, it is being recommended to Council to reduce the Community Reinvestment Projects fund to Nil for 2018/19, as shown in Table 1.8 of Appendix E.

8. CAPITAL PROGRAMME 2018/19

- 8.1 A separate report for the Capital Budget Proposals for 2018/19 is on this Executive agenda. This sets out a proposed Capital Programme for 18/19 of £2,555,000.
- 8.2 Funding of £2,555,000 is therefore required. The table below shows the recommended way that these projects are financed:-

Capital Programme 2018/19	£
	2,555,000
Funded By:	
Capital Programme Reserve *(see Note 1)	326,300
Current capital receipts	481,000
Anticipated future capital receipts	630,000
Better Care Grant funding towards Disabled Facilities Grants (estimated)	700,000
New Homes Bonus	417,700
TOTAL	2,555,000

Note 1 – The current proposed funding of the Capital Programme includes the Council continuing to make a revenue contribution to the Capital Programme Reserve in 2018/19 of £181,600. This was an item discussed at the Members' Budget Workshop. Due to the capital projects which are being bid for in 2018/19, it is recommended that this contribution is continued with for 2018/19, to enable the proposed capital projects to proceed.

8.3 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.

9. EARMARKED AND UNEARMARKED RESERVES

9.1 A schedule of the Council's Earmarked and Unearmarked Reserves is set out in Appendix D. The Council has just under £1.8 million in Unearmarked Revenue Reserves and £12.7 million in Earmarked Reserves. The Council's Net Budget is £8.3 million in 2017/18.

10. BUDGET TIMETABLE

10.1 The Budget Timetable is shown in Appendix F.

10.2 Tell Us What You Think – Budget Engagement – The Council is encouraging residents and businesses to engage with the Council on the budget proposals and more details are on the Council's website.

11 Looking Forward to the Future

11.1 Overall, the Council's finances remain in a stable position in the short term but further work must be undertaken to achieve future financial stability for the longer term. A revised MTFS (Medium Term Financial Statement) will be presented to Members in April 2018. The Council operates continuous monitoring of both income and expenditure. This ensures that services are delivered within approved budgets and that all three elements of value for money (economy, efficiency and effectiveness) are achieved for our residents.

12. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The preparation of the Budget 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.
Financial	Y	The financial implications are summarised in Appendices A and B of the report. Section 2 shows that by 2019/20, the Council has a predicted £0.64m budget gap.
Risk	Y	Each of the budget options taken forward by Members will consider the risks of the option.

Comprehensive Impact Assessment Implications		
Equality and Diversity		Comprehensive 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 – Summary of Budget position

Appendix C – Contributions to Reserves

Appendix D – Reserves (Earmarked and Unearmarked)

Appendix E – New Homes Bonus funding and Capital Programme 2018/19

Appendix F – Budget Timetable

Appendix G – Draft Budget for 2018/19 – Cost centre analysis

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