

**SOUTH HAMS DISTRICT
COUNCIL**

21 FEBRUARY 2019

**2019/20
REVENUE BUDGET PROPOSALS**

2019/20 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 7 February 2019 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 2019/20 financial pressures and savings are summarised in Appendices A to E 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 published by the Government. There are no significant changes from the draft Settlement published in December 2018.

Overall over the four year funding settlement from 2016/17 to 2019/20, it can be seen that South Hams District Council has had a 39.5% reduction in Government funding. This compares against 38.8% for the average for Shire District Councils.

The Council Tax Referendum limits for District Councils will remain the same (the higher of £5 or 2.99%).

Negative Revenue Support Grant (RSG) for 2019/20 will be eliminated by the Government. There has been no news on what will happen to negative RSG from 2020/21 onwards and therefore the modelling in this report has assumed negative RSG will remain for 2020/21 onwards in some form (e.g. as part of the business rates baseline reset).

Rural Service Delivery Grant (RSDG) in 2019/20 will increase to £81m; an increase of £16m on the previously planned £65m allocation. This has increased South Hams' allocation from £327,451 for 19/20 to £408,055 – an increase of £80,604.

The Finance Settlement for 2019/20 only covered the last year of the four year settlement. The point is being made by the Local Government Association (LGA) that Councils need more certainty of their funding longer term post 2020.

This report sets out the revenue budget proposals for a balanced budget for 2019/20. The Council is currently forecasting a budget gap of £0.47m for 2020/21.

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

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RECOMMENDATIONS:-

(The references in the Recommendations below refer to the Appendices in this report or to the relevant Section of the 2019/20 Revenue Budget report presented to the Executive at its meeting on 7 February 2019).

It is RECOMMENDED that:

- i) Council Tax is increased by £5 (which equates to a Band D council tax of £165.42 for 2019/20, an increase of £5 per year or 10 pence per week). This equates to a Council Tax Requirement of £6,315,689.**
- ii) The financial pressures in Appendix B of £1,383,700 be agreed.**
- iii) The schedule of savings identified in Appendix B totalling £1,067,226 be agreed.**
- iv) The Collection Fund Surplus of £112,000 as shown in Appendix B be agreed.**
- v) The net contributions to reserves (£714,300) to be included within the Authority's budget, as set out in Appendix C be agreed (this includes using £500,000 of New Homes Bonus funding to fund the 2019/20 Revenue Budget.**
- vi) 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 2019/20.**
- vii) The Council Tax Support Grant paid to Town and Parish Councils is reduced by 9.85% for 2019/20 as per Appendix A. This equates to a payment of £74,473 for 2019/20.**
- viii) The Council should set its total net expenditure for 2019/20 as shown in Appendix B as £8,832,752.**
- ix) The minimum level of the Unearmarked Revenue Reserves is maintained at £1,500,000, as per Section 10 of the Revenue Budget report to the Executive on 7 February 2019.**
- x) The level of reserves as set out within the report to the Executive on 7 February 2019 and the assessment of their adequacy and the robustness of budget estimates are noted.**

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This is a requirement of Part 2 of the Local Government Act 2003.

Recommendations from OSDM.3/18 REVIEW OF FEES AND CHARGES (report to the Joint Development Management Committee and Overview and Scrutiny Panel on 24 January 2019) and Executive (Agenda Item 8 on the Executive meeting held on 7 February 2019).

It is RECOMMENDED that:-

- xi) the proposed fees and charges set out for Parks, Open Spaces and Outdoor Sports be approved;**
- xii) the proposed Environmental Health Charges (as outlined in Appendix B of the Fees and Charges report to the meeting on 24 January 2019) be approved;**
- xiii) the proposed Fees and Charges for Development Management (as set out in Appendix C of the Fees and Charges report to the meeting on 24 January 2019) be approved;**
- xiv) delegated authority be given to the Group Manager for Commercial Services and Section 151 Officer, in consultation with the lead Executive Member, to set the Dartmouth Lower Ferry Fees to take account of market conditions, including competitor charges;**
- xv) there are no changes to the Car Park Charges for 2019/20, except for where this has been agreed as an alternative to the implementation of Pay on Entry at public toilets;**
- xvi) the proposed changes to Boat Storage Charges (as set out in paragraph 3.7 of the Fees and Charges report to the meeting on 24 January 2019) be approved;**
- xvii) delegated authority is given to the Group Manager for Commercial Services and Section 151 Officer, in consultation with the Portfolio holder, to set the Commercial Waste charges, once all the price modelling factors are known;**
- xviii) officers undertake a review into all aspects of fees and charges related to zoo licensing, with these being reported back to the joint Budget Consultation meeting in January 2020.**

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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 7th February 2019).

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 £165.42 for 2019/20, an increase of £5 per year or 10 pence per week.
3. At a Members' Budget Setting Workshop held on 11th October 2018, there was early support for increasing council tax by the maximum allowable percentage. 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. To balance the budget of £8.8 million, the Council has identified £1.067 million in savings. The Council is still forecasting a £0.47 million budget gap by 2020/21.
4. The Executive also recommends a capital works programme for 2019/20 amounting to £15,291,000. This is covered in detail in a separate report 'Capital Budget Proposals for 2019/20' on this Council Agenda. Projects include:-
 - Public Sector Renewals (including Disabled Facility Grants)
 - The fifth year of a five year planned programme of coastal assets repairs based on a marine survey
 - Development of four new employment units at Ermington
 - Waste fleet replacement programme
 - Commercial Development opportunities

(A capital budget was not requested by officers for affordable housing in 2019/20, due to the amount of funding already available through the community housing fund (£1.88 million was received in 2016/17), 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.

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This has identified a potential adverse revenue effect of £1.05 million (from the sensitivity analysis in Appendix E). 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. In line with 2018/19, the Council will receive no central Government funding (Revenue Support Grant) next year and the Council will need to be self-sufficient. The Council is currently facing a budget gap in 2020/21 of £0.47 million as shown in Appendix B.
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. In this financial climate, income generation becomes a key priority area. 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.
11. This is a budget to maintain frontline services, invest in economic regeneration and employment to create local jobs and to better support the local economy, 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 R J Tucker
Leader of the Council

11 February 2019

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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 2019/20 to 2023/24

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

Appendix D – Summary of Revenue Budget for 2019/20

Appendix E – Sensitivity Analysis and Risk Analysis of the MTFs

BACKGROUND PAPERS

Executive 7 February 2019 – Item 11 Revenue Budget Proposals 2019/20

Executive 7 February 2019 – Item 12 Capital Budget Proposals 2019/20

Executive 13 September 2018 – Medium Term Financial Position 2019/20 onwards

Joint Development Management Committee and Overview and Scrutiny Panel 24 January 2019.