

**AGENDA ITEM:**

**SOUTH HAMS DISTRICT  
COUNCIL**

**11 FEBRUARY 2016**

**2016/17**

**REVISED BUDGET PROPOSALS**

(Revised following the outcome of the Final  
Finance Settlement for 2016/17 –  
9 February 2016)

## 2016/17 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 are included elsewhere on this agenda and provide a more complete picture of the decisions taken.

A hard copy of the report submitted to the Executive on 4 February 2016 was previously provided to all Members and is also available on the Council's website.

There is a separate report on the Council agenda regarding the review of Members' Allowances. If all of the recommendations are endorsed by the Council, there will be an overall financial saving of £31,800. This has been built in to the 2016/17 Budget Proposals, increasing total savings reported to Executive on 4 February 2016 from £1,252,000 to £1,283,800 as shown in Appendix 3.

The details of the Final Local Government Finance Settlement were published on 9<sup>th</sup> February 2016 and this updated Budget Proposals report for 2016-17 includes the final announcement. Part 1 of this report gives details of the announcement of the Final Finance Settlement.

The General Fund Revenue Budget, Medium Term Financial Strategy (MTFS) and the recommendations for the 2016/17 financial pressures and savings are summarised in Appendices 1 to 3 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.

**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 2016/17 Revenue Budget report presented to the Executive at its meeting on 4 February 2016).*

**It is RECOMMENDED that:**

- 1. Council Tax for 2016/17 is increased by £5 (which equates to a Band D Council Tax of £150.42 for 2016/17, an increase of £5 per year or 10 pence per week). This equates to a Council Tax requirement of £5,566,140 (as shown in Appendix 2A of the report);**
- 2. the financial pressures in Appendix 3 of £1,690,000 be agreed;**

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- 3. the £10,000 discretionary budget bid for the Citizen’s Advice be agreed;**
- 4. the schedule of savings identified in Appendix 3 totalling £1,283,800 be agreed (this includes the additional saving of £31,800 following the review of Member Allowances);**
- 5. the Collection Fund Surplus of £210,000 as shown in Appendix 1A be agreed ;**
- 6. the level of contributions to reserves to be included within the Authority’s budget, as set out in Appendix 1B be agreed (this includes using £500,000 of New Homes Bonus funding to fund the 2016/17 Revenue budget);**
- 7. to transfer the budget surplus in 2016/17 of £767,995 into a Contingency Earmarked Reserve (see Part 2 for an explanation of this figure)**
- 8. the allocation of Council Tax Support Grant for Town and Parish Councils be set at £101,658 in 2016/17, a reduction of 9.9% as per Appendix E of the Executive report;**
- 9. that the Council should set its total net expenditure for 2016/17 at £8,751,722 (Appendix 1A)**
- 10. to allocate £153,900 of New Homes Bonus funding for 2016/17 to the Community Reinvestment Projects budget for 2016/17. Any under spend from the 2015/16 Community Reinvestment Projects budget of £153,900 is to be transferred into the Capital Programme Reserve;**
- 11. the Council transfers £24,606 of its allocation of the New Homes Bonus for 2016/17 to the Dartmoor National Park Sustainable Community Fund. The funds are awarded as a one off payment to Dartmoor National Park, to award projects on an application basis administered by Dartmoor National Park. The following conditions will apply:**
  - A. decisions must be taken in consultation with the South Hams District Council local Ward Member(s);**
  - B. funding can only be used for capital spending on projects in those parts of Dartmoor National Park which fall within the South Hams District Council Boundaries and enable the Dartmoor National Park to carry out its social economic responsibilities; and**

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- C. Dartmoor National Park reports on the progress in the application of, and use of the funds to the Overview and Scrutiny Panel, in time for budget decision to be made;**
- 12. £464,000 of New Homes Bonus funding from the 2016/17 allocation is used to fund housing capital projects (Disabled Facilities Grants and Affordable Housing);**
  - 13. the Capital Programme for 2016/17 totalling £1,765,000 (and funding sources) be agreed as set out in Item 8 of the Executive meeting on 4 February 2016;**
  - 14. to transfer £150,000 of New Homes Bonus funding for 2016/17 into an Earmarked Reserve for the one-off costs of the Local Authority Controlled Company (LACC – see Section 5.9 of the Executive report);**
  - 15. to transfer the unallocated New Homes Bonus of £777,402 into an Innovation Fund (Invest to Earn) Earmarked Reserve (as per 7.10 and 7.11 of the Executive report);**
  - 16. the minimum level of the Unearmarked Revenue Reserves is maintained at £1,500,000 as per Section 9 of the Executive report;**
  - 17. 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.**
  - 18. A waste round review be supported that considers a four day waste and recycling collection round.**

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## **2016/17 BUDGET PROPOSALS – FINAL RECOMMENDATIONS**

### **Part 1: Implications of the final Local Government Finance Settlement**

The key points of the final Local Government Finance Settlement are shown below.

#### **Rural Services Delivery Grant for 2016-17 and 2017-18**

The Council will be receiving more money in Rural Services Delivery Grant in 2016/17 and 2017/18. In 2016-17, the Council will receive £405,536 in Rural Services Delivery Grant – this is £304,782 more than the provisional finance settlement figures.

In 2017-18, the Council will receive £327,451 in Rural Services Delivery Grant – this is £151,131 more than the provisional finance settlement figures. The Rural Services Delivery Grant figures in Year 3 (2018-19) and Year 4 (2019-20) remain the same.

The lobbying of the District Council alongside the lobbying of our local MPs, Rural Services Network (SPARSE), the Local Government Association and the Districts Councils Network has clearly paid dividends in that more Government money has been put into the Rural Services Delivery Grant in the first two years of the finance settlement as shown.

#### **Transition Grant**

The Government is also issuing a Transition Grant to help those Councils which are most adversely affected by the reductions in the Revenue Support Grant. This is a one off sum of money that Councils will receive. For South Hams, the Council will receive £56,095 in 2016/17 and £55,890 in 2017/18.

#### **£5 council tax referendum limit for District Councils for the four years**

The final Finance Settlement has announced that the Council Tax referendum limit for all District Councils for the next four years is the higher of 2% or more than £5. What this means for South Hams is that the Council would have the flexibility to increase its Band D council tax by £5 per year for the next four years. (It is £5.01 that triggers a council tax referendum).

The Budget Proposals which were circulated to Members previously included a 1.99% increase in council tax which equated to an increase of £2.89 per year. The new referendum limit would mean that the Council could charge an extra £2.11 on the Council Tax for 2016-17. This would mean a Band D council tax of £150.42 (an increase of £5 on the 2015-16 Band D council tax of £145.42). This would give additional funding from council tax income of £78,000. (This is the extra £2.11 multiplied by the TaxBase of 37,003.99). The recommendation on this Council report is for council tax to be increased by £5 for 2016-17.

In the Council's response to the draft Finance Settlement, District Councils lobbied for the ability to be able to increase council tax by up to £5. The Council made the point that given the dramatic cuts to funding in Revenue Support Grant and New Homes Bonus, Councils must be given the freedom to set the council tax locally based on local need and local understanding of the services and demands on those services.

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### Part 2: Implications of the Final Finance Settlement on the Budget Surplus for 2016/17

The table below shows how the Budget Surplus for 2016/17 has increased due to the announcement made in the Final Local Government Finance Settlement for 2016/17.

	<b>Budget Surplus for 2016/17</b>
Budget Surplus reported in the Council 11 <sup>th</sup> February Budget Proposals report for 2016-17 (prior to the announcement)	£329,040
Additional Rural Services Delivery Grant funding in 2016-17	£304,782
Additional Transition Grant	£56,095
Additional council tax income from increasing the Band D council tax for 2016/17 by £5	£78,078
<b>Budget Surplus reported in the Council 11<sup>th</sup> February Budget Proposals report for 2016-17 (after the announcement) – See recommendation 7.</b>	<b>£767,995</b>

### Part 3: The Executive's considerations in arriving at its final proposals for financial pressures, savings and Council Tax (Executive meeting held on 4 February 2016).

1. Over the last six months, the Executive has given the budget very detailed consideration and has undertaken consultation 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 recommendation is to increase council tax by £5 for 2016/17. This would mean the council tax would increase to £150.42 for 2016/17, an increase of £5 per year or 10 pence per week. This would be an increase of 3.44% for 2016/17.
3. At a Members' Budget Setting Workshop held on 30<sup>th</sup> September 2015, 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. (At the time the workshop was held, the maximum increase allowable was 1.99%). The Final Finance Settlement has increased the maximum council tax increase allowable to £5.

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4. Appendices 2A and 2B show the budget surplus in 2016/17 and the budget gaps in future years of two scenarios:-

Appendix 2A shows the results of increasing council tax by £5 annually  
Appendix 2B shows the results of increasing council tax by 1.99% annually

Appendix 2A (raising council tax by £5 annually) has a cumulative budget gap over the next five years of £1 million, with a budget surplus in 2016/17 of £767,995.

Appendix 2B (raising council tax by 1.99% annually) has a cumulative budget gap over the next five years of £1.4 million, with a budget surplus in 2016/17 of £689,917.

5. To balance the budget of £8.7 million, the council has identified £1.28 million in savings and has a budget surplus for 2016/17 of £767,995, which it is recommended is transferred into a Contingency Earmarked Reserve.
6. The Executive also agreed a capital works programme amounting to £1,765,000 and a budget of £153,900 for a Community Reinvestment Projects Fund. The fund will allow towns and parishes to make applications to community capital projects of £5,000 or more where “significant housing development has taken place”. Projects could include community buildings, sports facilities, play areas, allotments, gardens or orchards. A report on the Community Reinvestment Projects Fund 2015/16 grant allocations will be presented to the Executive in March 2016.

### **Part 4: Conclusion**

7. 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.
8. The proposed budget will leave the Council on a firm financial footing with a level of reserves which will help us manage the impact of further cutbacks in Central Government funding over the coming years.
9. This has been a challenging year. However, robust forward planning has allowed us to ease the pressures on front line services and for those in our community who face financial difficulties. We have frozen both car parking charges and the Dartmouth Lower Ferry fares.

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10. 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. This is a budget to maintain frontline services and the longer term viability and future of the Council. I commend the budget proposals to the Council.

**Councillor R J Tucker  
Leader of the Council**

**10 February 2016**