

**SOUTH HAMS DISTRICT
COUNCIL**

16 FEBRUARY 2023

**2023/24
REVENUE AND CAPITAL
BUDGET PROPOSALS**

2023/24 REVENUE & CAPITAL 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 26 January 2023 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 2023/24 financial pressures and savings are summarised in Appendices A to D 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 finance settlement announced on 19th December 2022 is for a single year only and there will be further details on proposed funding reforms and consultations in 2023. The broad approach is based on a uniform roll-over of the core elements of the settlement. Finance reform has been deferred to at least 2025/26 and possibly later.

The Council now receives minimal Government Grant (Revenue Support Grant) of £138,000 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 2.99% for 2023/24.

The Council's Net Budget will be £11.7 million for 2023/24, for all of the services it delivers. Negative Revenue Support Grant (RSG) will be eliminated by the Government for 2023/24. The business rates baseline reset will be deferred until at least 2025/26. A business rates pooling gain of £300,000 has been modelled for 2023/24.

New Homes Bonus has been 'rolled over' for another year, with no legacy payments being paid, resulting in an allocation of £456,012 for 2023/24.

Rural Services Delivery Grant has been increased for 2023/24 to £478,583 (SHDC share). This is Government grant to recognise the additional cost of delivering services in rural areas. Although the final RSDG allocation is higher by £50,377, the extra funding has been deducted from the Funding Guarantee amount, which now has an allocation of £694,468. So the final Finance Settlement announced on 7th February 2023 is exactly the same overall as the provisional Finance Settlement announced in December 2022.

This report sets out the revenue budget proposals for a balanced budget for 2023/24. The Council is currently forecasting a budget gap of £0.3m for 2024/25. The cumulative aggregated Budget Gap by 2025/26 is £1.23million.

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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 2023/24 Revenue Budget report presented to the Executive at its meeting on 26 January 2023).

It is RECOMMENDED that:

- i). Council Tax for 2023/24 be increased by £5 (Band D of £185.42 for 2023/24 – an increase equivalent to less than 10 pence per week or £5 per year – equating to a 2.77% increase). This equates to a Council Tax Requirement of £7,407,344;
- ii). the financial pressures (as shown in Appendix A of the presented agenda report and amounting to £4,107,700) be approved;
- iii). the net contributions from Earmarked Reserves of £(412,000) as shown in Appendix D of the presented agenda report, including the proposed use of £500,000 of New Homes Bonus funding to fund the 2023/24 Revenue Budget as set out in section 3.23 of the Executive report of 26 January 2023 and £400,000 from the Business Rates Retention Earmarked Reserve as set out in section 3.17 of the Executive report of 26 January 2023.
- iv). the savings/additional income of £2,422,000 (as shown in Appendix A of the presented agenda report) be approved;
- v). The Council approves the recommendation of the s151 Officer to agree to take up the 'stepped pension contribution rates' being offered by the actuaries of the Devon Pension Fund, following the results of the Triennial Pension Revaluation (as per 3.24 of the Executive report of 26 January 2023);
- vi). the Council sets its total net expenditure for 2023/24 at £11,738,067 (as set out in Appendix B of the presented agenda report);
- vii). the proposed Capital Programme Proposals for 2023/24 of £2,035,000 and the proposed financing of the Capital Programme (as set out in Appendix E of the presented agenda report) be approved;

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- viii). Unearmarked Reserves should continue to have a minimum level of £1.5 million (as set out in the adopted Medium Term Financial Strategy in September 2022), but an operating level of a minimum of £2 million;
- ix). the level of reserves and the assessment of their adequacy and the robustness of budget estimates be noted (NB. this is a requirement of Part 2 of the Local Government Act 2003);
- x) That the setting of fees and charges for the Dartmouth Lower Ferry (applicable for 2023/2024) are delegated to the Director of Place and Enterprise, in consultation with the Leader of the Council, the Executive Member for Assets and the S151 Officer.
- xi) The Council gives consideration to allocating £10,700 of New Homes Bonus funding to the Dartmoor National Park Authority, for the delivery of housing growth within its area over the past three years.

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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 26 January 2023).

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 is recommending increasing council tax by £5 and is recommending that Full Council approve this. This would mean the council tax would increase to £185.42 (Band D) for 2023/24 (a 2.77% increase), an increase of £5 per year or the equivalent of less than 10 pence per week.
3. To balance the budget of £11.7 million, the Council has identified £2.4 million in savings and additional income. The Council is still forecasting a £0.3 million budget gap by 2024/25.

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4. The Executive also recommends a capital works programme for 2023/24 amounting to £2,035,000 as set out in Appendix E of the presented agenda report. Projects include:-
 - Private Sector Renewals (including Disabled Facility Grants)
 - Waste fleet replacement programme

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 £1.38 million (from the sensitivity analysis in Appendix G). Revenue Reserves are recommended to be maintained at a minimum of £1.5 million (as set in the Medium Term Financial Strategy in September 2022), but at an operating level of a minimum of £2 million. Appendix G also sets out the CIPFA Financial Resilience Index for 2022, a comparative tool that can be used by S151 Officers as part of the annual budget report. 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 the Council manage the uncertainty of the future reforms of Local Government Finances. Examples are the Fair Funding Review, the reset of the business rates baseline, the future of the new homes bonus scheme and uncertainty around negative revenue support grant and the continuation of grants such as the rural services grant in the longer term.

8. The Council, along with other local authorities, has faced unprecedented reductions in Government funding. Between 2009/10 and 2020/21, the Council's Core Government funding has reduced by £4 million. The Council now receives minimal Revenue Support Grant (main Government Grant) of £138,000.

9. The Council is currently forecasting a budget gap of £0.3m for 2024/25. The aggregated Budget Gap by 2025/26 is £1.23million. 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.

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10. The Council is asked to give consideration to allocating £10,700 of New Homes Bonus funding to the Dartmoor National Park for the delivery of housing growth within its area over the last three years. Eight units have been delivered since 2019/20. A request in writing will be received from the National Park Authority, for the Council to contribute an element of New Homes Bonus funding to the National Park Authority, for housing growth within the Park Authority over the last three years. This has been the practice in the past, where the Council has paid the National Park Authority for the New Homes Bonus equivalent to the housing growth within the Park Authority's boundaries.
11. In terms of unearmarked reserves, the recommendation of the s151 Officer is for the Council to continue to have a minimum level of unearmarked reserves of £1.5million (as set out in the Medium Term Financial Strategy in September 2022), but to have an operating level of a minimum of £2million for unearmarked reserves. The Council should be operating at a level of £0.5m above the minimum level on a day to day basis. Appendix G sets out a sensitivity analysis and risk analysis of Reserves.
12. 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.
13. Local Government finances are increasingly stretched and there is a great deal of financial uncertainty for District Councils from 2023 onwards. The next few years will be challenging with the Government's Fair Funding Review and the reset of the Business Rates baseline being introduced, coupled with receiving minimal main Government Grant and the proposed cessation of the New Homes Bonus scheme.
14. This is a budget to maintain frontline services, 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 – Budget pressures and savings
- Appendix B – Modelling of the Budget Position
- Appendix C – Schedule of Unearmarked and Earmarked Reserves
- Appendix D – Contributions to/(from) Earmarked Reserves
- Appendix E – Capital Programme Proposals for 2023/24
- Appendix F – Revenue Budget Summary for 2023/24
- Appendix G – Sensitivity analysis and risk analysis

BACKGROUND PAPERS

Members' Budget Workshop presentation slides – dated Thursday 10 November 2022

Executive 26 January 2023 – Draft Revenue and Capital Budget Proposals for 2023/24