

**South Lakeland District Council**  
**Overview and Scrutiny Committee**  
**Friday, 17 January 2020**  
**2020/21 to 2024/25 Draft Budget**

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<b>Portfolio:</b>	Finance and Resources Portfolio Holder
<b>Report from:</b>	Section 151 Officer
<b>Report Author:</b>	Helen Smith – Finance Lead Specialist (Section 151 Officer)
<b>Wards:</b>	All Wards
<b>Forward Plan:</b>	Budget and Policy Framework Decision included in the Forward Plan as published on 1 October 2019

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**1.0 Expected Outcome**

- 1.1 This report presents the **2020/21 to 2024/25 Five Year Draft Budget**. The expected outcome is that Council will be in a position to deliver the priorities set out in the Council Plan within its resources. This will enable the statutory requirement to agree a balanced budget and to set the appropriate Council Tax level for 2020/21. The final proposed revenue budget and capital programme, including any further amendments, will be put forward for approval by Council on 25 February 2020.

**2.0 Recommendation**

**2.1 It is recommended that Overview and Scrutiny Committee:-**

- (1) consider the proposals contained in the report to achieve a balanced budget in 2020/21; and**
- (2) agree any comments to be taken forward for consideration at the meeting of Cabinet on 5 February 2020.**

**3.0 Background and Proposals**

- 3.1 The first draft budget was considered by Cabinet on 20 December 2019. The report to Cabinet is attached as **Appendix A** to this report. The remainder of this report gives an update on significant changes since the first draft budget was prepared. The final Draft Budget Report will incorporate the consideration of internal and external consultation and be presented to the 5 February 2020 Cabinet meeting and the 25 February 2020 Council meeting for ultimate approval.

**Provisional Local Government Finance Settlement and Queens Speech**

- 3.2 The Government published the provisional Local Government Finance Settlement on 20 December 2019. It will be subject to consultation until 17 January 2020 and the final settlement for each authority is usually published soon after the conclusion of the consultation period. The majority of the settlement is in line with the technical consultation issued in October 2019 and reflected in the first draft budgets attached to this report. It effectively rolls-forward the 4-year settlement the Council accepted in 2016/17 for a fifth year instead of introducing a fundamentally new settlement basis. The main changes in the provisional settlement are set out below.

- 3.3 The Council Tax referendum thresholds for district councils were reduced in the Spending Round to a maximum increase of 2% compared to the levels set for 2018/19 for district councils with the maximum increase of the higher of below 3% or £5. The provisional settlement proposes raising the maximum increase to the higher of below 2% or £5. For this Council this could potentially raise the maximum increase in Band D Council Tax from the £3.91 that is included in the draft budget to £5.00, which would generate an additional £50,000 of income from Council Tax. There are no limits on increases for parish councils but the Government expects parishes to take all available steps to mitigate the need for Council Tax increases.
- 3.4 As expected, the Government has chosen not to reduce local authority funding through reductions in business rate retention, a reduction which has been known as negative RSG. Under the original 4-year settlement the Council was expecting a reduction in funding of £613,000 for 2019/20 and a similar amount for 2020/21. This was expected and had already been reflected in the draft budget proposals considered by Cabinet on 20 December 2019.
- 3.5 Rural Services Delivery Grant has been frozen at £81m nationally. This Council's share of the grant will remain at £433,500.
- 3.6 When the existing business rate retention scheme started in 2013-14, the Government committed that Baseline Funding Levels and Business Rates Baselines, which are used to determine tariffs and top-ups and therefore the amount of business rates retained by individual Councils, would be fixed in real terms until the system was reset. The Government therefore proposes not to alter the existing mechanism for determining tariff and top-up payments in 2020-21. These elements will therefore be uprated in line with the change in the small business non-domestic rating multiplier (1.6%). The draft budgets assumed a 2% increase in baseline, this will result in slightly less income being payable to the Government and therefore slightly more retained by the Council. The actual level will be determined when the NNDR1 return has been completed at the end of January 2020 and will reflect changes in business rate reliefs announced by the Government.
- 3.7 As part of the Queens speech on 19 December 2019 the Government announced some additional reliefs for business rates:
- Increasing Retail Relief from 33% to 50%;
  - Independent cinemas and music venues will also qualify for retail relief;
  - Independent pubs will benefit from a further £1,000 cut in business rates on top of the 50 per cent relief; and
  - The current £1,500 relief for local newspapers will also be extended by another year, to help keep 150 titles going.
- The Council expects to receive grant to reimburse us for these additional reliefs.
- 3.8 The existing Cumbrian business rate pool is expected to continue for 2020/21 only. This could generate an additional £800,000 of income to the Council, which is earmarked for economic development.
- 3.9 The Government confirmed the threshold for payment of New Homes Bonus (NHB) will remain at 0.4% of taxbase for 2020/21 and that the new bonus will be for 2020/21 only with residual payments from earlier years only being paid for 2021/22 and 2022/23. For this Council this requires a net increase in Band D equivalent properties on the council tax list of 212. The actual increase was 245 properties, including 82 empty homes brought back into use. The Council will also receive £31,360 NHB relating to 112 new affordable homes. The level of NHB due to the

Council will be £55,106 higher than budgeted at £393,106. The table below shows the allocation of the NHB for 2020/21.

<b>New Homes Bonus allocation 2020/21</b>	<b>£000</b>
Members Small Grants	51.0
Burton Heritage Scheme	35.0
Other LIPs grants	71.2
Total Locally Important Project Share (40%)	157.2
Use in Capital Programme (60%)	235.9
<b>Total New Homes Bonus 2019/20</b>	<b>393.1</b>

The NHB for 2021/22 and 2022/23 will be £23k lower per year than included in the draft budget.

### **Other Issues**

- 3.10 On 31 December 2019 the Government announced the National Living Wage and National Minimum Wage to apply from April 2020. The table below shows the current levels, the levels to apply from April 2020 and the hourly rates currently included in the draft budgets for 2020/21:

<b>Year</b>	<b>25 and over</b>	<b>21 to 24</b>	<b>18 to 20</b>	<b>Under 18</b>	<b>Apprentice</b>
April 2019 (current rate)	£8.21	£7.70	£6.15	£4.35	£3.90
April 2020	£8.72	£8.20	£6.45	£4.55	£4.15
SLDC draft budgets: hourly rates assumed	£9.20	£7.87	£6.29	£4.45	apply age-related rates

The salary budgets will be updated to reflect the higher national rates for those under 25 years of age. The Council only uses these age-related rates to apprentices so the budgetary impact will be small. The national pay settlement for staff for April 2020 is currently still being negotiated between unions and employers representatives.

The Government has indicated it intends to increase the National Living Wage to £10.00 per hour by 2025. The Council's budgets include a 2% annual increase in salaries which would increase the minimum salary to £10.16 by April 2025.

- 3.11 The amount of Council tax collectable is based on the level of the Band D Council tax and the Council taxbase. The taxbase for 2020/21 was set by the Finance Lead Specialist (Section 151 Officer) on 18 December 2019 at 45,712.11, an increase of 198.6 properties since 2019/20. This is lower than the assumed increase of 250 properties in the draft budget and will result in £10,300 lower income from Council tax.
- 3.12 In 2013 the national Council tax benefit scheme was abolished and replaced with a locally determined scheme known as the local Council tax reduction scheme. The Council is required to review their scheme on an annual basis. A report will be considered by Cabinet on 5 February 2020 which will propose the maintenance of the existing scheme with the allowances and premiums uprated in accordance with the rates published by the Department of Work and Pensions for 2020/21.

### **Fees and Charges**

- 3.13 The draft Fees and Charges for 2020/21 are attached at **Appendix B**. The majority of the fees and charges reflect the Medium Term Financial Plan assumption that the income from fees and charges increases by 2% per annum either through increased fees or increased volume. Services have reviewed their fees and charges in line with the Corporate Charging Policy (as set out in the July 2017 MTFP).

- 3.14 Payments for the use of the Council's car parks is the single largest contributor to income from fees and charges. For 2020/21 the income budget is £4.61m. No increases are proposed for car parking hourly charges but an increase is proposed for annual permits.
- 3.15 The second largest area for receipts from fees and charges is Lake Windermere. This is projected to generate receipts of c£1.5m for 2020/21 consistent with the MTFP. Detailed proposals were presented to the Lake Administration Committee on 4 October 2019 and are mainly for a 2% increase except where the revised charges reflect the actual service costs. Legal Services introduced fees and charges for lake-related work a couple of years ago starting from a low base. The proposed fees and charges are considered proportionate for the work carried out and in line with other Councils.
- 3.16 Planning fees and charges are set nationally. They currently account for c£530k of income. Planning fees were increased by 20% from Jan 2018 with the additional income being spent on improving elements of the planning process.
- 3.17 A detailed report setting out proposals on licensing fees and charges was presented to Licensing and Licensing Regulatory Committees on the 4 November 2019. The majority of licensing income relates to fees set by Central Government under the Licensing Act 2003 and Gambling Act 2005. The proposals include options to increase some fees, where the Council has the power. A significant proportion of the licences issued by the Council are based on cost recovery. All calculations for cost recovery are based on actual processing time and all fees have been calculated with due regards to the requirements of the Provision of Services Regulations 2009 for them to be reasonable and proportionate and not to exceed the cost of service delivery.
- 3.18 The issues around income from Building Control has been flagged in prior years. The trading account has been in deficit as the income being generated is not enough to cover the full cost of the service, including corporate overheads. Market competition from the private sector approved inspectors give limited scope for raising charges. No increase is proposed for 2020/21. Regulations set out that Building Control functions should achieve full recovery of costs by aiming to break-even over a reasonable period of time.

### **Next Steps**

- 3.19 The draft budget figures to be included in the report to Cabinet on 5 February 2020 will include the impact of these proposed changes.
- 3.20 Council on 25 February 2020 will be asked to approve the budget, capital programme and Council Tax for April 2020 onwards. Council will receive an update of this report reflecting any further announcements or changes which will affect the Council's financial position.
- 3.21 The final finance settlement, including the impact of any adjustments to business rates multiplier and tariff, will be reflected in the final budget proposals to be presented to Council on 25 February 2020.
- 3.22 The Government has also confirmed a fundamental review of business rates, recognising the role of business rates as a source of local authority income and committing to consider input from the sector as part of the review. Also legislation to bring forward the next business rates revaluation by one year from 2022 to 2021 and move business rates revaluations from a five-yearly cycle to a three-yearly cycle will be brought forward. These developments will be monitored and fed into the MTFP as the details are clarified. Overall it is expected that the new proposals will shift resources from district councils to councils with responsibility for adult social care and children's services.

- 3.23 The Medium Term Financial Plan will be updated during summer 2020. The updated MTFP will be reported to Cabinet and Council: it is expected that this will be during July 2020 and will include the Budget Strategy for 2021/22 – 2025/26.

#### **4.0 Consultation**

- 4.1 This report provides an opportunity for Overview and Scrutiny Committee to comment on the draft of the budget for 2020/21 to 2024/25.
- 4.2 Further reports on the budget will be produced including Lake Administration Committee, Planning Committee & Licensing Committee in January 2020.
- 4.3 The first draft of the **2020/21 Five Year Budget** is subject to the statutory four week period following approval of the report by Cabinet on 20<sup>th</sup> December 2019. Consultation responses received will be reported back to Cabinet on 5<sup>th</sup> February 2020 with final responses received up to 21<sup>st</sup> February 2020 to be reported to Council on 25<sup>th</sup> February 2020. The Council's Budget and Policy framework procedure rules states "The consultation period in each instance will ideally be not less than 8 weeks but no longer than 12 weeks." On this occasion the consultation period has been constrained by purdah rules for the General Election which was outside the control of the Council.

#### **5.0 Alternative Options**

- 5.1 This report presents options in relation to potential budget pressures and savings, new capital programme bids, one off revenue growth bids and fees and charges. The proposals together meet the Council's statutory duty to set a balanced budget for 2020/21. An alternative option would be to reject some of the proposals; this would then require further work to ensure a balanced budget was set.

#### **6.0 Links to Council Priorities**

- 6.1 This report sets out a first draft budget that provides resources to implement the Council Plan. Setting a sound framework for budget preparation assists in the delivery of all corporate outcomes. This strategy has been developed within the context of the MTFP.

#### **7.0 Implications**

##### **Financial, Resources and Procurement**

- 7.1 The draft Budget aims to safeguard the Council's financial position and ensure a balanced budget for 2020/21 and an improved position in the years that follow.

##### **Human Resources**

- 7.2 This report has no direct impact on the staffing of the Council; individual savings and growth proposals may have direct staffing implications.

##### **Legal**

- 7.3 The Council is required to approve its budget and set its Council tax before 11<sup>th</sup> March 2020 (Local Government Act 1992). This report outlines the Council's proposals and progress regarding consultation on the budget with the final approval of the budget by Council at its meeting on 25<sup>th</sup> February 2020.

##### **Health, Social, Economic and Environmental**

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: This report contains proposals to set a balanced budget for 2020/21 which will be subject

to further consultation. Specific issues that require HSEEIAs will be addressed within the final budget proposals presented to Council 25 February 2020.

### Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.7 If you have not completed an Impact Assessment, please explain your reasons: This report contains proposals to set a balanced budget for 2020/21 which will be subject to further consultation. Specific issues that require EIAs will be addressed within the final budget proposals presented to Cabinet on 5th February and Council on 25th February 2020.

### Risk

Risk	Consequence	Controls required
Failure to establish a balanced and sustainable budget by February 2020	Includes: inability to deliver corporate priorities, inappropriate spending, and inappropriate reductions in services.	Identification of sound budget guidelines in an agreed strategy reduces the risk of an unaffordable budget and/or precipitate budget reductions.  Monitoring of progress against the budget timetable reduces the need for last-minute budget adjustments.
Insufficient staff capacity to deliver on growth items within capital and revenue budgets	Inability to deliver services to expected levels or additional costs of temporary staff. Potential underspends and potential slippage in expenditure to subsequent years.	Review resources required to ensure growth bids are realistic and deliverable, including other unavoidable staffing pressures
Revenue budget and Capital Programme may not be integrated and aligned with Council Plan.	Resources not directed to achieving corporate outcomes, leading to inappropriate spending.	Both the revenue budget and the Capital Programme are now embedded in the corporate planning cycle. All revenue budgets and capital programme schemes are linked to Council plan priorities
Reduction in funding from Government is greater than estimated or announced too late for adjustments to be made to budgets	In-year budgetary pressure and potential overspending, jeopardising service delivery.	Close monitoring of Government announcements, potential short-term use of revenue contingency provision and General Reserve followed by review for following year.
Government proposals for full localisation of business rates	Income streams will be insufficient to fund service delivery.	Monitor Government proposals for changes in NNDR legislation.

Risk	Consequence	Controls required
increase uncertainty of major income stream.		Maintenance of General Reserve as a buffer against unexpected changes in funding. Monitor changes in rateable values & proposals for new development / closures/ other changes.

### Contact Officers

Helen Smith, Finance Lead Specialist (Section 151 Officer)

### Appendices Attached to this Report

Appendix No.	Name of Appendix
A	2020/21 to 2024/25 Draft Budget report to Cabinet 20 December 2019
B	Draft Fees and Charges 2020/21

### Background Documents Available

Name of Background document	Where it is available
Medium Term Financial Plan approved Council 23 July 2019	<a href="https://tinyurl.com/y35xefgw">https://tinyurl.com/y35xefgw</a>
The 2020/21 Local Government Finance Settlement Provisional Settlement	<a href="https://tinyurl.com/u2t94oc">https://tinyurl.com/u2t94oc</a>

### Tracking Information

Signed off by	Date sent
Legal Services	31/12/19
Section 151 Officer	31/12/19
Monitoring Officer	31/12/19
CMT	31/12/19

Circulated to	Date sent
Lead Specialist	31/12/19
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	31/12/19
Committee Chairman	N/A
Portfolio Holder	31/12/19
Ward Councillor(s)	N/A
Committee	17/1/20
Executive (Cabinet)	5/2/20
Council	25/2/20