

## Minute Extract of Strategy and Resources Committee of 01/02/2021:

### **Minute 253: REVENUE BUDGET 2021/22, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2021-2025**

The Committee considered a report by the Head of Resources (circulated previously) regarding the Revenue Budget 2021/22, Capital Programme and Medium Term Financial Strategy 2021-2025.

The Head of Resources highlighted the following:

- Government settlement December 2020. The provisional 2021-22 settlement of £3.3m was the same level as 2020-21. The Fair Funding Review had been delayed by a further year until April 2022. The New Homes Bonus in-year allocation had been allocated for 2021/22 only. There were no legacy payments on the 2021/22 allocation and the Government was intending to consult on future of the housing incentive during 2021/22. The Rural Services Delivery Grant matched the 2020/21 level. Council Tax levels for District Councils could be increased by up to 2% or £5 whichever was higher. The referendum in relation to Council Tax levels for Town and Parish Councils had been deferred. The Council would receive a lower tier services grant and Covid 19 support grant as one off payments. The Council would receive 75% reimbursement on sales, fees and charges losses for the period April to June 2021.
- Core Spending Power for England. This had increased by 4.5% overall; however 87% of this increase came from Council Tax compared to 56% in 2020/21.
- Urban/rural funding differences. Analysis by the Rural Services Network indicated that local authorities serving predominately urban areas receive “higher” level of central funding compared to those in rural areas: paying over £96 per head more in Council Tax (in rural Devon £138 per head more); receive £107 (61%) per head less from Settlement Funding Assessment (rural Devon, £120 less); receive £28 per head of Social Care Grant, compared to £32 per head in urban areas (rural Devon, £28); and receive over £112 (42%) per head less in Government Funding Spending Power, excluding Council Tax (rural Devon, £113).
- Core Spending Power - included a new (one off) Lower-Tier Services Grant 2021-22. Without this grant, six of eight Devon districts would be faced with reduction in Core Spending Power.
- Total Core Spending Power per head of population 2021/22.
- Outside of urban and rural differences, there were four points of common concern: concentration of cuts in public spending on local government; over reliance on Council Tax in general (assumption that areas with higher Council Tax could continue to sustain increases); time limited payments from incentive scheme as core funding (e.g. New Homes Bonus); and allocation of lower tier services grant on a one off basis.
- The Medium Term Financial Strategy (MTFS) (2020-2024) model had been refreshed in October 2020 based upon: increased recent pay award (2.75%)

continuing for medium term; borrowing costs and Capital Programme re-profiled; assumed Covid 19 impact on sales, fees and charges income continuing into 2021-22; and Government fair funding review delayed 12 months to 2022-23; collection fund deficit (Council Tax and Business Rates) spread over next 3 years. A £2m funding gap was projected for 2021/22 in advance of the financial settlement announced on 17 December 2020.

- New Homes Bonus provisional level of funding of £1,354,430 for 2021/22. The level of funding 2020/21 was £1,836,820. The Medium Term Financial Plan assumed £815,000, therefore, there was an additional £539,000 compared to the MTFS.
- New Homes Bonus 2022/23. The forecast level of funding to 2022/23. For 2022-23 the projected New Homes Bonus income was £434,860 which was a potential reduction of over £0.920m funding on current level. There was uncertainty regarding future funding and design of a new scheme for 2022/23.
- Business Rates Retention and forecast levels of income for 2021/22 year.
- Local Government Finance funding reforms which included: Spending review for the period up to 2022/23; a review of relative needs and resources; Business Rates Retention pilots; Business Rates baseline reset; Fair Funding review; and New Homes Bonus review. Reforms to Local Government funding would change the level of resources available and have an impact on the revenue budget. It was anticipated that indicative allocations would be announced in Autumn 2021.
- Council Tax levels for current 2020/21 Band D properties had been increased by £5 (equivalent of 2.73%). Rural councils could increase Council Tax by up to 2% or £5 (whichever was higher). By increasing the level by £5 for 2021/22 would increase NDC's proportion of Council Tax for Band D properties from £188.35 to £193.35 (increase of 2.65%).
- Strategic Grants (appendix B) – the Medium Term Financial Plan had originally supported in principle the planned reductions to strategic grants in line with percentage reductions in Government funding to the local authority. However, the Government settlement was slightly better than forecast and therefore it was recommended that there be no reduction for 2021/22.
- Original £2m projected funding gap and how this was broken down.
- Draft Revenue Budget 2021/22 (Appendix A) showed a balanced budget and assumed: £5 increase on Band D Council Tax (as in previous years); fees and charges uplift by 2% and Garden Waste subscription increase from £36 to £40 as originally planned in the Medium Term Financial Plan; no reductions to Strategic Grants, Climate Environment or Councillor Grants. The risks were the ongoing impact of Covid 19 on the revenue budget.
- Reserves (Appendix C). General fund balance forecast level at 31 March 2022 was £1.161m (8.5% of net budget). The recommended level was 5%-10%. Earmarked reserves forecast level at 31 March 2022 was £4.048m. In compliance with Local Government Act 2003, the Chief Financial Officer assured members of the robustness of the estimates and the adequacy of the proposed financial reserves.
- Medium Term Financial Strategy 2021-2025 had now been refreshed. The funding gap originally faced for 2021-22 had now moved to 2022-23. Fundamental to bridging future year budget gaps would be the delivery of actions following the recent adoption of the Commercialisation Strategy. It had

been based on a number of assumptions about the future which included: Fair Funding Review – planned for 2022-23 (assumed - £0.916m reduction); New Homes Bonus Review – planned for 2022-23 (assumed -£0.919m reduction for 2022-23 and further -£0.435m reduction for 2023-24); Uncertainty of not having a multi-year settlement. Paragraph 5.1.5.7 provided further detail on the budget gap and paragraph 5.1.5.13 provided further detail on what had not been included yet. Appendix D detailed the modelled financial projections.

- Capital Programme for 2020/21 to 2022/23. Investment plans for 2020-21 to 2022-23 totalled £31.420m. One business case for capital funding had been submitted for new ICT software for the Waste and Recycling team and the cost to the Council was £35,000.
- Draft Capital Programme (Appendix E). The total programme for 2020-21 to 2022-23 was £31.455m which would be recommended to Council on 24 February 2021 for approval.
- How the total Capital Programme 2020-21 to 2022-23 would be funded.
- Projected underlying need to borrow in accordance with the 10 year Capital Strategy.
- Risks identified that could affect financial plans.
- Timeline – Council at its meeting on 13 January 2021 approved the Council Tax base; the budget and capital programme would be considered by the Strategy and Resources Committee on 1 February 2021 and Policy Development Committee on 11 February 2021; Council on 24 February 2021 to consider the approval of the budget and capital programme and setting of Council Tax.

In response to questions, the Head of Resources advised the following:

- The Fair Funding Review and Business Rates Retention review caused many uncertainties. It was uncertain whether this would take place during 2022/23 or if it would be delayed further.
- Appendix A provided the details of budgets for all service areas. There was no specific budget set aside for climate work and any future capital investments would require business cases to be put forward. The funding for the temporary climate post would be built into the establishment costs.

In response to a question, the Chief Executive advised that the Climate post had been approved for a temporary period of 18 months. A separate decision would then be required by Members regarding making the post a permanent position. A service plan was produced for each service and business cases were then produced to secure funding. The Council's approach would be to embed climate change within the organisation so that it formed part of any future projects.

**RESOLVED:**

(a) that the latest forecast for Budget 2020-21 and the proposed contributions to earmarked reserves be noted;

(b) that the Chief Financial Officer's assurance on the adequacy of the reserves and the robustness of the budget in paragraph 5.1.4.5 be noted;

(c) That the Chief Financial Officer's highlighted areas of risk identified within the budget process set out in paragraph 5.1.4.6 and section 5.3 be noted;

(d) That the latest Medium Term Financial forecast for 2021-2025 as shown in section 5.1.5 be noted;

(e) That subject to approval of (i) below, that funds are released for the capital schemes listed in section 5.2.2.

#### RECOMMENDED:

(f) That there be an increase of 2.65% in the level of Council Tax charged by North Devon Council for 2021-22 (in accordance with the revised referendum limit ability of £5.00 per Band D property) with a Band D Council Tax level of £193.35;

(g) That the actions identified in sections 5.1.2 to 5.1.4, which are required to ensure a balanced budget is achieved and therefore recommend to Council the approval of 2021-22 General Revenue Account Budget;

(h) That the Medium Term Financial Strategy 2021-2025 in section 5.1.5 as part of the Policy Framework be adopted.

(i) That the Capital Programme 2020-21 to 2022-23 as highlighted in section 5.2 be approved.