

NORTH DEVON COUNCIL

COUNCIL: 24 FEBRUARY 2021

REVENUE BUDGET 2021/22, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2021-2025

REPORT OF THE POLICY DEVELOPMENT COMMITTEE HELD ON 11 FEBRUARY 2021

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).
- 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. The forecast level for 2022-23 for 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. The Authority retained 50% of any growth plus a percentage from the Devon pool. The Devon pool contribution was uncertain and therefore not included in the budget. The risk to the 50% of the growth which the Authority retained was that Central Government could reset the base line level therefore potentially reducing the Authority's income from this source and have an impact on the revenue budget. It was anticipated that indicative allocations would be announced in Autumn 2021.
- 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 in recognition of the works done by the sector to aid the community during the pandemic.
- 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.

In response to questions, the Head of Resources advised that;

- The income received from the Devon pool of Business Rate growth was of benefit to the Authority as if not part of the scheme that money would be retained by Central Government. The pooled funds were distributed proportionately based on the business rates baseline in each Authority's area.
- The Climate Environment Grants (CEG) of £20,000 would continue. In 2020-2021 an award of £10,000 had been made to a Parish Council from the first tranche of applications.

In response to a question from the Head of Resources, the Corporate and Community Services Officer advised that only one application had been submitted in tranche one and had been awarded the full £10,000 available. That was to East Anstey Parish Council. The second tranche of application had now been received. Five applications had been eligible and they would be presented to the decision panel on the 25th February 2021.

In response to questions from the Committee the Head of Resources advised that:

- Although little reduction was seen in the Council Tax and Business Rates collection rates in 2020-21 it would expect that the rates may reduce within 2021-22 as and when there were changes to the wages furlough scheme and business rate relief awarded by Central Government. Although a reduction in council tax collection rates of 10% had been anticipated for 2020-21, only a 1% reduction had resulted.
- The Authority was looking forward to improve its efficiency with a view to then promoting its services in the commercial market. This was especially relevant within the Waste and Recycling service where improvements were required to enable the team to aim to improve their market share of commercial waste services.
- The Operational Services team were currently working within a 'Task and Finish' work pattern to reduce the number of staff coming into the work place. Drivers were collecting vehicles each day and then collecting staff on the routes. This had vastly reduced the footfall of staff being present at Brynsworthy.
- Town and Parish Councils were able to increase their precepts on the Council Tax in order to increase their income. The Head of Resources was unaware of any current plans within Central Government to review this.

RESOLVED that the decisions and recommendations of the Strategy and Resources Committee be endorsed.