

## NORTH DEVON COUNCIL

### POLICY DEVELOPMENT COMMITTEE: 10<sup>TH</sup> FEBRUARY 2022

#### MINUTE EXTRACT OF STRATEGY AND RESOURCES COMMITTEE HELD ON 7<sup>TH</sup> FEBRUARY 2022 IN RESPECT OF ITEM 8 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA

#### 106. REVENUE BUDGET 2022/23, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2022-23 TO 2027-28

The Committee considered a report by the Director of Resources (circulated previously) regarding the Revenue Budget for 2022/23, Capital Programme and Medium Term Financial Strategy (MTFS) 2022/23 to 2027/28.

The Director of Resources highlighted the following:

- Government Finance Settlement December 2021. The Revenue Support Grant and baseline funding was predominantly the same as for 2021/22. The Rural Services Delivery grant was same as for 2021/22. The New Homes Bonus (MTFS refresh assumed £812,000 which was legacy payment of £435,000 plus approximately £400,000 for 2022/23. The actual New Homes Bonus award was £1.45m. Lower Tier Services grant of £134,000 had been retained in the funding. The Government had previously advised that this grant would only be received for 2021/22. New “Services” grant had been provided of £206,000 for a one year period only. All Covid 19 additional grant support had been removed. In relation to Council Tax, a referendum was required for Shire Districts if the Authority set an increase of 2% (or more than 2%), or more than £5, whichever was greater. The draft revenue budget for 2022/23 assumed an increase of £5. The overall council Tax income would increase by £244,000 of which £172,000 came from the additional £5 and £72,000 from the increase in Council Tax base. The draft budget factored in £1.750m for retained income growth for Business Rates. The MTFS assumed £1.8m which was made up of £1.2m National Non Domestic Rates growth, Renewable Energy schemes of £400,000 and Devon pool retained income of £200,000.
- Analysis of national Local Government funding from 2012/13 to 2022/23. Funding had reduced from £28.1billion in 2012/13 to £18.5billion in 2019/20 which was a 34% cut. There had been rises in funding since 2019/20, the largest in 2021/22 to 2022/23 of £2.1billion which reduced the overall cut to 20%.
- Core Spending Power analysis by region and authority type for England.
- The MTFS model had been refreshed in October 2021 based upon: the Fair Funding Review which had been planned for 2022/23 had now slipped by one year to 2023/24 and the New Homes Bonus Review that had been planned for 2022/23 which had now slipped to 2023/24. The MTFS refresh had not included: any financial net benefit of further reviews to service areas; income generation and net revenue gains through projects from the Commercialisation Strategy; any new Business

Rates growth following the 2023/24 Fair Funding Review; and review and/or price increases to income streams.

- New Homes Bonus provisional level of funding of £1,451,083 for 2022/23. The level of funding 2021/22 was £1,354,430. The MTFS assumed £812,000 for 2022/23, therefore, there was an additional £639,000 compared to the MTFS. In 2023/24 the projected New Homes Bonus income was £506,000, potential reduction of over £945,000 funding on the current level. There was uncertainty regarding future funding and the scheme design.
- Business Rates Retention and forecast levels of income for 2022/23 year.
- Reform of Local Government funding for 2023/24 onwards.
- In 2021/22 Council Tax levels Band D properties had been increased by £5 (equivalent of 2.65%). Rural Councils could increase Council Tax by up to 2% or £5 (whichever higher). By increasing the level by £5 for 2022/23 would increase NDC's proportion of Council Tax for Band D properties from £193.35 to £198.35 (increase of 2.59%).
- Revenue budget cost pressures versus the assumptions included within the MTFS:
  - o Salaries pay award and increments now slightly higher than estimated and £612,000 had been built into the draft budget. The MTFS refresh assumed £535,000 increase which was based upon 1.75% in 2021/22 and a further 2% in 2022/23.
  - o National Insurance increase of 1.25% which was an additional cost to the draft budget of £76,000
  - o Inflation pressure on services for utilities, fuel, contractors as a result of the consumer price index rises (5.1% in November 2020)
  - o Borrowing costs built into draft budget increased to £722,000. The MTFS refresh assumed £328,000 increase which did not include the impact of the Green Lanes acquisition which would add a further £400,000 to the annual borrowing costs. This increase to borrowing cost being offset by income generated through the Centre.
  - o Planning income - £100,000 had been included within the draft budget. The MTFS refresh assumed an additional £100,000 increased income. The current year income was up on budget by £180,000.
- Green Lanes - financial implications following the acquisition of Green Lanes in November 2021 and the draft budget for 2022/23. The net rental income for the current year was circa £400,000. £32,000 was required to pay asset management Praxis from November to March. There was minimal borrowing costs for 2021/22 year. It was proposed that £300,000 would be placed into an earmarked reserve for asset management initiatives and legal costs and that £70,000 be placed into an earmarked reserve for income volatility.
- Corporate programmes and resources. Council resources needed to be aligned to enable delivery of priorities within the financial envelope such as: financial planning (capital and revenue budget, MTFS); manpower planning (current teams, capacity and growth). There was a need to plan for medium and long term and not to be reactive to short-term priorities. The resourcing of priorities was longer than a political cycle of 4 years.

- Council staff reductions as a result of the Comprehensive Spending Review. In 2010-11 the Council employed 499 full time equivalent employees. In 2020/21 this had reduced to 405 full time equivalent employees which was a reduction of 94 (19% reduction) since 2010/11.
- Proposed resource changes within the service areas. In 2022/23 an increase of 17 full time equivalent employees (4% increase) was proposed across the service areas. This would result in an increase of £463,000 (3.2% increase) on the £14.3m salary budget. How the additional resource would be funded within the base budget.
- How the draft Revenue Budget for 2022/23 was funded.
- Draft Revenue Budget for 2022/23 (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 £40 (2021/22) to £45 as originally outlined in the MTFs; proposed increase on coastal car parks to £1.50 per hour in summer months and work with Devon County Council colleagues to support measures to alleviate parking issues being experienced; no reductions to Strategic Grants, Climate and Environment, or Community Councillor Grants (Appendix B). The risks of the ongoing impact of Covid 19 on the revenue budget.
- Reserves (Appendix C). General fund balance forecast level at 31 March 2023 was £1.211m (8.8% of the net budget). The recommended level was 5%-10%. Earmarked reserves forecast level at 31 March 2023 was £5.851m. In compliance with the Local Government Act 2003, the Chief Financial Officer assured members of the robustness of the estimates and the adequacy of the proposed financial reserves.

The MTFs 2022-28 (Appendix D) had now been refreshed and extended for the 2022-28 period. It had been based on a number of assumptions about the future which included: Fair Funding review/New Homes Bonus review planned for 2023/24 (assumed -£2.009m reduction); and ongoing 2% increases in employee salaries (each 1% equated to £140,000). The MTFs in February 2021 originally included gaps of £2.8m (for 2023/24) and £2.9m (for 2024/25) and only assumed a 1% salary increase. Paragraph 4.1.5.7 provided further detail on the budget gap and paragraph 4.1.5.16 provided further detail on what had not been included. Fundamental to bridging future year budget gaps would be further income generation and net revenue gains through the Commercialisation Strategy. Appendix D detailed the modelled projections.

- Capital Programme for 2021/22 to 2024/25. Investment plans for 2021/22 to 2024/25 totalled £47.013m. One business case for capital funding had been submitted for the provision of a rock fall catch fence at South Quay, Ilfracombe and the cost to the Council was £55,000.
- Draft Capital Programme (Appendix E). The total programme for 2021/22 to 2024/25 was £47.068m which would be recommended to Council on 23 February 2022 for approval.
- How the total Capital Programme 2021/22 to 2024/25 would be funded.

- Projected borrowing need in accordance with the 10 year Capital Strategy.
- Risks identified that could affect financial plans.
- Timeline – Council at its meeting on 12 January 2022 approved the Council Tax base; the revenue budget and capital programme would be considered by the Strategy and Resources Committee on 7 February 2022 and Policy Development Committee on 10 February 2022; Council on 23 February 2022 to consider the approval of the revenue budget and capital programme and setting of Council Tax.

In response to questions from the Committee, the Director of Resources advised the following:

- In relation to Seven Brethren project, only the land release fund element had been included within the Capital Programme. No other financial implications for this project had been included yet.
- The Government had not advised Local Authorities that they could not procure assets as part of commercialisation, however they had clamped down on Local Authorities borrowing to procure assets outside of their area and also borrowing to buy assets solely for financial gain. Local Authorities were required to demonstrate the reasons for the borrowing such as for regeneration of the area.
- The proposed increase in the number of the full time equivalent employees within the Governance service was following the promotion of the previous Exchequer Manager to the Head of Governance post. The Exchequer Manager post was now vacant. Some changes would be made to other middle managers posts within the team and there was another vacant post within the service, therefore it was proposed to recruit 1 apprentice to support the whole team. The changes were offset by not replacing vacant posts.
- Green Lanes – it was proposed that £300,000 was placed into an Asset Management reserve. Some of the funds would be used for “white boxing units within Green Lanes in preparation for letting, however a large proportion of the reserve would be used for marketing and legal costs and the reconfiguration of units to increase the income revenue streams to the Council. The £300,000 reserve would be spread across the next few years.
- Coastal car parks – it had been proposed to increase car park charges at some coastal car parks for the summer months following an increase in the number of visitors visiting the area and creating issues with parking on the roadside and pavements. Discussions had taken place with Devon County Council regarding on street enforcement, but they did not have sufficient capacity to enforce currently. There was a need to review all car parking charges for 2023/24, undertake a review of the configuration of all car parks and the methods for payment of car parking charges.
- Coastal car parking charges in other areas – Torridge District Council had increased charges at Westward Ho! Car park from £1.20 last year to £1.60 proposed

for 2023/24. The charges at Dartmouth car parks was £1.50 per hour. The proposed increase in coastal car parks would bring the charges in line with other neighbouring coastal Local Authorities.

- If the decision was taken not to increase the charges in coastal car parks during the summer months, it would not have an overall impact on the net revenue budget as both the additional income and additional enforcement costs would be removed and therefore no other changes would be required to be made to the budget.

In response to questions from the Committee, the Chief Executive advised the following:

- One option had been to increase all car parking charges, however consideration had been given to the impact that this may have on High Streets and businesses which were still recovering from the pandemic. The option of increasing the car parking charges in some coastal car parks during the summer months was put forward due to a number of problems experienced due to the increase in the number of visitors and lack of on street enforcement. If the increase in coastal car parking charges was not approved, then no additional on street enforcement would be provided in coastal areas. Initial discussions had taken place with the Cabinet Member and officer at Devon County Council (DCC) regarding the secondment of North Devon Council (NDC) enforcement officers to DCC for a period of time each week during the summer period to enforce on street parking in the coastal areas. It was anticipated that there would be a rota of enforcement officers from NDC. DCC had experienced problems with the recruitment of enforcement officers and if DCC were able to successfully recruit enforcement officers there would not be a dedicated resource just for the coastal areas. The car parks at Lynton had not been included within the proposal. The excess charge notice was £25 which some visitors to the area would not find excessive for parking for the day.

RESOLVED that:

- (a) the latest forecast for Budget 2021-22 and the proposed contributions to earmarked reserves be noted;
- (b) the Chief Financial Officer's assurance on the adequacy of the reserves and the robustness of the budget in paragraph 4.1.4.6 of the report be noted;
- (c) the Chief Financial Officer's highlighted areas of risk identified within the budget process set out in paragraphs 4.1.4.7 and section 4.3 of the report be noted;
- (d) the latest Medium Term Financial forecast for 2022-2028 as shown in section 4.1.5 of the report be noted;
- (e) subject to approval of (i), that funds are released for the capital schemes listed in section 4.2.2 of the report.

RECOMMENDED that:

- (f) there be an increase of £5.00 in the level of Council Tax charged by North Devon Council for 2022-23 (in accordance with the revised referendum limit ability of £5.00 per Band D property) with a Band D Council Tax level of £198.35;
- (g) the actions identified in sections 4.1.2 to 4.1.4 of the report, which are required to ensure a balanced budget is achieved and therefore recommend to Council the approval of 2022-23 General Revenue Account Budget;
- (h) the Medium Term Financial Strategy 2022-2028 in section 4.1.5 of the report as part of the Policy Framework be adopted;
- (i) the Capital Programme 2021-22 to 2024-25 as highlighted in section 4.2 of the report be approved;
- (j) consideration of an increase in the charges for coastal car parks be incorporated within the overall review of the car parking strategy to be brought back to a future meeting.