

NORTH DEVON COUNCIL

COUNCIL: 23RD FEBRUARY 2022

**MINUTE EXTRACT OF POLICY DEVELOPMENT COMMITTEE HELD ON 10TH
FEBRUARY 2022 IN RESPECT OF ITEM 14(A) ON THE COUNCIL AGENDA**

**49. 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 and Deputy Chief Executive (circulated previously) regarding the Revenue Budget 2022/23, Capital Programme and Medium Term Financial Strategy 2022-2028 together with Minute Extract of Strategy and Resources on 7th February 2022.

The Director of Resources and Deputy Chief Executive 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:
 - 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.
 - National Insurance increase of 1.25% which was an additional cost to the draft budget of £76,000.
 - Inflation pressure on services for utilities, fuel, contractors as a result of the consumer price index rises (5.1% in November 2020).
 - 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.
 - 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.

The Chair thanked the Director of Resources and Deputy Chief Executive for his presentation.

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

- The funding details for the Capital Programme spend at Green Lanes were detailed in appendix E of the report under purchase of strategic assets and the Council had set aside just over £1m to make enhancements to the roof and floor tiling and was working closely with the appointed Asset Manager.
- In response to a question related to the potential for the Council to purchase thermal heat cameras to enable home owners to become more energy efficient. The Director of Resources and Deputy Chief Executive advised that he would liaise with the Head of Planning, Housing and Health.
- The Watersports Centre build was progressing with both the foundations and steelwork in place and the building of the sea wall currently in progress. The scheduled opening of the centre was late summer 2022. The Council had also now appointed a Watersports Officer who would report to the Harbour Master.
- The issue of car parking in coastal areas during the tourist season had been causing congestion issues by people parking on pavements and other areas to avoid car parking charges. The resourcing of on-street parking by Devon County Council had caused issues in coastal areas in the summer of 2020 and 2021. Recruitment had been difficult and as on-street parking fell within the remit of Devon County Council it wasn't a straightforward process to delegate powers to the District Council. However, there was an opportunity for further discussion with the County Council to second District Council parking employees to assist with on-street parking enforcement. Discussions would continue with the County Council to address the issue of on-street parking enforcement.
- Fixed Penalty Notice fees for on-street parking were set by Devon County Council. So, any increase in charge fees would be implemented by them.

The Lead Member for Commercialisation and Resources added that he was pleased that the Council had purchased Green Lanes, as the income generated from the centre helped to contribute towards a secure and balanced budget going forward. There was also now further potential to generate additional income to the Council with the Future High Street Fund enhancements.

RECOMMENDED, that recommendation 2.2.5 of the original report to the Strategy and Resources Committee on 7th February 2022 that there be an increase in the charges on the coastal car parks of Croyde, Mortehoe, Cove, Pier, Larkstone and Marine Drive in the summer months (March to October) as detailed in sections 4.1.2.5 to 4.1.2.8 be approved.

RESOLVED, that the decisions and recommendations 2.1.1 to 2.2.4 of the Strategy and Resources Committee be endorsed.