

NORTH DEVON COUNCIL

POLICY DEVELOPMENT COMMITTEE: 9TH FEBRUARY 2023

**MINUTE EXTRACT OF THE STRATEGY AND RESOURCES COMMITTEE HELD
ON 6TH FEBRUARY 2023 IN RESPECT OF ITEM 8 ON THE POLICY
DEVELOPMENT COMMITTEE AGENDA**

98 **REVENUE BUDGET 2023-24, CAPITAL PROGRAMME AND
MEDIUM TERM FINANCIAL STRATEGY 2023-24 TO 2028-29**

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding the Revenue Budget 2023-24, Capital Programme and Medium Term Financial Strategy 2023-24 to 2028-29.

The Director of Resources and Deputy Chief Executive gave the Committee a presentation, which included the following highlights:

- Funding levels to Local Authorities from 2012/13 to 2023/24.
- Finance Settlement – core spending power of 9.2% and analysis.
- As a Shire District the Council’s actual core spending power was on average only at 5%.
- The spending power varied according to region and the overall national level of 9.2% equivalent for the South West was 8.8%.
- Central Government had run a finance settlement consultation, closed 16 January 2023. Appendix F of the report showed the response our Council had made in relation to this consultation.
- The draft budget was assuming an increase of 2.99% on Council Tax.
- Retained growth on Business rates of around £2 million.
- The challenges to the budget came from reduced grant funding from Government, reduced workforce levels since 2010 and the uncertainty of the future Local Government Funding.
- Inflationary pressures on the budget came from increased staff pay, increased energy prices, rising fuel prices and increased costs of external contracts.
- There had been two earlier budget workshops with Members and a full report to Council in November 2022 to approve options identified to draft the refreshed Medium Term Financial Strategy.
- Bridging the gap in the budget as follows (as detailed in section 4.1.2.14 of the report):

Fair Funding Review assumed now postponed and the assumption of a cash freeze in funding	(£528,000)
Reversal of 1.25% rise on National Insurance (employers)	(£80,000)
Growth in sale of Recycling materials income	(£250,000)
Energy reduction on Council offices following capital investment	(£29,000)

Sub-total	(£887,000)
Review of Car Parking charges	(£450,000)
Review of Garden Waste charges	(£90,000)
Transfer of Public Conveniences to Town and Parish Councils	(£240,000)
Increased capital acquisitions of property for use as Temporary Accommodation	(£80,000)
Reduction in contribution to 2 x earmarked reserves due to making planned contributions earlier in 2022-23 year	(£175,000)
Total	(£1,922,000)

- Positive feedback received from Parishes and Town Councils in taking on responsibility for public conveniences. This was being assumed as a revenue saving in the 2023/24 budget.
- A breakdown in how the split of Council Tax was shared out and to whom showed that this Council received 10% of collected council tax for services such as refuse collections, kerbside recycling, housing, planning, street cleaning and leisure.
- Green Lanes Shopping Centre financials update showed performance was in line with the budgeted position for 2022/23 and the cash flow was in line with forecasts for 2023/24.
- Appendix A of the report detailed the Council's summary budget for 2023/24. The net budget for 2023/24 was £14.766 million.
- Appendix B of the report detailed the recommended level of strategic grants for 2023/24.
- Assumptions and risks had been detailed within the budget report.
- Appendix C of the report detailed reserves held. The General fund balance was £1.211 million, which equated to 8.2% of net budget. The recommended level was 5%-10%.
- The current forecast level for earmarked reserves at 31 March 2024 was £5.688 million.
- The Collection Fund reserve was linked to the Council's share of the Business rates collected and offered a 40% protection of around £2m if the Council's share of business rates collected were to drop.
- The Budget Management reserve added protection to the revenue budget for additional cost pressures or reductions in income sources.
- The Corporate Property Management Initiative reserve was to cover any additional costs of marketing and preparing new units to let in Green Lanes.
- The Corporate Property Income Volatility reserve protected the Council budget if any tenants dropped out of Green Lanes and we saw a rent level reduction.
- The Strategic Contingency reserve added protection for any one off expenditure.
- The Treasury Management reserve was held to mitigate against the increased cost of borrowing rates in future years.

- The Regeneration Projects reserve was to contribute towards future regeneration capital programmes identified.
- Assurances were given by the Chief Financial Officer that budget estimates made were robust and the level of financial reserves being proposed were adequate.
- The model for the Medium Term Financial Strategy had been refreshed and this was shown in detail at Appendix D of the report.
- The forecast cumulative budget gap/(surplus) was shown as follows:

Years	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Budget gap / (surplus)	0	0.499	3.027	3.488	3.548	3.455

- Appendix E of the report detailed the Capital Programme costs for 2022/23 to 2025/26.
- The Performance and Financial Management Quarter 3 of 2022-23 was also reported on the agenda. This report highlighted the latest plans for capital investment for the period 2022-23 to 2025-26, which amounted to £32.211m and was broken down as follows:
 - 2022-23 £9.506m
 - 2023-24 £18.336m
 - 2024-25 £4.299m
 - 2025-26 £0.070m
- The Project Appraisal Group had received five business cases for capital funding as follows:
 - LED Lighting - renewal & safety testing £75,000
 - Old Lime Kiln Larkstone Cove regeneration £111,325
 - Victoria Pleasure Grounds – PC / bus Shelter £180,000
 - Fairview & Brookdale – car park resurfacing £395,000
 - Disabled Facility Grants (Better Care Fund) £1,200,000
- The Gross cost of these business cases for funding was £1.961,325 which would be funded through the following:
 - External Funding (£1,380,000)
 - Regeneration reserve (£111,325)
 - Repairs fund reserve (£250,000)
 - Borrowing requirement (£220,000).
- Projected borrowing was dependent on how treasury activity was managed. To safeguard against future loan interest rate rises a Treasury Management reserve was in place.
- Risks that could affect financial plans included the following:
 - Government Grants
 - Key areas of income
 - Capital receipts
 - Savings plans

- Increase demand for services
- Localisation council tax support
- Business rates retention
- Welfare reform
- The Revenue Budget 2023-24, Capital Programme and Medium Term Financial Strategy 2023-24 to 2028-29 was to be considered next at the Policy Development Committee on 9 February 2023 and finally at full Council on 22 February 2023.

In response to questions the Director of Resources and Deputy Chief Executive provided the following responses:

- The reason for the fluctuation in return on Green Lanes was due to the Capital borrowing rules around when loan principal repayments start. The repayment of borrowing commenced the year following the acquisition of the asset. In 2022/23, the Council received rental income stream and borrowing costs for the whole year. The net budget income was just under £1m and borrowing costs were £460,000. Once asset management costs were covered, the net return was £340,000. There was sufficient clearance to cover the costs for borrowing.
- The Council only borrowed externally if required and could use cash reserves to borrow against internally if required.
- In relation to the procurement of additional temporary accommodation, it was proposed that external borrowing would be required which would be covered by revenue savings on the current more expensive B&B accommodation costs.
- The income stream from the new Leisure Centre contract had been built into the budget, at a level of £380,000. The revenue stream from the contract covered the borrowing costs.
- The Director of Resources would confirm the level of annual indexation that was factored into the Leisure contract.
- The Council was not aware of any representations from strategic grant recipients regarding any financial difficulties that they were experiencing which was having an impact on their service provision. Officers worked closely with the strategic grant recipients and provided support, which would continue.
- The Medium Term Financial Strategy (Appendix D) forecast a budget gap for next 6 years. The latest projections included the latest interest rate forecasts and the acquisition of vehicles through finance leases.
- Reference to efficiency within the report was in relation to getting more of out of resources. Teams were trying to be as efficient as possible which would then free up capacity to deliver more.
- A copy of the power point presentation given today would be made available to all Members.
- A request to the Car parks team to update local ward members on the car park resurfacing projects ahead of the next Full Council meeting would be carried out.
- A business case for installation of solar panels had not yet been made but the Environmental initiatives reserve could be used to help draft a business case

for this project. It had been included within the service plans and a timeline would be agreed to bring the project forward.

In response to questions, the Chief Executive provided the following responses:

- He reassured Members that the Council was not looking to reduce services offered to the public but that maintaining what was currently carried out into the future was the challenge. It was about delivering excellent services to its customers.
- Waste and recycling vehicles were leased. Officers were currently reviewing the charges.

RESOLVED that:

- (a) The latest forecast for Budget 2022-23 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 4.1.4.7 of the report be noted;
- (c) The Chief Financial Officer's highlighted areas of risk identified within the budget process set out in paragraph 4.1.4.8 and section 4.3 of the report be noted;
- (d) The latest Medium Term Financial forecast for 2023-2029 as shown in section 4.1.5 of the report be noted;
- (e) Subject to approval of ((i) below), that funds are released for the capital schemes listed in section 4.2.2.

RECOMMENDED that:

- (f) There be an increase of 2.99% (£5.93) in the level of Council Tax charged by North Devon Council for 2023-24 with a band D Council Tax level of £204.28;
- (g) The actions identified in sections 4.1.2 to 4.1.4, which are required to ensure a balanced budget is achieved and therefore recommend to Council the approval of 2023-24 General Revenue Account Budget;
- (h) The Medium Term Financial Strategy 2023-2029 as detailed in section 4.1.5 of the report as part of the Policy Framework be adopted; and
- (i) The Capital Programme 2022-23 to 2025-26 as highlighted in section 4.2 of the report be approved.