

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

96 REVENUE BUDGET 2023/24, CAPITAL PROGRAMME & MEDIUM TERM FINANCIAL STRATEGY 2023/24-2028/29

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 together with Minute Extract of Strategy and Resources on 6th February 2022.

The Director of Resources and Deputy Chief Executive highlighted the following:

- 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 was 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.
 - Future options to consider included:
 - Commercial ventures.
 - Additional income (Green Lanes and/or 'new' opportunities).
 - Acquire further properties for temporary accommodation.
 - Housing opportunities (explore delivery models).
 - Increase to Council tax – 100% premium on second homes (April 2024) Levelling Up and Regeneration Bill.

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

- Expenditure in relation to capital business cases and return on investment, there would be a reduction on revenue energy costs, better lifespan and energy efficiency of LED bulbs, the lighting investment project in Council buildings was anticipated to repay itself within a two year period.
- The potential provision of a new public convenience block on Ilfracombe Seafont had been identified as part of the Ilfracombe Seafont Masterplan, which had identified the requirement of additional public toilets to be located in that area. Historically there were public conveniences located on the seafont in Ilfracombe many years ago and a temporary block was located there in 2022, paid for by the Town Council; and with the potential funding from external grant it was proposed that a block be installed. However, following completion of the block responsibility for its ongoing management and upkeep costs would fall within the remit of Ilfracombe Town Council.
- The layout of the toilets would be carefully designed to mitigate the potential risks of anti-social behaviour.
- The Committee commended the regeneration and incorporation of the old limekiln, which would be funded by the Regeneration Projects reserve; the reserve, which had been created from some of the revenue generated by Green Lanes and was benefiting the wider district.
- Rural areas could potentially benefit from any funding generated through the Regeneration Projects reserve and any project approaches made to the Council would be considered.
- Opportunities were currently being explored to utilise solar panels on Council owned buildings and should any potential schemes come forward a business case would be developed.

- There were approximately 1800 second homes currently within the North Devon area, which equated to about five percent of the Council Tax base.
- The definition of a second home was any dwellings which was no one's sole or main residence; and was substantially furnished.
- At its meeting on 6th February 2023, the Strategy and Resources Committee approved that, subject to the Levelling Up and Regeneration Bill becoming law, from 1 April 2024 a premium of 100% would apply for all dwellings which are unoccupied but substantially furnished.
- External funding was achieved substantially through government grants.
- Any additional properties that the Council owned for temporary accommodation would generate a return on their investment.
- If the Council was to go down the route of Council owned properties for market rental under housing, they would need to look at a different delivery model, as they could not hold a housing stock under their current operating arrangements.
- The cost of accommodating a person in Bed and Breakfast temporary accommodation can cost between £70.00 and £90.00 per night, which over a 12 month period equated to between £25,000 and £30,000.
- There was also a requirement to consider the wellbeing of the people that were placed in hotels and other establishments.
- The utilisation of Council owned properties for temporary accommodation made better financial sense and ensured the wellbeing of the person being housed within a council owned property.
- Between April 2022 and January 2023 there were 1,485 presentations for housing options to the Council.
- With regards to affordable homes for local people, the Council worked closely with local developers through the Housing team.

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

The Committee congratulated the Director of Resources and Deputy Chief Executive and the Finance team for presenting a balanced budget.