



North Devon Council

Report Date: 21 February 2024

Topic: Revenue Budget 2024-25, Capital Programme and Medium Term Financial Strategy 2024-25 to 2029-30

Report by: Director of Resources and Deputy Chief Executive

1. INTRODUCTION

- 1.1. This report notes the latest forecast position in the Performance and Financial Management Quarter 3 of 2023-24 reported separately on the agenda and the draft Budget for 2024-25. These figures will be the basis of the recommendation to Council on 21 February 2024 when the Council Tax levels for 2024-25 will be approved.
- 1.2. The Council has a legal duty to prepare a balanced budget and in order to achieve this position a number of pressures have been identified and assumptions made throughout the preparation process. Members are minded to consider whether to implement or amend these whilst taking into account the implications on the Council's overall financial position and the level of Council Tax for 2024-25 year.
- 1.3. The Council's Corporate Plan was approved by Full Council in September 2019. The corporate priorities are being refreshed following a workshop with Members in October 2023 and the revised Corporate Plan is due to be presented to Full Council on 21 February 2024.
- 1.4. A continuing theme running through both the current and the refreshed Corporate Plan is the need to achieve savings and/or generate additional income within the Council's budgets. Sitting alongside and supporting the Corporate Plan is the Council's Medium Term Financial Strategy (MTFS) which has been updated and is shown later in this report.
- 1.5. It is however pleasing to report that the Council has a good track record of delivering efficiencies and savings and is in good financial shape to meet this challenge.

2. RECOMMENDATIONS

2.1. That Members:

- 2.1.1. Note the latest forecast for Budget 2023-24 and the proposed contributions to earmarked reserves.
- 2.1.2. Note the Chief Financial Officer's assurance on the adequacy of the reserves and the robustness of the budget in paragraph 4.1.4.7
- 2.1.3. Note 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
- 2.1.4. Note the latest Medium Term Financial forecast for 2024-2030 as shown in section 4.1.5

2.2. Recommend to Full Council:

- 2.2.1. That there be an increase of 2.99% (£6.11) in the level of Council Tax charged by North Devon Council for 2024-25 with a Band D Council Tax level of £210.39
- 2.2.2. 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 2024-25 General Revenue Account Budget.
- 2.2.3. To adopt the Medium Term Financial Strategy 2024-2030 in section 4.1.5 as part of the Policy Framework.
- 2.2.4. The Capital Programme 2023-24 to 2025-26 as highlighted in section 4.2 be approved.

3. REASONS FOR RECOMMENDATIONS

- 3.1. The 2023-24 latest forecast is reported to ensure the Council maintain budgetary control for the rest of the financial year.
- 3.2. To ensure Members have assurance on the financial standing of the Council and risks associated with the budgetary framework.
- 3.3. Decisions on the level of Council Tax need to be taken by Strategy and Resources as part of recommending next year's budgetary framework for adoption by Council.
- 3.4. To ensure the Council has a savings plan in place to deliver the long-term financial strategy of the Council.
- 3.5. To ensure Members control the performance improvement activities of the Council.
- 3.6. To ensure that future capital investment is available and targeted to the Council's priorities.

4. REPORT

4.1. Revenue Budget

4.1.1. Quarter 3 Forecast 2023-24

- 4.1.1.1. The Performance and Financial Management Quarter 3 of 2023-24 is also reported on the agenda. The current position is that the Council has a forecast net budget surplus of (£0.073m) against its budget.
- 4.1.1.2. The Quarter 3 Performance and Financial Management Report updated Members on the latest forecast position for 2023-24 and the inflationary pressures that had been impacting the budget such as the national pay award. The pay award has now been settled and paid in November 2023 with the additional cost pressure on the budget funded from the Budget Management reserve.
- 4.1.1.3. The inflationary cost pressure mentioned above will be funded in-year through utilisation of the budget management reserve. This reserve, which was set aside to deal with fluctuations within the budget and built up over the last couple of financial years, has provided the Council with the protection needed in 2023-24. Moving forwards to future years 2024-25 onwards, the Council won't have the benefit of this level of protection and the inflationary pressures being experienced this year will continue onto the future year's budget position previously highlighted to Members.
- 4.1.1.4. It was though positive to report additional revenue through the Business Rates income and a positive variance, over and above what had been factored into the base budget, of £0.950m. It was proposed to place the additional revenues into four earmarked reserves to help mitigate additional cost pressures moving forwards as we move into the 2024-25 year.
- 4.1.1.5. At the 31st December 2023 total external borrowing was £3m. The timing of any future borrowing is dependent on how the authority manages its treasury activity and due to the current economic conditions, it is still prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme.
- 4.1.1.6. The recommended level of general fund balance is 5%-10% of the council's net revenue budget £738,326 to £1,476,645. The forecast general fund reserve at 31 March 2024 is £1,238,000, which is a level of 8.4%.

4.1.2. Budget 2024-25

- 4.1.2.1. Preparation of the 2024-25 budget began in the summer of 2023 in order to consider the cost of known budgetary pressures highlighted above and a refreshed Medium Term Financial forecast was produced in October 2023.
- 4.1.2.2. Members took part in Cross Party Budget Workshops in November 2023 to identify options in order to bridge the forecast financial gaps through potential revenue budget savings and/or generation of additional income streams to the Council. Outputs from the workshop discussions have been fed into the budget setting process.
- 4.1.2.3. The provisional local government finance settlement announced in December 2023 confirmed a 3% funding guarantee for all authorities and Council Tax Referendum limit principles of 3% or £5 (whichever the highest).
- 4.1.2.4. A consultation on the finance settlement was announced and North Devon Council's response to the consultation was submitted on 12th January 2024 and can be found in **Appendix F of this report**.
- 4.1.2.5. The key context to our response was that an average increase in core spending power of 4.9% for district councils (of which North Devon's was only 4.7%), lies a long way behind the current impacts of inflation. It gave no recognition to the impact of high inflation experienced in 2022-23 and 2023-24, which is now "baked in". The average increase in core spending power for districts also falls a long way short of the 6.5% increase across the wider local government sector.
- 4.1.2.6. In North Devon, a 2.99% increase (£6.11) on the Band D Council Tax produces additional income to the Council of £216,000 and it was our view that the proposed settlement is not an adequate response to the spending needs of district councils such as North Devon, when we are experiencing additional demand for services such as temporary accommodation and where spend on this area has doubled in value since 2020.
- 4.1.2.7. The outcome of the consultation and final local government finance settlement will be published in February 2024 and will be fed into the final budget proposals to be presented at Full Council.
- 4.1.2.8. However, continued pressure and uncertainty on our funding sources remains as the Government's Fair Funding Review and Business Rates Retention changes, originally planned for 2024-25 year has now further been delayed to we anticipate 2026-27.

4.1.2.9. The Council made the decision during 2016-17 to accept the Government's offer of a 4-year financial settlement through to the 2019-20 year. By accepting the 4-year settlement helped the Council to plan ahead with greater certainty and to provide a financial platform to delivery upon our corporate plan. However, due to the funding review changes above now being delayed, the financial settlement for 2024-25 year is again only a one-year funding announcement which leaves local authorities with much greater uncertainty in being able to plan further ahead.

4.1.2.10. The refreshed six-year Medium Term Financial Strategy was approved this time last year (February 2023) and 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

A further refresh of the forecast position, in light of the Fair Funding Review potentially being delayed (due to a general election within 2024 and insufficient time to be reflected in a 2025-26 settlement) plus the financial impacts being experienced due to inflationary pressures and how this would be financed, was carried out in October 2023 and amended the forecast position to be;

Years	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Budget gap / (surplus)	0	0.475	0.829	3.891	3.933	3.923

4.1.2.11. The forecast for 2024-25 (in November 2023) was a projected budget gap of circa £0.5million. Following a more detailed annual budget setting exercise there have been a number of movements to this forecast however we are pleased to be in a position to put forward a balanced budget for 2024-25 financial year.

4.1.2.12. The projections together with further changes being seen through the financial period together with updated views on potential future levels of Government funding were incorporated into the refreshed Medium Term Financial Strategy and bridge the above budget gap as follows;

Medium Term Financial Gap 2024-25 (November 2023)	£475,000
Higher than forecast impact from pay award	£126,000
Phased transfer of Public Conveniences to parishes	£150,000
Increase in External Audit fees	£90,000
Increased Insurance costs	£87,000
Increased Utility costs	£131,000
Reduced subsidy on Benefit Payments	£121,000
Reduced parking fine income	£98,000
Other smaller budget areas (net)	£50,000
Government funding over and above original forecast	(£297,000)
Revised 2024-25 Budget gap to bridge	£1,031,000
Challenge & revised assumptions to draft budget proposals	(£387,000)
Additional growth in Business Rates income	(£250,000)
Re-profiled Borrowing costs (timing of external borrowing and interest payments)	(£272,000)
Increased contribution from Treasury Management reserve	(£47,000)
Use of Budget Management reserve	(£75,000)
Budget gap for 2024-25	£0

- 4.1.2.13. The Final Local Government Finance Settlement was announced on 5 February 2024, the outcome was a small increase in government funding which has resulted in the above original planned use of £75,000 from the Budget Management Reserve no longer being required to balance the budget.
- 4.1.2.14. Members approved in June 2021 to proceed with the acquisition of Green Lanes Shopping Centre; which the Council completed the purchase in November 2021. The purchase of Green Lanes Shopping Centre was a once in a lifetime opportunity to acquire this strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project.
- 4.1.2.15. The financial modelling demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council which could be used towards mitigating future risks on

income volatility, investment back into the centre and the overarching council budget.

- 4.1.2.16. The 2021-22 financial outturn for the Centre (4.5 months ownership) produced a net return (income less costs) of (£243,600) due to minimal borrowing costs for last financial year as these started fully in 2022-23. I am pleased to report that the 2022-23 trading position produced a net return of (£291,000), including borrowing costs.
- 4.1.2.17. It is pleasing to report that the actual financial performance for Green Lanes Shopping Centre for the current 2023-24 financial year is in line with projections and the cash flow forecasts for the next year 2024-25 are in accordance with the business case and have been reflected in the draft 2024-25 budget.
- 4.1.2.18. The Council's net budget for 2024-25 is £16.433m; a table outlining the summary Budget 2024-25 is attached as **Appendix A**.
- 4.1.2.19. Details showing the recommended level of strategic grants for 2024-25 are in **Appendix B**; which proposes no reduction to the current level of grants supporting these organisations and maintains funding at the level they have been receiving. The only minor change shown is that of the previous funding for Go North Devon being re-directed to the new providers of that service, namely Mid Devon Mobility and Age Concern.

4.1.3. Budget 2024-25 Funding

- 4.1.3.1. There are three main sources for the Council to fund its net budget of £16.433m; direct Government Grants, Business Rates and income collected from Council Tax payers.
- 4.1.3.2. The level of funding the Council receives for its share of the Council Tax bill equates to £7.678m.
- 4.1.3.3. The main grant received from Central Government is paid via the Local Government Finance Settlement.
- 4.1.3.4. North Devon has been provisionally allocated £3.455m. The final settlement is due to be approved by Parliament in February 2024.
- 4.1.3.5. The balance of funding of £5.3m used to fund the Budget 2024-25 is as follows:
- New Homes Bonus of £0.351m, the Government has consulted on the future of the New Homes Bonus scheme in early 2021 and this was due to be announced as part of the original planned government funding changes for 2022-

23; now delayed until at least the 2026-27 financial year. We await to see the outcome from this review and what impact this has on the funding level for North Devon.

- Business Rates Retention growth of £3.000m. Includes retained growth, renewable energy business rates and distribution from the Devon Business Rates Pool.
- Rural Services Delivery Grant of £0.421m. Funding provided in recognition of the additional costs of delivery of services in sparsely populated areas.
- Services Grant of £0.021m. A new grant provided for 2022-23 in recognition of the vital services local government provides and extended into the 2024-25 settlement.
- Funding Guarantee Grant of £1.507m. A new grant intended to ensure authorities receive at least a 3% increase in core spending power, prior to local decisions made on council tax levels.

4.1.4. Reserves

- 4.1.4.1. The Council started 2023-24 with earmarked reserves of £11.134m and a General Fund Balance of £1.238m.
- 4.1.4.2. One of the earmarked reserves is the Collection Fund reserve, which had an opening balance of £1.340m. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensures the revenue budget is not unduly affected in the year the taxes are collected. Collection Fund deficits/surpluses are reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses are recovered/distributed in the following financial years.
- 4.1.4.3. This reserve included a £0.913m balance that will be utilised in 2023-24 to mitigate timing differences of business rate reliefs awarded in 2022-23 that from an accounting perspective impact over the 2023-24 financial year; and an in-year £0.450m transfer back into the Collection Fund reserve from additional Business Rates income achieved in 2023-24, thus leaving the fund reserve with a residual balance of £0.878m protection against future volatility. This level of reserve protects the Council against a 40% share of a £2.2million overall Business Rates income volatility.
- 4.1.4.4. The Performance and Financial Management Quarter 3 report of 2023-24, also on the agenda, provides an updated forecast position for reserves. It is currently forecast that the amount held in

earmarked reserves will reduce to £7.672m and the General Fund Balance to remain at £1.238m as at 31 March 2024.

4.1.4.5. The Budget 2024-25 includes contributions to and (from) specific earmarked reserves. Appendix A summarises these reserve movements.

4.1.4.6. **Appendix C** details the forecast reserve balances for the period to 31 March 2025 and it is currently forecast that the amount held in earmarked reserves will be £6.276m and the General Fund Balance of £1.238m as at 31 March 2025.

4.1.4.7. In compliance with the Local Government Act 2003 the Chief Financial Officer assures Members of:

- The robustness of the estimates; and
- The adequacy of the proposed financial reserves

4.1.4.8. The Chief Financial Officer would also like to draw Members' attention to the risks associated with Revenue and Capital budgets identified in section 4.3 below.

4.1.5. Medium Term Financial Strategy 2024-2030

4.1.5.1. Whilst preparing the Budget 2024-25 each Head of Service was tasked with preparing service plans covering 2024-25 and beyond. These plans have been through Policy Development Committee in January 2024 and if applicable the revenue implications have been factored into the budget.

4.1.5.2. The Medium Term Financial Strategy (MTFS) was considered by Full Council who approved the MTFS 2023-24 to 2028-29 at its meeting on 22 February 2023. As set out above in section 4.1.2 there was a further refresh carried out in November 2023 in light of the Fair Funding Review being delayed until 2026-27 and the financial impact being experienced due to the inflationary pressures being experienced in the current year.

4.1.5.3. The MTFS underpins and provides the financial cornerstone of the Corporate Plan, which will shape the Council's activities. It is good practice that the MTFS is refreshed on an annual basis to ensure that the Council's forward looking financial position is considered particularly in the current economic climate.

4.1.5.4. The MTFS model represents a view as of today based on numerous financial assumptions about the future, which are described in detail together with the risks associated with their volatility.

4.1.5.5. The refresh of the MTFS has involved reviewing all previous assumptions in light of new and more current information. These changes reflect actual experience and additional information or remove unsafe assumptions. The main assumptions in the forecast are as follows:

- **Pay settlement.** The Government previously indicated continued strict controls needed to minimise public sector pay and pay increases were historically targeted at around 1%. The 2020 pay offer announced relaxed this target, the 2021-22 pay award for staff was settled at 1.75% and the 2022-23 & 2023-24 pay settlement was a flat-rate cash increase of £1,925 per full time equivalent which depending on salary grade resulted in increases of between 4% and 10%. The budget has assumed a 4% increase within 2024-25; the MTFS has factored in 3% for 2025-26 and 2% each year from 2026-27 onwards and the risk however is that a higher increase is agreed which would add further cost to what has been predicted.
- **No further borrowing to fund capital expenditure in addition to already approved projects.** The Budget 2024-25 and Treasury Management strategy includes borrowing costs of up to £1.25m in 2024-25 to cover current capital programme commitments. The future model assumes borrowing increasing to cover approved capital projects in the programme. It assumes no further borrowing is undertaken than currently committed to above. If borrowing beyond this is considered a business case will be made outlining all the possible funding options.
- **Additional legislative requirement will be funded by additional grant.** Under the new burdens doctrine the Department for Levelling Up, Housing and Communities (DLUHC) provides additional grant funding, either as a specific grant or included in formula grant. It is also assumed that the grant will be sufficient to fund the additional costs.
- **The move to Universal Credit has a nil effect.** The move over the medium term from rent allowances to universal credit will see reductions in expenditure and grant income. It is assumed that we will make sufficient savings to match the grant reduction. It is also assumed that there will be no significant impact on homelessness and prevention over and above what has already been factored into the budget.
- **No impact from future changes to pensions.** The impact from the 2022 triennial review of the pension scheme has already been factored into the base budget

which sets out the authority's employer contributions for the periods to 2025-26. The next triennial review of the pension scheme takes place in the autumn of 2025; the model has prudently assumed an increased cost for 2026-27 in line with that experienced for the next three years.

- **Review of fees and charges.** Core fees and charges for service areas have been reviewed as part of the 2024-25 budget. A further review of fees and charges has been incorporated within the forecast and will require Member approval in advance of the 2025-26 year. The risk to the financial forecast is that fees are not reviewed and thus increases the forecast budget gap by £0.300m.
- **Includes increases in the level of council tax per annum with effect from 2024-25.** This does not mean that the Council cannot freeze or amend the level of council tax, but the decision will be made as part of the budget consideration each year. However, the model assumes a rise each year, if a decision is made to not increase then this will produce a cumulative budget gap of £0.220m in each of the years the tax is not increased.
- **Government Fair Funding Review and income from retention of Business Rates.** From 2013-14 the government allowed authorities to share in the benefit from growth in business rates. The draft budget for 2024-25 includes budgeted £3m business rates growth.
- Due to the funding review changes originally planned for the 2024-25 year now being delayed, the financial settlement for 2024-25 year is only a one-year funding announcement which leaves local authorities with much greater uncertainty in being able to plan further ahead.
- Baseline funding is being reviewed and a planned reset assumed now for 2026-27 year which will see the above business rates growth reset and a new Baseline funding level for each authority. The MTFS model forecasts an assumed overall total reduction in Baseline funding and Business Rates income for 2026-27 onwards. Indicative funding allocations for 2025-26 should be announced in autumn 2024, however the risk to the Council is that the overall funding is lower than the level assumed in the financial forecast.
- **Use of New Homes Bonus.** The government reviewed New Homes Bonus and made changes to reduce the legacy payments of the original scheme of 6 years down to 4 years from 2018-19. In addition to this, the scheme now only rewarded growth over a national baseline of 0.40%.
- The 2020-21 finance settlement announced that the in-year allocation of New Homes Bonus funding would only be for

one-year only and there would be no legacy payments on this allocation being received for the following three years. For 2024-25 a further one-year allocation of £0.351m has been announced.

- The Government has consulted on the future of the New Homes Bonus scheme in early 2021 and this was due to be announced as part of the original planned government funding changes for 2022-23; now delayed until at least the 2026-27 financial year. Assumption that any replacement scheme will be wrapped up in the Fair Funding Review.

4.1.5.6 The MTFs looks at the changing financial situation of the Council over the future six financial years for 2024-25 to 2029-30. The starting position is the Budget 2024-25, which is rolled forward based on a set of assumptions. However as touched on earlier the unknown future year government funding levels result in so much uncertainty, **I have prudently based the future year forecast for 2026-27 year on a worse-case scenario of losing around £1.7million of core funding/business rates growth.**

4.1.5.7 The refreshed MTFs model detail is shown in **Appendix D** and the forecast cumulative budget gap / (surplus) is shown as follows:

Years	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Budget gap / (surplus)	0	0.487	2.945	3.306	3.044	3.263

4.1.5.8 Clearly, this creates a large budget gap to bridge moving forwards however it is crucial that both Officers and Members understand the potential financial context that we 'could' end up with, subject to any transitional arrangements the government put in place. This clearly focuses minds on becoming more efficient within the services we currently provide and becoming entrepreneurial in the way we deliver services into the future and move towards a more commercially minded Council to generate additional income for the revenue budget.

4.1.5.9 In order to agree some parameters around this approach, Members approved a Commercialisation Strategy at Full Council in November 2020. This strategy set out the context of the financial parameters we are working within and how it should move forwards to enable the Council to become a

more efficient, business like operation and increase revenue generation to bridge the future predicted budget gaps.

4.1.5.10 We have set some very clear outcomes from the above strategy which is crucial if we are going to be successful in delivering upon bridging the financial projections, these being;

- Commercial operating is increasing across the Council
- The efficiency of the Council has been improved
- Generating additional and sustainable income streams for the Council
- Reducing the net budget of a service by reducing controllable costs of a service whilst still achieving service outcomes
- Having staff with a commercial 'mind-set' across the organisation through developing and upskilling our staff to be more enterprising and innovative

4.1.5.11. The Council took a major steps forwards through this strategy early in 2021 when Members approved to proceed with the acquisition of Green Lanes Shopping Centre; which the Council completed the purchase in November 2021. The financial considerations around this acquisition were highlighted earlier in this report.

4.1.5.12. The core rationale behind this acquisition was to gain control of this strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project; however the business case demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council.

4.1.5.13. This clearly has both regeneration and financial benefits to the Council and provides the ability to re-invest back into other projects and help to contribute towards reducing the pressure on the Council budget moving forwards.

4.1.5.14. The Council has been preparing and positioning itself for on-going budget reductions and will continue to work on options to deliver savings and efficiencies necessary towards bridging the budget gaps through to 2029-30 year.

4.1.5.15. The figures shown in the model are forecast and members should be mindful of the sensitivity of some of the figures incorporated; the following **sensitivity analysis** highlights how figures can change both upwards and downwards:

- A 1% movement on pay awards has an impact of £0.181m; we have assumed 4% within the 2024-25

budget; the MTFS has factored in 3% for 2025-26 and 2% each year from 2026-27 onwards therefore any variance to this will change the forecast

- No Council Tax rise is a cost impact of £0.223m each year in lost income on the base budget
- For every £1m extra borrowed (over a 10 year period) would be an additional annual cost to revenue budget of £0.147m

4.1.5.16. There are some potential areas not yet factored into the Medium Term Financial Strategy (MTFS) as these require further work and analysis to be carried out before inclusion in any plans; these are:

- Any financial net benefit of potential further review to service areas; such as Waste and Recycling service and a decision moving forwards following the trial of 3-weekly residual collections, reviewing the commercial trade waste service, growing the volume of recycling material income
- Further income generation and net revenue gains through the Commercialisation Strategy approved at Full Council in November 2020
- Any significant new Business Rates growth following the 2026-27 baseline re-set of core funding and any financial benefit in later financial years

4.1.5.17. Performance against the budget and savings targets is carried out through the year and incorporated into the quarterly financial and performance management report received by Strategy and Resources. Due to the uncertainty around our future funding, Members will need to make some difficult decisions to identify income generating and savings options to bridge the above budget gap in advance of autumn 2024 when further detail on the future year funding settlement will become clearer.

4.2. Capital Programme

4.2.1. The Performance and Financial Management Quarter 3 of 2023-24 is also reported on the agenda. This report highlights the latest plans for capital investment for the period 2023-24 to 2025-26, which amounts to £36.826m and is broken down as follows:

- 2023-24 £12.711m
- 2024-25 £20.259m

- 2025-26 £3.856m

- 4.2.2. The Council therefore has identified overall investment needs of £36.826m, which it expects to be funded from capital receipts/borrowing (£15.018m), external grants and contributions (£18.923m) and reserves (£2.885m).
- 4.2.3. **Appendix E** provides an individual project detail of the Capital Programme for 2023-24 to 2025-26.
- 4.2.4. We have authority to borrow from the Public Works Loan Board (PWLB) as outlined in the Treasury Management Annual Investment Strategy and the Council currently has external borrowing of £3.000m.
- 4.2.5. The timing of any future borrowing is dependent on how the authority manages its treasury activity and due to the current economic conditions, it is still prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme.
- 4.2.6. During 2022-23 and 2023-24 and due to lower borrowing costs incurred from the above mentioned borrowing timings, it was proposed to place funds into a new Treasury Management reserve to mitigate against higher interest rates as we move into future financial periods. The balance in the reserve at 31st March 2024 is £425,000 and it is planned to use this reserve over the 2024-25, 2025-26 and 2026-27 financial years.

4.3. Risk Assessment

- 4.3.1. Whilst formulating the budget proposals, risks to specific income and expenditure budgets were identified. During the course of the process assessments were made in respect of these risks. In light of the information that officers had available appropriate amendments were made to the budget forecasts where possible. Highlighted below are risks identified that could yet have a major impact on the Council's ability to achieve the Budget 2024-25;
- 4.3.2. **Government grants** – Parliament is expected to approve the funding allocated to Local Government in February 2024. The risk to 2024-25 is that it could be approved at different levels to that assumed in the Budget 2024-25, although the likelihood is unlikely based upon previous years' experience however until this is formally confirmed this is flagged as a risk. In addition, is the high level of uncertainty surrounding the future years funding settlements following the forthcoming Fair Funding Review and future of Business Rate Retention.
- 4.3.3. **Core income** from areas such as car parks, planning/building control fees and sale of recyclable materials can experience volatility due to market conditions and therefore continue to be a source of major risk to

the Council's Budget 2024-25. We previously placed funds into a Budget Management reserve to help mitigate any further adverse variances due to revenue budget volatility and the Council does have both general fund and other earmarked reserve balances which it could call upon in 2024-25 to mitigate any shorter term economic impact being experienced but clearly this would have much longer term solvency implications for the authority. The Budget Management reserve has a forecast balance at 31st March 2025 of £0.529m which does provide some protection to the budget in the medium term.

- 4.3.4. **Capital receipts** – The Council faces two main risks in this area. The first is the fact that the Capital Programme is forecast to be funded from as yet unrealised receipts. The second is the ongoing value of receipts generated could be lower due to the economic situation. Both these factors could lead the Council to seek other sources of funding, such as increasing external borrowing and therefore add further borrowing costs to that already included in the 2024-25 budget.
- 4.3.5. **Savings plans** – Service plans have been approved and any net savings factored into the 2024-25 budget. To achieve the full financial benefit of any savings identified will require negotiation with supplier, partners and other organisations therefore there is a risk that the full benefit may not be achieved, or achieved within 2024-25 financial year.
- 4.3.6. **Increase in demand for services** – Demand for specific services has continued to increase during 2023-24. Homelessness prevention measures in particular have increased over the past few years and as such demand for services such as temporary accommodation, where spend on this area has doubled in value since 2020. It is considered that in light of the current economic climate and general public sector finances that this will continue through 2024-25, which will add further pressure to the Council's budget.
- 4.3.7. **Localisation of council tax support** – The Council Tax Reduction scheme is approved by Full Council; however, changes due to increased take up or loss of collection above that forecast would have a direct financial impact on the Council and its major preceptors. The scheme will be reviewed as part of the quarterly performance and financial management report.
- 4.3.8. **Business Rates retention** – We are exposed to the risk of lower collections, decline on the tax base and successful outstanding appeals. However this is mitigated by participating in the Devon-wide pool. The Council is also experiencing growth in Business rates income, which has been included in the financial plans.
- 4.3.9. **Welfare reforms** – The Government has embarked on significant changes to the welfare system in recent years, which includes changes to the amounts claimants are entitled to, consolidating different forms of

benefit and payment methodology. These may generate risks both from increased demand for services and more directly on resources of the Council. The Council will continue to monitor progress and analyse the impact on our customers as well as the Council itself.

5. RESOURCE IMPLICATIONS

5.1. Included in the report.

6. EQUALITIES ASSESSMENT

6.1. There are no equalities implications anticipated as a result of this report. An Equality Impact Assessment has been completed.

7. ENVIRONMENTAL ASSESSMENT

7.1. There are not any environmental implications anticipated as a result of this report, as the purpose of this report is to present the Council's budget and spending plans. Projects within the Capital Programme will have highlighted any specific environmental impacts associated with those individual schemes when they came forwards for initial funding. The budget papers do contain an earmarked reserve for Environmental Initiatives which is a positive impact and has a balance of £51,000.

8. CORPORATE PRIORITIES

- 8.1. The Revenue budget and the Medium Term Financial Strategy all support the wider delivery plans of the Council in achieving the corporate priorities.
- 8.2. Individual schemes within the Capital Programme support the corporate priorities of improving customer focus; regeneration and the commercialisation agenda.
- 8.3. As set out within the report above the major projects of the acquisition of Green Lanes Shopping Centre and the Future High Streets Fund capital projects have a positive impact on both the regeneration priority and also the commercialisation agenda.

9. CONSTITUTIONAL CONTEXT

- 9.1. Save as provided in paragraph 9.2 below, the decision in respect of the recommendations in this report can be made by this Committee pursuant to delegated powers provided in paragraph 1 of Annexe 1 to Part 3 of the Constitution.
- 9.2. As noted in the report, the power to decide on one or more of the recommendations in this report is reserved to Council pursuant to Articles 4.4



and 4.5 of the Constitution and as such these recommendations must be referred to Council to ratify.

10. STATEMENT OF CONFIDENTIALITY

This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

11. BACKGROUND PAPERS

The background papers are available for inspection and kept by the author of the report.

12. STATEMENT OF INTERNAL ADVICE

The author (below) confirms that advice has been taken from all appropriate Councillors and Officers:

Jon Triggs, Director of Resources and Deputy Chief Executive