

## **NORTH DEVON COUNCIL**

### **POLICY DEVELOPMENT COMMITTEE: 12<sup>TH</sup> FEBRUARY 2024**

#### **MINUTE EXTRACT OF THE STRATEGY AND RESOURCES COMMITTEE HELD ON 5<sup>TH</sup> FEBRUARY 2024 IN RESPECT OF ITEM 8(A) ON THE POLICY DEVELOPMENT COMMITTEE AGENDA**

#### **90. REVENUE BUDGET 2024-25, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2029-30**

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding the Revenue Budget 2024-25, Capital Programme and Medium Term Financial Strategy 2024-25 to 2029-30.

The Lead Member for Resources and Commercialisation addressed the Committee and gave a brief introduction:

- The Council had a legal duty to prepare a balanced budget.
- This had been achieved despite the unforeseen pressures on Councils due to higher than expected pay awards, ever decreasing central Government funding and the high rise in inflation.
- The budget process began in the summer of 2023 with a cross party workshop in the autumn of 2023.
- The Council had responded to the Government's consultation on the Provisional Local Government Finance Settlement.
- Rural authorities were still seen as the 'poor relation' compared to urban authorities. With an average, per head, of £142 less awarded to rural authorities.
- Council tax had to be increased to help bridge the gap in funding.
- The purchase of Green Lanes was seen as a strategic decision proving to be a beneficial revenue stream.
- £200,000 had been earmarked for the continuation of the much-valued Street Marshal scheme.
- The demand on Temporary Accommodation was an ever growing burden but somewhat mitigated by the purchase of properties, by the Council, to help offer a cheaper alternative to expensive B&B placements.
- The delay in the fair funding review, which was now expected in two years' time, meant predicting the Medium term finance strategy was challenging.

The Lead Member for Resources and Commercialisation gave thanks to the Director of Resources and Deputy Chief Executive and his team for producing a balanced budget without the need to cut services.

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

- The provisional Local Government finance settlement was announced in December 2023 and confirmed a 3% funding guarantee for all authorities and Council Tax Referendum limit principles of 3% or £5 (whichever was the highest).
- The final Local Government finance settlement figure was expected to be announced this week.
- Members had received the detailed budget book early, normally circulated ahead of the February Council meeting. This information looked in detail at funding each service area of the Council.
- Nationally the total funding settlement stood at just over £64 billion with a core spending power of 6.5%. This included council tax setting.
- There were significant cuts in core grant funding from Government since 2015-16.
- Government SFA funding, which used to equate to around 50% of authorities funding was now a smaller proportion, with now council tax collection equating to more than 50% of revenue into the Council.
- The allocation of the finance settlement depended on the type of authority. North Devon Council was a Shire District authority.
- Nationally a Shire District authority received 4.9% Core Spending Power share but our allocation was lower still at 4.7%.
- The level of CPI inflation at October 2023 was 4.6%.
- For 2024-25 the Revenue and Support Grant and Baseline Funding increased by £119,000.
- The Rural Services Delivery grant remained the same as 2023-24.
- The New Homes Bonus award of £351,000 was £97,000 less than 2023-24. This was a reduction in the grant not the Council's lack of new homes.
- Services grant provided was £19,000 that was £102,000 less than 2023-24.
- The 3% Funding Guarantee of £1,435,000 gave an increase of £282,000 more than 2023-24.
- The Net impact of the changes above gives the Council an additional £202,000 funding. Just for context the pay award last year cost the Council £436,000 over the original budgeted forecast.
- The Government Draft Finance Settlement consultation ran until 15 January 2024 and the Council's response to this could be seen at Appendix F of the report.
- Income that could be raised over and above the finance settlement came from Council Tax and Business rates.
- As a Shire District a referendum would be required if the authority wanted to increase council tax above 3%. The draft budget, therefore, assumed an increase of 2.99% or £6.11 on a Band D.
- The overall Council tax increase of £287,000 was broken down to £214,000 (as a result of the 2.99% uplift) and £73,000 from an increase in the tax base.
- Business rates income came from 'retained growth' made up of £2 million from growth, as well as £680,000 from renewable energy schemes and the Devon-wide pool share of £325,000.
- £3 million overall growth had been assumed for the 2024-25 budget.
- Challenges faced drafting a balanced budget included a reduced revenue budget. In 2010-11, the revenue budget was £15.5 million and the current year, 2023-24 it was £14.7 million. If the cost of the increase in inflation was

built into the 2010 figure the current revenue budget would stand at around £23 million, therefore a significant decrease in real terms.

- The workforce had reduced, in 2010-11 the number of full time employees was 530 whereas in 2023-24 this stood at 440, a reduction of 17% since 2010.
- No formal redundancies were made and this had been due to mixture of staff leaving and being replaced in a managed way.
- The Fair funding review unlikely to happen now until 2026 with any changes not being felt until 2026-2027.
- The cost pressures of temporary accommodation had doubled since 2020.
- Temporary accommodation placements had been budgeted at 60 households per night at a net cost of £276,000. It was looking more likely to be 70-75 household in temporary accommodation per night. As at quarter 3 of 2023-24 this cost stood at an additional £239,000.
- To mitigate this the Council had purchased its own housing and it could be seen that the tenancy ratio had increased to 31% of owned stock in 2023-24, an increase from 2021-22 which stood at 11% of owned stock.
- Increased risks to demand for accommodation could be seen to arise from the possibility of Devon County Council removing the 18 year + homelessness provision at a cost of £220,000, increases in numbers of households presenting as homeless and refugee scheme impacts.
- There was a zero budget gap for the current year 2023-24 but moving forwards a budget gap was being forecast.
- The summary position for 2024-25:

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)
<b>Revised 2024-25 Budget gap to bridge</b>	<b>£1,031,000</b>
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)
<b>Budget gap for 2024-25</b>	<b>£0</b>

- The breakdown of the council tax allocation, per £1:

- 72% went to Devon County Council
  - 9% to North Devon Council
  - 11% to the Police and Crime Commissioner for Devon and Cornwall
  - 4% to Devon and Somerset Fire and Rescue Authority; and
  - 4% to Town and Parish Councils
- Members approved in June 2021 to proceed with the acquisition of Green Lanes Shopping Centre; on 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.
  - 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.
  - 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. The 2022-23 trading position produced a net return of (£291,000), including borrowing costs.
  - The actual financial performance for Green Lanes Shopping Centre for the current 2023-24 financial year was in line with projections and the cash flow forecasts for the next year 2024-25 were in accordance with the business case and had been reflected in the draft 2024-25 budget.
  - A breakdown of the draft revenue budget for 2024-25 could be seen at Appendix A of the report, in summary the balanced net budget of £16.302 million was funded by:
 

➤ Council Tax	(£7.678m)
➤ Business rates retention (baseline)	(£3.207m)
➤ Business rates retention (growth)	(£3.000m)
➤ New Homes Bonus	(£0.351m)
➤ Rural services delivery grant	(£0.364m)
➤ Revenue support grant	(£0.248m)
➤ Services grant	(£0.019m)
➤ Funding guarantee grant	(£1.435m)
➤ Total funding	(£16.302m)
- The details of strategic grants to be paid out could be seen at Appendix B of the report. No reduction to the levels of grants awarded were being planned.
  - The only minor change being made was to the Go North Devon grant that was being redirected to Mid-Devon Mobility and Age Concern.
  - The Council were looking to support organisations such as Citizens Advice and the Voluntary Services in other ways.
  - The launch of the North Devon Community Lottery would provide organisations a chance of an additional income source.
  - Appendix C of the report showed the details of the Earmarked reserves.

- The General Fund forecast level as at 31 March 2025 was £1.238m; this was 7.6% of the net budget with the recommended level being between 5-10%.
- Earmarked reserves forecast level as at 31 March 2025 was £6.201m
- Assurance was given that the budget was robust and in accordance with the Local Government Act 2003.
- Appendix D of the report showed the refreshed Medium Term Financial Strategy for 2024-2030. The forecast cumulative budget gap/(surplus) was show as:

Years	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	£m	£m	£m	£m	£m	£m
Budget Gap/(surplus)	0	0.562	3.020	3.409	3.147	3.366

- Section 4.1.5.16 of the report detailed what had not been included in the model.
- It was fundamental that bridging future year budget gaps would be by creating further income generation and net revenue gains through the Commercialisation Strategy.
- The Capital programme included investment plans for the 2023-24 to 2025-26 of £36.826m and was broken down as follows:
  - 2023-24      £12.711m
  - 2024-25      £20.259m
  - 2025-26      £3.856m
- Appendix E of the report detailed individual project detail of the Capital programme for 2023-24 to 2025-26.
- The programme would be funded by:
  - Capital receipts / borrowing                      (£15.018m)
  - External grants and contributions                      (£18.923m)
  - Reserves    (£2.885m)
  - Total Funding    (£36.826m)
- Section 4.3.1 to 4.3.9 of the report detailed the risks that could affect financial plans, a summary of those risks are as follows:
  - Government grants
  - Key areas of income
  - Capital receipts
  - Savings plans
  - Increase in demand for services
  - Localisation council tax support
  - Business rate retention; and
  - Welfare reform
- The budget setting timeline was as follows:

- 17 January 2024, Full Council set Tax Base
- 5 February 2024, Strategy and Resources committee to consider draft budget and recommendations
- 12 February 2024, Policy and Development committee to scrutinise the budget recommendations
- 21 February 2024, Full Council meeting to set the Budget and Council Tax.
- Going forwards options to be considered included:
  - Commercial ventures – for additional income opportunities
  - Acquisition of further properties – reduction in cost of Temporary accommodation costs; and
  - Housing opportunities – explore alternative delivery models
  - Refresh the Commercialisation Strategy (last approved November 2020).

Councillor R Knight congratulated the Director of Resources and Deputy Chief Executive on his masterful response to the consultation questions as seen in Appendix F of the report.

Councillor Prowse commented that producing a balanced budget without cutting services was a credit to the whole team.

RESOLVED that:

- (a) The latest forecast for Budget 2023-24 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 2024-2030 as shown in section 4.1.5 of the report be noted; and

RECOMMENDED that:

- (e) 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;
- (f) 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 2024-25 General Revenue Account Budget;
- (g) The Medium Term Financial Strategy 2024-2030 as detailed in section 4.1.5 of the report as part of the Policy Framework be adopted; and
- (h) The Capital Programme 2023-24 to 2025-26 as highlighted in section 4.2 of the report be approved.