

NORTH DEVON COUNCIL

COUNCIL: 21ST FEBRUARY 2024

MINUTE EXTRACT OF THE POLICY DEVELOPMENT COMMITTEE HELD ON 12 FEBRUARY 2024 IN RESPECT OF ITEM 15(A) ON THE COUNCIL AGENDA

32. 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 together with Minute Extract of Strategy and Resources on 5th February 2024.

The Lead Member for Resources and Commercialisation addressed the Committee and gave a brief introduction to the budget, summarising the process taken to achieve a balanced budget:

- 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.

She outlined the steps that had been taken by the Council to ensure that funding challenges had been met to enable the Council to maintain its vital services to the community:

- Council tax had been increased by 2.99% to bridge the gap in funding.
- The purchase of Green Lanes in 2021 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 Bed and Breakfast 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 council tax collection now 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 Finance Settlement review 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 a 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)
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

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 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £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:
 - 17th January 2024, Full Council set Tax Base.
 - 5th February 2024, Strategy and Resources Committee to consider draft budget and recommendations.
 - 12th February 2024, Policy and Development committee to scrutinise the budget recommendations.
 - 21st 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).

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

- Following concerns that the Council almost had to dip into the reserves to achieve a balanced budget. The Committee was advised that it would have been a concern to the Council had this happened. However, further funding from government had been awarded, which had mitigated the risk.
- The Council had made written representations to the government regarding the financial settlement together with the issue of fair funding for rural Councils.
- Increased utility costs, half of which were attributed to the Green Lanes Shopping Centre should have been charged to the shopping centre central budget and then recharged to the tenants of the occupied units. This had been rectified within the budget costs.
- An additional £40,000-£50,000 had been placed into the Planning Enforcement budget to enable the employment of additional resources.
- Additional growth from business rates had come from potential rateable value from the solar farm located next to the North Devon Link Road together with other areas.

In response to a question regarding dynamic fresh ideas moving forward, the Lead Member for Resources and Commercialisation advised that in the short term the Council were utilising the ideas that they already had within the Strategy.

However, they were also exploring:

- The development of a community hub in the Green Lanes Shopping Centre, which would then free up space at Lynton House and allow the Council to explore ideas to utilise the space and generate additional revenue.
- To progress this, the Council were keen to explore any ideas for future projects that might be put forward by the Members or employees of the Council.
- There was a proposal to establish a Housing Management company to manage the Council owned units located at Boutport Street together with existing units already on the Councils growing housing portfolio.

In response to a question regarding the location of the community hub within the Green Lanes Shopping Centre, the Director of Resources and Deputy Chief Executive advised that the purpose of the proposed location of the hub was to enable both Council and wider stakeholder provision in a central location together with the utilisation of the empty unit next to Poundland, which would also generate a rental income stream for the Council.

In response to a further question regarding a similar set up that was previously operating at the Amory Centre in South Molton, he advised that the overall service at the Amory centre was provided for South Molton Town Council as well. To establish the viability of the service, the Council had reviewed the resources that were required to continue to deliver the services for North Devon Council and the service demand was not sufficient to justify a continuation of the resources within that area.

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

The Chair congratulated the Director of Resources and Deputy Chief Executive and his team for all of their hard work in achieving a balanced budget.