

NORTH DEVON COUNCIL

COUNCIL: 26TH FEBRUARY 2025

NORTH DEVON COUNCIL – REVENUE BUDGET 2025-26, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2030-31

RECOMMENDATIONS OF THE POLICY DEVELOPMENT COMMITTEE HELD ON 13TH FEBRUARY 2025

Minute 68: Revenue Budget 2025-26, Capital Programme and Medium Term Financial Strategy 2025-26 to 2030-31

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding the Revenue Budget 2025-26, Capital Programme and Medium Term Financial Strategy 2025-26 to 2030-31.

The Lead Member for Resources and Commercialisation addressed the Committee to give a brief introduction as follows:

- The Council had achieved a balance budget.
- Garden waste charges were to remain the same.
- The Council provided a very affordable bulky waste service.
- The National Insurance changes to employer's National Insurance had produced an additional £325,000 cost to the Council.
- Green Lanes shopping centre continued to provide an income.
- It had to be assumed going forwards that there would be no increase in funding from Central Government so the Council would need to find more ways to become financially self-sufficient.

The Director of Resources and Deputy Chief Executive gave a presentation, and highlighted the following:

- The Government's Finance Policy Statement issued in November 2024 guaranteed that no council would see a cash reduction in its Core Spending Power (CSP). The increase for local government was 3.2% in real terms.
- All councils were to receive additional income from Extended Producer Responsibility (EPR) for Packaging payments.
- Confirmed £233m new funding for homelessness prevention – also consolidating main rough sleeping and single homelessness grants into a single grant outside of settlement.
- Council tax increases would remain at 2.99% or £5 (whichever was higher).
- Rural Services Delivery grant was to be abolished – this was currently paid to 50 district councils and worth £15m in total.
- Services grant would also be abolished – this was currently paid to all districts and worth £3.5m in total.
- A new £600m recovery grant – targeted councils with highest levels of deprivation – would likely only be open to a minority of districts.

- Councils would be compensated for the cost of the Employers National Insurance increase – for directly employed staff only.
- There would be a fundamental reform to the local government funding model after 2025/26.
- Government would launch a consultation in December on a new approach to allocation funding (Fair Funding) and a further technical consultation on resetting business rates in January.
- The Core Spending Power total for England was 6%. By region, the South West Core Spending Power was 5.4% and by authority type North Devon Council, being a Shire District, the Core Spending Power was however only 0.3%. In comparison, the CPI (Consumer Price Index) inflation to November 2024 was 2.6%.
- The draft budget has assumed an increase on Council Tax of 2.99%. The overall Council Tax Increase of £708,000 was broken down as £223,000 from the 2.99% increase and £485,000 from increase in tax base (of which £353,000 came from the second homes premium and £132,000 tax base).
- The Business Rates draft budget figure came from the Retained Growth (made up of £2m North Devon Business rates growth, £680,000 Renewable Energy Schemes and £350,000 Devon pool retained income).
- Giving an overall figure of £3.030m factored into the draft budget.
- Revenue Support Grant and Baseline Funding – additional £49,000.
- New Homes Bonus – actual award £705,000 (£355,000 more than 2024-25).
- Rural Services Delivery Grant – removed (£421,000 less than 2024-25).
- Services Grant – removed (£21,000 less than 2024-25).
- Funding Guarantee – removed (£1,507,000 less than 2024-25).
- New Recovery Grant – additional £267,000
- New Funding Floor Grant – additional £988,000.
- The overall net impact of less Government funding = -£290,000 reduction.
- Government’s consultation on the Finance Settlement ended 15 January 2025.
- North Devon Council’s consultation response could be seen in Appendix F of the agenda report.
- There was an increase in the gap of funding per head of population between rural and urban authorities of £166.19.
- The Extended Producer Responsibility aimed to make ‘producers’ responsible for the cost of collection, managing and recycling of packaging and incentivise them to make their products recyclable by modulating fees based on the recyclability of products. It also aimed to reduce unnecessary packaging, increase quality and reduce litter.
- The Government had made an announcement on ‘Simpler Recycling’ services due to start March 2026.
- New burdens funding to be provided for food waste collections.
- The provisional Extended Producer Responsibility payment allocation for North Devon was £1,178,000
- The Medium Term Financial Strategy (2024-2030) showed a budget gap year on year:

Years	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	£m	£m	£m	£m	£m	£m

Budget gap/(surplus)	0	0.487	2.945	3.306	3.044	3.263
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- Key elements already factored into the above forecasts were:
 - Pay increases for 2025-26 at 3% and 2026-27 2% and ongoing.
 - Ongoing 2.99% increase in council tax level.
 - 2025-26 inclusion of 100% premium on second homes.
 - Review of fees and charges on car parks in 2025-26 and 2028-29.
 - Assumed transfer of all public conveniences to town and parishes by the end of 2025-26.
 - Government funding review assumed for 2026-27.
- The summary position for 2025-26:

Medium Term Financial Gap (February 2024)	£487,000
Net impact Employers National insurance increase 25/26	£323,000
Employee costs (pay award 24/25, other NI changes 24/25)	£281,000
Increase in Finance Lease costs (vehicles)	£140,000
Increased Insurance costs	£257,000
Phased transfer of Public Conveniences to parishes	£155,000
Government funding changes	£164,000
Extended Producer Responsibility grant	(£1,178,000)
Revised 2025-26 Budget gap to bridge	£629,000
Additional Planning Fee income (price change)	(£120,000)
Growth in Recycling sales material income	(£54,000)
Proposed 3% increase on fees and charges	(£25,000)
Re-profiled Borrowing costs (timing of external borrowing and interest payments)	(£96,000)
Use of additional grant funding to offset revenue spend	(£115,000)
Additional Business Rates income	(£30,000)
Use of Budget Management reserve	(£164,000)
Other	(£25,000)
Budget gap for 2025-26	£0

- **Appendix A:** Detailed the breakdown of the North Devon net budget of £18.073m for 2025-26.
- **Appendix B:** Detailed the breakdown of Grants. New for 2025-26 was the North Devon Council central fund from the Community Lottery of £12,000.
- **Appendix C:** Detailed the breakdown of Reserves.
- The General Fund balance forecast at 31st March 2026 was £1.238m, which equated to 7% of the net budget. The recommended level was 5% -10%.

- Earmarked reserves were forecast at 31 March 2026 at £5.727m.
- In compliance with Local Government Act 2003, the Chief Financial Officer assured Members of:
 - The robustness of the estimates; and
 - The adequacy of the proposed financial reserves.

- **Appendix D:** Detailed the refreshed Medium Term Financial Strategy for the period 2025-2031:

Years	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m	2030-31 £m
Budget gap/(surplus)	0	1.558	2.804	3.074	3.629	4.161

- Key factors assumed included the recent decisions not to fully compensate local councils for the increased National Insurance contributions and the cumulative impact of a 0% future Core Spending Power.
- **Appendix E:** Detailed the Draft Capital Programme for the years 2024-25 to 2026-27 of £35.841m.
- This was funded by:
 - External and Internal Borrowing (£13.991m).
 - Capital receipts (£0.320m).
 - External grants and Contributions (£19.546m).
 - Reserves (£1.984m).
 - Total funding (£35.841m).
- The following areas of risk could affect the financial plans:
 - Government Grants.
 - Key areas of income.
 - Capital receipts
 - Savings plans.
 - Increase in demand for services.
 - Localisation council tax support.
 - Business rates retention.
 - Welfare reform.
 - Devolution, this was a newly added risk.
- Future options to consider:
 - Commercial ventures:
 - Additional income (Green Lanes and/or new opportunities).
 - Acquire further properties for temporary accommodation.
 - Housing opportunities (delivery models).

- Commercialisation Strategy (refreshed and approved in November 2024).
- Asset Management Strategy (approved in November 2024).
- The Budget and Council Tax setting would be considered at the next Full Council meeting scheduled for 26th February 2025.

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

- Go North Devon had ceased trading 18 months ago and the funding had been split between the following organisations:
 - The Mid Devon Mobility Ring and Ride bus service.
 - Age Concern Shop Mobility.
- The annual Business Rates Consultation meeting was held on 12th February 2025 with six businesses in attendance who were very interested in the work of the Council and opens up lines of engagement with local businesses within the area.
- Of the six attendees, two of the businesses were Ilfracombe based.
- Green Lanes value was stable with potential for increase from car parks income.

In response to a request from Councillor Bushell that the Council utilised £5,000 from the Community Lottery Central Fund to increase the funding of Citizens Advice, Members agreed that they would like to be informed of the financial and performance positions of the other grant funded recipients.

The Director of Resources and Deputy Chief Executive advised that the Corporate and Community Services team had approached all of the organisations that it provided grant funding to request further information regarding their financial performance situations to gain as much information as possible.

He added that only Citizens Advice and Age Concern had provided any financial information to date. However, officers within the Corporate and Community Services would contact them again to try and obtain the information prior to Full Council on Wednesday 26th February 2025.

In response to a question regarding the transparency of the presentation of the figures in relation to Green Lanes, the Director of Resources and Deputy Chief Executive advised that in 2021/22, the Green Lanes Shopping Centre had seen a net return of £243,000 of which £150,000 was placed into an income volatility reserve to protect against future revenue reductions. This reserve had been utilised to address the short-term loss of rental income following the closure of the Wilko store in the year 2023/24.

He added that excluding the reserve transfer, Green Lanes still made a net return to the Council of £87,000 in 2023/24 even with the loss of Wilko. The revenue generated from business rates and service charge collected from the Poundland

store together with other businesses within the centre had recovered those costs; and allowed the Council to replenish the amount taken from the income volatility reserve.

RESOLVED:

- a) that the decisions and recommendations 2.1.1 to 2.2.4 of the Strategy and Resources Committee be endorsed; and

- b) That the presentation be emailed out to all Members of the Committee.

RECOMMENDED, that pending further information from North Devon Voluntary Services and Mid Devon Mobility Ring and Ride bus service that the Council allocates an additional £7,000 to Citizens Advice and £2,000 to Age Concern.

Councillor Wilson abstained from voting on the recommendation.