

NORTH DEVON COUNCIL

POLICY DEVELOPMENT COMMITTEE: 13TH FEBRUARY 2020

**MINUTE EXTRACT OF COUNCIL HELD ON 15TH JANUARY 2020 IN RESPECT
OF ITEM 9 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA**

**95 REVENUE BUDGET 2020/21, CAPITAL PROGRAMME AND MEDIUM TERM
FINANCIAL STRATEGY 2020-2024**

The Committee considered a report by the Head of Resources (circulated previously) regarding the Revenue Budget 2020-21, Capital Programme and Medium Term Financial Strategy 2020-2024.

RESOLVED that as part of the budget setting process that in future a briefing be arranged for the Committee to gain a full understanding prior to formal consideration of the budget.

The Head of Resources highlighted the following:

- Government settlement December 2019. The provisional 2020-21 settlement (included the Rural Services Delivery Grant) was £3.317m. In cash terms this was £48,000 more than 2019/20 (1.5% increase) in line with last year. The Fair Funding Review had been delayed by one year until April 2021. The New Homes Bonus in-year allocation had been allocated for 2020/21 only. There were no legacy payments on the 2020/21 allocation. The Government was intending to consult on the future of housing incentive in Spring 2020 to move towards a new, targeted approach. The Rural Services Delivery Grant matched the 2019/20 level. Council Tax levels for District Councils could be increased by up to 2% or £5 whichever was higher. The referendum in relation to Council Tax levels for Town and Parish Councils had been deferred.
- The reduction in Government funding for 2012/13 to 2020/21. Funding had reduced from £28.1bn to £18.5bn (34%) to 2019/20. There were potential significant changes to core funding from the Government from 2021/22 onwards and the Council needed to put plans in place to become more commercial and improve efficiencies across the whole Council.
- Medium Term Financial Plan (2019-23) approved by Council in February 2019 was based on a number of financial assumptions about the future which included: funding from Central Government, retained Business Rates income and future Council Tax levels, cost pressures and saving plans, and contributions to and from reserves (e.g. vehicle replacement). The forecast budget gap as at this time last year from 2021/22 onwards was outlined.
- New Homes Bonus changes introduced in 2017 and potential changes for 2021/22 year onwards.
- New Homes Bonus provisional level of funding to 2020/21. The level of funding for 2019/20 was £1,445,670. The Medium Term Financial Plan assumed £1.446m, therefore there was an additional £391,000. It was recommended that £250,000 be placed into a reserve for transformation and delivery of the corporate plan. For 2021/22 the projected income was £814,531, therefore was a potential reduction of over £1m funding on the current level. For 2022/23 the projected income was £434,860, therefore

was a potential reduction of over £1.4m funding on the current level. There was uncertainty around future funding and design of the new scheme for 2021/22.

- The 2020/21 Business Rate retention forecast income was £1.986m. The 2020/21 draft budget (above baseline funding) included £1.658m income. Reform of Local Government funding from 2021/22 onwards.
- Local Government Finance funding reforms which included: Spending Review for the period 2021/22; a review of relative needs and resources; Business Rates retention pilots; Business Rates baseline reset; Fair Funding review; New Homes Bonus review; reforms to Local Government funding would change the level of resources available and impact on the revenue budget; indicative allocations would be announced in Autumn 2020.
- Council Tax levels for 2019/20 Band D properties had been increased by £5.33 (equivalent to 2.99%). For 2020/21 Rural Councils could increase levels by up to 2% or £5 (whichever higher). By increasing the level by £5 for 2020/21 would increase NDC's proportion of Council Tax for Band D properties from £183.35 to £188.35 (increase of 2.73%). Devon County Council could increase its proportion of Council Tax by up to 2% and an additional 2% for Adult Social care.
- Strategic Grants (Appendix B) – it had been recommended that the level of strategic grants not be reduced. The Medium Term Financial Plan supported the principle of a planned reduction for 2020/21 of around 9%, however the Government finance settlement had been slightly better than forecast, therefore no reduction was recommended for 2020/21.
- Draft Revenue Budget 2020/21 which included: cost pressures and savings; options to balance the budget and how it would be funded. Business rates retention and New Homes Bonus were both at risk of change for 2021/22 year onward.
- Draft Revenue Budget 2020/21 (Appendix A) showed a balanced budget and assumed:
 - 2.73% (£5.00) increase in Council Tax (each 1% equated to circa £63,000).
 - Strategic Grants have not been reduced as originally planned.
 - Parish Grants removed following report and decision made by Strategy and Resources Committee on 4 November 2019 and replaced with new Climate and Environment Grants scheme for smaller Parish Councils outlined in January 2020.
 - Additional one-off core Government funding placed into a Transformation Reserve to deliver the Corporate Plan.
- Reserves (Appendix C). General fund balance forecast level at 31 March 2021 was £1.161m (8.7% of net budget). The recommended level was between 5-10%. Earmarked reserves forecast level at 31 March 2021 was £3.336m. In compliance with the Local Government Act 2003, the Chief Financial Officer assured the Committee of the robustness of the estimates and the adequacy of the proposed financial reserves.
- Medium Term Financial Strategy 2020-24 was based on a number of financial assumption about the future which included: funding from Central Government; retained Business Rates income and future Council Tax levels; cost pressures and savings plans; and contributions to and from reserves (e.g. vehicle replacement). Paragraph 5.1.5.6 outlined the assumption on loss of core funding and New Homes Bonus. Paragraphs 5.1.5.8 and 5.1.5.11 in the report provided further detail on the budget gap and what was not included. Appendix D detailed the modelled financial projections.
- Capital Programme for 2019/20 to 2022/23. Investment plans for 2019/20 to 2021/22 totalled £31.276m. 5 business cases for capital funding had been submitted. The cost to the Council was £1.936m. The Project Appraisal Group had scored all of the business cases as "high". The Watersports Centre potential funding bid had not been included

and would be presented to a future Committee. Business cases had been submitted for the following projects:

- Online consultation software system
 - ICT projects 22-23
 - Vehicle replacement
 - Boyton House re-furbishment
 - Disabled Facility Grants
- The projects would be funded by earmarked reserves (£0.553m) and the borrowing need would increase by £1.383m.
 - Future year borrowing costs had been included in the Medium Term Financial Plan. The borrowing costs would increase to £1.278m by 2023-24 (an increase of £0.578m). Borrowing costs increase would be offset by the Leisure Centre maintenance savings and new Leisure Centre contract revenue subsidy income (£0.496m). Without any further capital receipts in addition to the amount that had been forecast already, it was estimated that borrowing costs could increase to £1.480m in 2029-30 due to additional future year vehicle and ICT replacements.
 - Draft Capital Programme (Appendix E). The total Capital Programme 2019-20 to 2022-23 was £34.191m which would be recommended to Council for approval on 26 February 2020.
 - How the total Capital Programme 2019-20 to 2022-23 would be funded.
 - Projected underlying need to borrow in accordance with the 10 year Capital Strategy.
 - Risks identified that could affect financial plans.
 - Timeline – Council at its meeting on 15 January 2020 approved the Council Tax base; the budget and capital programme would be considered by the Committee on 3 February 2020 and Policy Development Committee on 13 February 2020; Council on 26 February 2020 to consider the approval of the budget and capital programme and setting of Council Tax.

In response to questions, the Head of Resources advised the following:

- 50% growth forecast income for Business Rates above baseline was the net growth in changes in business rates.
- The new Climate Environment Grant scheme contribution of £20,000 would be included within the Strategic Grants appendix presented to Council on 26th February 2020. Consideration could be given at year end to any underspend from the Community Councillors Grant scheme being placed into a reserve.
- It was anticipated that the Commercialisation Strategy would be brought to the Committee for consideration at its meeting in April 2020.
- The forecast budget was prudent and included the potential risks identified.
- The Council had lobbied the Government through the Rural Services Network on fairness of the rural and urban finance settlement.
- Universal Credit did not have a direct cashable cost on the Council, however had a potential impact on homelessness. Measures had been implemented to reduce costs for the provision of temporary accommodation.
- The level of earmarked reserves changed. However, as the Chief Financial Officer he was satisfied with the level of reserves currently held.

In response to questions, the Chief Executive advised that the changes to the ICT infrastructure did not result in an immediate direct cashable benefit to the Council. However, the direct impact

was in relation to the number of ways that customers could contact the Council and less telephone calls to the Customer Services centre. There was currently an increase in demand in contact to the Customer Services centre, which was being investigated. The Council needed to adopt a more commercial approach to bridge the funding shortfall to enable the Council to continue to provide core services.

RESOLVED:

- (a) That the latest forecast for Budget 2019-20 and the proposed contributions to earmarked reserves be noted;
- (b) That the Chief Financial Officer's assurance on the adequacy of the reserves and the robustness of the budget in paragraph 5.1.4.5 of the report be noted;
- (c) That the Chief Financial Officer's highlighted areas of risk identified within the budget process set out in paragraphs 5.1.4.6 and 5.3 of the report be noted;
- (d) That the latest Medium Term Financial forecast for 2020-2024 as shown in paragraph 5.1.5 of the report be noted;
- (e) That subject to approval of (i) below, that funds are released for the capital schemes listed in paragraph 5.2.2 of the report;

RECOMMENDED:

- (f) That there be an increase of 2.73% in the level of Council Tax charged by North Devon Council for 2020-21 (in accordance with the revised referendum limit ability of £5.00 per Band D property) with a Band D Council Tax level of £188.35;
- (g) That the actions identified in sections 5.1.2 to 5.1.4 of the report, which were required to ensure a balanced budget was achieved and therefore recommend to Council the approval of 2020-21 General Revenue Account Budget;
- (h) That the Medium Term Financial Strategy 2020-2024, in paragraph 5.1.5 of the report, as part of the Policy Framework be adopted;
- (i) That the Capital Programme 2019-20 to 2022-23 as highlighted in paragraph 5.2 of the report be approved.