

Report to: **Overview and Scrutiny Committee**

Date: **16 January 2024**

Title: **Draft Revenue and Capital Budget Proposals for 2024-25**

Portfolio Area: **Cllr M Ewings – Budget Setting Process**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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RECOMMENDATIONS

- 1. That the views of the Overview and Scrutiny Committee are sought on the content of the Draft Revenue and Capital Budget Proposals for 2024/25.**

Views are sought in particular on:-

- i) Modelling an increase in Council Tax for 2024/25 of 2.99% (This would increase a Band D council tax for 24/25 from £254.00 to £261.59 – an increase of £7.59 per year or under 15pence per week);**
- ii) The financial pressures shown in Appendix A of £1,268,000;**
- iii) The savings/additional income of £(705,000) as shown in Appendix A; and**
- iv) The net contributions to/(from) Earmarked Reserves of £342,000 as shown in Appendix A, including using £150,000 from the Business Rates Retention Earmarked Reserve as set out in 3.14 of the report;**

- v) The proposed use of £309,180 of New Homes Bonus funding to fund the 2024/25 Revenue Budget as set out in 3.20 of the report.**
- vi) The proposed two capital bids (total of £140,000) set out in 8.4 and the proposal to finance these from New Homes Bonus funding.**

1. Executive summary

- 1.1 The Council's Medium Term Financial Strategy (MTFS) is based on a financial forecast over a rolling three-year period to 2026/27. The Hub Committee considered the MTFS at its meeting on 19 September 2023.
- 1.2 The Council, along with other local authorities, has faced unprecedented reductions in Government funding. Between 2009/10 and 2020/21, the Council's Core Government funding has reduced by £3 million. The Council now receives minimal Government Grant (Revenue Support Grant) of £94,416 in 2024/25 to fund its services and the Council must be self-sufficient.
- 1.3 The Council has continued to work in partnership with South Hams District Council which has allowed West Devon to achieve annual savings of £2.2 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges because of uncertainty in the wider economy and constraints on public sector spending.
- 1.4 It is important to note that the MTFS set out the budget strategy for the Council for the next three years, with regular reviews (at least annually) and updates when items are further known or are announced by the Government.
- 1.5 Prudent financial management in the past, has meant that the Council was in a relatively healthy position financially before the pandemic hit. The management of risk and promoting financial resilience is a key principle of our budget strategy and this has helped facilitate our response. Key to the Council's financial resilience is its reserves, which are at a prudent level.
- 1.6 The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2026/27 although this has not been confirmed by the Government so the MTFS and Budget Proposals for 2024/25 assumes that these changes will happen in 2026/27.

1.7 The key assumptions within the Budget Proposals for 2024/25 are as below. Each of these is described in more detail in Section 3.

- The business rates baseline reset will be deferred until 2026/27 at the earliest (with no negative Revenue Support Grant in 2024/25 or 2025/26)
- There will be a phasing in of negative Revenue Support Grant as part of the business rates baseline reset (predicted to be in 2026/27) with a transition period, to avoid Local Authorities losing/gaining too much in one go. The modelling assumes negative RSG of £117,000 in 2026/27. Some of the negative RSG could be offset by growth.
- It is assumed Council Tax limits for District Councils will remain at the higher of 2.99% or £5 for the next three years.
- 2024/25 is another roll over settlement, which will give an amount of £449,180 of New Homes Bonus funding and it is proposed to use £309,180 to fund the 2024/25 revenue base budget and £140,000 for capital projects (see 3.20).
- A business rates pooling gain of £200,000 has been modelled for 2024/25 and 2025/26, with no further gains for 2026/27 onwards.
- A council tax surplus of £151,000 for 24/25 has been assumed, with a council tax collection rate of 97.75% built into the 24/25 TaxBase calculation (98.34% was achieved in 2022/23 which was in the top quartile nationally)
- Rural Services Delivery Grant will continue for 24/25 (£544,625)
- A 4% pay increase has been modelled from 2024/25 onwards (4% equates to £216,000 on total pay of £5.4m). The pay assumption has been reduced to 3% in 2025/26 and 2026/27.

1.8 The report sets out proposals for the Council to achieve a balanced budget for 2024/25, as shown in **Appendix B**. The Council is currently forecasting a £418,937 budget gap by the following year, 2025/26. The cumulative aggregated Budget Gap by 2026/27 is £1.7 million, if no action has been taken in each individual year to close the budget gap annually.

| Budget Gaps | 2024/25 £ | 2025/26 £ | 2026/27 £ | Total Aggregated Budget Gap £ |
|----------------------------|-------------------------------|----------------------|----------------------|--|
| 'New' Budget Gap each year | Nil – Balance budget proposed | 418,937 | 874,174 | 1,293,111 |
| *Cumulative Budget Gap | Nil – Balance budget proposed | 418,937 | 1,293,111 | 1,712,048 |

* (Cumulative Budget Gap assumes annual new budget gaps have not been addressed)

- 1.9 The budget gap for 2025/26 of £418,937 is very much in line with the level expected at this point in the financial planning cycle. In the year after, the budget gap is £0.87million, due to the local government reforms that are expected (see 3.14). These are the reset of the business rates baseline, the fair funding review and the impact of negative RSG (Revenue Support Grant), coupled with the loss of the business rates pooling gain.
- 1.10 Below shows the summary of proposed changes to the Budget report for 2024/25, following the announcement of the Draft Local Government Finance Settlement. Proposals for a balanced budget are shown below:

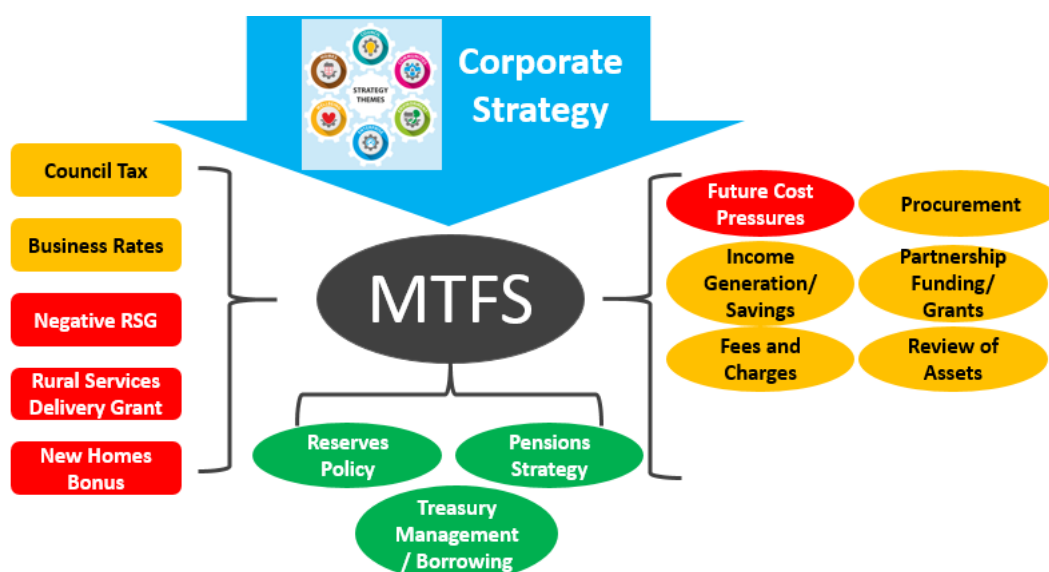
| | £ |
|--|----------------|
| <i>Budget gap for 24/25 reported in the Hub Committee Budget report on 21st November 2023</i> | 142,030 |
| Additional cost pressures identified £80,000 | |
| Cost pressure for business continuity and cyber security (This is 50% of the total cost – SHDC will also pay 50%) | 75,000 |
| Stepped increase of another 5% to the contribution to the Maintenance Management and Risk Management Reserve (MMRM Reserve) for Investment properties. This would increase the contribution from 10% of annual rental income of £1.1m to 15% in 24/25 (with an aim to increase it to 20% for 2025/26 financial year). There was a recommendation to review the reserve contribution from the Audit and Governance Committee. | 55,000 |
| Reduce the proposed annual contribution into the Vehicles Replacement Reserve from £350K per annum to £300K per annum, with an options report being brought to Members in early 2024. | (50,000) |
| Changes to Financing of the Base Budget £(32,030) | |
| Increase the amount of New Homes Bonus used to fund the Base Budget from £300,000 to £309,180 (see section 3.20 of the report) | (9,180) |
| The 2024/25 Council Tax Base has been calculated at 21,512.23 Band D equivalent properties (which is slightly lower than the estimate at November 23 of 21,525). This difference in the modelling generates slightly less council tax income of £3,568. | 3,568 |
| Extra Revenue Support Grant (Actual amount is £94,416 which is £1,416 higher than the previous estimate of £93,000) | (1,416) |
| More funding from Funding Guarantee (3% increase in Core Spending Power) - Actual amount is £93,067 which is £69,329 higher than the previous estimate of £23,738. This is based on a complicated formula that takes into account other Government grants such as New Homes Bonus (which has increased for 24/25). | (69,329) |

| | |
|---|----------------------------------|
| Less funding from Services Grant – Actual amount is £10,488 which is £56,162 less than the previous estimate of £66,650 | 56,162 |
| Increase the amount of funding from business rates income from £2,316,000 to £2,327,835 | (11,835) |
| Additional income/savings identified (£190,000) | |
| Introduce a vacancy saving target on salaries – equates to around 1.5% of salaries (total pay of £5.4m) | (80,000) |
| Increase the income target for income from treasury management investments from an extra £350,000 to an extra £400,000. This would set a base budget of £800,000 income target for 2024-25. | (50,000) |
| Environmental Health fees and charges – increase in line with inflation | (20,000) |
| Garden Waste charges – Increase the amount of extra garden waste income from an increased customer base and an inflationary increase in the annual subscription amount. | (30,000) |
| Reduce the cost pressure for national insurance and national living wage from an extra £40,000 to an extra £30,000 for 2024-25 | (10,000) |
| <i>Revised Budget gap for 2024/25 as set out in this report (as at January 2024) - (A balanced budget position is presented for Members' consideration)</i> | Nil (Balanced Budget) |

2 COMPONENTS OF THE MEDIUM TERM FINANCIAL STRATEGY

2.1 The Diagram below sets out all the component parts which constitute the make-up of the MTFS. Items in Green denote those elements where the Council has a large degree of control in the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can be outside of the Council's control or influence.

2023/24 Net Budget £8.59 million



- 2.2 The key assumptions within the Budget Proposals are set out in Section 3.

OVERALL POSITION – BUDGET GAP

- 2.3 Financial modelling has been undertaken for the next three years to predict the Council's financial situation for the short and medium term.
- 2.4 **Appendix A** to the Budget report sets out the Budget Pressures forecast for the next three years and the additional savings and income forecast. **Appendix B** illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £8.59 million in 2023/24.
- 2.5 A Summary forecast is shown below of the potential budget situation if all the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by 2.99% per annum (shown in Appendix B).

- 2.6 The report sets out proposals for the Council to achieve a balanced budget for 2024/25, as shown in Appendix B. The Council is currently forecasting a £418,937 budget gap by the following year, 2025/26. The cumulative aggregated Budget Gap by 2026/27 is £1.7 million, if no action has been taken in each individual year to close the budget gap annually.

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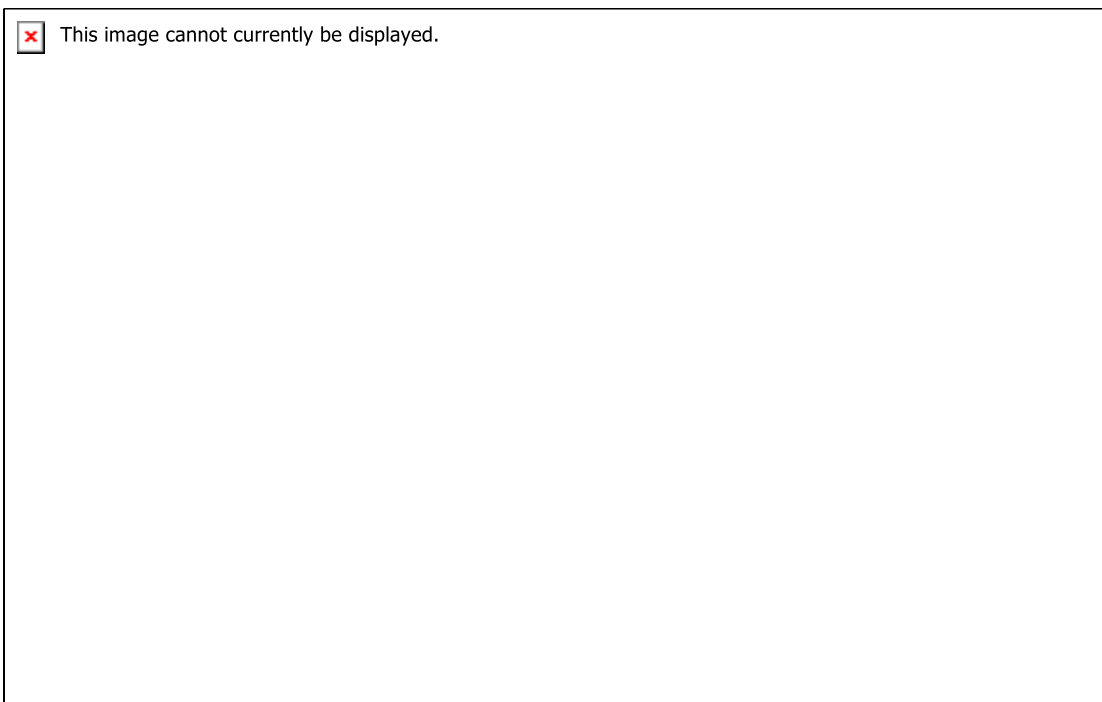
- 2.7 The Council will continue to assess various options for closing the budget gap for 2025/26 onwards, and in the longer term, to achieve long term financial sustainability and further reports will be presented to Members.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT FOR 2024/25

- 3.1 On 18th December 2023, the Government published for statutory consultation, the provisional local government finance settlement for 2024/25. This followed a policy statement published on 5th December.
- 3.2 The provisional settlement is once again a holding position, designed for stability and certainty for planning purposes for 2024/25. The broad approach is based on a uniform roll-over of the core elements of the settlement. No announcements were made regarding funding reform and this has been deferred.
- 3.3 Detailed numbers are only available for 2024/25 in the Finance Settlement and there remains significant uncertainties for 2025/26, particularly for District Councils. These include the future of the New Homes Bonus Scheme, which is now simply a one-year retrospective payment.

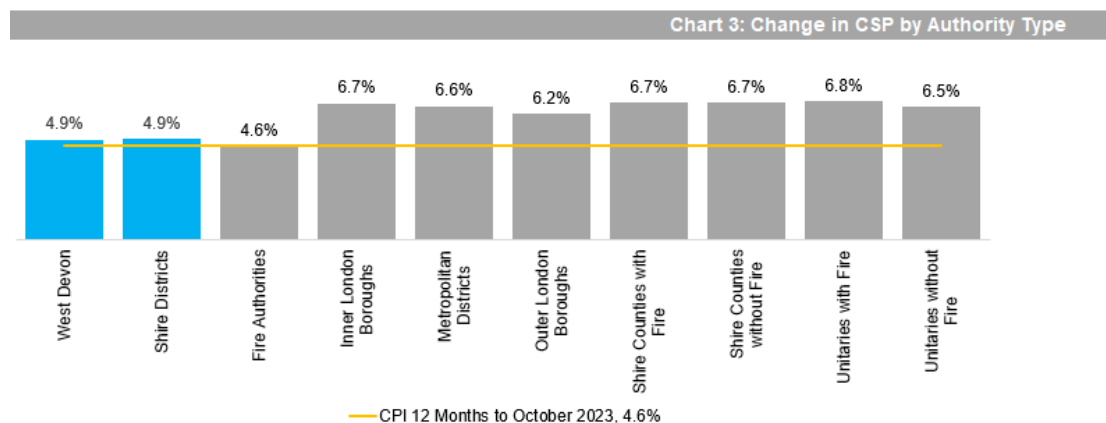
- 3.4 The 'Core Spending Power' is a headline figure used by the Department for Levelling-Up, Housing and Communities (DLUHC) to represent the key revenue resources available to local authorities, including an estimate of actual and potential council tax, as below. The Council now receives minimal Government grant (Revenue Support Grant of £94,416 for 2024/25 (see 1.2).
- 3.5 ***Core Spending Power for West Devon (which is a measure of how much extra funding a Council has received for next year) increased by 4.9% for 2024/25 from £8.527m to £8.947m as shown below.***
- 3.6 Core Spending Power (CSP) is the term the Government use to say how much money Councils have to run their services. CSP includes Business rates, Council Tax, NHB and the various different Grants. On average nationally Core Spending Power is increasing by 6.5% for 2024/25. The average for Shire Districts is a Core Spending Power increase of 4.9%. Shire Counties are increasing by 6.7% in their CSP. A large part of the increase in CSP is an assumed increase in Council Tax, which the Government build into the CSP calculation, as shown below.

Table 1 - Core Spending Power (CSP), £m



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Table 2 – Analysis of Core Spending Power % increases by Authority Type



Council Tax

- 3.7 The Council Tax Referendum limits for District Councils for 2024/25 is the higher of 2.99% or £5. A 2.99% increase is higher for West Devon Borough Council as this equates to an increase of £7.59 on a Band D property.

An increase in council tax of 2.99% for the next three years has been modelled for council tax purposes in the budget report. This would equate to a Band D council tax for the Borough Council of £261.59 in 2024/25 as shown in Appendix B (an increase of £7.59 for the year or under 15 pence per week), which equates to a 2.99% increase. The Council's share of the council tax for 2024/25, will be set at the Council meeting on 20th February 2024.

(A 1% increase in council tax generates £55,000 of extra council tax income). A 2.99% increase in council tax generates extra council tax income of £0.165m.

Council Tax legislation sets out that Council Tax is partly a form of general taxation on a property and partly a tax on the people living in a property. Council Tax funds essential services in an area and the cost of public services is spread across all taxpayers in the same way, regardless of which services residents use or receive. Council Tax is a form of general taxation rather than a service charge.

3.8 The table below shows how an average Band D council bill is made up for West Devon Borough Council for 2023/24, compared to 2022/23. Of an average Band D Council Tax within the Borough of £2,346.79, **an amount of £254.00 is the element of a council tax bill set by West Devon Borough Council.** Therefore 11pence of every £1 paid (11%) in council tax is received by West Devon Borough Council to pay for our services. The rest of the council tax bill is set by Devon County Council, the Fire, the Police and Town and Parish Councils to fund the services they provide. In 2023/24, the council tax for an average Band D property in West Devon increased by £116.15 per annum (5.21% as shown below).

| Precepting Authority | Band D 2022/23 | Band D 2023/24 | £ Increase | % Increase |
|--|-----------------------|-----------------------|-------------------|-------------------|
| West Devon Borough Council | £246.63 | £254.00 | £7.37 | 2.99% |
| Devon County Council Precept | £1,372.59 | £1,419.21 | £46.62 | 4.99% |
| Adult Social Care Precept * | £183.87 | £214.92 | £31.05 | |
| Devon & Cornwall Police & Crime Commissioner | £246.56 | £261.56 | £15.00 | 6.08% |
| Devon & Somerset Fire & Rescue | £91.79 | £96.79 | £5.00 | 5.45% |
| Average Parishes/Towns | £89.20 | £100.31 | £11.11 | 12.46% |
| TOTAL | £2,230.64 | £2,346.79 | £116.15 | 5.21% |

Town and Parish Precepts for 2023/24 are shown in Appendix D. The largest Parish Precepts are North Tawton (£203.24), Okehampton Town (£186.42) and Tavistock (£204.72), with the smallest Precept being Gidleigh (£0.00) for a Band D property.

3.9 The Council Tax Referendum Limits that will apply for 2024/25 are as follows:

- Shire Districts – 2.99% limit or £5, whichever is the higher
- Police - £13 referendum limit.
- Fire – 2.99% limit
- Upper Tier – 4.99%
- No referendum limits will be set for Town and Parish Councils for 2024/25

- 3.10 A council tax collection rate of 97.75% has been assumed for 2024/25 within the TaxBase calculation. **The Council collected 98.34% in council tax in 2022/23 which was in the top quartile of all Councils nationally.** It has been assumed that the number of properties within the Borough will increase by 300 per annum from 2024/25 onwards.

Business Rates and Negative Revenue Support Grant (RSG)

- 3.11 It has been assumed that the Business Rates Reset will be delayed to 2026/27. Whilst this change is not confirmed by the Government, a reset based on the current taxbase would appear very unlikely.
- 3.12 Estimates have been made of the business rates baseline funding levels for 2024/25 onwards and the relative deductions for negative RSG in 2026/27. For example in 2024/25, the £2.4m is the amount the Council is projected to retain from its business rates income collected of around £9 million (this equates to around 27p in every £1 collected of business rates). The 2022/23 collection rate for West Devon for business rates was 98.95%, which was in the top quartile of all Councils nationally. It was announced, as part of the Autumn Statement 2023, that the small business rates multiplier for 2023/24 will remain frozen at 49.9p and there will be an increase to the standard rate multiplier of 6.7% (from 51.2p to 54.6p).
- 3.13 It is recommended to take £150,000 funding from the business rates retention on an annual basis to fund the base budget. This would reduce the business rates retention reserve by £0.45m over the next 3 years to smooth the impact of the business rates baseline reset and the future loss of pooling gains. This reserve is predicted to have more business rates income being set aside into the reserve in 23/24, due to the way that business rates income flows through the collection fund over a period of years.
- 3.14 The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2026/27 although this has not been confirmed by the Government so the MTFs assumes that these changes could happen in 2026/27. The 2025/26 finance settlement will be the first year of a new spending review period.

The table below shows the modelling of business rates income over the next three financial years.

| Business Rates Income | 2024/25 (£m) | 2025/26 (£m) | 2026/27 (£m) |
|--|-------------------------|-------------------------|---|
| | | | Potential Baseline Reset |
| Business Rates Income | 2.402 | 2.440 | 2.550 |
| Less: Negative Revenue Support Grant (RSG) due to the Baseline reset | | | (0.117) |
| Anticipated Pooling Gain (Nil in 26/27 due to the baseline reset) | 0.200 | 0.200 | Nil |
| Funding proposed to be taken from the Business Rates Retention Reserve to smooth the volatility in business rates income | 0.150 | 0.150 | 0.150 |
| Total Business Rates Income | 2.752 | 2.790 | 2.583 |

It is this reduction in Business rates income predicted in 2026/27 which is increasing the budget gap in 2026/27 to £0.874million. A part of the 26/27 budget gap is caused by the predicted drop in business rates income of around £200,000. This is due to the potential business rates baseline reset and the loss of the pooling gain from being in a Devon business rates pool at the same time. It is very uncertain as to when the baseline reset will happen. This has been anticipated for a number of years but the timetable has continually been put back. This modelling assumes it will happen in 2026/27 but there has been no firm timescale announced by the Government.

- 3.15 The MTFs assumes that the full range of changes from the Fair Funding Review will be implemented based on the proposals in the December 2018 consultation paper, plus the latest population estimates (2022) and the latest council tax data. It is assumed that the business rates baseline reset will happen in 2026/27.
- 3.16 This means the Council wouldn't have to forego some of its business rates income (£117,000) by paying some of it back to Government in the form of 'negative government grant' in 24/25. Negative RSG is effectively the Council's further predicted funding cuts. The modelling assumes negative RSG of £117,000 in 2026/27. Some of the negative RSG could be offset by growth. The Government consultation paper on the Finance Settlement for 2024/25 states (under para 1.3.1) that: "We are confirming that we have no plans to introduce negative Revenue Support Grant".

Devon Business Rates Pool

- 3.17 West Devon Borough Council has elected to remain part of the Devon-wide Business Rates Pool for 2024/25. The latest modelling shows that a pooling gain in the region of £9.7million is forecast for 2024/25, with the Council's share of the pooling gain being in the region of £200,000.

Rural Services Delivery Grant

- 3.18 Rural Services Delivery Grant will continue for 2024/25 at previous levels (WDBC share of £544,625) and the methodology for distribution is assumed to remain unchanged from 2023/24. This is Government grant to recognise the additional cost of delivering services in rural areas.

New Homes Bonus (NHB)

- 3.19 NHB has been 'rolled over' for another year, with no legacy payments being paid. The Council's provisional allocation is **£449,180 for 2024-25** (higher than the amount estimated in the previous budget report of £440,000).
- 3.20 This is based on a property increase of 371 properties. (The amount received is 371 less the baseline of 0.4% (103 properties) at 80% of £2,065 which is an average national council tax). It is proposed that the allocation of NHB for 2024/25 could be used in the way set out below.

| | |
|--|-----------------|
| NHB Provisional allocation for 2024/25 | £449,180 |
| Amount used to fund the 2024/25 revenue base budget | £(309,180) |
| Funding for capital projects for 2024/25, to set aside an annual provision for the roof at Kilworthy Park and a capital budget for the bank reconciliation software. (see 8.4) | £(140,000) |

Other Government Grants

- 3.21 The 'Funding Guarantee' has been continued, which ensures every Authority has at least a 3% increase in Core Spending Power. A Funding Guarantee grant of £93,067 has been announced for 2024-25 for West Devon (this is higher by £69,329 than the previous budget report which estimated £23,738). This is based on a complicated formula that takes into account other Government grants such as New Homes Bonus (which has increased for 24/25).
- 3.22 Revenue Support Grant (RSG) will be £94,416 for 2024/25. The Council now receives minimal main Government Grant in the form of RSG. See 1.2 of the report.

Other Budget Items

- 3.23 The Consumer Price Index (CPI) was 4.6% (October 2023 CPI), which is down from 6.7% in September. Inflation over the past 18 months has been at a 40 year high. An extra £150,000 cost pressure for inflation on goods and services and increases in utility costs has been included within the cost pressures in Appendix A. The previous minutes from the meeting of the Monetary Policy Committee (MPC) state that it is expected that inflation will drop back to 4.8% by the end of 2023, accounted for by lower energy, and to a lesser degree, food and core goods price inflation. At present, there is no indication from Government of any additional funding to meet inflationary cost pressures.
- 3.24 A provision for the 2024/25 pay award has been modelled in the MTF5 at 4% (£216,000), with total pay being £5.4million. This has been reduced to 3% in 2025/26 and 2026/27. The Medium-Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council. The Council is particularly affected by inflation in terms of the Local Government Pay Award as staffing forms a significant proportion of the Council's budget.
- 3.25 The pay award for 2023-24 has now been agreed. This is for £1,925 per Scale Point or a 3.88% increase for Scale Point 44 upwards. This would cost an extra £147,000 and this amount also needs to be built into the Base Budget for 2024-25 as a 'catch up' as the budget for 23/24 has already been set.
- 3.26 The current Bank Base Rate will increase the Council's income from treasury management investments and additional income of £400,000 has been built into the Budget for 2024/25. This would set an income target of £0.8million for 2024/25 for treasury management income and it is proposed to reduce the target to £0.6million for 2025/26. It is predicted that bank base rate will remain at 5.25% until September 2024 when it is predicted to reduce to 5%, with a predicted reduction to 4.5% by December 2024 and 4% by March 2025.
- 3.27 Cost pressures for insurance (£30,000) and IT inflation cost pressures for increases in prices and additional software and security (£110,000) have been built into the Budget Proposals for 2024/25.
- 3.28 A cost pressure of £75,000 has also been built in for business continuity and cyber security.

WEST DEVON VISION AND STRATEGY 2024 - 2028

- 3.29 At the Hub Committee meeting on 30 January 2024, the Hub Committee will consider the West Devon Vision and Strategy 2024-2028 and the Year 1 (2024/25) delivery plan. Proposals will be recommended to Full Council to adopt the West Devon Vision and Strategy 2024-2028 and the delivery plan at its meeting on 20 February 2024. The West Devon Vision and Strategy and delivery plans have been refined following a seven week consultation and engagement period with the public and partners. Once adopted, the vision and strategy will be the Council's overarching strategic document setting out our ambitions and priorities for the Borough.
- 3.30 There was a separate report on the Hub Committee agenda for 21 November 2023 for the review of the Capital Programme and a review of Reserves (see Appendix C for an extract of this report on the review of Reserves). The Hub Committee resolved to recommend to Council to withdraw three capital projects from the current Capital Programme, potentially freeing up £263,200 and to also approve the review of revenue reserves, potentially releasing a further £871,000 of revenue funding. **Therefore, there is potentially £1,134,200 available to fund the new emerging West Devon Vision and Strategy 2024-2028.**

Climate and Biodiversity

- 3.31 The West Devon Vision and Strategy sets out the Council's primary commitments to tackling climate change and increasing biodiversity as part of the Natural Environment theme. The proposed financial commitment and investment for this Theme will be set out in the report to the Hub Committee on 30th January 2024. This will then be recommended to Full Council on 20th February 2024.

Second homeowners council tax premium

- 3.32 The Levelling Up and Regeneration Act 2023 allows Billing Authorities the discretion to charge second homeowners a council tax premium of 100% (so a second home dwelling would pay double the council tax charge). The Act requires Billing Authorities to have a minimum period of 12 months between making its first determination and the financial year in which it takes effect. That means the earliest that Councils can introduce it is for the start of the 2025-26 financial year, i.e. 1 April 2025. At Council on 21 February 2023, Council approved charging up to an extra 100% council tax on second homes.
- 3.33 Now that the legislation has been passed, it is recommended to Council to adopt a further resolution to charge a council tax premium on second homes from 1 April 2025. This will be a separate report to the Hub Committee in January 2024 and a recommendation to Council in February 2024. The estimated additional yield from council tax would be £1.6m of which the Council's share would be approximately £0.17m (11%) – see Memorandum Note in Appendix A.

- 3.34 The key impact of second homes is to remove a significant number of homes from the local housing market, with properties that would otherwise be available to provide permanent homes for local people being used as holiday homes by people whose primary residency is outside the Borough. For this reason, the Council believes that the additional money raised by the second homes premium should be invested back into housing. West Devon Borough Council is working with other councils across Devon to make the case that all the additional tax raised should be ringfenced to address housing challenges, including to acquire existing properties to provide temporary accommodation, to support people with complex needs and the provision of specialist accommodation with supported facilities for care leavers.
- 3.35 There was a separate report on the Hub Committee agenda on 21st November 2023 regarding the long stay car parking pay and display charges review. It must be noted that in the 2023/24 Budget the Council reduced its income target for car parking income by £150k. Therefore, the review of car parking charges as is proposed in this report by an inflationary amount (since March 2021) is taking the Council's car parking income back to pre-pandemic levels and a pre pandemic budget position. It is proposed to increase the long stay car parks tariffs only, ensuring that short stay shopping opportunities are not impacted.

4. Treasury Management and Borrowing Strategy

- 4.1 The Council has previously taken external treasury management advice on the Council's overall borrowing levels and debt levels. The Council set an Upper Limit on External Borrowing (for all Council services) as part of the Medium-Term Financial Strategy of £50 million in 2019 and it is not proposed to change this limit at present.
- 4.2 In 2022/23 the long-term borrowing of the Council decreased from £27,726,000 (2021/22) to £27,012,000. Short-term borrowing increased from £615,000 to £714,000. This is due to the profiling of the debt repayments where long term borrowing has moved to short term borrowing. Total borrowing as at 31 March 2023 has reduced from £28,341,000 to £27,726,000. No further external borrowing took place during 2022/23.

5 FEES AND CHARGES

- 5.1 As part of the budget process, fees and charges will be reviewed. A delegation is in place to enable service managers to increase fees and charges by inflation where these are not material changes or increases.
- 5.2 DEFRA has confirmed that the implementation of the Extended Producer Responsibility (EPR) will be deferred from October 2024 to October 2025.

6 BUDGET FOR 2025/26 AND TIMESCALES

- 6.1 The Council will continue to assess the options for closing the budget gap for 2024/25 onwards, and in the longer term, to achieve long-term financial sustainability and further options will be presented to Members in further budget reports. This will consider ways to reduce the Council's operating costs and generating further income and savings.
- 6.2 Making the best use of our resources and setting a balanced budget annually is within the 'Delivering Quality Services' Delivery Plan.
- 6.3 The revenue budget monitoring report to the Hub Committee on 19th September shows an overall projected deficit of £37,000 for the 2023/24 financial year. This is 0.4% of the overall net budget set of £8.588million and this is very close to a break-even position.

7 Earmarked and Unearmarked Reserves Policy

- 7.1 Unearmarked Reserves total £1.569 million at 31 March 2023. There was a surplus of £79,000 on the outturn position for 2022/23 (1.0% of the net budget of £7.770m) as shown in the Draft Statement of Accounts for 2022/23 published by the end of June 2023. In accordance with normal accounting practice, this underspend has gone into Unearmarked Reserves.
- 7.2 At Council on 21 February 2023, Members set a minimum balance for Unearmarked Reserves of £900,000, with an operating level of a minimum of £1.25million (Minute reference CM 66/22). This was based on a risk assessment basis and a sensitivity analysis. Therefore, the current level of Unearmarked Reserves of £1.569million at 31 March 2023 is still above these minimum levels to be held which are set annually. An updated risk assessment and sensitivity analysis will be presented to Council in February 2024.
- 7.3 Legislation does not prescribe how much the minimum level of reserves should be. The Section 151 Officer is tasked with recommending the minimum level of reserves required as part of the budget setting process having regard to elements of risk in the Council's finances (this was recommended at £900,000 being the minimum level in February 2023, with an operating level of £1.25million). Section 25 of the Local Government Act 2003 requires the Section 151 officer to report on the adequacy of the Council's financial resources on an annual basis.
- 7.4 **Earmarked Reserves** have reduced by £0.287m in 2022/23 moving from £9.189m on 1 April 2022 to **£8.902m at 31 March 2023 as shown in Appendix C**. This is an extract from the report to the Hub Committee on 21.11.23 on the review of Reserves. See 3.30 of this report which gives further detail.

- 7.5 Reserve levels will be kept under constant review and will be reviewed throughout the budget setting process to consider commitments against Earmarked Reserves, their unallocated balance, and the contributions to/from Earmarked Reserves for 2024/25 and future years also. This will be further set out in the Budget report to the Hub Committee in January 2024.
- 7.6 The proposed contributions to/from Earmarked Reserves for 2024/25 are shown in Appendix A. It is recommended to make an annual contribution of £50,000 to a JLP reserve, to commence the JLP review and to also commence making a £300,000 annual contribution to the vehicle replacement reserve for the future replacement of the waste fleet. An options report on waste vehicles will be presented to Members in 2024.
- 7.7 The Council currently puts 10% of its annual income from investment properties into a Management, Maintenance and Risk Earmarked Reserve. It is recommended to have a stepped increase of another 5% to the contribution to the Maintenance Management and Risk Management Reserve (MMRM Reserve) for Investment properties. This would increase the contribution from 10% of annual rental income of £1.1m to 15% in 24/25 (with an aim to increase it to 20% for 2025/26 financial year). There was a recommendation to review the reserve contribution from the Audit and Governance Committee. Increasing the contribution from 10% to 15% would be an extra annual cost of £55,000 per annum.
- 7.8 The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.
- 7.9 As highlighted above there is a high degree of uncertainty about future levels of funding for local government. However, the Section 151 Officer is keeping a close watch on developments and planning for this longer-term uncertainty.

8 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

- 8.1 The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing.
- 8.2 Capital projects will be scored on the following criteria:
- Health and Safety compliance
 - Essential to keep operational assets open
 - Fit with the Council's Delivery Plans for the new emerging West Devon Vision and Strategy 2024-2028
 - To rationalise service delivery or service improvement
 - To generate income, capital value or to reduce revenue costs

8.3 It is important that future bids for capital are aligned with the review of the new emerging West Devon Vision and Strategy 2024-2028.

8.4 There are two capital bids for 2024/25 (total of £140,000) that it is recommended form part of the Capital Budget Proposals for 2024/25 and be funded from New Homes Bonus funding. These are as below: -

- £90,000 – to renew and upgrade the Councils’ bank reconciliation software (This is 50% of the projected cost, which is shared with SHDC)
- £50,000 – Annual amount set aside for a provision for the roof at Kilworthy Park

This will be a recommendation as part of the Budget Proposals report to Council in February 2024.

8.5 The Council’s Asset Base is £38.3 million at 31 March 2023. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council’s Assets.

9 FINANCIAL SUSTAINABILITY AND TIMESCALES

9.1 The MTFs is the starting point for developing a meaningful three year strategy that sets out the strategic intention for different strands of funding available to the Council (Hub Committee 19th September 2023).

9.2 The Council’s budget is essentially fixed in cash terms and its ability to raise income is limited as there are national controls in place around council tax and business rates.

9.3 The Council will continue to assess various options for closing the budget gap for 2025/26 onwards, and in the longer term, to achieve long term financial sustainability and further reports will be presented to Members.

9.4 On 5th December 2023, the Audit and Governance Committee considered an interim Auditor’s Annual Report from the Council’s external auditors, Grant Thornton. This gave commentary on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources (see Section 10 of this report). It also gave commentary on financial sustainability.

- 9.5 Under the category of 'Financial sustainability', the report stated: that 'West Devon Borough Council (the Council) continues to perform well with regard to financial sustainability, with a record of stable financial and budgetary management. Despite the challenging environment in which it continued to operate in during 2021/22 and 2022/23, the Council has maintained a good financial position and achieved a balanced budget. Our work has not identified any significant weaknesses in arrangements to secure financial stability.'
- 9.6 An All Member Briefing on the Draft Budget Proposals for 2024/25 will take place on **Wednesday 10th January 2024**.
- 9.7 The table below shows the budget timetable for the 2024/25 Budget process.

| | |
|---|---|
| 19 th September 2023 | Hub Committee – To consider the three-year MTFs (Medium Term Financial Strategy) for 2024/25 to 2026/27 |
| 21 st November 2023 | Hub Committee – To consider draft proposals for the Revenue and Capital Budget for 2024/25. |
| Wednesday 10 th January 2024 (4pm) | All Member Briefing on the Budget Proposals for 2024/25 |
| 16 th January 2024 | Overview & Scrutiny Committee - To consider draft proposals for the Revenue and Capital Budget for 2024/25. |
| 30 th January 2024 | Hub Committee – To recommend Final Budget Proposals to Council for 2024/25 |
| 15th February 2024 (9am) | Date which Council Procedure Rule 16 applies |
| 20 th February 2024 | Full Council – To approve Final Budget Proposals for 2024/25 and set the WDBC share of the Council Tax |
| 22 February 2024 | Council Tax Setting Panel – to agree the Council Tax Resolution for 2024/25 (This is WDBC share plus all other precepting authorities share). |

Note 1- Council Procedure Rule 16 states that 'Where a member intends to move a motion or amendment in relation to the Budget, the text of that motion or amendment must be put in writing and submitted to the Head of Paid Service by 9am on the third working day before the meeting, in order that officers may have sufficient time to consider and advise the Council of the financial implications of any such motion or amendment'. As per the timetable above, this would need to be submitted by 9am on Thursday 15 February 2024.

10. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|--|---------------------------|--|
| Legal/Governance | | <p>The Hub Committee is responsible for recommending to Council the budgetary framework. It is the role of the Overview and Scrutiny Committee to scrutinise the Budget proposals being proposed by the Council on an annual basis. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget report is evidence of whether the Council has considered all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and, that it will set a lawful budget.</p> |
| Financial implications to include reference to value for money | | <p>The report sets out proposals for the Council to achieve a balanced budget for 2024/25, as shown in Appendix B. The Council is currently forecasting a £418,937 budget gap by the following year, 2025/26. The cumulative aggregated Budget Gap by 2026/27 is £1.7million, if no action has been taken in each individual year to close the budget gap annually.</p> <p>On 5 December 2023, the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>The report stated that 'The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.'</p> |
| Risk | | <p>Each of the budget options taken forward by Members will consider the risks of the option.</p> |
| West Devon Vision and Strategy 2024-2028 | | <p>At the Hub Committee meeting on 30 January 2024, the Hub Committee will consider the West Devon Vision and Strategy 2024-2028 and the Year 1 (2024/25) delivery plan. Proposals will be recommended to Full Council to adopt the West Devon</p> |

| | | |
|---|--|---|
| | | <p>Vision and Strategy 2024-2028 and the delivery plan at its meeting on 20 February 2024. The West Devon Vision and Strategy and delivery plans have been refined following a seven week consultation and engagement period with the public and partners.</p> <p>Once adopted, the vision and strategy will be the Council's overarching strategic document setting out our ambitions and priorities for the Borough.</p> |
| Climate Change - Carbon / Biodiversity Impact | | <p>A report was presented to Council on 8th December 2020 'Climate Change and Biodiversity Strategy and Action Plan update'.</p> <p>In March 2021, Council approved to set up an Earmarked Reserve for £200,000 for the Recovery Plan and Corporate Strategy.</p> <p>The West Devon Vision and Strategy sets out the Council's primary commitments to tackling climate Change and increasing biodiversity as part of the Natural Environment theme.</p> <p>The proposed financial commitment and investment for this Theme will be set out in the report to the Hub Committee on 30th January 2024. This will then be recommended to Full Council on 20th February 2024.</p> |
| Comprehensive Impact Assessment Implications | | |
| Consultation and Engagement Strategy | | <p>External consultation and engagement have not been undertaken regarding this report.</p> <p>The West Devon Vision and Strategy and delivery plans have been refined following a seven-week consultation and engagement period with the public and partners.</p> |
| Equality and Diversity | | Equality Impact Assessments are completed for the budget proposals. |
| Safeguarding | | None directly arising from this report. |
| Community Safety, Crime and Disorder | | None directly arising from this report. |
| Health, Safety and Wellbeing | | None directly arising from this report. |
| Other implications | | None directly arising from this report. |

Supporting Information

Appendices:

Appendix A – Budget pressures and savings

Appendix B – Modelling of the Budget Position

Appendix D – Town and Parish Precepts for 2023/24