

Report to: **Overview and Scrutiny Committee**

Date: **17 January 2023**

Title: **Draft Revenue and Capital Budget Proposals for 2023/24**

Portfolio Area: **Cllr N Jory – Budget Setting Process**

Wards Affected: **All**

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

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance**

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RECOMMENDATION:

That the views of the Overview and Scrutiny Committee are sought on the content of the Draft Revenue and Capital Budget Proposals for 2023/24.

Views are sought in particular on:-

- i) An increase in Council Tax for 2023/24 of £7.37 (a 2.99% increase) (This would equate to a Band D council tax of £254.00 for 2023/24, which is an increase of 14 pence per week or £7.37 per year);
- ii) The financial pressures shown in Appendix A of £1,928,800;
- iii) The net contributions to/(from) Earmarked Reserves of £(45,567) as shown in Appendix A, including the proposed use of £150,000 from the Business Rates Retention Earmarked Reserve as set out in 3.17 of the report;
- iv) The use of £150,000 of New Homes Bonus funding in 2023/24 to fund the Revenue Base Budget as set out in 3.23 of the report,
- v) The savings of £1,110,500 as shown in Appendix A;
- vi) Increasing the garden waste subscription charge to £49 per year from April 2023, as set out in Appendix F.

- vii) The proposed Capital Programme Proposals for 2023/24 of £910,000 and the proposed financing of the Capital Programme as set out in Appendix D (being £700,000 from the Better Care Fund funding from Devon County Council, £160,000 from NHB funding and £50,000 revenue funding from the Vehicles and Plant Earmarked Reserve).
- viii) That Unearmarked Reserves should continue to have a minimum level of £900,000 (as set in the Medium Term Financial Strategy in September 2022), but an operating level of a minimum of £1.25million.

1. Executive summary

- 1.1 The Council's Medium Term Financial Strategy (MTFS) is based on a financial forecast over a rolling three year timeframe to 2025/26. The Council adopted a three year timeframe for its MTFS in 2021, as this dovetailed to the timescales of the Corporate Strategy, 'A Plan for West Devon'. This timeframe has been emulated with the 2022 MTFS as it gives a good balance between long term financial planning and having realistic assumptions to be able to work with. This is in light of the current volatility within local government financial planning, due to the lack of certainty from continued one-year financial settlements. The previous one year financial settlements announced by the Government have aimed to address short-term pressures rather than focus on long term sustainability.
- 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 Revenue Support Grant (main Government Grant) of £89,000.
- 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 as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.4 It is important to note that the Medium Term Financial Strategy (MTFS) sets 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 This is the starting point for developing a meaningful three year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. The Council will then be able to rely on this to inform future decisions. 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 authority's financial resilience are our 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 2025/26.
- 1.7 The key assumptions within the Medium Term Financial Strategy are as below. Each of these is described in more detail in Section 3.
- The business rates baseline reset will be deferred until 2025/26 at the earliest (with no negative Revenue Support Grant in 2023/24)
 - There will be a phasing in of negative Revenue Support Grant as part of the business rates baseline reset (predicted to be in 2025/26 at the earliest) with a transition period over three years, to avoid Local Authorities losing/gaining too much in one go. The modelling assumes negative RSG of £227,500 in 2025/26. Some of the negative RSG could be offset by growth.
 - A Council Tax increase of 2.99% has been modelled for 2023/24 in Appendix B.
 - One more year of NHB has been announced for 2023/24
 - A business rates pooling gain of £200,000 has been modelled for 2023/24
 - A council tax surplus of £377,000 for 23/24 has been assumed, with a council tax collection rate of 98.25% for 23/24 (97.8% was achieved in 2021/22)
 - A 3% pay increase has been modelled from 2023/24 onwards (3% equates to £150,000) – see 3.28
- 1.8 The report sets out proposals for the Council to achieve a balanced budget for 2023/24, as shown in Appendix B. The Council is currently forecasting a £234,009 budget gap by the following year, 2024/25. The cumulative aggregated Budget Gap by 2025/26 is £0.7million, if no action has been taken in each individual year to close the budget gap annually.

Budget Gaps	2023/24 £	2024/25 £	2025/26 £	Total Aggregated Budget Gap £
'New' Budget Gap each year	Nil	234,009	245,582	479,591
*Cumulative Budget Gap	Nil	234,009	479,591	713,600

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

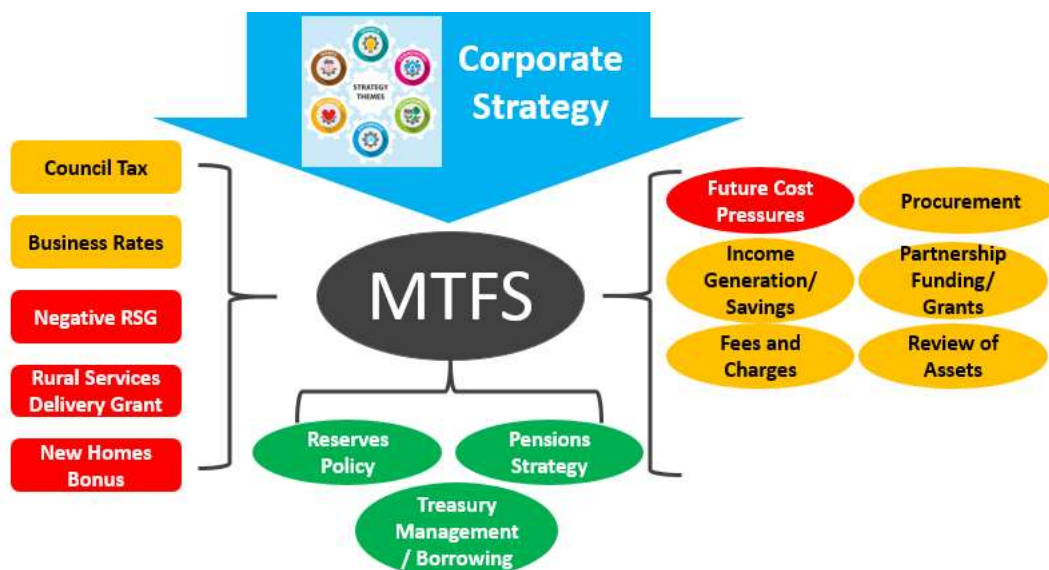
- 1.9 Below shows the summary of proposed changes to the Budget report for 2023/24, following the announcement of the Draft Local Government Finance Settlement. Proposals for a balanced budget are shown below:

	£
<i>Budget gap for 23/24 reported in the Hub Committee report of 13th December 2022</i>	137,296
Additional cost pressures identified	
Waste collection, recycling and cleansing contract – additional properties	50,000
Summary of changes arising out of the announcement of the Local Government Finance Settlement (net of £88,853 which increases the budget gap)	
Funding from Funding Guarantee (3% increase in Core Spending Power) – a new Grant for 23/24	(111,008)
Grants rolled into the Funding Guarantee amount	88,262
Reduction of New Services Grant from £156,000 to £64,015	91,985
Withdrawal of Lower Tier Services Grant from £74,000 to Nil	74,000
Modelling of a council tax increase of 2.99% (an increase of £7.37 on a Band D council tax, compared to an increase of £5)	(49,386)
Homelessness Prevention Grant has been increased from £175,000 to £180,000	(5,000)
Reduction in cost pressures	
Triennial Pension revaluation – cost pressure has reduced from £75,000 to £50,000 following the results of the revaluation – see 3.24	(25,000)
National Insurance and National Living Wage – cost pressure has reduced from £100,000 to £40,000	(60,000)
Extra income/ financing of the Revenue Budget identified	
Increase in the Taxbase for 23/24 from 20,837.75 to 21,225.87	(98,582)
Garden waste income – Members’ views are sought on increasing the annual subscription charge to £49 per annum – see Appendix F	(60,000)
Recommend taking £32,567 from the Strategic Change Earmarked Reserve in order to produce a balanced budget	(32,567)
<i>Revised Budget gap for 2023/24 as set out in this report (as at January 2023)</i>	Nil – (A balanced budget position is presented)

2 COMPONENTS OF THE MEDIUM TERM FINANCIAL STRATEGY

2.1 The Diagram below sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Items in Green denote those elements where the Council has a large degree of control over 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 largely be outside of the Council's control or influence.

2022/23 Net Budget £7.77 million



2.2 The key assumptions within the MTFS are set out in Section 3.

OVERALL POSITION – BUDGET GAP

2.3 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.

2.4 **Appendix A** to the Medium Term Financial Strategy sets out the Budget Pressures forecast for the next five 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 £7.77 million in 2022/23.

2.5 A Summary forecast is shown below of the potential budget situation if all of 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 2023/24, as shown in Appendix B. The Council is currently forecasting a £234,009 budget gap by the following year, 2024/25. The cumulative aggregated Budget Gap by 2025/26 is £0.7million, if no action has been taken in each individual year to close the budget gap annually.

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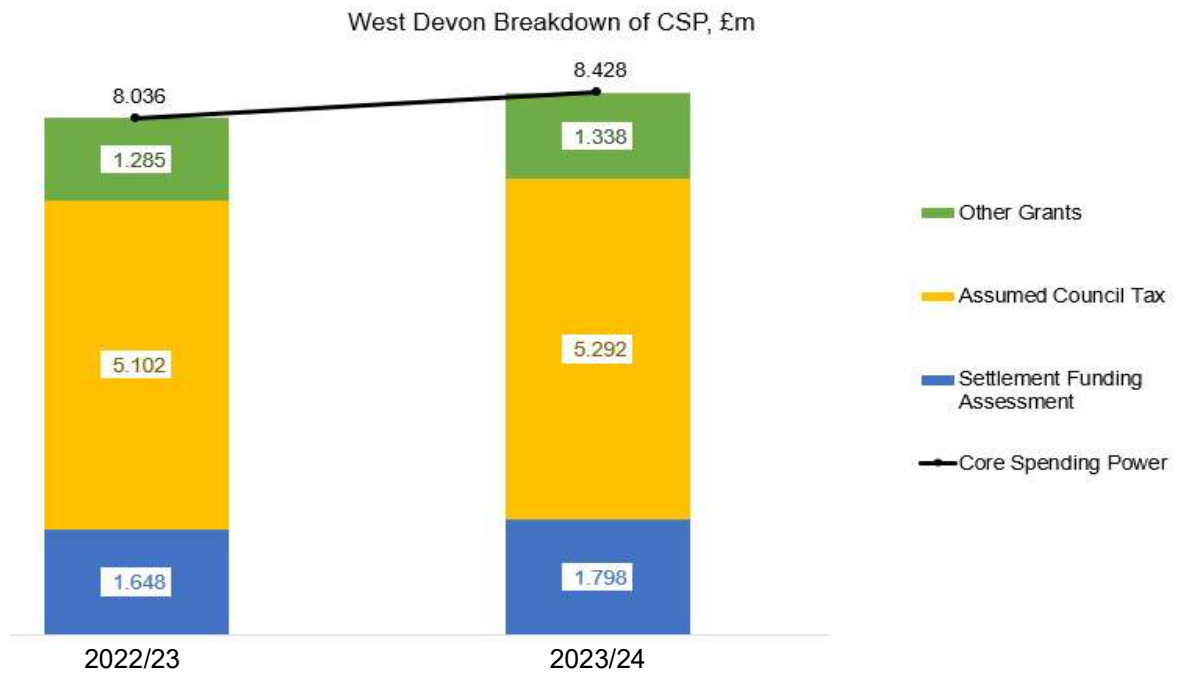
- 2.7 The Council will continue to assess various options for closing the budget gap for 2024/25 onwards, and in the longer term, to achieve long term financial sustainability and further reports will be presented to Members.

3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

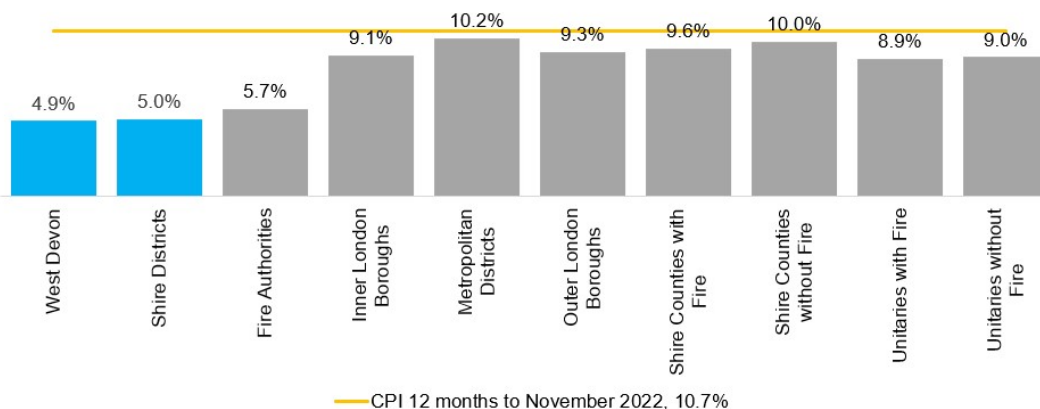
- 3.1 On 19th December, the Government published for statutory consultation, the provisional local government finance settlement for 2023/24. This followed a policy statement published on 12 December, covering 2023/24 and 2024/25, which are the remaining years of the Spending Review 2021 period. This in turn was just after the Autumn Statement on 17 November, which set the overall level of available resources.
- 3.2 The provisional settlement is once again a holding position, designed for stability and certainty for planning purposes for 2023/24. The broad approach is based on a uniform roll-over of the core elements of the settlement. Finance reform has been deferred to at least 2025/26 and possibly later.
- 3.3 Detailed numbers are only available for 2023/24 in the Finance Settlement and there remains significant uncertainties for 2024/25, particularly for District Councils. These include the future of the New Homes Bonus Scheme, which is now simply a one-year retrospective payment. There will be a future Government consultation on the New Homes Bonus scheme.

3.4 The 'Core Spending Power' is a headline figure used by MHCLG 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 no main Government grant (Revenue Support Grant).

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 2023/24.** Core Spending Power is the term the Government use to say how much money Councils have to run their services.



The table below shows the change in Core Spending Power by Authority Type. Shire Districts on average received an increase in Core Spending Power of 5%. This compares to 10.2% for Metropolitan Districts.



Council Tax

- 3.6 The Council Tax Referendum limits for District Councils for 2023/24 is the higher of 2.99% or £5. A Band D council tax for the Borough Council of £254.00 for 2023/24 is modelled in Appendix B (an increase of £7.37 per year from the current Band D council tax of £246.63. This is an increase of 14 pence per week, which equates to a 2.99% increase).

The Council's share of the council tax for 2023/24, will be set at the Council meeting on 21st February 2023. (A 1% increase in council tax generates £52,000 of extra council tax income).

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 tax payers in the same way, regardless of which services they use or receive. Council Tax is a form of general taxation rather than a service charge.

- 3.7 The table below shows how an average Band D council bill is made up for West Devon Borough Council for 2022/23, compared to 2021/22. Of an average Band D Council Tax within the Borough of £2,230.64, an amount of £246.63 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 2022/23, the council tax for an average Band D property in West Devon increased by £64.06 per annum, an annual increase of 2.96% as shown below.

Precepting Authority	Band D 2021/22	Band D 2022/23	£ Increase	% Increase
West Devon Borough Council	£241.63	£246.63	£5.00	2.07%

Devon County Council Precept	£1,342.44	£1,372.59	£30.15	
Adult Social Care Precept *	£168.84	£183.87	£15.03	2.99%
Devon & Cornwall Police & Crime Commissioner	£236.56	£246.56	£10.00	4.23%
Devon & Somerset Fire & Rescue	£90.00	£91.79	£1.79	1.99%
Average Parishes/Towns	£87.11	£89.20	£2.09	2.40%
TOTAL	£2,166.58	£2,230.64	£64.06	2.96%

- 3.8 The Borough Council is responsible for collecting all the Council Tax debt of approximately £46m as West Devon BC is the Billing Authority. After keeping 11% of the council tax collected to run the Council's services, the rest is paid over to Devon County Council, the Police, the Fire and Town and Parish Councils. The collection rate for Council Tax for West Devon was 97.8% for 2021/22. This was 1.9% higher than the national average of 95.9%.
- 3.9 A council tax collection rate of 97% has been assumed for 2022/23 in the TaxBase calculation.
- 3.10 It has been assumed that the number of properties within the Borough will increase by 300 per annum from 2024/25 onwards.
- 3.11 No council tax referendum principles will apply to Town and Parish Councils for 2023/24 onwards.

Business Rates and Negative Revenue Support Grant (RSG)

- 3.12 It has been assumed that the Business Rates Reset will be delayed to 2025/26 at the earliest.
- 3.13 Pushing these major changes back to 2025/26 means that they can be aligned with the next spending review period (the current spending review runs to 2024/25). 2025/26 now looks like it is shaping up to be a very significant financial year for local government, incorporating a new spending review, the 2021 Census and funding reforms.
- 3.14 This means the Council wouldn't have to forego some of its business rates income (£227,500) by paying some of it back to Government in the form of 'negative government grant' in 2023/24 or 2024/25. Negative RSG is effectively the Council's further predicted funding cuts. The modelling assumes negative RSG of £227,500 in 2025/26. Some of the negative RSG could be offset by growth.

- 3.15 Estimates have been made of the business rates baseline funding levels for 2023/24 onwards and the relative deductions for negative RSG. For example in 2023/24, the £1.761m is the amount the Council is projected to retain from its business rates income collected of around £12.2 million (this equates to around 14p in every £1 collected of business rates).
- 3.16 The 2021/22 collection rate for West Devon for business rates was 93.67%. This was slightly below the national average of 95.5% for 2021/22.
- 3.17 It is modelled to take £150,000 funding from the business rates retention reserve in all three years 23/24 to 25/26. This would reduce the business rates retention reserve by £450,000 over the next 3 years to smooth the impact of the business rates baseline reset and the future loss of pooling gains.

Business Rates Income	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
			Possible Baseline Reset
Business Rates Income	1.761	1.857	1.960
Less: Negative Revenue Support Grant (RSG)			(0.228)
Anticipated Pooling Gain	0.200	-	-
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	2.111	2.007	1.882

- 3.18 **Business Rates Revaluation** – There will be a business rates revaluation from 1 April 2023, based on the rental market at 1 April 2021. The purpose of a business rates revaluation is to update rateable values and therefore, business rates bills, to reflect changes. Transitional arrangements will be in place to support businesses to adjust to their new bills.

Devon Business Rates Pool

- 3.19 Council in December 2022 approved that West Devon Borough Council will continue to be part of a Devonwide Business Rates Pool for 2023/24. A business rates pooling gain of £200,000 has been modelled for 2023/24.

Rural Services Delivery Grant

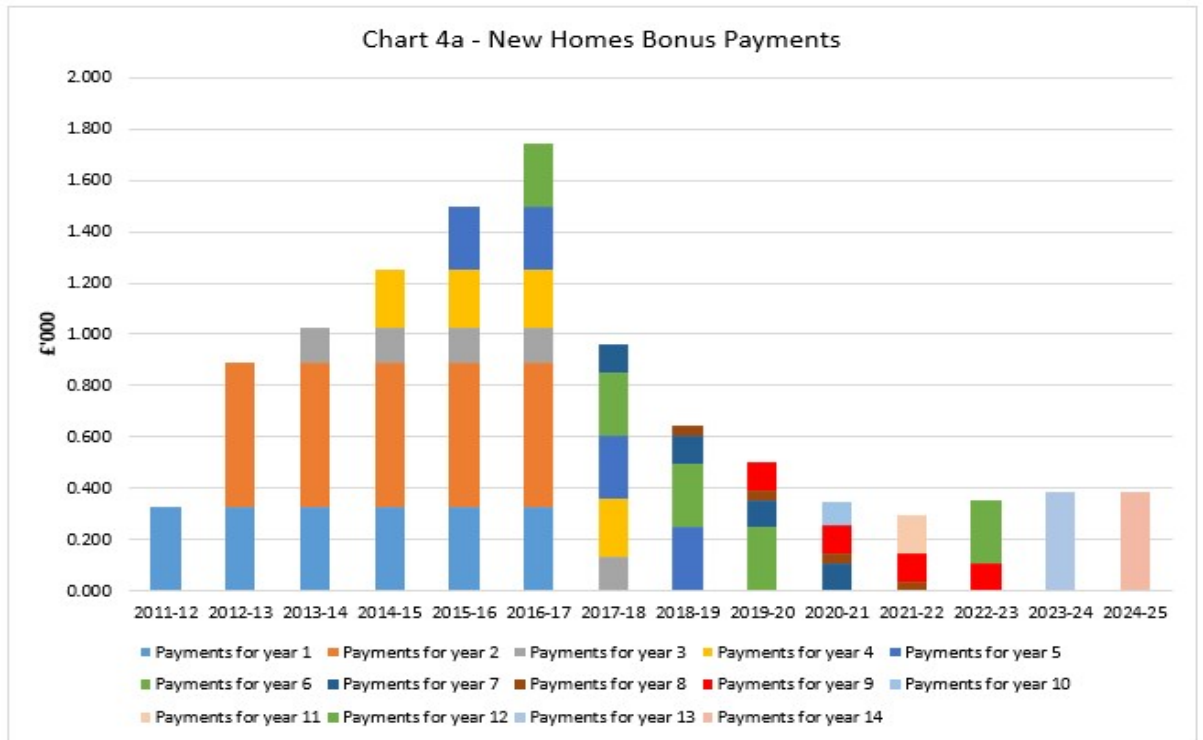
3.20 Rural Services Delivery Grant will continue for 2023/24 at previous levels (£85m nationally – WDBC share of £487,296).

New Homes Bonus (NHB)

3.21 NHB has been 'rolled over' for another year, with no legacy payments being paid. The Council's provisional allocation is **£384,230 for 2023-24**. There is due to be a consultation on the future of the NHB scheme. A decision on whether NHB will continue into 2024-25 will be made before next year's finance settlement.

3.22 There is a net property increase of 342 properties. When the baseline (0.4%) is deducted of 101 properties (0.4% of 25,329 overall Band D equivalent properties), this means that NHB would be payable at 80% of £1,965 (national average Band D council Tax) x 241 additional Band D properties over the baseline. So for the first 101 extra properties, WDBC receives no NHB. ($241 \times £1965.71 \times 80\% = £378,000$). An extra payment for affordable housing is added on top of the £378,000 to increase the allocation to £384,230.

3.23 The budget report assumes that £150,000 of NHB funding is used in 2023/24 to fund the revenue base budget and £160,000 is used to fund the Capital Programme.



3.24 Triennial Pension Revaluation - Every three years, there is a valuation of the Pension Fund (administered by Devon County Council) to assess the Fund's liability to meet future benefit payments, and whether there are enough assets to meet those liabilities. The valuation as at 31 March 2022 has been undertaken by Barnett Waddingham, a firm of actuaries. They have assessed that as at 31 March 2022, the Devon Pension Fund had discounted liabilities of £5.405 billion, with assets of £5.316 billion to meet the liabilities. This means the Fund has 98% of the assets it needs to meet the accrued pension liabilities. This percentage is known as the funding level, which is now 98%.

The result is an improvement from the last Valuation in 2019 when the Fund had a 91% funding level. The improvement is largely a result of investment returns, deficit contributions paid in by employers and revised demographic assumptions. The increased funding level is good news, demonstrating good progress towards a 100% funding level.

The results for the West Devon proportion of the Devon Pension Fund are shown below. The funding level of the WDBC Pension Fund is now **89.9%**.

Pension Actuarial Valuation result for West Devon BC

The funding level and the movement in the Council's pension position following the Triennial Pension Revaluation are shown below:

	As at 31st March 2019 (£'000)	As at 31st March 2022 (£'000)
Assets	27,258	30,241
Liabilities	32,334	33,621
(Deficit)	(5,076)	(3,380)
Funding Level	84.3%	89.9%

The table below shows the primary rate (shown in a percentage) and the secondary rate (cash amount).

Employer Contribution Rate	From 1.04.2023	From 1.04.2024	From 1.04.2025
Primary Rate (% of Pay) – this is an increase of 3% per annum on the current primary rate of 14.8%	17.8%	17.8%	17.8%
Secondary Rate (cash amount per annum) based on 14 year deficit recovery period (Budgeted in 22/23: £344,000)	£244,000	£254,000	£264,000

- 3.25 The Pension Deficit has reduced from £5.076m (84.3% funded) at 31.3.2019 to £3.380m (89.9% funded) at 31.3.2022. The secondary rate, the amount paid to meet the pension deficit, will reduce from £344,000 per annum (the amount budgeted in the base budget) to around £244,000 per annum – an annual saving of £100,000 in 23/24. This is on the basis of the pension deficit recovery period of 14 years.

The overall cost pressure is therefore £50,000, being the net of the £150,000 cost pressure in the primary rate and the £100,000 saving in the secondary rate.

Other assumptions within the Medium Term Financial Strategy (MTFS)

- 3.26 The last pay award offer for 2022/23 has recently been agreed. The pay award is an increase of £1,925 on all NJC pay points 1 and above with effect from 1 April 2022 and an extra day of annual leave entitlement

with effect from 1 April 2023. All employees on a NJC pay spine receive a minimum 4.04% pay increase, with a minimum of £10.50 hourly rate of pay. (The estimate of the National Living Wage, set at two-thirds of medium earnings for those aged 21 and over in 2024 is £10.95). For example for Level 8, this would equate to a pay increase of around 9%.

- 3.27 The amount agreed for 2022/23 (as set out above) is higher than the amount that was previously provided for of a 2% provision.
- 3.28 The budget report includes a total provision for the 2022/23 pay award of £360,000 in 23/24. This is an extra £210,000 for the 22/23 pay award (this is the amount on top of the 2% provided for in the 22/23 budget), plus a provision of a 3% (equating to £150,000) pay award for 23/24 and thereafter.
- 3.29 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.
- 3.30 The Consumer Price Index (CPI) has reached 10.7% (November 2022 CPI), which is a 40 year high. A significant part can be attributed directly to gas/electricity price inflation.
- 3.31 An extra £150,000 cost pressure for inflation on goods and services has been included within the cost pressures in Appendix A. This is around a 150% increase in some areas of utilities.
- 3.32 Interest rates are increasing and the Bank Base rate is currently 3.5%. It is predicted that the Council's treasury management income will increase to £400,000 in 2023/24 and an extra £375,000 has been built into the MTFs for 2023/24 (the existing base budget is £25,000).

A Plan for West Devon – The Council's 20 year vision

- 3.33 'A Plan for West Devon' sets out the Council's 20 year vision for West Devon and its communities and how we will work towards it over the next three years. It forms the strategy for both the Council as an organisation and West Devon as a Place. The six areas of focus are supported by detailed annual delivery plans.

<https://westdevon.gov.uk/plan-for-west-devon>

Achieving our Vision

Our longer term vision will be delivered by concentrating on the following areas. These areas of focus will be supported by detailed annual delivery plans.



Strengthening our communities

An area that our communities can be proud of



Enhancing community wellbeing

Every resident is able to live a healthy and active life



Improving homes

Every resident has access to a quality and safe home



Stimulating a thriving economy

A Borough that attracts high quality employment opportunities and space for business to grow



Growing our natural environment

An environment where people and nature thrive together



Adapting our built environment

Planning for the future, celebrating the past

Climate Change

- 3.34 The Council's annual delivery plan on 'Growing our natural environment' sets out the Council's action plan for addressing climate change and the carbon/biodiversity impact.

OTHER BUDGET ITEMS

- 3.35 The Council will be reviewing core service delivery through on-going service reviews and will bring reports back to Members at the appropriate point, linking back to the corporate strategy.

- 3.36 The Levelling Up and Regeneration Bill is making its way through Parliament. The Government is aiming for Royal Assent in Spring 2023. There is a proposal within the bill to allow Billing Authorities the discretion to charge second home owners a council tax premium of 100% (so a second home dwelling would pay double the council tax charge). The Bill 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. Billing Authorities might be able to charge the premium to second home owners in 2024-25, but the timing will be very tight if Authorities only get the powers in Spring 2023. A Member decision would need to be taken on this as part of the future budget setting

process. Modelling shows that extra council tax income of £145,000 could be generated.

Waste and Recycling service

- 3.37 An update on the waste and recycling service was considered by the Hub Committee on 12 July 2022 and Council on 19 July 2022. A further report was considered by the Hub Committee on 1 November 2022 (Minute HC 58/22).

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 2021/22 the long term borrowing of the Council decreased from £28,342,000 (20/21) to £27,726,000. Short term borrowing increased from £603,000 to £615,000 due to the maturity profile of borrowing.

5 FEES AND CHARGES

- 5.1 A reduction in car parking income of £150,000 has been built into the 2023/24 Budget. The budgeted income is £1,147,000 and the projected loss of car parking income represents 13%. Even though tariffs were increased by 4% in March 2021, Covid continues to have an impact on income. Town centre car parks have not made a full recovery as expected.
- 5.2 At the Hub Committee meeting on 2nd February 2021, Members approved the following: 'delegated authority be given to the relevant Head of Practice, in consultation with the relevant lead Portfolio Holder, to adjust Fees and Charges within their service area by inflation at suitable periodic intervals, with reports being presented to the Hub Committee as appropriate'. This delegation is in place to enable service managers to increase fees and charges by inflation where these are not material changes or increases. The Head of Finance will co-ordinate this process for inflationary increases.
- 5.3 Members' views are sought on increasing the garden waste subscription charge to £49 per annum from April 2023. This is set out in detail in Appendix F of the report. This will be further considered at the Hub Committee meeting on 31st January, with the final decision being taken by Council on 21st February. This report is seeking Members' views in advance of a formal recommendation.

6 FINANCIAL SUSTAINABILITY AND TIMESCALES

- 6.1 The Council will continue to assess various 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' Draft Delivery Plan of the Council's long term strategic vision, 'A Plan for West Devon'.

7 Earmarked and Unearmarked Reserves Policy

- 7.1 Unearmarked Reserves have increased by £196,000 in 2021/22 and total £1.490 million at 31 March 2022.
- 7.2 Earmarked Reserves have increased by £248,000 in 2021/22 and total £9.189 million at 31 March 2022. A full list of Reserves is shown in Appendix C. The proposed contributions to/from Earmarked Reserves are shown in Appendix A.
- 7.3 Earmarked Reserves includes £1.631m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.
- 7.4 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 2023/24 and future years also. This can then be considered alongside details of the Local Government Finance Settlement.
- 7.5 At Council on 15th February 2022, Members set a minimum balance for Unearmarked Reserves of £900,000, with an operating level of a minimum of £1.25million. This was based on a risk assessment basis and a sensitivity analysis. Therefore the current level of £1.490m is still above these levels previously set.
- 7.6 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 2022, 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.

- 7.7 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.
- 7.8 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. For example, the Council has a Financial Stability earmarked reserve to help secure financial stability for the longer term. This will include addressing any future financial pressures from changes in local government funding levels. The balance on the Financial Stability earmarked reserve at 31 March 2022 is £0.454m. It is also projected to increase to £0.62m in 2022/23.

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 are scored on the following criteria:
- 1 - Health and Safety compliance
 - 2 - Essential to keep operational assets open
 - 3 - Fit with the Council's Delivery Plans for 'A Plan for West Devon'
 - 4 - To rationalise service delivery or service improvement
 - 5 - 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 thematic delivery plans and aims within 'A Plan for West Devon'.
- 8.4 The capital bids are set out in Appendix D alongside ways the Capital Programme could be financed. The Capital Bids currently total £910,000.
- 8.5 **Regeneration and Investment Strategy** – The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022). To date, Investment Properties have a value of £19.12 million in aggregate as at 31.3.2022.
- 8.6 Purchases made within the strategy are capital expenditure. An income projection of £300,000 from the net ancillary income from investments in Investment property has been included within the 2022/23 Base Budget

and it is predicted that this will increase by £50,000 for 2023/24 in line with rental reviews.

- 8.7 The Council's Asset Base is £45.7 million at 31 March 2022. 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 NEXT STEPS AND PROPOSED WAY FORWARD

- 9.1 The MTFFS 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 13th September 2022).
- 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 2024/25 onwards, and in the longer term, to achieve long term financial sustainability and further reports will be presented to Members.
- 9.4 Making the best use of our resources and setting a balanced budget annually is within the 'Delivering Quality Services' Delivery Plan of the Council's long term strategic vision, 'A Plan for West Devon'.
- 9.5 Officers will continue to work with the Hub Committee and the results of this will be incorporated into future Budget reports. This will consider ways to reduce the Council's operating costs and generating further income and savings.
- 9.6 An all Member Budget Workshop took place on Tuesday 8th November 2022.
- 9.7 The table below shows the budget timetable for the 2023/24 Budget process.

13 th September 2022	Hub Committee – To consider the three year MTFFS (Medium Term Financial Strategy) for 2023/24 to 2025/26
13th December 2022	Hub Committee – To consider draft proposals for the Revenue and Capital Budget for 2023/24.

17th January 2023	Overview & Scrutiny Committee - To consider draft proposals for the Revenue and Capital Budget for 2023/24.
31 st January 2023	Hub Committee – To recommend Final Budget Proposals to Council for 2023/24
16th February 2023 (9am)	Date which Council Procedure Rule 16 applies
21st February 2023	Full Council – To approve Final Budget Proposals for 2023/24 and set the WDBC share of the Council Tax
22 February 2023	Council Tax Resolution Panel – to agree the Council Tax Resolution for 2023/24 (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 16th February 2023.

10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The Hub Committee is responsible for recommending to Council the budgetary framework. It is the role of the Overview and Scrutiny Committee

		<p>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 and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, 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 2023/24, as shown in Appendix B. The Council is currently forecasting a £234,009 budget gap by the following year, 2024/25. The cumulative aggregated Budget Gap by 2025/26 is £0.7million, if no action has been taken in each individual year to close the budget gap annually.</p> <p>As part of Grant Thornton’s external audit of the Statement of Accounts for 2021/2022, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> • Improving economy, efficiency and effectiveness • Financial Sustainability • Governance <p>The outcome of Grant Thornton’s work in this area will be reported to Members at the Audit Committee meeting in March 2023.</p>
Risk		Each of the budget options taken forward by Members will consider the risks of the option.
Supporting Corporate Strategy		The majority of activities set out in the Council’s delivery plans can be delivered through refocusing and reprioritisation of existing resources however, in order to realise the ambition set out in the strategy, some of the activities will require additional resources.
Climate Change - Carbon /		A report was presented to Council on 8 th December 2020 ‘Climate Change and Biodiversity Strategy and Action Plan update’.

Biodiversity Impact		In March 2021, Council approved to set up an Earmarked Reserve for £200,000 for the Recovery Plan and Corporate Strategy. Further detail is set out in the Council's 'A Plan for West Devon' strategic vision.
Comprehensive Impact Assessment Implications		
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
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 C - Schedule of Reserves

Appendix D - Capital bids for 2023/24

Appendix E - Glossary of Terms in Local Government Finance

Appendix F – Garden Waste subscription charge from April 2023