

**NOT FOR PUBLICATION**

**Appendix F** to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972  
(applies to Appendix F only)

Report to: **Council**

Date: **20 February 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**

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

Contact: Email: [lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk)

---

**RECOMMENDATIONS**

**It is RECOMMENDED that:-**

- i) Council Tax for 2024/25 is increased by 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 15 pence per week). This equates to a Council Tax requirement of £5,627,384.**
- ii) The financial pressures shown in Appendix A of £1,605,500 be approved;**
- iii) The savings/additional income of £(705,000) as shown in Appendix A be approved; and**
- iv) The net contributions to/(from) Earmarked Reserves of £(139,680) as shown in Appendix D, including the proposed use of £309,180 of New Homes Bonus funding to fund the 2024/25 Revenue Budget as set out in 3.4 and £70,000 from the Business Rates Retention Earmarked Reserve as set out in 3.3 of this report be approved;**

- v) That the Council should set its total net expenditure for 2024/25 as shown in Appendix B as £9,488,495;**
- vi) The proposed Capital Programme Proposals for 2024/25 of £16,819,137 and the proposed financing of the Capital Programme (as set out in Appendix E of the presented agenda report) be approved;**
- vii) The Reserves strategy (Appendix H) is approved which sets out that Unearmarked Reserves should continue to have a minimum level of £900,000 (as set out in the Medium Term Financial Strategy in September 2023), but an operating level of a minimum of £1.25million.**
- viii) That the level of reserves as set out within this report and the assessment of their adequacy and the robustness of budget estimates are noted. This is a requirement of Part 2 of the Local Government Act 2003.**

## **1. Executive summary**

- 1.1 It is important to note that the 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.
- 1.2 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 authority's financial resilience are our reserves, which are at a prudent level.
- 1.3 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.
- 1.4 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 £372,943 budget gap by the following year, 2025/26. The cumulative aggregated Budget Gap by 2026/27 is £1.6 million, if no action has been taken in each individual year to close the budget gap annually.

<b>Budget Gaps</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>2026/27 £</b>	<b>Total Aggregated Budget Gap £</b>
'New' Budget Gap each year	Nil – Balance budget proposed	372,943	874,174	1,247,117
*Cumulative Budget Gap	Nil – Balance budget proposed	372,943	1,247,117	1,620,060

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

- 1.5 The budget gap for 2025/26 of £372,943 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 £874,174, due to the local government reforms that are expected. 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.

## **2 HUB COMMITTEE'S FINAL BUDGET PROPOSALS FOR 2024-25**

- 2.1 Over the last six months, the Hub Committee has given the budget very detailed consideration and has sought views on budget proposals. This process has enabled and informed Members in their consideration of the appropriate level of service provision and council tax levels.
- 2.2 The Hub Committee met on 30 January 2024 and their recommendations are contained within this report (Minute HC 42).
- 2.3 To balance the budget of £9.5 million, the Council has identified savings and additional income of £705,000. The Council is forecasting a budget gap by 2025/26 of £0.37 million.
- 2.4 The Hub Committee is recommending increasing council tax by 2.99%. This would mean the council tax would increase to £261.59 (Band D) for 2024/25, an increase of £7.59 per year or the equivalent of less than 15 pence per week.
- 2.5 **The Council Plan 2024-2028 and the Year 1 (2024/25) delivery plan** is also an item on this Council agenda. The Council Plan and delivery plans have been refined following a seven-week consultation and engagement period with the public and partners.

- 2.6 Appendix J shows the Proposed Budget for 2024-25 when taking into account the Cost Pressures (Appendix A), Savings and additional income (Appendix A), contribution to/from Earmarked Reserves (Appendix D) and the investment in the Council Plan.
- 2.7 At the meeting of the Audit and Governance Committee on 19<sup>th</sup> March 2024, Members will consider the detailed Budget Book for 2024-25, following the decisions of Full Council on 20<sup>th</sup> February 2024.

### 3 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024-25

- 3.1 The Final Local Government Finance Settlement was issued on 5<sup>th</sup> February 2024. The Communities Secretary, Rt. Hon. Michael Gove MP announced a total of £600m of additional funding for local authorities in England including a £500m addition to the social care grant (an upper tier function) and a £100m increase in core spending power.
- 3.2 The amount of extra funding that West Devon will receive is **£85,270**. Extra funding has been allocated to the Rural Services Delivery Grant and the Council's allocation has increased from £544,625 to £630,619 (an increase of £85,994). There has been a partial decrease in the minimum funding guarantee which has decreased from £93,067 to £91,325 (a decrease of £1,742). The Services Grant has increased by £1,018 to an allocation of £11,506.
- 3.3 *It is recommended as part of these final budget proposals to decrease the contribution from the business rates retention reserve from £150,000 to £70,000 (a decrease of £80,000) to reduce the reliance on this reserve contribution to fund the revenue base budget. In order to achieve balanced budget proposals, it is also recommended to decrease the business rates income figure from £2,327,835 to £2,322,565 in Appendix B (a decrease of £5,270).*
- 3.4 New Homes Bonus for 2024/25 has been confirmed at £449,180. It is recommended that the allocation of NHB is used in the way set out below.

<b>NHB final allocation for 2024/25</b>	<b>£449,180</b>
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.	£(140,000)

- 3.5 Alongside the final settlement, the Government confirmed that it will require councils to publish local productivity plans, agreed by Council Leaders and Members, by 28 July 2024, identifying ways to unlock productivity improvements and setting out the key implementation milestones.

#### **4 Earmarked and Unearmarked Reserves Policy**

- 4.1 Sensitivity analysis and risk analysis – The figures within the Budget proposals have been subject to a sensitivity analysis and a risk analysis. This has identified a potential adverse revenue effect of £751,250 (from the sensitivity analysis in Appendix G). Therefore the current level of £1.623million (March 24) is still above these levels.
- 4.2 Revenue Reserves are recommended to be maintained at a minimum of £900,000 (as set in the Medium Term Financial Strategy in September 2023), but at an operating level of a minimum of £1.25 million. Appendix G also sets out the CIPFA Financial Resilience Index for 2023, a comparative tool that can be used by S151 Officers as part of the annual budget report. The S151 Officer therefore confirms the robustness of the Budget Proposals and the adequacy of the reserves.
- 4.3 Unearmarked Reserves total £1.569 million at 31 March 2023 and are predicted to be £1.623m at March 2024.
- 4.4 There was a separate report on the Hub Committee agenda of 21<sup>st</sup> November 2023, regarding a fundamental review of Earmarked Reserves and the Capital Programme. This report identified £0.871m of Earmarked Reserves and £0.263m of capital resources to support the delivery of the Council Plan (£1.134m in total).
- 4.5 The proposed contributions to/from Earmarked Reserves for 2024/25 are shown in Appendix D. It is recommended to make an annual contribution of £50,000 to a JLP reserve, to commence the JLP review.
- 4.6 Reserve levels have been kept under constant review to consider commitments against Earmarked Reserves, their unallocated balance and the contributions to/from Earmarked Reserves for 2024/25 and future years also.
- 4.7 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. This is attached in Appendix G.

4.8 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.

4.9 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 to secure financial stability.

## 5 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

5.1 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.

5.2 Capital projects are 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 Council Plan
- To rationalise service delivery or service improvement
- To generate income, capital value or to reduce revenue costs

5.3 It is important that capital bids are aligned with the emerging Council Plan. The Hub Committee has also recommended the Year 1 Delivery Plan of the Council Plan to Council. The Capital expenditure within the Year 1 Delivery Plan totals £16,379,137 as below.

Capital Expenditure	24/25 Financial Year		Total
	<i>To be financed from £1.134m identified in 4.1 of the Council Plan report (£)</i>	<i>To be financed from existing core budgets and grants (£)</i>	
<b>TOTAL</b>	<b>£50,000</b>	<b>£16,329,137</b>	<b>£16,379,137</b>

There is a recommendation within the Council Plan report that £50,000 of capital expenditure is funded from the New Homes Bonus Earmarked Reserve (this is the £0.263m of capital resources identified for the Council Plan).

5.4 The Capital Budget Proposals for 2024/25 are set out within Appendix E.

5.5 Appendix F sets out the Council's current capital programme for 2023/24 and new capital projects for 2024/25 will be added to the existing Capital Programme.

## 6 FINANCIAL SUSTAINABILITY AND TIMESCALES

- 6.1 The Medium Term Financial Strategy 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).
- 6.2 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.
- 6.3 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.
- 6.4 On 5<sup>th</sup> 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. It also gave commentary on financial sustainability.
- 6.5 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 achieved a balanced budget. Our work has not identified any significant weaknesses in arrangements to secure financial stability.'

## 7. 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 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>

		<p>Appendix F to this report contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and is therefore exempt information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p> <p>The public interest in whether the information should be made public has been assessed and it is considered that the public interest will be better served by not disclosing the information.</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 £372,943 budget gap by the following year, 2025/26. The cumulative aggregated Budget Gap by 2026/27 is £1.62million, if no action has been taken in each individual year to close the budget gap annually.</p> <p>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.</p> <p>The report stated that 'The Council has demonstrated an appropriate 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		Each of the budget options taken forward by Members will consider the risks of the option.
Supporting Council Plan		<p>The Council Plan 2024-2028 and the Year 1 (2024/25) delivery plan is also an item on this Council agenda. The Council Plan and delivery plans have been refined following a seven-week consultation and engagement period with the public and partners.</p> <p>The delivery of the Council Plan represents an overall financial commitment of £17,301,887 for 2024/25, with £16,914,387 financed from existing resources and allocations of government grants (such as UK Shared Prosperity Funding) and £387,500 of new monies allocated from the £1.134million set out in 4.4 of the Council Plan report on the Council agenda for 20.2.24.</p>



Climate Change - Carbon / Biodiversity Impact		<p>A report was presented to Council on 8<sup>th</sup> December 2020 'Climate Change and Biodiversity Strategy and Action Plan update'.</p> <p>The Council Plan sets out our primary commitments to tackling climate change and increasing biodiversity as part of the Natural Environment theme.</p> <p>The investment in the Natural Environment Theme is shown in 4.2 of the Council Plan report (which is also an item on this Council agenda).</p>
<b>Comprehensive Impact Assessment Implications</b>		
Consultation and Engagement Strategy		<p>External consultation and engagement has not been undertaken with regard to this report.</p> <p>The Council Plan 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 C – Schedule of Reserves for 2023-24 and 2024-25

Appendix D – Contribution to/from Earmarked Reserves

Appendix E – Proposals for the Capital Programme 2024-25

**EXEMPT** Appendix F – Current Capital Programme for 2023-24

Appendix G – Sensitivity analysis and risk analysis 2024-25

Appendix H – Reserves Strategy

Appendix I – Hub Committee Budget report – 30<sup>th</sup> January 2024

Appendix J – Draft Budget Book 2024-25