

COUNCIL 23 FEBRUARY 2022

COUNCIL TAX RESOLUTION 2022/23

Cabinet Member: Cllr Andrew Moore – Cabinet Member for Finance
Responsible Officer: Andrew Jarrett – Deputy Chief Executive (S151)

Reason for Report: The Council as a Billing Authority is required to set the Council Tax for 2022/23

RECOMMENDATION: To approve the formal Council Tax Resolution as laid out in Appendix 1.

Relationship to Corporate Plan: The 2022/23 budget shows the costs of delivering the key priorities of the Council's Corporate Plan.

Financial Implications: This report sets out the Council's Council Tax Requirement for 2022/23 which is derived from its balanced budget, as recommended by Cabinet on the 01 February 2022.

Legal Implications: The Council has a statutory duty to approve a Council Tax Requirement. The Authority must have due regard to the Council's S151 Officer Report on the robustness of estimates and adequacy of reserves when making decisions on the Budget and Precept, as required by Section 25 of the Government Finance Act 2003.

Risk Assessment: The Council is required under the Local Government Finance Act 1992 to set a Council Tax.

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil. However, budgetary options included within the budget are supported by EIA where required.

Impact on Climate Change: There are no Climate Change implications directly relating to the content of this report. However, the General Fund, Capital Programme and the Housing Revenue Account all contain significant investment in order to work towards the Council's Carbon Reduction.

1. Introduction

- 1.1 The permissible annual increase in the Council Tax charged by the Council, known as the Precept, is governed by the Referendum Limit as set by the Government. This is effectively a maximum percentage increase which if exceeded would result in the need for a local referendum. The limit on a Band D bill for a District Council is an increase up to 2% or a £5 cash increase – whichever is higher. This was confirmed as part of the Local Government Funding Settlement announcement made in late December 2021 and confirmed on 9 February 2022.
- 1.2 In addition to the Council Tax levels permissible for a District Council, Central Government has confirmed the referendum limit for County Councils as 2% with the additional flexibility for those with Adult Social Care responsibilities to allow a further increase of 1%. These additional funds have to be ring-fenced for Adult Social Care costs. Fire and Rescue Authorities also have a 2% referendum limit, although this is increased to £5 for the 8 lowest charging Fire and Rescue Authorities. Police and Crime Commissioners are able to increase a Band D bill by £10.
- 1.3 Within this Resolution, MDDC (as the Billing Authority) has to indicate whether any of the major precepting bodies (County Council, Fire and Rescue Authority, or Police and Crime Commissioner) have exceeded their specified limit (see **Appendix A paragraph 6.0**).

2. 2022/23 Council Tax Resolution

- 2.1 Since the meeting of the Cabinet on the 01 February 2022, the precept levels of other precepting bodies have been received. These are detailed below:

2.1.1 Town and Parish Councils

The Town and Parish Councils precepts for 2022/23 are detailed in **Appendix A**, paragraph 3.1, and total £2,144,548.81. The increase in the average Band D Council Tax for Town and Parish Councils is 3.68% and results in an average Band D Council Tax figure of £71.94 for 2022/23 (£69.38 for 2021/22).

2.1.2 Devon County Council

Devon County Council met on the 17 February 2022 and set their precept at £46,400,267.21 adjusted by a Collection Fund surplus of £2,142,806.12 (Note: in line with statutory guidance the total Collection Fund deficit for 2020/21 will be spread over 3 years from 2021/22 to 2023/24. The estimated surplus detailed above has been reduced by £330,098.11 in respect of the second year of the spread (2022/23), this being the relevant amount of the total projected deficit

calculated for 2020/21 of £1,269,114.21). This results in a Band D Council Tax of £1,556.46, a 2.99% increase on the previous year.

2.1.3 Devon & Cornwall Police and Crime Commissioner

Devon & Cornwall Police and Crime Commissioner met on the 28 January 2022 and set their precept at £7,350,301.25 adjusted by a Collection Fund surplus of £336,255.62 (Note: in line with statutory guidance the total Collection Fund deficit for 2020/21 will be spread over 3 years from 2021/22 to 2023/24. The estimated surplus detailed above has been reduced by £50,826.66 in respect of the second year of the spread (2022/23), this being the relevant amount of the total projected deficit calculated for 2020/21 of £195,411.11). This results in a Band D Council Tax of £246.56, being a 4.23% / £10.00 increase on the previous year.

2.1.4 Devon & Somerset Fire and Rescue Authority

Devon & Somerset Fire and Rescue Authority met on the 18 February 2022 and set their precept at £2,736,389 adjusted by a Collection Fund surplus of £127,032 (Note: in line with statutory guidance the total Collection Fund deficit for 2020/21 will be spread over 3 years from 2021/22 to 2023/24. The estimated surplus detailed above has been reduced by £20,235.27 in respect of the second year of the spread (2022/23), this being the relevant amount of the total projected deficit calculated for 2020/21 of £77,797.67). This results in a Band D Council Tax of £91.79, being a 1.99% increase on the previous year.

2.2 The recommendations of the Cabinet are set out in the formal Council Tax Resolution in **Appendix A**. If the formal Council Tax Resolution at Appendix A is approved, the total Band D Council Tax will be as follows:

Table 1 – Council Tax Levies in Mid Devon

COUNCIL TAX LEVIES	2021/22	2022/23	Variation	
	£	£	£	%
Mid Devon District Council	213.84	218.84	5.00	2.34 ¹
Parish & Town Councils (Average)	69.38	71.94	2.56	3.68
Sub Total	283.22	290.78	7.56	
Devon County Council	1,511.28	1,556.46	45.18	2.99 ²
Devon & Cornwall Police and Crime Commissioner	236.56	246.56	10.00	4.23
Devon & Somerset Fire and Rescue Authority	90.00	91.79	1.79	1.99
TOTAL	2,121.06	2,185.59	64.53	

¹ Note - rounded to 2 decimal places. MDDC increase is 2.338%

² Includes 1% For Adult Social Care

3. 2022/23 Local Government Finance Settlement

- 3.1 On the 01 February 2022, the Cabinet considered the budget for the financial year 2022/23 based upon the Provisional Local Government Finance Settlement. This meeting recommended a balanced General Fund budget, following a drawdown of £145k from the New Homes Bonus Reserve and a £5 (2.34%) increase in Council Tax (as detailed in Table 1 in para 2.2 above).
- 3.2 The Final Local Government Finance Settlement was announced on 9 February 2022 and confirmed no change to the levels of grant funding allocated within the Provisional Settlement that applied to MDDC.
- 3.3 There continues to remain a great deal of uncertainty over the levels of Government funding as this was again a one-year only settlement and the Fair Funding Review and Business Rates Baseline reset has been postponed until at least 2023/24. It continues to remain Government policy to phase out New Homes Bonus Grant.

4. Section 25 Report of the Section 151 Officer

- 4.1 In making decisions in relation to the setting of Council Tax, Section 25 of the Local Government Act 2003 requires the Chief Financial Officer of the Council to report to it on the Robustness of the Estimates and The Adequacy of the Financial Reserves. It is a statutory requirement that councillors must consider this report when considering and approving a budget. These statements are presented in the following sections of this report.

4.2 Robustness of the estimates

- 4.2.1 The estimate process adopted by the Council for 2022/23 is concerned with the mitigation of risk when approving the budget.
- 4.2.2 Construction of the estimates for 2022/23 has taken full account of the following:
 - a. Previous years outturn;
 - b. Current year revised estimates;
 - c. Regular budget monitoring up to and including December 2021;
 - d. Inflation levels;
 - e. Current income levels;
 - f. Changes in legislation;
 - g. Service prioritisation linked to the current Corporate Plan;
 - h. Feedback from Budget Consultation;
 - i. Potential changes to the Local Government Funding Mechanisms (including NHB, Business Rates and any alterations announced as part of the Fair Funding Review);

- j. Consideration of ongoing Covid-19 implications (both cost & income related).
- 4.2.3 The key component for ensuring the estimates are reviewed and deliver the priorities of the Council is the budget monitoring process. The ability to manage and control spending within the approved budgets during the course of the forward year mitigates the Council's level of financial risk. In particular, regular reviews of income streams and expenditure patterns and variance with profiles of expected activity are identified at the earliest opportunity to Members and officers so that corrective action can be initiated.
- 4.2.4 All budgets were compiled on a prudent basis, bearing in mind the level of risk associated with certain income sources (e.g. car parking, planning, leisure and interest receipts – which remain affected by Covid-19). We also have increased volatility and risk in the Council's overall budget (i.e. the Council Tax Reduction scheme (CTR), the localisation of Business Rates and our commercial rental portfolio). These budgets have been carefully monitored during 2021/22 and this process will continue during 2022/23.
- 4.2.5 The Finance Team have liaised with all Service Managers, Senior Management and Members during this process and have ensured a robust challenge process of all proposed budgets. The budget ensures that all aspects of the budget (Revenue, Capital and Treasury) are understood and the interdependencies are taken account of.
- 4.2.6 The Prudential Code introduced a rigorous system of prudential indicators, which explicitly require regard to affordability, prudence, value for money, stewardship, service objectives and practicality in the way in which we manage our finances. The Council has complied fully with the requirements of the Prudential Code for Capital Finance in Local Authorities.
- 4.2.7 The Treasury Management Strategy, Capital Strategy and Investment Strategy provide the framework for which the Council to adhere to. The levels assumed in the indicators are affordable and sustainable.
- 4.2.8 Similarly, the insurance cover is adequate to meet all reasonable insurable liabilities.
- 4.2.9 In all respects the estimates are prepared on the best information available. We review current experience, for example, the estimates of income have been rebased, especially where the income stream is demand led and therefore has been impacted by Covid-19. In a similar way all salary estimates have been constructed on an individual officer basis because this element of the budget is such a significant expenditure heading.

- 4.2.10 Finally, in preparing the detailed estimates the Council takes advice from third party organisations concerning a number of discrete areas. In particular, Treasury Management decisions are informed with reference to interest rate movements forecast by Link Group and similarly external guidance on insurance and pension contributions is also used.
- 4.2.11 The Council has sought to involve all Members throughout the budget setting process. The first round of PDG and Cabinet meetings in November took place and an initial budget gap of circa £1.072m was estimated for 2022/23. This was as a result of a number of factors including inflation; pay increases, provisional business rates, and council tax income and made further assumptions around ongoing Covid-19 pressures. The PDG's were again involved during their January round of meetings to seek views and options to balance the budget.
- 4.2.12 Budget consultation with the Business community was undertaken in week commencing 24 January 2022. In addition, a thorough budget consultation with residents was undertaken.
- 4.2.13 Further savings were proposed and following the receipt of the Provisional Local Government Finance Settlement from Central Government and the completion of our Business Rates estimates (NNDR1), the budget gap was reduced to £145k. This is proposed to be closed by a temporary transfer from the New Homes Bonus Reserve.
- 4.2.14 Once the draft budget has been reviewed by the four PDGs it is then taken to the Scrutiny Committee for further review and challenge, prior to a final Cabinet meeting, which has recommended the budget for approval by Full Council on 23 February 2022.
- 4.2.15 The Internal Auditors, Devon Audit Partnership (DAP), have been able to progress through the internal audit plan and the outcome of this work has demonstrated stability and in the Councils control framework and a "Reasonable Assurance" opinion is expected.
- 4.2.16 The Council's External Auditor, Grant Thornton, gave an unqualified opinion on the 2020/21 financial statements. The auditor is yet to complete their Value for Money assessment and give their opinion, but this is due imminently.
- 4.2.17 "The District Council is recommended to note that, in my opinion, the estimates used in the production of the budget proposal for 2022/23 are adequately robust"**

4.3 Adequacy of Reserves

- 4.3.1 The Council has a robust risk management framework in place. The framework supports the Council in managing significant risk. However, there are times when

the Council will need to call upon Reserves. Therefore, Reserves are held for three main purposes:

- a. A contingency to cushion the impact of unexpected events;
- b. As a cushion against uneven cash flows;
- c. As a means of building up funds to meet known or predicted liabilities (earmarked reserves).

4.3.2 CIPFA makes it clear that the level of reserves for each Council cannot be decided by the application of a formula. Each Council must assess their own reserve levels based on the specific risks and pressures they face. The Council is facing significant risk and change over the medium term due to number of local and national issues and it is important that the level of reserves reflects this.

4.3.3 The key risks within the budget for 2022/23 are set out below:

- a. Covid-19, including
 - i. Reductions in Income across Council Tax, Business Rates, Service Fees and Charges and Commercial Income;
 - ii. Costs of delivering additional services to the community, such as vaccine centres and the Test and Trace scheme;
 - iii. Economic recovery – slow return to pre-pandemic levels of trade/investment/growth;
- b. Rising Inflation, including both the 2021/22 and 2022/23 pay award being yet to be agreed and escalating fuel costs;
- c. Rising Council Tax support claimants / HRA Voids
- d. General Service budget overspends
- e. Lack of opportunity / ability for further commercial investment to generate returns to the Council
- f. Housing Market stagnation – leading to lower returns from the Council's development company;
- g. Interest Rate volatility.

4.3.4 In preparing the 2022/23 budget, consideration has been given to how best to mitigate these risks through the use of prudent budget assumptions. However, it is possible, reserves will be required should these mitigations and assumptions fall short.

4.3.5 Continuing provision has been made for lower levels of Council Tax, Business Rate collection and revenue from fees and charges. Clearly, the unprecedented financial impact of Covid-19 has had significant financial implications on a number of council services and robust financial monitoring during 2022/23 will be required to ensure their continued viability.

4.3.6 There are also future risks that need to be considered now to ensure the Council is best prepared. One of the most significant is the potential changes to how the Council is funded.

- The government have planned a reset of Business Rates growth for a number of years, but have delayed implementing it and thereby allowing the growth to continue. The Council currently forecasts income from business rates to be approximately £1.3m above the Governments baseline calculation. Should a reset be implemented in 2023/34 as expected, there is a risk that some (or possibly all) of this additional funding could be lost. Gains from pooling would also be lost.
- Similarly, the New Homes Bonus scheme is planned to be scrapped. In 2022/23, the Council will receive £719k. Although this funding should be ring-fenced to Local Government, there is no guarantee any replacement funding mechanism will benefit MDDC to that value.
- There are an increasing number of one-off, bid based funding streams. Failure to secure funding from these will have a detrimental impact on the Council.

4.3.7 The General Fund balance brought forward into 2021/22 amounted to £2,186k. The 2021/22 budget monitoring reports are predicting a year-end surplus of approximately £30k, giving a forecast General Fund balance of £2.216m. The level of general balances recognises risks facing the Council including; UK economic uncertainty, the on-going impact of the pandemic as well as upcoming changes to Local Government Funding.

4.3.8 A review of the minimum reserve levels has been undertaken which concluded to retain the General Fund reserve balance at a minimum of £2,000k and left the HRA also at a £2,000k minimum. As part of the detailed budget setting process we also reviewed all of our other Earmarked Reserves to ensure they provided for known future financial pressures. Therefore, it is my strong recommendation that the Council aims to maintain its level of reserves at £2m.

4.3.9 “Based on the assessment of the reserves, the key financial risks identified, and the thorough process used for developing the Medium-Term Financial Strategy, I have determined that the level of reserves and balances for 2022/23 is adequate.”

5. Conclusion

5.1 As noted above a great deal of work has been carried out to ensure the robustness of the estimates. Because of this work, combined with the increased awareness by Members and officers of the Council’s financial position, and the availability of reserves, it is my considered opinion as Section 151 Officer that the

budget for 2022/23 has been set within a robust framework and the impact of this resolution will maintain an adequate level of the financial reserves held by the Council.

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Background Papers: Cabinet Report – 01 February 2022

Circulation of Report: Full Council