

Report for: COUNCIL

Date of Meeting:	21 February 2024
Subject:	2024/25 Council Tax Resolution
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Finance
Responsible Officer:	Andrew Jarrett, Deputy Chief Exec (S151)
Exempt:	None
Wards Affected:	All
Enclosures:	None

Section 1 – Summary and Recommendation(s)

As a Billing Authority, the Council is required to set the Council Tax for 2024/25 for Mid Devon.

Recommendation(s): Cabinet recommend to Council:

- 1. To approve the formal Council Tax Resolution as laid out in Appendix 1, subject to the approval by each Precepting Authority of its own Precepts as included within this report.**

Section 2 – Report

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 3% or a £5 cash increase – whichever is higher. This was announced as part of the Provisional Local Government Funding Settlement announcement made on 18 December 2023 and confirmed through the Final Settlement announced on 5 February 2024.
- 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 3% with the

additional flexibility for those with Adult Social Care responsibilities to allow a further increase of 2%. These additional funds have to be ring-fenced for Adult Social Care costs. Fire and Rescue Authorities are able to increase a Band D bill by 3%. Police and Crime Commissioners are able to increase a Band D bill by £13.

- 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. 2024/25 Council Tax Resolution

- 2.1 Since the meeting of the Cabinet on the 06 February 2024, the precept levels of other precepting bodies have been received. In some cases they are recommendations to their respective bodies, in others they are fully approved. These are detailed below:

2.1.1 Town and Parish Councils

The Town and Parish Councils precepts for 2024/25 are detailed in **Appendix A, paragraph 3.1**, and total £2,483,078.61. The increase in the average Band D Council Tax for Town and Parish Councils is 6.09% and results in an average Band D Council Tax figure of £82.16 for 2024/25 (£77.44 for 2023/24).

2.1.2 Devon County Council

Devon County Council, who meet on the 15 February 2024, recommend their precept be set at £51,851,150.31 adjusted by a Collection Fund deficit of £258,383.16. This results in a Band D Council Tax of **£1,715.67**, a 4.99% increase on the previous year. The detail is shown in **Appendix A, paragraph 4**.

2.1.3 Devon & Cornwall Police and Crime Commissioner

Devon & Cornwall Police and Crime Commissioner met on the 02 February 2024 and set their precept at £8,295,966.45 adjusted by a Collection Fund deficit of £41,356.99. This results in a Band D Council Tax of **£274.50**, being a 4.95% / £12.94 increase on the previous year. The detail is shown in **Appendix A, paragraph 4**.

2.1.4 Devon & Somerset Fire and Rescue Authority

Devon & Somerset Fire and Rescue Authority, who meet on the 16 February 2024, recommend their precept be set at £3,012,539 adjusted by a Collection Fund deficit of £15,304. This results in a Band D Council Tax of **£99.68**, being a 2.99% increase on the previous year. The detail is shown in **Appendix A, paragraph 4**.

- 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	2023/24	2024/25	Variation	
	£	£	£	%
Mid Devon District Council	225.40	232.16	6.76	2.99 ¹
Parish & Town Councils (Average)	77.44	82.16	4.72	6.09
Sub Total	302.84	314.32	11.48	
Devon County Council (inc Social Care Precept)	1,634.13	1,715.67	81.54	4.99 ²
Devon & Cornwall Police and Crime Commissioner	261.56	274.50	12.94	4.95
Devon & Somerset Fire and Rescue Authority	96.79	99.68	2.89	2.99
TOTAL	2,295.32	2,404.17	108.85	4.74

3. 2024/25 Local Government Finance Settlement

- 3.1 On the 06 February 2024, the Cabinet considered the budget for the financial year 2024/25 based upon the Provisional Local Government Finance Settlement. This meeting recommended a balanced General Fund budget requiring a £6.76 (2.999%) 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 5 February 2024 by the Secretary of State and confirmed the additional grant of £86,425 within the Rural Services Delivery Grant, £1,367 within Services Grant and £21,726 within the Funding Guarantee. The other funding remains as announced within the Provisional Settlement.
- 3.3 There continues to remain a great deal of uncertainty over the future levels of Government funding. The review of Local Government resources, known as the Fair Funding Review along with Business Rates Baseline reset have been postponed until into the next Parliament. It continues to remain Government policy to phase out New Homes Bonus Grant, but has yet to outline any replacement scheme. It has also indicated that local authorities can expect to receive new income from the Extended Producer Responsibility for Packaging (EPRP), although again the timing of this coming into force is unclear. The impact on other core Settlement funding is not known.

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.

¹ Note – MDDC increase is 2.999%

² Includes 1.99% For Adult Social Care

4.2 Robustness of the estimates

- 4.2.1 The estimate process adopted by the Council for 2024/25 is concerned with the mitigation of risk wherever possible when approving the budget.
- 4.2.2 Construction of the estimates for 2024/25 has taken full account of the following:
- a. Previous years outturn;
 - b. Current year revised estimates;
 - c. Latest Quarter 3 budget monitoring forecast (up to December 2023);
 - d. Inflation levels and consideration of the Cost of Living Crisis;
 - e. Current income levels;
 - f. Changes in legislation;
 - g. Service prioritisation linked to the current Corporate Plan;
 - h. Feedback from Budget Consultation through the annual Resident's Survey.
- 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 are affected by the current Cost of Living Crisis). We also have increased volatility and risk in the Council's overall budget (i.e. collection fund levels and our commercial rental portfolio). These budgets have been carefully monitored during 2023/24 and this process will continue during 2024/25.
- 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 through Scrutiny and the Policy Development Committees. 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 adhere to. It includes the Prudential Indicators, our "Liability Benchmark" – an estimate of future Net Borrowing Requirement, and evidences consideration of Environmental, Social and Governance (ESG) factors in our investment policy and that the levels assumed 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 currently being affected the Cost of Living Crisis. 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 forecasted by Link Group and similarly external guidance on accounting regulations, 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 report to Cabinet in September outlined the initial budget gap of circa £2.103m estimated for 2024/25. This was as a result of a number of factors but was heavily impacted by the removal of the one-off targets included within the 2023/24 budget and inflation, i.e. pay, superannuation and increases in fuel and energy prices.
- 4.2.12 After significant work by Officers over the summer, savings options totalling £1.337m were considered by the first round of PDG meetings in October. Following Cabinet approval in October of these savings, the position had reduced to a shortfall of £0.765m. Further refinement of assumptions within those savings proposals and some minor new savings options, the December Cabinet report approved a further reduction down to £0.418m. Following the Local Government Finance Settlement and identification of further savings, the January Cabinet report further reduced the shortfall to £0.150m.
- 4.2.13 Scrutiny and the PDG's were again involved during their November and January round of meetings to seek views on Fees and Charges and final options to balance the budget, prior to a final Cabinet meeting, which has recommended the budget for approval by Full Council on 21 February 2024.
- 4.2.14 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.
- 4.2.15 The Council's External Auditor, Grant Thornton, is indicating an unqualified opinion on the 2022/23 financial statements, subject to the final outcomes of the 3 Rivers external audit. Although ongoing, the auditor is yet to complete their Value for Money assessment and give their opinion.
- 4.2.16 "The District Council is recommended to note that, in my opinion, the estimates used in the production of the budget proposal for 2024/25 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 2024/25 are set out below:

- a. Cost of Living Crisis, including:
 - i. Reductions in Income across Council Tax, Business Rates, Service Fees and Charges and Commercial Income;
 - ii. Increasing cost of delivering services to the community due to inflationary pressures, such as pay, fuel and energy prices;
 - iii. The possible need to deliver additional services announced by Government to mitigate the implications, i.e. Business Grant and Energy payments to households;
 - iv. Economic recovery – slow return of trade / investment / growth;
- b. Rising Council Tax support claimants / HRA Voids;
- c. General Service budget overspends;
- d. Lack of opportunity / ability for further commercial investment to generate returns to the Council;
- e. Interest Rate volatility.
- f. Lack of funding to support, and delay in the delivery of major infrastructure projects.

4.3.4 In preparing the 2024/25 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 the slow recovery in collection levels of Council Tax, Business Rates and revenue from fees and charges. Clearly, the Cost of Living Crisis will have unprecedented financial implications for a number of council services and robust financial monitoring during 2024/25 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 until into the next Parliament and thereby are allowing the growth to continue. The Council currently forecasts income from Business Rates to be approximately £2.1m above the

Government's baseline calculation. Should a reset be implemented as expected in the future, there is a risk that some (or possibly all) of this additional funding could be lost, potentially along with the benefit to pool in the future.

- Similarly, the New Homes Bonus scheme is planned to be scrapped. In 2024/25, the Council will receive £414k. 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, for example the Levelling-Up fund that the Council would like to use to underpin the Housing Infrastructure Fund scheme at Cullompton, or decarbonisations scheme across our asset portfolio.

4.3.7 The General Fund balance brought forward into 2023/24 amounted to £2,025k. The 2023/24 budget monitoring reports are predicting a year-end deficit of approximately £119k, giving a forecast General Fund balance of £1,905k, below the Council's recommended minimum of £2,000k. The level of general balances recognises risks facing the Council including the economic uncertainty and the future changes to Local Government Funding. Plans will need to be identified to replenish the reserve to the minimum level.

4.3.8 A review of the minimum reserve levels will be undertaken at Outturn to assess the ongoing minimum General Fund reserve balance. The HRA also has a recommended £2,000k minimum balance, which it is not currently projecting to breach. 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 £2,000k, and if it proves necessary to temporarily reduce this level, it is replenished in a planned, affordable way.

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 2024/25 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. As a result 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 2024/25 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.

Financial Implications

This report sets out the Council's Council Tax Requirement for 2024/25 which is derived from its balanced budget, as recommended by Cabinet on the 06 February 2024 and notification of the Precept Requirements for the County Council, PCC for Devon and Cornwall, Devon and Somerset Fire Authority and Parish or Town Councils.

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 the 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. Failure to set a Council Tax will result in the Council acting unlawfully and could lead to legal challenge. Failure to agree the Council Tax in a timely manner could lead to the Council losing out on Council Tax income and the cashflows associated with this.

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 targets.

Equalities 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.

Relationship to Corporate Plan

The 2024/25 budget shows the costs of delivering the key priorities of the Council's Corporate Plan.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett

Agreed by or on behalf of the Section 151

Date: 08 February 2024

Statutory Officer: Maria De Leiburne

Agreed on behalf of the Monitoring Officer

Date: 08 February 2024

Chief Officer: Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

Date: 08 February 2024

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 08 February 2024

Cabinet member notified:

Section 4 - Contact Details and Background Papers

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Background papers: Cabinet Report – 06 February 2024