Mid Devon
DISTRICT COUNCIL

Report for:	**Homes Policy Development Group (PDG)**
Date of Meeting:	19 November 2024
Subject:	Medium Term Financial Plan – General Fund (GF)
Cabinet Member:	James Buczkowski – Cabinet Member for Governance, Finance and Risk
Responsible Officer:	Andrew Jarrett – Deputy Chief Executive (S151)
Exempt:	N/a
Wards Affected:	All
Enclosures:	Appendix 1 – MTFP Position per PDG Appendix 2 – Capital Programme (GF) Appendix 3 – HRA MTFP summary position

Section 1 – Summary and Recommendation(s)

To present to Member's options to update the 2025/26 Budget for consideration / approval.

Recommendation(s):

That Members of the Policy Development Group consider the contents of this report and make any proposals it feels appropriate to Cabinet for approval.

Section 2 – Report

1.0 Introduction

1.1 The main purpose of the MTFP is to show how the Council will strategically manage its finances in order to support the delivery of the priorities detailed in the Corporate Plan 2024 – 2028 and future years beyond that plan.

1.2 The first element of this meeting will cover a refresh of the service areas relevant to each PDG updating members of the movements during the process to date in setting the 2025/26 Budget (**see Appendix 1**). This can include a brief Q&A session to ensure members are clear of their responsibilities and potential additional budget options. This report considers the development of budget options, proposes further options to continue towards balancing the 2025/26 Budget.

1.3 This report also introduces an indicative Capital Programme for the General Fund for consideration (**see Appendix 2**). The indicative HRA development programme is still being evaluated and will be brought to the December Cabinet for consideration.

1.4 For the Homes PDG, there is an opportunity to review the HRA MTFP position as recently outlined to Cabinet (**see Appendix 3**). Views are sought on the forecast and options to balance the 2025/26.

1.5 Finally, this report provides an update on the 2024 Autumn Budget including potential implications for MDDC. Note, these will only be fully known once greater information is received from Government, some of which is expected within November through the Local Government Finance Policy Statement and the full Financial Settlement closer to Christmas.

1.6 The Council has a legal requirement to set a balance budget and needs to ensure its overall costs are affordable i.e. they can be funded through income and planned short-term use of reserves. Members therefore need to take the necessary decisions and actions to manage net spending within affordable limits.

2.0 Background

2.1 On 17 September, the first draft MTFP covering the period 2025/26 to 2028/29 for the General Fund was presented to Cabinet. This estimated a funding shortfall of £1.2m in 2025/26 rising to £4.0m by 2028/29. This number is derived without any remedial action and is a cumulative figure – i.e. if the £1.2m is found to balance the 2025/26 position, the overall budget gap will reduce to £2.8m. Initial options were included for consideration that could reduce that £1.2m shortfall in 2025/26 to £390k.

2.2 Following consideration by the various PDG's during the September round of meetings, Cabinet agreed the majority of those options on 15 October, potentially reducing the shortfall down to £431k subject to further development of some options.

Original forecast Shortfall	**£1,196k**
Plus: Appendix 1 – proposed Green and Ambers Less: Appendix 2 – proposed Green and Ambers	+ £725k (£1,531k)

Revised recommended forecast Shortfall	**£390k**
Proposals made at the meeting: Plus: Appendix 1 row 7 Proposed increase to Climate Change Budget Appendix 1 row 11 Proposed increase to Planning Enforcement Budget Appendix 2 row 8 Let's Talk MidDevon Saving – rejected Less: Appendix 2 row 23 Lease more space commercially within Phoenix House Appendix 2 row 24 Property capturing benefits from CRM system Appendix 2 row 26 Refresh out of date leases Appendix 2 row 35 Additional Pre-App Planning Income Appendix 2 row 37 Additional income generated from Planning Engagement in EUE proposals. Appendix 2 row 44 Recover Waste set up costs from new housing developments Appendix 2 row 54 Leisure Potential income from advertising on Apps	 £100k £100k £11k (£50k) (£30k) (£10k) (£40k) (£10k) (£20k) (£10k)
Revised forecast Shortfall	**£431k**

2.3 During the October Cabinet, the above budget options outside of the proposed Green and Amber options were recommended to be developed. The following is an update on these options:

<u>Pressures – Appendix 1 (October Cabinet)</u>
Both of the investments into Climate Change and Planning Enforcement are welcomed.

<u>Savings – Appendix 2 (October Cabinet)</u>

- **Row 8 "Let's Talk MidDevon" – (£11k);**
  This platform is being successfully used by Mid Devon Housing in particular who are increasing visits to the hub where it is an important part of its wider tenant engagement strategy.

  The annual residents' survey is currently live, with a requirement for those responding on line to sign up to the community engagement hub.

  This saving option was rejected by Cabinet on 15 October 2024.

- **Row 23 Lease more space commercially within Phoenix House – (£50k);**
  This proposal is currently on hold whilst Phoenix House is revamped and the identified space is occupied. It is recommended to defer consideration of this until 2026/27.

- **Row 24 Property capturing benefits from CRM system – (£30k);**
  Work has not yet begun to integrate the new CRM system within this service, as the benefits are currently greater for other service areas. It is recommended to defer consideration of this until 2026/27.

- **Row 26 Refresh out of date leases – (£10k);**
  Work is ongoing to ensure leases are kept up to date and particularly rent charges reflect the latest valuations. Recommended inclusion in the 2025/26 budget.

- **Row 35 Additional Pre-App Planning Income – (£40k);**
  Demand for this service continues to grow. Recommended inclusion in the 2025/26 budget.

- **Row 37 Additional income generated from Planning Engagement in EUE proposals – (£10k);**
  The project continues to progress. Recommended inclusion in the 2025/26 budget.

- **Row 44 Waste Recover set up costs from new housing developments – (£20k);**
  The project continues to progress with further research and legal advice required on how the scheme would be utilised and applied by MDDC. Once obtained this will inform the level of extra income that could be gained. At time of writing, this is not being considered for inclusion in the 2025/26 Budget but will be discussed further at the next Service Delivery and Continuous Improvement PDG in December.

- **Row 54 Leisure Potential income from advertising on Apps – (£10k).**
  The use of Apps continues to grow within the service. Recommended inclusion in the 2025/26 budget.

2.4 Following further review, the above recommendations have the following impact on the 2025/26 budget shortfall.

Proposed forecast Shortfall	**£431k**
Plus:	
Appendix 2 (October Cabinet) – remove the following options	
Row 23 Lease more space commercially within Phoenix House	£50k
Row 34 Property capturing benefits from CRM system	£30k
Row 44 Recover Waste set up costs from new housing developments	£20k
Revised forecast Shortfall	**£531k**

3.0 Ideas that need more consideration to identify possible financial benefit

3.1 In addition, the section of Appendix 2 titled "Ideas that need more consideration to identify possible financial benefit" were requested to be developed further and feedback to Cabinet.

Savings – Appendix 2

- **Row 55 Review planned maintenance spend**
  The maintenance requirement for 2025/26 is currently being assessed with external assessors used to inform the maintenance programme. The

financial implication of this will be considered later in the budget setting process.

- **Row 56 Reduce Contact Centre hours to match opening hours**
  A reduction in contact centre hours could be considered which could potentially save up to £50k. This would act as a lever for those who can transact with us digitally moving to that mechanism. Savings would not be achievable until 2026/27 due to the lead-in time and off-setting costs for realigning resources.

- **Row 57 Invest in GovTech / CRM to migrate from NEC portal for self-serve solution.**
  Revenues & Benefits already offers a customer portal in which they can 'self-serve'. Technically has moved on as such further investment in more automated processes is required to allow customers to 'self-serve', with potentially up to 80% of transactions to be automated. Changes such as these also help support Mid Devon's digital ambitions.

  The cost of the change will be supported by 'EMR' and not replacing staff, changes in the ways customers communicate with use via phones and email will also help with channel shift.

  Customers who cannot self-serve will be assisted as they are already.

  This option will take time to implement and therefore the financial implications are not being considered for the 2025/26 Budget.

- **Row 58 Inclusion of new Extended Produce Responsibility grant payment**
  The government confirmed that this is expected to be implemented in 2025/26. As yet, there is no indication of associated funding or service expectations. The government announcement suggested that EPR will be treated as 'new money' for 2025-26 but it may be netted off in the finance settlement in future years. Therefore, it is currently envisaged that this additional funding will not form part of the 2025/26 Budget but will replace the Shared Saving Agreement with DCC due to end in 2026/27. The financial implication of this will be considered later in the budget setting process.
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- **Row 59 Maximise the use of S106 funding**
  Mid Devon Housing now have new legal flexibilities to use affordable housing monies alongside other funding. As result it will be modelling the use of this funding within its updated MTFP to support its pipeline of development schemes. This may offset a limited amount of other borrowing within the Housing Revenue Account. The benefits to the General Fund are also being considered. The financial implications of this will be considered later in the budget setting process.

- **Row 60 Potentially sell services, or provide training to other organisations**

This is a longer term option that cannot be implemented in time for the 2025/26 budget. Members to consider which service areas they feel are most suitable for this proposal for potential inclusion in future year's budgets.

- **Row 61 Cease Printing committee papers and fully utilise ModGov.**
  The Council uses ModGov to facilitate public meetings, however it also offers a printed set of papers. If the printed ceased, the saving would be c£4k. Currently this is not seen as a viable proposition.

- **Row 62 Improve procurement to potentially achieve savings**
  With the introduction of the new (delayed) procurement regulations, and a more proactive approach to procurement could potentially achieve lower cost increases, or even deliver savings on goods and services. This is a longer term option that cannot be implemented in time for the 2025/26 budget, but will be considered in future year's budgets.

- **Row 63 Possible reduction in Pension Contributions from 2026/27.**
  The change in Pension Contributions are updated every three years following an actuary's valuation of the fund. There is little/no influence the council can have on the contribution rate. However, since the last valuation, the fund has increased which potentially could lead to frozen or reduce contributions from 2026/27. This will be considered in future year's budgets.

- **Row 64 Reduce general printing**
  Work is ongoing to ensure general printing is minimised and any saving is negligible, but will be considered in future year's budgets.

3.2 In summary, the above options are being considered / developed, but are not expected to have a significant impact on the 2025/26 Budget, although some could lead to savings in future years.

4.0 2025/26 Budget Options – Further Development

4.1 The remainder of the savings approved on 15 October have also been further reviewed and the following are recommended to be adjusted, or removed:

<u>Pressures – Appendix 1 (October Cabinet)</u>

- **Row 7 Proposed Reduction in Planning Income – £150k**
  Based on the latest Quarter 2 forecast, planning income may not fall as much as originally projected. However, the announcements included within the Autumn Budget may impact the housing market, so an adjustment to this reduction of £50k is proposed.

<u>Savings – Appendix 2</u>

- **Row 14 Possible adjustment to estimated Fuel saving – (£50k)**

Based on the latest Quarter 2 forecast, and the latest announcement in the Autumn Budget to continue to freeze fuel duty, it is forecast that fuel savings could increase by £50k.

- **Row 15 Possible adjustment to estimated Utilities saving – (£150k)**
  The latest prices from October 2024 have recently been received from Laser. The financial implications are currently being forecast and will be brought forward once complete.

- **Row 20 Possible adjustment to estimated Council Tax income (£50k)**
  Based on the proposed Council Tax Taxbase to be approved at Cabinet on 12 November, and a potential referendum limit of 3% as has been the case for the previous 3 years, the forecast income will be £77k lower than previously forecast. This is due to previous over optimistic assumptions.

  It should be noted that 2025/26 will include the additional income generated from the increased premiums on 2nd homes approved during the last budget. However, it was also proposed that these additional sums, of circa £50k, are earmarked to support additional housing projects.

- **Row 21 Possible adjustment to estimated Business Rates income – (£50k)**
  Based on the latest Quarter 2 forecast and announcements included within the Autumn Budget, it is expected that income from Business Rates will vary from the original forecast. This will be considered later in the budget setting process.

- **Row 25 Possible adjustment to Financial Contribution or Transfer of Assets to Town / Parish Councils – (£60k)**
  Although discussions continue, we are yet to reach a position of agreement on increased contributions or asset transfer, therefore this £60k savings is at risk of not being achieved.

- **Row 38 Forward Planning Review service costs/delivery – (£29k)**
  Following further review this has been identified as a duplicate saving, and therefore needs to be removed.

- **Row 43 Possible adjustment to Recycling Income – (£100k)**
  Based on the latest Quarter 2 forecast, it is projected that income from recycling could be further increased by £100k. Note this is a very volatile income stream, but current projections indicate this is achievable.

  Row 52 Possible adjustment to Leisure Income – (£34k)
  Based on the latest Quarter 2 forecast, it is projected that income from Leisure could be further increased by £100k.

4.2 Based upon the above explanations, the following adjustments to the remaining budget shortfall are recommended:

Revised recommended forecast Shortfall (para 2.4 above)	**£531k**
Less:	
Appendix 1 (October Cabinet)	
Possible Adjustment to Row 10 Reduction in Planning Income	(£50k)
Appendix 2 (October Cabinet)	
Possible Adjustment to Row 14 Estimated Fuel saving	(£50k)
Possible Adjustment to Row 43 Recycling Income	(£100k)
Possible Adjustment to Row 52 Leisure Income	(£100k)
Plus:	
Appendix 2 (October Cabinet)	
Adjustment to Row 20 Council Tax income	£77k
Possible Adjustment to Row 25 – Contribution from Town Councils	£60k
Remove Row 38 Forward Planning Review service costs/delivery	£29k
Revised forecast Shortfall	**£397k**

5.0 New / Further Options being considered

5.1 Further work is still ongoing with officers to bring forward additional savings to move this forward towards a balanced budgetary position. Key areas of focus are:

- Revisiting income assumptions / demand
- Business Rates and Council Tax
- Conclusion of discussions with Town Councils
- Staff vacancy target
- Detailed follow up of announcements made in the Autumn Budget
- Government Funding Settlement (Mid-December)
- Finalisation of the Capital Programme and the financing implications

6.0 Capital Programme – General Fund

6.1 The Overall Capital Programme will include new bids for capital funding to support new programmes as well as 'rolling' approvals from current and prior year's Capital Programmes.

6.2 The draft Capital Programme will be reviewed/challenged by the Capital Strategy Asset Group (CSAG) prior to the proposed final programme being brought forward for approval in February.

6.3 Generally, the bids are restricted to replacement equipment, largely based upon health and safety requirements in the leisure centres, new ICT kit, income generation schemes, economic regeneration schemes or invest to save bids.

6.4 At this time, only the General Fund Capital Programme is available. The HRA Capital Programme is being considered and will be brought forward to the December Cabinet.

6.5 **Appendix 2** provides a revised spend profile for the current approvals based on Quarter 2 forecasts. It also provides a summary of the new bids received from services areas for the new 2025/26 – 2029/30 Capital Programme. In February, Member's will be asked to approve the Year 1 programme and note the indicative future years

6.6 The table below, shows the forecast capital expenditure position during the life of the MTFP. This is based upon limited information on the sources of potential funding, particularly in late years. Therefore at this time, the overarching assumption is any unfunded element of the programme is covered through external borrowing. This will be refined and updated as we move through the MTFP timeframe.

	2025/26 £k	**2026/27 £k**	**2027/28 £k**	**2028/29 £k**	**2029/30 £k**	**Total £k**
Existing Programme	10,968	15,373	14,452	1,834	1,382	**44,009**
New Bids	926	1,249	868	1,043	708	**4,744**
Overall Capital Requirement	**11,894**	**16,622**	**15,320**	**2,877**	**2,090**	**48,803**

6.7 In terms of associated funding, the availability of capital receipts are based on a prudent basis, with no major asset sales factored into the model. Similarly, prudent assumptions are included for the availability of Capital Grant to help mitigate some of the proposed costs. If additional receipts are generated, or grant received, the capital prioritisation list could be revisited to bring forward new schemes into the programme or decrease any borrowing requirement.

6.8 Currently any revenue contribution to the Capital Programme is limited to funding held within Earmarked Reserves (i.e. Sinking Funds). No additional use of the New Homes Bonus grant is planned to fund elements of the Capital Programme. Ultimately, any outstanding funding requirement after utilising revenue contributions, reserves and any external funding sources will need to be funded through Prudential Borrowing.

6.9 The Council currently operates a policy of "internal borrowing" whereby it utilises its cash balances rather than undertaking new loans. It is recommended that the Council continues to maximise its use of internal borrowing rather than seeking to fund projects through new external borrowing whilst cash balances remain above £10m. However, given the scale of the proposed Capital Programme, internal borrowing will not be sufficient to fund all bids. Therefore, the Council will need to carefully consider how best to fund the capital funding requirements.

7.0 HRA Medium Term Financial Plan

7.1 The HRA is a ring-fenced account within Mid Devon's financial accounting system. This means that a balanced budget must be set each year including all income and expenditure pertinent to the Council's landlord function and excluding all other income and expenditure (since this would be captured as part of the General Fund budget).

7.2 The Council continues to undertake valuable benchmarking work in conjunction with Housemark. These findings are then used to inform the budget setting process. In doing so, MDDC are able to better identify their position in relation to other authorities in the sector and identify areas for improved efficiency.

7.3 The overall HRA budget has been constructed on a detailed line-by-line examination of expenditure and income, having regard to last year's outturn, this year's forecast position and the on-going improvement of the housing service.

7.4 Some items of expenditure can be defined quite accurately whilst others require managers to exercise business judgement based upon their experience, particularly in the case of new commitments. Where such judgement has been applied, the proposals before Members are based upon realistic assumptions.

7.5 The main changes for the 2025/26 budget can be summarised as follows:

Expenditure:
- An assumed pay award for 2024/25 equivalent to 3%;
- Pension Contribution rate remaining at 19.0%;
- An assumed inflationary increase in contractor and materials spend against the current year budget;
- Additional provision for essential repairs and maintenance and other legislative requirements.

Income
- An inflationary increase of 3% (based on CPI +1%) is projected on existing rents. This is linked to September CPI which was recently announced at 1.7%, therefore this forecast will need to be refined slightly;
- An assumed reduction in Garage rents and Garage plot ground rent income as the development programme develops the land. At present the budget assumes no change to the weekly charge;
- Decreased interest yields on balances held.

7.6 The overall rental income was materially affected by the Governments previous policy to reduce Rents by 1% each year for four consecutive years and in

2023/24 by the government cap of 7% when inflation was over 11%. The Ministry of Housing, Communities and Local Government (MHCLG) have confirmed councils and housing associations will be able to increase their social housing rents by September's Consumer Price Index figure plus 1% across the 5-year MTFP period. However, the sector continues to call for a 10-year rent settlement to give greater financial certainty for tenants and landlords.

7.7 Currently there is no financial provision for recent announcements during the last few weeks and comments emanating from the labour party conference regarding the future of Right-to-Buy, changes to rent setting and new energy efficiency requirements. These are currently being assessed.

7.8 Previous legislation on Right to Buy means that we would normally sell several properties per year. However, based on the amendments to the scheme set out in the Autumn Budget, this is likely to fall.

7.9 Similarly, we forecast that we will have a number of void properties during the year. We have a prudent forecast of voids across the year this is based on an assessment of current void numbers in line with previous years. This number included properties held to facilitate new development.

7.10 It has been deemed as prudent to maintain the HRA reserve balance at £2,000k and it is expected to remain so throughout 2024/25. At the start of 2024/25, other HRA revenue reserves totalled £21,330k. This included the following notable balances:

- £13,943k in the Housing Maintenance Fund (HMF);
- £746k in the Renewable Energy Fund (REF); and
- £189k for future decarbonisation works. It is intended that any expenditure funded from the REF monies be used on renewable energy schemes.

In addition there is also the PWLB repayment fund which is being built up in order to repay the loan taken out to originally buy the stock in 2012. This currently stands at £5.928m.

7.11 The budget summary for the 2025/26 HRA is shown in **Appendix 3**. It will continue to provide for an enhanced housing service which will allow for more capital investment and additions to our existing stock. Current estimates place the HRA budget gap at £168k for 2025/26 rising to £3,092k over the MTFP timeframe. Note these projections use a number of assumptions that will be finalised over the coming few weeks.

7.12 The ambition to build a significant number of new properties continues across the 5-year Medium Term Financial Plan. The prospect of building new social housing raises the issue of significant future capital financing requirements.

Budget at assumed interest rates of circa 5% is included within the future years of the MTFP to finance the build of a number of new highly efficient (zero carbon) modular buildings, subject to securing sufficient funding. Members are reminded that the constraint on increasing stock is still an issue of affordability, not the access to borrowing.

8.0 Autumn Budget Announcements and their potential impact

8.1 On the 30 October 2024, the first ever female Chancellor of the Exchequer gave her first Autumn Budget statement. As trailed, it was a significant budget with many proposals included that ultimately are forecast to raise taxation by £40bn.

8.2 There were some significant announcements for local government and district councils. The main headlines were:

- Departmental revenue budgets will increase by 1.5% in real terms across the spending review period. However, there are also 2% departmental productivity, efficiency and savings targets included for next year.

- 3.2% real-terms increase in Core Spending Power (CSP) for the whole sector in 2025-26. This will include £1.3bn additional grant funding, of which at least £600m will be directed to social care.
  We have currently modelled a 2% increase in the grants included within the Core Spending Power. Note the CSP includes a notional increase in Council and Business Rates, which could well more than offset the remaining 1.2% uplift to match the above inflation 3.2% sector increase. It is understood that this funding will be allocated through a new approach, therefore, we cannot currently assess whether there is any benefit in this announcement.

- The Budget was silent on Council Tax referendum limits but the sector continues to lobby hard for the referendum principles to stay at 2.99% for Districts.
  The implications of this are set out above.

- £233m new funding for homelessness prevention. This will be in addition to the £1.3bn grant funding.
  The headline announcement is welcomed, however greater detail is required to understand if this will be added to existing grants, or will be allocated through a bidding process, or whether this funding might be one-off or come with additional requirements. It is hoped that this clarity is announced within the Local Government Finance Settlement. This could be beneficial for the 2025/26 budget. There is still a clear need for a longer-term plan to tackle the root causes of homelessness, especially by increasing the supply of genuinely affordable housing.

- £1bn to extend the Household Support Fund and Discretionary Housing Payments into 2025-26.
  Again, this headline announcement is welcomed and will be of benefit to residents of the district.

- £1.1bn new funding through implementation of the Extended Producer Responsibility scheme for recycling.
  The headline announcement is welcomed, however greater detail is required to understand how this funding will be allocated and whether this funding might come with additional requirements. It is expected that this clarity will be provided within November.

8.3 In addition, there were other announcements which will also benefit local government, including:

- There were positive measures to support councils with affordable housing:
  - £500m increase to the Affordable Homes Programme in 2025-26.
    This could be beneficial for the HRA development programme that has previously benefitted from this funding source. It is a bid based grant, so there is no guarantee that our bid(s) would be successful.

  - Right-To-Buy: councils will be permanently allowed to retain 100% of receipts locally and discount levels will revert to pre-2012 levels from 21st November.
    The maximum discount on RTB sales would reduce from £102,400 to £30,000 (applicable in South West region). This is good news for retaining stock, but means that RTB receipts income will also be reduced. We would like the Government to go further and expect it to announce further reform to Right-To-Buy in the coming months, including on eligibility criteria and better protection for newly built council homes.

  - Five-year rent settlement for social housing landlords: rents will rise by Consumer Price Index +1% each year during the period. Following the consultation, it is possible this timeframe could be expanded to 10 years.
    The certainty is welcomed.

  - Preferential Public Works Loan Board borrowing rates for local authorities to build social housing will be extended to March 2026.
    This could potentially be beneficial for the HRA development programme, although the rates will still be more expensive than borrowing internally, so a longer term view is being considered.

- There were key announcements which will affect councils as employers:
  - Employer national insurance (NI) contributions will increase by 1.2% to 15% from April 2025. The threshold for paying this will decrease to £5k per year.
    For MDDC, the additional cost is modelled at c£400k (c£300k GF, c£100k HRA). However, an allowance has also been included within the Chancellor's estimates to protect the public sector from this additional cost. There are not yet any details available on how the government intends to do this, but it is therefore assumed that this will be cost neutral for the Council.

  - National Living Wage will increase by 6.7% to £12.21. Minimum wage for 18- to 20-year-olds will increase by 16% to £10 per hour.
    Our lowest SCP has moved to just above NMW and our apprentices are paid above the government rate. However, this will have a knock-on impact on our grading structure to ensure the lowest grades "keep up" with these increases.

- There were also other generic announcements:
  - Delivering hundreds of local energy schemes to help decarbonise the public estate through the Public Sector Decarbonisation Scheme, with over £1 billion of funding over three years.
    Note the Council did not qualify for the latest PSDS scheme as we do not have buildings within older heating systems.

  - Taking the first step towards a Warm Homes Plan, committing an initial £3.4 billion towards heat decarbonisation and household energy efficiency over the next three years.
    Similarly, there is limited benefit from the most recent wave of social housing decarbonisation funding to our housing stock as the vast majority of our homes have an EPC rating of C or above, meaning we are on track to meet the 2030 requirement.

  - UK Shared Prosperity Fund has been extended for 2025-26 at a reduced level of £900m, a 40% decrease on the current year. It is not yet clear whether this funding will continue to be allocated directly to district councils in two-tier areas.
    We will need to assess any likely grant allocation and how to maximise the benefits from it.

- Reforms to Business Rates continue to be considered.
  - The small business multiplier in England will be frozen for a fifth consecutive year at 49.9p, while the standard multiplier will be uprated by CPI in March 2025. There could be more, new, categories of multiplier in future years.

    This continues to make a complex system even more complex. However, potentially it could yield additional income.

    - A lower 40% relief for Retail, Hospitality and Leisure properties will be in place in 2025-26. Permanently lower multipliers will be implemented for these properties from 2026/27.
      Although the relief is reduced and we will collect more tax directly from these companies, the offsetting compensation through S31 Grant will reduce. Therefore, this is not expected to impact our bottom-line.

    - Government is silent on a business rate reset, and when this would implemented.
      This was originally due in 2020 so is long overdue. However, the implication of a reset may not be advantageous.

    - A consultation has been launched on

        - Changes to the system to support investment, including assessing efficacy of Improvement Relief and the impact of loss of Small Business Rates Relief on expanding to a second property.
        - Adopting a 'General Anti-Avoidance Rule' for business rates in England and review recent measures to discourage avoidance.
        - Digitalising Business Rates changes will be implemented by place by March 2028.

- On wider funding reform:
    - The Government signalled it will reform the local government funding system after 2025/26 and will carry out a broader redistribution of funding to better reflect local need (previously known as Fair Funding) through a multi-year settlement from 2026/27.
      The fair funding reforms were originally announced in 2016 and are long overdue. However, there is no clarity on what these reforms might be and their impact on MDDC. Whilst a multi-year settlement is welcomed as it provides a greater degree of certainty, the funding within them needs to be sufficient to enable good quality services to be delivered.

    - The Government has signalled its intention to embark on local government reorganisation to deliver "efficiency savings". It will set out more detail in the English Devolution White Paper, likely to be published in late 2024.
      We await the white paper to understand any implications.

8.4 The Government is expected to publish a finance policy statement in mid/late November to set out the key decisions and principles for the provisional Local Government Finance Settlement. The provisional Local Government Finance Settlement is still anticipated in mid-December. This will set out the detail of funding allocations for individual councils.

8.5 Overall, the funding package for local government is better than many expected and it contains some good news for district councils. However, it remains unclear how much of the new grant funding will come to district councils and whether the funding package will deliver a real-terms increase for districts.

9.0 Conclusion

9.1 Although progress continues to be made to balance the 2025/26 Budget, there remains a reduced shortfall to be mitigated. Therefore, all possible options to increase income or reduce costs must be considered.

9.2 There remains a number of areas where greater clarity from Government, or indeed local circumstances, that will impact on the 2025/26. Many of which are now in corporate or non-service areas. Updates and any new budget options will be brought forward for consideration over the next few months in the run in to setting the 2025/26 budget in February 2025.

9.3 Members will appreciate that all budget options will require political support and therefore if some suggestions are deemed to be unacceptable then other savings will need to be proposed. Members should indicate where these alternatives should be sought.

Financial Implications

By undertaking regular reviews of the MTFP the Council can ensure that its Corporate Plan priorities are affordable. The implications of the budget gap are set out within the paper. Many areas require greater clarity, particularly around national funding and possible changes to Government Policy. Therefore a number of key assumptions underpin the reported position, which will be refined as greater clarity is received through the budget setting process.

Legal Implications

None directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

Risk Assessment

The MTFP makes a number of financial assumptions based on a sensible/prudent approach, taking account of the most up to date professional advice that is available. These continue to be kept under review and updated where necessary.

Impact on Climate Change

The allocation of resources will impact upon the Council's ability to implement/fund new activities linked to climate change, as the MTFP sets the broad budgetary framework for the Council over the coming years. However, some provision has already been included in the base budget. Significant investment is currently forecast within the Capital Programme, however this will be dependent upon full options appraisals and levels of Grant funding available.

Equalities Impact Assessment

No implications arising from this report.

Relationship to Corporate Plan

The Medium Term Financial Plan (MTFP) sets out the financial resources available to deliver the Council's ongoing Corporate Plan priorities.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett
Agreed by or on behalf of the Section 151
Date: 8 November 2024

Statutory Officer: Maria De Leiburne
Agreed on behalf of the Monitoring Officer
Date: 8 November 2024

Chief Officer: Stephen Walford
Agreed by or on behalf of the Chief Executive/Corporate Director
Date: 8 November 2024

Performance and risk: Dr Stephen Carr
Agreed on behalf of the Corporate Performance & Improvement Manager
Date: 8 November 2024

Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers

Contact: Andrew Jarrett – Deputy Chief Executive (S151)
Email: ajarrett@middevon.gov.uk
Telephone: 01884 234242

Background papers:

- 2024/25 Budget
- 2024/25 Qtr. 2 Budget Monitor