

Report for: COUNCIL

Date of Meeting:	19 February 2025
Subject:	2025/26 Council Tax Resolution
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Governance, Finance & Risk
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 2025/26 for Mid Devon.

Recommendation(s):

- 1. That Council 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.**
- 2. That Council note the views and recommendations of the Deputy Chief Executive (Section 151 Officer) on the Robustness of the Estimates used within the 2025/26 Budget and that the levels of reserves held have been assessed as Adequate as outlined within Section 4 of this report.**

Section 2 – Report

1. Introduction

- 1.1 The Local Government Finance Act 1992 (as amended) requires billing authorities to calculate a Council Tax requirement for the year.
- 1.2 The Cabinet meeting on 4 February 2025 recommended approval of the District Council Revenue Budget 2025/26 and that there be an increase of 2.99% (£6.96 per

Band D property) in the level of Council Tax charged by Mid Devon District Council, resulting in a Band D Council Tax level of £239.12.

- 1.3 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 2024 and confirmed through the Final Settlement announced on 3 February 2025.
- 1.4 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 £5. Police and Crime Commissioners are able to increase a Band D bill by £14.
- 1.5 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. 2025/26 Council Tax Resolution

- 2.1 Since the meeting of the Cabinet on the 04 February 2025, 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. The status is as indicated below and will be confirmed at the Council meeting on 19 February 2025. Indicative figures have been included within the Resolution attached in Appendix A and are detailed below:

2.1.1 Town and Parish Councils – all fully agreed

The Town and Parish Councils precepts for 2025/26 are detailed in **Appendix A, paragraph 3.1**, and total £2,701,847.56. The increase in the average Band D Council Tax for Town and Parish Councils is £5.75 or 7% and results in an average Band D Council Tax figure of £87.91 for 2025/26 (£82.16 for 2024/25).

2.1.2 Devon County Council – as recommended within their report

Devon County Council, who meet on the 20 February 2025, recommend their precept be set at £55,357,961.47 adjusted by a Collection Fund surplus of £672,255.74. This results in a Band D Council Tax of **£1,801.26**, a £85.59 or 4.99% increase on the previous year (inclusive of the Social Care element). The detail is shown in **Appendix A, paragraph 4**.

2.1.3 Devon & Cornwall Police and Crime Commissioner – fully agreed

Devon & Cornwall Police and Crime Commissioner met on the 31 January 2025 and set their precept at £8,857,224.66 adjusted by a Collection Fund surplus of £107,558.10. This results in a Band D Council Tax of **£288.20**, being a £13.70 or 4.99% increase on the previous year. The detail is shown in **Appendix A, paragraph 4**.

2.1.4 Devon & Somerset Fire and Rescue Authority – as recommended within their report

Devon & Somerset Fire and Rescue Authority, who meet on the 17 February 2025, recommend their precept be set at £3,217,121 adjusted by a Collection Fund surplus of £39,058. This results in a Band D Council Tax of **£104.68**, being a £5.00 or 5.02% 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	2024/25	2025/26	Variation	
	£	£	£	%*
Mid Devon District Council	232.16	239.12	6.96	2.99 ¹
Parish & Town Councils (Average)	82.16	87.91	5.75	7.00
Sub Total	314.32	327.03	12.71	
Devon County Council (inc Social Care Precept)	1,715.67	1,801.26	85.59	4.99 ²
Devon & Cornwall Police and Crime Commissioner	274.50	288.20	13.70	4.99
Devon & Somerset Fire and Rescue Authority	99.68	104.68	5.00	5.02
TOTAL	2,404.17	2,521.17	117.00	4.87

*Note, these values will be rounded to one decimal place on the bill – i.e. 3.0% or 5.0%.

3. 2025/26 Local Government Finance Settlement

3.1 On the 04 February 2025, the Cabinet considered the budget for the financial year 2025/26 based upon the Provisional Local Government Finance Settlement. This meeting recommended a balanced General Fund budget requiring a £6.96 (2.998%) 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 3 February 2025 by the Secretary of State and confirmed only a very minor increase in the funding to partially offset the additional pressure arising from the changes in Employers National Insurance Contributions within the HRA. The other funding remains as announced within the Provisional Settlement.

3.3 There were more changes in grants for 2025/26 than we have seen in recent years, reflecting the views of a new Government. In some cases, MDDC has lost funding, most notably through the cessation of the Rural Services Delivery Grant and Services Grant, however, this is partially offset by an increase in the Funding Floor. Overall the like-for-like grant element of our settlement reduced by £297k year-on-year. This is

¹ Note – MDDC increase is 2.998%

² Includes 1.99% For Adult Social Care

quite different to the minimum 3.2% guaranteed increase in spending power announced by the Government.

- 3.4 The Final Settlement also confirmed the funding to offset the changes in Employers National Insurance Contributions. MDDC will receive £151k towards the £466k additional cost (£369k General Fund only and £97k Housing Revenue Account), leaving £315k additional pressure on these revenue budgets.
- 3.5 As yet there is no update in respect of the Extended Producer Responsibility funding where the minimum allocation has been announced as £927k for 2025/26. Disappointingly, this funding will be subsumed into future year's settlements. It should also be noted that this is the final year of the Devon Waste Shared Saving Agreement.
- 3.6 There continues to remain a great deal of uncertainty over the future levels of Government funding. The Government have published a consultation of the "Principles and Objectives" on Local Government Funding, outlining a number of changes planned to be implemented from 2026/27. It also outlines the provision of multi-year settlements for the first time in ten years. This continues to be the last year of New Homes Bonus Grant, as it has been for a number of years, but as yet no replacement scheme has been outlined. Alongside this, significant change is expected within the Business Rates Retention Scheme, not least with an expansion to the number of multipliers applied to various sections of the economy, and a reset of the Funding Baseline. Therefore, perhaps more than ever, the impact on our core 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.

4.2 Robustness of the estimates

- 4.2.1 The estimate process adopted by the Council for 2025/26 is concerned with the mitigation of risk wherever possible when approving the budget.
- 4.2.2 Construction of the estimates for 2025/26 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 2024);
 - 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 demand led income sources (e.g. car parking, planning, leisure and interest receipts). We also have increased volatility and risk in the Council's overall budget (i.e. collection fund levels and returns from our commercial rental portfolio) given the current economic climate. These budgets have been carefully monitored during 2024/25 and this process will continue during 2025/26.
- 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. Specifically, we have reduced planning income as the housing market remains depressed, whereas we have increased leisure income as membership numbers have grown. 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 Medium Term Finance Plan budget gap of circa £1,196k estimated for 2025/26 rising to £3,995k by 2028/29 based upon a number of key assumptions (e.g. changes for Government funding mechanisms, inflation rates, pay award, Council Tax level, use of balances/reserves).
- 4.2.12 After significant work by Officers over the summer, savings options totalling £1,836k were considered by the first round of PDG meetings in October. Following Cabinet approval in October of some of these savings, the position had reduced to a shortfall of £431k. Further refinement of assumptions within those savings proposals and some new savings options were considered by the November round of PDG's before being presented to the December Cabinet, which approved a further reduction down to £191k. However, following the Local Government Finance Settlement and identification that the National Insurance changes would not be fully funded, the January Cabinet reported an increase in the shortfall to £450k. That final shortfall has largely been resolved through an increase in Business Rates income reflecting the local economic growth.
- 4.2.13 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.
- 4.2.14 The Council's External Auditor, Bishop Fleming, have given an unqualified opinion on the 2023/24 financial statements, although it has highlighted a couple of significant weaknesses in Governance. One being the issue with 3Rivers highlighted in 2022/23, although recognised the steps taken to close the company resolved the issue. The other being to ensure all the necessary steps are taken to resolve and rectify the historic Social Housing Rent error.
- 4.2.15 "The District Council is recommended to note that, in my opinion, the estimates used in the production of the budget proposal for 2025/26 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. To smooth 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 2025/26 are set out below:

- a. The Economic circumstances including the Cost of Living Crisis leading to:
 - i. Potential 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;
- g. The Budget makes no financial provision for Local Government Reform and Devolution planning.

4.3.4 In preparing the 2025/26 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 2025/26 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 as outlined in paragraph 3.6 above.

- The government plan a reset of Business Rates growth in 2026/27 following significant delays that have allowed growth to continue. The Council currently forecasts income from Business Rates to be approximately £2.7m above the Government's current baseline calculation (2013/14 notionally updated for inflation). Depending on the data used to set the new funding baseline, there is a risk that some (or possibly all) of this additional funding could be lost, potentially along with the benefit of pooling in the future. For example, if the new baseline were based on the 2023/24 taxbase, its possible up to £1m of growth is at risk. The latest MTFP forecast for 2026/27 includes an estimated loss of £500k, and over and above this the Council holds a Business Rates smoothing reserve of £600k.

- Similarly, the New Homes Bonus scheme is planned to be scrapped. In 2025/26, the Council will receive £498k. Although this funding should be ring-fenced to Local Government, there is no guarantee any replacement funding mechanism will benefit MDDC to that value. The MTFP forecast includes an assumption of a 20% reduction across all government grants.
- 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 further decarbonisation schemes across our asset portfolio.

4.3.7 The General Fund balance brought forward into 2024/25 amounted to £2,025k. The 2024/25 budget monitoring reports are predicting a year-end surplus of approximately £300k, giving a forecast General Fund balance of approximately £2,300k, above 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.

4.3.8 A review of the minimum reserve levels has been undertaken to assess the ongoing minimum General Fund reserve balance. It recommends retaining the balance at £2,000k. The HRA also has a recommended £2,000k minimum balance, which it is projecting to breach as the Council refunds the overcharged rent. Depending on the final reduction in the reserve, the HRA will form a plan to replenish back to the recommended level in a controlled way over a period of time. As part of the detailed budget setting process all of our other Earmarked Reserves were reviewed 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 in the interim, it is replenished in a planned, affordable way.

4.3.9 As part of the detailed budget setting process all of our other Earmarked Reserves were reviewed to ensure they provided for known future financial pressures.

4.3.10 “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 2025/26 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 adequate reserves, it is my considered opinion as Section 151 Officer that the budget for 2025/26 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 2025/26 which is derived from its balanced budget, as recommended by Cabinet on the 04 February 2025 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 2025/26 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: 11 February 2025

Statutory Officer: Maria De Leiburne

Agreed on behalf of the Monitoring Officer

Date: 11 February 2025

Chief Officer: Stephen Walford

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

Date: 11 February 2025

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 11 February 2025

Cabinet member notified:

Section 4 - Contact Details and Background Papers

Contact: Paul Deal – Head of Service for Finance, Property & Climate Resilience

Email: pdeal@middevon.gov.uk

Telephone: 01884 234254

Background papers: Cabinet Report – 04 February 2025