

Report to: Cabinet



Date of Meeting 2 February 2022

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Revenue and Capital Budgets 2022/23

Report summary:

Cabinet adopted draft Revenue and Capital Budgets for 2022/23 at its meeting on 5th January 2022. A joint meeting of the Overview and Scrutiny Committees reviewed those budgets on 12th and 17th January and the Housing Review Board considered the Housing Revenue Account budgets on 13th January.

Recommendations from those meetings are detailed in this report and the minutes are contained on the agenda. It is now for Cabinet to consider comments and recommendations and to make their recommendations to Council.

As part of the Prudential Code for Capital Finance in Local Authorities the Council is required to set prudential indicators as part of its budget setting process, these indicators are detailed in the Treasury Management Strategy 2022/23 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy and are included on the Cabinet agenda. They reflect the proposals and details in this report.

Alongside the Treasury Management Strategy sits the Capital Strategy which is also contained on this agenda for adoption.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

It is recommended to Council

1. To propose the Net Revenue General Fund Budget for 2022/23 of:
 - a) £14.343m including income from car park charges proposed by Overview & Scrutiny Committees, the inclusion of staffing resources at £737k (detailed in report), the Tree Strategy of £50k to be met from the Climate Change Budget and the requirement to take £89k from the General Fund Balance, or
 - b) £14.254m including income from car park charges proposed by Overview & Scrutiny Committees with the additional car parks added as detailed in 2.5 of the report (and background papers), the inclusion of staffing resources at £737k (detailed in report), the Tree Strategy of £50k added to the budget and £159k added to Recycling and Waste Budget. No sum required from the General Fund Balance, or

c) Alternative proposal.

2. A Council Tax increase is approved of £5 a year giving a Band D council tax of £156.78 a year for 2022/23.
3. That the Housing Revenue Account Estimates with a net surplus of £0.208m is approved.
4. That the Net Capital Budget totalling £7.919m for 2022/23 is approved.

Reason for recommendation:

There is a requirement for the Council to set a balanced budget for both the General Fund and Housing Revenue Account and to levy a Council Tax for 2022/23.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Equality impact was considered by budget managers with finance officers during the budget preparation stage with consideration given to any budget variation which could result in any service changes being assessed as high, medium, or low in terms of equality impact. Due to the fact that no high or medium impacts were identified it is deemed that a full impact assessment is not necessary for implications in the budget proposals.

Climate change High Impact

The budget approval gives the Council the resources necessary to undertake its business which will significantly contribute to the carbon footprint of the Council. There are budgets proposed to address this issue and fund actions for 2022/23 which reduce the Council's Carbon emissions.

Risk: Low Risk;

Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of

these areas the Council's financial standing, management and track record have been considered in order to prepare robust budget proposals.

Other specific areas of risk were highlighted in the budget report to Cabinet on 5th January 2022.

Links to background information

[Draft Budget 2022/23 Report to Cabinet 5 January 2022](#) item 141

[Proposed car parks tariff changes](#)

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

1. Introduction.

1.1 The Cabinet adopted draft revenue and capital budgets on the 5th January 2022.

1.2 The budgets, associated service implications and Service Plans were then considered by:

- A joint meeting of the Overview and Scrutiny Committees on 12th and 17th January.
- The Housing Review Board considered the Housing Revenue Account (HRA) budgets at its meeting on 13th January.
- Comment were also invited from the business community to the Council's draft budget proposals. No direct feedback has been received at time of report writing.

1.3 This report follows on from the draft Revenue and Capital Budgets 2022/23 report presented to Cabinet on the 5th January; this gave significant narrative on the budget proposals including the details presented in the budget book. For reference:

- [Draft Budget 2022/23 Report to Cabinet 5 January 2022](#)
- [2022/23 budget book](#)
- [Our service plans - East Devon](#)

2. Update and Summary of recommendations to Cabinet.

2.1 The minutes of the joint meeting of the Overview and Scrutiny Committees on 12th and 17th January and the Housing Review Board meeting of 13th January are contained on this agenda.

2.2 The draft budget for the General Fund, Housing Revenue Account and Capital Programme were recommended by these Committees as those adopted by Cabinet on 5th January, with the exception being that the Overview and Scrutiny Committees made specific

recommendations on car park charges. Recognising how busy prime tourist car parks were with the associated costs and the benefit that could be derived from increasing charges to help protect public services.

2.3 Cabinet in the draft budget supported an increase from April 2022 in **19 Prime Car Parks to £1.50 an hour instead of the £1.20 approved by Council a year ago. This generated an estimated £339k additional income balancing the budget without needing to use the General Fund Balance.** Members of the Overview and Scrutiny Committees strongly supported further car park increases bearing in mind there had been no increases for 10 years and the use of the estimated additional income would eliminate the budget deficit (that would be carried forward to be tackled in the following year if not addressed), and importantly additional income to be used to support resources required in front line teams to safeguard against service reduction as highlighted by Service Leads in the January Cabinet Report.

2.4 The recommendation from both the Overview and Scrutiny Committees were to:

Adopt a £2.00 an hour charge for a limited number of popular tourist hot-spot car parks within Category 1 (Prime Car Parks): Beer Central, Exmouth Queen's Drive, Queens Drive Echelon, Exmouth Foxholes, Exmouth Beach Gardens, Budleigh Lime Kiln and Sidmouth Ham (East and West) from April 2022, and

Adopting a £1.50 an hour charge for all other Category 1 (Prime) car parks from, April 2022 but avoid the 10p per year charge for the subsequent three years to prevent damage to vulnerable High Street businesses.

It is estimated this would generate additional income of £790k above the £339k originally proposed. This is based on existing demand and there are risk factors as highlighted by the Service Lead for Environment and Car Parks below in assuming this level of income. **It would be prudent to factor in a reduction of say 20% as a risk mitigation in the budget reducing the income to be budgeted to £632k.**

2.5 In considering the recommendation of the Overview and Scrutiny members may wish to **consider adding a further 9 car parks (as considered in section 3 below) to the list which seem to fit the same criteria as discussed by members in terms of the £2 per hour revised charge. This would generate a further £372k and applying the same budget risk factor of 20% gives an amount of £298k. Members may also wish to consider introducing a cap of £8 for all day parking in these car parks which are long stay.**

2.6 The report in section 3 below gives members the observations from the Service Lead Environmental & Car Parks on the position with proposed car park charges. Section 4 is an extract from the January Cabinet report outlining key areas of expenditure that were excluded from the draft budget as unaffordable that members wished to be funded from income derived from the decision on raising car park charges.

2.7 **If Cabinet endorse the Overview and Scrutiny Committee recommendation (2.4 above) then it is suggested in line with the Committees views the staffing requests totalling £737k, highlighted in Section 4 of this report, are included in the 2022/23 budget. This would leave £89k to be met from the General Fund Balance. It is also suggested in line with Committees wishes that the Tree Strategy be included in the budget at £50k and funded from the Carbon Reduction Budget.**

2.8 **If Cabinet endorse the Overview and Scrutiny Committee recommendation but with additional car parks included, as outlined in 2.5 above, then again in line with the**

Committees views the staffing requests totalling £737k, highlighted in Section 4 are included in the 2022/23 budget and £50k included for the Tree Strategy (not funded from the Climate Change budget) this would then leave a sum of £159k which is suggested is added to the amount set aside in the draft budget for the Recycling & Refuse costs to ensure sufficient sums are provided.

3. Observations on proposed car park charges increases (Service Lead).

Having listened to the debate, taken this opportunity to observe changes being made in the car parking tariffs in surrounding areas, reflected on the impact of “staycations” in our local areas and elsewhere and then reflected carefully, we would now advise Members that there is now a legitimate opportunity to review our car parking tariffs to enable us to better fund and manage the day to day running, maintenance and future development of our car parks portfolio.

All of the above figures make an assumption that our revised charging tariffs are long overdue and that customers will hopefully view our proposals to catch up with inflation and VAT increases over the last ten years alone to be both fair and reasonable. Benchmarking our tariffs with other providers around Devon and Dorset suggest that this is a correct interpretation. Our predictions therefore assume that the staycation culture will continue into 2022 and that any concerns about price sensitivity leading to “avoidance” of new tariffs (either by shorter parking durations for the same price, risking fines or even displacing to other locations) are without an evidence base. Equally, we acknowledge uncertainty around the obvious (and ongoing) changes to local peoples’ working, shopping and socialising habits post-pandemic but we have no basis for factoring in such changes. Finally, we have a commitment to tackling our climate emergency and increasing the tariff in our most congested and heavily used car parks will certainly do no harm in this respect and may deliver a useful nudge in favour of more active and sustainable travel options.

All in all, we have assumed that our customers will continue to use our car parks in the same way and to park for the same periods of time and no allowance has been made for loss of revenue for any of these reasons. Accordingly, a tariff increase of 50p – from £1:00 to £1:50 per hour (for example) is being assumed to generate an increased revenue income (net) of 42p (after deducting VAT AT 20% from both of these figures) for every existing £1 of gross revenue being received.

However, recognising that this does involve a very serious risk due to factors over which we have neither control nor influence, it seems prudent to factor in a reduction from this maximum possible increase in revenue and a 20% contingency would seem a reasonable and prudent sum to allow.

Finally, we do need to consider both permit charges and also to consider the impact of “capping” the maximum daily and weekly charges for our car parks to ensure that a linear application of the £1.50 or £2 tariff does not lead to unreasonably high charges.

My feeling is that for our short stay car parks, no cap will be necessary and a tariff of £1.50 or £2 per hour will result in a maximum stay charge of either £4.50 or £6 and based on our typical stay data, the average transaction will go from £1.11 up to somewhere between £1.60 and £2.50.

In our long stay car parks however, benchmarking with other areas suggest that a maximum daily charge (ours is currently based on a maximum charge of six hours buying up to 24 hours) becoming either £9 or £12 may be slightly higher than (say) some car parks in Lyme Regis that are often cited for comparison purposes. Again, our average long stay transaction tends to be around a 3 hour stay so that charge of £6 may still be acceptable. However Members may wish to cap our long stay car parks at a level that incentivises longer (all day) stays by visitors and by capping the charge at (say) £8. In so doing we could send a message that East Devon is still a good value destination for visitors and may well have the added benefit of encouraging visitors to pay for a better value all day ticket rather than for example buying 2 or 3 hours for £4 or £6. As we are seeing increasing moves to contactless card and RingGo payments, this slight step up may well be less of an issue for our visitors that we might previously have feared.

Last year Members decided that from April 2022 we should increase our basic annual permit charge (for one town) by £20 to £120 per year and by £40 to £240 for all EDDC pay and display car parks. At just a few pounds per week, this still represents great value for anyone who uses our car parks regularly, it softens the impact of our other price increases on local people and I would not recommend any further change this year. We are continuing to work with our IT supplier to find a way of offering these permits as a monthly payment option where required.

Find in background link car parks with revised charges indicated.

4. **Reminder of items currently not included in the draft budget as not affordable with risks highlighted on service provision – Extract from January Cabinet report**

The draft budget has been prepared on the basis of continuing to provide existing services, Service Leads, however, in some areas are highlighting additional staffing resources are required to maintain service levels and without the resources service levels will fall. These requests for additional resources **have not been included in the 2022/23 draft budget** as they are unaffordable unless additional income or savings are found within services. The requests are as follows with further details contained in the link papers [original Cabinet Report].

- **Streetscene request of £285k in base budget, summary from Service submission below:**

Streetscene are currently facing staffing and resource issues, proposals are outlined in the attached report to address the situation. Proposals to meet shortfalls so that rising service demand, statutory duties and ambitions set out in the council plan can be met effectively. Service demand has increased greatly over the last few years, with a notable uplift in visitors and tourism, and an exponential rise in housing developments across the district such as Cranbrook, meaning more residents and use of our towns, parks, beaches, and public spaces. Failure to invest in appropriate staffing resource, may result in the need to undertake a wider and more in-depth review as to what Streetscene carries out beyond its statutory duties going forward.

There has been no investment in staffing resource over the last 10 years through austerity, but at the same time demand, population and strain on our services has increased. Just last year, demand for seafront cleansing rose by 29%. The paper recommends the appointment of posts to match rising demand. This is reported as a stand-still position and does not account for inevitable future growth.

- **Environmental Health and Car Parks request £250k to £300k in base budget, summary from Service submission below:**

The report attached considers the future of both Environmental Health Service and the Car Parking Service against the capacity to meet council ambitions, customer expectations and statutory duties.

Recognising the scale of change being proposed and the potential cost, the Service has produced the paper as a discussion document.

- **Development Management request £129k in base budget, summary from Service submission below:**

The development management team have seen a rapid and sustained increase in demand for their services over the last 18 months or so. This increase in the number of applications received is then reflected in increases in demand across the other work streams including discharge of conditions, minor amendments and other enquiries. Whilst we have managed to increase the number of decisions being issued it has consistently remained below the numbers received and hence a backlog has been built up such that we have gone from having around 500 applications on-hand to over 600. The 500 we had on-hand at the start of 2020 was already a record high.

Much of this backlog is a result of the high numbers of household extensions which has overloaded our householder team despite additional resources having been put in place. The report proposals additional staffing resources including an additional manager.

- **Arts and Culture request for £23k in base budget, submission below:**

A request for a new role of Theatre Supervisor at Manor Pavilion Sidmouth and a part time Box Office Assistant. The proposal requires a net cost of £23K if implemented with saving proposals. To provide the appropriate level of support for the Theatre Manager as the venue has no other supervisory staff who can be deployed to run the venue, manage performers and cover Health and Safety issues, facilities management issues etc. Therefore the theatre is "at risk" in the event of the Theatre Manager being absent. This also ensures we have a clear succession planning process in place. The current budget is for 1 Full Time manager 1 Part Time admin and 2 Part Time Box office. The proposed new structure 1 Full Time Manager, 1 Full Time Assistant Manager, 1 Part Time Admin and 1 Part Time Box office

These requests totalling £737k are unaffordable within the resources available if we are to continue to fund existing services as they currently are. This report proposes that Cabinet and SMT+ work closely over the coming months to understand the details of these requests, determine their priority against existing services and determine whether additional income/savings can be generated to support a proposal of supplementary budget being recommended to Council in year for part or all of these requests.

A request for £60k for a Council Voluntary Service has been made. **This has not been included in the draft budget as unaffordable** but members need to be aware. A more detailed paper is attached to this report.

East Devon is the only district within Devon that doesn't have a Council for Voluntary Service (CVS). A CVS is part of a national umbrella organisation that provides whatever support is needed by the Voluntary, Community and Social Enterprise Sector (VCSE) in a geographical area. This was highlighted as a bigger issue at the start of the Coronavirus pandemic when other CVSs from throughout Devon led / coordinated their areas responses in terms of getting support to residents that needed it. Our VCSE sector did a fantastic job of supporting residents, and still are, but we want to help support them so they can be even better at what they do.

The money provided would be used to provide support such as the following to the VCSE sector within East Devon, as has been requested by them:

Networking opportunities with other VCSE groups to enable the sharing of best practice and increase collaboration as well as other benefits.

- Training for the VCSE sector and their volunteers.
- Legal and financial advice on topics such as data protection, safeguarding, and changing structures.
- Representation for East Devon's VCSE sector on a wider stage.
- Support and guidance around accessing funding, finding and applying for it, including help to find longer term funding and finding funding for core costs.
- Advice and guidance on building resilience and sustainability.

We are not necessarily looking to help provide a Council for Voluntary Service. The mechanism it would be provided by is yet to be determined, by both working with the VCSE sector to get their input, and seeing what responses we get to an invitation to tender to provide the support. For example, it could take the form of being provided by the whole of a local grassroots organisation that already exists, by one person that sits within that organisation, by an organisation from outside of East Devon that's providing similar services elsewhere, by an individual or by someone employed directly by the council. Research has shown that getting the right person or people to deliver the VCSE support is much more important than the form that it takes.

A request for **£50K to deliver a detailed Tree Strategy** was made. **This has not been included in the draft budget as unaffordable** but members need to be aware.

The Strategy is to build on the outline/high level plan that is being worked on for the Council's work with trees. This is an area that members have asked to be prioritised. The scope would cover:

- Trees & development
- Pests & diseases – changing treescape in East Devon & how we can meet this huge challenge (right tree, right place)
- Tree planting as a carbon sink and offsetting approach to deliver EDDC Climate Change action plan targets
- Tree wardens & parish engagement – setting up a robust monitoring framework for our tree stock

5. Council's Balances and Reserves

5.1 Details are contained in the draft Revenue and Capital Budgets 2022/23 report presented to Cabinet on the 5 January 2022.

6. The Prudential Code for Capital Finance in Local Authorities

- 6.1 The Prudential Code for Capital Finance in Local Authorities gives the requirement to report on a series of prudential indicators, which are designed to support and record local decision making. These indicators are required to be part of the Council's budget setting process and show the overall effect on various financing and borrowing strategies that the Council plans to adopt over the next three financial years. These indicators will be monitored and reported and when necessary updated to reflect any changes in policy.
- 6.2 This Council's prudential indicators are contained in the Treasury Management Strategy 2022/23 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy included on the agenda and reflect the proposals and details in this report.
- 6.3 Alongside the Treasury Management Strategy sits a requirement under the Prudential Code for the Council to adopt a Capital Strategy, this is also contained on this agenda for Members consideration.

Financial implications:

Details are included in the report

Legal implications:

The requirements for budget setting and council tax are set out in statute and regulations which the finance team take account of in the preparation of the report. The duties of the Council's Section 151 Officer include the requirement to make recommendations to ensure that the Council maintains an adequate level of reserves, when considered alongside the risks the Council faces and the general economic outlook