

# Chief Finance Officer's Report

23 February 2023

## Budget 2023-2024



# Contents

---

Introduction.....	3
Budget Overview .....	3
COVID-19 .....	6
Capital Plan 2023/24 .....	7
Spending Round 2021 and Local Government Finance Settlement 2023/24 .....	8
Inflationary Pressures .....	9
Dedicated Schools Grant.....	9
Adult Social Care .....	10
Children’s Services .....	11
SWISCo.....	11
Estimation of Council Tax Surplus/Deficit .....	12
National Non-Domestic Rates .....	12
Council Tax and Referendum Limits.....	13
Pay and Pensions.....	14
Reserve Levels .....	14
CIPFA Financial Resilience Index.....	15
Longer Term Future Council Funding .....	15

## Introduction

1. This report by the Council's Chief Finance Officer provides further information to support the Partnership's budget for 2023/24.
2. This report aims to provide further information and an overview of several key factors, including several "technical" finance issues that have influenced the 2023/24 budget as well as raising issues for future financial years.

## Budget Overview

3. These budget proposals are presented in the light of financial uncertainty from the current economic conditions including inflation (January 2023 10.1%) which is significantly impacting on the cost of council services and will continue to impact on our residents with the consequential effect on the demand for council services and council income levels.
4. The impact on the Council's income, expenditure and funding is outlined in the Medium-Term Resource Plan and the 2023/24 budget proposals. Clearly the financial impact on 2023/24 and future years can only be an estimate and officers will continue to update estimates and will continue to aim to mitigate as far as possible any financial impacts.
5. The current inflationary pressures on services and providers are the highest they have been for many years. There has been high utility and fuel inflation, higher levels of CPI inflation (10.1% in January 2023), a pay award with an average impact of 6% on the 22/23 pay costs and increases in the Living Wage. The latest Bank of England forecast is for inflation rates to reduce from current levels but will average over 5% in 24/25 before returning to 2%. The cost of inflation for 23/24 and the re setting of budgets for the higher than budgeted inflation from 2022/23 is £8m.
6. 2019/20 was the final year of the last multi-year funding settlement. As context, Torbay's Revenue Support Grant was reduced from £42m in 2013/14 to £6m in 2019/20. Since then, the council has had four years of one year funding announcements which makes longer term financial planning problematic.
7. The Final 2023/24 Local Government Finance Settlement was announced on the 6 February 2023 and was like the previous three years, i.e., a one year only "roll over" settlement, with the Revenue Support Grant inflated, additional grant allocations for social care and a repeat of the 2022/23 one off "Services grant" allocation but at a significantly reduced level.
8. The Final Local Government Finance Settlement for Torbay was almost identical to the draft settlement issued in December 2022. The only new announcement was the release by the Department of Levelling Up, Housing and Communities of an NNDR levy contingency they had held relation to 2022/23. Torbay's share of this 2022/23 allocation was £0.3m.

9. Although the Department for Levelling Up, Housing and Communities (DLUHC) provided a Policy Statement in December 2022 with some comments in relation to 2024/25 (i.e., another rollover year), there is considerable funding uncertainty from 2025/26 onwards. In addition, DLUHC have further delayed the introduction of a new funding formula and a revised National Non-Domestic Rates (NNDR) system to “the next parliament”.
10. In the Autumn Statement 2022 central government announced the delay to the adult social care reforms (fair cost of care and income thresholds for cost of care) from October 2023 to October 2025. This delay in the reforms (and their cost) allowed both DLUHC and the Department for Health and Social Care (DHSC) to allocate more funds than expected for social care in 2023/24.
11. The Council’s financial planning for 2023/24 started in March 2022 and as for 2022/23, the Partnership’s provisional budget proposals were released after the Provisional 2023/24 Local Government Finance Settlement given the extent of the uncertainty in what it would contain. The Partnerships proposals were published on 10 January 2023, enabling a period for consultation and scrutiny of the proposals.
12. It is proposed by the Partnership that the Council increases its Council Tax requirement by 2.99%.
13. In addition, it is proposed to increase Council tax specifically for Adult Social Care by a further 2% in 2023/24.
14. Members of the Overview and Scrutiny Board (through the Priorities and Resources Review Panel) have examined the proposals in detail and stakeholders and residents will have the opportunity to make representations on the proposals through the consultation. The Partnership have reviewed the responses received and the final budget proposals have been drawn up after consideration of the responses.
15. The net budget has increased by £0.4m since the draft budget in January to reflect several changes the Partnership now proposing following the consultation process. These are outlined in the Budget Overview document and have been primarily funded from the final estimate of NNDR income for 2023/24. There have also been a number of “housekeeping” adjustment of budgets between services.
16. This report supports the Revenue Budget 2023/24. Other budget related reports will be presented to Council in March 2023 which are relevant to the Council’s overall financial position, namely:
  - a. 2023/24 Capital Strategy and Capital Receipts Strategy,
  - b. 2023/24 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy,
  - c. 2023/24 Review of Reserves,

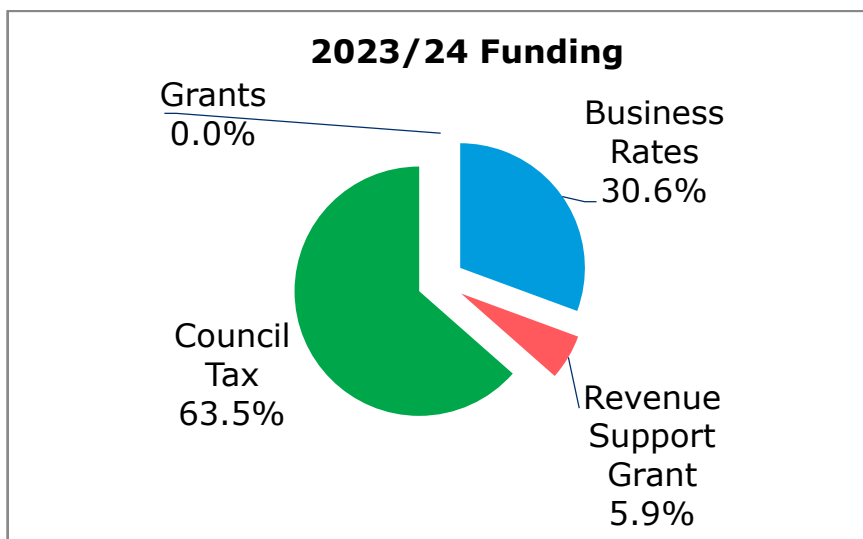
17. Also relevant are:

- d. Medium Term Resource Plan (on website),
- e. Corporate Asset Management Plan,
- f. 2022/23 Revenue and Capital Budget Monitoring Reports.

18. Budget Digest pages, Fees and Charges and budget proposals sheets are available separately along with any relevant equalities impact assessments.

19. A summary of the Council’s 2023/24 budget is as follows:

<b>Partnership’s Budget Proposal 2023/24</b>	<b>£’000</b>	<b>£’000</b>
Net Revenue Expenditure	131.0	
<b>Total Net Revenue Expenditure</b>		<b>131.0</b>
<b>Funded By:</b>		
Business Rate Retention Scheme	10.1	
Revenue Support Grant	7.7	
New Homes Bonus Grant and other grants	0	<b>47.8</b>
Council Tax Requirement	82.7	
Collection Fund Surplus/(Deficit)	0.5	<b>83.2</b>
<b>Total Income</b>		<b>131.0</b>



20. A summary of the proposed 2023/24 budget by Service area is shown in the table below.

22/23 £m	Directorate/Service	Expenditure £m	Income £m	Net £m
43.8	Adult Services	70.4	(21.6)	48.8
2.3	Community and Customer Services	45.1	(41.9)	3.2
-	<i>Housing benefit included in Customer Services</i>	36.1	(36.1)	0
46.1	Sub Total – Adult Services	<b>115.5</b>	<b>(63.5)</b>	<b>52.0</b>
45.8	Children’s Services	<b>118.2</b>	<b>(67.7)</b>	<b>50.5</b>
-	<i>Dedicated Schools Grant included in Children’s Services. 2023/24</i>	50.8	(50.8)	0
9.8	Public Health	<b>10.7</b>	<b>(0.3)</b>	<b>10.4</b>
6.5	Corporate Services	9.1	(1.1)	8.0
3.4	Chief Executive’s Unit	5.2	(1.2)	4.0
<b>9.9</b>	<b>Sub Total – Corporate Services</b>	<b>14.3</b>	<b>(2.3)</b>	<b>12.0</b>
<b>(7.7)</b>	<b>Finance</b>	<b>33.5</b>	<b>(46.0)</b>	<b>(12.5)</b>
(4.6)	Investment Properties	<b>10.0</b>	<b>(14.1)</b>	<b>(4.1)</b>
<b>21.1</b>	<b>Place Services</b>	<b>47.6</b>	<b>(24.9)</b>	<b>22.7</b>
<b>120.4</b>	<b>TOTAL</b>	<b>349.8</b>	<b>(218.8)</b>	<b>131.0</b>
	<b>Sources of Funding</b>			
78.1	Council Tax			82.7
0.1	Collection Fund Surplus/(Deficit)			0.5
6.8	Revenue Support Grant (RSG)			7.7
35.2	Business Rates (NNDR)			40.1
0.2	Other Grants			0
<b>120.4</b>	<b>TOTAL</b>			<b>131.0</b>

## Cost of Living and COVID-19

21. The financial impact of Covid-19 has reduced during the 2022/23 financial year and will continue to change but has been in effect superseded by the cost of living and inflationary issues for our residents.

22. There is no ongoing central government support for COVID, however central government are continuing to provide funding for support schemes such as in 2023/24 there will be an extension to the Household Support Scheme and a new, one off, Council Tax Support Fund for which Torbay's allocation is £0.3m.
23. DLUHC has allowed any Collection Fund deficit in 2020/21 to be spread over three financial years from 2021/22. The Council allocated funds to cover this cost as part of its 2020/21 outturn so this cost in 2023/24 is funded.
24. In 2020/21 with high levels of cases and lockdowns the Council experienced a cash reduction of 2% in collection of Council Tax compared to pre COVID levels. This has improved since however current collection rates are still below pre COVID levels. The ongoing negative impact on the collectability of Council Tax in 2023/24 due to the economic conditions has been estimated at 1% i.e., £0.7m.
25. The level of homelessness and the need for temporary accommodation was particularly impacted by COVID and now is being impacted by the pressures on the cost of living. Current levels of demand and costs are still double compared to pre COVID. The draft budget includes £0.5m to support investment in the council's housing functions and staffing.
26. The Council has allocated £0.5m in 2023/24 to meet the cost impact on its services from the pressures on the cost-of-living.
27. The Council will also allocate £0.5m from its reserves on a one-off basis to provide a council tax bill reduction to working age council tax support scheme claimants. This allocation combined with the new national council tax support scheme should see reductions of up to £100 on the council tax bills for working age Council Tax Support claimants.
28. The Council has also allocated funding to provide packages of support including a new exceptional circumstances fund, financial support for the mental health helpline and a thank you payment to fostering families.

## Capital Plan 2023/24

29. As required by the Council's Constitution the draft Capital Plan for 2023/24 has been published which is line with the latest budget monitoring report (quarter 3 2022/23). As the Council has a rolling four-year Capital Plan that is reported quarterly, the Capital Plan for 2023/4 is a "subset" of the four-year plan based on the latest monitoring information.
30. The level of cost inflation on construction contracts is significant - on some projects there has been a 100% increase in costs. This pressure combined with a significant increase in the costs of future borrowing will inevitably require the original business case of all capital projects to be reassessed to ensure financial viability.

31. In the 2022/23 budget the council established a capital contingency fund that was subsequently increased to £12m to enable four capital projects to proceed. The additional ongoing revenue costs is estimated at £0.6m which has been included in the 2023/24 base budget.

## Spending Round 2021 and Local Government Finance Settlement 2023/24

33. The Chancellor announced a three-year Spending Review in October 2021. This announced the total allocations for government departments. For local government the allocation of total to councils is determined in the Local Government Finance Settlement (LGFS).
34. In the Spending Review the total for local government increased by £1.6 billion for 2022/23. For 2023/24 the Review stated that this would be at the same “cash” level as 2022/23. The absence of any additional funding in the Spending Review for 2023/24 was a significant concern as this does not provide funding for any demand or cost growth in services.
35. The Chancellor in his Autumn Statement in 2022 committed to stay within these spending totals established in the Spending Review. The LGFS did increase council tax flexibilities and provided for an inflationary increase in NNDR and Revenue Support grant income. More detail on social care is in the relevant sections in this report.
36. The 2023/24 settlement is fundamentally a one year “roll over” from 2022/23. The Council’s core funding of Council tax will increase by 2.99% and other core funding is a range of nil (e.g. no inflation on IBCF) to 10.1% for inflation (e.g. on the RSG). Other service grants in 2022/23 were also rolled over into 2023/24. The 2023/24 Public Health grant allocations have not yet been announced.
37. The referendum limit for council tax rises was set at 3%. In addition, the flexibility for Councils to raise council tax by a further 2% specifically for adult social care was confirmed for 2023/24 and 2024/25. These council tax increases are “assumed” as part of the increase in councils’ “core spending power” often quoted by DLUHC.
38. As part of this settlement several grants were “rolled into” others such as into the Revenue Support grant and Social Care Grant. The Lower Tier Services grant was re distributed to favour district councils which means the council’s allocation of this grant is now nil.
39. The Social Care grant was retained and is now increased by £5.4m (including the value of a rolled in grant). This additional funding will be used to support provider and other demand and inflationary costs in Children’s Services and Adult Social Care.
40. In 2022/23 a new “one off” Services Grant of £2.2m was announced. This grant has been announced for a second year but is now at a significantly lower level of £1.3m.



It is predicted that for 2024/25 this grant will be reduced further by DLUHC, in order to fund other grant allocations.

## Inflationary Pressures

41. The single biggest cost pressure in the proposed 2023/23 budget is the impact of inflation on the council's costs. The inflation levels are currently significantly above the forecasts prevailing when the 2022/23 budget was set. Therefore the 2023/24 budget must provide for the ongoing shortfall on the actual 2022/23 inflation compared to budget and for 2023/24, where the Bank of England forecasts are for a CPI inflation rate of 5% at the end of 2023 before returning to the 2% target level.
42. The estimated cost of this is £8m which includes the pay award detailed below. This however this is still an area of uncertainty as the future costs of, say, utilities are still volatile, and pay is a significant national issue with a further increase in the living wage proposed for 2023/24.
43. The higher Bank of England rates and economic conditions has also increased interest rates on both borrowing and investments. For the Council all of its historic borrowing is on fixed rates over a flat maturity profile so there are not any pressures on existing debt. However, the cost of new borrowing will be higher which will impact on the business case viability for capital projects. Conversely the council is now earning higher investment returns on its cash balances which has been included in the 2023/24 budget.

## Dedicated Schools Grant

44. As part of the Spending Round additional funding was announced for the Dedicated Schools Grant – for both Schools and High Needs. Torbay's 2023/24 allocation of these additional funds was provisionally allocated in December 2022 with an overall increase in cash terms of £3.169m (3.45%) in the Schools Block and £2.247m (9.21%) in High Needs Block. Within the average overall increase, the amount individual schools will receive will vary depending on the impact of the changes in the formula and pupil numbers to their allocations. Although the additional funding for Torbay is clearly welcome, a deficit budget will still be required for 2023/24 as demand within High Needs continues. The expectation is that there will be additional funding in 2024/25 which should continue to enable the budget to move closer to a balanced position.
45. The Council will, as usual, direct the entire grant received in respect of Dedicated Schools Funding through to those areas defined in the School Finance Regulations. The value of the Dedicated Schools Grant (DSG) before academy school recoupment is £133m. For 2023/24 it is estimated that approximately £50.8m will be retained in the Council's budget for expenditure related to its (maintained) schools and other residual functions including education for High Needs.

46. The DSG and the schools funding formula is moving towards a full introduction of a new national school funding formula. The Education, Skills and Funding Agency (ESFA) expect this to be implemented by the 2027/28 financial year but are hoping to be able to implement sooner if possible. Movement of funding between the separate blocks of the DSG is now limited and is expected to cease altogether for the schools' block with the introduction of the national school funding formula.
47. The key financial pressure within the DSG is in the High Needs block. The pressures on the High Needs Block arise from the level of demand and referrals from schools and other agencies for support to pupils with additional needs. In previous years, in recognition of this pressure, Schools Forum has historically agreed to move 0.5% out of the Schools Block to help fund the increased demand within the High Needs Block. Schools Forum has not agreed to this virement for 2022/23 or 2023/24. The overspend on the DSG in 2022/23 is estimated to be £2.7m, resulting in a cumulative forecast deficit of £11.7m.
48. This rising deficit is a key issue for the school community and the Council. The level of the deficit as at end of March 2023 is forecast to be more than the Council's general fund reserve by more than £6m.
49. Until the High Needs Block achieves financial balance in the longer term, the DSG reserve will be used to fund the cumulative deficit as a "negative reserve". Under legislation, now extended until the end of 2025/26, this reserve can be re-classified on the Council's balance sheet as a usable reserve. However, holding a negative reserve or even reclassifying it is not a sustainable solution.
50. The Council is now part of the Safety Valve programme with the Department for Education (DFE). In this arrangement if the council and its partners can produce and achieve a deficit recovery plan that leads to a balanced higher needs block within a determined period (anticipated to be 3 years), DFE will consider funding all or some of the deficit. This process is still under negotiation with an agreement hoped for by end of March 2023.
51. To support the improvements required in the deficit recovery plan the Council will allocate £0.3 in its base budget to provide funding to achieve the actions outlined in the recovery plan.

## Adult Social Care

52. The Council's budget proposals for 2023/24 includes the contract sum (£55.4m) agreed with the Integrated Care Organisation (ICO) and the Integrated Care Board (ICB) to continue the highly regarded system of integrated health and adult social care within Torbay. 2023/24 is the first year of a two-year extension to the existing three-year arrangement. This extension to £55.4m from the base contract fee of £47m is funded within the 2023/24 budget.
53. Any funds raised by the 2023/24 Council tax precept of 2% (approx. £1.5m) will be used for adult social care.

54. The Government intended to introduce major changes to Adult Social care – Fair Cost of Care for providers and an income threshold for clients paying for the costs of care. These reforms were supposed to be from October 2023 but have now been delayed to October 2025 at the earliest.
55. Central Government has decided to reallocate a significant amount of funding that would have been used to fund these reforms to Councils in 2023/24 and 2024/25 to help meet current cost and demand pressures in social care. The funding of the reforms if introduced in October 2025 will be an issue for the next Spending Review.
56. As a consequence, there are two grants specific for adult social care for 2023/24.
  - a. An allocation of £1.9m for Fair Cost of Care and Improvement Grant. This will be ring fenced to adult social care with conditions, which are yet to be announced.
  - b. An allocation of £1.2m for a Discharge Fund. This will be ring fenced to adult social care with conditions, which are yet to be announced (due mid-January). The ICB will also receive a similar amount as the national allocation was split 50/50 between health and local government.
57. The Social care grant increase which is for adults and childrens social care has been increased (after a grant adjustment) to £5m for 23/24. These have been allocated 50/50 between the two services to meet cost and inflationary pressures.

## Children's Services

58. As a result of the significant improvements in this service – now rated Good by Ofsted - along with additional investment the service is far more financially stable than in previous years.
59. However, the service is vulnerable to changes in demand for services in particular residential care where a relatively small change in numbers could have a significant financial impact.
60. Budget monitoring in 2022/23 is predicting an overspend for that service in the region of £2m. Therefore £2.5m of the social care grant increase has been allocated to this service for service demand in addition to inflationary increases in pay and provider costs.
61. Within the 2023/24 budget there is an allocation of £200k to fund the costs of the schools PFI contract compared to the funding available.

## SWISCo

62. The budget proposals include an inflationary increase in the SWISCo budget to provide for both 2022/23 and 2023/24 inflation pressures. Apart from a saving proposal in relation to the efficiency of the service in relation to staffing and the recent IT and equipment investment there are no changes proposed to service levels.

## Estimation of Council Tax Surplus/Deficit

63. The Council makes an estimate of the surplus or deficit on the Collection Fund at year end from under or overachieving the estimated council tax collection rate.
64. COVID-19 has had a significant ongoing impact on the collection of council tax. The 2022/23 position is like 2021/22 but lower than pre COVID levels. Consequently, the Council will recognise a net surplus in 2023/24 of £1.0m.
65. As the Council sets a collection rate within its tax base equivalent to the amount collected in the 12 months of the financial year, any surplus primarily represents the collection of sums due in respect of previous years. This indicates a level of success in collecting old year debts and raises the overall, longer term, collection rate well above the “in year” rate. The Council has assumed a 96% in year collection rate however a value equivalent to 1% will continue to be held in contingency for potential losses in 2023/24.
66. The ongoing economic impact on Torbay residents linked to “cost of living” pressures including fuel and utility costs could result in more Torbay residents facing financial hardship which the Council will continue to be mindful of.
67. As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be required to fund any deficit, nor will they be entitled to a share of any surplus on the collection fund.

## National Non-Domestic Rates

68. The Council’s NNDR income in 2022/23 comprises three parts: a 49% share of NNDR income, a “s31” grant to reflect the loss of NNDR income to the council from central government changes to the NNDR (e.g., Small Business Rate Relief) and a Top Up grant that reflects the difference in the Council’s assessed “need” for funding compared to its actual ability to raise NNDR income (as set in 2013).
69. Since the introduction of the Business Rates Retention Scheme in April 2013, the Council is also required to declare a surplus or deficit for NNDR in a similar way as set out above for council tax. The forecasting of NNDR has involved a wide range of complex variables and influences such as from reliefs and is an area which causes complications for medium term financial planning.
70. The Council had a NNDR funding baseline established in 2013. Each year as part of the funding settlement DLUHC assumes a level of growth in business rates for councils which may be more or less than the actual NNDR income for a council.
71. For 2023 there has been a national Revaluation (of rateable values) which resulted in a 3.4% overall increase in Torbay’s rateable values compared to 2017. Within that increase (on average) retail sector values reduced by 1% while the industry sector values increased by 28%.

72. DLUHC have announced a NNDR multiplier freeze for 2023/24 and a range of ongoing reliefs. Councils will be compensated for lost income from this freeze by means of a 6.4% increase on its NNDR “top up” allocation and on its notional baseline NNDR income, and an assumed 3.7% increase on its NNDR income linked to the national change after the 2023 Revaluation. This equates, in theory, to the 10.1% increase in September CPI which is the baseline for multiplier increases.
73. The Council along with other Devon Councils will continue with a NNDR pool for 2023/24 with an estimated gain to Torbay of £1.0m. The future of pools and the resulting financial gains are not certain under any new NNDR system when introduced.
74. Due to the significant uncertainty around the impact of the current economic conditions of business’ ability to trade and therefore pay NNDR, the council will continue to budget for a contingency for non-collection.

## Council Tax and Referendum Limits

75. To control the level by which local authorities can increase Council Tax, the Government has set limits at which point a referendum would be required. This was increased to 3% or over for 2023/24. The Partnership’s budget proposal is for a 2.99% increase in this element. In addition, DLUHC have offered upper tier Councils the flexibility to increase council tax by a further 2% for Adult Social care and the budget proposals include an additional 2% for this specific purpose.
76. The Council Tax bill sent out to residents is made up of three main component parts, namely Torbay Council (including Brixham Town Council), Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority. Once these have been declared they will be included in the Council Tax setting report which will be presented to the Council in March 2023.
77. The Secretary of State will consider the three component parts, not the overall bill, and, if any one of the three organisations were capped, Council would have to re-bill.
78. In 2022/23, Torbay had the second lowest Band D Council Tax in Devon at £2,028.41 including the Fire and Police precepts but excluding parish and town council precepts. A summary of some other Devon Councils’ Band D rates for 22/23 are as follows:

	Torbay (Unitary council)	Plymouth (Unitary council)	Exeter (City Council)	South Hams (District Council)	Teign- bridge (District Council)
District Council	-	-	170.05	180.42	185.17
Devon County	-	-	1,556.46	1,556.46	1,556.46
Total	1,690.06	1,669.88	1,726.51	1,736.88	1,741.63
Fire & Police	338.35	338.35	338.35	338.35	338.35
Band D (excluding parish precepts)	2,028.41	2,008.23	2,064.86	2,075.23	2,079.98
		(1.0%)	+1.8%	+ 2.3%	+ 2.5%

Table last updated 23/12/2022

79. The differential between Torbay and the other Councils increases when Town and parish precepts are added. As a guide the 2021/22 precept for Brixham Town Council was £61.37.

## Pay and Pensions

80. The 2022/23 pay award for staff (fixed increase of £1,925) has been agreed. The 2023/24 budget assumes a 4% pay award for 2023/24 while a contingency will be held for any impact of the living wage.
81. From April 2022 there was a 1.25% increase in the Council's employer national insurance contributions which has been provided for. This was subsequently reversed from November 2022 and DLUHC have reduced the councils 2023/24 funding to remove the gain from this tax reversal.
82. In 2022 there was the triennial valuation of the Devon County Pension Fund to ensure that employer contribution rates are set for the following three financial years to meet the long-term employee pension benefits requirements. This from 2023/24, for three years, resulted in an increase in Torbay's "primary" rate to 18.4% (from 16.7%), this increase has however been offset by a reduction in the Council's "secondary" rate (i.e., deficit) lump sum payment to nil.
83. In addition to the cost of living increases the council is finding it increasingly hard to attract and retain suitably experienced staff due in part to increase competition for these staff. As a result, the council is increasingly needing to pay market supplements to both recruit and retain staff. £0.5m for these additional costs has been included in the 2023/24 budget.

## Reserve Levels

84. The Council's general fund reserve of £5.7m as at the end of 2022/23. The Partnership have been supportive by increasing this balance in 2020/21 to a level that was close to 5% of the Councils net budget. Based on a budget of £131.0m for 2023/24 the target reserve level would be £6.6m.
85. Achieving a general fund level of 5% is prudent for the Council, as recognised nationally, including by CIPFA. As a guide in 2004/05 the level was 2%, in 2010/11 level was 3% and in 2019/20 the level was 4%.
86. The 2023/24 budget proposals do not include any use of any earmarked reserves to fund "base budget" costs to achieve a balance.
87. The Council continues to have the option, to give reserve levels a "boost", to swap revenue and reserve funded capital expenditure for prudential borrowing up to £3m which will need to be funded from future revenue budgets. At this stage this option is not being proposed.

## CIPFA Financial Resilience Index

88. To provide more information and transparency on Councils' financial position, CIPFA issued a "Financial Resilience Index" to provide information.
89. The Index shows the assessment (based on 2021/22 data) of Torbay's position is that the "Indicators of Financial Stress" rank Torbay as a "higher risk" Council but not at the highest level. Factors that show a higher risk assessment are in relation to children's' social care where the Council's percentage of its budget expended on this service is high, despite the service improvements that have been achieved. Other factors showing a higher level of risk are the overall level of interest payable and total debt compared to budget which is directly linked to the council's historic investment in commercial property and its regeneration projects. Other indicators show a low or medium risk.

## Longer Term Future Council Funding

90. The Medium-Term Resource Plan was updated at the end of April 2022 to include the impact of COVID-19 and the delays in the implementation of the new funding formula and revised NNDR retention system. The three-year 2021 Spending Review announced in October 2021 was followed up by one-year Local Government Financial Settlements for both 2022/23 and 2023/24 which does not help with longer term financial certainty over future funding.
91. In a DLUHC Policy Statement issued in December 2022, some funding principles for 2024/25 have been set out, which implies that 2024/25 will be another roll over year with some inflation allocated. There will also be higher social care and adult social care grant allocations in 2024/25 compared to 2023/24.
92. DLUHC are expecting that the introduction of the Extended Producer Responsibility legislation from 2024/25 will result in a significant new income stream for councils, however as yet the detail of this is not known.
93. DLUHC's aim of implementing a new funding formula and a revised business rates retention system (both last updated in 2013) has been delayed and are now stated to occur "in the new parliament."
94. As an initial guide, based on the April 2022 position and prior to more detailed work being undertaken post 2023/24 budget setting to update for the impact of the local government finance settlement and inflation, it is estimated that for 2024/25 and 2025/26 the Council will require in the region of over £12m of efficiencies, income, or reductions, to achieve a balanced budget. The significant financial risks are linked to the Council's three-year agreement with the ICO for adult social care will need to be renegotiated for 2025/26 and the future costs and funding of the ASC reforms now due October 2025.