

Meeting: Cabinet
Council

Date: 13 February 2023
Date: 22 February 2023

Wards affected: All

Report Title: Revenue Budget 2024/2025

When does the decision need to be implemented?

Immediately

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1. Purpose of Report

- 1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the net revenue budget for 2024/25 and the budget allocations proposed, the budget will be used to achieve a range of objectives across several plans within the Council. This will meet the ambitions expressed within the Community and Corporate Plan and other related strategies.
- 1.2 In accordance with the Council's Constitution, members will consider the Cabinet's recommended budget proposals at the meeting of the Council being held on 22 February 2024 and are asked to either adopt the Cabinet's proposals or put forward notice of motion to amend the budget (in accordance with Standing Order A13.4).
- 1.3 Within the budget setting process, the Chief Finance Officer must statutorily provide advice as to the robustness of the budget and this report sets out this opinion.

2. Reason for Proposal and its benefits

- 2.1 The Council has a statutory responsibility to set a revenue budget each year.

3. Recommendation(s) / Proposed Decision - Partnership's Budget Proposal

- 3.1 That for 2024/25 net revenue expenditure of **£139.2m** resulting in a Council Tax requirement of **£88.4m** for 2024/25 (a 4.75% increase in Council Tax, of which 2% is for Adult Social Care) be approved.
- 3.2 That the proposed Fees and Charges for 2024/25 be approved.
- 3.3 That, in accordance with the requirement of the Local Government Act 2003, the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (as set out in the report) be noted.
- 3.4 That it be noted that the Brixham Town Council precept for 2024/25 of £473,471 will be included as part of the Torbay Council budget for Council Tax setting purposes.

Background Information

- 4.1 The Cabinet has published its budget proposals, and these are available to all Members of the Council. All Members have available copies of the supporting information which has been published alongside the proposals:
 - Chief Financial Officer's Report
 - Cabinet's Response to Consultation
 - Consultation Report
 - Overview and Scrutiny report
 - Equalities Impact Assessment
 - Fees and Charges 2024/25
 - Revenue Reserves Policy 2024/25
 - Revenue Savings Plans
 - Capital Strategy 2024/25
 - Capital Investment Plan 2024/25
 - Treasury Management Strategy 2024/25

5. Robustness of the budget estimates

- 5.1 Key to budget setting is the robustness of the budget proposals, which is linked to both service demands, and the risks associated with those services. Several assumptions have been made in the development of the budget for 2024/25 to mitigate against the risks. Several specific risks and their mitigation are shown below:

Risk	Risk Rating	Mitigation
Economic impact of cost of living.	Medium	<p>Changes to the Council tax Support Scheme will provide additional support to those most in need alongside recent increases in Local Housing Allowances.</p> <p>The inclusion in the 2024/25 budget of an allocation to continue support for food banks and debt advisory service.</p> <p>A reserve has been retained for crisis support.</p>
Performance of Subsidiary Companies	Medium	<p>Council oversight as owner over its companies including attendance at Board meetings and review of performance.</p> <p>Council approval required for reserve matters and for investment/borrowing proposals.</p>
Inability to deliver a balanced budget over the next three financial years	Medium	<p>The Medium-Term Resource Plan has been revised and updated as part of the 2024/25 budget setting process with Council savings plans focussed on relevant actions required to deliver longer term financial sustainability.</p>
Identified budget reductions for 2024/25 are not achieved	Low	<p>None of the strategic saving proposals are required in order to balance the budget in 24/25. Progress against these proposals will be monitored monthly by Senior Leadership Team.</p> <p>The Council also has in place a series of regular revenue and capital monitoring reports, which are presented to the Overview and Scrutiny Board and the Council which review the budget on a quarterly basis throughout the financial year, which mitigates against the risk of inadequate financial control.</p> <p>Directors, Divisional Directors and all managers have a responsibility to ensure they maintain spend within their approved budget allocation.</p>
Overspend against the proposed 2024/25 Children's Services budget	Medium	<p>The Director of Children's Services (DCS) has a sufficiency strategy with several work streams that have been established which are being implemented, supported by a range of monitoring and performance arrangements. £3m of additional base funding has been provided in 2024/25 to address the current level of spend alongside an allocation for growth and inflation.</p>
Overspend against the proposed 2024/25 Adult Social Care budget	Medium	<p>A contract is in place with Health in which the Council pays a fixed payment to provide Adult Social Care with no exposure to any over or under spends.</p> <p>50% of the increase in the Council's Social Care grant has been allocated to this contract to partially address the level of overspending against current budget. In addition, there are additional service specific grants from central government;</p>

Risk	Risk Rating	Mitigation
		<p>Discharge Fund, Improved Better Care Fund and Market Sustainability and Improvement Fund which are passported into the integrated contract.</p> <p>Advanced negotiations are taking place between the Council and colleagues in Health to extend the integrated contract beyond its current expiry date of March 2025.</p>
Insufficient income generated	Medium	<p>Some income budgets have increased significantly in recent years resulting in some shortfalls. The cost of living may have contributed to this.</p> <p>A prudent view has been taken of income streams in 2024/25 and a contingency held in respect of varying rent levels on the Council's Commercial Investment estate.</p>
Collectability of council tax and NNDR	Low	<p>The Council has introduced a new Council Tax Support Scheme for 2024/25 which includes an additional £550k in the budget resulting in greater financial support for our residents.</p> <p>Recent increases in Local Housing Allowances should also provide financial assistance to those in rented accommodation which should have a corresponding positive impact on their ability to pay Council Tax.</p> <p>2023/24 Collection rates for both Business Rates and Council Tax are currently in line with the budget set.</p> <p>Provision for appeals and non-collection of NNDR is included in 2024/25 NNDR income estimate.</p>
Insufficient reserve levels because of a significant budget variance or unforeseen event.	Medium	<p>A revised Revenue Reserves Policy has been presented as part of the 2024/25 budget setting process.</p> <p>The General Fund balance is estimated to increase to the desired level of 5% by year end.</p> <p>The Comprehensive Spending Review Reserve is estimated to be restored to the £3m target balance at year end.</p>
Exposure to changes in interest rates	Medium	<p>Treasury Management Strategy to be approved by the Council. All historic borrowing currently on fixed rate deals.</p> <p>Interest rate rises could increase the future costs of council borrowing.</p>
Inflationary pressures	High	<p>Budget build has included estimates of inflation at a rate of 4% on main contract spend. Services will be expected to manage general non-pay inflation, but a modest central contingency is being held to address any exceptional unforeseen increases.</p> <p>Inflation has reduced from 10.1% in January 2023 and is currently 4%. Forecasts from the ONS predict CPI to be less than 3% by the end of 2024/25.</p>

Risk	Risk Rating	Mitigation
		<p>A 4% pay award has been estimated and catered for within the 2024/25 base budget.</p> <p>Capital Plan has a number of projects where there has been cost inflation and or supply chain issues that will result in project cost increases. Revised governance arrangements have been implemented to provide greater transparency, and control, over the development and delivery of capital projects.</p>
Income linked to major prudential borrowing schemes not achieved at forecast levels.	Medium	<p>Approval by Council supported by a detailed business case.</p> <p>Income streams reviewed as part of budget monitoring</p> <p>Future Business Cases which require Council borrowing will be subject to closer political scrutiny with greater financial detail provided prior to Council approval.</p>

5.2 In accordance with the requirement of the Local Government Act 2003, the Chief Financial Officer must report to the Council on “the robustness of the estimates made for the purposes of the (budget) calculations” and the “adequacy of the proposed financial reserves”.

5.3 Taking account of the financial risks facing the Council and the mitigations outlined in paragraph 5.1 above, the **Chief Financial Officer’s Statement** is as follows:

“I have taken into account information, risks and assurances from the Leader of the Council, the Cabinet and Council Directors in forming my opinion. My opinion is that the 2024/25 budget is based on robust budget estimates.

This opinion is supported by the current financial position across the Council with a relatively modest overspend forecast in 23/24 with known pressure areas being addressed through the 2024/25 budget setting process.

The key risks are outlined in the table above.

5.4 In relation to reserve levels, a thorough review of all reserves held by the Council has been undertaken, as highlighted within the Chief Finance Officer’s Revenue Reserves Policy for 2024/25. The paper states:

“With these actions taken, and with the principles detailed consistently applied, as Section 151 Officer, I believe the reserves to be adequate”.

5.5 I fully support maintaining a prudent level for the General Fund reserve at 5% of the Council’s net revenue budget to mitigate against the risks identified.

5.6 Actions are required in relation to the following key risks:

- a) That the Council maintains the focus on social care, both adults and children’s, as the biggest financial risks to the Council. It is important to conclude negotiations with the Integrated Care Organisation by 31 March 2024 to provide clarity for 25/26 onwards.
- b) That the Council maintains its focus on proactive prevention and support for

homelessness alongside managing temporary accommodation needs in an effective and efficient manner;

- c) That the Council maintains its focus on the delivery of the 'Safety Valve' Recovery Plan for reducing the deficit on the Higher Needs Block.
- d) That the Council continues to assess the financial viability of the projects with its capital plan.