

Chief Finance Officer's Report

8 February 2024

Budget 2024-2025



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Introduction

1. This report by the Council's Chief Finance Officer provides further information to support the Cabinet's draft budget for 2024/25.
2. This report provides an overview of key factors, including several "technical" finance issues, that have influenced the 2024/25 budget as well as considering the financial outlook for future years.

Budget Overview

3. Budget proposals are presented in the light of continued financial uncertainty following volatile economic conditions that has seen inflation reach a rate of 10.1% (CPI) in September 2022. Although inflation is reducing the increase in prices continues to have an impact on the cost of council services and the cost of living for our residents, with a consequential effect on the demand for council services and council income levels. CPI inflation at September 2023 had reduced to 6.1%, in November it had fallen to 4.2%, with forecasts showing further reductions to 3% in 2024 and below 2% in 2025.
4. The pressures are causing financial stress across the sector, with an increasing number of local authorities issuing Section 114 notices, arising from the inability to set balanced budgets. In addition, many other councils have publicly indicated that they might need to issue similar notices over the coming months. Whilst this is not a current concern for the Council, it is vital that prudent decisions continue to be made to protect the Council into the future; ensuring that income is optimised through appropriate rises in Council Tax and local fees and charges. Council reserves need to be retained and used strategically.
5. The impact on the Council's income, expenditure and funding is outlined in the Medium-Term Resource Plan and the 2024/25 budget proposals. Clearly the financial impact in future years can only be a forecast and officers will continue to update estimates and aim to mitigate as far as possible any financial impacts.
6. The inflationary pressure on services and providers was affected further by the pay award from April 2023. This was higher than budgeted resulting in an average impact of 6% on the 23/24 pay costs. Increases in the Living Wage of almost 10% have also been announced from April 2024, further increasing spending pressures in 2024-25, especially within social care services.
7. The Final 2024/25 Local Government Finance Settlement was announced on 5 February 2024, following a provisional announcement on 18 December 2023. As expected, it provided just a one year "roll over" settlement and there continues to be considerable funding uncertainty from 2025/26 onwards with no further clarity on the delayed introduction of a new funding formula and a revised National Non-Domestic Rates (NNDR) system.

8. The Final Local Government Finance Settlement confirmed the following increases for Torbay Council:
 - Additional Social Care Grant, of which Torbay's share was £1.727m – to be split equally between Adults and Childrens Social Care.
 - An increase of £0.020m in the provisional allocation of Service Grant.
 - Public Health Grants were confirmed and the allocation for Torbay was £0.146m higher than expected.
 - We are estimating a £0.590m increase in income from our National Non-Domestic Rates (NNDR), following submission of NNDR1 forms. A net £0.470m of this is available for spend after provision for legal advice and required compliance with legislation.
9. The Final Settlement also contained details of some additional one-off funding. This related to compensating Local Authorities for the business rates exemption for green plant and machinery. Torbay's allocation is £51k.
10. The Government has also confirmed that £100 million will be released from the safety net and levy account in 2023/24 on a one-off basis, distributed using 2013/14 settlement funding assessment shares. Allocations have not been published, but we are estimating an allocation of £225k.
11. A summary of these changes are shown within the below table:

	Final 2024/25 £m	Provisional 2024/25 £m	Variance £m
BASE REVENUE FUNDING			
Council Tax	88.353	88.353	0.000
New Homes Bonus	0.225	0.225	0.000
Revenue Support Grant	8.219	8.219	0.000
Business Rates	42.407	41.817	0.590
Total Sources of Funding	139.204	138.614	0.590
Services Grant	0.227	0.207	0.020
Social Care Grant	18.685	16.958	1.727
Public Health Grant	10.697	10.551	0.146
	29.609	27.716	1.893
Specific ASC Grants:			
- Improved Better Care Fund	8.838	8.838	0.000
- Discharge Fund	2.065	2.065	0.000
- ASC Market Sustainability and Improvement Fund	3.625	3.625	0.000
- ASC MSIF Workforce	0.000	0.000	0.000
	14.528	14.528	0.000
TOTAL FUNDING	183.341	180.858	2.483
One-off Revenue Funding :			
Release of £100m safety net and levy account in 23/24	0.225	0.000	0.225
Compensation for exemption of green plant and machinery	0.051	0.000	0.051
	0.276	0.000	0.276

12. Of the £2.483m additional base revenue funding highlighted above, the largest proportion relates to the Social Care Grant, of which 50%, (£860k), will be ringfenced for Adult Social Care services provided through the Integrated Care Organisation. The level of additional Council funding already proposed for Childrens Services means that the other 50% can be used flexibly across all Council services, including Childrens. After taking into account the net increase in Business Rates and excluding the ring-fenced Public Health grant, a total of £1.350m of additional funding has been confirmed against which emerging pressures, priorities and feedback from the budget consultation have been considered.
13. Members of the Overview and Scrutiny Board (through the Priorities and Resources Review Panel) have examined the proposals in detail and stakeholders and residents have also had the opportunity to make representations on the proposals through the consultation period, finishing on 7 February 2024. The Cabinet have reviewed the responses received and the final budget proposals have been drawn up accordingly.
14. The additional funding highlighted above has enabled the residual budget gap of £0.300m to be removed and the budget to be balanced for 2024/25. It has also enabled several other changes to be recommended which are detailed in the 'Cabinet Response to Consultation' document.

15. A summary of the proposed new budget allocations from the additional £1.350m is detailed below:

- £300k - Address the 2024/25 revenue budget gap (as at draft budget stage).
- £300k - Fostering. National Fee increase of 7% (above budgeted allocation).
- £50k - Youth Justice Service overspend (Torbay Council's 50% share).
- £200k - Concessionary Fares Replenish previously reduced budget.
- £50k - Torre Abbey setting more realistic income targets.
- £70k - Subsidised Bus contracts. Maintaining and improving existing routes.
- £100k - Housing service. Additional capacity to accelerate development.
- £100k - Events. Providing stability in the staffing base to facilitate events.
- £180k - Children's Services. Further investment linked to legislation changes.

16. It is also proposed that the following priorities are addressed through the additional funding available:

- £200k - Cost of living. Supporting food banks and debt advice services (one-off funding).
- £50k - Torbay Coast and Countryside Trust transitional funding (one-off funding).
- £25k Supporting capacity to deliver new 20mph zones (one-off funding).
- £75k - Supporting Sports groups to become financially sustainable (to be funded by additional Public Health Grant for 2024/25)

17. The changes have affected the net budgets for Directorates, which have been updated and outlined in the table below. The net budget has only increased by £0.590m - due to the additional NNDR income – as per the table above. Grants are accounted for outside of our 'Sources of Funding' hence do not affect the net budget figure. Such Grants have contributed to the increase in surplus which is recorded against the Corporate Finance heading. There have also been a few "technical" adjustments between service areas.

18. A summary of the proposed 2024/25 budget by service area is detailed below:

2023/24 Net £m	Directorate/Service	2024/25 Net £m
51.4	Adult Services (Inc. Community & Customer Services)	55.9
50.2	Children's Services	54.6
10.4	Public Health	10.7
12.2	Corporate Services and Chief Executive	13.8
(11.9)	Finance	(16.6)
(4.1)	Investment Properties	(4.1)

22.7	Place Services	24.9
130.9	TOTAL	139.2
	Sources of Funding	
81.4	Council Tax – based on an increase of 2.75%	86.7
1.6	Council Tax – 2% Adult Social Care 2024/25	1.7
0.5	Collection Fund Surplus	
7.7	Revenue Support Grant	8.2
39.7	Business Rates (National Non-Domestic Rates)	42.4
0	New Homes Bonus	0.2
130.9	TOTAL	139.2

19. It is proposed by the Cabinet that the Council increases its Council Tax requirement by an inflationary 2.75% (below the allowable capped rate of 2.99%). In addition, it is proposed to increase Council Tax specifically for Adult Social Care by a further 2% in 2024/25.
20. This report supports the Revenue Budget 2024/25, to be presented to Council on 22 February 2024, along with the Revenue Reserves Policy. The 2024/25 Capital Strategy, incorporating the revised Capital Investment Programme and Treasury Management Strategy, will also be presented to Council in February 2024, to provide a complete overview of the Council's financial position and medium-term outlook.
21. In support of the headline decisions, allocations and savings proposed in the budget, a detailed Budget Digest will be produced after approval of a final budget on 22 February 2024. For reference, the 2023/24 Budget Digest can be accessed through the following link: www.torbay.gov.uk/media/18891/budget-digest.pdf

Capital Investment Plan 2024/25

22. As required by the Council's Constitution, the Capital Investment Plan for 2024/25 has been published as part of the 2024/25 Capital Strategy. This investment plan has undergone a comprehensive review in 2023/24 with regards to affordability and deliverability.
23. The level of cost inflation on construction contracts has been significant - on some projects there has been a 100% increase in costs. This will inevitably require the original business case of all capital projects to be reassessed to ensure financial viability.

24. In March 2023, the Council approved a four-year Capital Investment Programme of circa £270m. The foundations of this programme were built up over many years which, having been thoroughly reviewed, have identified the following issues:
- Some projects are represented in terms of funding available as opposed to the cost of actual delivery (which is often substantially more);
 - There are several high financial level allocations of funds for specific purposes, (such as housing delivery and economic development), without clarity as to what will actually be delivered and when;
 - Some projects have been in the programme for significant time without clarity regarding deliverability and/or outcomes;
 - There is an absence of clear Business Cases and/or Financial Cost Appraisals for some of the projects.
25. To address this, a new approach has been proposed from 2024/25 onwards, which significantly improves how we set out the Council's approved Capital Investment Plan. It in no way amends the aspiration of the Plan, instead it breaks down the detail of approved spend on the projects to progress work, and development, to the next relevant Gateway, at which point there will be a requirement for further Council approval to progress, adapt, or cease the respective project. This approach will give Members much greater oversight as projects progress.
26. A few minor changes have been made in the Capital Investment Plan for 2024/25 reflecting an updated profile of when spend is anticipated across financial years. A column has also been added to the Plan to detail, where relevant, the original estimated project costs alongside the current estimated costs (in response to a request made through the Scrutiny process).

Local Government Finance Settlement 2024/25

27. The Chancellor announced a three-year Spending Review in October 2021 that set out the total allocations for Government Departments. For local government, the allocation passported to councils is determined through the Local Government Finance Settlement (LGFS). The Chancellor, in his Autumn Statement in 2023, committed to stay within these spending totals established in the Spending Review.

The 2024/25 settlement is fundamentally a one year "roll over" from 2023/24 and provides a minimum 4% increase in Core Spending Power before local Council Tax decisions. It assumes that Councils' core funding of Council Tax will increase by 2.99% and for core funding there is a range of nil, (e.g. no inflation on Improved Better Care Fund), to 6.7% for inflation (e.g. on the Revenue Support Grant).

28. The referendum limit for Council Tax rises is maintained at 2.99%. In addition, the flexibility for councils to raise Council Tax by a further 2%, specifically for adult social care, also

continues in 2024/25. These Council Tax increases are “assumed” as part of the increase in councils’ “core spending power” often quoted by DLUHC.

29. As part of the Settlement several smaller grants were “rolled into” others such as into the Revenue Support Grant and Social Care Grant. The Social Care Grant continues and the final settlement confirmed a further £500m through this grant for councils with responsibility for adult and children’s social care. Torbay’s allocation is now £4.4m greater than in 2023/24. This additional funding will be used to support provider and other demand and inflationary costs in Children’s Services and Adult Social Care (ASC).
30. The ASC Market Sustainability and Improvement Fund, (MSIF), is continuing and initially appears to be increasing by £1.7m. However, this incorporates the MSIF Workforce Fund, which was £1.3m in 2023/2024, therefore reducing the net increase to £0.4m. This funding is ring fenced to adult social care. The Local Authority Discharge Fund also continues and is increased by £0.8m - ring fenced to adult social care and passported to the final year of the Integrated Care Organisation, (ICO), contract with Health.
31. In 2022/23 a new “one off” Services Grant of £2.2m was announced. This grant reduced to £1.3m in 2023/24 and is reduced further to just £0.2m in 2024/25. This funding is being used nationally to fund increases to other settlement grants and equalisation of the adult social care precept.

Inflationary Pressures

32. The single biggest cost pressure in the proposed 2024/25 budget is the impact of inflation on the council’s costs. Despite inflation levels reducing from over 10% to the 6.7% level reported in the September 2023 CPI figure, the 2023/2024 budget has seen significant pay awards and price increases that continue to impact on future budgets. An average inflation rate of 4% has been used in considering the 2024/25 budget and amounts have been identified to fund additional costs arising from pay awards and any significant price increases in contracts. Further work will be undertaken to ensure funding is targeted to services affected most by inflationary pressures, where such increases cannot be managed and offset within the service.
33. The latest Consumer Price Index (CPI) inflation figure published by the Office for National Statistics (ONS) is 4% and is based on December 2023 data. The Office for Budgetary Responsibility (OBR) forecast is that CPI inflation will fall to 2.8% by the end of 2024/25.
34. The higher Bank of England rates and economic conditions have also increased interest rates on both borrowing and investments. Rates have reduced slightly in recent months, but remain relatively high, increasing the cost of new borrowing and impacting the business case viability of new capital projects. For the Council, its historic borrowing is on fixed rates over a flat maturity profile so there aren’t any pressures on existing debt. Conversely the council is now earning higher investment returns on its cash balances, but these cannot be relied upon in the future and a

prudent approach has been taken to not increase the base Treasury Management income budget for 2024/25.

Dedicated Schools Grant

35. Torbay's 2024/25 Dedicated Schools Grant (DSG) allocations have increased across the three main blocks as follows:

- Schools Block £1.291m (this will be allocated to schools via the school funding formula);
- Early Years Block £4.066m;
- High Needs Block £900k.

Although the additional funding for Torbay is clearly welcome, a deficit budget will still be required for 2024/25 as demand within High Needs continues.

36. 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 recoument is £143m. For 2024/25 it is estimated that approximately £54.5m will be retained in the Council's budget for expenditure related to maintained Schools and other residual functions including education for High Needs.

37. 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.

38. 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 recognition of this pressure, Local Authorities, in consultation with Schools Forum, can agree a 0.5% virement of funding from Schools Block to help fund the increased demand within the High Needs Block. The overspend on the DSG in 2023/24 is estimated to be £1.0m, resulting in a cumulative forecast deficit of £12.8m.

39. The Council is part of the Safety Valve programme with the Department for Education (DFE). In this arrangement the council and its partners have produced, and achieved thus far, a deficit recovery plan that leads to a balanced Higher Needs Block position by 2026/27. DFE have agreed to fund the cumulative deficit of, up to, £12.91m, as long as milestones are met during the process. To date we have received £6.193m from DfE towards the deficit.

Adult Social Care

40. In Adult Social Care, we have a long and successful history of integration which continues with Torbay and South Devon NHS Foundation Trust delivering, (statutory adult social care), services on our behalf. Integrated health and social care creates

better outcomes for our residents and all partners are, therefore, keen for these arrangements to continue. In March 2022 we signed an extension to the integrated arrangements, with an increase in cost to recognise the demands and cost pressures in adult social care. The contract fee increases by £1.1m in 2024/25 in recognition of these pressures.

41. Additional funds raised by the 2024/25 (ASC) Council Tax precept of 2%, (approx. £1.7m), will be passported for adult social care including continuation of funding to voluntary sector partners providing essential support to core service areas.
42. Despite these increases, there remains a significant gap between the amount that the Council pays for adult social care and what the Trust spends on the integrated services. We will continue to work closely with Health colleagues as part of the contract negotiation, striving for a new, sustainable, medium-term deal from April 2025. We will need to identify how savings can be made in both the short and long term and will commence a fully sourced, and joined up, ASC transformation programme, (using earmarked reserves), focussing on elements such as reablement, learning disability support and extra care provision. The residual financial gap for a revised integrated care contract, from 2025/26 onwards, remains the highest risk within our Medium-Term Resource Plan.
43. These pressures, together with the ageing profile of our population, mean that we must optimise all of the adult social care funding we have available. The Social Care Grant has been increased by £4.4m for 2024/25 and we are proposing to continue allocating our Social Care Grant equally between adult social care and children's social care to meet cost and inflationary pressures in both services.
44. The Government intended to introduce major changes to Adult Social Care funding nationally, but these continue to be delayed and will, hopefully, be addressed in the next Spending Review.
45. The following two grants, specific to adult social care are continuing into 2024/25 and we will continue to work closely with Trust colleagues to ensure they are used effectively, developing plans in partnership to meet the needs of our communities.
 - An allocation of £3.625m for the ASC Market Sustainability and Improvement Fund (MSIF);
 - An allocation of £2m in relation to the Discharge Fund – an increase of £0.8m on the 2023/2024 allocation. The Integrated Care Board will also receive a similar amount as the national allocation was split 50/50 between health and local government.

Housing and Temporary Accommodation

46. The level of homelessness and the need for temporary accommodation was particularly impacted by COVID and continues to be impacted by the pressures on the cost of living. Current levels of demand and costs are still far greater than pre-covid levels. Since 2020, there has been a 64% increase in people presenting to the

local authority as homeless and a 66% increase in those being provided with temporary accommodation. Increasingly, families are approaching the service, and overall complexity is increasing.

47. Throughout 2023/24 there has been a focus on directly purchasing and leasing property to reduce the costs associated with spot purchasing of temporary accommodation whilst increasing the stability of accommodation options available to the Housing team. At the time of writing, 31 properties have been purchased by Torbay Council, with 26 currently occupied by families. This is helping to stabilise costs and allow more work to be done to prevent homelessness and support households to find more permanent housing.
48. The Council's insourcing of the Homeless Hostel contract to improve throughput and availability of cost neutral accommodation for single people is also having a positive impact through reducing wider expenditure and placements.
49. Despite all of the positive progress being made by the Council, the level of increased demand, and costs incurred, far outweigh the associated funding provided by Government. Although the base budget was increased in 2023/24, monitoring within year has identified further significant overspending. Therefore, the draft 2024/25 revenue budget includes an additional £900k to meet the increased costs of temporary accommodation, operational costs for the Hostel and to provide support for the prevention of homelessness.
50. To further manage budget pressures that emerge in year, the service will continue their strategic work to improve accommodation pathways and commissioning plans. This will include reviewing homelessness preventative work, arrangements around Housing Management subsidy and opportunities to lever in further grant funding from Homes England.

Children's Services

51. Our continuous improvement journey within Children's Services remains crucial to the Council's medium term financial stability. 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.
52. However, the service is vulnerable to changes in demand, in particular residential care where a relatively small change in numbers could have a significant financial impact. We have seen price increases since 21/22 of over 30% in residential and unregulated/unregistered placements. Nationally, there are significant shortages of placements for children who need them, meaning existing placements are costing more, and that children and young people are unable to step down from residential to family-based settings such as fostering placements. In addition to this, the cost-of-living pressures continue to put increased stress on households across Torbay, which threaten the stability of current living arrangements and increase the risk of families requiring support or intervention from the Council.

53. The legislation on unregulated placements changed in September 2022 and has resulted in further budget pressure. This is exacerbated by the demand arising from the cases allocated to Torbay through the National and Regional allocation of Unaccompanied Asylum Seeking Children (UASC), where costs of placement and support exceed the levels of Home Office funding.
54. Despite proactive action, budget monitoring in 2023/24 is predicting an overall overspend for Childrens Services in the region of £1.4m. In 2024/25, continued use of the Social Care Grant will enable us to invest a further £1.9 million in the Service to meet service demand and inflationary increases in pay and provider costs.
55. We remain committed to family-based solutions within Children's Services and focus on early help and prevention across the whole cohort of children. This work and development of a sustainable family hub model is helping to reduce the number of children who become cared for, which is key to managing high-cost placements and associated immediate and long-term costs. The focus on high-cost children's social care placements will also review the targeted support in relation to learning disability placements and associated joint work with Health. We are also trying to locate alternative, less expensive, accommodation for our Care Experienced Young People who were UASC, to reduce spend whilst improving quality.
56. Following the successful recruitment and retention within the service, total agency costs in 2023/24 are forecast to be more than £2m less than in 2021/2022 and work will continue to control these costs further wherever possible.
57. Further work is also planned in 2024/25 to comprehensively review the Home to School Transport provision, with the service forecasting an increasing overspend throughout 2023/24. Alongside reducing costs, this review will focus on improving the independence of our young people.

Corporate Services

58. We are currently forecasting an overspend of over £0.5m in 2023/24 in respect of Legal Support Services. This is a result of the difficulties the service has faced in recruiting permanent staff to meet levels of demand. This has meant the service has had to use more expensive agency staff to continue delivering legal support across the Council.
59. The recruitment of legal professionals in the public sector is a national issue and the Council has struggled to compete with the salaries paid by other organisations – both within the private and public sector. A further £300k is being added to the Service budget in 2024/25 to help address this pressure.
60. Legal Services is looking to applying further additional market factors in the hope this will make a difference to their ability to recruit and reduce their requirements of agency workers. A thorough review of the demand for legal services and options appraisal for best sourcing for demand will be undertaken in 2024/25.

61. As an organisation, there is an ongoing drive to work as efficiently as possible. We continue to optimise Microsoft 365 across the Council and rationalise systems where possible. However, further investment is now needed as part of implementing our IT strategy to upgrade our infrastructure and systems to meet the existing, and future, needs of the organisation. We are proposing to add £500k to the base budget in 2024/25 to meet these forecasted costs.

Finance Budgets

62. Throughout the 2023/24 financial year, as detailed in budget monitoring reports to Council, we have been achieving a surplus from financial returns on cash balances held. This has mainly been due to the exceptionally high interest rates alongside the holding of reserves and grant funding in advance of drawdown of associated spend. However, as at January 2024, interest rates have started to fall with predictions of further significant reductions in rates over the next 18 months. In addition, our holding of cash balances will significantly reduce, particularly around pump priming Adult Social Care transformation work, (in advance of a new contract with Health from April 2025) and planned capital investment.
63. Due to forward investment transactions made in 2023/24, we are forecasting a further surplus of circa £950k in the 2024/25 financial year. However, it is anticipated that, from 2025/26, the annual income achievable from Treasury Management will be much more in line with the existing base revenue budget.
64. In December 2023, Full Council approved the masterplan outlining the future for Oldway Mansion with a corresponding recommendation to identify funding of circa £1m to proceed with the first stage of urgent repairs and maintenance work on the asset. As the proposed spend on Oldway does not reflect any 'enhancement' to the value of the asset, it is highly probable that the funding will need to be sourced through revenue, (as opposed to capital). Therefore, the £950k forecasted Treasury Management surplus will be utilised to fund the required works on Oldway over the next three years whilst a funding strategy is developed for the required wider restoration works. It is anticipated that the first £200k of this funding will be drawn down within the 2024/25 financial year.
65. Due to the volatility in rates, and anticipated reduction in cash held, the base Treasury Management income budget has not been increased for 2024/25, ensuring a prudent approach of not relying on one-year monies to balance on-going spend commitments within the budget. To provide an element of stability, in November 2023, we took the opportunity to utilise some of our cash balances to repay, and reprofile, our long-term debt portfolio.
66. In 2024/25 we will look at further Treasury Management opportunities to improve the stability of our investment portfolio. We currently have an over-reliance on relatively short term, (12 months), fixed term investments which, whilst lucrative in times of high interest rates, leaves us exposed to fluctuations in rates over the coming years.

We will therefore explore the opportunity for further 'pooled fund' investments alongside our current £5m holding in the CCLA Property Fund.

67. The income we receive from our leased estate continues to remain strong, as does the income from investment properties, which helps to contribute circa. £4m to the annual revenue budget. To ensure this continues, and the financial benefits are optimised from the Council's estate, there will be a strategic review of the Council's asset base. This will form a clear strategy and criteria for holding / investing / or disposing of high value assets over the coming years. Such a strategic review will be essential alongside the Council giving consideration to any future borrowing requirement in support of our regeneration and Capital Investment Plan. Government now requires Local Authorities to review their holding of Commercial Assets in advance of approving any further funding from the Public Works Loan Board, (PWLB).
68. It is proposed that fees and charges across Council services will generally increase in line with estimated inflation for 2024/25, by 4%. This will include car park charges, where an average increase in income of 4% will offset increased prices and cost pressures within the service. There will be some exceptions, in particular planning fees where national rates will result in more significant increases. The proposed Fees and Charges schedule for 2024/25 are detailed in **Appendix 1**.

Place based Services

69. Several services within the Pride of Place Directorate had a challenging year financially in 2023/24 and have struggled to meet income targets, many of which have been increased significantly in recent years. Events income has been particularly affected with shortfall forecast for both the Airshow and Torre Abbey. Although Council contributions for the Airshow have been confirmed, and actions taken to reduce the overspend on Torre Abbey, (e.g. the café), pressures are still likely to arise in 2024/25. Rather than adjust base budgets, it is proposed to use reserves to offset these pressures in 2024/25, whilst further work is undertaken to ascertain a more sustainable medium to long term solution.
70. Planning fee income has been well below budgeted levels in 2023/24, resulting in a forecast year end overspend. Further work is required in 2024/25 to manage this pressure and the Service will continue to work closely with key stakeholders to determine planning pipelines. There will be active encouragement of the submission of pre-applications, new planning applications and the use of Planning Performance Agreements, to maximise income in the Service. New increased national Planning Application Fees were introduced in October 2023, which should help re-address the achievability of this income budget.
71. Our recycling rates are increasing, resulting in a positive financial impact on the amount we pay to dispose of residual black bin waste. However, the garden waste scheme introduced last year has not yet reached expected targets, although it is now at almost 9,000 subscribers. More work will be undertaken to further increase uptake.

72. It is proposed that £300k additional base budget is provided, through the SWISCo contract, in 2024/25 to improve the overall look and feel of the streets and general environment around Torbay, benefiting both residents and visitors. This funding will be used to ensure the streets are kept cleaner across the Bay.
73. It is also proposed to spend an additional £300k on enhanced capacity in respect of enforcement activity to respond to anti-social behaviour and environmental crime, alongside an enhanced anti-social behaviour and vulnerable people partnership response.
74. An allocation of £200k is also proposed to fund the introduction of a Residents' Discount Scheme – the details of which are being worked up.
75. The base budget held to maintain the significant portfolio of Council owned assets has been short compared to need for several years now. To ensure that the quality of the estate at least maintains its current status, it is proposed that an additional £200k per annum, (across each of the next three financial years), is added for repairs and maintenance of assets, recognising to some extent the information contained in recent condition surveys.

Wholly Owned Companies

76. The budget proposals include a base inflationary increase in the SWISCo contract for 2024/25 of £500k. This is separate to the additional investment to improve service levels. A review of commercialisation and potential for increased income generation will be undertaken in 2024/25 which will aim to further increase the efficiency of the service.
77. Torbay Council made the decision in September 2023 to dissolve Torbay Economic Development Company (TEDC), in order to organise Torbay's resources in a more efficient and effective way, focussing limited staff resource on the Bay's key strategic priorities. This change does not reduce the focus on economic growth, rather they are principally driven by the need for delivery for the residents and communities of Torbay, renewing our focus on the opportunities for regeneration.
78. Torbay Council made a further decision in December 2023 that TorVista Homes (TVH) will be dissolved with effect from 1 April 2024, (or immediately following transfer of all social housing units, if this is beyond this date). The Council approved an annual revenue budget of £150k for 2024/25 for the Council to fund and provide in house, the management and operation of activities previously undertaken by TVH.
79. The 2024/25 base budget will incorporate the activities previously provided by TEDC and TVH within the Council's overall base budget with most service activity, and associated budget changes, occurring within the Pride of Place Directorate. Any one-off costs relating to managing the transition of these wholly owned companies will be funded through reserves and reported back to Council through quarterly budget monitoring reports.

Estimation of Council Tax Surplus/Deficit

80. 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. COVID-19 has had a significant ongoing impact on the collection of Council Tax with collection rates in 2023/24 remaining marginally lower than pre COVID levels.
81. 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 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 2024/25.
82. 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. In December 2023, Full Council approved a revised Council Tax Support Scheme for 2024/25 which has raised the cap on the level of support provided from 70% to 75% and significantly simplified the scheme using a banded application approach. The revised scheme equates to £530k of additional financial support being provided to the most vulnerable residents across Torbay with a further £20k added to the Council’s exceptional hardship budget for anyone facing challenges as a result of the change to the banded scheme. These amounts have been incorporated in the 2024/25 draft revenue budget.
83. As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be required to fund any Council Tax deficit, nor will they be entitled to a share of any surplus on the Collection Fund.

National Non-Domestic Rates (NNDR)

84. The Council’s NNDR income comprises of 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).
85. 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 received by a council.

86. Since the introduction of the Business Rates Retention Scheme in April 2013, the Council is required to declare a surplus or deficit for NNDR in a similar way as set out above for Council Tax. The forecasting of NNDR involves a wide range of complex variables and influences such as forecasted business rate appeals and anticipated reliefs and is an area which remains complicated for medium term financial planning.
87. The Council, along with other Devon Councils, will continue with a NNDR pool for 2024/25 with an estimated gain to Torbay of £1.0m. The future of 'pools' and the resulting financial gains are not certain under any new National NNDR system when introduced (anticipated to be 2026).
88. 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

89. 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 continues to be at 3% or over for 2024/25. The Cabinet's budget proposal is for a 2.75% increase, which is below the Government cap. In addition, DLUHC provide upper tier Councils the flexibility to increase Council Tax by a further 2% for Adult Social care and the 2024/25 budget proposals include an additional 2% for this specific purpose.
90. 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 by the respective bodies they will be included in the final Council Tax setting report which will be presented to the Council in February 2024.
91. The Secretary of State considers all three component parts as separate entities, not the overall Council Tax bill, and, if any one of the three organisations were to be subsequently 'capped', the Council would have to re-bill.
92. In 2023/24, Torbay had the second lowest Band D Council Tax in Devon at £2,132.74 including the Fire and Police precepts (but excluding Parish and Town Council precepts). The differential between Torbay and the other Councils increases further when Town and parish precepts are added.

Pay and Pensions

93. The 2023/24 pay award for staff (fixed increase of £1,925) has been agreed which provides certainty for the current year. The 2024/25 budget assumes a 4% pay award from April 2024.
94. 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%). A further review of the Council's employer contribution rates will need to be undertaken in 2024/25 to reflect the staff returning from TEDC and TVH back into Torbay Council direct employment.
95. 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 increased competition for staff (especially across specialist areas such as legal services and Children Social Care). As a result, the Council is increasingly needing to pay market supplements to both recruit and retain staff and try to avoid further cost increases from using agency staff. The use of such supplements is carefully controlled and are kept under regular review.

Reserve Levels

96. The Council's General Fund Reserve of £5.7m is at a level that represents just over 4% of the Council's net budget. The Council has previously been supportive of increasing this balance to a level that represents at least 5% of the Council's net revenue budget which is consistent with CIPFA advice. This again would be the Chief Finance Officer's recommendation for 2024/25. This can be achieved through reviewing and rationalising current reserves held. Based on a budget of £139m for 24/25 the target General Fund Reserve level would be at least £7.0m. As the revenue budget increases, year on year, we would need the General Fund Reserve to increase proportionately to £7.6m by the 2026/27 financial year in order to maintain the 5% level.
97. The Finance Director (Chief Finance Officer) has undertaken a thorough review of all Council Reserves held and subsequently updated the Financial Reserves Policy which is detailed as **Appendix 2**.
98. As outlined in the Policy, reserves will not be used to meet the costs of any on-going service provision or spend commitments and, as such, the 2024/25 budget proposals do not include any use of any earmarked reserves to fund "base budget" costs.

CIPFA Financial Resilience Index

99. To provide more information and transparency on the Councils' financial position, CIPFA issued a "Financial Resilience Index" as a comparative analytical tool.

100. The Index shows the Council's position on a range of measures associated with financial risk assessment, based on 2021/22 data, (which is the most recent national data available). The tool shows a higher risk assessment for Torbay Council in relation to the following areas:

- Adults and Children's' social care where the Council's level of spend on these services is high in relation to its net revenue expenditure;
- overall level of interest payable compared with its net revenue expenditure and the level of gross external debt and
- the proportion of fees and charges against the total service expenditure is lower than its Council comparator group.

Medium Term Resource Plan

101. 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, 2023/24 and now 2024/25 which makes it difficult to financially plan over the longer term with uncertainty over future funding levels.

102. 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." DLUHC are also expecting that the introduction of the 'Extended Producer Responsibility' legislation will result in a significant new income stream for councils, however this has been deferred from the planned 24/25 implementation date.

103. Despite such uncertainty, the Council has forward projected anticipated income levels and spend commitments over the next three financial years as detailed in the table below. The funding gap for 2024/25 has subsequently been addressed through the improved financial settlement but the figures for 2025/6 and 2026/27 remain the same.

Torbay Council Medium Term Resource Plan	Base 2023/24 £m	Est. Variance 2024/25 £m	Est. Variance 2025/26 £m	Est. Variance 2026/27 £m
FUNDING				
Sources of Finance	-130.9	-7.7	-5.7	-5.9
Other grant funding (Public Health, Services Grant and Social Care)	-26.0	-1.7	-0.1	-0.2
Total funding		-9.4	-5.8	-6.1
PRESSURES				
Pay		1.9	1.4	1.4
Inflation		3.1	2.3	2.3
Provider/Contractor uplifts		0.0	5.0	2.0
Demand in Adult Social Care		0.8	1.5	1.6
Demand in Chidrens Social Care		1.1	0.3	0.3
Demand in Housing and Temporary Accomodation		0.8	0.4	0.2
Other pressures		1.4	0.5	0.4
Growth and investment priorities		0.8	0.0	0.0
Total estimated spending pressures		9.9	11.4	8.2
Income from fees and charges		-0.2	-0.2	-0.2
Budget gap - to be found from savings		0.3	5.4	1.9

104. As can be seen in the figures, the Council needs to take action now in order to provide greater assurance, and sustainability, in budgets for 2025/26 and beyond.
105. A more strategic approach has been taken in setting savings plans that underpin the 2024/25 revenue budget and provide the basis for the 25/26 and 26/27 revenue budgets. These plans focus upon key significant areas of budget spend and pressures where relevant action can make the biggest difference, both in terms of outcomes and financial savings. Rather than a definitive savings target, each action has been assigned a range of potential annual savings, which will be refined further as progress is made over time.
106. Revenue savings plans are detailed in **Appendix 3** with **Appendix 4** providing the Equality Impact Assessments linked to the proposed actions. In certain cases, such as the Adult Social Care transformation programme, optimum full year savings will not be achieved for a number of months and hence the overall strategic savings plan will need to be kept under constant scrutiny and review to ensure that actions are progressed and required savings are being delivered.
107. The Medium-Term Resource Plan will be updated periodically throughout 2024/25.