

REPORT OF: Finance Manager (s.151)

To: Full Council

Subject: Update to Budget 2024/25, Medium Term Financial Strategy 2024/25 – 2028/29

Date: 19th February 2024

PURPOSE OF REPORT:

To update members on the changes to the funding envelope and provide adjusted anticipated movements in reserves.

1.0 INTRODUCTION

- 1.1. This updates the budget papers presented to Community & Resources on the 29th January, to Internal Overview & Scrutiny on the 6th February and presented as the substantive part of this report. It is necessary because there have been noticeable changes to the funding position since the reports were drafted.
- 1.2. In particular, we were informed by a letter from the Secretary of State on the 24th January that additional funds would be made available to English Local Authorities. These were confirmed by parliament on the 7th February. Also, there have been complex and multi-faceted changes to Business Rates calculation which our system provider was not able to accommodate until late January and it was not feasible to undertake locally. The Community & Resources and Internal Overview & Scrutiny Committees were informed that there would be a financial impact of these changes.
- 1.3. These changes do not impact on the allocation of resources or service prioritisations that the committees considered in recommending next year's revenue budget. It impacts on the total funds available and the take from reserves.
- 1.4. This addendum picks up upon those key changes to that presented in the main body.

2.0 2024-25 Final Local Government Financial Settlement

- 2.1. The relevant changes for the final settlement include:
 - A £15million increase to the Rural Sparsity Grant
 - An increase in the minimum funding increase threshold to 4%.
 - This equates to an additional £87k to Torridge in 2024/25.
- 2.2. The Business Rates changes include:
 - An additional £100m of business rates income has been redistributed according to a historic settlement funding assessment.
 - There were changes to the tariff used to calculate contributions to and from the Devon Pool.
 - This equates to an additional £142k in 2024/25.

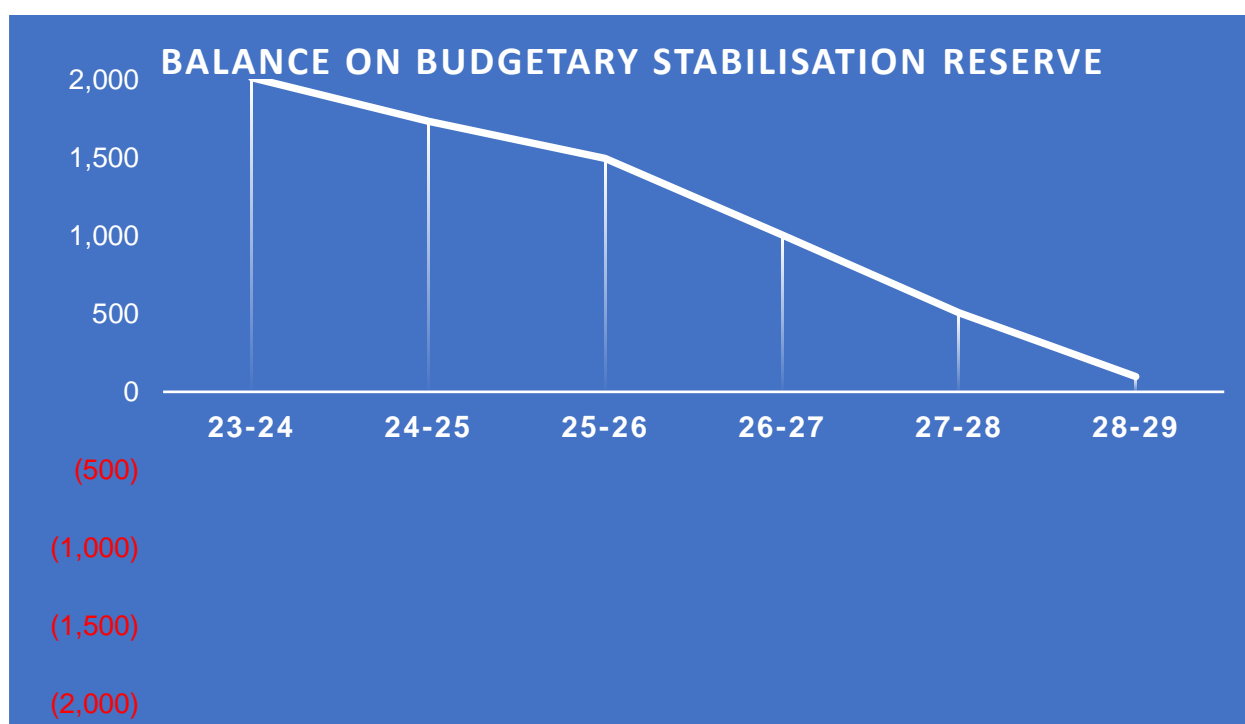
2.3. These two changes would have a minor impact to the 'Sources of Funding' graph shown within 4.1

3.0. Budget 2024-25

3.1. The table below shows the updated proposed budget for 2024-25 and remaining years of the MTFS.

Expenditure	2024-25	2025-26	2026-27	2026-27	2027-28
Cost of Service	12,261,723	12,407,644	12,957,829	13,364,229	13,718,131
Reserve Movement	1,093,549	1,129,549	1,167,549	1,207,549	1,207,549
Other - Financing, Vacancy Factor etc	(1,160,960)	(982,958)	(797,138)	(816,646)	(826,345)
subtotal	12,194,312	12,554,235	13,328,240	13,755,132	14,099,335
Funding					
Grants	(1,393,298)	(1,306,298)	(1,306,298)	(1,306,298)	(1,306,298)
Council Tax	(4,876,294)	(5,190,866)	(5,396,679)	(5,610,350)	(5,831,675)
Business Rates	(5,645,962)	(5,818,793)	(6,135,531)	(6,339,524)	(6,551,754)
subtotal	(11,915,554)	(12,315,957)	(12,838,508)	(13,256,172)	(13,689,727)
Use of TGFR to balance	(278,758)	(238,278)	(489,732)	(498,959)	(409,609)
					(1,915,336)

3.2. The additional funding equates to a significant reduction in the budgeted deficit and therefore the take from reserves. The cumulative deficit has fallen from £4m to under £2m. The chart below shows the updated draw from the Budgetary Stabilisation reserve. The graph shows the using up of reserves towards the end of the MTFS.



3.3 The late movement in funding also impacts on the budget movements between the 2023-24 budget being set and this final 2024/25 budget. This is shown below.

	2024-25	2025-26	2026-27	2027-28
2024-25 - MTFS	(279)	(238)	(490)	(499)
2023-24 - MTFS	(348)	(103)	(231)	(138)
Movement	69	(135)	(259)	(361)

(adverse) / favourable Movement

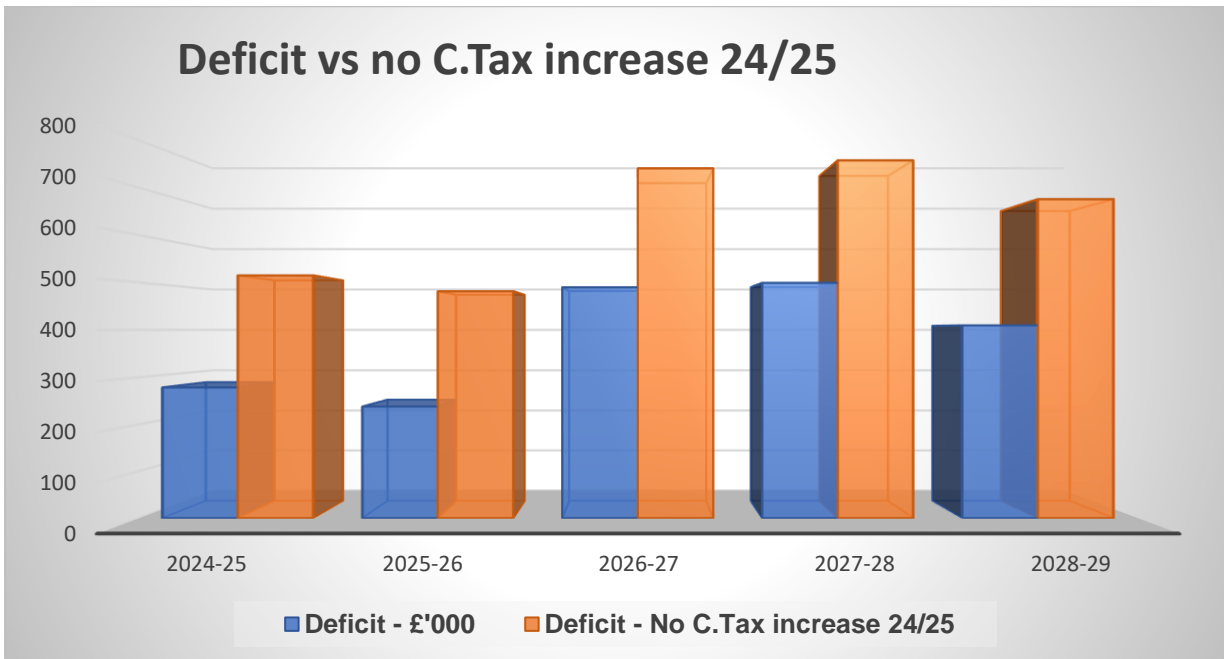
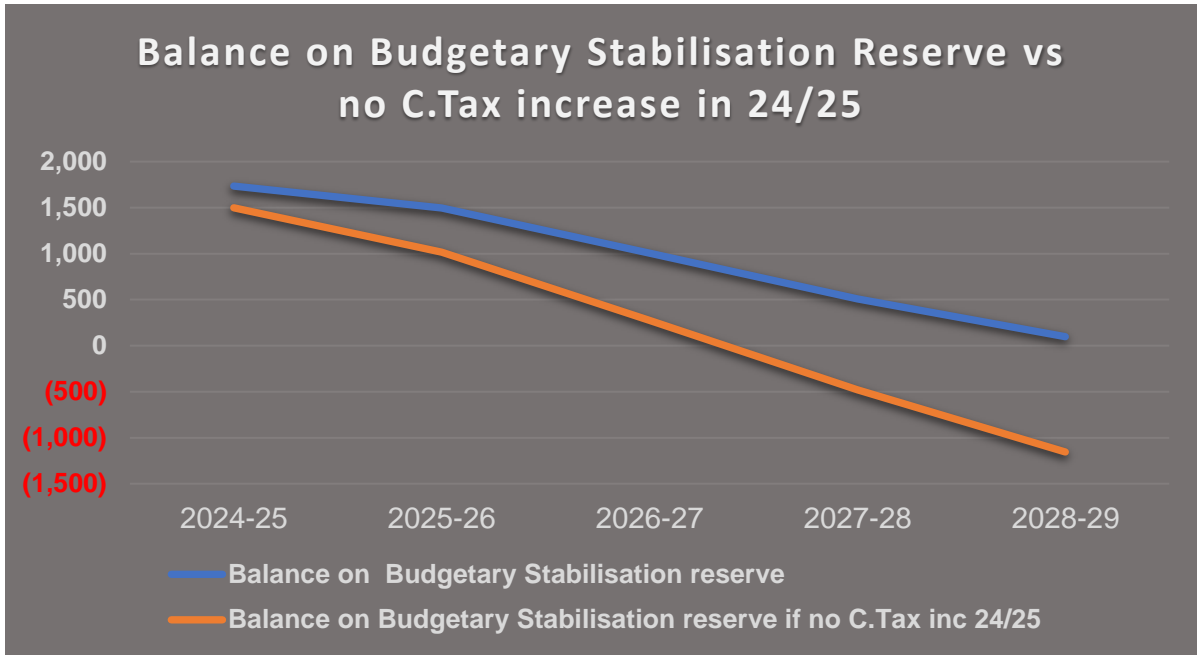
Pay Award	(758)	(1,069)	(1,268)	(1,459)
Support for Leisure	(103)	(103)	(103)	(103)
Planning Applications	(132)	(132)	(132)	(132)
Vehicle Parts & Services by Private contractors	(140)	(140)	(140)	(140)
Inflation	(212)	(108)	(103)	(97)
External Audit Fees	(95)	(95)	(95)	(95)
Transfer to Reserve	(95)	(95)	(95)	(95)
Insurance	(88)	(88)	(88)	(88)
Council Tax Income	(70)	48	49	51
Contract Cleaning Services	(48)	(48)	(48)	(48)
Net Interest	567	409	251	261
Business Rate Income	755	621	642	664
Net Settlement funding	233	137	127	117
Homelessness/Temporary Accommodation	399	399	499	549
ERP from Oct 25		145	290	290
Net Agency costs	(96)	75	80	89
Balance	(48)	(91)	(125)	(125)
	69	(135)	(259)	(361)

4.0 Changes to Assumptions

4.1. The movements in funding from grants as a result of the late settlement are assumed to only relate to 2024/25 and not be carried forward into future financial years. The funding movements related to the changes to Business Rates are assumed to be ongoing throughout the MTFS. All other assumptions are as stated in the base report.

5.0 Risks and Sensitivity

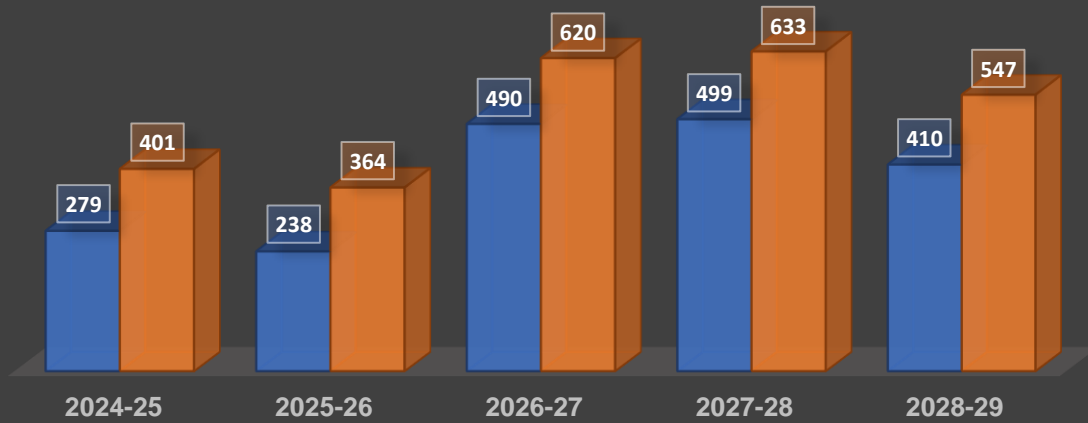
5.1 The graphs shown below provide the updated illustration of not increasing Council Tax in 2024/25.



5.2 The graphs shown below provide the updated illustration of a 1% higher staff pay award in 2024/25.

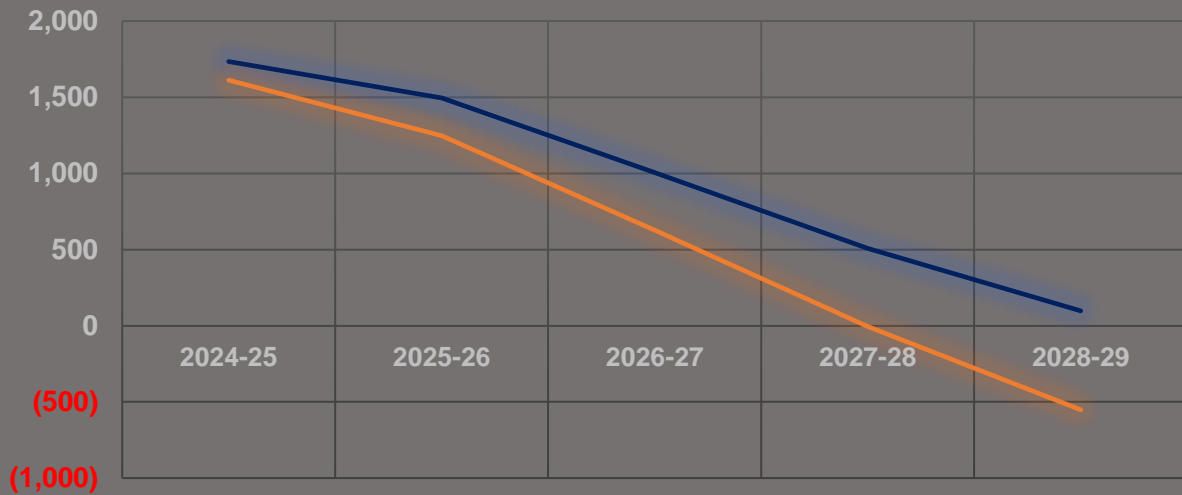
DEFICIT AS PER MTFS VS 1% ADDITIONAL INCREASE FOR 24/25 - £'000

■ MTFS pay award ■ Pay award 1% higher 24/25



Utilisation of TGFR - MTFS vs Add'l 1% Salary uplift 24/25

— Balance on Budgetary Stabilisation Reserve as per MTFS
— Balance with additional pay increase



6.0 Looking Forward

6.1 Though the updated funding has improved the financial projections of the Council, the overall picture still shows a deterioration in the MTFS between the 2023/24 budget being set and this one. The Members Budget Working Group continues to have an important role to play in discussing savings options.

7.0. Council reserves

- 7.1. The current level of monies held is considered appropriate in light of the existing and increased levels of risks associated with Torridge's current operational activities and responsibilities and the sum held is periodically risk assessed taking account of any new and emerging risks.

8.0. Robustness of the Budget

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (s151 Officer) of a billing or major precepting authority to report to Members on the following matters.

- The robustness of the estimates made for the purposes of the budget calculations.
- The adequacy of the proposed financial reserves contained within the budgets.

Robustness of Estimates

The estimates have been calculated based upon the information contained within the work and associated papers and guidance used to forecast the Medium Term Financial Strategy 2024/25 to 2028/29 within this report.

The following represent the areas of greatest uncertainty over the period of the MTFS

- Costs associated with meeting the Council's obligations to residents at risk of homelessness.
- Central Government review of local authorities needs and resources
- Future planning income
- Inflationary pressures, construction price inflation, utilities and staff pay awards

The final consideration is that this Council has a robust performance management framework in place with regular reports being presented to the Senior Management Team, Overview & Scrutiny (Internal) and Community & Resources Committees. This framework provides additional reassurance that budgets are proactively monitored and controlled throughout the financial year.

Taking all the above into consideration, the budget which has been recommended for approval by Council is sufficiently robust for members to use it as a basis for approving the proposed Council Tax for 2024/25 and the use of financial reserves.