

# Chief Finance Officer's Report

November 2024

## Budget 2025-2026



# Contents

---

Introduction.....	3
Budget Overview .....	3
Capital Investment Plan 2025/26.....	5
Local Government Finance Settlement for 2025/26.....	6
Dedicated Schools Grant.....	7
Adult Social Care .....	8
Community Services.....	9
Children’s Services .....	10
Corporate Services .....	11
Finance and Investment Budgets .....	12
Place based services.....	13
Wholly Owned Companies .....	14
Estimation of Council Tax Surplus/Deficit .....	15
National Non-Domestic Rates (NNDR).....	15
Council Tax and Referendum Limits and Council Tax Base.....	16
Pay, Pensions and National Insurance .....	17
Reserve Levels .....	17
CIPFA Financial Resilience Index and Benchmarking.....	18
Medium Term Resource Plan .....	18

## Introduction

1. This report by the Council's Chief Finance Officer provides further information to support the Cabinet's draft budget for 2025/26.
2. It provides an overview of key factors that have influenced the 2025/26 budget as well as considering the financial outlook for future years.

## Budget Overview

3. These budget proposals are presented in the light of continued financial uncertainty following the Government's Autumn Budget on 30 October 2024. The headlines appear positive, with the promise of £1.3b extra funding and a real-terms increase in total core spending power for councils in 2025/26 of 3.2%. However, we know that the 'devil is always in the detail' which won't be known for some time. At the time of writing, we await further detail within the Finance Policy Statement, expected later in November, the provisional Local Government Finance Settlement, which will be issued during the week commencing 16 December and the Final Settlement, which is not expected until the end of January, or even early February, 2025.
4. This makes budget setting challenging and we welcome the Government's recognition of the need for greater funding certainty through multi-year settlements and more clarity on financial reforms.
5. Inflation has reduced significantly from the highs of 2022, with a figure of 1.7%, (CPI), reported in Sept 2024. We do however continue to see residents struggling with the cost of living and this continues to have a consequential effect on the demand for council support services and reducing council income levels. Recent pay increases across sectors have exceeded this inflation figure with the recent Local Government pay award resulting in an average increase of around 4% and National Living wage increases closer to 10%.
6. Financial stress remains across the sector, with many local authorities struggling to set balanced budgets and publicly indicating they might need to issue S114 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.
7. The impact on the Council's income, expenditure and funding is detailed in the Medium-Term Resource Plan and the 2025/26 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 medium term financial impacts.
8. It is proposed by the Cabinet that the Council increases its Council Tax requirement in 2025/26 by 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%

9. Members of the Overview and Scrutiny Board, (through the Priorities and Resources Review Panel), will examine the proposals in detail and stakeholders and residents will have the opportunity to make representations on the proposals through the consultation, commencing on 25 November 2024. The Cabinet will review the responses received and the final budget proposals will be drawn up after consideration of responses received.
10. This report supports the proposed Revenue Budget 2025/26. Alongside this report, other relevant budget documents that will be presented to Council in February 2025 are:
  - a. 2025/26 Capital Strategy and Capital Receipts Strategy,
  - b. 2025/26 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy,
  - c. 2025/26 Review of Reserves,
11. Also relevant are:
  - d. Medium Term Resource Plan (on website),
  - e. Corporate Asset Management Plan,
  - f. 2024/25 Revenue and Capital Budget Monitoring Reports.
12. Fees and Charges and Financial Sustainability Plans are detailed as appendices along with an overarching Equalities Impact Assessment.
13. A summary of the current proposed 2025/26 budget by service area is detailed below and **shows an overall funding gap of £400k. This will be considered further once we have received final details of Government Funding for 2025/26.** To improve transparency and understanding, this year we are showing the Social Care Grant income within Children's and Adults Services rather than within Finance and a similar approach for the Public Health Grant. We have also taken the Service Grant out of Finance and this is now within our Sources of Funding.

<b>Proposed Net budget for 2025/26</b>			
2024/25 Net £m	Re-presented 2024-25 Net £m	Directorate/Service	2025/26 Net £m
55.9	55.9	Adult Services (Inc. Community & Customer Services)	58.3
	-9.3	- (Adults share of Social Care Grant)	-9.3
54.6	54.6	Children's Services	56.3
	-9.3	- (Childrens share of Social Care Grant)	-9.3
10.7	10.7	Public Health	11.0
	-10.7	- (Public Heallth Grant)	-11.0
13.8	14.0	Corporate Services and Chief Executive	14.8
-16.6	7.1	Finance	7.4
0	5.6	Treasury Management	5.6
-4.1	-4.1	Investment Properties	-4.1
24.9	24.9	Place Services	27.7
<b>139.2</b>	<b>139.4</b>	<b>TOTAL</b>	<b>147.3</b>
		<b>Sources of Funding</b>	
88.4	88.4	Council Tax	95.2
0	0.2	Services Grant	0.0
8.2	8.2	Revenue Support Grant	8.4
42.4	42.4	Business Rates (National Non-Domestic Rates)	43.1
0.2	0.2	New Homes Bonus	0.2
<b>139.2</b>	<b>139.4</b>	<b>TOTAL</b>	<b>146.9</b>

A detailed Budget Digest will be produced after approval of a final budget in February 2025. For reference, the 2024/25 Budget Digest can be accessed through the following link: [budget-digest-2024-2025-v2.pdf](#)

## Capital Investment Plan 2025/26

14. As required by the Council's Constitution, the draft Capital Investment Plan for 2025/26 has been published as part of the 2025/26 Capital Strategy.
15. The level of cost inflation on construction contracts remains high with significant cost increases on many projects. This has often required original business cases for capital projects to be reassessed to ensure financial viability. Stronger governance and controls have been implemented throughout 2024/25 with a staged 'gateway' approach being adopted with oversight through the Capital Growth Board (with Cabinet representation).

## Local Government Finance Settlement for 2025/26

16. For Local Government, the allocation passported to councils is determined through the Local Government Finance Settlement (LGFS). The Autumn 2024 budget statement confirmed that the 2025/26 settlement will once again be a one year “roll over” from 2024/25 with commitment made for multiple year settlements in the future. We are expecting the Spending Review to conclude in the late spring and deliver a new settlement for public services, marking a fundamental change in how the government approaches public spending, supports growth, and delivers public services.
17. The Budget statement on 30 October 2024 announced a total of £1.3 billion of extra funding for Local Government, providing a real-terms increase in total core spending power in 2025/26 of around 3.2%. This would include:
  - At least £600 million in new grant funding for social care
  - Core schools’ budget to increase by £2.3 billion, £1 billion of which will go towards supporting the Special Educational Needs, (SEN), and disabilities system.
  - £1.1 billion of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025.
  - Over £1 billion funding to support local areas and bus operators
  - An extension to the Household Support Fund and Discretionary Housing Payments
  - £233 million of additional spending in 2025/26 to prevent homelessness.
  - The Shared Prosperity Fund will continue for a further year and be worth £900 million, in advance of wider funding reforms.
  - Commitment to reforming the approach to funding allocations within Local Government starting with a targeted approach for allocating additional funding in 2025/26.
  - Employer’s National Insurance contributions will increase from 13.8% to 15.0% from April 2025, with a reduction to the per-employee threshold at which employers become liable to pay National Insurance to £5,000
  - An increase to the National Living Wage of 6.7% from April 2025. In addition, the National Minimum Wage for 18-20 year olds will be set at £10.00 an hour from April 2025 (a 16.3% increase).
18. Further detail is required to understand the full financial impact for 2025/26 and it is hoped that this will appear in the pending Policy Statement, issued in advance of the provisional local government settlement at the end of December 2024. Questions that require further detail include:

- Will the existing Council Tax referendum limits be maintained, or new flexibilities be announced?
- Will there remain a Council Tax precept arrangement for funding increasing Adult Social Care demand and costs?
- How different will the distribution of funding to Local Councils be? Will this include Social Care funding?
- How much funding will be set aside for the additional NI costs and how will this be provided to Councils?
- What will happen to the funding not mentioned and not guaranteed beyond 2024/25? e.g. New Homes Bonus and Services Grant.
- How will the £1.1b of Extended Produced Responsibility funding be distributed to Councils.

19. The table below provides an estimate of the various funding streams (incl. key grants) for Torbay Council in 2025/26 and the comparison against 2024/25.

<b>Torbay Council Budget 2025/26</b>	<b>Base</b>	<b>Estimate</b>	<b>Est. change in</b>
	<b>2024/25</b>	<b>2025/26</b>	<b>2025/26</b>
<b>FUNDING</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total for Council Tax</b>	<b>88.353</b>	<b>95.189</b>	<b>6.836</b>
New Homes Bonus	0.225	0.225	0.000
Revenue Support Grant	8.219	8.359	0.140
* Business Rates	42.407	43.128	0.721
<b>TOTAL - Sources of Funding</b>	<b>139.204</b>	<b>146.901</b>	<b>7.697</b>
Services Grant	0.227	0.020	-0.207
* Social Care Grant	18.685	18.685	0.000
ASC Market Sustainability and Improvement Funding	3.625	3.625	0.000
ASC Discharge Fund	2.065	0.000	-2.065
Improved Better Care Fund	8.838	8.838	0.000
<b>Total - incl Grant funding used in core spending power</b>	<b>172.644</b>	<b>178.069</b>	<b>5.425</b>
Public Health Grant	10.697	10.697	0.000
<b>TOTAL ESTIMATED FUNDING (inc Grants)</b>	<b>183.341</b>	<b>188.766</b>	<b>5.425</b>

## Dedicated Schools Grant

20. We have not yet received details of Torbay's 2025/26 Dedicated Schools Grant (DSG) allocation and the split between the Schools Block, Early Years Block, Central Schools Block and High Needs Block. 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 in 2024/25 was £143.257m, with £57.155m retained in the Council's budget for expenditure related to maintained Schools and other residual functions.

21. In the Autumn budget the Government announced that the national core schools' budget will increase by an additional £2.3 billion next year, including a £1 billion increase to Special Educational Needs and Disabilities (SEND) and alternative provision funding. Although the additional funding for Torbay is clearly welcome, there will still be a deficit budget for 2025/26 as significant demand within the High Needs block continues.
22. 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 (Torbay has, to date, chosen not to action this virement). The overspend on the DSG in 2024/25 is estimated to be £1.271m, resulting in a cumulative forecast deficit of £14.027m.
23. 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 High Needs Block position by 2026/27. DFE have agreed to fund the cumulative deficit of, up to, £12.910m, as long as milestones are met during the process. To date we have received £7.930m from the DfE towards the deficit.
24. Following a full Needs Analysis and Review of the Special Educational Needs and/or Disabilities (SEND) provision within Torbay, alongside the increasing demand for specialist education support, we are currently consulting the proposal to implement a locality model across the area. A financial sustainability plan has been prepared summarising the actions planned. The model is based on an analysis of need and will make better and more effective commissioning arrangements and therefore develop a more financially sustainable educational system
25. It aims to bring services together to support the children and young people of Torbay in their local community, reduce the requirement for an Education, Health and Care Plan (EHCP) to receive support and therefore reduce the delays that families are experiencing in receiving the support that their children need. The model will allow the support to be received more rapidly and in their own communities. Along with other benefits, the process will be needs led, with localised decisions by local stakeholders about how children and young people's needs can be best met.

## Adult Social Care

26. In Adult Social Care (ASC), 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. In 2024 we signed a new 5 year contract, commencing from April 2025, extending our integrated arrangements with an increase in budget to recognise the demands and cost pressures.



27. The Council's commitment is an increase in contract fee each year by the value **equivalent to 2% ASC Council Tax precept, currently estimated at £1.785m for 2025/26**. Recognising that spend is currently well in excess of budget, the Council has also committed a **further increase in 2025/26 and 2026/27, equivalent to an additional 1% Council Tax precept** for each year. These financial commitments have had to be made by the Council without the certainty of future government funding models for Social Care over the five year period of the new contract.
28. 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 are working closely with Health colleagues on a joint ASC transformation programme (using earmarked reserves), to identify savings and efficiencies, focussing on areas such as reablement, learning disability support and extra care provision.
29. Financial 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 Government's Autumn budget announced further increases to the Social Care Grant for 2025/26 but we await further detail on this and any impact on other funding streams. Once confirmed, we will allocate increases in Social Care Grant equally between adult social care and children's social care to help meet cost and inflationary pressures and demands in both services. It should be noted that the announced increases to the National Living Wage and employers' National Insurance contributions will result in increased costs for care providers, who will expect to see an element of the additional Social Care grant allocated to help mitigate their increased cost pressures.
30. We await confirmation of other specific adult social care grants continuing into 2025/26 and where these grants are confirmed, we will continue to work closely with Trust colleagues to ensure they are used effectively to meet the needs of our local communities.

## Community Services

31. The level of homelessness and the need for temporary accommodation was particularly impacted by COVID and has continued to be impacted by the increased cost of living. Despite all the mitigating actions taken by the Council, the level of increased demand and cost far outweighed the associated funding and an additional £900k was added to the 2024/25 budget to meet the increased costs of temporary accommodation, Hostel operational costs and support for the prevention of homelessness.
32. Homelessness and temporary accommodation is one of the Council's set Financial Sustainability plans as announced in the 2024/25 budget. A continued focus in this area has resulted in a much more stable budget position, with recent 2024/25 budget monitoring reports demonstrating that current levels of demand and costs being much more aligned with set budgets.

33. The £10m investment undertaken throughout 2023/24 to directly purchase property and reduce the reliance on spot purchasing of temporary accommodation has helped reduce costs and increase accommodation options available to the Housing team. This is helping to stabilise costs and allow more work to be done to prevent homelessness and support households to find more permanent housing.
34. The Council's insourcing of the Homeless Hostel contract has also helped the financial position, improving throughput and availability of cost neutral accommodation for single people
35. The Financial Sustainability plan remains in place with the service continuing their strategic work to improve accommodation pathways and commissioning plans. This includes reviewing homelessness preventative work, arrangements around Housing Management subsidy and opportunities to lever in further grant funding from Homes England.
36. The impact from the actions as detailed within the Financial Sustainable plan are expected to manage additional spending pressures across the service into the medium term. Therefore, it is proposed to only increase the **2025/26 budget for Temporary Accommodation by £50k** to recognise inflationary price increases. However a further proposal is made for **an additional £100k to be added to the homelessness prevention budget** to support this critical work.
37. Last year £300k was added to base budgets to support Operation Town Centres - a collaboration between our Police and additional Council staff on the streets in our Town Centres with the objective of providing more enforcement against those who engage in anti-social behaviour as well as providing greater assistance to individuals needing our help and support. **A further £200k is proposed within the 2025/26 budget** to further support this work and respond to anti-social behaviour and environmental crime.

## Children's Services

38. 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, there is far greater financial stability than in previous years.
39. However, the service remains vulnerable to changes in demand, in particular residential care where a relatively small change in numbers could have a significant financial impact. The overall numbers of cared for children are lower than previous years, but the significant shortage of suitable available placements is driving up costs within the market. The high cost of weekly residential and unregulated placements remains a concern and risk to the budget.

40. 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.
41. Recruitment and retention within the service remains a challenge with cost pressures within our agency budgets. These costs reduced significantly in 2023/24, but we are seeing increased salary expectations within the agency market and stiff competition from other Councils, offering increased hourly rates to stabilise their own workforces. Work is continuing to control these costs wherever possible.
42. A total of £2.1 million was added to Children's Services placement budgets in 2024/25 to meet service demand and inflationary increases in pay and provider costs. Financial Sustainability plans have been developed for key risk areas, identifying actions planned to manage spending pressures across these areas.
  - a. Home to School Transport –focuses on route planning/optimisation, more robust control over contracts, increasing transport options and improving the independence of our young people.
  - b. Children's Social Care placements - focusses on early help, prevention and the development of a sustainable Family Hub model to help reduce the number of children who become cared for and identify less expensive accommodation for our Care Experienced young people. Targeted support in relation to learning disability placements and associated joint work with Health is also being reviewed.
43. The latest budget monitoring in 2024/25 is evidencing total spend for children services is more in line with budgets, with a projected overspend of circa £200k which is much lower than previous years. With the support of continuing Financial Sustainability plans, we are proposing to limit budget increases in 2025/26 to:
  - (a) **£1m allocation for an uplift in placement costs.** This is calculated at 5% of our current spend on placements in recognition of the market challenges in this area
  - (b) **£100k for Section 17 costs,** recognising the increased costs of supporting those children and families in need and safeguarding or promoting the child's welfare.
44. We await details of any additional funding in Social Care Grant, as announced within the Autumn budget statement and would aim to allocated 50% of this increase into Children's Services – to fund the inflationary budget increases highlighted above.

## Corporate Services

45. Despite £300k being added to the budget in 2025/26, we are currently forecasting an overspend in 2024/25 of a further £350k in respect of Legal Services. This is a result

of increasing demand for the service and the difficulties in recruiting permanent staff which has meant the service have had to use more expensive agency staff to continue delivering the required legal support.

46. 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. The application of increased additional market factors is starting to have an impact and improve the success in recruitment, but demand levels has meant that spend levels remain high.
47. A Financial Sustainability plan has been developed to identify actions to mitigate the risk of future spending pressures, however, **it is proposed that a further £100k is added to the service budget in 2025/26** to help fund the continuing and increasing demand for legal support.
48. The draft budget **proposes an increase of £110k to our Insurance and IT licence budgets** to address higher than average inflationary cost increases across both these areas of spend which reflects market conditions.

## Finance and Investment Budgets

49. Throughout the 2024/25 financial year, we have achieved a surplus from our financial returns on cash balances held. Although interest rates have fallen over the last year, we have secured high interest rates on our investments, alongside the holding of reserves and grant funding in advance of drawdown of associated spend. We are currently projecting an underspend of £1.2m for the 2024/25 financial year.
50. However, due to the volatility in rates, and anticipated reduction in cash held, the base Treasury Management income budget has not been increased for 2025/26, ensuring a prudent approach of not relying on one-year monies to balance on-going spend commitments within the budget.
51. 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. We also entered into some longer term secure bond investments in 2024 to reduce reliance on short term interest rates. We continue to look at further Treasury Management opportunities to improve the stability of our investment and borrowing portfolio leaving us less exposed to fluctuations in rates over the coming years.
52. The income we receive from our Commercial Investment portfolio continues to remain strong which helps to contribute circa. £4m to the annual revenue budget. To ensure this continues, and the financial benefits are optimised from the portfolio, there will be a strategic review of the Council's holding of commercial assets forming a clear strategy and criteria for holding / investing / or disposing of assets over the medium term. Such a review is essential alongside the Council considering any future borrowing requirement in support of our Regeneration and Capital Investment

Plan as Government now requires Local Authorities to review their 'out of area' asset holdings in advance of approving any borrowing from the Public Works Loan Board, (PWLB).

53. It is proposed that Fees and Charges across Council services will generally increase by an average of 3.5% for 2025/26 to help offset increased pay cost and price inflation. There will be some exceptions, particularly where the rates are set nationally. The proposed Fees and Charges schedule for 2024/25 are detailed in **Appendix 1**.

## Place based services

54. Several services within the Pride of Place Directorate had a challenging year financially in 2023/24 and this has continued into 2024/25, with a number of areas projecting a shortfall of income compared with the levels budgeted. Several of these budgets now need to be reset, along with some expenditures budgets, to avoid overspend in future years.
55. Planning fee income was well below budgeted levels in 2023/24, resulting in a year end overspend which is replicated in 2024/25 budget monitoring reporting. This is mainly due to a drop in application numbers over the last few years. Work continues with key stakeholders to determine planning pipelines and there is active encouragement of the pre-application submission, new planning applications and the use of Planning Performance Agreements. National Planning Application Fees were increased in October 2023, which will partially help re-address income levels when volumes increase. **It is proposed to reduce the planning income budget by £200k in 2025/26**, to reduce the risk of future overspends.
56. It is **proposed to increase the Planning enforcement budget by £100k** in order to increase Enforcement Officer resource. The ongoing level of open cases is no longer manageable and has become more challenging due to recent planning enforcement changes introduced by the Levelling Up and Regeneration Act. Additional staff will ensure caseloads are more appropriate and the number of open cases can be reduced and maintained at reasonable levels.
57. For the last few years, the services commissioned by the Council from Torbay Development Agency, (TDA), have exceeded the set £1m 'management fee' budget by circa £300k per annum. Now that the TDA services have been fully integrated into the Council's operations the budgets need to reflect the existing demand levels and hence it is proposed to **increase the Pride in Place budget by £300k**.
58. In recent years, the Council has expanded its holding of income generating assets within the Torbay area, acquiring sites such as Fleet Walk, Union Square and the Victoria Centre, predominantly for regeneration purposes. Progress is being made on re-purposing such sites over the next few years and whilst development is progressing there will inevitably be a downward trend in rental income.

59. Our total income generated through numerous assets held in Torbay amounts to circa £6.1m per annum. With known, and predicted, volatility of income streams it is essential that we provide some stability of base revenue budgets over the medium term. We are therefore **proposing a reduction in income targets of £300k for 2025/26** which represents circa 5% of total income achievable. This will help to create an on-going reserve to manage the peaks and troughs between financial years, mitigating the shortfall in income through voids and meeting the costs of 'carrying' assets, such as security and business rates, whilst pending capital investment and development.
60. Last year £300k was added to base budgets to support Operation Brighter Bay - to make our Bay more attractive and safer, through additional cuts to grass verges, enhanced street cleaning and a programme of replacing white lines and yellow box markings across the whole of the Bay. **This budget proposes a further £200k to continue this work** and improve the overall look and feel of the streets and general environment around Torbay, benefiting both residents and visitors to the Bay.
61. The base budget held to repair and maintain the significant portfolio of Council owned assets continues to be significantly short compared with the need as identified in condition surveys (which indicates an overall backlog maintenance cost of circa £50m). The revenue budget was increased by £200k in 2024/25 and **it is proposed to increase the budget by a further £400k in 2025/26**. This will help to stabilise the current condition of the assets held and make some progress to address the identified backlog. Alongside this, the Council will review, and put forward proposals for, a number of potential asset disposals in 2025 with the intention of reinvesting any capital receipts generated to improve the core Council estate.

## Wholly Owned Companies

62. The budget proposals include a **base inflationary increase in the SWISCo contract for 2025/26 of £375k**. This is separate to the additional funding to improve service levels as part of Operation Brighter Bay. **There is also an allowance of £200k in the 2025/26 (Council) budget to reflect the additional cost of implementing the National Living Wage** – when fully worked through, some of this funding will be passported on to SWISCo. The company continues to review commercial activities with the aim of optimising income generation and increasing efficiencies.
63. 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. The Council made a further decision in December 2023 that TorVista Homes (TVH) would also be dissolved. Work has continued throughout 2024/25 on the transfer of assets to the Council with the majority of transition work and associated costs being incurred in 2024/25, (as previously reported). Any one-off

residual costs within 2025/26 will be funded through reserves and detailed through quarterly budget monitoring reports.

## Estimation of Council Tax Surplus/Deficit

64. The Council makes an estimate of the surplus or deficit on the Collection Fund at year end, arising from under or overachieving the estimated Council Tax collection rate. COVID-19 had a significant ongoing impact on the collection of Council Tax, but rates have increased over recent years and are now only marginally lower than pre COVID levels, with the Council assuming a **96% in-year collection rate**.
65. The ongoing economic impact on Torbay residents linked to “cost of living” pressures could result in more Torbay residents facing financial hardship. 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. It is proposed that the 75% cap remains in place for the Working Age Council Tax Reduction, (WACTR), Scheme that will be applied in 2025/26 with some minor amendments to the scheme to reflect national guidance.
66. 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)

67. 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.
68. The Council’s NNDR funding baseline was established in 2013. Each year as part of the funding settlement the Ministry of Housing, Communities and Local Government (MHCLG) 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.
69. 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 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 making medium term financial planning difficult. The **proposed 2025/26 budget**

**assumes an increase in overall NNDR funding of 1.7%** - in line with the September 2024 Consumer Price Index, (CPI), inflation figure. Due to the significant uncertainty around the impact of economic conditions on business' ability to pay NNDR, the council will also continue to budget for a contingency for non-collection.

70. The Council, along with other Devon Councils, will continue to be part of an NNDR pool for 2025/26 with an estimated on-going gain to Torbay of £0.9m. The future of 'pools' and the resulting financial gains are not certain in the event of any new National NNDR system being introduced by Government.

## Council Tax and Referendum Limits and Council Tax Base

71. 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 continued to be at 3% for 2024/25. Although these limits and flexibilities have not yet been confirmed by Government for 25/26 this budget assume that the rate remains at 3%.
72. This draft budget assumes the same approach taken last year, which was for a **2.75% increase** - below the Government cap. In addition, MHCLG provide upper tier Councils the flexibility to **increase Council Tax by a further 2% for Adult Social care** and the 2025/26 budget proposals assumed that this levy will be applied.
73. The Council Tax base is adjusted each year based on the net number of properties that we are able to levy charges against across the Bay. During 2024/25, the Council undertook a comprehensive review of circa 26,000 residents who were claiming 'Single Person (Council Tax) Discount', (SPD), the result of which being an overall reduction in the number of eligible discounts applied in 2025/26.
74. In addition, the Council announced its intention in January 2024 to levy a Council Tax premium of an additional 100% in relation to second homes held within the Bay (where there is no identified resident in a specific furnished dwelling). This charge will come in effect from 1 April 2025. Both **the SPD review and Second Homes increase in charging will result in a significant increase to the Council Tax base figure applied for 2025/26.**
75. The Council Tax bill that is 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 2025.



76. In 2024/25, Torbay had the second lowest Band D Council Tax in Devon at £2,232.85 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, Pensions and National Insurance

77. The 2024/25 pay award for staff has been agreed which provides certainty for the current year. This is structured in a similar way to the previous year but with a lower fixed amount of £1,290 and a minimum increase of 2.5%. **The 2025/26 budget assumes an average 3.5% pay award from April 2025**, assuming a similarly structured but slightly lower pay award for next year.
78. 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%).
79. The Government Autumn Budget statement announced an increase to employers National Insurance Contributions from 13.8% to 15% and reducing the per-employee threshold at which employers become liable to pay National Insurance, (the Secondary Threshold), from 6 April 2025 to £5,000. This is **estimated to be an additional cost of circa £2m for the Council**. These figures are not currently included within this draft budget as the Government have indicated that Councils will receive relevant funding for this change – with further details to be announced over coming weeks.
80. 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

81. Following an internal review and rationalisation of reserves, the Council's General Fund Reserve has been increased to ensure it is over the level recommended by CIPFA. Based on 2025/26 estimates this reserve would be 5.1% of the net revenue budget at the commencement of the next financial year. It is recommended that we remain above the recommended level of 5%, increasing the reserve in line with increases to our net budget.

82. 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**.
83. As detailed 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 2025/26 budget proposals do not include any use of any earmarked reserves to fund “base budget” costs.

## CIPFA Financial Resilience Index and Benchmarking

84. To provide more information and transparency on the Councils’ financial position, CIPFA issued a “Financial Resilience Index” as a comparative analytical tool.
85. The Index shows the Council's position on a range of measures associated with financial risk assessment. The tool shows the following for Torbay Council in relation to other Councils:
  - Adults and Children’s’ social care spend 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 is high.
  - The proportion of fees and charges against the total service expenditure is lower than average.
  - The level of reserves is good.

We continue to use this information to challenge our existing policies and practices and drive value for money through, for example, our published Finance Sustainability Plans and engagement with LGA Peer Reviews (the most recent being focused on Children’s Services in September 2024)

## Medium Term Resource Plan

86. As mentioned previously, these budget proposals are presented in the light of continued financial uncertainty following the Governments Autumn budget statement on 30 October 2024. The government announced their commitment to pursuing a comprehensive set of reforms which would include changes to the way funds are allocated to Councils, ahead of a broader redistribution of funding through a multi-year settlement from 2026-27. We still await further detail within the Finance Policy Statement, (expected in November 2024) and the provisional Local Government Finance Settlement which will be issued w/c 16 December 2024.
87. 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.

<b>MEDIUM TERM RESOURCE PLAN</b>				
<b><u>Torbay Council 2025/26- 2027/29</u></b>				
	<b>Base</b>	<b>Est variance</b>	<b>Est variance</b>	<b>Est variance</b>
	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>FUNDING</u></b>				
Sources of Finance	139.2	7.7	4.8	5.0
Other grant funding	44.1	0.0	0.2	0.2
<b>Total estimated funding</b>	<b>183.3</b>	<b>7.7</b>	<b>5.0</b>	<b>5.2</b>
<b><u>PRESSURES</u></b>				
Pay		2.1	1.7	1.7
Inflation		3.8	3.6	3.6
Demand		0.6	0.2	0.2
Rebase budgets		1.2	0.4	0.3
Investment in priority areas		0.5	0.2	0.0
<b>Total estimated spending pressures</b>		<b>8.1</b>	<b>6.1</b>	<b>5.8</b>
<b>Estimated budget gap</b>		<b>-0.4</b>	<b>-1.0</b>	<b>-0.6</b>

88. The budget gaps forecast in 2026/27 and 2027/28 have reduced from last year due to the 2024/25 financial settlement being better than originally estimated, plus the subsequent certainty provided through signing up to the new 5-year Adult Social Care contract with Health.
89. As per 2024/25, a strategic approach has been taken in agreeing Financial Sustainability Plans, which underpin the 2025/26 revenue budget and provide the basis for continued management of budget pressures through 2026/27 and 2027/28. These plans focus upon key areas of budget spend and pressures where relevant action can make the biggest difference, both in terms of outcomes and financial savings. There is an expectation that these plans manage the emerging pressures within budgets with definitive savings targets and budget reductions actioned, only where they are achievable and can be evidenced.
90. Details of the Financial Sustainability plans are shown in **Appendix 3** with **Appendix 4** providing the Equality Impact Assessments linked to the proposed actions.
91. The Medium-Term Resource Plan will continue to be reviewed and updated, pending further detail on the Local Government Finance settlement.