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To: The Chair and Members
of the Cabinet

County Hall
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Date: 5 January 2023

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CABINET

Wednesday, 11th January, 2023

A meeting of the Cabinet is to be held on the above date at 10.30 am in the Committee Suite (Clinton / Fortescue) - County Hall to consider the following matters.

Jan Spicer
Interim Chief Executive

A G E N D A

7 Budget Targets for 2023/2024 (Pages 1 - 6)

Report of the Director of Finance and Public Value (DF/23/02) on the Budget Targets for 2023/2024.

Electoral Divisions(s): All Divisions

BUDGET TARGETS FOR 2023/24

Report of the Director of Finance and Public Value

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

It is recommended that:

- (i) The provisional local government finance settlement that is set out in paragraph 2.3 be noted;
- (ii) The revenue budget targets for 2023/24 as set out in paragraph 3.8 are approved; and
- (iii) Members agree that the Capital Programme is determined by Cabinet on 10th February 2023.

1. Introduction

- 1.1. In previous years, Cabinet has agreed target budgets for services in December, based on financial planning forecasts constructed in advance of the provisional settlement. However, this year, there has been much more uncertainty in terms of central government funding to local government, combined with the most challenging budget round that the Authority has faced in recent decades. It has therefore been prudent to defer setting service budget targets until January, after the announcement of the provisional settlement.
- 1.2. On 19th December 2022, the Rt Hon Michael Gove, Secretary of State for Levelling Up, Housing and Communities, released a written Ministerial statement to Parliament setting out the provisional local government finance settlement for 2023/24 financial year.
- 1.3. The settlement is in line with the Spending Review 2021 and updated for the announcements made in the Autumn Statement of 17th November 2022.
- 1.4. Budget targets for the 2023/24 financial year are set out in the table at paragraph 3.8, reflecting a net increase in service budgets of £66.2 million, which is a 10.5% increase.

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2. Provisional Settlement

- 2.1. The provisional local government finance settlement for 2023/24 is a single year settlement, as was the previous year. Government has outlined national funding levels for 2024/25 but uncertainty remains at individual council level, as distribution mechanisms for 2024/25 are unconfirmed.
- 2.2. The key matters in the provisional settlement are set out below:
 - 2.2.1. **Core Spending Power** – The government has increased the Authority's overall Core Spending Power by 9.6% which provides some welcome additional flexibility to respond to national inflationary pressures and protect services that local people rely on as far as possible.
 - 2.2.2. **Council Tax** – it is important to note that the provisional settlement confirms that the Core Spending Power includes the flexibility in setting Council Tax for 2023/24 by setting the referendum limit at 2.99% and that social care authorities may increase the adult social care precept by 2% - and therefore raise Council Tax by up to 4.99% overall without a referendum being required.
 - 2.2.3. **Business Rates** – the business rates system and government compensation grant for under-indexing will overall, increase in line with September CPI (which stood at 10.1%).
 - 2.2.4. **Social care grant** – it was announced in the Autumn Statement that adult social care charging reforms that were due to be introduced from October 2023 will be postponed for 2 years, but that the funding that had been allocated by government would be repurposed and still allocated to councils. This repurposed funding has been added to the social care grant, and the former Independent Living Fund grant has also been consolidated within the social care grant for 2023/24.
 - 2.2.5. **Adult Social Care Market Sustainability and Improvement Fund** – this is a new grant through which nationally, local government has been allocated £400 million that was announced in the Autumn Statement as new funding to support hospital discharge. Also, existing funding for implementation of adult social care reforms has been repurposed and consolidated into this new grant.
 - 2.2.6. **Adult Social Care Discharge Fund** – the Autumn Statement also announced £600 million of funding nationally, that would be split equally between councils and the NHS, to support hospital discharge. This new grant contains the Authorities' allocation of the fund, which must be pooled into the Better Care Fund.
 - 2.2.7. **Service grant** – this grant has been reduced by government due to the cancellation of the National Insurance increase and to transfer funding to Supporting Families programme.
 - 2.2.8. **Local Government funding reform** – The Review of Relative Needs and Resources (generally referred to as the 'Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.

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- 2.3. A breakdown of the key funding streams published within the provisional settlement are set out in the tables below:

	Provisional Settlement £000
Revenue Support Grant	(669)
Business Rates - Central Government Top Up	(83,428)
Business Rates - Local Element*	(23,064)
Core Funding	(107,161)

**The actual amount we receive will be derived from returns completed by our Devon Districts*

	Provisional Settlement £000
New Homes bonus	(883)
Rural Services Delivery Grant	(7,823)
Social Care Grant	(54,015)
Improved Better Care Fund	(29,127)
Adult social care Market Sustainability and Improvement Fund	(8,373)
Adult Social Care Discharge Fund	(4,084)
Services Grant	(3,987)
Other grants	(108,292)

- 2.4. The tables above set out the Authority's Core Funding of £107.2 million and shows the other government grants that have been announced so far. Other existing grants are expected to be published soon and will be reported as part of the overall budget papers in February, if known by then.
- 2.5. The provisional settlement contains additional government funding to the Authority of £27.5 million when compared to 2022/23, as well as additional flexibility for raising Council Tax.

3. 2023/24 Service budget targets

- 3.1. Budget monitoring at month 2 identified an unprecedented forecast overspend of £30.5 million by the end of 2022/23, with a further £10 million of inflation related risk. Since the month 2 report, a Financial Sustainability Programme has been set up to address the level of overspending.
- 3.2. This programme has been successful in containing some expenditure and making savings, which is reflected in a significantly improved the outturn forecast by month 8 which will be reported at the same time as this report. However, many of the underlying budget pressures in year remain and are addressed in the 2023/24 budget.

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- 3.3. This is particularly the case in Children’s services where there has been difficulty in achieving savings that were agreed within the 2022/23 budget as well as continuing pressure on volumes of placements and inflationary pressures on home to school transport.
- 3.4. Similarly, Integrated Adult Social Care has also experienced continuing high demand for services, especially high cost nursing placements. Higher unit cost trends (which will include the indirect effect of inflation) across all of Integrated Adult Social Care are also generating budget pressures in 2023/24. There is £8 million of NHS income supporting core adult social care activity in 2022/23, that was one-off and therefore presents as a budget pressure for 2023/24 that the Authority will need to meet the cost of.
- 3.5. National Living Wage was announced in the Autumn Statement as increasing by 9.7 percent from April 2023. This is expected to add £22.5 million of budget pressures across the Authority’s budgets.
- 3.6. Almost £23 million of the Authority’s reserves were allocated to support the 2022/23 budget to provide time for service transformation and to manage demand. Reserves are a one-off source of funding, which the proposed budget targets remove the dependency upon.
- 3.7. The cost of living and geopolitical situation has created huge financial pressures nationally. As a consequence, the authority has faced unprecedented price and demand pressures in the current year and although significant savings have been found to offset this many have been one off measures. The ongoing impact of this and other pressures have been included within the proposed Target Budgets with investment of £51.5 million to cover inflation and national living wage being required and a further £63.8 million to cover demand pressures. To enable the authority to set a balanced budget, savings, alternative funding and additional income of £49.1 million have been identified. Overall, there is additional funding of £66.2 million or 10.5% for service budgets next year.
- 3.8. The proposed service revenue budget targets for the 2023/24 financial year are set out in the table below.

	2022/23 Adjusted Base Budget £000	Inflation and National Living Wage £000	Other Pressures £000	Savings, alternative funding and additional income £000	2023/24 Target Budget £000	Net change £000	
Integrated Adult Social Care	311,968	29,535	29,999	(32,200)	339,302	27,334	8.8%
Childrens and Young Peoples Futures	176,205	9,585	32,376	(9,563)	208,603	32,398	18.4%
Public Health, Communities & Prosperity	20,308	874	617	(404)	21,395	1,087	5.4%
Corporate Services	42,213	4,470	623	(2,458)	44,848	2,635	6.2%
Climate Change, Environment & Transport	79,117	7,037	214	(4,468)	81,900	2,783	3.5%
Service budgets total	629,811	51,501	63,829	(49,093)	696,048	66,237	10.5%

2022/23 Base budget adjusted for permanent virements

- 3.9. As is consistent with previous years, the Capital Programme for 2023/24 to 2027/28 will be presented to Cabinet at the February budget meeting.

Angie Sinclair

Director of Finance and Public Value

Electoral Divisions: All

Cabinet Member: Councillor Phil Twiss

Local Government Act 1972: List of Background Papers

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