

## **Budget Targets for 2024/25**

### **Report of the Director of Finance and Public Value**

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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.

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#### **1) Recommendation**

That the Cabinet be asked to:

- (a) Approve the revenue budget targets as set out in Table 1 to be incorporated in the Draft Budget for 2024/25.
- (b) Agree that the capital programme is determined by Cabinet on 9<sup>th</sup> February 2024.
- (c) Note the information related to the Provisional Local Government Finance Settlement for 2024/25.

#### **2) Background / Introduction**

The primary purpose of this report is to seek Cabinet support for the proposed revenue Budget Targets for services for financial year 2024/25 so that these can be incorporated in the Draft Budgets to be considered in January and February.

The Senior Leadership Team has worked extensively with the service leads and finance officers to forecast costs and to develop plans to manage net service costs within affordable financial targets.

It is well publicised that local authorities across the country continue to face financial challenges due to high inflation and interest rates as well as demands on local service provision. Building on the Financial Sustainability Programme undertaken towards the preparation of the 2023/24 budget, in September the Cabinet supported Working Well Together for a Sustainable and Stronger Council setting out further steps to secure Best Value and thus ensure ongoing financial sustainability.

This report provides a brief update on progress in this regard and presents the proposed service budget targets for 2024/25 totalling £743.4 million, a net increase of £43.8 million or 6.3% compared to the 2023/24 adjusted budget.

Further detail on the proposed budget will be shared with Scrutiny Committees this month and will be subject to further consultation with business representatives, the voluntary and community sector, and staff trade unions, prior to final proposed budgets being presented to Cabinet and Council for approval in February.

#### **3) 2024/25 Service Budget Targets**

In year budget monitoring projections for 2023/24 at month 8 (November) forecast a net overspend for this year of £4.5 million. This incorporates the £10 million contribution to the

SEND Deficit Safety Valve reserve agreed by Cabinet in September 2023. A separate report to Cabinet this month provides further information on the Month 8 forecast. Ongoing implications of the current forecasts have been reflected in the 2024/25 estimates with planning undertaken to seek to balance the budget overall.

In terms of the Budget for 2024/25, inflationary pressures continue to be felt across the economy, local government and our partners and social care is particularly impacted by increases to the national living wage.

Within the proposed Service Targets, it is proposed to allow for £22.8 million in total inflationary pressures. The rates of inflation used depend on the activity and any anticipated contractual obligations. Following many years of low inflation, Consumer Price Index (CPI) inflation peaked at 11.1% in October 2022. This gradually reduced to 6.7% in September 2023, which is a key month as this is traditionally used as a basis in some aspects of the Local Government Finance Settlement. The rate has continued to fall and in November was 3.9%. The Bank of England commented recently “We expect inflation to continue to slow and be back to more normal levels by the end of 2025. By normal, we mean that on average, prices are rising by around 2% a year.” This was further reflected in the Autumn Statement which includes forecasts of inflation falling to 2.8% by end of 2024 and 2% by end of 2025.

The National Living Wage increase also drives an inflationary impact on our costs. In the Autumn Statement, announced on 22 November, the Government confirmed the National Living Wage will increase by 9.8% to £11.44 per hour. The Target Budgets set out below include £25.7 million for this additional cost.

Despite the rate of inflation falling in recent months the impact of inflation on cost of living, business and service delivery costs places sustained financial pressures nationally, and this contributes to the ongoing impact in terms of price and demand pressures on the Authority’s budget. This is reflected in the proposed Target Budgets with investment of £48.5 million to cover inflation and national living wage plus £44.9 million to cover demand and other spending pressures and priorities. To enable the authority to set a balanced budget, savings, alternative funding and additional income of £49.6 million have been identified. Overall, there is additional funding of £43.8 million or 6.3% for services next year.

It is not currently planned to support the proposed budget targets by using general reserve balances. This reflects a strategy of ‘living within our means’ and as such to set service budgets that are affordable within anticipated income and funding totals for next year. In recognition of the SEND Deficit and Safety Valve considerations, it is anticipated the Council will need to set aside funds in 2024/25 – and in subsequent years in the Medium Term Financial Plan – to increase the SEND Safety Valve Reserve which is expected to be used to make a local contribution to the accumulated deficit. An update on the SEND position was reported to Cabinet in December 2023, and local contributions in support of ongoing Safety Valve discussions with the Department for Education will be reflected in the proposed budget presented to Members in February 2024.

The proposed service revenue budget targets for the 2024/25 financial year are set out in the table below:

	2023/24 Adjusted Base Budget £000	Inflation and National Living Wage £000	Other Growth and Pressures £000	Savings, Alternative Funding and Additional Income £000	2024/25 Target Budget £000	Net Change 2023/24 to 2024/25 £000 %	
Integrated Adult Social Care	340,245	29,887	20,025	(29,411)	360,746	20,501	6.0%
Children and Young People's Futures	206,278	9,795	20,862	(9,150)	227,785	21,507	10.4%
Public Health, Communities & Prosperity	21,678	533	289	(1,577)	20,923	(755)	-3.5%
Corporate Services	49,755	2,160	1,361	(4,831)	48,445	(1,310)	-2.6%
Climate Change, Environment & Transport	81,619	6,144	2,348	(4,629)	85,482	3,863	4.7%
<b>Totals</b>	<b>699,575</b>	<b>48,519</b>	<b>44,886</b>	<b>(49,598)</b>	<b>743,382</b>	<b>43,807</b>	<b>6.3%</b>

The 2023/24 Base Budget has been adjusted for permanent virements (budget transfers from other budget lines)

## 4) Capital Programme

The proposed Capital Programme is currently under development. In line with previous years practice, it is proposed to present the Capital Programme to Cabinet and Council in February for consideration.

## 5) Local Government Finance Settlement

The local government finance settlement for 2024/25 will represent the final year of the Government's current 3-year Spending Review. Despite this being a 3-year Review, local authorities received one year settlement information only for 2022/23 and 2023/24, however there were some indications provided of likely funding in 2024/25 when the 2023/24 settlement was announced.

On 18<sup>th</sup> December 2023, 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 2024/25 financial year. The Final Settlement is likely to follow in early February 2024.

Key information provided in the Settlement includes:

- Core Spending Power** – The government has increased the Authority's overall Core Spending Power by 6.5% which provides some welcome additional flexibility to respond to national inflationary pressures and protect services that local people rely on as far as possible. This incorporates Government assumption that the Council will implement the full flexibility to increase Council Tax up to the referendum threshold.
- Council Tax** – County Councils in England may increase Council Tax for 2024/25 by up to the referendum limit at 2.99% and social care authorities may also increase the precept by up to a further 2% specifically to fund adult social care costs, and therefore raise Council Tax by up to 4.99% overall without a referendum being required. The current draft estimates for 2024/25 assume the Authority will maximise this flexibility and increase the tax rate by 4.99% for next financial year, subject to formal recommendation and decision by Council in February 2024.
- Revenue Support Grant** – The provisional allocation for 2024/25 of this general funding grant is £713,381, an increase of £44,316 (6.6%) compared to 2023/24.
- Business Rates** – the business rates funding system contains a combination of fixed and variable elements. The settlement includes the baseline target set by Government

for the Council's expected share comprising a local share under the business rates retention system plus a Top Up to reach the target funding level. Actual total funding received through business rates will be determined using information provided by the district/borough/city councils in Devon, which is due to be received by 31 January 2024.

- e) **New Homes Bonus** – this grant, which is based on delivered housing growth within the County, has been extended by a further year. The provisional allocation of NHB grant in 2024/25 is £1.14 million, which is an increase of £176,859 (18%) compared to 2023/24.
- f) **Rural Services Delivery Grant** – the provisional allocation for this general funding grant is £8.744 million – the same amount as received in 2023/24.
- g) **Services Grant** – the provisional allocation of this general funding grant towards the cost of local services is £653,263 in 2024/25, a decrease of £3.499 million (84%) compared to 2023/24.
- h) **Social Care Grant** – it was announced in the Autumn Statement 2022 that adult social care charging reforms that were due to be introduced from October 2023 are 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 was also consolidated within the social care grant in 2023/24. The provisional allocation of this general grant funding in 2024/25, which aims to support local authorities in meeting the costs of adults' and children's social care needs, is £63.28 million, an increase of £9.265 million (17%) compared to 2023/24.
- i) **Improved Better Care Fund** – this grant funding may be used only for the purposes of meeting adult social care needs, reducing pressures on the NHS, including seasonal winter pressures, supporting people to be discharged from hospital when they are ready, and ensuring that the social care provider market is supported. The funding is pooled into the local Better Care Fund. The provisional allocation for 2024/25 is £29.127 million – the same amount as 2023/24.
- j) **Adult Social Care Market Sustainability and Improvement Fund** – the primary purpose of the fund is to support local authorities to make tangible improvements to adult social care services in their area, in particular to build capacity and improve market sustainability in both social worker workforce capacity and social care providers. The Authority's allocation of funding for 2023/24 came in two tranches: £8.373 million allocated in the Settlement in February 2023, plus £5.438 million additional in-year allocation confirmed in August 2023. Total funding in 2023/24 is therefore £13.811 million. The Authority's 2024/25 provisional allocation is £15.643 million next year, an increase of £1.832 million (13%) on the funding received in 2023/24.
- k) **Adult Social Care Discharge Fund** – the funding allocated to Local Authorities nationally has increased from £300 million in 2023/24 to £500 million in 2024/25. The grant funding must be pooled into the Better Care Fund and may be used to: enable more people to be discharged to an appropriate setting; prioritise those approaches that are most effective in freeing up the maximum number of hospital beds and reducing bed days lost; and boost general adult social care workforce capacity. The provisional allocation for Devon County Council is £6.806 million which is an increase of £2.722 million (67%) compared to 2023/24.

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

<b>Core Funding Income</b>	<b>2024/25</b>	
	<b>2023/24</b>	<b>Provisional</b>
	<b>Settlement</b>	<b>Settlement</b>
	<b>£000</b>	<b>£000</b>
Revenue Support Grant (RSG)	669	713
Business Rates – Central Government Top Up	83,428	86,461
Business Rates – Local Element*	21,566	23,884
<b>Total Core Funding</b>	<b>105,663</b>	<b>111,058</b>

*\*The actual amount we receive will be derived from returns completed by our Devon Districts in January 2024.*

<b>Other Grant Income Included in the Settlement</b>	<b>2024/25</b>	
	<b>2023/24</b>	<b>Provisional</b>
	<b>Settlement</b>	<b>Settlement</b>
	<b>£000</b>	<b>£000</b>
New Homes Bonus	963	1,140
Rural Services Delivery Grant	8,744	8,744
Services Grant	4,152	653
Social Care Grant	54,015	63,280
Improved Better Care Fund	29,127	29,127
Adult Social Care Market Sustainability and Improvement Fund*	13,811	15,643
Adult Social Care Discharge Fund	4,084	6,806
<b>Total Other Grant Income</b>	<b>114,896</b>	<b>125,393</b>

*\*The ASC Market Sustainability and Improvement Fund 2023/24 settlement figure includes £8.373 million allocated in the Settlement in February 2023, plus £5.438 million additional in-year allocation confirmed in August 2023.*

The tables above set out the Authority's Core Funding of £111.1 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.

The provisional settlement contains additional government funding to the Authority of £15.9 million when compared to 2023/24, as well as additional flexibility for raising Council Tax by up to 4.99% without the need for a referendum.

## 6) Options / Alternatives

Various assumptions and options related to service costs and income are reflected in the proposed Targets. Details will be shared with members through the Scrutiny committees in January 2024, with feedback shared with Cabinet in advance of final budget decision making through Cabinet and Council in February. The alternative would be to not set targets at this stage however it is considered appropriate to enable services to plan for next year within a set financial limit, subject to the final budget decisions.

## 7) Consultations / Representations / Technical Data

Consultation on budget proposals will be undertaken with Councillors through the scrutiny process as described above, through briefings to political groups as well as consultation events in January with representatives from business and voluntary sectors and with trade unions. Feedback will be provided to Members to support the decision process.

## 8) Strategic Plan

The setting of directorate budget targets contributes to resources allocation towards all council priorities. This will be explained in more detail in the committee reports in January

and February and reflected in the Budget Book to be considered for approval by Council in February. A further aspect is ensuring budget targets are affordable and support ongoing financial sustainability.

## **9) Financial Considerations**

This report seeks approval for setting draft service budget targets which will support the full budget process, leading to the presentation of a proposed balanced budget for consideration by Council in February.

## **10) Legal Considerations**

There are no specific legal considerations for this report.

## **11) Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)**

Impact assessments will be published in January to support consideration of the detailed budget proposals.

## **12) Equality Considerations**

Impact assessments will be published in January to support consideration of the detailed budget proposals.

## **13) Risk Management Considerations**

Any budget target and estimate contain risk, as the budget represents an estimate of the financial implications of future service plans and priorities as well as future events that cannot be predicted with 100% certainty. Not all factors affecting financial performance are within the Council's control. The financial strategy and approach to budget preparation considers risk and uncertainty, and risk assessment details will be reflected in the budget reports in January and February.

## **14) Summary / Conclusions / Reasons for Recommendations**

The recommendations contribute to the statutory requirement and good practice of setting a budget for the upcoming financial year.

### **Angie Sinclair**

Director of Finance and Public Value

### **Electoral Divisions: All**

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