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Dear Member

COUNCIL - THURSDAY, 5 FEBRUARY 2015

I am now able to enclose, for consideration at the Thursday, 5 February 2015 meeting of the Council, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
14.	Revenue Budget 2015/2016	(Pages 412 - 433)

Yours sincerely

Teresa Buckley
Clerk

Agenda Item 14



Meeting: Council

Date: 5 February 2015

Wards Affected: All

Report Title: Revenue Budget Proposals 2015/16

Executive Lead Contact Details: Mayor Oliver, mayor@torbay.gov.uk

Supporting Officer Contact Details: Paul Looby, paul.looby@torbay.gov.uk

1. Purpose and Introduction

- 1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the revenue budget for 2015/16, the budget allocations proposed and the expenditure undertaken will be used to achieve a range of objectives across a number of plans within the Council. This will meet the aspirations of the Bay as expressed within the Corporate Plan and other related strategies.
- 1.2 In accordance with the Council's constitution, Members are being asked to either confirm their agreement to the recommended budget or put forward amendments or objections for consideration at a future meeting.
- 1.3 Due to the scale of reductions faced by Torbay, which is as a direct result of the ongoing cut to Torbay's grant by the coalition government, there has been extensive consultation on the budget savings proposals in 2014 with savings for 2015/16 agreed in February 2014 and October 2014. This culminated in the draft budget announcement by the Mayor in December 2014.
- 1.4 The Provisional Local Government Finance Settlement was announced in December 2014 which broadly confirmed the provisional grant allocations announced in February 2014. This report summarises the outcome of the Settlement.
- 1.5 In addition to setting the budget, the Chief Finance Officer must declare the budget is robust and this report sets out this opinion.

2. Proposed Decision

- 2.1 **That it be recommended to Council:**
 - (i) **that the revenue budget for 2015/16 (paragraph 4.15 to the submitted report) and the associated fees and charges be approved;**
 - (ii) **that a contingency of £1.4m be created to mitigate against any unforeseen or emerging budget pressures that may arise within Social Care and other services;**

- (iii) that due to the timing of and deliverability of savings within Adult Social Care, the £1.566m saving for joint working, shared commissioning, new income and efficiencies is deferred for one year and delivered in 2016/17;**
- (iv) in response to the government announcement as to the amount they expect local authorities to receive for Welfare Assistance (Crisis Support Fund) the Council makes budget provision of £0.4m for the continuation of this scheme in 2015/16 and future years;**
- (v) that the final notified Dedicated Schools Grant be used in accordance with the nationally laid down Schools Financial Regulations (paragraph 6.5 to the submitted report) and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed;**
- (vi) that the Members' Allowances Scheme be implemented in 2015/2016 in accordance with the decision of the Council at its meeting on 1 February 2012 in line with the announced annual local government pay percentage increase (paragraph 6.1 (b) to the submitted report);**
- (vii) that the Chief Finance Officer in consultation with the Mayor and Executive Lead Member for Finance be authorised to approve or earmark expenditure from the Comprehensive Spending Review Reserve;**
- (viii) that in accordance with the requirement of the Local Government Act 2003, to consider and note the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (sections 7 to 9 to the submitted report);**
- (ix) that the Chief Finance Officer, in consultation with the Mayor and Executive Lead Member for Finance, be authorised to make adjustments to and introduce new fees and charges within the budget during 2015/16 if it is in the best interest for the Council;**
- (x) that the Chief Finance Officer, in consultation with the Mayor, Executive Lead Member for Finance and appropriate officers, be authorised to determine the allocation and expenditure of any new grant monies, unallocated grants, underspends or other additional income that may be received during the year 2015/16;**
- (xi) that the Chief Finance Officer be authorised to make adjustments to the budgets for any technical changes;**
- (xii) that the Chief Finance Officer prepare the appropriate documentation for the Council to approve the setting of Council Tax at the meeting on 26 February 2015 and all other returns to be made by the appropriate date;**
- (xiii) that Capital Strategy and Asset Management Plan be approved and endorsed as set out at <http://www.torbay.gov.uk/draft-amp.doc> and**

<http://www.torbay.gov.uk/summarycapitalstrategy.doc>;

- (xiv) that the latest updated Medium Term Resource Plan be noted, as set out at <http://www.torbay.gov.uk/mtrp-v5.doc>;
 - (xv) that it be noted that Torbay has continued to be part of the Devonwide Pool as part of the Business Rates Retention scheme;
 - (xvi) that the completed NNDR1 form be noted which forms part of the Council's overall income to fund the 2015/16 budget (as set out at <http://www.torbay.gov.uk/signedcopyofnndr1-201516.pdf>);
 - (xvii) the collection fund surplus as set out in section 4 of the submitted report which forms part of the Council's overall income to fund the 2015/16 budget be noted.
 - (xviii) that the additional £0.261m Revenue Support grant announced on 4 February 2015 be allocated to a contingency for social care.
- 2.2 that due to the size of the reductions required to deliver a balanced budget and their impact, Council accept all the risks in preparing this budget both in terms of the impact upon service delivery and the potential for budget pressures which may require remedial action during the year. These risks have been identified in detail in this report and associated budget proposals prepared by officers for their respective Business Units.
3. **Reason for Decision**
- 3.1 The Council has a statutory responsibility to set a revenue budget each year. The approval of the 2015/16 revenue budget will assist the Council in delivering its key objectives and meet its statutory obligations.
4. **Summary**
- 4.1 Due to the size and magnitude of the financial challenges faced by the Council the Mayor proposed a 2 year savings package to enable the Council to develop a strategy to address the ongoing grant reductions from the coalition government. 2015/16 is the second year of a two year budget process. Council approved the final savings proposals in October 2014 and these have been included within the final budget proposals for 2015/16.
- 4.2 The Mayor's provisional budget proposals were published on 4 December 2014. The process is different to previous years due to the fact Council has already approved Budget Savings proposals at its meetings in February 2014 and October 2014.
- 4.3 The council has been through a detailed consultation on the budget savings proposals. Members of the Overview and Scrutiny Board examined the proposals in detail and stakeholders and residents have had the opportunity to make representations on the proposals. The Mayor considered all of the responses received and the final saving proposals were drawn up after consideration of the various reports presented to Members.

- 4.4 The approved budget savings proposals from October (and February 2014) form the basis of the 2015/16 budget and will support the Council in delivering its key aims and objectives.
- 4.5 The prospective budget for 2015/16 has been developed on key principles that reflect the priorities of the Council of securing a cleaner Torbay and more prosperous economy, whilst, as far as possible, protecting Children's and Adult Services.
- 4.6 Members of the Priorities and Resources Panel and Stakeholders have considered the budget proposals and had a series of meetings during January 2015 to further explored the impact. The Panel have presented a report for the Mayor to consider.
- 4.7 The Mayor has considered these responses received and the final budget proposals have been drawn up after detailed consideration of the various financial reports presented to all Members
- 4.8 In accordance with the Council's constitution, Members are being asked to either confirm their agreement to the recommended budget or put forward amendments or objections for consideration at a future meeting.
- 4.9 The supporting information to this report includes:
- Mayoral Budget Statement – section 5
 - budget proposals and draft budget digest – section 6
 - a summary of the local government finance settlement – section 11;
 - the Chief Finance Officer's statement on the robustness of the budget estimates – section 9.

Resources Update Since Autumn 2014

- 4.10 Over the last 6 weeks work has been ongoing to confirm the Council's collection fund position for 2015/16 and the estimated NNDR income the Council expects to receive. In addition the Council's projected council tax income for 2015/16 is considerably higher than originally forecast - by over £1m.
- 4.11 This is due to a range of factors including a larger than expected tax base, the impact of a review of households claiming single persons discounts and a reduction in the number of residents on the local council tax support scheme. All of these movements have been favourable to the council's forecast income position and have been verified during late December.
- 4.12 As part of the development of the 2015/16 budget and preparation for ongoing savings in future years, there has been considerably uncertainty about the Council's overall financial position. This included the possibility of a worse than forecast Settlement from government (which fortunately was not the case), a number of significant budget pressures during the year and the uncertainty arising from the Judicial Review (JR) for Care Home Fees and any provision that may be required to fund the outcome of the JR.
- 4.13 As in previous years the Medium Term Resource Plan had a general contingency to mitigate against any significant financial risks that may arise.

- 4.14 Having taking into account the additional council tax income and contingency within the Council's overall plans there are resources available to support the new pressures the Council faces, however the Council is facing a challenging 2015/16.
- 4.15 A summary of the proposed Council budget, which must be approved in February 2015 is shown below in table 1.

Table 1

Summary of Proposed Budget 2015/16

	2015/16	
	£'000	£'000
Mayor's Budget Proposal:		
Net Expenditure Budget	110,420	
Less Council Tax Freeze Grant	(639)	
Sub Total		<u>109,781</u>
Social Care Contingency – para (2.1(r))		<u>261</u>
Total Net Expenditure		<u>110,042</u>
Funded By:		
Business Rate Retention Scheme	29,132	
Revenue Support Grant	25,700	
Other Grants (ESG/LSSG*)	<u>773</u>	
Council Tax Income	53,437	
Collection Fund Surplus (NNDR/Council Tax)	<u>1,000</u>	
Total Income		<u>110,042</u>

- Education Services Grant and Local Services Support Grant (LSSG).

- 4.16 Members will be aware of the continued planned reductions in public expenditure and the impact this has directly upon local government. By the end of the current Parliament the Local Government Association has calculated that local government funding will have fallen by 40% in real terms. Whilst the speed of grant reductions for local government is not clear in the next parliamentary term there will be further reductions and continued challenges for local government as the overall resources available to fund local services will continue to fall.
- 4.17 The coalition government announced on 18 December 2014 the Provisional Local Government Finance Settlement. This set out the provisional grant allocations for 2015/16. The final Settlement was announced on 4th February 2015. The settlement included an increase of £0.261m in Revenue Support Grant compared to the provisional figures due to "government providing a further £74m nationally to upper tier authorities to recognise such Councils have asked

for additional support, including to help them respond to local welfare needs and to improve social care provision". It is recommended that this additional grant is allocated to a social care contingency. Note: due to the timing of this announcement the draft budget digest pages attached to this report have not been updated to reflect this change.

- 4.18 In setting this budget the Mayor is recommending that the Council accept the Government's Council Tax Freeze Grant in 2015/16.
- 4.19 Despite the significant reductions to Torbay's grant, the Mayor has set this budget with the intention that resources are allocated to the Council's key priorities: protecting Children's and Adults and promoting jobs and economic regeneration within the Bay. Members will be aware that due to size of the reduction in government grant service reductions were inevitable as set out in the approved savings proposals in February and October 2014.

Key Risks

- 4.20 There are a number of key risks with the 2015/16 budget proposals. As a statutory requirement the budget report includes an assessment by the Chief Finance Officer (s151 role) as to the robustness of the budget proposals. The Chief Finance Officer has declared there are a number of significant risks with respect to the budget which mean only a qualified assurance can be given at this stage. This is due to the scale of the required reductions and the pressures the Council has been subject to, in particular within Children's Safeguarding and Wellbeing. There are a number of risks that will have to be closely monitored throughout the financial year.
- 4.21 As part of the budget savings proposals £1.566m was identified within Adult Social Care for "saving for joint working, shared commissioning, new income and efficiencies". However due to the delay in the creation of the Integrated Care Organisation (ICO) these savings will not be delivered in 2015/16. As section 151 officer my advice is these savings must be deferred until 2016/17 otherwise the budget set will not be deliverable.
- 4.22 Members will be aware that the council lost a Judicial Review (JR) on Care Home Fees in December 2014. Due to the complexity of the case and at the time of writing this report the council was considering its approach and response. Members will be aware that the JR is effective from April 2014 and therefore any costs associated with the final outcome for the JR will be a call upon the Comprehensive Spending Review (CSR) reserve in the current year and the final outcome of the case will have an ongoing impact upon the 2015/16 base budget.
- 4.23 To mitigate and plan for any potential increased costs within Adult Social Care as section 151 officer my advice is a contingency is created for Social Care Pressures.
- 4.24 Members will be fully aware of the ongoing budget pressures within Children's Safeguarding and Wellbeing. As part of the council's response to these pressures, Members approved a 5 year cost reduction plan in October 2014. This report set out the work undertaken by Social Finance who have been supporting Children's Services in the delivery of new operational working

practices to ensure the costs for the service are brought in line with the average cost when compared to other local authorities.

- 4.25 The Plan requires investment over the next three years which will be funded from earmarked reserves as set out in the Review of Reserves report which Council approved in October 2014. These reserves will have to be replenished from the forecast savings achieved within the service. If these savings are not delivered this will impact upon all other services within the Council as the reserves are earmarked for specific purposes in the future.
- 4.26 The latest 2014/15 forecast position at the end of quarter 3 for Children's Services is a £2.787m overspend. This is after the delivery of anticipated savings from their recovery plan and one off funding of £1.5m from the PFI Sinking Reserve. The forecast overspend has increased by £0.533m in the last quarter and will place significant pressure upon Children's delivering a balanced budget due to existing client commitments.
- 4.27 Council approved that the Director of Children's Services bring separate monitoring reports on progress of the programme of activities which will deliver the Cost Reduction Plan. The Director of Children's Services provided an update to the Overview and Scrutiny Board on progress against the plan in December 2014. Members of the Board will continue to receive regular quarterly reports from the Director of Children's Services to review and assess the costs reductions required for this service.
- 4.28 The impact of the forecast overspend in Children's Safeguarding and Wellbeing is a risk that the Council will declare an overspend at year end which will need to be funded from the CSR reserve. Members will also be aware that all restructuring costs will also be funded from the CSR reserve. A combination of these two financial pressures and the impact of the JR mean the CSR will be significantly reduced and the worst case scenario is the CSR reserve could be zero in the new financial year.
- 4.29 In addition the Council is subject to a range of other risks due to volatility of budgets which are subject to demand pressures which are outside of the control of the Council i.e. social care demands, income volatility, impact of welfare reforms including the ongoing impact of the coalition government's welfare reforms e.g. the local council tax support scheme.
- 4.30 By approving this budget Members are recognising and accepting these risks. Directors and Executive Heads will be required to closely monitor their budgets throughout the year and all managers must ensure they manage their services effectively to ensure that they maintain expenditure within their approved budgets.
- 4.31 Members will be aware that the adverse impact of the risks outlined above is a Business Unit's expenditure may exceed the approved budget during the year as a result of influences outside of the services control or due to the non delivery or late implementation of savings identified and approved by Council. The council will continue with its existing strategy in place to mitigate against and respond to such a situation and includes robust financial management by all Directors and Executive Heads and their service managers, supported by regular monitoring of all budgets with detailed monitoring of volatile budgets.

- 4.32 If the Council declares an overspend at year-end there will be a call made upon the Council's reserves or, in a worse case scenario, General Fund Balance to finance the overspend.
- 4.33 If there is any reduction in the Council's General Fund Reserve Balance this will need to be made good in future years and will be the first call upon the Council's budget in 2016/17. There is continued media attention on the level of local authority reserves and coalition government ministers have said local authorities should be using these reserves. Members will be aware that Torbay Council is already using earmarked reserves as part of its strategy.
- 4.34 The Chief Finance Officer has made clear that the Council needs to set a robust and sustainable budget and that any "one-off" monies that are available should be applied to meet either "one-off" items of expenditure, such as redundancy costs (which are currently funded from the Comprehensive Spending Review Reserve), or be used to fund pump priming expenditure that should result in longer term efficiencies for the Council.
- 4.35 The Chief Finance Officer does not recommend using "one of" monies to fund ongoing commitments unless there is a clear financial plan to address the ongoing spending commitment and/or it is an invest to save scheme. The cost reduction plan to deliver savings within Children Services is an invest to save plan and must be delivered. Based upon the existing pressures with Children's Services there is a risk that year 2 of the plan may not be delivered.

Estimation of Collection Fund Surplus/Deficit (Council Tax and National Non Domestic Rates - NNDR)

- 4.36 Members delegated the approval of the estimated distribution on the Collection Fund for both Council Tax and Non Domestic Rates for the next financial year and following years to the Chief Finance Officer – as set out in the Council tax base report to Council on 6 December 2014.

Council Tax

- 4.37 The Council makes an estimate of the surplus or deficit on the Collection Fund at year end from under or over achieving the estimated council tax collection rate. As the Council sets a collection rate within its tax base equivalent to the amount collected in the 12 months of the next 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 to above the in year rate of 96.5%. Due the impact of the local council tax support scheme the collection rate for 2015/16 has been reduced to 96%.
- 4.38 The amount of any surplus or deficit which a billing authority, like Torbay, estimates on its collection fund at the end of the current year is to be shared and is taken into account by both the billing authority and Major Precepting Authorities in calculating basic amounts of Council Tax for the subsequent year.
- 4.39 The latest estimate of the Collection Fund in year in respect of Council Tax as at 31 March 2015 is a £1.192m surplus.

- 4.40 This surplus has to be shared in 2015/16 between Torbay Council, Devon and Cornwall Police and Crime Commissioner's Office and Devon and Somerset Fire and Rescue Authority in accordance with their demands on the Collection Fund for 2014/15. The estimated share of the 2014/15 surplus distributed in 2015/16 is as follows:

Table 2

	Share of Surplus £m	Share %	2014/15 Precept £m
Torbay Council	1.000	84%	52.8
Devon and Cornwall Police and Crime Commissioners Office	0.131	11%	6.9
Devon and Somerset Fire and Rescue Authority	0.061	5%	3.2
Totals	1.192	100%	62.9

- 4.41 As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be entitled to a share of any surplus or deficit on the collection fund.

National Non Domestic Rates

- 4.42 Since the introduction of the Business Rates Retention Scheme in April 2013, the Council is also required to declare a surplus or deficit for NNDR in a similar way as set out above for council tax. The forecasting of NNDR has involved a wide range of complex variables and influences and is a new area which has caused further complications for medium term financial planning. The NNDR 1 form is the primary return to meet this outcome and is attached on the following link.

<http://www.torbay.gov.uk/signedcopyofnndr1-201516.pdf>

- 4.43 Overall the Council has declared a breakeven position on its Collection Fund in respect of NNDR. If this was a surplus or deficit this would be shared between the Council (49%), the Devon and Somerset Fire and Rescue Authority (1%) and central government (DCLG) (50%).

Council Tax and Capping

- 4.44 The Mayor is proposing a council tax freeze which means the Council will receive a council tax freeze grant of approximately £0.6m.
- 4.45 To control the level which local authorities increase council tax, the Government has set a maximum rate in previous years. This has been set at 2% or over for 2015/16 at which point a referendum would be required.
- 4.46 Members will be aware the Council Tax bill eventually sent out to residents is

made up of three main component parts, namely Torbay Council, the Police Authority and the Fire Authority. The Secretary of State will look at the three component parts, not the overall bill, therefore if one of the three organisations were capped the Council would have to re-bill. Members will be aware that in addition there will be a separate council tax charge for residents in Brixham for Brixham Town Council.

- 4.47 At the time of writing this report, neither the Devon and Cornwall Police and Crime Commissioner's Office nor the Devon and Somerset Fire and Rescue Authority has set their budgets for 2015/16 and council tax level. Once these have been declared they will be reported to Members and will be included within the Council Tax Setting report which will be presented to Members at the end of February 2015.

Mayor's Statement on Budget 2015/16 and Response to Overview and Scrutiny Board.

5. Mayor's Statement on Budget 2015/16 and Response to Overview and Scrutiny Board

- 5.1 In accordance with the Council's Constitution I am proposing the provisional budget for 2015/16 for Members consideration.
- 5.2 The process is different to previous years due to the fact Council has already approved Budget Savings proposals at its meeting on 30 October 2014. The Council has been through a detailed consultation on the budget savings proposals. Members of the Overview and Scrutiny Board examined the proposals in detail and stakeholders and residents have had the opportunity to make representations on the proposals.
- 5.3 The approved budget savings proposals from October (and February 2014) form the basis of the 2015/16 budget and will support the Council in delivering its key aims and objectives.
- 5.4 The prospective budget for 2015/16 has been developed on key principles that reflect the priorities of the Council of securing a cleaner Torbay and more prosperous economy, whilst, as far as possible, protecting Children's and Adult Services.
- 5.5 The Council has a number of ongoing financial challenges both in the current year and new financial year, including service pressures within Social Care - both Children's and Adults - and uncertainty with respect to a number of other service pressures including the impact of Care Act from April 2015, the Judicial Review for Care Home Fees and creation of the Integrated Care Organisation with health partners.
- 5.6 I am proposing a revenue budget of £110.0m for 2015/16. Due to the magnitude of the cuts the Council is facing this will be a challenging year. I thank the Priorities and Resources Panel, Stakeholders and individual responses for all their feedback on the budget proposals and I have considered these carefully.

Response to Overview and Scrutiny Board

- 5.7 Since the budget savings proposals were approved in October 2014, the Priorities and Resources Panel held a series of further public meetings during January 2015 and have considered a number of the specific proposals.
- 5.8 Members of the panel raised a number of important questions and challenged Members and officers. As well as questioning Members and Officers, the Panel has had the opportunity to make alternative proposals for budget reductions where they did not support the proposals. I appreciate the work of the Panel and as fellow elected representatives I recognise that they are faced with the same difficult choices I have had to consider.
- 5.9 The Panel formulated their views and recommendations at their meeting on 28 January 2015 and these were presented to me on 29 January 2015. I would like to thank the Panel for their hard work and the constructive comments they have

made to help me formulate my final proposals. The Panel is also fully aware of the difficulties faced by the Council and the extremely challenging financial climate the Council is facing and due to this the limited scope for making changes to the original budget proposals.

Library Service

- 5.10 The Library Service is a valued service by Members and the local community. I have considered the comments made by the Panel and am in agreement that a strategy should be developed which includes a Needs Assessment. I will be asking officers to develop a strategy which will be used to inform the 2016/17 budget.

Road Safety

- 5.11 I acknowledge the issues raised by the Panel with respect to Road Safety. Unfortunately due to the difficult financial environment the Council is faced with difficult decisions have to be made. Therefore I am unable to reinstate this reduction.

CCTV

- 5.12 The Panel correctly point out that £25,000 of transitional funding has been applied to the CCTV budget to enable further options to be explored and work has started on an options appraisal which is planned to be available in the summer 2015. Having considered the Panel's comments I agree that a letter should be sent to the Tourism and Business Improvement District for them to consider for inclusion of CCTV in the ballot and the options appraisal be widened to consider modern technology to reduce costs and increase commercial opportunities.

Connections

- 5.13 I recognise there has been wide and constructive discussion and debate on the proposals for Connections including its future direction, location and how the service can contribute to the Council's overall savings target. Further work is required including a detailed business case setting out the benefits, both financial and non financial, of any transformation of the service. Therefore I have decided to reinstate the base budget of £102,000 for Connections.

Car Parking

- 5.14 The Panel have considered in detail the Car Parking service. I have always tried to ensure there is a balance between providing an equitable service for local residents and visitors and have done so with a number of successful promotions. However I recognise the importance the service provides in the context of the Council's overall budget and the income generated from the service. Having considered the Panel's constructive comments I support the recommendations and will be asking officers to undertake a full review covering the main issues raised by the Panel.

Adult Social Care

- 5.15 Members will be aware that Adult Social Care is the Council's largest budget and provides services for some of the most vulnerable residents in the Bay. Due to scale of the cuts Torbay has to manage, Members of this Council must recognise there will be risks in setting and approving the 2015/16 budget. Whilst I recognise there will be challenges I am confident that the Director of Adult Social Care in partnership with the Torbay and Southern Devon Health and Care NHS Trust will manage these risks and work tirelessly to deliver a balanced budget in 2015/16.
- 5.16 However, with the delay to the creation of the Integrated Care Organisation (ICO), I have been advised that there is a risk the £1.566m savings will not be delivered and therefore I have decided to defer these savings until 2016/17 when they must be delivered. In addition I will be asking the Director of Adult Social Care to bring forward proposals for the delivery of the £1.566m as soon as practicable with the target of delivering some of these savings in 2015/16 once the ICO has been formed.

6. Revenue Budget Proposals

- 6.1 As part of the budget process there are a number of formal issues that have to be dealt with.

a) Dedicated Schools Grant

The Council has to confirm that it will be directing the entire grant received in respect of Dedicated Schools Funding through to those areas as defined in the School Finance Regulations. The Council is allocated £89.8m of Dedicated Schools Grant (DSG) before Academy recoupment. It is recommended that approximately £42 m be included in the Council's budget for schools related expenditure for non academy schools. It should be noted that this is an estimated figure is adjusted throughout the year to reflect changes to 2 year old funding and Academy conversions. It is recommended the Chief Finance Officer (CFO) be authorised to make appropriate changes as and when the funding changes.

b) Members Allowances

The Council approved the Members' Allowance Scheme on 1 February 2012. The Scheme is subject to review every four years by an Independent Remuneration Panel and it includes a requirement for the Basic Allowance, Special Responsibility Allowances and Co-optees Allowances to be indexed, on the 1 April each year, to the annual local government pay percentage increase as agreed by the National Joint Committee for Local Government Services. The budget has been developed on the basis that the existing scheme is continued as previously endorsed by the Council. Thus Members' Allowances will be increased in line with the annual pay award.

c) Fees and Charges

As part of the budget process, Members have been able to review the expenditure plans for all services as set in the budget information made available and, where applicable, have also had the opportunity to review the proposed charges for services each business unit has been proposing. It is recommended that these charges are approved – see attached link to the draft budget digest in paragraph 6.3 below

- 6.2 Included within Torbay's Budget Requirement is the budget for the Brixham Town Council. The Town Council approved their 2015/16 budget on 15 January 2015 of £223,028.

Recommended Budget 2015-16

- 6.3 Table 3 below summarises the recommended budget for each Business Unit of the Council if the recommendations are accepted. The budget digest will be circulated to Members in advance of the Council meeting on 12 February when the budget proposals will be considered.

Digest on attached link:

<http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=574&MId=6238&Ver=4> then the “Agenda Reports Pack” heading.

Table 3

Recommended Budget 2015-16

Business Unit/Service	Total £000's	Total £000's
Adults & Resources		
• Adult Social Care		
○ NHS Provider Trust (excludes 2.1(c))	33,429	
○ Joint Equipment Store	498	
Adult Social Care Total		
• Other Adult Social Care Services	2,555	36,482
Children, Schools & Families	29,023	29,023
Public Health and Community Safety		
• Public Health *	0	
• Community Safety	2,323	2,323
Place		
• Economic Development Company	3,159	
• Residents & Visitors	9,554	
• Spatial Planning	5,039	
• Harbour Authority/Car Parks/Resorts**	(3,494)	
• Waste & Cleaning	10,634	24,892
Operational Services		
• Commercial & Business Services	4,307	
• Information Services	2,922	
• Finance (excludes 2.1(c))	9,832	17,061
Sub Total		109,781
• Social Care Contingency (2.1(r))		261
Sub Total – Torbay Council		110,042
Brixham Town Council		223
Schools Related Activity		42,189
TOTAL		152,454

- * Public Health is a ring fenced grant for 2015/16 of £7.4m.
- ** Torbay Harbour Authority is a ring fenced budget with a turnover of £2.4m.

6.4 The proposed budget assumes the Council will accept the Council Tax Freeze Grant in 2015/16 of approximately £0.639m. The government have confirmed that the freeze grant will be built into the baseline funding allocation for all local authorities. This will mean the council is budgeting to receive council tax income of £53.437m.

Summary Financial Position

- 6.5 If all the recommendations included in this report are accepted then the overall financial position will be as shown in table 4 below:

Table 4

Summary Financial Position 2015-16		£'000
<u>Planned Expenditure</u>		
Torbay Council net revenue budget		110,420
Less Council Tax Freeze Grant		(639)
Social Care Contingency		<u>261</u>
		110,042
Brixham Town Council		223
Schools Related Expenditure		42,189
		<u>152,454</u>
<u>Funded by</u>		
Dedicated School Grant (provisional)		42,189
RSG and Other Grants		26,473
Business Rate Retention Scheme		29,132

		97,794

Council Tax		
- Collection Fund Surplus		1,000
- Torbay Council		53,437
- Brixham Town Council		223

		54,660

Total Funding		<u>152,454</u>

7. Use of Reserves

- 7.1 As part of the annual budget deliberations the Council undertook a review of its reserves which was considered by the Priorities and Resources Panel. This review recommended the Council:

- That Council approve the transfer of £3.4m identified on a number of individual reserves to the Children's Services 5 year Strategy Reserve.
- That Council note the repayment of the £3.4m by Children's Services from future year budget allocations for Children's Services based on

the repayment schedule in the Children's Services Cost Reduction Plan approved by Council in October 2014; £0.2m repaid in 2017/18 and £3.2m repaid in 2018/19.

- That Council note the, previously approved, use of £1.5m of PFI Reserve during 2014/15 by Children's Services which is also due to be repaid by Children's services from future year budget allocations. (This is planned for 2019/20).
- That Council note the significant financial pressures facing the Council in 2014/15, 2015/16 and in future years, and consider during the 2015/16 budget process the allocation of additional funds to the Comprehensive Spending Review Reserve and/or the General Fund Reserve

7.2 Members will recall that the CSR reserve was set up in 2010/11 in anticipation of the significant grant reductions expected over the CSR period and to support the budget over this period and in particular to fund the costs of redundancies. This reserve could have to be used to fund any overspend at year end to ensure the Council can declare a balanced budget at the end of 2014/15.

7.3 The proposed budget reductions will result in staff reductions and redundancies and these are being assessed by Officers and Members. The final costs of redundancies arising from the budget proposals (which are accounted for in 2014/15) will be reported to Members and was estimated to be £1m in the council's planning assumptions which is based upon previous years.

7.4 Subsequent to the Review of Reserves being presented to Council in October the Council has the initial result of the Judicial Review on Care Home Fees which could result in a significant payment in 2014/15 which will have to be funded from the Comprehensive Spending Review Reserve. Until a final decision has been reached on this complex area plans must be in place and this approach has been discussed and agreed with the Council's external auditors.

7.5 Based upon the latest forecast overspend, and other potential pressures there is a real risk the CSR will be significantly reduced or in a worse case scenario it could be fully committed in the new financial year. As a result the 2015/16 base budget now includes a provision for exit packages linked to budget reductions which would have been funded from the CSR reserve.

8. **Better Care Fund**

8.1 From April 2015 central government is integrating some social care funding and some health funding into a Better Care Fund which is to be run as a pooled budget between the Council and the Clinical Commissioning Group (CCG). For the Council this includes the s256 funds the Council had received for adult social care and two capital grants; (Social Care and Disabled Facilities Grant). The financial position of this fund will be reported to Members as part of the regular budget monitoring arrangements.

8.2 In addition from April 2015 the new Care Act comes into force. The Council has been notified of a Care Act Implementation Grant for 2015/16 however the detail of the cost implications are still being assessed.

9. **Budget Risk Assessment by the Chief Financial Officer**

- 9.1 When preparing the annual budget the Council's Section 151 officer – the Chief Finance Officer – must comply with a number of statutory requirements as set out in the Local Government Bill 2003. These relate to the robustness of the budget estimates for each financial year and the adequacy of the Council's reserves. This requirement is contained within Clause 25 of Part II of the Bill and forms a fundamental part of the external auditor's assessment each year.
- 9.2 As in previous years, the Council has been through a detailed budget process and consultation in setting the budget for 2015/16. The Council agreed budget savings proposals in October 2014 and these form the basis of the 2015/16 budget.
- 9.3 The budget proposals have been scrutinised by the Priorities and Resources Panel and Stakeholders. The Panel presented a report to the Mayor on their conclusions and recommendations before the Mayor proposed a final budget to Council.
- 9.4 Torbay Council has always adhered to a number of legislative and regulatory requirements which require the robustness of the budget to be considered and the adequacy of the reserves when setting the budget: i.e. sections 25 of the Local Government Act 2003 and the Chief Finance Officer's section 114 responsibilities with respect to managing a balanced budget for the authority. The requirements contained within the 2003 Bill formalise a number of these functions, which has always been implicit within the Council's previous budget setting process.
- 9.5 When recommending a budget to Council for 2015/16, the Mayor needs to give consideration to the Government powers contained within Clause 26 of the Bill with respect to the level of general fund balances and reserves. As part of the budget process I, as Chief Finance Officer and the statutory responsible financial officer, make an assessment as to the level of the Council's reserves and balances and this is outlined below. The Secretary of State for Communities and Local Government has reserve powers to set a minimum level of general fund balances and reserves for local authorities. This may occur as a consequence of the Chief Finance Officer reporting that the level of reserves is inadequate.
- 9.6 To comply with the legislation a report on the level and adequacy of the Council's reserves was prepared and considered as part of the budget papers. In summary section A.7 of the report provided a statement. This statement has been revised to reflect the new pressures the council is faced with.

Chief Finance Officer Statement.

- 9.7 **At this stage of the financial year and based on the latest forecast spend there is a risk that the council will not achieve a balanced budget for 2014/15 without using reserves i.e. the CSR reserve. In addition there are a number of pressures and client commitments which are likely to continue into the new financial year and uncertainty with respect to the ongoing JR for Care Home fees. The impacts of these risks mean that, at this stage, I can only give a qualified opinion that the 2015/16 budget is robust. To enable me to sign off the budget would require a balanced budget position**

at year end and a reduction in existing commitments within Social Care. Therefore I am providing a qualified opinion and a further statement will have to be made in due course.

- 9.8 The Council's General Fund Reserve of £4.4 million represents 3.8% of the Council's overall 2014/15 net budget. If the proposed budget is approved General Fund Reserves will represent 4% of the Council's overall 2015/16 net budget. This percentage increase is due to the fall in the value of the Council's net budget.
- 9.9 Members will be aware that the achievement of savings within the Children's 5 Year Cost Reduction Plan must be kept under review to ensure the repayment of £3.5m to other service reserves in future years as approved by Council.

10 Robust Budget

- 10.1 The achievement of a robust budget each year is an essential element for the effective financial strategy for the council and the management of resources by services.
- 10.2 An updated version of the Medium Term Resource Plan has been prepared as part of the budget papers. The Plan will be continually updated to reflect the latest financial information available and sets out the significant financial challenges the council is facing.
- 10.3 There are a number of risks which can arise during the development of the budget. These include:
- inaccurate assessment of costs and income;
 - the impact of the Business Rates Retention Scheme on council income;
 - failure to identify emerging risks and service pressures through the Council's business planning process;
 - service variations being proposed that are not achievable or realistic;
 - resource allocation not linked to strategic objectives;
 - demand management and the pressures with Children's Safeguarding and Wellbeing;
 - demand management and pressures within Adult Social Care;
 - demand pressures due to the ongoing impact of the Welfare Reforms;
 - a lack of involvement of Members, Stakeholders and local residents;
 - weak budgetary control;
 - Changing nature of budgetary assumptions (see below) in a climate of uncertainty;
 - adequate resources to support the financial management for the council and monitoring, support and financial advice to services and members.
- 10.4 To mitigate against these risks a number of assumptions have been made in the development of the budget for 2015/16. These include:
- the assessment of inflationary pressures. An allowance has been made for the recently announced pay award.
 - price increases are included as part of the budget build. Services have been asked to mitigate against inflationary pressures by reducing purchasing/usage where possible;

- an assessment of the level of interest rates which is contained within the Council's Treasury Management Strategy;
- the assessment of increased demand for services based upon business units assessment of demand;
- an assessment of the level and timing of capital receipts and payments and an assessment of the revenue impact for any planned unsupported borrowing – as shown in the latest capital investment plan update report;
- an assessment of the revenue consequences of any capital investment;
- continued review of actions and emerging issues taking place in 2014-15 as part of the regular budget monitoring process and how these may impact on 2015-16 and later years, in particular volatile budgets such as Children's Safeguarding and Wellbeing , social care, income such as car parking and Concessionary fares;
- the creation of an earmarked contingency for Social care;
- the 5 year Children's cost reduction plan.

10.5 Members will be aware that Directors, Executive Heads and all managers have a responsibility to ensure they maintain their spend within the approved budget allocation. The Council also has in place a series of regular revenue and capital monitoring reports, which are presented to the Overview and Scrutiny Board meetings and all Members which review the budget on a quarterly basis throughout the financial year, which mitigates against the risk of inadequate financial control. In addition the Director of Children's Services will be reporting separately to Overview and Scrutiny so an assessment can be made on the progress in achieving the 5 year cost reduction plan.

11. Local Government Finance Settlement

11.1 This section provides a summary on the outcome of the Local Government Finance Settlement which sets out the formula grant allocation to Torbay in 2015/16. Similar to last year the announcement was extremely late – just before Christmas. However this was the second year of a 2 year settlement and as there were no significant changes the lateness of the announcement has resulted in last minute uncertainty as opposed to a major problem with respect to financial planning

11.2 The final Settlement was announced on 4th February 2015, see paragraph 4.17 above.

11.3 As expected the government has ended the ring fenced funding for the Local Welfare Provision (Crisis Support Fund). Instead of continuing the specific grant for this activity the government have "earmarked" resources for this function within the council's core grant. The government are making a strong hint that council's should continue to provide a scheme which does create an additional pressure. It has been recommended that from 2015/16 the council include a base budget for the continuation of this scheme based on current expenditure levels.

11.4 As part of the announcements the government said that local government had a 1.8% cut to its "Spending Power" when comparing 2014/15 to 2015/16. For comparative purposes this amounts to a 3.0% cut for Torbay, which is significantly higher than the figure for local government. However this calculation includes ring fenced funding for Public Health and additional

resources for the Better Care Fund which included health funds – the latter which comes with new additional responsibilities. When these are taken out of the calculation the cut in Torbay’s Spending Power increases to 7.5% and it rises to 13.7% when council tax income is stripped out: the latter a more realistic representation of the financial challenges Torbay faces.

- 11.5 A summary of Torbay’s allocation is shown below as set out by the Department for Communities and Local Government.

Table 5

	2013/14	2014/15	2015/16
	£'m	£'m	£'m
Baseline Funding (NNDR)	28.5	29.0	29.6
Revenue Support Grant (RSG)	42.7	35.3	25.6
Settlement Funding Assessment (SFA)	71.2	64.3	55.2

- 11.6 The impact of the announcement cannot be underestimated. The Local Government Finance Settlement shows that Torbay Council’s 2015/16 “settlement funding assessment” (SFA) will be £55.2m which compares to £71.2m in 2013/14 and equates to a two year reduction of £16.0m or 22%. The year on year reduction is £9.1m or 14%.
- 11.7 Members will recall that when the Business Rates Retention Scheme was introduced all Devon authorities agreed to form a “pool” for the purposes of Business Rates. It is estimated that Devon will derive significant benefits of business rates income over 5 years. All Devon authorities, with the exception of South Hams, have agreed to continue to be part of the pool in 2015/16.
- 11.8 Under the new funding system the value of the business rate income for the Council is an integral part of a Council’s overall funding. Under the previous system billing authorities, like Torbay, collected business rate income on an agency basis on behalf of central government and passed the income to a central pool. This pool was then redistributed to Councils on a “needs” basis. Under the new system Torbay will retain 49% of all business rate income collected with the Council bearing a share of the risk or reward from any variations in income level. This system aims to provide Councils with clear incentives to promote business rate growth.
- 11.9 Due to the importance of this estimate of the value of NNDR income and the impact it has on the Council’s income, the DCLG recommend that this estimate is now approved and Members are aware of the estimate being made. The estimated income for the year is submitted as part of the NNDR1 return and will form part of the Council’s 2015/16 budget. As the DCLG required this information by 31 January 2015, it was agreed at Council in December 2012, the approval of the level of Business Rates income was delegated to the Chief Finance Officer.

12. **Possibilities and Options**

12.1 There are no alternative options to the Council with respect to whether a budget must be set as this is a statutory requirement. However there are alternative spending options which Members may wish to debate before coming to a final decision. Members can make amendments to the proposed budget as set out in the Council's Constitution.

13. **Preferred Solution/Option**

13.1 As set out within the report.

14. **Consultation**

14.1 Details of the consultation undertaken in relation to the Mayor's Budget proposals are set out in the appendix to this report together with the Equality Impact Assessments.

15. **Risks**

15.1 The Chief Finance Officer has a statutory responsibility to report to Council if, in his opinion, the Council sets an unrealistic budget given the information available at the time of the budget setting. In addition to his professional opinion he must, to a degree, be reliant on the advice of his colleague officers. This is particularly the case when approving the 2015/16 budget which will be extremely challenging for the Council and all services both financially and in terms of maintaining service levels.

15.2 At the time of writing this report there are a number of risks that have been identified including non achievement of a previously proposed saving, ongoing client commitments that are likely to impact upon the 2015/16 budget and the Judicial Review of Care Home Fees.

15.3 As mentioned in this report as a result of the actions taken in preparing the budget forecasts and correspondence from senior officers the Chief Finance Officer can only give a qualified opinion that he is satisfied that the recommended budget is both robust and achievable. A further update as to whether the budget can be declared as a robust and achievable will be made in due course.