



**Meeting: Council**

**Date: 6 February 2014**

**Wards Affected: All**

**Report Title: Revenue Budget Proposals 2014/15**

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## **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 2014/15, 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 proposals. To ensure the Council has a strategic approach to address the ongoing grant reductions the Mayor has also outlined budget savings proposals for 2015/16.
- 1.4 As part of the Local Government Finance Settlement the coalition government has announced the 2015/16 provisional grant allocation to local government. In addition to the £22m of savings proposals already identified the Council is planning to find a further £3.8m of savings based upon the 2015/16 provisional figures and estimated Business Unit service pressures. This additional savings target, along with existing proposals for 2015/16, will be consulted upon during the first half of the new financial year and considered, debated and approved by Council in September 2014.

## **2. Proposed Decision**

### **2.1 That it be recommended to Council:**

- (a) **that the revenue budget for 2014/15 (paragraph 4.6) and the associated fees and charges be approved;**

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budget1415.htm>

- (b) that the equality impact assessments and details of the consultation and feedback as shown in agenda item 3b included within this agenda are considered by Members when reaching their final decision;**
- (c) that an earmarked contingency of £2m be created specifically to mitigate against any budget pressures that may arise within Children’s Services Safeguarding and Wellbeing;**
- (d) that the spending reductions proposed for 2015/16, which will be subject to full consultation, be noted and agreed in principle to form the basis of the 2015/16 budget;**
- (e) that the final notified Dedicated Schools Grant be used in accordance with the nationally laid down Schools Financial Regulations (paragraph 6.1(a)) and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed;**
- (f) that the Members’ Allowances Scheme be implemented in 2014/2015 in accordance with the decision of the Council at its meeting on 1 February 2012 subject to the annual local government pay percentage increase (paragraph 6.1 (b));**
- (g) that the Chief Finance Officer in consultation with the Mayor and Executive Lead Member for Finance be authorised to approve expenditure from the Comprehensive Spending Review Reserve;**
- (h) 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 8 and 9);**
- (i) 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 2014/15 if it is in the best interest for the Council;**
- (j) 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 or other additional income that may be received during the year 2014/15;**
- (k) that the Chief Finance Officer be authorised to make adjustments to the budgets for any technical changes;**

(l) that the Chief Finance Officer prepare the appropriate documentation for the Council to approve the setting of Council Tax at the meeting on 27 February 2014 and all other returns to be made by the appropriate date;

(m) that the Review of Reserves report be noted and the following be approved (report found on attached link);

<http://www.torbay.gov.uk/reviewofreserves1415.doc>

1. the transfer of the surplus on a number of individual reserves to the Comprehensive Spending Review Reserve;
2. the transfer of the surplus of £0.1m identified on a number of individual reserves to a new Geopark Conference Reserve;
3. the transfer of the surplus of £0.250m identified on a number of individual reserves to the IT Replacement Reserve;
4. the transfer of £0.4m from the pensions reserve to the Comprehensive Spending Review Reserve;
5. the transfer of £1.5m from the PFI Sinking Fund to Children's Services on an "invest to save" basis and any budget pressures that arise. Children's Services will budget to repay the reserve in future years.

(n) that Capital Strategy and Asset Management Plan be approved and endorsed (report found on attached link);

<http://www.torbay.gov.uk/summarycapitalstrategy1415.doc>

<http://www.torbay.gov.uk/assetmanagementplan1418.doc>

(o) that the latest position on the 4 year Capital Investment Plan be noted (report found on attached link);

<http://www.torbay.gov.uk/DemocraticServices/documents/s16816/Capital%20Plan%20monitoring%20Q2%201314.pdf>

(p) that the Treasury Management Strategy and the recommendations in the report be approved and endorsed (report found on attached link);

<http://www.torbay.gov.uk/DemocraticServices/documents/s17304/Treasury%20Management%20Strategy%202014-15.pdf>

(q) that the latest updated Medium Term Resource Plan be noted (report found on attached link);

<http://www.torbay.gov.uk/mediumtermresourceplan.doc>

- (r) that it be noted that Torbay has continued to be part of the Devonwide Pool as part of the Business Rates Retention scheme;
- (s) that the completed NNDR1 form be noted (found on attached link) which forms part of the Council's overall income to fund the 2014/15 budget;

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budget1415.htm>

- (t) the collection fund deficit as set out in section 4 of the report which forms part of the council's overall income to fund the 2014/15 budget be noted;
- (u) that the Chief Finance Officer be recommended to develop a policy for retail relief in accordance with the DCLG guidance.

**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 budget each year. The approval of the 2014/15 revenue budget will assist the Council in delivering its key objectives and meet its statutory obligations.

### **4. Summary**

4.1 The Mayor issued his provisional savings proposals for consultation in November 2013. Due to the size and magnitude of the financial challenges faced by the Council the Mayor proposed a 2 year savings package which will enable the Council to develop a strategy to address the ongoing grant reductions from the coalition government. The development of the savings proposals and resultant budget targets were supported by an update of the Service Review information across all Council activities – the associated documentation has been available on the Council's internet site and can be accessed from the attached link:

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budgetsummary1415.htm>

4.2 The information provided within the Service Reviews enable Members and Stakeholders to fully understand the detail areas of activity provided across the Council including:

- What is provided? An overview of the activities carried out;
- Why it is provided? The basis of the provision (whether a service is statutory or not statutory);
- What is the demand? What drives the demand for the activity;
- How much does it cost? The resources allocated (costs and staff);
- How well are we providing it? The benefits (outcomes) of the activity.

4.3 Members of the Priorities and Resources Panel and Stakeholders have considered various documentation and responded to the Mayor on his budget proposals. The Mayor has chaired two Budget Consultation meetings with local residents and stakeholders and the Council consulted directly with a number of organisations and clients who were directly affected by the proposals. 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. Members are requested to take into account and be mindful of the details from the consultation feedback when formulating their final budget decisions.

4.4 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.

4.5 The supporting information to this report includes:

- the Mayor's response to the Priorities and Resources Panel;
- summary of the budget process;
- budget proposals and budget digest;
- a summary of the local government finance settlement;
- the Chief Finance Officer's statement on the robustness of the budget estimates.

4.6 A summary of the proposed Council budget, which must be approved in February 2014 is shown below in table 1. In addition the Mayor has set out budget saving proposals for 2015/16 which Members are also being asked to consider and agree in principle. Due to the revised budget shortfall in 2015/16 arising from the coalition government's final plans for funding local government, the proposed budget savings for 2015/16 will be considered and approved at Council in September 2014.

**Table 1****Summary of Proposed Budget 2014/15**

	2014/15	
	£ m	£ m
Mayor's Budget Proposal		
Net Expenditure Budget		116,382
Less Council Tax Freeze Grant		(635)
Total Net Expenditure		<u>115,747</u>
Funded By:		
Business Rate Retention Scheme		(27,773)
Revenue Support Grant	(35,318)	
Other Grants (LACSEG/LSSC*)	<u>(1,012)</u>	(36,330)
Council Tax Income	(52,608)	
Collection Fund Deficit (NNDR and Council Tax)	<u>964</u>	
		(51,644)
Total Income		<u>(115,747)</u>

- Local Authority Central Spend Equivalent Grant (LACSEG) and Local Services Support Grant (LSSC).

- 4.7 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 fall by £20 billion – a cut of 43%. Local government is only half way through the cuts as imposed by the coalition government, with the next two years being the most challenging for local government and Torbay.
- 4.8 The coalition government announced on 18 December 2013 the Provisional Local Government Finance Settlement. This set out the provisional grant allocations for 2014/15 and indicative allocations for 2015/16. The final Settlement was announced on 5 February 2014, one day before this report was presented to Members of the Council. There was no material change in the grant allocation to Torbay.
- 4.9 In setting this budget the Mayor is recommending that the Council accept the Government's Council Tax Freeze Grant for the next two years. If accepted this would mean Torbay's council tax has been frozen for five years.
- 4.10 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. However, due to the size of the reduction in government grant service reductions are inevitable and these have been outlined within the detailed budget proposals and fully consulted upon.

- 4.11 Irrespective of these reductions the Council has a wide range of statutory services which must be delivered and these must be prioritised against all services within a much reduced financial resource base compared to previous years. It should be noted that whilst some services may not be classified as statutory they do provide an essential role for the provision of statutory services, which are dependent upon them, or they provide preventative services which reduce pressures and demands upon statutory services.
- 4.12 Taking into account these issues Members and officers continue to be faced with a range of difficult budget decisions. The Council's Strategy to meet this challenge continues to be a budget process which has focused on identifying all efficiency savings through review and redesign of services and considering a range of new approaches including partnerships and shared services. However even with this approach it is now inevitable such savings are no longer sufficient to bridge the gap therefore service reductions are required.
- 4.13 The budget papers considered by Members and discussed at the Priorities and Resources Panel identified the key risks of the budget proposals. Members of the Board have also been provided with full impact assessments which have enabled business units to fully consider the impact of major decisions on the community.
- 4.14 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 they are robust, however 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 year.
- 4.15 To mitigate against these pressures and risks it has been recommended that an earmarked contingency of £2m is set up for Children's – Safeguarding and Wellbeing and up to £1.5m will be made available to the Director of Children's Services to commence a number of invest to save projects as part of the ongoing cost reduction programme within Safeguarding and Wellbeing and to manage increased demand pressures if they arise during the year. The £1.5m will be funded from the PFI Sinking Reserve which must be replenished and will be a call upon future years Children's Services budgets. As part of the recommendations, Members of the Council have accepted these risks and the ongoing pressures the Council is faced with in this period of ongoing austerity.
- 4.16 These risks include 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. By approving this budget Members are recognising 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.
- 4.17 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. This may result in the Council exceeding the approved budget if compensating savings are not found

elsewhere and this has been a feature of the 2013/14 financial year with most services finding in-year savings to mitigate against the budget pressures identified during the year.

- 4.18 The existing strategy in place to mitigate against and respond to such a situation will continue 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. In addition to the Comprehensive Spending Review Reserve, it has been stated above an earmarked contingency is created in 2014/15 for Safeguarding and Wellbeing – the council’s most volatile expenditure budget over the last few years. This continues the approach taken in previous years where a general budget pressures reserve was created. The Council will also take decisive in-year action to respond to any of these risks emerging such as in-year spending reviews as well as a spending freeze and recruitment freeze if required.
- 4.19 Members and officers will agree an action plan to address any in year overspend, if one occurs, and report publicly on progress against the action plan. Regular monitoring reports will be presented to Members throughout the year on the financial position both at the Overview and Scrutiny Board and Council. 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.
- 4.20 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 2015/16. Despite the recent media attention on the level of local authority reserves, Torbay’s current level of reserves is prudent but not excessive and overall the reserves of the Council continue to fall as shown within the Review of Reserves report to Members.
- 4.21 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 will be 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. 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.

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

- 4.22 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 2013.
- 4.23 The Council has for several years been required to submit an NNDR1 form to estimate the amount of Business Rates that it is expected will be collected in the following financial year. With the introduction of the Business Rates Retention



Scheme the Council must determine how much National Non Domestic Rate (NNDR) income it will receive and as a consequence how much it will rely upon in setting its budget. The NNDR 1 form is the primary return to meet this outcome.

### Council Tax

- 4.23 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%.
- 4.24 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 authorities and Major Precepting Authorities in calculating basic amounts of Council Tax for the subsequent year.
- 4.25 The latest estimate of the Collection Fund in year in respect of Council Tax as at 31 March 2014 is a £0.830m surplus.
- 4.26 This surplus has to be shared in 2014/15 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 2013/14. The estimated share of the 2013/14 surplus distributed in 2014/15 is as follows:

Table 2

	Share of Surplus £	Share %	2013/14 Precept £m
Torbay Council	698,426	84.15	52.603
Devon and Cornwall Police and Crime Commissioners Office	89,957	10.84	6.775
Devon and Somerset Fire and Rescue Authority	41,627	5.01	3.135
<b>Totals</b>	<b>830,010</b>	<b>100</b>	<b>62.513</b>

- 4.27 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**

- 4.28 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. A deficit has been declared and this is due to a variety of factors including a reducing tax base for businesses and the impact of outstanding appeals by organisations dating back to 2005. The coalition government has decided local government must fund part of these backdated costs, even though these appeals were lodged before the new Business Rates Retention scheme came into effect.
- 4.29 Overall the Council has declared a deficit of £3.4m on its collection fund which is shared between the Council, the Devon Fire Authority and the coalition government. Torbay's share of the deficit is 49% and equates to £1.662m and this forms part of the Council's overall income and impacts upon the quantum of resources available to deliver local services.
- 4.30 As part of the coalition government's commitment to support businesses in the high street and town centre, it was announced in the Autumn statement on 5 December 2013 that local authorities will be allowed to grant up to £1,000.00 in Business Rate Relief in 2014/2015 and 2015/2016 for all occupied retail properties with a rateable value up to and including £50,000. This will target business' that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. Relief will be granted where the occupiers' cumulative total relief does not exceed the state aid limits of £200,000.
- 4.31 In order for the Council to deliver this relief, a policy will be required showing the qualifying criteria under guidance provided by the Department for Communities and Local Government and this will be delegated to the Chief Finance Officer.

## **5. Mayor's Statement on Budget 2014/15**

*Section 5 of this report (up to paragraph 5.28) is the Mayor's Statement on the Budget 2014/15 and his response to the recommendations made by the Priorities and Resources Panel*

- 5.1 Torbay Council has never been faced with such challenging times. When the coalition government commenced its public sector deficit reduction programme, supported by Torbay's MPs, few commentators predicted the size, scale and impact this would have upon local services. Having already met the challenges in the last 2 years by making cuts of £19m, the Council is now faced with a further £26m of reductions in the next two years bringing the total reduction to Torbay's budget of £45m.
- 5.2 This Council would never willingly make reductions of this magnitude. However, there is no alternative but to face this challenge and try to manage the reductions faced by the Council and be sensitive to the fact local resident's expectations are for service levels to be maintained at a time when demands on our services continue to increase and our resources are being significantly reduced. The budget presented to you for debate and approval is not one that any Member would want and that is why resources have been allocated to the Council's priorities with a key objective of ensuring all services are provided efficiently and effectively so that value for money is always achieved.
- 5.3 In December 2013 the coalition government announced a two year Settlement for all local authorities and provided allocations for 2014/15 and provisional allocations for 2015/16 which confirmed our worst fears that the financial challenges will continue into the next two years and beyond. With a headline reduction in the Council's grant of £8m and a further £10m in 2015/16 with this level of grant reduction, no matter how innovative and imaginative the Council is in delivering services, there will inevitably be service reductions required to ensure the Council can deliver balanced budgets in future years.
- 5.4 I will continue to work with my Executive Lead Members and officers to meet my priorities and the financial challenges the Council faces by continuing to protect vulnerable children and adults and supporting jobs and economic regeneration. I would like to thank officers for the hard work they have undertaken during this very difficult budget process.
- 5.5 I am proposing a revenue budget of £115.7m for 2014/15 and I have started to plan for the challenges in 2015/16 by identifying a series of further reductions. These will be challenging due to the level of savings required to deliver a balanced and robust budget. 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. However, similar to last year and due to the reductions to Torbay's grant allocation from the coalition government I have been limited in the flexibility I have had in making changes to my original proposals.

- 5.6 When arriving at my final budget proposals, in addition to the difficulties faced by the Council, I am also conscious of the impact the council tax and any increases to the council tax have upon the amount of disposable income available to local residents. Recent evidence and forecasters are predicting an improvement within the economy but locally there are challenges and I am not underestimating how difficult it will also be for Torbay residents to balance their own household budgets in these difficult times. Therefore, I have decided to propose accepting the Government's offer of a council tax freeze grant to ensure the council tax is frozen for the next two years which will lessen the burden on hard working Torbay Council Tax payers.

### **Response to Priorities and Resources Panel**

- 5.7 As set out in the Council's Constitution, all Members have had an opportunity to scrutinise the budget proposals since they were announced back in November 2013. This has been supplemented by detailed service review information which allowed Members to scrutinise all the services provided by the Council.
- 5.8 I would like to thank all residents and stakeholders who attended the two Consultation events which provided feedback on the proposals and enabled all attendees to understand the difficult decisions and choices the Council has been faced with when arriving at the 2014/15 budget.
- 5.9 The Priorities and Resources Panel held a series of public meetings during January 2014 and have considered the detailed proposals where particular attention was placed on those proposals which had a significant impact upon the community. Members of the panel raised a number of important questions and challenged Members and officers and took evidence from a variety of Stakeholders. 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 as set out in the original consultation. The Panel has been faced with the same difficult choices I have had to consider.
- 5.10 The Panel formulated their views and recommendations at their meeting on 29 January 2014 and these were presented to me on 31 January 2014. 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.

5.11 The Priorities and Resources Panel made a number of recommendations and once again I thank them for all of their hard work. I have carefully considered the comments made by the Panel with respect to my savings proposals. Members will be aware of the difficult financial position faced by the Council and in response to this I have consulted officers and Executive Leads to see what changes can be made to my budget proposals

5.12 Members and Stakeholders have expressed considerable concern with respect to the proposed savings for Supporting People. As I have stated on a number of occasions this is one area where I would prefer not to make any reductions but the scale and magnitude of the grant reductions from the coalition government give me very few options. However, having considered the representations I have received I want to provide transitional support to enable providers to prepare for the proposed reductions. Therefore I will provide transitional funding for the following contracts:

- £0.135m for the Leonard Stock Centre (Support for Homeless Vulnerable Adults);
- £0.204m for Jatis (structured treatment for drug and alcohol users);
- £0.075m for (Supported accommodation for young people) the Foyer;
- £0.079m for (Integrated Family Services) Stone Court.

This one off transitional support will be funded from the Supporting Reserve and general reserves.

5.13 I note the comments made with respect to the Community Development Trust and continue to support their work and look forward to receiving detailed proposals from the Trust in the near future and details of how they have been using the funding provided by the Council. I would like to outline my strong support for the Acorn Centre and will work with the Chairman and other representatives to try to ensure their future and get to a satisfactory outcome. I would welcome the Overview and Scrutiny Board reviewing the Trust within three months and would look to the Acorn Centre to bring forward proposals at a date suitable for them. As part of my support for the Centre I am recommending that a £25,000

reserve is established to support the Acorn Centre, if required, in 2015/16.

- 5.14 I have listened carefully to the discussions and debate with respect to the Riviera International Conference Centre (RICC) and am fully supportive of the work undertaken by the Board and its importance within the Bay. I reject the recommendation with respect to the need for an options appraisal on the future of the RICC as suggested by the Panel. I make this decision based on the strength of the RICC business plan which is appended to this report. I note that this business plan was not available for consideration at the Priorities & Resources Panel meetings. Also the Conference Centre is central to a proposal that we are pursuing to create a public services hub in Torbay that would generate circa 2,000 new jobs with potential for additional future growth. Being able to link the Conference Centre with a future public services hub is considered to be extremely positive supporting the prospects of bringing these new quality jobs to the Bay.
- 5.15 I note the Boards comments with respect to the Torbay Coast and Countryside Trust and would like to see further work and a report on this matter and want to continue discussions with the Trust so a long term agreement can be reached.
- 5.16 I will continue to have discussions with the Chairman and Board of the English Riviera Tourism Company to ensure we can find a permanent and long term strategy for Tourism. I have also reviewed the Events budget and am recommending this is reduced by 20% to £80,000 in 2014/15.
- 5.17 I have considered the representation made with respect to the Citizens Advise Bureau and recognise the important work they undertake. Therefore I am proposing to reduce the proposed reduction and reinstate £45,000 of the grant in 2014/15. I note the Panel's comments with respect to duplication between various agencies and will be requesting officers to report back to me on this issue.
- 5.18 In recognition of the demand pressures within Children's – Safeguarding and Wellbeing I am proposing two measures to assist the Director of Children's Services in delivering his cost reduction plans: These include
- £2m as an earmarked contingency to support demand pressures within Safeguarding and Wellbeing.

- £1.5m to be funded from the PFI Sinking Reserve which will provide additional support for Children's Safeguarding and Wellbeing of which £0.5m will be allocated for invest to save initiatives.
- 5.19 This funding for Children's confirms the priority I give to the protection of vulnerable children within the Bay and builds on the additional £2m that was added to the base budget for Safeguarding and Wellbeing as part of the 2013/14 approved budget.
- 5.20 I note the Board's comments with respect to "exploring how Children's Services can more radically do things" and ask that my Executive Lead Member with responsibility for Children's - Councillor Pritchard - and the Director of Children's Services respond in due course. I am recommending that the proposed reductions for Kool Club and Quids for Kids is deferred and consultation is undertaken in this area for a decision in September.
- 5.21 I am also pleased to inform Members that on 4 February 2014 I received a letter from the Parliamentary Under Secretary of State for Children's and Families which said that due to the improvement made in the protection of Children, Torbay will no longer be subject to an Improvement Notice.
- 5.22 I have also been advised that the Care Trust have identified further efficiencies which means they will be reinstating the proposed reductions for three voluntary sector contracts: Park View Society, Bipolar Management and MDF: The Bipolar Organisation. In addition I will provide transition funding of £5,000 to ACE over 2014/15 and 2015/16 to support planning for a sustainable solution or alternative provision.
- 5.23 The Annual Strategic Agreement (ASA) between the Council and Torbay and Southern Devon Health Care NHS Trust sets out the way in which both organisations will work in partnership to deliver the provision of Adult Social Care in 2014/15. The ASA will be considered by Council on 27 February 2014 and is supported by these budget proposals.
- 5.24 I have considered the representations made and results of the consultation questionnaire in making my decision regarding the library budget reductions. I have tried to minimise the impact of the savings on the overall service and therefore am proposing to take some reductions in back office function and management predominantly through vacancies and voluntary redundancy opportunities. Following the review of consultation and usage of the various library counter services and to address the lowest number of customers affected I have decided to

cease the operation of the Mobile Library Service across Torbay to make up the rest of the budget reduction target. There are 740 active borrowers affected by this together with age, condition of the mobile van and the leasing costs, believe this is the best option rather than reducing hours of static library service points. We expect some vulnerable people to be affected by this reduction and will work with individuals to try and establish alternative provision.

- 5.25 I have considered and listened to the concerns raised from Members of the Transport Working Party on the proposed cessation of this committee. As a result I am proposing to support this forum to continue but reduce meeting to twice a year. The work of this group will need to focus its energies more on the key strategic policy decisions and considerations of an overview of the highway and transportation network. This will ensure the limited resources available in terms of officer support are used most effectively.
- 5.26 I have considered the representations made by Brixham Town Council with respect to my proposed reduction. As mentioned throughout this report the Council is facing a number of difficult decisions and has to make a number of reductions. Therefore having taken into account all of the pressures faced by Torbay I believe Brixham Town Council should make their contribution due to the scale of cuts faced by Torbay
- 5.27 Finally I would like to remind Members that the budget savings proposals were issued earlier than the previous year and continues my objective to provide the maximum consultation period on what are extremely difficult issues. I have also proposed savings for 2 years – the first time this has ever been achieved within Torbay Council. This has all been achieved despite the size of the reductions to local government grant by the coalition government. I would remind Members that we have a Corporate Plan which sets out the Council's objectives.
- 5.28 The ongoing uncertainty for future funding of local government makes longer term planning extremely difficult and I would urge Parliament and our local MPs to provide leadership, support and direction in meeting these challenges. As a Council we continue to be innovative and explore all opportunities for future service delivery including working with partners, other local authorities and health with respect to the Integrated Care Organisation and the Pioneer Bid. As already mentioned in the budget report it is my intention to continue the dialogue with Members, Partners, Stakeholders and local residents and bring forward the next round of savings proposals to full council for discussion and debate in September 2014.



## **Council Tax and Capping**

- 5.30 As mentioned in paragraph 5.6, the Mayor is proposing a council tax freeze for the next two years which means the Council will receive a council tax freeze grant. The details for the grant have yet to be confirmed but this will mean a grant of approximately £0.6m.
- 5.31 To control the level which local authorities increase council tax, the Government has set a maximum rate in previous years. At the time of writing this report the upper limit had not been set – last year it was set at 2%. Whilst this has not been confirmed an announcement of the cap may be as late as 13 February 2014 and could be set at a lower rate e.g. 1.5%.
- 5.32 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.
- 5.33 At the time of writing this report, neither the Devon and Cornwall Police and Crime Commissioner's Office nor the Fire Authority has set their budgets for 2014/15 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 2014.

## **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 £88.8m of Dedicated Schools Grant (DSG) before Academy recoupment. It is recommended that approximately £44m 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 and the final DSG will be confirmed in July 2014. It is recommended the Chief Finance Officer (CFO) be authorised to make appropriate changes when the final numbers are known.

### **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 by the appropriate rate 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 in accordance with the principles and best practice laid down by the Audit Commission. These proposals were available to Members when the Provisional Spending Targets were announced in November 2013. It is recommended that these charges are approved – see attached link.

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budget1415.htm>

- 6.2 Included within Torbay's Budget Requirement is the budget for the Brixham Town Council. The Town Council approved their 2014/15 budget on 23 January 2014 of £194,300.

### **Recommended Budget 2014-15**

- 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 13 February when the budget proposals will be considered.

**Table 3**

**Recommended Budget 2014-15**

Business Unit/Service	Total	Total	Corporate Budgets	Total
	£000's	£000's	£000's	£000's
<b>Adults &amp; Resources</b>				
• Adult Social Care				
○ NHS Provider Trust	41,235			
○ Joint Equipment Store	498			
Adult Social Care Total		41,733		41,733
• Other Adult Social Care Services		1,879		1,879
<b>Children, Schools &amp; Families</b>		25,900		25,900
<b>Public Health and Community Safety</b>				
• Public Health ***		0		0
• Community Safety		1,683		1,683
<b>Place</b>				
• Economic Development Company		3,834		3,834
• Residents & Visitors		7,330	(155)	7,175
• Spatial Planning		5,526	(4,367)	1,159
• Torbay Harbour Authority****		0		0
• Waste & Cleaning		11,499		11,499
<b>Corporate Services</b>				
• Commercial Services		3,045	(859)	2,186
• Information Services		3,265	(740)	2,525
• Business Services		1,475		1,475
• Finance		8,578	(7,062)	1,516
<b>Corporate Budgets *</b>			13,183	13,183
<b>Sub Total – Torbay Council</b>		<b>115,747</b>	<b>0</b>	<b>115,747</b>
Brixham Town Council		194		194
Schools Related Activity **		44,000		44,000
<b>TOTAL</b>		<b>159,941</b>		<b>159,941</b>

- \* Corporate Budgets include Treasury Management, Precepts, External Audit Fees, Concessionary Fares, IT licences, Insurance.
- \*\*subject to final confirmation of pupil numbers in July 2014.
- \*\*\*Public Health is a ring fenced grant for 2014/15 of £7.351m.
- \*\*\*\*Torbay Harbour Authority is a ring fenced budget with a turnover of £2.5m.

6.4 The proposed budget assumes the Council will accept the Council Tax Freeze Grant in 2014/15 and 2015/16 of approximately £0.635m. The coalition 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 £52.608m.

## 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**

<b>Summary Financial Position 2014-15</b>		£'000
<u>Planned Expenditure</u>		
- Torbay Council net revenue budget		116,382
- Less Council Tax Freeze Grant		(635)
		<hr/> 115,747
- Brixham Town Council		194
- Schools Related Expenditure		44,000
		<hr/>
Total Net Expenditure		159,941
		<hr/> <hr/>
<u>Funded by</u>		
Dedicated School Grant (provisional)		(44,000)
RSG and Other Grants		(36,330)
Business Rate Retention Scheme		(27,773)
		-----
		(108,103)
		-----
Council Tax		
- Collection Fund Deficit		964
- Torbay Council		(52,608)
- Brixham Town Council		(194)
		-----
		(51,838)
		-----
Total Funding		(159,941)
		<hr/> <hr/>

- 6.6 As indicated earlier, if approved, this would represent a freeze in the Torbay Council element of the final Council Tax demand note for the fourth consecutive year. However, the final bill will also depend upon the final demands from the Devon and Cornwall Police and Crime Commissioners Office, the Devon and Somerset Fire Authority and the impact of the budget set by Brixham Town Council for the residents of Brixham.

## **7. Use of Reserves**

7.1 There has been media attention as to the level of reserves held by local authorities and how these should be used in this time of significant reductions to funding from the coalition government. 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:

- release £0.6m from surplus reserves and be allocated to the Comprehensive Spending Review (CSR) reserve;
- set up a Geopark Conference Reserve of £0.1m;
- allocate £0.250m to the IT replacement reserve; and
- use £1.5m from the PFI Sinking Reserve for invest to save schemes and to provide additional support for Childrens - Safeguarding and Wellbeing (the PFI Sinking Reserve will be replenished from future Children's Services budgets).

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. In addition this reserve would have to be used to fund any overspend at year end to ensure the Council can declare a balanced budget at the end of 2013/14.

7.3 The proposed budget reductions will result in staff reductions and redundancies and these are being assessed by Officers and Members. By using the Council's HR policies the Council will, where possible, minimise the number of redundancies made by redeployment of officers put at risk where appropriate. However, based upon the proposals made and already implemented there are redundancies costs. The final costs of redundancies arising from the budget proposals (which are accounted for in 2013/14) will be reported to Members and, if similar to previous years', will £1.5m.

## **8. Budget Risk Assessment by the Chief Financial Officer**

8.1 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.

8.2 As in previous years, the Council has been through a detailed budget process and consultation in setting the budget for 2014/15. The Mayor published the provisional spending reductions in November 2013 which is the earliest they have been published for consultation and this was supported by service review information which has been available on the council's internet.

8.3 The budget proposals have been scrutinised by the Priorities and Resources Panel and Stakeholders and there has been two consultation events as well as a variety of other meetings. The Panel presented a report to the Mayor on their conclusions and recommendations before the Mayor proposed a final budget to Council.

- 8.4 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.
- 8.5 When recommending a budget to Council for 2014/15, 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.
- 8.6 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 stated the following:

**Chief Finance Officer Statement.**

- 8.7 **On the assumption that a balanced budget can be achieved for 2013/14 and a robust budget set and realistic savings identified in 2014/15, I am satisfied that the Council's General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council's Financial Plans for 2014/15 and to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.**
- 8.8 The Council's General Fund Reserve of £4.4 million represents 3.5% of the Council's overall 2013/14 net budget. If the proposed budget is approved General Fund Reserves will represent 3.8% of the Council's overall 2014/15 net budget.
- 8.9 The report also made reference to the state of the earmarked reserves. The report recommended that £0.950m be released from earmarked reserves for other purposes and that all other earmarked reserves were considered appropriate at this time. In addition a further £1.5m will be made available to the Director of Children's Services from the PFI Sinking Reserve which must be paid back and will be a future call on the Children's Services budget. At the present time I cannot recommend any further reductions to the earmarked reserves or general balance, other than planned expenditure in accordance with terms of the establishment of the respective reserve.
- 8.10 I must stress that whilst the use of the PFI Sinking Fund can be used to support Childrens – Safeguarding and Wellbeing with their cost reduction plan it is essential that the Director of Children's Services delivers a robust business plan for the cost reduction programme and future savings plans to ensure the repayment of all monies drawn down from the reserve. If this cannot be

delivered from future savings within Children's – Safeguarding and Wellbeing all other services will be required to make further savings to replenish the PFI Sinking Fund Reserve.

### **Robust Budget**

- 9.1 The production of a robust budget each year is an essential element for the effective financial management of the authority. Torbay has continued to align service delivery and financial planning which involves matching and moving resources to deliver service priorities.
- 9.2 An updated version of the Medium Term Resource Plan has been considered by the priorities and Resources Panel. The Plan will be continually updated to reflect the latest financial information available.
- 9.3 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 pressures with Children's Safeguarding and Wellbeing;
  - demand 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.
- 9.4 To mitigate against these risks a number of assumptions have been made in the development of the budget for 2014/15 to ensure a robust budget is set. These include:
- the assessment of inflationary pressures. A 1% provision has been made for a pay award. The final pay award has not been agreed and it is not expected that the increase will be above this level;
  - 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 2013-14 as part of the regular budget monitoring process and how these may

impact on 2014-15 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 Children's Safeguarding and Wellbeing.

9.5 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.

9.6 The Council is also faced with other risks which have been considered as part of the budget i.e. risks with partners such as Tor2, the Coast and Countryside Trust, Torbay Economic Development Company, Tourism Company and the Riviera International Conference Centre. The Council will continue to work closely with partners to ensure key outcomes and objectives are achieved but mindful of the difficult financial challenges we are all facing.

## **10. Local Government Finance Settlement**

10.1 This section provides a summary on the outcome of the Local Government Finance Settlement which sets out the formula grant allocation to Torbay in 2014/15 and a provisional allocation for 2015/16.

10.2 The Provisional Settlement was announced on 18 December 2013 and confirmed on 5 February 2014 when the final settlement was announced. Despite representations being made last year the announcement was, once again extremely late with the provisional figures usually expected at the beginning of December. This was compounded by the fact the final settlement was also later than in previous years and a day before this report had to be presented to Members. The late announcement created significant uncertainty and presented difficulties in preparing the final budget proposals and hinders the Council in preparing for the challenges of a significant reduction to its grant over the next two years.

10.3 This has been compounded by the complexity and range of changes introduced to the system for local government finance including the impact of the Business Rates Retention Scheme and volatility of predicted income for the council

10.4 As part of the coalition government's press releases it was announced that that local government had a 2.9% cut in its "Spending Power" when comparing 2013/14 to 2014/15. For comparative purposes this amounts to 3.5% for Torbay which is worse than the average.

10.5 To date there has been a significant amount of uncertainty as to how the 2.9% has been calculated. The term "Spending Power" includes all revenue that local authorities receive including income raised via council tax as well as resources that will be available to local authorities with responsibility for Adult Social Care



from the newly created Better Care Fund. This area of responsibility also comes with new burdens and costs which are included within the Care Bill. The Local Government Association have asked for clarity as to the Spending Power reduction has been calculated – to date this issue remains unresolved.

- 10.6 As part of the Settlement the coalition government has also announced provisional figures for 2015/16. This has confirmed that the proposals set out as part of the technical consultation for local government finance in the summer, have been substantially included. These reductions have had a direct impact upon Torbay resulting in a further funding gap for Torbay of £3.8m in 2015/16.
- 10.7 As in previous years, the Council made representations to the Government with respect to the provisional settlement which included Torbay’s concerns about the significant reduction to the Council’s grant and the impact this will have upon the delivery of local services, the lateness of the announcement, the transparency of the information provided and impact upon Torbay of funding business rate appeals prior to April 2013.
- 10.8 Members will be aware of the significant changes to the system for local government finance and the impact upon the Council’s future funding allocation has been set out within the Medium Term Resource Plan.
- 10.9 A summary of the Final Settlement is shown in the table below:

Table 5

	2013/14	2014/15	2015/16
	£’m	£’m	£’m
Baseline Funding (NNDR)	28.5	29.0	29.8
Revenue Support Grant (RSG)	42.7	35.3	24.8
<b>Settlement Funding Assessment (SFA)</b>	<b>71.2</b>	<b>64.3</b>	<b>54.6</b>

- 10.10 Table 5 identifies the reductions Torbay’ face over the next two years a £6.9m reduction in 14/15 or 10% and a further £9.7m reduction in 15/16 or 15% – a £16.6m reduction when compared to 2013/14 or 23%. The baseline position is an assumed position by the coalition government with the actual NNDR subject to fluctuations dependent upon the local economy.
- 10.11 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 have agreed to continue to be part of the pool.
- 10.12 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.

10.13 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 2014/15 budget. As the DCLG required this information by 31 January 2014, it was agreed at Council in December 2012, the approval of the level of Business Rates income was delegated to the Chief Finance Officer.

## 11. **Possibilities and Options**

11.1 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.

## 12. **Preferred Solution/Option**

12.1 As set out within the report.

## 13. **Consultation**

13.1 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.

## 14. **Risks**

14.1 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 2014/15 budget which will be extremely challenging for the Council and all services both financially and in terms of maintaining service levels.

14.2 At the time of writing this report, no officers have stated that the budget they have responsibility for is unachievable or that they will be unable to fulfil their statutory duties. As a result of the actions taken in preparing the budget forecasts and the assurances from other officers, the Chief Finance Officer is satisfied that the recommended budget is both robust and achievable. He is also of the view that based upon recommendations included in the report as written, it is also sustainable, assuming no significant external factors impacting on the

Council in future years.

- 14.3 The budget report has set out how the risks associated with the budget proposals will be mitigated and action that will be taken.