



**Meeting: Council**

**Date: 3 February 2016**

**Wards Affected: All**

**Report Title: Revenue Budget Proposals 2016/17**

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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 net revenue budget for 2016/17, 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 objections, and then amendments for consideration at future meetings.
- 1.3 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:**

- (a) that the net revenue expenditure and council tax requirement for 2016/17 as shown in paragraph 3.3, that includes the funding raised by the 2% council tax increase specifically for adult social care, be approved;
- (b) that in relation to 2.1(a) above Council confirms its commitment (by a statement signed by the s151 officer) to allocate the additional funding raised by the 2% council tax increase to adult social care in 2016/17 and in future years.
- (c) that the 2016/17 allocation of the revenue budget to services as per the budget digest and the associated fees and charges (both circulated separately) be approved;
- (d) that the Dedicated Schools Grant be used in accordance with the nationally laid down Schools Financial Regulations (para 11) and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed and this authorisation

be included in the officer scheme of delegation.

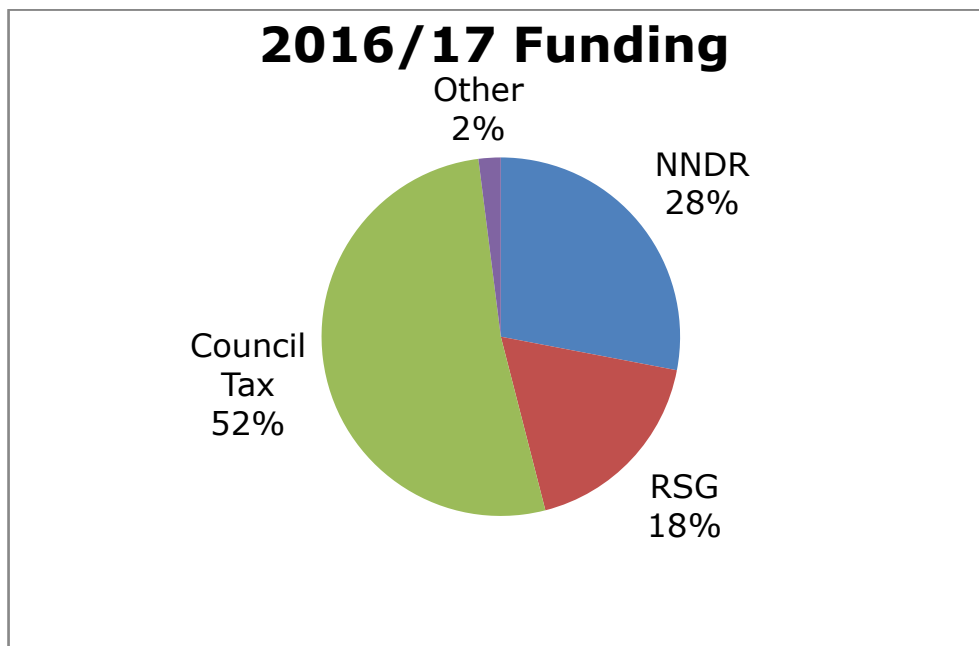
- (e) that in accordance with the requirement of the Local Government Act 2003, to consider and note the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (para 12);
- (f) that Council approve the temporary use of £2.5m from the Insurance Reserve in 2015/16 to fund the projected 2015/16 overspend, which is to be repaid from the 2016/17 budget.
- (g) that Council note that Brixham Town Council have yet to set their budget for 2016/17 and this precept, when known, will be included as part of the Torbay Council budget for Council Tax setting purposes.
- (h) that, subject to clarification of the acceptance process from DCLG, that Council delegate acceptance of a four year funding settlement for Revenue Support Grant to the Chief Finance Officer in consultation with the Mayor and Executive Director of Operations and Finance;
- (i) that, the Review of Reserves 2016/2017 as set out in the submitted report attached at appendix 3, be approved; and
- (j) that, the Treasury Management Strategy 2016/2017 (incorporating the Annual Investment Strategy 2016/2017 and the Minimum Revenue Provision Policy 2016/2017) as set out in the submitted report attached at appendix 4 be approved.

### 3. Reason for Decision

- 3.1 The Council has a statutory responsibility to set a revenue budget each year.
- 3.2 The budget proposals result in a 3.99% rise in the Torbay Council share of the Council tax bill in 2016/17 of which 2% is specifically to fund adult social care.
- 3.3 The Revenue Budget for 2016/17 is summarised as follows:

	<b>2016/17</b>	
	£'000	£'000
<b>Mayor's Budget Proposal:</b>		
Net Revenue Expenditure	107,967	
Adult Social Care funded from 2% Council Tax	1,089	
Total Net Revenue Expenditure		109,056
<b>Funded By:</b>		
Business Rate Retention Scheme	30,749	
Revenue Support Grant	20,055	
Other Grants	500	

Council Tax Requirement	56,631	51,304
Collection Fund - NNDR/Council Tax	1,121	
		57,752
Total Income		109,056



#### 4 **Contents**

4.1 This budget report contains the following sections:

Section	Heading
5	Budget Overview 2016/17
6	Updates to November 2015 Budget Proposals
7	Corporate Peer Review (by Local Government Association)
8	Future Actions – Four year Efficiency Plan
9	Council Funding in Longer Term Future
10	Revenue budget for 2016/17
11	Dedicated Schools Grant
12	S151 officer statements
13	Update on the financial position within Children's Social Care.

- 14 Update on the financial position within Adult Social Care.
  - 15 Funding Settlement – December 2015
  - 16 Risk and mitigation
  - 17 Estimation of Collection Fund Surplus/Deficit (Council Tax and National Non Domestic Rates - NNDR)
  - 18 Council Tax and Referendum Limits
  - 19 Better Care Fund
  - 20 List of Appendices
- 4.2 This report covers the Revenue Budget 2016/17. Other budget related reports being presented to Council alongside this report are:
- a) 2015/16 Revenue Budget Monitoring Report – Quarter Three
  - b) 2015/16 Capital Plan Update Report – Quarter three, including Capital Plan 2016/17, Capital Strategy and Asset Management Plan
  - c) 2016/17 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy
  - d) 2016/17 Review of Reserves
- 4.3 Budget Digest pages, Fees and Charges and updated budget proposals sheets are available separately.

## **5. Budget Overview 2016/17**

- 5.1. The 2016/17 budget is for the first financial year after the election of the Conservative Government in May 2015. Subsequent government announcements including the four year Spending Review (November 2015) and the provisional Local Government Finance Settlement (December 2015) has confirmed the continuation of the national “austerity” process where local government funding is being significantly reduced as demand for services and service costs continue to rise.
- 5.2. The Council’s financial planning for 2016/17 started in June 2015 and the Mayor’s provisional budget proposals were published on 6 November 2015 enabling three months for consultation and scrutiny of the proposals.
- 5.3. The proposals for 2016/17 have required over £10m of additional reductions to achieve a balanced budget. This has required the proposal of a number of tough choices for the Council. The reductions identified for 2016/17 are a good step towards the total estimated reductions required over the next four years, but this is in the context of an a estimated £20m of further reductions to be achieved.
- 5.4. The proposals have sought to limit the impact of the reductions on the more vulnerable in society and within Children’s social care the Council is

recommended to invest additional funds for the safeguarding of children.

- 5.5. To support the tough budget challenges facing the Council it is recommended that Council increases its Council Tax requirement by 1.99%. In addition the Council is recommended to take the option of supporting adult social care by raising the Council tax by a further 2%. The Council tax Freeze grant available in previous years is not an option now offered by central government.
- 5.6. Members of the Overview and Scrutiny Board (Priorities and Resources) examined the proposals in detail and stakeholders and residents have had the opportunity to make representations on the proposals through the consultation. The Mayor reviewed all of the responses received and the final saving proposals were drawn up after consideration of the responses.
- 5.7. It is essential that Members consider the 2016/17 budget proposals in the context of the significant future year budget reductions required.
- 5.8. The provisional Local Government Finance Settlement (17/12/15) for 2016/17 was better than estimated as the reductions in Revenue Support Grant (RSG) have been spread over four years not three. The RSG reduction over four years was £21m less than the MTRP estimate of £24m. In addition the funding for the implications of the Care Act has now been transferred into RSG.
- 5.9. In accordance with the Council's constitution, Members are being asked to either confirm their agreement to the recommended budget or put forward objections and then amendments for consideration at future meetings.

## 6. **Updates to November 2015 Budget Proposals**

- 6.1 The budget has been updated as the various funding and income streams have been confirmed, such as council tax base (set by Council in December 2015), NNDR income (January 2016), 2% Council tax option for Adult Social Care, Revenue Support grant (announced by DCLG December 2015), Collection Fund Surplus (January 2016) and specific grant allocations (ongoing from December 2015).
- 6.2 As a result of funding changes and the consultation of the budget the following changes to the November 2015 Budget Proposals have been applied.

	2016/17	
	£'000	£'000
Mayor's Budget Proposal: November 2015		104,552
<b>Funding Changes:</b>		
Revenue Support Grant	2,847	
Final Council Tax Base	385	
2% Council Tax for Adult Social Care	1,089	
Other Funding Changes	183	
<b>Total Funding Changes</b>		<b>4,504</b>
<b>Service Expenditure Changes:</b>		
Repay Reserve re 2015/16 overspend (one off)	2,500	
2% Council Tax - Adult Social Care (base budget)	1,089	
Investment in Transformation (one off)	500	
Investment in Transformation (base budget)	100	
Care Act costs (base budget)	300	
Mayoral Referendum (one off)	85	
Mayoral Revised Proposals (base budget)	73	
New Responsibilities from RSG	10	
Other Service Changes	(153)	
<b>Total Expenditure Changes</b>		<b>4,504</b>
Mayors Budget Proposal: February 2016		109,056

- 6.3 Since the Mayor's budget proposals were issued on 6<sup>th</sup> November 2015 the Mayor has considered the views of the community and Members by means of a consultation exercise, the results of the Priorities and Resources Panel's scrutiny of the proposals, representations from the community and the latest updates of council funding.
- 6.4 The results of the consultation have been included within each relevant equality impact assessment. These have been circulated separately as part of budget digest.
- 6.5 The budget proposals issued in November 6<sup>th</sup> 2015 have been updated for any changes to those proposals. Any new proposals have been included in this report. These have also been circulated separately as part of budget digest. A summary of changes in expenditure and income budgets since the initial proposals are summarised below:

<b>Funding Change</b>	<b>Value £000's</b>	<b>Comment/Proposal</b>
Revenue Support Grant	(2,847,000)	Provisional Settlement (17/12/15) for 2016/17 better than estimated as reductions spread over four years not three, and RSG reduction over four years was £21m not £24m. In addition care act funding is now transferred to RSG.
Council Tax Income	(385,000)	Final taxbase set by Council (5/12/15) higher than forecast primarily due to changes in mix and number of claims for Council Tax Support Scheme
Council Tax Income	(1,089,000)	Provisional Settlement (17/12/15) confirmed option of a 2% increase in council tax to fund adult social care which the Mayor is proposing to Council to accept.
Other Grant and Funding changes	(183,000)	Latest estimates of other grant funding such as Education Support Grant & NNDR.
<b>Sub Total</b>	<b>(4,504,000)</b>	
<b>Budget Change</b>	<b>Value £000's</b>	<b>Comment/Proposal</b>
Contribution to Reserves (one off)	2,500,000	In 2015/16 to use insurance reserve to fund 2015/16 predicted overspend and then repay Insurance Reserve in 2016/17.
Adult Social Care	1,089,000	Allocation of additional 2% on Council tax to adult social care
Care Act costs	300,000	As care act costs now part of RSG, Council needs to budget for its estimated costs in relation to the Care Act in 2016/17
Investment in Transformation	600,000	Linked to a Corporate Peer Review recommendation £100,000 to support the establishment of a transformation team supported by a, one off, allocation of £500,000 to fund transformation initiatives
Mayoral Referendum (one off)	85,000	Cost of mayoral referendum following Council decision
Increase in Car Parking income budget	(25,000)	Increase in Car Parking income budget based on 2015/16 income levels.

Museums	3,000	Proposed reduction to Brixham museum changed by £3,000. (16/17 grant to Brixham to be £13,000 and £37,000 to Torquay). In addition £20,000 for Torquay and £5,000 for Brixham to be transferred from CSR Reserve to a specific Museum reserve to support the self sufficiency of the service in the future.
Harbours	50,000	To accept the proposal of the harbours committee to contribute £147,000 to the general fund rather than the £197,000 proposed.
Torbay Coast and Countryside Trust	15,000	To withdraw the proposed £15,000 reduction in 2016/17
Spatial Planning	10,000	New Council responsibilities for drainage linked to planning and carbon monoxide within Local Government Finance Settlement
Street Wardens	75,000 (50,000)	To provide sufficient funding to enable 4 street wardens to be retained. £50,000 funding in 2016/17 to be transitional pending a review of the service.
Food Safety	0	To replace proposed expenditure reduction in this function by new income streams.
Members Allowances	5,000	To withdraw proposal for an expenditure reduction in harbour and audit committee Special Responsibility Allowances.
Tourism Funding	0	To implement reduction in funding to English Riviera Tourism Company supported by Council decision to provide funding up to £200,000 from reserves to fund ERTC to end of December 2016
Destination Marketing	0	To re allocate proposed budget of £40,000 for the Council's BID levy costs for the proposed TRBID to support destination marketing and any Council bid levy costs on a TBID.
Other Service Changes	(153,000)	Latest estimates of service specific grants, Devon-wide NNDR Pool gain, other NNDR and allocation of balance to Council contingency budget.
<b>Service Changes</b>	<b>4,504,000</b>	



- 6.6 A summary of the budget build for 2016/17 is included in Budget Digest information.
- 6.7 The Overview and Scrutiny Board have scrutinised the budget proposals over the past three months and have made a number of observations and recommendations. The Mayor has considered these points and a summary of the recommendations raised and responses are listed in the table below:

Issue	Response
<p>That the Council becomes more commercially driven and that it should market itself and its facilities more effectively.</p>	<p>Accepted.</p> <p>Review of Reserves report identified £0.5m for an “invest for income” reserve with the aim of increasing service income and commercialisation of services.</p> <p>In addition the Capital Plan proposes a £10m investment fund.</p>
<p>That the Board is confident that the proposed budget for Children’s Services for 2016/2017 is adequate and appreciates that the Director of Children’s Services and the Assistant Director – Children’s Safeguarding concur that it is adequate. However, the Board still need to see the detail of how it will be achieved and that there is pace of change to ensure that a balanced budget is delivered. The Board will require an update on the financial position when it considers the progress report on the Improvement Plan and will continue to hold the Executive Lead for Children’s Services and the Director of Children’s Services to account in this regard.</p>	<p>Noted.</p> <p>The Mayor and Executive lead for Childrens and Adults welcomes the support from the Board and Audit Committee.</p>
<p>That robust monitoring of the Integrated Care Organisation be established to ensure councillors can satisfy themselves that performance and budget targets are being met.</p>	<p>Accepted.</p> <p>Regular performance challenge information and review meeting are developing with the new organisation.</p>
<p>That, within the next six months, the Torbay Community Development Trust be invited to a future Councillor Conversation to share its outcomes and how it aims</p>	<p>Accepted</p>

to become self-sustaining.	
That the Council's enforcement regime, as a whole, be reviewed to ensure that the scarce resources are used to best effect and that possible reputational damage is minimised.	Accepted,  Officers to be requested to review this issue and report back to the Mayor during 2016 as part of the transformation plans.
That four street wardens be retained with funding being returned to the base budget.	Accepted (in part),  For 2016/17 funding provided in budget to employ four street wardens. £50,000 of this funding to be transitional from CSR reserve pending a review of the function.
That the proposal in relation to highways is not implemented and that consideration be given to alternative options for ensuring the long term maintenance of the highway.	Not accepted due to the level of reduction faced by the council in future years. In mitigation the Council will continue to seek funding from other bodies such as the LEP (Western Corridor, Torquay Gateway etc).  Similar to the recent prudential borrowing case for street lighting the Council will look to best practice elsewhere to consider a business case for prudential borrowing to invest in road network to reduce future repair costs.  The Spending Review stated that there would be £250 million provided for "pothole repair" over the next five years. 2016/17 allocation for Torbay yet to be announced.
That a review of all of the Council's assets (including highways) be brought forward to consider how we best use, utilise and maintain them.	Noted.  Council premises budgets were centralised for greater efficiency and prioritisation in 2015/16.  In addition capital plan proposes £3m for essential R&M works.  Corporate Peer Review action plan includes a review of asset disposals and usage and the Asset Management Plan has an increased focus on the review of the use and disposal of Council assets.
That a review of all of the museums in Torbay be undertaken in the next six months.	Noted.  Discussions have started with both museums with the aim of making both self sufficient in future years with transformation funding of £25,000 from the Council. As a result £3,000 increase to the proposed Brixham museum grant in 2016/17.

<p>That a review of how to make a significant reduction in the budget for recreation and landscape be undertaken and that a coherent plan for involving the community in providing the service be implemented as a matter of urgency.</p>	<p>Accepted.</p> <p>For 16/17 budget process all budgets were considered. Some budgets where reductions/income targets were set for 15/16 or where there are longer term contracts were assessed as limited potential in short term for further reductions. However reductions will be brought forward over the next three years.</p>
<p>That further consideration be given to reduce the number of libraries in Torbay in the next six months.</p>	<p>Noted;</p> <p>Future years plans will bring forward proposals for changes to the library service both in terms of its operation and location</p>
<p>That a representative of the Overview and Scrutiny Board attend the newly established monitoring meetings with the Riviera International Conference Centre.</p>	<p>Accepted.</p> <p>Meetings to be arranged by Council's representative on the Board.</p>
<p>That the Comprehensive Spending Review Reserve be replenished to ensure that the costs of exit packages can be met moving forward.</p>	<p>Accepted.</p> <p>Review of Reserves report has a recommendation to that effect.</p>
<p>That the redesign of Beach Services should happen at pace to maximise the income to the Council from these assets.</p>	<p>Accepted.</p>

## **7 Corporate Peer Review**

- 7.1 The budget proposals now include a number of recommendations as a result of the findings in the December 2015 Corporate Peer Review by the Local Government Association. These include investment in capacity for transformation, investment in training and development of staff and members and an increased focus on income generation. There are a number of other financial recommendations from the Corporate Peer Review report that will be brought forward for approval in the future including a recalculation of the council's annual capital financing costs (MRP policy).

## **8 Future Actions – Four Year Efficiency Plan**

- 8.1 DCLG, in the provisional local government finance settlement, announced an (optional) four year funding settlement. Councils can accept DCLG's offer of a four year minimum funding settlement subject to Councils having an "efficiency plan". The plan will demonstrate how the council will achieve a balanced budget over the next four years.

- 8.2 DCLG has yet to announce the process or timescale for Councils to accept the four year revenue support grant settlement. It is therefore recommended that, subject to the clarification of the acceptance process from DCLG, that Council delegate acceptance of four year funding settlement to the Chief Finance Officer in consultation with Mayor and Executive Director of Operations and Finance.
- 8.3 It is expected that the Council's Medium Term Resource Plan will be expanded to include a summary of expenditure and income proposals for the next four years to form the basis of the 'efficiency plan'. This will inevitably be subject to frequent updates over the four years as ideas and aspirations become proposals prior to approval by Council.
- 8.4 The Medium Term Resource Plan will be updated by end of March 2016 to include the 2016/17 budget and the latest estimates of future year costs and funding. The provisional local government finance settlement showed a reduction of RSG from a restated 2015/16 figure of £27m to £6m by 2019/20. As a guide, prior to more detailed work being undertaken, it is estimated that between 2017/18 and 2019/20 the Council will require in the region of £19m of reductions to achieve a balanced budget.
- 8.5 Although there is some certainty over future year RSG allocations there is uncertainty over a number of other elements of council funding in future years. The government has announced its intention to review New Homes Bonus Grant, the introduction of 100% NNDR retention by Councils and potential allocation of new responsibilities to councils, allocation of funds for adult social care in the Better Care Fund and the changes to funding from the 2017 NNDR revaluation process. All of these could impact significantly on future year council budgets.

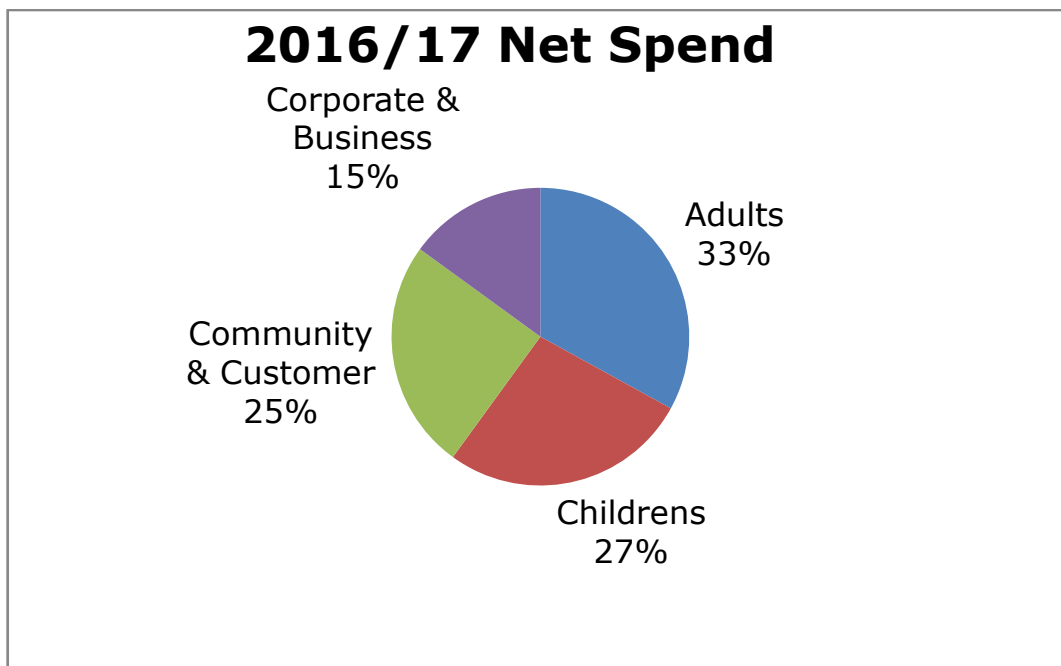
## **9 Longer Term Future Council Funding**

- 9.1 It is important for Members to be updated and then consider the potential future funding position for Councils by the end of the current parliament and what actions need to be taken in the short term. Central Government proposals are for Councils to retain 100% of NNDR while removing revenue support grant completely. In addition NNDR income may also replace other grant funding such as public health and housing benefit administration grant.
- 9.2 The aim is that Councils will then be self sufficient from central government "general" funding with Council funding being council tax and NNDR.
- 9.3 Councils therefore have a clear incentive that to secure funding for services in the future, there has to be increases in both its council tax base (housing) and NNDR (business).
- 9.4 This reliance on local taxation as the prime source of funding has risks as the link between a council's need for funding to provide services (linked to population and demand) and its funding now linked to economic growth may not move in a similar direction. In addition NNDR income is volatile and is, to a large extent, outside a Council's direct control. For example in 2015 a high court judgement on NNDR for GP surgeries has reduced Councils' NNDR tax income in 2015/16 and future years. Under 100% NNDR income Torbay Council would have to fund all the cost implications of this judgement over which it had no control.

## 10 Revenue Budget for 2016/17

- 10.1 Council are being asked to approve a figure as the total net revenue budget for 2016/17 and the budget that will be required to be funded from Council tax. The value of Council tax required which will result in a rise in the Torbay element of the Council Tax of 3.99% is £56.631 million. A 3.99% rise will increase the Band D Council Tax in Torbay by £50.32 (of which the 2% rise for adult social care is £25.22).
- 10.2 When the Council formally sets the Council tax, the Council's budget has to include the budget for the Brixham Town Council (due to be confirmed 18<sup>th</sup> February 2016). The value of this precept will be included as part of the Torbay Council budget for Council Tax setting purposes.
- 10.3 The Council is being asked to approve the allocation of the 2016/17 revenue budget to individual services as identified in the "budget digest" pages circulated separately.
- 10.4 The allocation of budget to services is a key part of the council's financial control arrangements. The Financial Regulations in the Constitution govern any subsequent in-year budget changes.
- 10.5 The approval of fees and charges for 2016/17, in addition to supporting the achievement of budgeted income, provides clarity to services and service users. The Officer Scheme of Delegation governs any subsequent in year fees and charges changes.
- 10.6 **A summary of budget by Service area is shown in the table below.**

<b>Business Unit/Service</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Joint Commissioning Team (JCT)</b>			
Adult Social Care Total	36,647	(728)	35,919
Childrens Services	79,071	(50,116)	28,955
Public Health and Community Safety	9,469	(9,379)	90
<b>Sub Total – Joint Commissioning Team</b>	<b>125,187</b>	<b>(60,223)</b>	<b>64,964</b>
<b>Joint Operations Team (JCT)</b>			
Community & Customer Services	103,127	(75,504)	27,623
Corporate & Business Services	41,211	(24,742)	16,469
<b>Sub Total – Joint Operations Team</b>	<b>144,338</b>	<b>(100,246)</b>	<b>44,092</b>
<b>TOTAL</b>	<b>269,525</b>	<b>(160,469)</b>	<b>109,056</b>



## **11 Dedicated Schools Grant**

- 11.1 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. For 2016/17 the allocation of Dedicated Schools Grant (DSG) before Academy recoupment is £89.0m. Of this total it is recommended that approximately £37.0 m be included in the Council's budget for schools related expenditure for its own schools (i.e maintained schools). It should be noted that this estimated figure will be adjusted throughout the year to reflect changes to early years funding and Academy conversions. The Chief Finance Officer (CFO) be authorised to make appropriate changes as and when the funding changes.

## **12 S151 Officer Statements**

- 12.1 In accordance with the requirement of the Local Government Act 2003 the Chief Finance Officer must report to Council on "the robustness of the estimates made for the purposes of the (budget) calculations" and the "adequacy of the proposed financial reserves".
- 12.2 Detail on the key financial risks facing the Council and the potential mitigation are included in paragraph 16 below.
- 12.3 Chief Finance Officer Statement.
- 12.4 *"Based on information and assurances from Senior Members and Senior Officers I can give an opinion that the 2016/17 budget is based on robust budget estimates. There are a number of significant risks facing the Council, however with the benefit of close working with officers, members and, where appropriate, partners, these can be promptly identified and mitigating action taken. This opinion is supported by the maintenance of council reserves at a prudent level"*

*and the development of a four year “efficiency plan” to achieve a balanced and robust budget for the next four years.*

12.5 In relation to reserve levels, the statement in the review of reserves report is

12.6 *“The Council is facing unprecedented financial challenges. At this time I am satisfied that the Council’s General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council’s Financial Plans for 2016/17 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment, if the following actions are undertaken:*

- a) Funding of £2.5m is identified to refund the use of reserves for the 2015/16 projected overspend*
- b) The CSR has a minimum balance of £1.0m for 2016/17*
- c) The General Fund reserve has a minimum balance equal to 4% of net budget*
- d) For 2017/18 and future years a minimum ongoing balance is maintained in the CSR reserve of £1m*
- e) That Children’s Services do not require the future use of any earmarked reserves.*
- f) that a balanced budget can be set for 2016/17”*

12.7 If the budget proposals in this report and in the review of reserves are approved by Council this will mitigate the issues raised above.

### **13 Update on the financial position within Children’s Social Care.**

13.1 The children’s services five year recovery plan approved by council in October 2014 has subsequently proved to have been unrealistic in its targets. As a result, linked in part to the Ofsted inspection, the financial position in Children’s has been reviewed in detail by officers and members of the Audit committee. The Ofsted report noted that “Torbay’s children’s services benefit from a well-resourced workforce with manageable caseloads”.

13.2 An update report is included with this report that reflects the latest plan for changes within the service – appendix two.

13.3 In relation to 2016/17 the Director of Children’s Services is confident that the proposed 2016/17 budget for Children’s is achievable linked to the addition of £2m as per the budget proposals. The progress report makes the following statements:

- a) That Children’s Services are committed to deliver services within the proposed 2016/17 budget.
- b) That the 2016/17 proposed budget of £28.9m is sufficient to cover service delivery.

13.4 The October 2014 cost recovery plan will be further updated by end of March 2016 by the DCS in conjunction with support from the Integrated Care Organisation.

13.5 In relation to the original plan the proposed reduced use of reserve in 2016/17 by £1.2m and a further £1.1m in 2017/18 is achievable; however at this stage no projection on the timing has been made in relation the repayment of reserves from future savings in the service.

14. **Update on the financial position within Adult Social Care.**

14.1 From October 2015, with the start of the Integrated Care Organisation (ICO), the Council now has a 9% risk share of the total financial performance of the ICO (approx £400m).

14.2 The ICO in 2016/17 faces a challenging year with funding pressures from all three partners to the risk share. The Council is having regular meetings with both the ICO and Clinical Commissioning Group to agree a risk share for 2016/17 with all three partners committed to making the partnership work.

15 **Funding Settlement – December 2015**

15.1 The Chancellor announced the Spending Review for the next four years in November 2015. After this, individual government departments can then announce their grant allocations for 2016/17. The DCLG announced the provisional Revenue Support Grant (RSG) allocation in the Local Government Finance Settlement on 17<sup>th</sup> December 2015.

15.2 The key issues from the announcements (to date) are as follows:

- Four year Revenue Support Grant announced, which Councils will have the choice of accepting subject to an efficiency plan.
- Torbay RSG to reduce from a (restated) 2015/16 £27m to £6m by 2019/20.
- Torbay RSG to reduce by £7m in 2016/17 from a (restated) 2015/16 £27m to £20m.
- Local Government Association estimate of a national 24% reduction in core council funding over four years.  
Care Act grant now part of RSG, so future Care Act costs not funded by central government.
- Confirmation of 2% Council tax rise option for adult social care.
- Council tax freeze grants not now an option. DCLG forecasts of spending power assume council tax rises taken, implying a shift from national to local taxation.
- Referendum limit set at 2% and over for 2016/17 (excluding the 2% for adult social care). DCLG assumption is that Council Tax rises linked to CPI.
- Consultation on new homes bonus grant with aim of cutting grant by £0.8 billion by 2019/20 – with an impact on Torbay's new homes bonus grant and future incentives for growth.
- £1.5 billion by 2019/20 for adult social care to be part of better care fund is to be part funded by the reduction in new homes bonus grant which has a funding redistribution impact from lower tier councils to higher tier councils.
- The allocation of the £1.5 billion to be based on both relative need and the ability of councils to raise funds using the 2% council tax rise for



adult social care.

- No (national) support for funding issues in Children's Social Care.
- 100% NNDR retention (currently 49%) by “end of parliament”. The introduction of this change will be fiscally neutral as RSG and other funding will be adjusted and, as yet unnamed, new responsibilities to be passed to Councils. This could include public health, housing benefit administration and attendance allowances.
- 10% reduction in 2016/17 for housing benefit administration grant.
- Public Health 2016/17 grant not yet announced but is expected to be a further 4% reduction in addition to the 6% reduction 'in year' for 2015/16.

15.3 Note: in writing this report (26/1/16) the final local government finance settlement has not been issued by DCLG.

15.4 It should be noted that although a four year RSG settlement was announced there is increasingly uncertainty over future funding as DCLG have announced a number of consultations and reviews. In addition a number of Councils have raised objections to the settlement which is accepted could result in changes to the grant totals announced in the provisional settlement.

## 16 Risk and mitigation

16.1 To mitigate against risks to the achievability of the 2016/17 budget a number of assumptions are made in the development of the budget for 2016/17. A list of specific risks and their mitigation are shown below:

<b>Risk</b>	<b>Mitigation</b>
Achieve 2016/17 budget reductions	Monthly monitoring of current year financial position by Senior Leadership Team including a “savings tracker”.  Uncommitted balance of £1.5m within Comprehensive Spending Review Reserve.  Contingency budget in 2016/17 revenue budget.  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.
Achieve 2016/17 Adult Social Care budget	<p>9% Risk Share of Total ICO position.</p> <p>Monthly performance and financial monitoring.</p> <p>Finalise Annual Strategic Agreement in July 2016.</p> <p>Allocation of 2% Council tax increase to support adult social care.</p>
Achieve 2016/17 Children's Services budget	<p>Progress report and commitment to budget by DCS.</p> <p>Regular financial reporting to Improvement Board</p> <p>Corporate challenge on financial performance as part of transformational plan.</p> <p>Revised Financial Recovery Plan by end of March 2016</p> <p>A more robust staff recruitment approval process.</p>
Unknown financial issues	<p>Review of Reserves report.</p> <p>£4.4m maintained in general fund balance.</p> <p>Networking with peers to understand national issues and their implications</p>
Interest rate exposure	<p>Low risks as rate forecasts are to remain at a low level in 2016/17.</p> <p>Approval of Treasury Management Strategy</p>
Inflationary pressures	<p>Low risk as inflation forecast is low. Pay award offer made at 1%.</p>
Insufficient capacity for transformation – Council, partner and community	<p>Allocation of £0.6m for transformation within 2016/17 budget</p>
Insufficient Income generated in future years	<p>Allocation of £0.5m in a “invest for income” reserve.</p> <p>Capital proposal for a £10m investment fund funded from prudential borrowing.</p>

Loss of judicial review appeal for care homes	Consultation currently ongoing for a part payment of fees. Court appeal on fee element in dispute not to be heard until November 2016.
Inability to deliver a four year balanced budget	Update of MTRP  Development of a four year “efficiency” plan supported by a transformation programme.
Insufficient reserve levels	Review of Reserves report.  £4.4m maintained in general fund balance.  Recommendation to allocate funds to CSR Reserve.

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

### 17.1 Council Tax

17.2 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%.

17.3 The latest estimate of the Collection Fund in year in respect of Council Tax as at 31 March 2016 is a £2.5m surplus.

17.4 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 2015/16. The estimated share of the 2015/16 surplus to be distributed in 2016/17 is as follows:

Table 2

	Share of Surplus £m	Share %
Torbay Council	2.100	84%
Devon and Cornwall Police and Crime Commissioners Office	0.281	11%

Devon and Somerset Fire and Rescue Authority	0.130	5%
Totals	2.511	100%

- 17.5 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.

#### **17.6 National Non Domestic Rates**

- 17.7 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 an extract is attached as appendix One. The full return can be accessed on the following link.

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/nondomrates1-1617.pdf>

- 17.8 Overall the Council has declared an estimated deficit position of £2.0m on its Collection Fund in respect of NNDR as at 31st March 2016. This is apportioned between the Council (49%), the Devon and Somerset Fire and Rescue Authority (1%) and central government (DCLG) (50%). The Council's share of the deficit is £979,000. The NNDR reserve will be used in 2016/17 to smooth the impact and timing of this variance between the section 31 NNDR grant and the NNDR deficit being funded.
- 17.9 The deficit in 2015/16 is primarily linked to a national judgment that enabled GP Surgeries to submit backdated appeals for NNDR.

#### **18 Council Tax and Referendum Limits**

- 18.1 To control the level which local authorities increase council tax, the Government has set limits on rises at which point a referendum would be required. This has been set at 2% or over for 2016/17. The Council budget proposal is for a 1.99% increase in this element.
- 18.2 The Council is responsible for social care and is therefore able to raise its council tax from April 2016 by a further 2% each year subject to the increased tax income being allocated to adult social care. The budget proposal is for a 2.0% increase in this element, therefore a 3.99% rise in the Torbay share of the overall Council Tax for 2016/17 is proposed.
- 18.3 Members will be aware the Council Tax bill 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.

18.4 At the time of writing this report, Brixham Town Council, the Devon and Cornwall Police and Crime Commissioner's Office and the Devon and Somerset Fire and Rescue Authority have not set their budgets for 2016/17 and council tax level. Once these have been declared they will be included within the Council Tax Setting report which will be presented to Members at the end of February 2016.

## 19 **Better Care Fund**

19.1 From April 2015 central government integrated some social care funding and some health funding into a Better Care Fund which is run as a pooled budget between the Council and the Clinical Commissioning Group (CCG) as the host. For the Council this includes the s256 funds the Council had received for adult social care.

19.2 When the 2016/17 Better Care Fund allocations are confirmed this income will be included in the 2016/17 budget with expenditure to be on Adult Social Care linked to the Annual Strategic Agreement with the ICO.

## 20 **Appendices**

Appendix 1 - NNDR1 2016/17

Appendix 2 - Children's Services Financial Plan – Progress Report

Appendix 3 – Review of Reserves 2016/2017

Appendix 4 – Treasury Management Strategy 2016/2017 (incorporating the Annual Investment Strategy 2016/2017 and the Minimum Revenue Provision Policy 2016/2017