



Public Agenda Item: **Yes**

Title: **Revenue Budget Proposals 2012/13**

Wards Affected: **All Wards in Torbay**

To: **Council**

On: **1 February 2012**

Key Decision: **Yes – Ref. I003653**

Change to
Budget: **Yes**

Change to
Policy
Framework: **No**

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What we are trying to achieve

- 1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the revenue budget for 2012/13, the budget allocations proposed and the expenditure undertaken will be used to achieve the objectives across a range of plans and objective. This will meet the aspirations of the Bay as expressed in the Community and Corporate Plans and other related strategies.
- 1.2 The final budget proposals have been drawn up after detailed consideration of the various financial reports presented to all Members in recent months, culminating in budget proposals presented to Members for each service and consideration of these reports by the Overview and Scrutiny Board. Consideration has also been given to the views expressed by Stakeholders and local residents.
- 1.3 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.
- 1.4 Appendix 1 to this report includes the Corporate Plan and Appendix 2 provides an outline of the budget process for Members and the latest information that leads to the Mayor's recommended budget for 2012/13. It also provides a summary on the outcome of the Local Government Finance Settlement which sets out the formula grant allocation to Torbay in 2012/13 and details of the consultation process and key findings are appended to this report.

2. Recommendation(s) for decision

2.1 That it be recommended to Council:

- (a) that the budget for 2012/13 set out in paragraph A2 to the submitted report and the associated fees and charges, be approved;**
- (b) that the final notified Dedicated Schools Grant be used in accordance with the nationally laid down Schools Financial Regulations and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed;**
- (c) that in response to the recommendations made by the Independent Remuneration Panel, the Members' Allowances Scheme will be implemented in 2012/2013;**
- (d) that the Chief Finance Officer in consultation with the Mayor and Executive Lead Member for Finance be authorised to approve expenditure from reserves and provisions in accordance with the terms of the respective reserve or provision;**
- (e) that in accordance with the requirement of the Local Government Act 2003, 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 be noted;**
- (f) that the Chief Finance Officer, in consultation with the Mayor and Executive Lead Member for Finance, be authorised to prepare a report on the financial issues in respect of 2013/14 and later years and issue any appropriate spending targets that may arise as a consequence;**
- (g) 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 2012/13 if it is in the best interest of the Council;**
- (h) 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 or unallocated grants that may be received during the year;**
- (i) that the Chief Finance Officer be authorised to make adjustments to the budgets for any technical changes;**
- (j) that the Review of Reserves report and the transfer of the surplus on a number of individual reserves to a Building Dilapidation and Contingent Liability reserve be approved;**

(k) that the Chief Finance Officer prepare the appropriate documentation for the Council to permit the Council Tax setting at the meeting on 1 March 2012 and all other returns to be made by the appropriate date; and

(l) that the impact assessments as shown in annex 4 be noted.

2.2 That the risks in preparing this budget package be accepted. These risks have been identified in detail in this report and associated budget proposals prepared by officers for their respective Business Units.

3. Key points and reasons for recommendations

3.1 The Council has a statutory obligation to set a balanced budget each financial year and must take account of all factors when setting the budget including service pressures, statutory responsibilities, local needs as prioritised within the Council's Community Plan and Corporate Plan and the impact of significant reductions to the amount of grant received from government. As part of the budget proposals it is recommended that there will be a freeze to the Torbay element of the council tax for 2012/13.

3.2 The report identifies the allocation of resources which the Mayor proposes to be included in the recommended budget but has to be read in conjunction with all previous budget reports both from officers and the Overview and Scrutiny Board. The table below summaries the resources available to the Council as at 1 February 2012.

Table 1
Summary of Latest Budget Position

| | 2012/13 £m |
|---|---------------|
| Council Expenditure – Provisional Budget Targets 8 December 2011 (a) | 122.1 |
| 2011/12 Council Tax Freeze Grant – Reclassification of Grant | 1.6 |
| | 123.7 |
| Funded By | |
| Government Grants | 60.1 |
| Council Tax Income | 61.8 |
| Collection Fund Surplus | 1.8 |
| Income (b) | 123.7 |
| Balance | 0 |
| Updated Budget Changes since December 2011 | |
| No reduction to Formula Grant as result of consultation on Academy Schools | 0.5 |
| Release provision for non achievement of car parking income | 0.2 |
| Available for reinvestment | 0.7 |

3.3 The Council's budget establishes the resources available to meet the priorities identified in the Community Plan as it impacts on the Council and reflected in the Corporate Plan. However, these spending aspirations have to be set in the context of the most challenging financial situation for a generation. As a result of these challenges, during the budget process Members and officers have been faced with a number of difficult decisions to ensure services can be delivered within a much reduced financial resource base compared to previous years. The Strategy to meet this challenge has been a budget process which has focused on identifying efficiency savings through review and redesign of services, by maximising income (through the Revenue Income Optimisation project) where it is acceptable, taking into account the impact upon local residents and finally where there are no other alternatives by service reductions.

3.4 Therefore, the budget recommendations have been made ensuring resources are prioritised in accordance with agreed plans but mindful of the fact that in an

era of ongoing reductions to local government grant and increased uncertainty, volatility and risk over the course of the four year Comprehensive Spending Review (CSR) period, it is impossible to avoid any service reductions.

- 3.5 The budget papers considered by Members and discussed at the Overview and Scrutiny Board meetings 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.
- 3.6 Members will be fully aware of the financial and demographic challenges faced by the Council and in particular the current pressures faced by services and those services which manage volatile budgets, for example Adult Social Care, Children's Services, income such as car parks and Concessionary fares to name a few. All Commissioners and Executive Heads have confirmed that despite the financial challenges, the budget allocations for 2012/13 are adequate to ensure they will maintain expenditure within the proposed budget allocations.
- 3.7 The main risk with any budget proposals and associated recommendations is if a Business Unit's expenditure exceeds the approved budget during the year as a result of influences outside the services control. This may result in the Council exceeding the approved budget if compensating savings are not found elsewhere. A Strategy in place to mitigate against and respond to such a situation arising include regular monitoring of all budgets with detailed monitoring of volatile budgets. It is proposed that a contingency is created in 2012/13 to address these risks. 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.
- 3.8 Members and officers will agree an action plan to address any 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 of the Council at 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.
- 3.9 Should there be 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. The current level of reserves is prudent but not excessive and has been deemed acceptable to the Council's auditors.
- 3.10 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, or be used to fund pump priming expenditure that should result in longer term efficiencies for the Council.
- 3.11 The budget report sets out the Chief Finance Officers view on the robustness of the budget proposals which confirms they are robust, although a number of risks

need to be closely monitored throughout the year and all managers must ensure they manage their services effectively to ensure that they maintain expenditure within their approved budgets.

- 3.12 The prospective budget for 2012-13 is being developed on key principles that reflect the priorities of the Council of securing a healthy, prosperous and happy Bay, that are based upon economic regeneration and the appearance of the Bay, whilst also supporting vulnerable members of the Bay particularly in Children's and Adult Services.

For more detailed information on this proposal please refer to the supporting information attached.

**Paul Looby
Chief Finance Officer
(Section 151 Officer)**

**Gordon Oliver
Mayor**

Supporting information

A1. INTRODUCTION FROM THE MAYOR

Current Context

- A1.1 As we enter the second year of the Comprehensive Spending Review (CSR) period, the council must consider my budget proposals in the context of some of the largest reductions to local government resources ever known and these will continue for at least the medium term. The challenges the council faces cannot be underestimated at a time when demands on our services continue to increase. Therefore it is even more important to ensure the Council allocates resources to its key service priorities and in doing so will continue to ensure all services are provided efficiently and effectively and that value for money is always achieved.
- A1.2 The Council needs to be innovative and imaginative in the way it delivers services in this extremely challenging period. When the Government announced the headline reduction in grant of 28% in 2010 over the 4 year period of the CSR, it was evident across local government that no council could continue to provide the same type and range of services as in previous years. The difficult challenges faced by the council are compounded by the fact the government has given no indication as to the grant allocation for 2013/14 and beyond which makes it extremely difficult to plan for the future.
- A1.3 Having said that, the Council invests significant resources into the Bay across a wide range of services that will improve the Bay and support inward investment. The proposed budget should also enable the Council to respond to and meet any changes that may arise both locally and nationally over the next year. I have confirmed a number of pledges and priorities which support the overall priority of Health, Happiness and Prosperity and will form part of the budget proposals.
- A1.4 Before considering next year's budget and the difficulties we face, we should remember that all services have been working hard to minimise the impact of the budget reductions through the identification of improved ways of working and through maximising income which reduces the impact upon front line services.
- A1.5 I have included as appendix 1 to this report the proposed Corporate Plan which these budget proposals will support and deliver.

Revenue Budget Proposals

- A1.6 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. It is recommended that the £84m from the Dedicated Schools Grant (DSG) be included in the Council's budget for schools related expenditure. It should be noted that this is an estimated figure at this stage and is based on the latest pupil numbers forecast of 17,325 pupils multiplied by £4,841.97, which is a per unit pupil amount called the Guaranteed Unit of Funding (GUF) allocated by central government for Torbay. The final DSG will be confirmed in July 2012 when the January pupil census numbers have been confirmed and it is recommended the Chief Finance Officer (CFO) be authorised to make appropriate changes when the final numbers are known.

b) Members Allowances

- A1.7 The Council has, as part of the legislative requirement, to approve the Members' Allowances Scheme including the agreed level of payment of allowances to Members. The budget has been developed on the basis that the recommendations made by the Independent Remuneration Panel are approved by Council on 1 February 2012. However, if Members, through the debate on the Independent Panel's proposal, recommend a different level of payment in respect of allowances then this would be reflected in the payments for 2012/13.

c) Fees and Charges

- A1.8 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 on 8 December 2011. I am recommending acceptance of these charges in all cases.
- A1.9 Included within Torbay's Budget Requirement is the budget for the Brixham Town Council. The Town Council approved their 2012/13 budget on 15 December 2011 of £193,074. This is an increase of £6,624 in the previous year. Whilst this is included in the Council's budget, it is offset by a specific levy on the ratepayers of Brixham (equivalent to £28.97 per Band D property).
- A1.10 I am proposing a budget of £123.655m for 2012/13. This will be challenging due to the level of savings required to deliver a balanced and robust budget. This has been arrived at after considering the views of the Overview and Scrutiny Board, Stakeholders and individual responses. Due to the limited resources available to the Council I have been limited in the flexibility I have had in making changes to my proposals. I have set out below my response to the issues raised by the Overview and Scrutiny Board and where I am proposing to reinvest money to services.

RESPONSE TO OVERVIEW AND SCRUTINTY

General

- A1.11 The Overview and Scrutiny Board have been faced with the same difficult choices I have had to consider. The Board has had the opportunity to challenge Executive Leads and officers to allow them to formulate their views and recommendations and I would like to thank the Board for their hard work. However due to the extremely challenging financial climate the council is facing I have very limited scope for making changes to the original budget proposals.
- A1.12 Members will recall that in the Provisional Spending Targets paper to Council on 8 December 2011, there was reference to the possibility of a further reduction in the council's formula grant due to the Government's review of funding for Academy Schools. A provision of £0.5m was included within the provisional targets. The final settlement was announced on 31 January 2012 which confirmed the figures as set out on 8 December. Therefore the Council has £0.5m available for re-investment in 2012/13. However it is expected that there will be a reduction to the Council's formula grant in 2013/14 to reflect the outcome of the consultation on Academy Schools.
- A1.13 As part of the budget proposals, the Residents & Visitors provisional spending target included a provision for non achievement of the income targets set. With the early implementation of some of the new charges within the service officers have reviewed the budget and consider that £0.2m of this provision can be reduced.
- A1.14 With the changes identified in paragraph A1.12 and A1.13 there is £0.7m available for reinvestment and I have set out below how I intend to allocate this money.

Table 2

| | £'000 Proposed Reinvestment |
|---|--|
| <p>Adults Services</p> <p>Adults Services is the largest share of the Council's budget and is subject to a number of pressures. With the size of reductions faced by the council it was not possible to exclude Adult Services from making savings. The Council and Torbay Care Trust have operated a successful partnership in the provision of Adult Social Care and worked hard to address the pressures created by increasing demands and the changing structures arising from the NHS reforms. In recognition of the pressures faced by this service and concerns raised by the Overview and Scrutiny Board, I intend to increase their budget allocation by a further £0.2m.</p> | 200 |
| <p>2012/13 Budget Contingency</p> <p>The Budget report sets out the context of some of the most challenging times for the Council and the importance of all services containing their expenditure within the approved budgets as set by Council. I recognize that there will always be unforeseen events or pressures that emerge during the year, and the reports you have received have outlined the risks involved with any budget. Therefore I will be recommending that a 2012/13 Budget Contingency is set up to mitigate against these pressures and risks amounting to £0.5m</p> | 500 |
| TOTAL FOR REINVESTMENT (see table 1) | 700 |

A1.15 The Overview and Scrutiny Board made a number of recommendations and once again I thank them for all of their hard work. I have noted a number of the recommendations but would like to make a number of specific comments:

- a) I support the Board's view that the Council considers moving to using 2/3 year Business Plans, which include strategic and operational information. However, Members need to be mindful of the fact the council has not been notified as to what its grant allocation will be in 2013/14 and beyond which makes it extremely difficult to plan in the medium term.
- b) As I have already mentioned I welcome the hard work undertaken by the Board, however I do not think it would be appropriate for the Board to be actively involved at every stage of the budget process. Executive Leads and officers need to consider all options carefully when considering next year's budget and the Board will be asked to participate in the process at the appropriate time. Overview and Scrutiny will monitor the budget throughout the year. I have also asked officers to bring forward proposals for the 2013/14 budget and beyond as soon as the 2012/13 budget has been determined. Officers will consider the views of all Members in this exercise.

- c) I have carefully considered the recommendations made by the Board with respect to reinstating a number of 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. Unfortunately after undertaking these discussions and further reviewing the Council's budgets I am not in a position whereby I can accept any recommendation from the Board which asks for reductions to specific budgets to be reinstated.
- d) I note the comments made about the Overview and Scrutiny Board receiving Business Plans from organisations who receive financial support from the Council. Overview and Scrutiny already has the ability to scrutinise external organisations which the council has a contractual relationship with, and officers routinely include performance data on outside bodies e.g. TOR2 and Torbay Care Trust in their reports.
- e) With respect to the RICC, I agree that the Board should produce a subsidy reduction plan for the next 2/3 years once a new Chairman has been appointed. The Board will be asked to undertake this piece of work as soon as it is practical.
- f) I note the recommendation that the Torbay Strategic Partnership (TSP) should be disbanded. I will undertake a review of the TSP in consultation with our partners.
- g) I support the recommendation that there is a review of grants, voluntary sector organisations and all other bodies.

A.2 Recommended Budget 2012-13

- A2.1 Table 3 overleaf summarises the recommended budget for each Business Unit of the Council if the recommendations are accepted. The budget digest will be circulated to Members at the Council meeting on 8 February when the budget proposals will be considered.

Table 3

Recommended Budget 2012-13

| Business Unit/Service | Mayor's Provisional Spending Targets | Reinvestment / Funding Changes | Total |
|--|--------------------------------------|--------------------------------|----------------|
| | £000's | £000's | £000's |
| Adults & Operations | | | |
| • Adult Social Care | | | |
| ○ Torbay Care Trust | 39,500 | | |
| ○ 2% increase for Care Homes | 335 | | |
| ○ NHS Grant for Adult Social Care Expenditure | 2,224 | | |
| <i>Sub Total</i> | <i>42,059</i> | | |
| ○ Other Adult Services – Joint Equipment Store | 560 | | |
| <i>Adult Social Care Total</i> | <i>42,619</i> | 200 | <i>42,819</i> |
| • Business Services | 1,986 | | 1,986 |
| • Commercial Services | 1,486 | | 1,486 |
| • Finance | 1,930 | | 1,930 |
| • Information Services | 3,114 | | 3,114 |
| • Supporting People | 5,913 | | 5,913 |
| | | | |
| Children, Schools & Families | 19,917 | 900* | 20,817 |
| | | | |
| Communities & Local Democracy | | | |
| • Community Safety | 2,587 | | 2,587 |
| • Community Engagement | 1,321 | | 1,321 |
| | | | |
| Place & Environment | | | |
| • Economic Development Company | 4,276 | | 4,276 |
| • Residents & Visitors | 8,747 | (200) | 8,547 |
| • Spatial Planning | 1,403 | | 1,403 |
| • Torbay Harbour Authority | 0 | | 0 |
| • Waste & Cleaning | 11,142 | | 11,142 |
| | | | |
| Corporate Budgets * | 15,675 | (1,400) | 14,275 |
| • 2012/13 Budget Contingency | 0 | 500 | 500 |
| • Reclassification of Council Tax Freeze Grant | 0 | 1,539 | 1,539 |
| | | | |
| Sub Total | 122,116 | 1,539 | 123,655 |
| | | | |
| Brixham Town Council | | | 193 |
| Schools Related Activity** | | | 83,887 |
| TOTAL | | | 207,735 |

- Corporate Budgets include Treasury Management, Precepts, External Audit Fees, Concessionary Fares, IT licences.
- * one off funding.
- **Subject to final confirmation of pupil numbers in July

A2.2 At the present time it is being assumed that there will be a recommended budget that will result in council tax income required of £61.823m. If Members agree to the budget then there will be a further Council Tax freeze for the Torbay Council element of the bill, which will then result in the Council being eligible for a grant of £1.5m – this income has been included within the Corporate budgets. Members will recall that the council tax freeze grant in 2011/12 was guaranteed for the four year CSR period i.e. up until the end of 2014/15. Members are reminded that the council tax freeze grant in 2012/13 is for one year only. This means that in 2013/14 the council has an income shortfall of £1.5m, if all remains the same. Therefore, unless future funds are made available from government, the council will have to consider the impact of this decision when setting levels of council tax for 2013/14 and beyond.

Summary Financial Position

A2.3 If all the recommendations included in this report are accepted then the overall financial position will be as shown in table 4 below:

Table 4

Summary Financial Position 2012-13

| | £'000 |
|--------------------------------------|---------|
| <u>Planned Expenditure</u> | |
| - Torbay Council net revenue budget | 123,655 |
| - Brixham Town Council | 193 |
| - Schools Related Expenditure | 83,887 |
| | ----- |
| Total Net Expenditure | 207,735 |
| | ----- |
| <u>Funded by</u> | |
| Delegated School Grant (provisional) | 83,887 |
| Government Grant | 58,493 |
| Council Tax Freeze Grant | 1,539 |
| | ----- |
| | 143,919 |
| | ----- |
| Council Tax | |
| - Collection Fund Surplus | 1,800 |
| - Torbay Council | 61,823 |
| - Brixham Town Council | 193 |
| | ----- |
| | 63,816 |
| | ----- |
| | 207,735 |
| | ----- |

A2.4 As indicated earlier, if approved, this would represent a freeze in the Torbay

Council element of the final Council Tax demand note. The final bill will also depend upon the final demands from the Devon and Cornwall Police Authority, the Devon and Somerset Fire Authority and the impact of the budget set by Brixham Town Council for the residents of Brixham.

- A2.5 Whilst the budget in respect of Delegated Schools monies is provisional until the final pupil numbers are confirmed in July, unless the Council changes its current policy of not increasing that sum from its own resources, the grant received will be automatically passported through according to the schools funding formula outlined in the Torbay schemes for financing primary, secondary and special schools. It is not recommended that the Council changes its current policy.

Use of Reserves

- A2.6 As part of the budget information made available to Members on 8 December 2011, a review of the council's reserves was undertaken. This recommended the release of £0.150m to set up a Building Dilapidation and Contingent Liability Reserve. No other reserves were recommended to be released.
- A2.7 In 2010/11 £4.5m was released from reserves and allocated to a new Comprehensive Spending Review reserve. This reserve was set up in anticipation of the significant grant reductions expected, to be used to support the budget over the CSR period and in particular to fund the costs of redundancies.
- A2.8 Officers and Members are still assessing the impact of the budget recommendations on staffing but the Council will, where possible, minimise the number of redundancies made through vacancy management and redeployment of officers put at risk where appropriate. However, based upon the proposals made and already implemented in 2011/12 there will be redundancies and associated costs. The final costs of redundancies arising from the budget proposals (which are a cost in 2011/12) will be reported to Members but is estimated to be similar to last year, i.e. £1.5m and will be funded from the CSR reserve.
- A2.9 As part of the regular monitoring process, all spending or allocations from these reserves will be reported in accordance with financial regulations.

Budget Risk Assessment by the Chief Financial Officer

- A2.10 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.
- A2.11 As in previous years, the Council has been through a detailed budget process in setting the budget for 2012/13. Officers and Executive Lead Members worked together to produce budget reports for each of the Council's business units. These were scrutinised by the Overview and Scrutiny Board and Stakeholders. The Overview and Scrutiny Board presented a report to the Mayor on their

conclusions and recommendations before the Mayor proposed a final budget to Council. This culminates in the Council considering and approving a revenue budget for the financial year and consequentially setting the Council Tax for 2012/13.

A2.12 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 32 and 43 of the Local Government Act 1992 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.

A2.13 When recommending a budget to Council for 2012/13, 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.

A2.14 To comply with the legislation a report on the level and adequacy of the Council's reserves was prepared and was available on 8 December to be considered as part of the budget papers. In summary section A.5 of the report stated the following:-

Chief Finance Officer Statement - I am satisfied that the Council's General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council's Financial Plans and to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.

The Council's General Fund Reserve of £4.0 million represents 3.2% of the Council's overall 2011/12 net budget.

If the proposed budget is approved General Fund Reserves will represent 3.2% of the Council's overall 2012/13 net budget.

A2.15 The report also made reference to the state of the earmarked reserves. All earmarked reserves were considered appropriate (subject to the recommendations made) and the balances held to be at the correct level as at the time of the review.

A2.16 At the present time I cannot recommend any further transfers from the earmarked reserves or general balance, other than planned expenditure in accordance with terms of the establishment of the respective reserve, to aid the 2012-13 budget. I must stress that if the Council recommends the use of one-off reserves to fund ongoing commitments I will have to state that whilst the budget will be robust for 2012/13 this is not a sustainable option and it will require the

Council to start planning immediately to identify savings and /or service reductions to ensure a robust budget can be developed for 2013/14.

Robust Budget

- A2.17 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 contained with the Community Plan and the Council's Corporate Plan.
- A2.18 As in previous years the budget process has been informed by engaging Members, Stakeholders and local residents in the process through a series of meetings. Officers and Members have been assessing the financial impact of spending pressures that are likely to affect Torbay in 2012/13 and the Overview and Scrutiny Board have made formal recommendations to the Mayor based upon the outcome of these meetings.
- A2.19 As part of the budget process for 2012/13 Members have received an updated version of the Medium Term Resource Plan, the latest update was considered by the Overview and Scrutiny Panel in January 2012. An updated version of the Plan will be presented to Members in due course.
- A2.20 All Members have had access to all budget reports and associated financial papers since 8 December 2011, the earliest date this information has been available and the Overview and Scrutiny Board and Stakeholders discussed these reports in January 2012 and the implications of the spending targets proposed.
- A2.21 The Mayor and Council have received a separate report outlining the recommendations of the Overview and Scrutiny Board with respect to the 2012/13 spending targets.
- A2.22 There are a number of risks which can arise during the development of the budget. These include:
- inaccurate assessment of costs and 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.
 - 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.

To mitigate against these risks a number of assumptions have been made in the development of the budget for 2012/13 to ensure a robust budget is set. These include:

- the assessment of inflationary pressures. A zero increase was included in the 2012/13 budget in line with the government's public sector pay freeze. However, the 2012/13 pay award has not been agreed so there is

a risk that a pay award may be granted.

- 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.
- aligning service planning and financial planning based on individual services business plans.
- an assessment of the level and timing of capital receipts and payments.
- an assessment of the revenue impact for any planned unsupported borrowing.
- an assessment of the revenue consequences of any capital investment.
- continued review of actions and emerging issues taking place in 2011-12 as part of the regular budget monitoring process and how these may impact on 2012-13 and later years, in particular volatile budgets such as Adult Services, Children's, income such as car parking and Concessionary fares.

A2.23 The main risk once the budget has been set is inadequate financial control. This is minimised by effective and regular monitoring of the budget throughout the year. Torbay has, for a number of years, put 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. These reports provide Members with an overview of the key spending pressures faced by the Council linked with performance issues at the same time and the management action which will be taken to address any issues which arise. This approach will also pick up issues arising from economic volatility and increased demand for services.

A2.24 In addition to the generalised risk relating to financial control, there are also a number of specific risks which the Council has addressed in the recommended budget. The main specific risks relate to the impact of an increase in the number of complex projects, investment to support increasing demands with social care and safeguarding children, the cost of any redundancies and the continued impact of the current economic climate.

A2.25 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.

A2.26 Revenue (and Capital) monitoring reports to the Overview and Scrutiny Board are published at the start of each new financial year in accordance with set meetings. In addition, key volatile budgets are reviewed and updated on a regular basis and are monitored on a monthly basis. Individual business unit budgets are also reviewed as part of the council's Performance Management system and through the balanced scorecard. This ensures that senior managers

have an opportunity to discuss the key financial issues facing the Council and take corrective action as necessary. In addition all budget holders receive profiled budget reports within 10 days of the close of the financial period.

A3. Risk assessment of preferred option

Outline of significant key risks

A3.1 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 2012/13 will be extremely challenging for the Council and all services both financially and in terms of maintaining service levels. 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 happy 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.

A4. Other Options

A4.1 There are no alternative options to the Council considering the implications of this report setting a legal budget if it wishes to deliver services in 2012-13. However there are alternative spending options which Members may wish to debate before coming to a final decision.

A5. Summary of resource implications

A5.1 The resources implications have been set out in section A.1 of this report and the expected or anticipated risks, consequences and outcomes have been set out in the various reports to Members during the course of this budget round.

A6. What impact will there be on equalities, environmental sustainability and crime and disorder?

A6.1 The approval of the Council's revenue budget will assist all Council services in meeting their obligations with respect to equalities, environmental sustainability and crime and disorder.

A7. Consultation and Customer Focus

A7.1 There has been extensive consultation on the budget proposals with all Members, through the Scrutiny Meetings held in January 2012 with Members and Stakeholders and local residents.

A8. Are there any implications for other Business Units?

A8.1 All Business Units will be affected by the budget proposals and their ability to support the Council's corporate objectives and the delivery of their individual

Business Plan objectives.

Annexes

Appendix 1 – Corporate Plan

Appendix 2 - Local Government Finance Settlement and Revenue Budget 2012/13

Documents available in members' rooms

None

Background Papers:

- The Medium Term Resource Plan
- Review of reserves
- Various Budget reports presented to Members
- Government documents relating to the Revenue Support Grant Settlement



Torbay Corporate Plan 2012 – 2015
Working for a healthy, prosperous and happy Bay

| | |
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A Healthy Bay

| Outcome | Improved Children and Adults Safeguarding |
|-------------------|---|
| Activities | <ul style="list-style-type: none"> • Improving the response to the first call/referral for help • Increasing face to face contact with professionals and increased access to advocates • Keeping troubled families together where possible • Ensuring families are clear about processes, what the expectations are and sticking to commitments • Improving the impact and effectiveness of professionals through the raising of knowledge and skills • Measuring impact including via feedback from Children, Young People, Parents and Staff. |

| Outcome | A reduction in Inequalities across the Bay |
|-------------------|--|
| Activities | <ul style="list-style-type: none"> • Continue to work on the Closing the Gap Strategy • Development of an Intensive Family Support Service (IFSS) to support families with complex needs • Provide support to enable Heles Angels to develop into a Community Development Trust • Provide Public Transport Infrastructure to ensure access from deprived areas to education, employment and vital services • Ensure appropriate access to sports and play facilities for those most in need • Develop a local ‘Military Compact’ |

| Outcome | A reduction in the negative impact of alcohol, obesity, tobacco and drugs on our communities |
|-------------------|---|
| Activities | <ul style="list-style-type: none"> • Improve opportunities for people with drug and alcohol issues and maintain timely safe and effective access to services. • Target stop smoking advice to focus on <ul style="list-style-type: none"> ○ Routine/ manual 35+yrs with larger employers ○ Mothers who are pregnant • Develop primary care with a focus on preventative measures and diagnostics • Develop a programme to address inequalities in health behaviours amongst young women in Torbay. |

| | |
|-------------------|---|
| Outcome | Using the principles of Early Intervention and Early Prevention improve outcomes for families and reduce long term costs to agencies |
| Activities | <ul style="list-style-type: none"> • Enhance the quality of education through partnerships with providers to support and enhance achievement for children and young people • Development of an Intensive Family Support Service (IFSS) to support families with complex needs • Implementation of Community Budgets to support families with complex needs • invested £500k in early intervention to reduce spend in children's next year |

| | |
|-------------------|---|
| Outcome | Reduce local greenhouse gas emissions |
| Activities | <ul style="list-style-type: none"> • Promoting greater use of sustainable transport e.g. walking, cycling, bus and ferry • Improving air quality in areas worse affected • Continue to reduce energy use on highways and street lighting |

| | |
|-------------------|--|
| Outcome | Reduce teenage pregnancies |
| Activities | <ul style="list-style-type: none"> • Maintain on going reduction in teenage pregnancy |

| | |
|-------------------|---|
| Outcome | Improved health and wellbeing through sport and outdoor activity |
| Activities | <ul style="list-style-type: none"> • Support for community pools • Improve sport and play infrastructure through use of Community Infrastructure Levy and external funding streams • Negotiate 40 year leases with sports clubs to enable them to access external funding streams • Increase participation in physical activity particularly for those between 16 and 40 years • Use of the GP Referral Scheme to tackle health issues in the local population • Support sports clubs to improve physical activity • Improve older people's quality of life through links to sport/neighbourhoods and health |

A Happy Bay

| | |
|-------------------|---|
| Outcome | Crime levels remain low, people feel safe |
| Activities | <ul style="list-style-type: none"> • Maintaining focus on the night-time economy. • Maintain sustainable levels of CCTV provision across the bay • Design out vandalism and anti social behaviour in public spaces • Build position relationships with the new Police and Crime Commissioner to ensure resources are available to keep Torbay’s communities safe and crime levels remain low. |

| | |
|-------------------|--|
| Outcome | Communities are involved in resolving local issues in neighbourhoods |
| Activities | <ul style="list-style-type: none"> • Support voluntary and community groups in improving their local areas • Support volunteering initiatives to deliver community activity programmes |

| | |
|-------------------|---|
| Outcome | A sustainable and flourishing tourism, leisure, and culture sector that is open to residents and visitors |
| Activities | <ul style="list-style-type: none"> • Olympic Torch Relay and other celebration events in this year attracting more visitors to the bay • Increase marketing activity related to tourism • Completion of the Torre Abbey Project • Princess Promenade refurbishment • Ensure beaches and bathing waters meet the standards required of a major seaside resort • Improving the efficiency of library services whilst meeting community needs • Promotion of– Geopark, Agatha Christie, the Arts and our Cultural Heritage • Harbour Development Policy As part of wider contribution of harbours to mayoral priorities and increase maritime tourism to the bay |

| | |
|-------------------|--|
| Outcome | The Bay is easy to get around |
| Activities | <ul style="list-style-type: none"> • Development of integrated transport solutions where feasible • Management of major highways capital projects –Tweenaway Junction, Western Corridor, Fleet Street, National Cycle route and Haldon Pier • Maintain free flow of traffic with sensitive parking enforcement measures |

| | |
|-------------------|---|
| Outcome | An appropriate supply of quality housing |
| Activities | <ul style="list-style-type: none"> • Bring empty Homes back into use • Completion of Housing Strategy • Agree core strategy and develop positive relations with housing providers/ developers • Ensure Government funding opportunities are maximised |

| | |
|-------------------|--|
| Outcome | Communities are empowered through the roll out of locality working and community budgets |
| Activities | <ul style="list-style-type: none"> • Promote / develop neighbourhood plans as part of the Localism agenda |

| Outcome | Communities are engaged in the democratic process |
|-------------------|---|
| Activities | <ul style="list-style-type: none"> • Develop integrated programme of civic pride with traditional and more participative democratic structures • Further review of the Mayoral System of Governance • Support inclusive approach to governance • Deliver a Scrutiny Programme that adds value to the decision making processes of the Council and Key Partners • Ensure consultation processes are fit for purpose • Champion volunteering • Have a positive relationship with the voluntary sector to support community capacity and active lives |

A Prosperous Bay

| Outcome | Job-led regeneration |
|------------|--|
| Activities | <ul style="list-style-type: none"> • Maintain support for business start ups in Torbay • Developing a case for future structural fund eligibility for Torbay (European Union funding) • To work actively with the Heart of SW Partnership • Improving the support network for priority sectors and large businesses in Torbay particularly hi tech and manufacturing businesses and Small and medium enterprises (SME's) • Support the local economy, where possible, through local purchasing by the public sector and private sector companies • Identification of business partnership opportunities to access new markets. • Develop Local Development Framework (LDF)Core Strategy and Neighbourhood Plans • Develop positive relationships with adjacent councils to maximise opportunities for job creation through for example; planning, transport planning and education • Tackle youth unemployment as a priority to reduce pressures on services • Work with Town Centre Company to increase business in the 3 towns |

| Outcome | An environment that encourages inward investment |
|------------|---|
| Activities | <ul style="list-style-type: none"> • Completion of the South Devon Link Road by 2015 • Actively plan to ensure that the benefits of the South Devon link road, are maximised through inward investment to Torbay , including a review of existing transports systems and improvements to Gateway sites • Influence regional and national leaders in the public and private sector for positive economic investment in the bay • Provide a framework with the LDF Core Strategy to bringing forward appropriate employment sites consistent with the inward investment strategy • Lobby for improve transport and communication links at regional and national level, • Plan for a third harbour and cruise ship terminal in Torbay to include facilities for Tall Ships • Work with the Town Centres Company in delivery of the Business Improvement Districts • Supporting partners in bringing forward development at Whiterock Business Park, Devonshire Park and other sites • Ensure that the delivery of the Torbay Inward Investment programme by the TDA, targeting sectors including advanced electronics, healthcare & research, marine science, call-centres, marine activity to encourage more businesses including those based around tourism |

| | |
|--|--|
| | <ul style="list-style-type: none"> • Revitalise the retail offer in the town centres • Improve the public realm • Maintain cleanliness of public areas • Ensure parking plans for Brixham are adequate • Reduce reliance on car parking charges |
|--|--|

| Outcome | Sympathetic Regeneration |
|-------------------|---|
| Activities | <ul style="list-style-type: none"> • Deliver Princess Promenade refurbishment • Develop additional beach front facilities to enhance the visitor experience • Improvement of street scene in high profile areas • Encourage the development of new tourism related business in Torbay • Develop enterprise area proposals for key sectors in Torbay • Delivery of regeneration schemes for key sites including Brixham Town Centre, Oldway, and refurbish the Riviera International Conference Centre |

| Outcome | Raise Skill Levels |
|-------------------|---|
| Activities | <ul style="list-style-type: none"> • Improvement in school attainment and attendance (DoE Standards) • Aligning Education and Economic Development Strategies in particular at the 14-19 age range • Encourage public and private sectors to employ apprentices • Where possible programmes and interventions are targeted at areas in most need. • Working with regional Universities to increase the take-up of graduate placement and internship programmes by local businesses • Working with partners including the Skills Funding Agency and South Devon College to ensure that the further education offer is responsive to the needs local businesses • Develop and implement a worklessness strategy & action plan • Develop new jobs and skills and support the retention of existing jobs in the Bay |

| Outcome | Provide value for money for our communities |
|------------|--|
| Activities | <ul style="list-style-type: none"> • Contract management of TOR2, and progress on energy to waste arrangement • ERTC on delivery of increase visitors to Torbay, • TCCT to deliver VFM and improved countryside management • Delivery of Office Rationalisation Project • Ensuring budget reductions across the organisation are delivered • Building on the experience of the 2012/13 budget setting process commence work on the 2013 budget from early 2012 • Upgrade our Call centre technology • Increasing joint commissioning and potential for shared services • Ensure Parkfield meets financial objectives • Develop a 3 year integrated business plan (up to next elections) with robust service level business planning, thereby Ensure resources match the administration’s priorities through the CSR period • Implement changes to business rates and develop strategy to maximise the benefits available for Torbay • Plan for the universal credit changes and develop strong relationship with Department of work and pensions • Develop and consult on a localised council tax benefit scheme • Communicate progress on the corporate plan, and our support for communities at local and regional level (• Support the implementation of National NHS reforms, specifically the transfer of Public Health • Manage the Social Care contract, oversee budget reductions and annual agreement with Torbay Care Trust • Review Partnership Structures |

| Outcome | A sustainable supply of energy for the Bay |
|------------|--|
| Activities | <ul style="list-style-type: none"> • Maximise the benefits to Torbay from governments green/energy initiatives through advocating the case for investment locally |

Appendix 2

Local Government Finance Settlement and Revenue Budget 2012/13

Introduction

- 1.1 This paper outlines the budget process for Members and the latest information that leads to the Mayor's recommended budget for 2012/13 and provides a summary on the outcome of the Local Government Finance Settlement which sets out the formula grant allocation to Torbay in 2012/13.
- 1.2 The paper provides the Mayor with feedback from the various consultation processes that have taken place as part of the budget process including local residents and Stakeholders and recommendations from the Overview and Scrutiny Board.
- 1.3 Having considered all of this information the Mayor has made recommendations to Council as to how the Council's limited financial resources are allocated between Business units to deliver the key objectives and priorities of the Community Plan and Corporate Plan.
- 1.4 When considering this paper, Members should refer to the previous budget information made available to Members and should also read this report in conjunction with the Budget proposals for 2012/13.
- 1.5 Members should note the changes to the provisional spending target and budget and the impact on the revised targets. The Council has an additional £0.7m available to consider in the budget setting process. The Mayor, in the light of the comments from consultees and the recommendations from the Overview and Scrutiny Board has confirmed his final recommendations.

A1. Budget Process

- A1.1 The Mayor's budget proposals have been made in the context of some of the largest cuts to public spending and to local government seen in a generation. Confirmation of the headline cut of 28% for local government grants as set out in the Comprehensive Spending Review (CSR) will mean Torbay will be faced with significant year on year reductions in its funding. The Council has responded proactively to the severity of the cuts proposed and the Mayor's 2012/13 budget proposal to Council is the culmination of a detailed budget process which started at the beginning of the financial year with the process continuing with development of the 2013/14 budget starting as soon as this budget has been agreed.
- A1.2 Financial reports have been available to Members throughout the year which has been used to propose a robust budget for the next financial year which both aims to deliver the aims of the Community Plan and also to minimise the reductions to front line services. A key objective of the Council during these difficult times is maintaining a low level of council tax for residents. With this in mind the Mayor is not proposing an increase to the council tax in 2012/13 by

taking advantage of the council tax freeze grant made available by the government for 2012/13. This decision reflects the difficult financial climate all residents of the Bay are faced with.

- A1.3 As part of the Council's financial planning, a Medium Term Resource Plan (MTRP) and Review of Reserves report were made available to all Members and the Overview and Scrutiny Board discussed the main financial papers as part of their deliberations on the budget proposals in January 2012. The Resource Plan set out a number of assumptions for the levels of income the Council expected over the next four years (including council tax assumptions) and the spending pressures the Council faces. This included committed spending pressures that were unavoidable and in particular the uncertain financial future for the council due to the current recession and position of the public finances.
- A1.4 An updated version of the Plan will be presented to Members in due course to reflect the final decisions in respect of the 2012/13 budget, along with the latest information in respect of later years funding from central Government including a number of significant changes to local government finance. As part of the planning process the Council is continuing to plan the best use of its resources, be they revenue resources, capital, human or assets to ensure they meet the best outcomes for communities in the Bay and are applied using value for money principles.
- A1.5 Upon approval of the 2012/13 budget, service managers will refine their business objectives as monitored through the Council's Balanced Scorecard (SPAR).
- A1.6 On 8 December 2011, the Mayor circulated the Revenue Budget 2012/13 Provisional Spending Targets for each Business Unit. At this time the Council had not received confirmation of the Provisional Local Government Finance Settlement and there was uncertainty as to whether the allocations announced in 2011, as part of the two year settlement, would be confirmed due to the uncertainty with respect to the consultation on Academy Schools funding and its impact upon the grant allocation for local government.
- A1.7 Within the paper circulated on the 8 December there was details of all service reductions to meet the provisional targets set. This was the earliest such information was available which reflected the unprecedented nature of the financial situation the Council found itself in and provided the longest period of consultation on the budget proposals. The Provisional Settlement was announced on 8 December 2011 and confirmed on 31 January 2012 when the final settlement was announced.

The principles which have been applied in developing next year's budget are the following:

- Ensuring regeneration is key objective for the council
- Maintaining and improving the appearance of the Bay
- Supporting and protecting the most vulnerable children and adults within the Bay.
- To identify efficiency savings through the redesign of services to minimise the impact of service cuts

- To maximise our revenue opportunities by progressing the Revenue Income Optimisation project.
- As a last resort to consider service reductions as a result of the significant reduction to the council's grant from Government.
- To continue to invest to save with partners where we can.
- To develop radical solutions for service delivery over the next 4 years.

A1.8 The paper circulated on 8 December 2011 set out the budget build up for each Business Unit, including any known committed growth items and a provision for inflation. The paper set out any investment items and any reductions to achieve the initial target set for each service. The paper also included a summary of the current performance levels and target performance for 2012/13.

A1.9 The Overview and Scrutiny Board held a series of public meetings during January 2012 to assess the implications of the budget proposals. Stakeholders were invited to the budget meetings and make representations about the proposals. The Overview and Scrutiny Board prepared a report on their findings for consideration by the Mayor.

A1.10 In addition, members of the public were asked to provide feedback on the Council's budget through its interactive budget stimulator as well as through the consultation caravan, view point panel, budget consultation meetings and staff newsletters.

A1.11 The report from the Overview and Scrutiny Board is included at Annex 1. A report on the budget consultation process and its results has been circulated to the Overview and Scrutiny Board and a copy of that report is shown at Annex 2.

A1.12 The Mayor would like to thank all who responded to the consultation and has expressed his appreciation of the work undertaken by the Overview and Scrutiny Board and the recommendations and constructive comments that have emerged. The Mayor understands many of the views expressed in the reports, and has considered them in the context of the significant reduction to the council's grant allocation over the next two years. However, due to the severity of the grant reduction received from Government there is very little scope to respond to some of the recommendations and suggestions and whilst all options for delivering further efficiencies and raising additional income has been explored it is inevitable there will have to be reductions to services which constrains the Council's plans.

A1.13 As in previous years the Council continues to suffer from the current "damping" arrangements - £4.182m in 2012/13 and there are a number of budget pressures which the council has little or no control over i.e.:

- the impact of rising unemployment and workless rates within the local economy and impact upon young adults not in education, employment or training (NEETS).
- the pressure within the Bay for affordable homes and an increase in the number of residents needing advice and length of time in temporary accommodation and dependence upon Supporting People Services.

- service pressures within Children’s Services with an increase in numbers of children looked after within the Bay. The number of Children Looked After have increased steadily from 176 in October 2008 to 255 as at 31 December 2011 – an increase of 79 - and the number of children subject to a Child Protection Plan at this date is 285.
- the changing demographics within the Bay mean service demands will continue within Adults Social Care due the numbers of clients with ever increasing and complex needs.
- the cost to the council of the national concessionary fares scheme which is funded by the council.

A1.14 These pressures (and others) limit the resources available to the Council and means that unfortunately not all priorities or wishes can be accommodated in the final budget package being recommended to Council. Due to the current financial climate and the period of austerity the country is faced with over the next three years, the Mayor has also to be mindful of the reduction in grants received from Government Finance Settlements in the future which will have an significant impact upon the Council and the level and range of services that can be provided.

A1.15 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 and the continuation of the damping arrangements. Torbay’s representation to Government on the settlement is outlined in annex 3.

A1.16 Torbay’s representation has expressed its disappointment with the continuation of the floor damping arrangements and its impact with respect to the loss of grant in 2012/13. Torbay has lost a further £4.182m in grant for 2012/13 which has had to be taken into account when proposing the 2012/13 budget to Council. Damping appears to be a permanent feature of the local government finance system, however the council will continue to highlight the unfairness of this system. As the representation states to put this into context by 2012/13 Torbay will have lost £32.6m in grant since the introduction of damping in 2006/07.

Final Settlement

A1.17 The final settlement was announced on 31 January 2012 and confirmed the figures announced on 8 December 2011. This Settlement was the second of a two year period.

A1.18 Torbay’s provisional formula grant is shown below in Table 2.

Table 2

Formula Grant

| | | |
|--|-------------------|------------------------|
| | 2011/12 Actual | 2012/13 Provisional |
|--|-------------------|------------------------|

| | £ million | £ million |
|---------------------|---------------|---------------|
| Formula Grant | 62.422 | 57.920 |
| Council Tax Grant | 1.539 | 1.539 |
| Total | 63.961 | 59.459 |
| Loss due to Damping | 4.084 | 4.182 |

A1.19 The government announced that they would be extending the council tax freeze grant for a further year and the Mayor has decided to accept the grant. For Torbay this will mean a grant of approximately £1.5m. However, Members are reminded that the council tax freeze grant in 2012/13 is for one year only. This means that in 2013/14 the council has an income shortfall of £1.5m. Therefore the council will have to increase the 2013/14 council tax by 2.5% to maintain its existing council tax income subject to some minor changes which will arise from changes to the council's tax base.

A1.20 Members will recall that the council tax freeze grant in 2011/12 was guaranteed for the four year CSR period i.e. up until the end of 2014/15. However, this grant funding is at risk from 2015/16 as the Government has not said whether it will continue and this will be taken into account as part of the Council's medium term financial planning.

A1.21 When the CSR 2010 was announced, the Government said it would be allocating an additional £2bn for Adult Social Care over the 4 year CSR - £1bn from within the local government allocation and £1bn via the NHS. As part of the grant Settlement for the NHS, all Primary Care Trusts (i.e. Torbay Care Trust) received a separate allocation for Adult Services. The Torbay Care Trust's allocation for 2012/13 is £2.2m to deliver these services. This money must be passported to Torbay as it is part of the Local Government Finance Settlement and an agreement reached as to how this money is spent. In assessing the overall resources available to the Council, Torbay has assumed that £1.1m will be used to fund existing Adult Social Care commitments and the balance will be used to support new initiatives that will be agreed between Torbay Council and the Torbay Care Trust.

External Levies

A1.22 There are two External Levies which form part of the Council's budget requirement over which the Council has no control over the budget set by each of them. They are the Environment Agency and the Inshore Fisheries Agency. The cost of the external levies in 2012/13 has been estimated as being £0.070m.

Council Tax and Capping

- A1.23 As mentioned in paragraph A1.20, the Mayor is proposing a council tax freeze for 2012/13. At time of writing there have been over 142 local authorities that have said they will set a zero increase.
- A1.24 In previous years the Government had powers to cap local authorities that set excessive increases. However the Government has changed the system and from 2012/13 will require all local authorities who propose a council tax increase of more than 3.5% to undertake a local referenda and gain public support for such an increase.
- A1.25 The Council Tax bill eventually sent out 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 and 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 Parish Council. Brixham have confirmed their budget requirement for 2012/13 which is £193,074 which is a £6,624 increase compared to 2011/12.
- A1.26 At the time of writing, neither the Police Authority nor the Fire Authority has set their budgets for 2012/13. It will be the level of council tax pertinent to each resident in Torbay that is important but on a wider scale it should be remembered that the current council tax in Torbay is the third lowest in Devon.

Updated Revenue Estimates

Table 2

Summary of Latest Budget Position

| | 2012/13 £m |
|--|---------------|
| Council Expenditure – Provisional Budget Targets 8 December 2011 (a) | 122.1 |
| 2011/12 Council Tax Freeze Grant – Reclassification of Grant | 1.6 |
| | 123.7 |
| Funded By | |
| Government Grants | 60.1 |
| Council Tax Income | 61.8 |
| Collection Fund Surplus | 1.8 |
| Income (b) | 123.7 |
| Balance | 0 |
| Updated Budget Changes since December 2011 | |
| No reduction to Formula Grant as result of consultation on Academy Schools | 0.5 |
| Release provision for non achievement of car parking income | 0.2 |
| Available for reinvestment | 0.7 |

A1.27 The Council continually monitors the assumptions it has made during the budget process and where appropriate updates the estimates originally used in the light of later and better information. This year is no exception to this process and there are a number of changes to the original estimates which slightly improves the overall position. Table 2 provides a summary of the changes since the provisional targets were set.

A1.28 Members will recall that in the Provisional Spending Targets paper to Council on 8 December 2011, there was reference to the possibility of a further reduction in the council's formula grant as part of the Government's review of funding for Academy Schools a provision of £0.5m was included within the provisional targets. The final settlement was announced on 31 January 2012 and confirmed the figures announced on 8 December 2011, therefore the provision is no longer required. And the Council has £0.5m available for re-investment

A1.29 As part of the budget proposals Residents & Visitors provisional spending target

included a provision for non achievement of the income targets set. With the early implementation of some of the new charges officers have reviewed the budget and consider that £0.200 of the income target can be reduced.

A1.30 The impact of these changes identified above means that the Council will have an additional £0.700m available to consider in the budget setting process. The Mayor, in the light of the comments from consultees and the recommendations from the Overview and Scrutiny Board will put forward recommendations.

Adequacy of Reserves

A1.31 As part of the budget information made available to Members on 8 December 2011 included a review of the council's reserves.

A1.32 In line with guidance from CIPFA, (Local Authority Accounting Panel bulletin 77) the Council has undertaken a risk assessment linked to short and medium term financial budgets and plans. The table is a good model to assess at a high level the level of risk that has been recognised within the 2012/13 budget process.

| Budget Assumptions 2012/13 | Financial Standing and Management |
|--|--|
| Inflation and interest rates | <p><u>Pay related costs</u></p> <p>Assumptions on pay awards have been made in line with those used in other authorities and vary according to negotiating groups. The government announced a three year public sector pay freeze which has been built into the budget - an allowance has been made for increments.</p> <p><u>Non pay costs</u></p> <p>Each subjective code within the Council's budget has had an appropriate inflation rate applied. This is linked to specific contracts, office of national statistics inflation data or specific advice from the procurement team.</p> <p><u>Interest Rates</u></p> <p>Rates for investments and borrowing are based on rate forecasts provided by the Council's treasury management advisors. Interest rates (bank base rate) are currently 0.5% and are expected to stay at that level of most of 2012/13. This has an adverse impact on Council investments. The Council's medium term borrowing requirement is already secured at fixed rates</p> |
| Estimates of the level and timing of capital | The Council's current 4 year capital plan of £71m assumes the generation of £3m of capital receipts. |

| | |
|---|---|
| receipts | <p>The Capital Strategy and Capital Budget Report 2012/13 highlight the risk from the current economic conditions of both the value and timing of potential receipts.</p> <p>As a result of the economic conditions there has been a drop in the level of receipts received by the Council and the value of potential receipts on some assets have been reassessed at a lower level.</p> <p>To support the generation of capital receipts there is the Asset Rationalisation Plan which aims to generate the required level of receipts over the four year life on the plan. Due to the low bank rate the major risk associated with capital receipts is the value rather than the timing although a delay in receipts will reduce investment income and could lead to temporary borrowing.</p> |
| Treatment of demand led pressures | <p>Changes in demand for services and national standards are generally treated as unavoidable costs and provided for in the budget proposals. For 2012/13 these include:</p> <ul style="list-style-type: none"> - demand for concessionary fares - adult social care - safeguarding children - waste management and landfill tax - car park income - planning and building control income - treasury management - repairs backlog - increasing number of benefit claimants <p>These increased demands will have to be managed in the context of significant reductions to government grant. Certain volatile budgets need to be carefully managed i.e. Adults and Children's.</p> |
| Treatment of planned efficiency savings/productivity gains/new income | <p>The Council is faced with significant budget reductions over the next four years. Some of the savings required have been implemented in 2011/12 to ensure a full years saving is achieved.</p> |

| | |
|---|---|
| streams | <p>Efficiencies are identified as part of the budget setting process and are assumed to be achievable when set as part of a setting a balanced budget.</p> <p>The council's revenue income optimisation project has identified options of generating new income streams which have assisted in</p> <p>No budget proposal is accepted if not achievable or sustainable in the longer term.</p> |
| Financial risks inherent in any significant new funding partnerships, outsourcing or major capital developments | <p>The Council has managed new arrangements such as the Torbay Care Trust and Torbay Economic Development Company without significant risk. There are however a number of major projects which could generate risks such as the Joint Waste Partnership and the South Devon Link Road.</p> <p>This is a key risk for the Council with the level of both its change agenda and its capital programme.</p> <p>Each project is managed in terms of risk and has a project board, however consideration could be given to earmarking reserves to mitigate any potential risk.</p> |
| Availability of Reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions | <p>The Council's insurance reserve is separately reviewed on an annual basis. The Council would have access to the Bellwin scheme for uninsurable major incident such as wide scale flooding.</p> |
| General financial climate to which the Council is subject | <p>External factors continue to be a significant issue for the Council in 2012/13 and beyond particularly in view of the grant reductions expected over the final 2 years of the CSR.</p> <p>Any deterioration in local economic conditions or the country falling back into recessions could impact upon services. These would include lower income levels on services such as land charges and planning, lower levels of tax collection and higher levels of bad debts being incurred.</p> <p>The money market conditions and in particular the issues associated with Icelandic banks has highlighted risks associated with Council loans and investments. The Council has had no experience of default of any of its investments. The arrangements to manage this risk are outlined in the annual Treasury Management</p> |

Strategy.

Annexes

- Annex 1 Recommendations from Overview and Scrutiny Board.
- Annex 2 Summary of Views and Comments from Consultation With Residents and Stakeholders.
- Annex 3 Letter to Department for Communities and Local Government.

Recommendations from Overview and Scrutiny Board.

Title: **Budget Recommendations Report from Overview and Scrutiny**

Is the information in this report available to the public? Yes

Wards Affected: All wards in Torbay

To: The Mayor On: 01 February 2012

Contact Officer: Jo Beer

☎ Telephone: 207894

✉ E.mail: Joanne.beer@torbay.gov.uk

1. Key points and Summary

- 1.1 The Overview and Scrutiny Board met to discuss the Provisional Spending Targets for 2012/13 by Business Unit. Public meetings of the Board took place on 13th, 17th, 20th and 25th January and Executive Leads along with Commissioning Officers and Executive Heads were asked to present their proposals.
- 1.2 In addition to the Mayor's Proposals for the Revenue Budget 2012/13, the Mayor's Proposals for the Capital Investment Plan for 2012/13 to 2015/16 and the Annual Strategic Agreement, the board also reviewed updated impact assessments and results of consultation activity. It also requested and received detailed proposals from the library service, supporting people and the draft corporate plan.
- 1.3 Members of the board also considered representation made by members of the public at the meeting

General Recommendations:

- 1)** The current one year approach to budget building and planning for future financial years was discussed - recommending that the Council gives consideration to using 3 or even 4 year Business Plans, to include strategic and operational information.
- 2)** That for future Overview & Scrutiny meetings more financial information should be provided, including business plans (where available).
- 3)** The Board recommended that Scrutiny be involved in the budget consultation for 2012 onwards from February this year.

Children, Schools and Families

- 4) That the funding of £100,000 for the Early Years Service is not cut.
- 5) Whilst supporting the principle of increased voluntary sector involvement in delivering youth services the Board expressed concerns about how this would be delivered on the ground. The Board requested that this be monitored to enable it to review the effectiveness.
- 6) To ensure that the Strategic Lead post for teenage pregnancies remains until the Board are satisfied that there is no adverse impact on the work currently being carried out in this area.
- 7) For the Mayor ensure that the reduction in Attendance Improvement Officers does not take place until the Board can be assured that the “Schools Supporting Schools Programme” is in place and the removal of these posts will not have a negative impact.
- 8) The board requests assurance from the Mayor that income to be generated at Park field is not preventing young people from disadvantage background from benefitting from these facilities.

Residents & Visitors Services:

- 9) That for future meetings Business Plans should be given to the Board to allow them to receive further details such as Business Plans for Museums, RICC etc.
- 10) That the Mayor considers inflationary issues relating to the TOR2 contract (currently use RPIX rates) and whether it would be possible for this to be more flexible and the partnership representative from the Council be asked to raise this with the TOR2 Board.
- 11) In the absence of some information the Board still have concerns about the impact that the libraries cuts will have on the community

Business Services:

Currently no recommendations made.

Finance:

- 12) That the RICC should provide Torbay Council with a subsidy reduction plan for the next 2/3 years once the new Board is established.

Information Services:

Currently no recommendations have been made.

Commercial Services:

Currently no recommendations have been made.

Economic Development Company (EDC):

13) Mayor to investigate means of funding for employment and development opportunities in relation to the new link road. (300k over 3 years from reserves).

Adult Social Care

14) The Board raised their concerns regarding the delivery of the Adult Social Care budget and in particular these 8 points:

1. There has been incomplete consultation and recommended ongoing consultation be monitored to ensure that the potential impact on individual clients is understood and taken into account and followed through
2. Inflation (Residential & Dom Care)
3. Cuts to back office totalling £500k, could delay delivery of other savings
4. Annual Strategic Agreement still not agreed
5. Negotiations over the budget are not entirely complete
6. There is no budget contingency in place
7. The ability to absorb this years overspend
8. The level of demand for the services

The board have recommended that they bring their concern to the Mayors attention.

Supporting People:

15) The Board considered the outline details setting out were the Supporting People budget is being spent and prioritised including the PLUSS contract and wishes to engage positively as a board to ensure that appropriate service provision can be maintained.

Harbours:

Currently no recommendations made.

Spatial Planning & Waste:

16) That with regards to concessionary bus fares consideration be given to the knock on effect to other service areas (specifically the impact on Adult Social Care).

Community Engagement:

17) That the Mayor considers how much could be saved by disbanding the Torbay Strategic Partnership (TSP).

Community Safety:

18) That reconsideration be given to the proposed saving for the out of hours emergency noise service.

19) That a review of grants to community, voluntary sector organisations and all other bodies to be undertaken.

20) The mayor reconsider the cuts to the out of hours emergency noise service be

dropped and that a further sum be provided for a fit for purpose service with improved advertising and a more strategic approach.

Capital Investment Plan 2012/13 to 2015/1

21) The Board encourages the Mayor to continue to dispose of appropriate assets bearing in mind those of negative value.

22) The agreed proposals for the Community Fund be implemented and outlined in the Capital Investment Plan.

23) The LABV is an opportunity to help the local authority in dealing with issues, need to ensure this project continues to progress.

24) Where prudential borrowing is proposed the key principles of what a strong business case should look like are developed and circulated.

Council Tax

25) The board support the decision to accept the Government's grant for ensuring a council tax freeze for 2012/13.

26) The board are concerned that the impact of future cuts included funding for the council tax freeze being available for 1 year only and recommends that the Mayor write to the Chancellor expressing these concerns.

Appendices

N/A

Documents available in members' rooms

Background Papers:

Title: **Budget Consultation**

Is the information in this report available to the public? Yes

Wards Affected: All wards in Torbay

To: Overview and Scrutiny On: 25th January 2012

Contact Officer: Jo Beer

☎ Telephone: 207894

✉ E.mail: Joanne.beer@torbay.gov.uk

1. Key points and Summary

- 1.4 This report highlights the consultation on the Budget 2012/13 which has been open since the end of September 2011, allowing members of the public to have their say on the priorities and the proposals for savings which were identified across each business unit.
- 1.5 Consultation activity continued following the publication of the Mayor's Provisional Spending Targets on 8th December 2011, and was amended to reflect the further details published.
- 1.6 Approximately 600 people have taken part in the general consultation, which has included public meetings, surveys (paper and online), caravan events and an online budget simulator. Through public meetings, attendees took part in an interactive voting session, as well as having the opportunity to raise questions and comment on proposals. The surveys asked a mixture of closed and open questions to gauge public opinion and the budget simulator allowed members of the public to balance their own council budget.
- 1.7 The key results from the general budget consultation show that: -
- Overall, the general public are in support for all of the budget proposals put forward.
 - Further consultation is required with regards to specific proposals under Adult Social Care. This needs to be carried out with service users, by way of needs assessment, and engagement with the families, carers and any groups representing the needs of the service user.
- 1.8 In addition to the general consultation a survey focussing solely on the library service was also carried out at the same time.
- 1.9 In line with the Council's Public Sector Equality Duties, impact assessments have been completed for all major budget decisions. The impact assessments

evaluated the potential positive and negative effects on the Torbay community of the budget proposals. The majority of the impact assessments highlighted minimal potential negative impacts. There was some need for minor adjustments of budget proposals to be made to remove any potential barriers which includes further consultation with vulnerable groups as well as the need to ensure adequate monitoring is in place to assess the real impact of the budget proposals once they have been implemented.

2. Introduction

- 2.1 Over the past year there has been an increase in the number of cases brought against local authorities with regards to the decisions they are making on their budgets.
- 2.2 Torbay Council needs to ensure it is making 'fair financial decisions' and the lessons learnt from recent legal challenges has been an integral part of our planning, both in terms of assessing the impact of the proposals and ensuring a robust consultation process.
- 2.3 A task group was established which included officers across business units (Business Support, Commercial Services and Governance) to monitor and review the process of consultation and impact assessments along-side emerging evidence of recent legal challenge.
- 2.4 The proposals which have been put forward have been subject to challenge from Business Services. Proposals were categorised into three groups: -
 - I. 'internal' – which relates to re-structures and efficiency savings, those that come under the role of Head of Paid Service,
 - II. 'minor' – which relates to those proposals which will have a minor impact and low community interest, and
 - III. 'major' – which are those where there will be substantial community interest and could have a significant impact on service users.
- 2.5 The proposals which have been categorised as 'major' have been subject to an impact assessment to determine the potential impact on service users and have been included in the consultation, either as part of the general consultation, service specific or as in the case of proposals affecting individuals under Adult Social Care, there has been on-going re-assessment of client need.
- 2.6 Consultation activity has included public meetings held in each town, surveys (both paper and online), an online budget simulator and Connect caravan events. The library service also ran a library specific consultation questionnaire that was placed in all library locations.
- 2.7 Approximately 600 people have taken part in the general consultation, which considered all of the proposals as well as asking respondents to identify how much they would save from each service area. Ways to get involved in the budget consultation have been widely communicated through regular press releases, newsletters and updates via the website.
- 2.8 Local interest groups (such SPOT and Torbay Voice) have been involved in the consultation through attendance at public meetings or by submitting written responses and these have been considered as part of the consultation. A

petition 'Requesting to reverse the decision to cut £45,000 a week from Adult Social Care' was also been received signed by approximately 800 people.

2.9 The key results from the general budget consultation show that, overall, the general public are in support for all of the budget proposals put forward. More specifically, while appreciating the need for savings, respondents wanted budgets for Adult Social Care and Children's Services protected as much as possible. However, there was support for the proposals which have been put forward under these areas including:

| Proposal | % in support | % against |
|--|--------------|-----------|
| Supporting people to live in their own homes and reducing the number of care homes placements needed | 85% | 15% |
| Ensuring that people who are cared for in their own homes are fairly assessed against the Choice, Care and Risk Policy | 74% | 26% |
| Reviewing the delivery of learning disability services through new partnership arrangements | 84% | 16% |
| Reviewing the criteria for urgent support payments made to parents and improving signposting to enable them to maximise welfare benefits | 79% | 21% |

2.10 With regards to the proposal to reduce Youth Service neighbourhood provision and start a funding pot for community and voluntary groups, there was support for this (68%) under the general consultation, however an alternative proposal has been made by a current member of staff which has been forwarded to the Executive Lead for Children, Schools and Families.

2.11 Proposals put forward under the Resident and Visitor Services Business Unit also broadly gained support. Proposals in relation to parking saw mixed support from the public; however these are the remit of the Transport Working Party and further consultation regarding these proposals has been carried out by this Board.

| Proposal | % in support | % against |
|---|--------------|-----------|
| Libraries: reduce the no. of days that each library is open each week | 62% | 38% |
| Parking: increase the number of on street pay and display parking areas | 46% | 54% |
| Beach Huts: increase the charges for beach huts. | 73% | 27% |

2.12 With regards to other services areas such as Spatial Planning, Community Engagement and Community Safety there was also support for the majority of proposals put forward under each of these areas:

| Proposal | % in support | % against |
|---|--------------|-----------|
| Spatial Planning: increase planning charges | 84% | 16% |
| Spatial Planning: renegotiate concessionary bus fares | 68% | 32% |
| Community Engagement: increase fees for ceremonies | 95% | 5% |
| Community Safety: Cease to provide out of hours emergency service | 50% | 50% |

2.13 The overall savings targets set within the Budget Digest compared to the

savings which were identified by the public in the Budget Simulator are shown below. The public identified higher levels of savings for Adult Social Care, £4.5million compared to the level of savings proposed in the budget build of £2.4million. With regards to children’s services, the public identified smaller savings than have been proposed in the Provisional Spending Targets.

**Within Financial Services there is a one off volatile reserve of £900,000 to support Children’s Services*

| | Budget Simulator (Public feedback) | Provisional Spending targets for savings (incl. increased income) |
|---|---|--|
| Service Area | Average £ Change | £ Change |
| Adult Social Care (inc Supporting People) | -£4,521,264 | -£2,477,000 |
| Children's Services | -£1,602,177 | -£2,414,000* |
| Regulatory Planning & Licensing | -£1,053,956 | -£922,000 |
| Residents and Visitor Services | -£1,144,232 | -£1,385,000 |
| Support Services (incl. Community Engagement) | -£1,350,258 | -£1,446,000 |
| Torbay Development Agency | -£678,334 | -£623,000 |
| Waste and Cleaning | -£1,199,052 | -£100,000* |

transformation programme which will help to achieve improved outcomes.

2.14 The table shows that on the whole public opinion suggests smaller percentage changes to budgets to vulnerable people i.e. Adults and Children’s Services, although in monetary terms this would provide larger monetary savings. Public opinion for all other services suggests budget savings of between 10-14%.

2.15 In line with the Council’s Public Sector Equality Duty, impact assessments have been completed for all major budget proposals. The majority of the impact assessments highlighted minimal negative impact on the community or the need for minor adjustments to be made to remove any potential barriers. The following adjustments have been made after the completion of impact assessments: -

| Budget Proposal | Adjustments Made/Proposed |
|---|---|
| Waste Recycling Credits (Spatial Planning) | As the community groups only receive £15 per tonne for paper from the recycling companies, it was thought that taking away the recycling credit of £57.76 was disproportionate and would almost remove their entire income stream, so this will be continued at least for 2011/12 financial year. |
| Beach Huts – Increase Charges (Resident and Visitor Services) | Socio-economic impact identified therefore an adjustment to the increase in charges has been made from 23% to an average increase of 12% (a maximum of 18% in high demand areas) |
| Parking (Resident and Visitor Services) | Action has been taken, since the consultation activity began, to remove secondary shopping areas to help to sustain local businesses. There have also been amendments to the length of stays in some areas, and free days (i.e. Sundays) have been introduced. |
| Libraries (Resident and Visitor Services) | There is potential for negative impact on vulnerable groups depending on the specific proposals put forward as to how the reduction will be achieved. Full consideration will be given to |

| | |
|-------------------------------------|---|
| | vulnerable groups with the least impact achievable in determining the final proposals. |
| Youth Service (Children's Services) | Additional consultation will need to be undertaken with vulnerable groups and the voluntary sector. Further testing may also need to be undertaken with regards to this proposal. Once full consultation has taken place further adjustments may need to be made. |
| Adults Services | Further consultation is required with regards to specific proposals under Adult Social Care. This needs to be carried out with service users, by way of needs assessment, and engagement with the families, carers and any groups representing the needs of the service user. |

- 2.16 Overall the range of consultation undertaken ensured a variety of opportunities for members of the public to get involved. The consultation has been carried out alongside the development of impact assessments which has led to a continued review of the proposals for savings.
- 2.17 The council needs to ensure that a range of activity takes place to implement the proposals, taking into account the consultation feedback and impact assessment findings. This will include further consultation and specific engagement that needs to be completed with those people who will be affected under the Adult Social Care proposals. Specifically, the council will need reassurance that reassessment of individual care needs takes place and that there are adequate monitoring arrangements.
- 2.18 Business Services will be supporting Business Units in regular monitoring of all budget targets and will continue to monitor their impact assessments to ensure that proposals are not having an adverse impact on particular service users following implementation.
- 2.19 Members may wish to consider the consultation and impact assessment findings when proposing final recommendations on the 2012/13 Budget to the Mayor.

Mark Bennett
Executive Head Business Services

Appendices
None

Documents available in members' rooms
None

Background Papers:

Impact Assessments for the following proposals:

- Reduction to grants to Voluntary Sector (Children's Services)
- Service Variation – Youth Services
- Section 17 Payments (Children's Services)
- Reduction of Library Services – opening hours and service provision
- Additional on-street parking areas, commercial income opportunities and service reductions for the parking review

- Re-structure of parking charges – on-street and off-street
- Charging for Waste Rubble or Similar Material
- Renegotiate Concessionary Fares
- Waste Recycling Credits
- Adherence to Policies (Adults Services)
- Reduction in care home placements (Residential and Nursing Homes)
- Back Office Efficiencies, Stricter Contract Management, and, Ops Frontline Staff & In-House Units (Adults Services)
- Reduce Expenditure on Domiciliary Care and Day Service Clients
- Reduce Expenditure on Clients with a Learning Disability

Please reply to: Paul Looby

Communities and Local Government
Mr Andrew Lock
Zone 5/J2
Eland House
Bressenden Place
London
SW1E 5DU

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Your Ref:
Telephone: 01803 207283
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Date: 16 January 2012

PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2012/13

Dear Mr Lock

Further to the announcement of the Provisional Local Government Finance Settlement on 8 December 2011, Torbay Council has no detailed issues to raise as the provisional grant allocation has not changed from the 2 year settlement announced in December 2010.

Furthermore the issues raised last year are still valid and whilst Torbay recognises the tough choices that the Government needs to make to reduce the overall public sector deficit, Torbay has to try and manage the impact of the deficit reduction programme and the ongoing financial challenges it faces due to the continuation of increasing cost pressures in adult social care, children's services, waste management and increasing numbers of Concessionary Fares travellers. This will mean Torbay will inevitably have to make a number of difficult decisions based on the impact of the 2012/13 settlement.

Future Settlements

As mentioned in previous consultation responses, the Council welcomes multi-year settlements – the current one ending in 2012/13. However, there is huge uncertainty for the council with respect financial planning for 2013/14 and beyond. If Torbay is to be able to manage effectively the way it responds to an ongoing reduction to its government grant, I would urge you to announce the next two years grant of the Comprehensive Spending Review (CSR) period as soon as possible and ideally in the summer of 2012. If the 2013/14 provisional settlement is not announced until December 2012 it will make it extremely difficult to plan over the short and medium term as to how Torbay will redesign and reconfigure services in the context of a significantly diminishing resource base. In addition, there is the added complexity of the impact of the changes to the local government finance system which adds to the uncertainty for future planning.

Continuation of Damping

You will be aware of Torbay's disappointment with the continuation of damping from previous consultation responses. You will also be fully aware that Torbay continues to be

one of the biggest losers of formula grant within the country, due to the damping mechanism and will have lost £32.6m in grant since the introduction of damping in 2006/07. Torbay has always supported a fair system of local government finance, including the principle of stability in the level of grant a local authority receives from one year to the next. However, I would welcome clarification as to how long the current arrangements will continue for, in particular with respect to how damping will operate under the new proposals for funding local government from 2013/14.

Academy Schools

You will be aware there is a consultation within respect to the financing Academy Schools and the impact this will have on formula grant in 2012/13 and beyond. I would urge that no reductions are made to Torbay's provisional grant in 2012/13, as a result of this consultation, so near to the 1 April 2012. As I am sure you will appreciate the council must set its 2012/13 budget in the next 6 weeks and would be unable to make further proposals for reductions and consult with stakeholders if the council's grant was reduced even more than previously announced. I would welcome your thoughts on this issue and the need to reach a permanent but fair and equitable solution to the issue of Academy Schools funding and its impact upon local government.

Council Tax Grant and Capping

The Council welcomes the continuation of the council tax freeze grant to fund the implementation of a council tax freeze in 2012/13. At this stage of the budget proposals the Council is minded to accept the grant. It was reassuring that the 2011/12 council tax freeze grant was guaranteed over the four year CSR period but extremely disappointing that this is not the case for the 2012/13 grant.

Torbay continues to be committed to improving services and ensuring low council tax increases to local residents, particularly in light of the current economic climate and the uncertainty over future funding. However without the same ongoing commitment for the 2012/13 grant, will mean the council is faced with a £1.5m gap in its budget planning for 2013/14 and will need to raise its council tax by 2.5% as a minimum to maintain its existing level of council tax income. As the Council is committed to ensuring council tax increases are kept to a minimum for 2013/14 this objective can only be achieved by making further cuts to existing services.

Conclusion

The confirmation of the two year grant allocation as part of the provisional local government finance settlement for 2012/13 means Torbay is still facing significant challenges and will need to make cuts of at least £11m in 2012/13.

As mentioned in previous consultation responses, Torbay will not receive the full benefits of the grant allocation from the formulae due to the continuation of the damping arrangements. Torbay will continue to argue for the removal of damping and a cap on the amount of money lost due to damping.

Torbay would like clarification as soon as possible on the funding issues with respect to Academy Schools and would urge that no further cuts to the council's formula grant is made in 2012/13.

The Council would ask that the government ensure the 2012/13 council tax freeze grant is guaranteed over the four year CSR period.

I would be grateful if you would consider the points raised in this letter and I would be happy to discuss any of these points in more detail if you felt it is appropriate.

Yours Sincerely

Paul Looby
Executive Head Finance