



# REVENUE BUDGET 2019/2020

## Chief Finance Officer's Report

Published: 25 January 2019

## **1 Introduction**

- 1.1 This report by the Council's Chief Finance Officer provides further information to support both the Elected Mayor's Budget proposals and the Opinion on the robustness of the budget estimates which is included in the covering report to the Revenue Budget 2019/20.
- 1.2 This report aims to provide further information and an overview of a number of key factors, including a number of "technical" finance issues, that have influenced the 2019/20 budget and raises issues for future financial years.

## **2 Overview – Context and Outlook**

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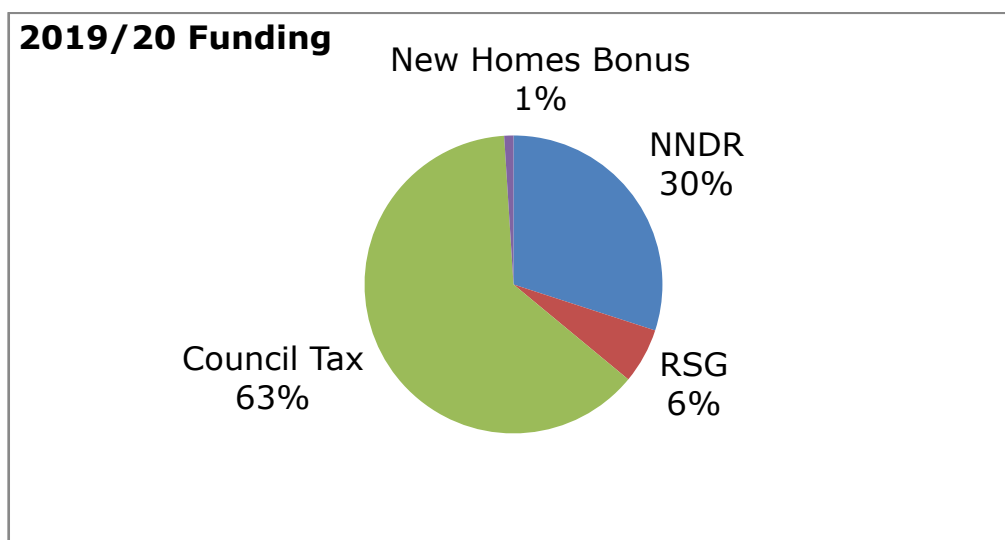
## **3 Budget Overview**

- 3.1 Central government has continued with the same financial plans for ongoing reductions in "core" funding for local government as before. The Ministry of Housing, Communities and Local Government (MHCLG, formerly DCLG) are continuing with the "four year offer" funding to Councils. This results in Torbay's Revenue Support Grant reducing from £27m in 2015/16 to £6m in 2019/20. For 2019/20 the reduction is £4m (from £10m to £6m).
- 3.2 These ongoing reductions in core funding combined with rising costs and demand continue to create significant financial challenges to the Council. Members need to consider the 2019/20 budget in the context of the significant future year budget reductions required.
- 3.3 The Chancellor's Budget in October 2018 and provisional local government finance settlement for 2019/20 announced in December 2018 did however provide some additional funding for Councils which are now included as part of the final budget proposals. The recognition of spending pressures in Councils and these extra funds, although welcome, were one off, partly ring fenced and only offset a part of the total revenue support grant reduction.
- 3.4 The Council's financial planning for 2019/20 started in March 2018 and the Elected Mayor's

provisional budget proposals were published on 2 November 2018 enabling a period for consultation and scrutiny of the proposals. To achieve a balanced budget, the proposals for 2019/20 have required a range of reductions and income generation and a number of difficult choices for the Council.

- 3.5 The Elected Mayor's budget proposals have sought to limit the impact of the reductions on the more vulnerable in society and, within Children's social care, the Council is recommended to invest additional funds for the safeguarding of children resulting in an increased budget for that service of over £4.3m.
- 3.6 To support the difficult budget challenges facing the Council it is proposed by the Elected Mayor that the Council increases its Council Tax requirement by 2.99%.
- 3.7 As the Council has raised Council tax for Adult Social Care by 3% in both 2017/18 and 2018/19 there will be no Council tax rise for this service in 2019/20.
- 3.8 Members of the Overview and Scrutiny Board (through the Priorities and Resources Review Panel) examined the proposals in detail and stakeholders and residents have had the opportunity to make representations on the proposals through the consultation. The Elected Mayor reviewed all of the responses received and the final saving proposals were drawn up after consideration of the responses.
- 3.8 This report supports the Revenue Budget 2019/20. Other budget related reports being presented to Council which are relevant to the Council's overall financial position are:
  - a) 2018/19 Revenue and Capital Budget Monitoring Report – Quarter Three
  - b) 2019/20 Capital Plan
  - c) Capital Strategy and Capital Receipts Strategy
  - d) 2019/20 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy
  - e) 2019/20 Review of Reserves
  - f) Annual Strategic Agreement (for adult social care)
- 3.9 Also relevant are:
  - g) Medium Term Resource Plan (on website)
  - h) Corporate Asset Management Plan
- 3.10 Budget Digest pages, Fees and Charges and updated budget proposals sheets are available separately along with any relevant equalities impact assessments.
- 3.11 A summary of the Council's 2019/20 budget is as follows:

	<b>2019/20</b>	
	£'000	£'000
<b>Elected Mayor's Budget Proposal:</b>		
Net Revenue Expenditure	111,367	
Total Net Revenue Expenditure		111,367
<b>Funded By:</b>		
Business Rate Retention Scheme	33,554	
Revenue Support Grant	6,421	
New Homes Bonus Grant & LSSG	988	
		40,963
Council Tax Requirement	68,688	
Collection Fund - NNDR/Council Tax	1,716	
		70,404
Total Income		111,367



3.14 A summary of the 2019/20 budget by Service area is shown in the table below.

Directorate/Service	Expenditure £000's	Income £000's	Net £000's
Adult Services and Housing	53,300	-14,093	39,207
Children's Services	88,011	-51,776	36,235
<i>Dedicated Schools Grant included in Children's Services. 2019/20 allocation to be announced</i>	39,678	-39,678	0
Public Health	9,627	-544	9,083
<b>Sub Total – Joint Commissioning Team</b>	<b>150,938</b>	<b>-66,413</b>	<b>84,525</b>
<u>Corporate Services</u>			
Community Services	4,351	-2,502	1,849
Corporate Services	6,153	-1,815	4,338
Customer Services	62,891	-59,206	3,685
<i>Housing benefit included in Customer Services</i>	55,996	-55,996	0
<b>Sub Total - Corporate Services</b>	<b>73,395</b>	<b>-63,523</b>	<b>9,872</b>
<u>Finance</u>	20,866	-21,080	-214
<u>Place</u>			
Business Services and Regeneration and Assets	29,527	-16,009	13,518
Investment Properties	6,369	-10,054	-3,685
Planning and Transport	10,078	-2,727	7,351
<b>Sub Total -Place</b>	<b>45,974</b>	<b>-28,790</b>	<b>17,184</b>
<b>TOTAL</b>	<b>291,173</b>	<b>-179,806</b>	<b>111,367</b>
<b>Sources of Funding</b>			
Council Tax	0	-68,688	-68,688
Collection Fund Surplus	0	-1,716	-1,716
Revenue Support Grant	0	-6,421	-6,421
Business Rates (NNDR)	0	-33,554	-33,554
New Homes Bonus and Other Grants	0	-988	-988
<b>TOTAL</b>	<b>0</b>	<b>-111,367</b>	<b>-111,367</b>

#### 4 Local Government Finance Settlement 2019/20

4.1 The MHCLG announced the provisional Local Government Finance Settlement on 13 December 2018. Since that date a number of individual departmental announcements have also been made. Where these are known, these have been included in the 2019/20 budget proposals.

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

- The Council's Revenue Support Grant (RSG) is as per the four year funding "offer" linked to the submission of an Efficiency Plan in October 2016. Torbay's RSG has reduced from £20m in 2016/17 to £14m in 2017/18 and to £10m in 2018/19 – in 2019/20 it will be £6m.

- Referendum limit for all Councils set at 3% and over for 2019/20, or for a district council, by £5. MHCLG projections of spending power for Councils assume that this rise is approved.
- There were no changes to the calculation of the New Homes Bonus Grant. The “reward” for housing growth will continue to be paid for four years (not six years as per the original scheme). Reward will only be paid on growth over a threshold of 0.4% (not 0% as per the original scheme).
- A number of one off funding streams were announced for Torbay:
  - o £1.415m for “Social Care”, un-ring fenced grant.
  - o £0.829m for “Winter Pressures” - ring fenced grant for adult social care
  - o £0.268m for Special need pressures – ring fenced grant within the Dedicated Schools Grant.
- 15 new 100% NNDR pilots for 2019/20 were announced, however a number were withdrawn including disappointingly the Devon wide bid, including Torbay.
- No funding announcements for 2020/21 onwards. 2020/21 will also be the first settlement after the next Central Government Spending Review in 2019. That uncertainty combined with a new 75% NNDR scheme and a new funding formula makes longer term financial planning very challenging.

4.3 Note: At the time of writing this report (24/1/19) the final local government finance settlement has not been issued by MHCLG.

## **5 Use of One Off grant funding in 2019/20**

The budget proposals apply the one off “Social Care” grant of £1.415m in full to Children’s Services to meet current levels of demand and cost. There is a clear risk to future year budgets from this proposal as, if demand remains at current levels and the grant (or alternative funding) is not repeated in 2020/21, the funding gap for that year increases.

It is essential that the Members and officers engage in budget planning for 2020/21 in March 2019. It is strongly recommended that the Council approve additional income, efficiencies or savings to the level used to balance the budget early in 2019/20 so as to ensure that the Council is prudent in its use of the one off grant.

## **6 Formula Funding and Business Rates Consultations 2020/21**

As part of the Provisional Local Government Finance Settlement in December 2018, MHCLG issued two important consultation documents:

- NNDR Retention Scheme: From 2020/21 the MHCLG intend to introduce a 75% NNDR retention scheme for all Councils. The consultation seeks views on the design of the scheme and how and when any NNDR growth is redistributed between Councils to keep the link between funding and need whilst retaining an incentive for growth. In addition the consultation suggests that NNDR baselines are changed on an annual basis to ensure councils are not disadvantaged by the impact of appeals.

- New funding formula to allocate new funding baselines and income baselines to all councils from 2020/21. The aim is to have as simplified a formula as possible that focusses on a limited number of key cost drivers. The consultation proposes an eight block formula which is then adjusted for general factors to reflect labour costs, rates costs and sparsity.

There are seven specific formulas for major services – adults social care, children’s social care, highways, public health, legacy capital costs, fire and flood defence. All other services will form part of a “Foundation” block where it is proposed that this formula will be based purely on total population.

This proposal, although meeting the criteria of being transparent and simple, does not take into account other place based factors that can influence costs and demand such as deprivation and coastal town issues. Also some services included in the Foundation block such as concessionary fares, home to school transport and housing/homelessness are clearly not linked to total population.

The Council will be responding to this consultation and will be liaising with the LGA and other “influencers” to ensure that MHCLG are aware of the impact that the formula would have upon Torbay, in the hope that it is modified to be reflective of the issues Torbay faces.

## **5 NNDR 100% Pilot**

- 5.1 Before the 2017 election it was MHCLG’s intention to introduce a 100% NNDR retention (currently 49%) by the “end of parliament”. A Local Government Finance Act was expected in 2017 to establish the legal basis for this change however this was not included in the Queens Speech for the business of the new government. As a consequence MHCLG invited Councils to submit bids for 100% NNDR pilot areas. A Devon Wide bid was submitted in 2018/19 for all Councils in Devon, including Torbay and the Devon bid was one of 11 that were agreed.
- 5.2 In the provisional Local Government Finance Settlement 2019/20 15 new 100% NNDR pilots for 2019/20 were announced, however a number were withdrawn including, disappointingly, the Devon wide bid including Torbay. As the 100% Pilot has ceased the previous NNDR pool arrangement will now recommence.
- 5.3 The current gain from the NNDR pool arrangements is based on a “saving” on the levy paid on growth by councils. The consultation for 2020/21 proposes the ending of levy payments therefore the gain from the pool will end in 2020/21. The Council in its financial planning assumes a reduction in NNDR income when the pool ends.

## **6 Dedicated Schools Grant**

- 6.1 The Council has to confirm that it will be directing the entire grant received in respect of Dedicated Schools Funding through to those areas defined in the School Finance Regulations. For 2019/2020 the allocation of Dedicated Schools Grant (DSG) before academy school recoupment is £105m. Of this total, it is estimated that approximately £39m will be retained in the Council’s budget for expenditure related to its (maintained) schools and other residual functions.

- 6.2 The DSG and the schools funding formula is being changed with full introduction of a new national simplified minimum per pupil funding formula from 2021/22. DSG from 2018/19 is now allocated over four “blocks” – schools, central schools, early years and higher needs. Movement of funding between these blocks is now severely limited and will cease altogether for schools block from 2021/22 with the introduction of the national school funding formula.
- 6.3 Under the current regulations a local area can continue to take local decisions on the allocation of the school block until the new national formula is in place in 2021/22. The Schools Forum proactively established a task and finish group of representatives across all educational phases to ensure that allocations to schools in the interim delivered the minimum funding allocation per pupil whilst minimising the disruption to individual school budgets whilst moving to the principles of the new national formula.
- 6.4 It should be noted that this estimated figure will be adjusted throughout the year to reflect changes to early years funding and any Academy conversions. It is recommended that the Chief Finance Officer be authorised to make appropriate changes as and when the funding changes.
- 6.5 The key financial pressure within the DSG is in the Higher Needs block. The pressures on the Higher Needs block arise from the level of demand and referrals from schools for support to pupils. In recognition of this pressure Schools Forum for 2018/19 helpfully agreed to move 0.5% of the school block to higher needs, which is the maximum local discretion permissible under the current arrangements. The over spend on the block in 2018/19 is estimated to be £2.7m.
- 6.6 The Council and Schools Forum have also set up a group to implement a “higher needs financial recovery plan”. Schools Forum have, with the aim to achieve a balanced budget for 2019/20, agreed a package of changes and the submission of a disapplication request to the Department for Education to move £1.4m from the schools block to the higher needs block. As at writing (24/01/19) the DfE have not announced its decision in this respect.
- 6.7 As recognition of the national issues in the Higher Needs block, the DfE have allocated Torbay Council an extra £0.268m in both 2018/19 and 2019/20 to support Higher Needs pressures. Although welcome the additional funding in 2018/19 is only 10% of the predicted overspend.
- 6.8 Until the higher needs block achieves financial balance the DSG reserve will be used to fund the cumulative deficit.

## **7 Adult Social Care**

- 7.1 The Council’s budget proposals for 2019/20 includes the contract sum as agreed in the September 2017 Risk Share Agreement (RSA) to the ICO for adult social care of £38.6m. The budget proposals include the continuation of the subsidy to the CCG of £0.9m as a result of the mediation process in 2016/17 between the council and the CCG for the Better Care Fund. If the current RSA does expire then this payment will not be made beyond that point and the Council and CCG will have to renegotiate the allocation of the Better Care Fund in line with national guidance.
- 7.2 From April 2015 central government integrated some social care funding and some health funding into a Better Care Fund which is operated as a pooled budget (approx. £12m) between the Council and the Clinical Commissioning Group (CCG) as the host. For the Council this includes the (former) s.256 funds (£3m) the Council had received directly for adult social care which is



part of the contract funding for adult social care.

- 7.3 The original Better Care Fund allocations have been increased since 2017/18 by the Improved Better Care Fund. The governance and reporting for the IBCF is similar to the BCF however the IBCF is directly awarded to the Council and is for adult social care. The Council is host for the IBCF.
- 7.4 The Council in 2019/20 has an allocation of £7.749m of Improved Better Care Fund (IBCF) and £0.829m of Winter Pressures Funds. These funds are ring fenced for Adult Social care and will be allocated by the Director of Adult Services. There are no IBCF allocations yet announced for 2020/21.
- 7.5 The Council along with its risk share partners, the ICO and the CCG, are aiming to renew the current risk share for a further five years from April 2020.

## 8 Children's Services

- 8.1 The budget for Children's Services comprises the following elements

### 2018/19

<b>Total Children's 2018/19</b>	<b>31,912</b>
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### 2019/20

Total 2018/19	31,912
Budget – rebase	2,250
Budget – future demand	550
Savings	(700)
Inflation	781
Social Care Grant	1,415
Other Changes	28

<b>Total 2019/20</b>	<b>36,236</b>
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Net Increase year on year	4,324	14% increase
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- 8.2 The budget proposals have reflected the current financial issues within the service and have provided a contingency for future cost pressures, whether from demand, case complexity or unit costs. As a result, the base budget for Children's Services, has for 2019/20, increased by over £4.3m – a 14% increase.
- 8.3 From April 2018 the Council has an arrangement in place with Plymouth City Council for the management of the service. In July 2018 a joint Director of Children's Services across Torbay and Plymouth was appointed.
- 8.4 The following is an extract from the agreed "programme vision document" with Plymouth City Council that helpfully summarises the financial relationship from April 2018;

"Each council area will retain financial and statutory accountability for their children's services"

“The joint DCS will be a full member of both council area’s senior leadership teams and will also be expected to report and be accountable to each council areas respective governance structures”

“Both councils will retain financial accountability for children’s services and Torbay Council will provide Plymouth City Council with the appropriate budget for the operational delivery of children’ services. The budgets for both councils will not be pooled and the section 151 officers for both council areas will continue to provide financial oversight and scrutiny of their respective budget in relation to children’s services.”

## 9 Estimation of Collection Fund Surplus/Deficit

- 9.1 The Council makes an estimate of the surplus or deficit on the Collection Fund at year end from under or over achieving the estimated council tax collection rate. As the Council sets a collection rate within its tax base equivalent to the amount collected in the 12 months of the next financial year any surplus primarily represents the collection of sums due in respect of previous years. This indicates a level of success in collecting old year debts and raises the overall, longer term, collection rate well above the “in year” rate, which is 96%.
- 9.2 The latest estimate of the Collection Fund in year in respect of Council Tax as at 31 March 2019 is a £2.0m surplus. This surplus has to be shared in 2019/20 between Torbay Council, Devon and Cornwall Police and Crime Commissioner’s Office and Devon and Somerset Fire and Rescue Authority in accordance with their demands on the Collection Fund for 2018/19. The estimated share of the 2018/19 surplus to be distributed in 2019/20 is as follows:

	Share of Surplus £m	Share %
Torbay Council	1.716	84%
Devon and Cornwall Police and Crime Commissioners Office	0.221	11%
Devon and Somerset Fire and Rescue Authority	0.099	5%
Totals	2.036	100%

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

## 10 National Non-Domestic Rates

- 10.1 As a result of the 100% NNDR Pilot not being continued for 2019/20, the Council’s NNDR income in 2019/20 comprises three parts: a 49% share of NNDR income, a s.31 grant to reflect the loss of NNDR income to the council from central government changes to the NNDR (e.g. SBR) and a Top Up grant that reflects the difference in the Council’s assessed “need” for funding compared to its actual ability to raise NNDR income (as assessed in 2013).

10.2 Since the introduction of the Business Rates Retention Scheme in April 2013, the Council is also required to declare a surplus or deficit for NNDR in a similar way as set out above for council tax. The forecasting of NNDR has involved a wide range of complex variables and influences and is a new area which has caused further complications for medium term financial planning. Overall the Council has declared an estimated net position of “nil” on its Collection Fund in respect of NNDR as at 31st March 2019. Any surplus or deficit based on outturn 2018/19 data will be part of the 100% NNDR Pilot position. Any surplus or deficit arising in 2019/20 will be apportioned between the Council (49%), the Devon and Somerset Fire and Rescue Authority (1%) and central government (DCLG) (50%).

## **11 Council Tax and Referendum Limits**

11.1 To control the level by which local authorities can increase Council Tax, the Government has set limits at which point a referendum would be required. This has been set at 3% or over for 2019/2020. The Elected Mayor’s budget proposal is for a 2.99% increase in this element. There is no “flexibility” now available to the Council for any council tax increases in relation to adult social care.

11.2 Councillors will be aware that the Council Tax bill sent out to residents is made up of three main component parts, namely Torbay Council, Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority. The Secretary of State will consider the three component parts, not the overall bill, and, if one of the three organisations were capped, the Council would have to re-bill. Councillors will also be aware that, in addition, there will be a separate Council Tax charge for residents in the Brixham Town Council area.

11.3 At the time of writing, Brixham Town Council, the Devon and Cornwall Police and Crime Commissioner’s Office and the Devon and Somerset Fire and Rescue Authority have not set their budgets for 2019/2020 or their Council Tax level. For 2019/20 the Police and Crime Commissioner is allowed to raise their element of the Council tax bill by £24 (Band D) which would equate to a rise of 13% on their precept. Once all of these have been declared they will be including in the Council Tax setting report which will be presented to the Council at the end of February 2019.

11.4 The Council Taxbase report in December 2018 referred to a proposal to change the discount period for empty homes. The Head of Finance, in consultation with the Elected Mayor, has reviewed the public consultation feedback and has agreed the change.

11.5 In 2018/19 the Torbay Council area had the lowest band D Council Tax in Devon at £1,731.69 including Adult Social Care, Fire and Police precept but excluding parish precepts. A summary of other local Council’s Band D rates are as follows:

	Torbay (Unitary council)	Plymouth (Unitary council)	Exeter (City Council)	South Hams (District Council)	Teign- bridge (District Council)
District Council	-	-	150.05	160.42	165.17
Devon County	-	-	1,331.19	1,331.19	1,331.19
<b>Total including Adult Social Care Precept</b>	<b>1,459.40</b>	<b>1,470.38</b>	1,481.24	1,491.61	1,496.36
Fire & Police	272.29	272.29	272.29	272.29	272.29
<b>Band D (excluding parish precepts)</b>	<b>1,731.69</b>	<b>1,742.67 +0.6%</b>	<b>1,753.53 +1.3%</b>	<b>1,763.90 +1.9%</b>	<b>1,768.65 +2.1%</b>

10.7 The differential between Torbay and the other Councils increases when Town and parish precepts are added. The 2018/19 precept for Brixham Town Council was £46.77.

## 12 Link between Capital plan and Revenue budget

12.1 There is always a strong link between the Council's capital expenditure and its revenue income and expenditure in particular from capital expenditure funded by borrowing. All borrowing will result in increased revenue costs from both interest costs and principal repayments (reflected by the minimum revenue provision). For the majority of schemes, such as an "invest to save" scheme, these costs should be offset by an income or rental stream. There have, however, been capital projects approved funded initially by prudential borrowing that have an ongoing revenue cost.

12.2 The Capital Plan 2019/20 and the Capital Strategy 2019/20 identifies the schemes to be funded from both types of prudential borrowing and the potential value of borrowing and ongoing interest and principal repayment costs. As the Council significantly increases its range and value of schemes funded from prudential borrowing it is important that all members are aware of the overall current and potential future levels of borrowing and the risks and rewards associated.

12.3 As at 24/1/19 the Councils external borrowing was £285m. The Council's projected external debt could exceed £423m by 2020/21 with a resulting increase in borrowing costs. These borrowing costs will be offset by any income from the assets funded. Further analysis of the Council's borrowing and the schemes it relates to is contained in the 2019/20 Capital Strategy.

	As at 31/12/18 £m	%	Projected £m	%
Supported Borrowing	73	26	73	17
Devon County Council	19	7	19	4
Investment Fund	154	54	200	47
Other Prudential Borrowing	39	13	131	32
	<b>285</b>		<b>423</b>	

12.4 A debt of this level is a key consideration for the Council. The Council should comply with the standards of decision making for prudential borrowing as per the Local Government Act 2003 supported by proper practice as outlined in the Prudential Code and Treasury Management Code of Practice. Both codes were reissued in December 2017. The key consideration is whether any borrowing is “prudent”. The focus and due diligence therefore is, not so much on the total borrowing, but the robustness of the business case with a particular focus on future income streams and future asset values. All Members need however to be aware of the risks and rewards of each scheme and the proportionality of the total borrowing, ongoing borrowing costs and total income streams in relation to the Council’s budget and balance sheet position.

### **13 External Peer Financial Reviews**

13.1 In November 2016 the Council’s financial position and its financial management was subject to two “peer” reviews from the LGA and CIPFA. Both reports were reported to Council at its meeting on 2 February 2017. The reviews were useful in that they both highlighted a number of key issues for the Council which are useful to set out now as they remain relevant:

- Need to make tough financial decisions at pace to achieve a balanced budget
- Need to ensure due diligence is maintained when doing “new” activities
- Focus on the key issues that will make a financial difference
- Critically review the current RSA for ASC
- Support service improvements in Children Services
- Increase levels of both uncommitted (CSR) and general reserve
- Ensure have the correct capacity to ensure the achievement of financial gains

13.2 In November 2018 a further LGA financial review was undertaken (reported to Council in January 2019). The report was positive in the achievements that Torbay has made to date to deliver a balanced budget. Some recommendations from that report are as follows:

- a) Torbay should continue to plan on the basis that it is a self-standing Unitary Authority.
- b) Officers need to begin work now, Council wide, on further transformation and savings proposals for the future, to present to the incoming administration in May 2019 and give them a head start and room to manoeuvre in planning the budget for 2020 and beyond.
- c) Torbay establishes a formal saving delivery plan for Children’s Services which should include an analysis of the current case load to try and determine any structural reasons as to why Torbay has such a high demand for Children’s services. This delivery plan should be monitored corporately at both officer and member level.
- d) The negotiation on the future of the ICO risk share must leave the authority in a position where it is financially sustainable as a whole and must not be conducted in isolation from the corporate position.
- e) On the TOR2 contract, as well as considering the early termination, there should be immediate focus on developing detailed specifications for services after the end of the contract, which in planning terms is now getting close – especially if some of the services need to be procured or if expensive vehicles and plant are to be purchased. Torbay should detail the services it wants and can afford and should seek to deliver significant ongoing savings from this process.
- f) The Council should continue to investigate the option of establishing Town Councils that could raise precepts and provide communities with a different set of options for future service provision. This work should be progressed to a point where members are able to make an

informed decision and be capable of being implemented in April 2020 should the new administration chose to do so.

g) Torbay should continue its discussion with Government about a possible Town Deal. This and similar approaches should be pursued through the Torbay Together initiative.

h) Torbay should continue to explore all possible options to work regionally and sub regionally, to raise its profile and exploit any possible funding streams e.g. through the LEP.

#### **14 CIPFA Financial Resilience Index**

14.1 To provide more information and transparency on Councils' financial position, in particular after the issues in Northamptonshire County Council, CIPFA is intending to issue a "Financial Resilience Index" to provide information.

14.2 Whilst the Index is still to be issued formally, based on draft information it is understood that Torbay's position on the "Indicators of Financial Stress" will ranked as a "higher risk" council but we will not be in the highest level of risk. Factors that show that Torbay Council has a higher risk assessment in relation to children's social care where the council's share of its budget on this service is high and it has an inadequate OFSTED judgement. Other factors showing a higher level of risk are the rate of use of council earmarked reserves and the overall level of reserves compared to budget.

14.3 Conversely lower risk is reflected by a lower than average level of spend on adult social care and no reduction in the level of general (unallocated) reserves.

#### **14 Transformation Programme**

14.1 Key to the longer term financial viability of the Council is the Council's transformation programme supported by a dedicated transformation team. The team supports the development of projects to help deliver financial savings. A number of these projects have already resulted in some savings which have been incorporated in previous year budgets and some for 2019/20. Projects include investment fund, income optimisation, council re design and improving collection fund income.

14.2 The financial challenge facing the council is significant and therefore the transformation process is key to bringing forward viable projects "at pace". It is expected that the Council's 2020/21 budget will be significantly informed by these projects.

#### **15 Longer Term Future Council Funding**

15.1 The Medium Term Resource Plan will be updated by the end of March 2019 to include the impact of the approved 2019/20 budget and the latest estimates of future year costs and funding. As an initial guide, prior to more detailed work being undertaken post budget setting, it is estimated that between 2020/21 and 2021/22 the Council will require in the region of £12m of reductions to achieve a balanced budget.

15.2 As 2020/21 will be the first settlement after the next central Government Spending Review in 2019, alongside the new 75% NNDR scheme, there is a considerable amount of uncertainty which makes longer term financial planning very challenging.

- 15.3 The aim is that Councils will not have any central government “core” funding with the Councils funded from council tax and NNDR. Councils therefore have a clear incentive that, to secure funding for services in the future, there has to be increases in both its council tax base (housing) and NNDR (business). It must be noted that MHCLG are still intending to control Council spend by the retention in the system of both funding baselines and income baselines. This is not only to control total funding therefore enabling overall funding reductions by changing tariff and top up grants, but also to enable total funding to be redistributed on need.
- 15.4 This reliance on local taxation as the prime source of funding has risks as the link between a council’s need for funding to provide services (linked to population and demand) and its funding linked, in part, to economic growth may not move in a similar direction. In addition NNDR income is volatile and is, to a large extent, outside a Council’s direct control. Spreading NNDR risk and reward over a wider area is therefore a benefit.