



# REVENUE BUDGET 2017/2018

## Chief Finance Officer's Report

Published: 2 February 2017

## **1 Introduction**

- 1.1 This report by the Council's Chief Finance Officer supports both the Mayor's Budget proposals and the opinion on the robustness of the budget estimates given in the covering report to the Revenue Budget 2017/18.
- 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 2017/18 budget and raises issues for future financial years.

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

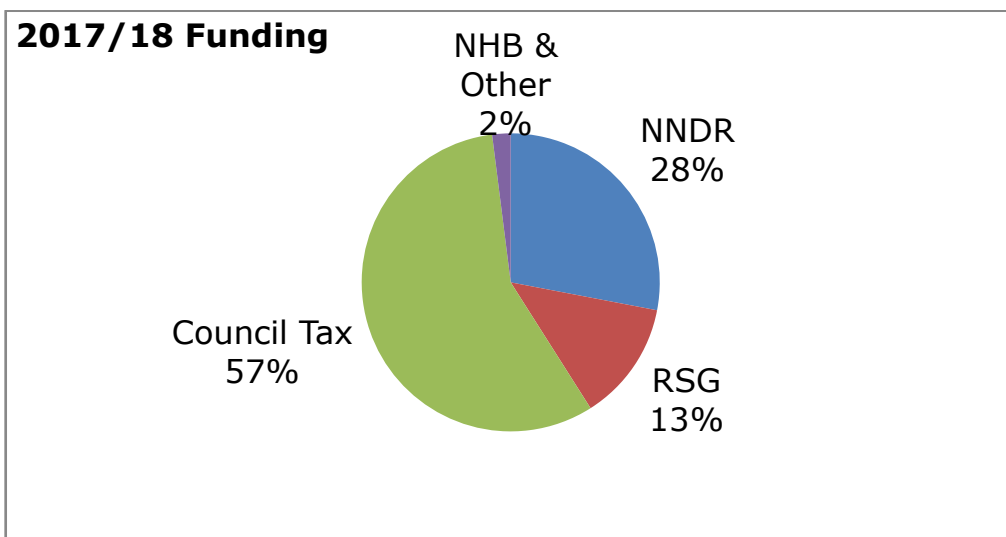
- Budget Overview 2017/18
- Local Government Settlement 2017/18
- Dedicated Schools Grant 2017/18
- Adult Social Care
- Children's Services
- Estimation of Collection Fund Surplus/Deficit 2017/18
- Council Tax and Referendum Limits 2017/18
- Better Care Fund 2017/18
- Link between Capital Plan and Revenue budget
- External Peer Reviews
- Transformation Programme
- Longer Term Future Council Funding

## **3 Budget Overview 2017/18**

- 3.1 The 2017/18 budget is for the second financial year after the election of the Conservative Government in May 2015. Government announcements including the four year Spending Review (November 2015) and the subsequent Local Government Finance Settlements and Autumn Statement 2016 has confirmed the continuation of the national "austerity" process where local government funding is being significantly reduced as demand for services and service costs continue to rise.
- 3.2 Although the new Prime Minister and Chancellor have signalled some softening and/or extending the period of austerity this has not been applied to Local Government Funding with the Chancellor in his Autumn 2016 statement confirming the control totals in the Spending Review 2015 and with DCLG confirming the "four year offer" to Councils. This results in Torbay's Revenue Support Grant reducing from £27m in 2015/16 to £6m in 2019/20.
- 3.3 These ongoing reductions in core funding combined with rising costs and demand continue to create significant financial challenges to the Council. It is absolutely essential that Members consider the 2017/18 budget proposals in the context of the significant future year budget reductions required.
- 3.4 The Council's financial planning for 2017/18 started in June 2016 and the Mayor's provisional budget proposals were published on 4th November 2016 enabling a period for consultation and scrutiny of the proposals.

- 3.5 The proposals for 2017/18 have required over £7.6m of reductions to achieve a balanced budget. This has required the proposal of a number of difficult choices for the Council. The reductions identified for 2017/18 are a good step towards the total estimated reductions required over the next four years, but this is in the context of an estimated £20m of further reductions to be achieved over the next three financial years.
- 3.6 The proposals have sought to limit the impact of the reductions on the more vulnerable in society and within Children's social care the Council is recommended to invest additional funds for the safeguarding of children.
- 3.7 To support the difficult budget challenges facing the Council it is proposed by the Mayor that the Council increases its Council Tax requirement by 1.99%. In addition it is proposed by the Mayor to take the option of supporting adult social care by raising the Council tax by a further 2%. (maximum permitted in 2017/18 is 3%).
- 3.8 Members of the Overview and Scrutiny Board (Priorities and Resources) examined the proposals in detail and stakeholders and residents have had the opportunity to make representations on the proposals through the consultation. The Mayor reviewed all of the responses received and the final saving proposals were drawn up after consideration of the responses.
- 3.9 This report supports the Revenue Budget 2017/18. Other budget related reports being presented to Council in February which are relevant to the Council's overall financial position are:
- a) 2016/17 Revenue Budget Monitoring Report – Quarter Three
  - b) 2016/17 Capital Plan Monitoring Report – Quarter Three
  - c) 2017/18 Capital Plan
  - d) Capital Strategy and Capital Receipts Strategy
  - e) Corporate Asset Management Plan
  - f) 2017/18 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy
  - g) 2017/18 Review of Reserves
  - h) Annual Strategic Agreement (for adult social care)
  - i) Children's Services Financial Plan (February 2017)
- 3.10 In addition members may wish to also refer to the Efficiency Plan and Medium Term Resource Plan, both are available on the Council's website.
- 3.11 Budget Digest pages, Fees and Charges and updated budget proposals sheets are available separately along with any relevant equalities impact assessments.
- 3.12 A summary of the Council's 2017/18 budget is as follows:

|  | <b>2017/18</b> |                |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Mayor's Budget Proposal:</b>              |                |                |
| Net Revenue Expenditure                      | 108,487        |                |
| Adult Social Care funded from 2% Council Tax | 1,155          |                |
| <b>Total Net Revenue Expenditure</b>         |                | <b>109,642</b> |
| <b>Funded By:</b>                            |                |                |
| Business Rate Retention Scheme               | 30,760         |                |
| Revenue Support Grant                        | 14,188         |                |
| New Homes Bonus Grant                        | 2,300          |                |
| Other Grants                                 | 154            |                |
|  |                | <b>47,402</b>  |
| Council Tax Requirement                      | 60,075         |                |
| Collection Fund - NNDR/Council Tax           | 2,165          |                |
|  |                | <b>62,240</b>  |
| <b>Total Income</b>                          |                | <b>109,642</b> |



3.13 A summary of budget by Service area is shown in the table below.

| Business Unit/Service                       | 16/17 Budget   | 2017/18        |                  |                |
|---|----------------|----------------|------------------|----------------|
|   | Net            | Expenditure    | Income           | Net            |
|   | £000's         | £000's         | £000's           | £000's         |
| <b>Joint Commissioning Team (JCT)</b>       |                |                |                  |                |
| Adult Social Care Total                     | 39,293         | 42,539         | (1,946)          | 40,593         |
| Dedicated Schools' Grant                    | 0              | 36,786         | (36,786)         | 0              |
| Children's Services                         | 28,955         | 40,828         | (11,954)         | 28,874         |
| Reserve identified for Children's           | (1,100)        | 0              | 0                | 0              |
| Public Health and Community Safety          | 9,892          | 11,116         | (1,479)          | 9,637          |
|   |                |                |                  |                |
| <b>Sub Total – Joint Commissioning Team</b> | <b>77,040</b>  | <b>131,269</b> | <b>(52,165)</b>  | <b>79,104</b>  |
|   |                |                |                  |                |
| <b>Joint Operations Team (JCT)</b>          |                |                |                  |                |
| Community & Customer Services               | 28,107         | 36,874         | (9,213)          | 27,661         |
| Housing Benefit                             | (195)          | 66,144         | (66,439)         | (295)          |
| Corporate & Business Services               | 7,202          | 37,858         | (34,686)         | 3,172          |
| New Homes Bonus Grant (now in funding)      | (3,098)        | 0              | 0                | 0              |
|   |                |                |                  |                |
| <b>Sub Total – Joint Operations Team</b>    | <b>32,016</b>  | <b>140,876</b> | <b>(110,338)</b> | <b>30,538</b>  |
|   |                |                |                  |                |
| <b>TOTAL</b>                                | <b>109,056</b> | <b>272,145</b> | <b>(162,503)</b> | <b>109,642</b> |

#### 4 Local Government Settlement

4.1 The DCLG announced the Local Government Finance Settlement on 16th December 2016. Since that date a number of individual departmental announcements have also been made. Where these are known, these have been included in the 2017/18 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 is to reduce from £20m in 2016/17 to £14m in 2017/18. Torbay's RSG is to reduce to £14m in 2018/19 and to £6m in 2019/20. Nationally only 10 Councils did not take the four year funding "offer".
- Referendum limit for all Councils set at 2% and over for 2017/18, or by £5 (excluding the option for adult social care). DCLG projections of spending power for Councils assume that this rise is approved.

- Councils with social care responsibilities previously had the option of increasing council tax by a further 2% per annum for each of the next three years to help meet the increased costs of adult social care. Over three years this would have been a total of 6% - i.e. (2+2+2). However Councils now have the option of changing the profile of those increases to be 3% per annum for the first two years – i.e. (3+3+0), but keeping a total rise over three years of 6%. A two percent rise generates £1.155m for adult social care and a three percent rise generates £1.732m
- There are significant changes to the calculation of the New Homes Bonus Grant. The “reward” for housing growth will now be paid for four years not six (with a transition year in 2017/18 of five years). Reward will only be paid on growth over a threshold of 0.4% and only paid on planning approvals for housing granted without an appeal. These changes were due to impact from April 2018 but have been brought in a year early in April 2017. This is a loss of grant of £0.8m for the Council in 2017/18.
- The bringing forward of the reduction in new homes bonus grant was to fund a new, one year only, adult social care grant. Torbay’s allocation is £0.8m which has been shown as income to adult social care in the Council’s budget.
- The combined impact of the above two grant changes on Torbay as a unitary council is therefore neutral.
- No (national) support or recognition for funding issues in Children's Social Care.
- To recognise the impact of the 2017 NNDR revaluation on the Council’s 49% share of NNDR income DCLG have adjusted the Council NNDR top up grant by a “proxy” calculation. This increase in top up grant is offset by the reduction in NNDR income from the revaluation. DCLG will revisit the adjustment when actual 2016/17 data is known.
- 100% NNDR retention (currently 49%) by “end of parliament” for Councils is still an active proposal. A Local Government Finance Act is expected in 2017 to establish the legal basis for this change although the detail of how the scheme will operate is yet to be confirmed. The introduction of this change will, in theory, be fiscally neutral as RSG and other funding will be adjusted and, as yet unnamed, new responsibilities to be passed to Councils. This could include public health and housing benefit administration. The challenge for DCLG and local government is to have a system that both rewards growth but also maintains a link to a councils “need” for funding.

4.3 Note: in writing this report (30/1/17) the final local government finance settlement has not been issued by DCLG.

## **5 Dedicated Schools Grant**

5.1 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 2017/2018 the allocation of Dedicated Schools Grant before academy school recoupment is £95.3m. Of this total, it is recommended that approximately £36.8m be included in the Council’s budget for schools related expenditure for its own (maintained) schools.

5.2 It should be noted that this estimated figure will be adjusted throughout the year to reflect changes to early years funding and Academy conversions. It is recommended that the Chief Finance Officer be authorised to make appropriate changes as and when the funding changes.

## 6 Adult Social Care

6.1 The budget for Adult Social Care comprises the following elements

### **2016/17**

|                        |        |
|------------------------|--------|
| ASC Budget             | 38,193 |
| 2% Council Tax Precept | 1,100  |

**Total ASC 2016/17** **39,293**

### **2017/18**

|                             |        |
|-----------------------------|--------|
| Total ASC 2016/17           | 39,293 |
| 2% Council Tax Precept      | 1,155  |
| ICO Efficiencies/Savings    | (955)  |
| Social Care Grant           | (833)  |
| Inflation/additional budget | 2,658  |

**Total ASC 2017/18** **41,318** (ASC £40.593m, Corporate £0.725m)

Net Increase year on year 2,025 5% increase

6.2 As outlined in the Revenue Budget covering report there are significant risks associated with adult social care expenditure. The risks arise from two issues. Firstly under the RSA with the ICO the Council is exposed to a 9% share of any ICO deficit. The current ICO financial position demonstrates an increasing deficit, with their financial position for 2017/18 also reliant on a significant value of savings which are yet to be delivered. The National regulators for the NHS now require a greater 'surplus' to be achieved by the ICO and CCG in order to receive additional transformation monies, and this is different to the original 5 year business case the Council signed up to. Secondly, the ICO have given notice to withdraw from the current RSA, therefore at this stage the Council does not have an acceptable contract, or a clear cost for that service, for the last three months of the 2017/18 financial year. Both of these issues result in significant risks to the Council given there are upward price pressures on providers in the independent sector.

6.3 The Mayor's final budget proposals do provide a sum as a contingency for adult social care in mitigation of these risks, and the Mayor has increased the level of this from that contained within his original proposals. It is however clear that, even taking this into account, significant financial uncertainty still exists. This risk would be further mitigated against if the Council were to increase Council Tax by the further 1% permissible in 2017/18 for adult social care, however even with this additional increase a significant risk still exists. The national debate on adult social care and the sustainability of it has been fronted by ADASS with national government and the response which allows a local tax to be used for adult social care is intended to support those areas like Torbay which are struggling to sustain social care services.

- 6.4 The summary in 6.1 above demonstrates that the Council expenditure on ASC has increased year on year over the value of the 2% council tax precept raised for adult social care. This additional funding is expected to be paid to the ICO under the RSA agreement to meet the service's needs as outlined in the Annual Strategic Agreement.
- 6.5 For clarity the Council's budget proposals for 2017/18 includes the contract sum as agreed in the September 2015 Risk Share Agreement to the ICO for adult social care of £35.6m adjusted for an element in relation to care home fees of £0.860m. The budget proposals include the subsidy to the CCG of £0.9m as a result of the national 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 Children's Services

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

### 2016/17

|                   |        |
|-------------------|--------|
| Children's Budget | 28,955 |
|-------------------|--------|

|                                 |               |
|---------------------------------|---------------|
| <b>Total Children's 2016/17</b> | <b>28,955</b> |
|---------------------------------|---------------|

### 2017/18

|                          |        |
|--------------------------|--------|
| Total 2016/17            | 28,955 |
| Placement Costs - rebase | 1,000  |
| Placement cost savings   | (411)  |
| Inflation/Pension        | 462    |
| Funding Change           | (285)  |
| Efficiencies/Savings     | (847)  |

|                      |               |
|----------------------|---------------|
| <b>Total 2017/18</b> | <b>28,874</b> |
|----------------------|---------------|

|                           |      |               |
|---------------------------|------|---------------|
| Net Decrease year on year | (81) | 0.3% decrease |
|---------------------------|------|---------------|

- 7.2. The budget for children's services for 2017/18 is influenced by the Council's (new) Director of Children's services that commenced in July 2016. In addition to taking steps in 2016/17 to stabilise the financial position the Director has also revised the Ofsted Improvement Plan and set out a revised Medium Term Financial Strategy, with support from internal and external sources. The changed approach places a focus on activity that will improve outcomes for children and families whilst also addressing areas of high aggregate spend and per capita costs. A (prudent) proportion of the potential savings identified for 2017/18 have been included in the 2017/18 budget proposals.
- 7.3. As a result of the above, the base budget for Children's Services has remained more or less unchanged year on year. Previous financial plan agreed in October 2014 had envisaged a reduction in £1.1M in the base budget for 2017/18 which has not proven practicable. This acknowledges that the actions to date, whilst delivering tangible savings, have merely gone some



way to addressing historical overspends, although the revised strategy does aim to reduce the base budget in future years to bring it in line with comparators.

## 8 Estimation of Collection Fund Surplus/Deficit

8.1 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 to above the in year rate of 96%.

8.2 The latest estimate of the Collection Fund in year in respect of Council Tax as at 31 March 2017 is a £2.6m surplus.

8.3 This surplus has to be shared in 2017/18 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 2016/17. The estimated share of the 2016/17 surplus to be distributed in 2017/18 is as follows:

|  | Share of Surplus<br>£m | Share<br>% |
|--|------------------------|------------|
| Torbay Council   | 2.215                  | 84%        |
| Devon and Cornwall Police and Crime Commissioners Office | 0.291                  | 11%        |
| Devon and Somerset Fire and Rescue Authority             | 0.135                  | 5%         |
| Totals   | 2.641                  | 100%       |

8.4 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.

### 8.5 National Non-Domestic Rates

8.6 The Council's NNDR income comprises three parts: Its 49% share of NNDR income, a s31 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).

8.7 The 2017 NNDR revaluation has impacted on Torbay. DCLG have stated their intention for this change to be fiscally neutrals to Councils. For Torbay the gross rateable values fell 6% from £98m to £92m.

8.8 To reflect this loss of income DCLG have increased the Council's Top Up Grant to £14.0m. This was calculated under a "proxy" calculation linked to 2015/16 data so will be updated for 2016/17 actual data in due course. Council's 49% share of NNDR income has reduced from the revaluation and has been estimated at £14.9m for 2017/18 (as per NNDR1 return to DCLG). The 2017/18

NNDR income figure is also influenced by national changes to the NNDR reliefs and thresholds. As a result the Council is estimated to receive £1.8m of funds (as s31 grant) to compensate for the financial impact of these national changes. Within the NNDR1 the value of the transitional arrangements for the phasing in of the financial impact on the 2017 revaluation on businesses is £3.6m. These arrangements are fiscally neutral for the Council.

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

8.10 Overall the Council has declared an estimated deficit position of £0.106m on its Collection Fund in respect of NNDR as at 31st March 2017. This is apportioned between the Council (49%), the Devon and Somerset Fire and Rescue Authority (1%) and central government (DCLG) (50%). The Council's share of the deficit is £51,000. The NNDR reserve will be used in 2016/17 to smooth the impact and timing of this variance between the section 31 NNDR grant and the NNDR deficit being funded.

## **9 Council Tax and Referendum Limits**

9.1 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 have been set at 2% or over for 2017/2018. The Mayor's budget proposal is for a 1.99% increase in this element.

9.2 The Council is responsible for social care and is therefore able to raise its Council Tax from April 2017 by a further 3% each year subject to the increased tax income being allocated to adult social care. The Mayor's budget proposal is for a 2% increase in this element. A two percent rise generates £1.155m for adult social care and a three percent rise would generate £1.733m

9.3 Therefore the Mayor is proposing a 3.99% rise in the Torbay Council share of the overall Council Tax for 2017/2018.

9.4 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.

9.5 Councillors will also be aware that, in addition, there will be a separate Council Tax charge for residents in the Brixham Town Council area.

9.6 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 2017/2018 or their Council Tax level. Once 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 2017.

- 9.7 In 2016/17 the Torbay Council area had the lowest band D Council Tax in Devon at £1,564.31 including (Adult Social Care, Fire and Police precept). A summary of other local Council's Band D rates are as follows:

|  | Torbay<br>(Unitary<br>council) | Plymouth<br>(Unitary<br>council) | Exeter<br>(City<br>Council) | South Hams<br>(District<br>Council) | Teign –<br>bridge<br>(District<br>Council) |
|--|--------------------------------|----------------------------------|-----------------------------|-------------------------------------|--|
| District Council   | -                              | -                                | 140.05                      | 150.42                              | 155.17                                     |
| Devon County<br>(including Adult Social<br>Care precept) | -                              | -                                | 1,207.62                    | 1,207.62                            | 1,207.62                                   |
| <b>Total including Adult<br/>Social Care Precept</b>     | <b>1,311.49</b>                | <b>1,346.99</b>                  | <b>1,347.67</b>             | <b>1,358.04</b>                     | <b>1,362.79</b>                            |
| Fire & Police  | 252.82                         | 252.82                           | 252.82                      | 252.82                              | 252.82                                     |
| <b>Band D (excluding<br/>parish precepts)</b>            | <b>1,564.31</b>                | <b>1,599.81</b>                  | <b>1,600.49</b>             | <b>1,610.86</b>                     | <b>1,615.61</b>                            |

## 10 Better Care Fund

- 10.1 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 s256 funds (£3m) the Council had received directly for adult social care.
- 10.2 In the agreed RSA for ASC which predated the BCF changes the Council had committed the value of the former s256 grant within its RSA contract payment. In March 2016 the CCG informed the Council that they would be cutting the value for social care within the BCF by £0.9m. The result of this is that the Council has to fund this shortfall by means of payment to the CCG. If the RSA does finish in line with the ICO twelve month notice period then this payment will not be made from January 2018 and the Council and CGG will renegotiate the BCF allocation in line with national guidance. The Council has not yet received national guidance for BCF which is due at the end of January 2017 for schemes that are due to commence in April 2017.

## 11 Link between Capital plan and Revenue budget

- 11.1 There is always a strong link between the Council's capital expenditure and its revenue income and expenditure in particular from capital expenditure funded from 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.
- 11.2 The capital plan 2017/18 identifies the schemes funded from both types of prudential borrowing and identifies the ongoing revenue costs of those projects that do not have an income stream. These costs total in 2017/18 approx. £1.5m which include the interest and MRP costs in relation to South Devon Highway. The 2017/18 capital plan does not include the approval of any new borrowing schemes therefore the 2017/18 costs will be similar to 2016/17.

## **12 External Peer Reviews**

- 12.1 In November the Council's financial position and its financial management was subject to two "peer" reviews from the LGA and CIPFA. Both reports are being reported to Council at its meeting on 2 February 2017.
- 12.2 The reviews were useful in that they both highlighted a number of key issues for the Council. The issues particularly relevant to the Council's finances were:
- 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
- 12.3 In addition the reviews provided some useful benchmarking information on both income and expenditure which officers are investigating. Both reviews acknowledged the good job the Council's finance team was doing in very challenging circumstances.

## **13 Transformation**

- 13.1 Key to the longer term financial viability of the Council's the Council's transformation programme supported by a dedicated transformation team. The team has started to develop projects to help deliver financial savings. A number of these projects have already resulted in some savings which have been incorporated in the 2017/18 budget.
- 13.2 The financial challenge facing the council is significant therefore the transformation process is key to bringing forward viable projects "at pace". It is expected that the Council's 2018/19 and 2019/20 budget will be significantly informed by these projects.

## **14 Longer Term Future Council Funding**

- 14.1 DCLG, in the 2016/17 local government finance settlement, announced an (optional) four year funding settlement. Torbay in October 2016 accepted DCLG's offer of a four year minimum funding settlement linked to the Councils approval of an "efficiency plan" in September 2016.
- 14.2 The Medium Term Resource Plan will be updated by end of March 2017 to include the impact of the 2017/18 budget and the latest estimates of future year costs and funding. As a guide, prior to more detailed work being undertaken post budget setting, it is estimated that between 2017/18 and 2019/20 the Council will require in the region of £20m of reductions to achieve a balanced budget.
- 14.3 It is important for Members to be updated and then consider the potential future funding position for Councils by the end of the current parliament and what actions need to be taken in the short term. Central Government proposals are for Councils to retain 100% of NNDR while removing revenue support grant completely. In addition NNDR income may also replace other grant funding such as public health and housing benefit administration grant.

- 14.4 The aim is that Councils will then be self sufficient from central government “general” funding with Council funding being council tax and NNDR. The government in January 2017 announced the Local Government Finance Act which will establish the legal basis for the funding change along with a number of other local government and NNDR changes.
- 14.5 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).
- 14.6 This reliance on local taxation as the prime source of funding has risks as the link between a council’s need for funding to provide services (linked to population and demand) and its funding now linked to economic growth may not move in a similar direction. In addition NNDR income is volatile and is, to a large extent, outside a Council’s direct control. For example in 2015 a high court judgment on NNDR for GP surgeries has reduced Councils’ NNDR tax income in 2015/16 and future years. Under 100% NNDR income Torbay Council would have to fund all the cost implications of this judgment over which it had no control.
- 14.7 Although there is some certainty over future year RSG allocations there is uncertainty over a number of other elements of council funding in future years. The government has recently announced the results of its review of the New Homes Bonus Grant. However to be confirmed are the results of review of council funding formula which will increase or decrease the councils funding baseline, the actual proposals for the introduction of 100% NNDR retention by Councils and the linked potential allocation of new responsibilities to councils, allocation of funds for adult social care in the Enhanced Better Care Fund and the changes to funding from the final 2017 NNDR revaluation calculation due in 2017/18. All of these could impact significantly on future year council funding and budgets.

Appendix 1: NNDR1 2017/18

**NATIONAL NON-DOMESTIC RATES RETURN - NDR1  
2017-18**

Please e-mail to: [nldr.statistics@communities.gsi.gov.uk](mailto:nldr.statistics@communities.gsi.gov.uk) by no later than **31 January 2017**.  
In addition, a certified copy of the form should be returned by no later than **31 January 2017** to the same email address

**All figures must be entered in whole £**

If you are content with your answers please return this form to DCLG as soon as possible

Select your local authority's name from this list:

Authority Name  
E-code  
Local authority contact name  
Local authority contact number  
Local authority e-mail address

|                           |
|---------------------------|
| Torbay UA                 |
| E1102                     |
| Wendy Urban               |
| 01803 207520              |
| wendy.urban@torbay.gov.uk |

Ver 1

**PART 1A: NON-DOMESTIC RATING INCOME**

**COLLECTIBLE RATES**

1. Net amount receivable from rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs and accounting adjustments £ **34,263,772**

**TRANSITIONAL PROTECTION PAYMENTS**

2. Sums due to the authority **0**

3. Sums due from the authority **3,609,793**

**COST OF COLLECTION (See Note A)**

4. Cost of collection formula **195,813**

5. Legal costs **0**

6. Allowance for cost of collection **195,813**

**SPECIAL AUTHORITY DEDUCTIONS**

7. City of London Offset : Not applicable for your authority **0**

**DISREGARDED AMOUNTS**

8. Amounts retained in respect of Designated Areas **0**

9. Amounts retained in respect of Renewable Energy Schemes (See Note B) **0**

of which:  
10. sums retained by billing authority **0**

11. sums retained by major precepting authority **0**

**NON-DOMESTIC RATING INCOME**

12. Line 1 plus line 2, minus lines 3 and 6 - 9 **30,458,166**

Please investigate the error messages shown below and make the appropriate changes to the form. Any comments should be added at the bottom of Part 4

Line 12 does not equal line 1 plus line 2, minus lines 3 and 6 to 9. Please check why.

Local Authority : Torbay UA

Ver 1.00

**PART 1B: PAYMENTS**

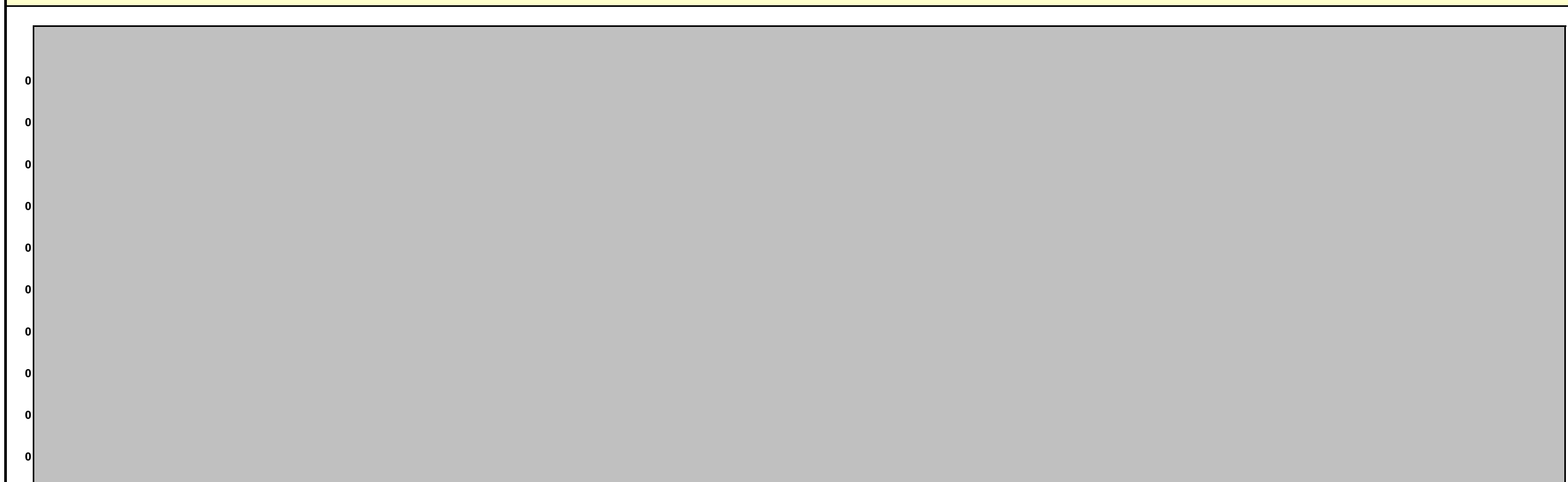
**This page is for information only; please do not amend any of the figures**

The payments to be made, during the course of 2017-18 to:

- i) the Secretary of State in accordance with Regulation 4 of the Non-Domestic Rating (Rates Retention) Regulations 2013;
  - ii) major precepting authorities in accordance with Regulations 5, 6 and 7; and to be
  - iii) transferred by the billing authority from its Collection Fund to its General Fund,
- are set out below

|  | Column 1<br>Central<br>Government | Column 2<br>Torbay UA | Column 3  | Column 4<br>Devon and<br>Somerset Fire<br>Authority | Column 5<br>Total |
|--|-----------------------------------|-----------------------|-----------|---|-------------------|
|  | £                                 | £                     | £         | £   | £                 |
| <b>Retained NDR shares</b>   |                                   |                       |           |   |                   |
| 13. % of non-domestic rating income to be allocated to each authority in 2017-18 | <b>50%</b>                        | <b>49%</b>            | <b>0%</b> | <b>1%</b>   | <b>100%</b>       |
| <b>Non-Domestic Rating Income for 2017-18</b>                                    |                                   |                       |           |   |                   |
| 14. Non-domestic rating income from rates retention scheme                       | <b>15,229,083</b>                 | <b>14,924,501</b>     | <b>0</b>  | <b>304,582</b>                                      | <b>30,458,166</b> |
| 15.(less) deductions from central share  | <b>0</b>                          | <b>0</b>              | <b>0</b>  | <b>0</b>  | <b>0</b>          |
| 16 <b>TOTAL:</b>   | <b>15,229,083</b>                 | <b>14,924,501</b>     | <b>0</b>  | <b>304,582</b>                                      | <b>30,458,166</b> |
| <b>Other Income for 2017-18</b>  |                                   |                       |           |   |                   |
| 17. add: cost of collection allowance  |                                   | <b>195,813</b>        |           |   | <b>195,813</b>    |
| 18. add: amounts retained in respect of Designated Areas                         |                                   | <b>0</b>              |           |   | <b>0</b>          |
| 19. add: amounts retained in respect of renewable energy schemes                 |                                   | <b>0</b>              | <b>0</b>  |   | <b>0</b>          |
| 20. add: qualifying relief in Enterprise Zones                                   |                                   | <b>0</b>              | <b>0</b>  | <b>0</b>  | <b>0</b>          |
| 21. add: City of London Offset   |                                   | <b>0</b>              |           |   | <b>0</b>          |
| 22. add: additional retained Growth in Pilot Areas                               |                                   | <b>0</b>              | <b>0</b>  | <b>0</b>  | <b>0</b>          |
| 23. add: in respect of Port of Bristol hereditament                              |                                   | <b>0</b>              |           |   | <b>0</b>          |

|   |            |            |    |         |            |
|---|------------|------------|----|---------|------------|
| <b>Estimated Surplus/Deficit on Collection Fund</b>   | £          | £          | £  | £       | £          |
| 24. % of non-domestic rating income to be allocated to each authority in 2016-17 (for row 25) | 50%        | 49%        | 0% | 1%      | 100%       |
| 25. Estimated Surplus/Deficit at end of 2016-17   | -51,782    | -50,746    | 0  | -1,036  | -103,564   |
| <b>TOTAL FOR THE YEAR</b>   | £          | £          | £  | £       | £          |
| 26. Total amount due to authorities   | 15,177,301 | 15,069,568 | 0  | 303,546 | 30,550,415 |

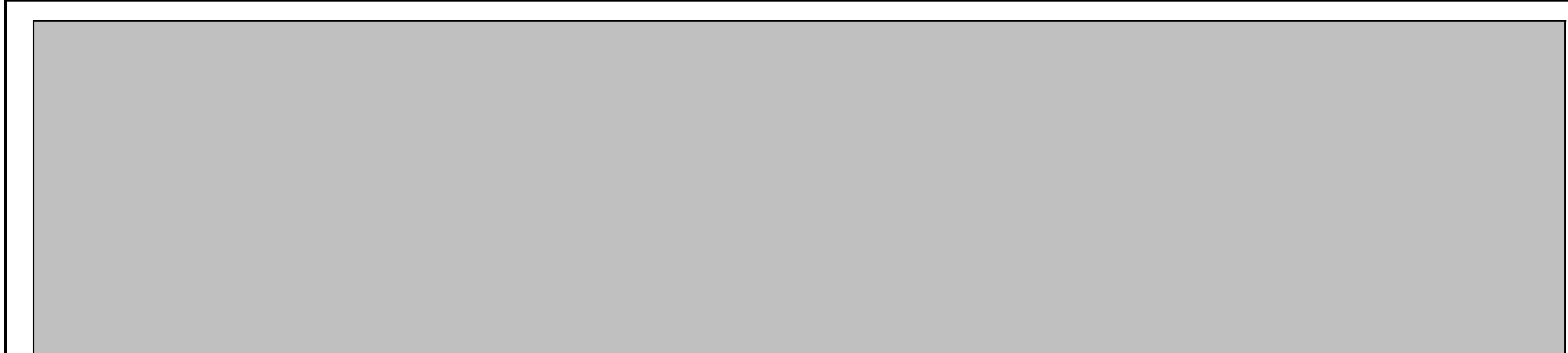


**Local Authority : Torbay UA** Ver 1.00

**PART 1C: SECTION 31 GRANT (See Note C)**  
**This page is for information only; please do not amend any of the figures**  
*Estimated sums due from Government via Section 31 grant, to compensate authorities for the cost of changes to the business rates system announced in the 2013, 2014 & 2015 Autumn Statements*

|   | Column 2<br>Torbay UA | Column 3 | Column 4<br>Devon and Somerset Fire Authority | Column 5<br>Total |
|---|-----------------------|----------|---|-------------------|
|   | £                     | £        | £   | £                 |
| <b>2015-16 Multiplier Cap</b>   |                       |          |   |                   |
| 27. Cost of 2% cap on 2015-16 small business rates multiplier               | 224,188               | 0        | 4,575   | 228,763           |
| <b>Small Business Rate Relief</b>   |                       |          |   |                   |
| 28. Cost of doubling SBRR & threshold changes for 2017-18                   | 1,392,580             | 0        | 28,420  | 1,421,000         |
| 29. Cost to authorities of maintaining relief on "first" property           | 6,363                 | 0        | 130   | 6,493             |
| <b>"New Empty" Property Relief</b>  |                       |          |   |                   |
| 30. Cost to authorities of giving relief to newly-built empty property      | 0                     | 0        | 0   | 0                 |
| <b>"Long Term Empty" Property Relief</b>                                    |                       |          |   |                   |
| 31. Relief on occupation of "long-term empty" property                      | 5,069                 | 0        | 103   | 5,172             |
| <b>Rural Rate Relief</b>  |                       |          |   |                   |
| 32. Cost to authorities of providing 100% rural rate relief                 | 0                     | 0        | 0   | 0                 |
| <b>Local Newspaper Temporary Relief</b>                                     |                       |          |   |                   |
| 33. Cost to authorities of providing relief                                 | 0                     | 0        | 0   | 0                 |
| <b>Enterprise Zone qualifying relief in 100% pilot areas</b>                |                       |          |   |                   |
| 34. Amount of qualifying relief   | 0                     | 0        | 0   | 0                 |
| <b>TOTAL FOR THE YEAR</b>   | £                     | £        | £   | £                 |
| 35. Amount of Section 31 grant due to authorities to compensate for reliefs | 1,628,200             | 0        | 33,228  | 1,661,428         |

**NB** To determine the amount of S31 grant due to it, the authority will have to add / deduct from the amount shown in line 35, a sum to reflect the adjustment to tariffs / top-ups in respect of the multiplier cap (See notes for Line 35)



**Certificate of Chief Financial Officer / Section 151 Officer**

I confirm that the entries in this form are the best I can make on the information available to me and amounts are calculated in accordance with regulations made under Schedule 7B to the Local Government Act 1988. I also confirm that the authority has acted diligently in relation to the collection of non-domestic rates.

**Name of Chief Financial Officer or Section 151 Officer :** .....

**Signature :** .....

**Date :** .....