

Meeting: Council

Date: 8 February 2018

Wards Affected: All

Report Title: Revenue Budget 2018/2019

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

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1. Proposal and Introduction

- 1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the net revenue budget for 2018/2019, the budget allocations proposed and the expenditure undertaken will be used to achieve a range of objectives across a number of plans within the Council. This will meet the ambitions expressed within the Corporate Plan and other related strategies.
- 1.2 In accordance with the Council's Constitution, Members are asked to either confirm their agreement to the recommended budget or put forward objections, and then any amendments for consideration at future meetings.
- 1.3 Within the budget setting process, the Chief Finance Officer must statutorily provide advice as to the robustness of the budget and this report sets out this opinion.

2. Reason for Proposal

- 2.1 The Council has a statutory responsibility to set a revenue budget each year.

3. Mayor's Budget Proposal

- 3.1 That the proposals identified for service change, income generation and efficiencies in 2018/2019, as set out in the Elected Mayor's Response to Consultation and the Draft Revenue Budget Digest, be approved.
- 3.2 That the net revenue expenditure of £112.006m resulting in a Council Tax requirement of £65.477m for 2018/2019 (a 5.99% increase in Council Tax which includes a 3% increase specifically for adult social care) be approved.

- 3.2 That, in relation to 3.2 above, the Council's commitment (by a statement signed by the Chief Financial Officer) to allocate the additional funding of £1.851m raised by the 3% increase in Council Tax to adult social care be confirmed.
- 3.3 That the Dedicated Schools Grant be used in accordance with the Schools Financial Regulations and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed.
- 3.4 That the proposed Fees and Charges for 2018/2019 be approved.
- 3.5 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 (as set out in the report) be considered and noted.
- 3.6 That it be noted that Brixham Town Council has yet to set its budget for 2018/2019 and this precept, when known, will be included as part of the Torbay Council budget for Council Tax setting purposes.

4. Background Information

- 4.1 The Elected Mayor has published his Budget Proposals and these have been circulated to all Members of the Council. All Members have also been provided with copies of the supporting information which has been published alongside the Budget Proposals:
- Chief Financial Officer's Report
 - Revenue Budget Digest 2018/2019 (including the proposals for service change, income generation and savings)
 - Fees and Charges 2018/2019
 - Equality Impact Assessments

5. Robustness of the budget estimates

- 5.1 Key to budget setting is the robustness of the budget proposals, which is linked to both service demands and the risks associated with those services. A number of assumptions have been made in the development of the budget for 2018/2019 in order to mitigate against the risks. A number of specific risks and their mitigation are shown below:

| Risk | Risk Rating | Mitigation |
|--|--------------------|--|
| Inability to deliver a balanced budget over the next three financial years | High | Annual Planning cycle for budgeting supported by the transformation programme. |
| Identified budget reductions for 2018/2019 are not achieved | Medium | <p>Monthly monitoring of current year financial position by Senior Leadership Team including a "savings tracker".</p> <p>Contingency budget of £0.250m in 2018/19 revenue budget.</p> <p>Directors, Executive Heads and all managers have a responsibility to ensure</p> |

| Risk | Risk Rating | Mitigation |
|---|-------------|---|
| | | <p>they maintain their spend within the approved budget allocation.</p> <p>The Council also has in place a series of regular revenue and capital monitoring reports, which are presented to the Overview and Scrutiny Board and the Council which review the budget on a quarterly basis throughout the financial year, which mitigates against the risk of inadequate financial control.</p> |
| Overspend against the proposed 2018/2019 Children's Services budget | High | <p>Director of Children's Services (DCS) has a service improvement plan and MTFS that is being implemented, supported by a range of monitoring and performance arrangements.</p> <p>18/19 Childrens' Services Budget re based to current spend levels</p> <p>18/19 Childrens Services' budget includes a contingency for future demand and cost pressures.</p> |
| Change period for a new DCS under new partnership arrangement for Childrens' Services with Plymouth | High | <p>Need to ensure new (shared) DCS has sufficient capacity and support.</p> <p>Need to ensure new DCS continues service improvement plan and MTFS.</p> |
| Overspend against the proposed 2018/2019 Adult Social Care budget | Low | <p>Revised Risk Share in place in which Council pays an additional fixed payment with no exposure to any over or under spends.</p> |
| Volatility of NNDR Income | Medium | <p>Provision for appeals and non-collection included in 2018/19 NNDR income estimate.</p> <p>As part of a Devon wide pilot with other Council, the risks and rewards are shared in 2018/19.</p> |
| Insufficient income generated | Medium | <p>Annual cycle for budgeting supported by the transformation programme.</p> <p>Prudent view taken of new income streams in 2018/19</p> |
| Insufficient investment fund income | Medium | <p>Prudent view taken of new income streams in 2018/19.</p> <p>Provision made for a rent review due in 2018/19.</p> <p>Investment Committee continues to review investment opportunities.</p> |
| Insufficient reserve levels as a result of a significant budget variance or unforeseen event. | Medium | <p>Review of Reserves report presented to the Council and £4.6m maintained in the General Fund balance and £2m balance held in CSR Reserve.</p> |
| Exposure to changes in interest rates | Low | <p>Treasury Management Strategy to be approved by the Council. All borrowing currently on fixed rate deals.</p> |
| Inflationary pressures | Low | <p>Budget build has included estimates of inflation where applicable.</p> |
| Income linked to major prudential borrowing schemes not achieved at forecast levels. | Medium | <p>Approval by Council supported by a detailed business case.</p> |

| Risk | Risk Rating | Mitigation |
|---|-------------|---|
| | | Income streams reviewed as part of budget monitoring Mitigation in schemes, such as a “pre let” required. |
| Insufficient capacity to deliver the Transformation Programme | Low | Provision in 2018/19 budget for £0.6m for transformation. New Director of Commercial Services and Transformation part of new Council management structure. |

- 5.2 In accordance with the requirement of the Local Government Act 2003, the Chief Financial Officer must report to the Council on “the robustness of the estimates made for the purposes of the (budget) calculations” and the “adequacy of the proposed financial reserves”.
- 5.3 Taking account of the financial risks facing the Council and the mitigations outlined in paragraph 5.1 above, the Chief Financial Officer’s Statement is as follows:

“I have taken into account information, risks and assurances from the Mayor, the Executive and the Senior Leadership Team in forming my opinion. My opinion is that the 2018/2019 budget is based on robust budget estimates.

This opinion is supported by the maintenance of Council reserves at a prudent level and the delivery of the transformation programme and a dedicated transformation team to lead the programme”.

- 5.4 In relation to reserve levels, the statement in the 2018/19 review of reserves report is:

Head of Finance Statement.

The Council is continuing to face unprecedented financial challenges. I am satisfied that the Council’s General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council’s Financial Plans for 2018/19 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment, if the following actions are undertaken:

- a) The CSR has a balance of £2.0m to fund 2017/18 projected overspend
- b) The General Fund reserve has a minimum balance equal to 4.2% of net budget
- c) That a minimum **ongoing** balance of £2m is maintained for in the CSR reserve
- d) That Children's Social Care, with Plymouth City Council, deliver the expected improvements and cost reductions for 2018/19
- e) That the revised Risk Share Agreement for Adult Social Care is maintained for 18/19 and future years
- f) That a balanced revenue budget can be set for 2018/19
- g) That the budgeted Investment Property surplus for 2018/19 is achieved.
- h) That the Council continues to delivers its transformation programme at pace

- 5.5 The review of reserves report identified that the Council’s general fund reserve level is low compared to other Councils – Torbay’s ratio of general fund reserve to net budget is 4% compared to an unitary council average of 9%.