

Meeting: Cabinet **Date:** 19 January 2021

Council **Date:** 4 February 2021

Wards Affected: All

Report Title: Revenue Budget 2021/22

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 2021/22; 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 Community and 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. Partnership's Budget Proposal

- 3.1 That the proposals identified for efficiencies, service change and income generation and investment in 2021/22 be approved.
- 3.2 That the net revenue expenditure of £115.472m resulting in a Council Tax requirement of £74.607m for 2021/22 (a 4.99% increase in Council Tax, of which 3% is for Adult Social Care) be approved.
- 3.3 That the proposed Fees and Charges for 2021/22 be approved.
- 3.4 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 noted.
- 3.5 That it be noted that the Brixham Town Council precept for 2021/22 will be included as part of the Torbay Council budget for Council Tax setting purposes.

4. Background Information

- 4.1 The Partnership have published their 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 2021/22
 - Fees and Charges 2021/22
 - Proposals for service change, income generation and savings
 - Review of Reserves 2021/22
 - Capital Strategy 2021/22
 - Capital Budget 2021/22
 - Quarter Three Budget Monitoring 2020/21 (to follow)
- 4.2 The budget has also been updated for any confirmed grant allocations received since the draft budget was issued.
- 4.3 Within the Higher Needs Block of the Dedicated Schools Grant it is projected that there will be a deficit on this Block in 2021/22 of £2.5m. This in year deficit will be accounted for as an increase in the cumulative deficit on this ring fenced grant held by the Council as a negative reserve pending future funding being identified.

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 2021/22 in order to mitigate against the risks. A number of specific risks and their mitigation are shown below:

Risk	Risk Rating	Mitigation
Covid-19	High	<p>The inclusion in the 2021/22 budget of £8m of Covid-19 financial impacts on both income and expenditure, including £6m of grants from MHCLG.</p> <p>The allocation of £1.6m into a reserve for future Covid-19 issues.</p>
Losses incurred by Subsidiary Companies	Medium	<p>Council's oversight as owner over its companies including attendance at Board meetings and review of performance.</p> <p>Council approval required for reserve matters and for investment/borrowing proposals.</p>
Inability to deliver a balanced budget over the next three financial years	High	<p>Revised approach from an annual planning cycle for budgeting to a three year approach is being instigated.</p>
Identified budget reductions for 2021/22 are not achieved	Medium	<p>Monthly monitoring of current year financial position by Senior Leadership Team including a "savings tracker".</p> <p>Contingency budget in 2021/22 revenue budget.</p> <p>Directors, Assistant Directors and all managers have a responsibility to ensure they maintain spend within their 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 2021/22 Children's Services budget	Low	<p>The Director of Children's Services (DCS) has a service improvement plan and a sufficiency strategy with a number of work streams that has been established and being implemented, supported by a range of monitoring and performance arrangements. The Sufficiency Strategy is being updated to have a 3 year horizon.</p> <p>2021/22 Childrens' Services Budget includes a contingency for an increase in looked after children.</p>
Overspend against the proposed 2021/22 Adult Social Care budget	Low	<p>Agreement in place in which Council pays a 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 2021/22 NNDR income estimate.</p>
Insufficient income generated	Medium	<p>Annual cycle for budgeting.</p> <p>Prudent view taken of income streams in 2021/22 and a contingency held in respect of low income levels as a result of Covid-19.</p>
Insufficient investment fund income	Medium	<p>Prudent view taken of income streams in 2021/22 and the Investment Fund reserve maintained.</p>
Collectability of council tax and NNDR	High	<p>In the light of economic uncertainty from Covid-19 both council tax and NNDR reflect lower estimates of the collectability of these taxes in 2021/22.</p>

Risk	Risk Rating	Mitigation
Insufficient reserve levels as a result of a significant budget variance or unforeseen event.	Medium	Review of Reserves report presented to the Council and £5.6m expected balance at 2020/21 year end in the General Fund balance after an increase in that reserve and £3m target balance held in CSR Reserve. 2021/22 budget includes a £0.5m increase to the CSR Reserve.
Exposure to changes in interest rates	Low	Treasury Management Strategy to be approved by the Council. All borrowing currently on fixed rate deals.
Inflationary pressures	Low	Budget build has included estimates of inflation where applicable. Pay award and impact of living wage not nationally finalised yet however contingency held.
Income linked to major prudential borrowing schemes not achieved at forecast levels.	Medium	Approval by Council supported by a detailed business case. Income streams reviewed as part of budget monitoring Mitigation in schemes, such as a “pre let” required.
Insufficient capacity to deliver the Transformation Programme, capital plan and partnership priorities	Medium	Provision in 2021/22 budget for £0.3m for capacity and transformation.

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 Leader, the Cabinet and the Senior Leadership Team in forming my opinion. My opinion is that the 2021/22 budget is based on robust budget estimates.

This opinion is supported by the current financial position for childrens social care, the three year agreement for adult social care and the increase in Council reserves”.

5.4 In relation to reserve levels, the statement in the 2021/22 review of reserves report is:

6.0 Head of Finance Statement.

6.1 The Council is continuing to face 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 2021/22 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.

6.2 I fully support the prudent increase in the general fund reserve to a level close to 5% of the Council's net revenue budget and the prudent earmarking of reserves to support potential Covid-19 issues and the three year impact of the 2020/21 collection fund deficit.

6.3 My statement for 2021/21 has to be caveated due to the ongoing uncertainty around Covid-19. I would hope that that financial support and grant funding provided by Central Government during 2020/21 would continue at a proportionate level in 2021/22 to mitigate any ongoing financial pressures as a result of Covid-19. So far the Government have indicated support continuing until June 2021 including a tranche of COVID funding for 2021/22.

6.4 The adequacy of the Council's reserves can be supported if the following actions are undertaken:

6.4.1 The 2021/22 budget plans for an increase to the CSR reserve to achieve a minimum ongoing balance of £3m over the next two years.

6.4.2 That the Council maintains the focus on social care, both adults and childrens, as the biggest financial risks to the Council to deliver the identified improvements supported by a robust financial recovery plan and the sufficiency strategy

6.4.3 That Council recognises the option of using borrowing to fund capital plan to enable an increase to reserve levels by £3m if needed.

6.5 At this stage with the significant uncertainty in relation to central government funding for 2022/23 I am currently only able to provide limited assurance in relation to 2022/23. I recommend, however, that the Council continues to be prudent in its use of reserves and plans for future risks and their mitigation. These to include:

- Establishing and maintaining a balance on CSR reserve of £3m
- Protection to current level of General Fund Reserve
- No general reserves used to balance 2021/22 or future year budgets
- Specific material risks still mitigated for – e.g insurance, NNDR volatility and investment fund
- Regular updates and awareness of the risks identified in the Medium Term Resource Plan
- That the Council continues to delivers its transformation programme at pace in medium term
- Continued focus on reducing spend in children's' social care
- That work continues on the Adult Social Care improvement plan which is vital to securing a sustainable Agreement with the ICO from 2023/24.