

**Meeting:** Council

**Date:** 7 February 2019

**Wards Affected:** All

**Report Title:** Revenue Budget 2019/2020

**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 2019/2020, 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 2019/2020, 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 £111.367m resulting in a Council Tax requirement of £68.688m for 2019/2020 (a 2.99% increase in Council Tax) be approved.

- 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 2019/2020 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 once Brixham Town Council has set its budget for 2019/2020, the resulting precept 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 namely (online documents can be found at [www.torbay.gov.uk/council/finance/budget/budget-201920/](http://www.torbay.gov.uk/council/finance/budget/budget-201920/)):

- Elected Mayor's response to budget consultation
- Chief Financial Officer's Report
- Revenue Budget Digest 2019/2020 (including the proposals for service change, income generation and savings) (available online)
- Fees and Charges 2019/2020 (available online)
- Equality Impact Assessments (available online)
- Report on outcome of budget consultation (available online)
- Review of Reserves 2019/20 (see separate item)
- Capital Strategy 2019/20 (see separate item)
- Capital Budget 2019/20 (see separate item)

#### 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 2019/2020 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
Impact of the use of one off government grants in 2019/20 to support a balanced budget.	Medium	That 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 same.
Identified budget reductions for 2019/2020 are not achieved	Medium	Monthly monitoring of current year financial position by Senior Leadership Team including a "savings tracker".

Risk	Risk Rating	Mitigation
		<p>Contingency budget of £0.250m in 2019/20 revenue budget.</p> <p>Directors, Executive Heads 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 Full 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 2019/2020 Children's Services budget	Medium	<p>Director of Children's Services (DCS) has a service improvement plan and a Childrens transformation programme of work that is now established and being implemented, supported by a range of monitoring and performance arrangements.</p> <p>2019/20 Children's Services Budget has been re-based to current spend levels – i.e. a £4.4m increase from 2018/19 allocated budget.</p>
Overspend against the proposed 2019/2020 Adult Social Care budget	Low	Risk Share in place in which Council pays an additional fixed payment with no exposure to any over or under spends.
Volatility of NNDR Income	Medium	Provision for appeals and non-collection included in 2019/20 NNDR income estimate.
Insufficient income generated	Medium	<p>Annual cycle for budgeting supported by the transformation programme.</p> <p>Prudent view taken of new income streams in 2019/20 and a contingency held.</p>
Insufficient investment fund income	Medium	<p>Prudent view taken of new income streams in 2019/20.</p> <p>Investment and Regeneration Committee continues to review investment opportunities.</p>
Insufficient reserve levels as a result of a significant budget variance or unforeseen event.	Medium	Review of Reserves report presented to the Council and £4.6m maintained in the General Fund balance and £2m balance held in 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.
Income linked to major prudential borrowing schemes not achieved at forecast levels.	Medium	<p>Approval by Council supported by a detailed business case.</p> <p>Income streams reviewed as part of budget monitoring</p> <p>Mitigation in schemes, such as a "pre let" required.</p>

Risk	Risk Rating	Mitigation
Insufficient capacity to deliver the Transformation Programme	Low	Provision in 2019/20 budget for £0.5m for 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 Mayor, the Executive and the Senior Leadership Team in forming my opinion. My opinion is that the 2019/2020 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 2019/20 review of reserves report is as follows:

**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 2019/20 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 £1.0m to fund the 2018/19 projected overspend,
- b) The General Fund reserve has a minimum balance equal to 4% of net budget,
- c) That a minimum ongoing balance of £2m (after (a) above) is in the CSR reserve,
- d) That Children’s Social Care, deliver the improvements and cost reductions for 2019/20 and future years supported by a robust financial recovery plan,
- e) That the revised Risk Share Agreement for Adult Social Care is maintained for 2019/20,
- f) That a balanced revenue budget is set for 2019/20,
- g) That the budgeted Investment Property surplus for 2019/20 is achieved,
- h) That the Council continues to delivers its transformation programme at pace in the short term.

3.10 At this stage, with the significant uncertainty in relation to central government funding for 2020/21, I am currently unable to give any assurance in relation to 2020/21. 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:

- a) Maintaining a balance on the CSR reserve of £2m,
- b) Protection to the current level of General Fund Reserve,
- c) No reserves used to balance 2019/20 or future year budgets,
- d) Specific material risks remain mitigated for – such as insurance, NNDR volatility and investment fund,

- e) Regular updates and awareness of the risks identified in the Medium Term Resource Plan,
- f) That the Council continues to deliver its transformation programme at pace in the medium term,
- g) Continued focus on reducing spend in children's' social care,
- h) Renegotiation of risk share agreement for adult social care for 2020/21 onwards.