

Meeting: Council

Date: 2 February 2017

Wards Affected: All

Report Title: Revenue Budget 2017/2018

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Executive Lead Contact Details: Gordon Oliver, Elected Mayor and Executive Lead for Finance, 01803 207001, mayor@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Head of Finance, 01803 207285, martin.phillips@torbay.gov.uk

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 2017/2018, 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 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 2017/2018 and 2018/2019 be approved.
- 3.2 That the net revenue expenditure of £109.642m resulting in a Council Tax requirement of £60.075m for 2017/2018, a 3.99% increase which includes a 2% increase in Council Tax specifically for adult social care be approved.

- 3.3 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 £1.155m raised by the 2% increase in Council Tax to adult social care be confirmed.
- 3.4 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.
- 3.5 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 is be noted that Brixham Town Council has yet to set its budget for 2017/2018 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 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 2017/2018 (including the proposals for service change, income generation and savings)
 - Fees and Charges 2017/2018
 - Equality Impact Assessments
- 4.2 In developing the budget proposals for 2017/2018, a number of proposals for service change, income generation and savings have also been identified for 2018/2019. Approval of those proposals is being sought at this stage. Further proposals for future year's savings will be brought forward over the course of the coming year as the Council's transformation programme continues to be implemented in line with the approved Efficiency Plan.

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 2017/2018 in order to mitigate against the risks. A number of specific risks and their mitigation are shown below:

Risk	Risk Rating (High/Medium/Low)	Mitigation
Inability to deliver a balanced budget over the next three financial years	High	Annual Planning cycle for budgeting supported by the transformation programme.
Overspend against the proposed 2017/2018 Adult Services budget	High	Specific contingency budget of £1.725m for some of the Council exposure under the Risk Share Agreement (RSA) for adult social care. Action being taken by Director of Adults

Risk	Risk Rating (High/Medium/Low)	Mitigation
		<p>Services (DAS) and S151 officer to hold the Integrated Care Organisation (ICO) to account for their expenditure in 2017/18.</p> <p>Proposals include a 2% increase in Council Tax for adult social care, (maximum possible rise 3%).</p>
Potential additional costs in 2017/18 after the expiry of the current RSA with the ICO and CCG (from January 2018)	High	Action being taken by DAS, Executive Lead and S151 officer to propose resolution to the risk around the notice to the RSA given by the ICO.
Identified budget reductions for 2017/2018 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 2017/18 revenue budget.</p> <p>Directors, Executive Heads and all managers have a responsibility to ensure 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 2017/2018 Children's Services budget	Medium	Director of Children's Services (DCS) has a service recovery plan that is being implemented, supported by a range of monitoring and performance arrangements.
Volatility of NNDR Income	Medium	Provision for appeals and non collection included in 2017/18 NNDR income estimate.
Insufficient income generated in future years	Medium	Annual Planning cycle for budgeting supported by the transformation programme.
Loss of Judicial Review appeal in relation to care home fees	Medium	Specific contingency budget for Council exposure for 2017/18 and for past years balance held in reserve.
Insufficient reserve levels	Medium	Review of Reserves report presented to the Council and £5.1m maintained in the General Fund balance.
Currently unknown financial issues arising during the financial year	Low	Review of Reserves report presented to the Council and £5.1m maintained in the General Fund balance.
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.	Low	Approval by Council supported by a detailed business case
Insufficient capacity to deliver the Transformation Programme	Low	Provision in 2017/18 budget for £0.6m for transformation and £0.3m to increase Council capacity in key positions.

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. I can only give a qualified opinion that the 2017/2018 budget is based on robust budget estimates. This qualified opinion is solely as a result of the significant risks facing the Council in respect of adult social care expenditure.

It is imperative that I detail the significant risks associated with adult social care expenditure. The risks arise from two issues. Firstly under the Risk Share Agreement (RSA) with the Integrated Care Organisation (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. Secondly, the ICO has given notice to withdraw from the current RSA, therefore at this stage the Council does not have a contract, nor a 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.

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, my clear advice 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.

I will be seeking continued assurances from the Chief Executive and the Director of Adult Social Care over the first quarter of the financial year that actions are being taken to minimise the risks in adult social care. At the same time I will also be working with the Chief Executive and Senior Leadership Team to minimise risks elsewhere and ensure progress of the transformation programme. I will report back to the Council at its July meeting on the assurances received.

This opinion is supported by the maintenance of Council reserves at a prudent level and the delivery of the agreed Efficiency Plan supported by a focused transformation programme and a dedicated transformation team to lead the programme, in order to achieve a balanced and robust budget until 31 March 2020.”

5.4 In relation to reserve levels, the statement in the review of reserves report is

“The Council is continuing to face unprecedented financial challenges. At this stage I can only state that I can be satisfied that the Council’s General Fund and Earmarked Reserves, including Insurance Reserves, are

adequate for the Council's Financial Plans for 2017/18 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 Comprehensive Spending Review (CSR) Reserve has a balance of £2.0m to fund 2016/17 projected overspend,
- b) The General Fund reserve has a minimum balance equal to 5% of net budget ,
- c) By 2019/20 a minimum ongoing balance of £2m is budgeted for in the CSR reserve,
- d) Children's Social Care achieve their improvement plans,
- e) Adult Social Care (via the ICO) develop and achieve a realistic cost reduction plan and the future contractual arrangements for adult social care from January 2018 are developed at pace,
- f) A balanced budget can be set for 2017/18,
- g) The Council delivers its transformation programme at pace.”

5.5 Statement from the Chief Executive

“All members of the Council are aware of the ongoing financial pressures faced by Torbay Council. We are continuing to work together to deliver our Transformation Programme in order to meet the targets that the Council set in its Efficiency Plan which covers the next three years. I wish to remind members that the Efficiency Plan continues to show a significant funding gap.

The proposed budget relies upon a number of non-recurring sources of funding. Whilst allowing the Mayor to propose a balanced budget for 2017/2018, the use of non-recurrent sources of funding adds to the significant gap in future years. Additionally, there are low levels of reserves and the Chief Financial Officer has consistently advised that reserves cannot be relied on to address foreseeable budget pressures.

Members are also aware of the pressures within the Integrated Care Organisation, the impact that this is having on the Council in the current financial year and the likely impact that there will be on the Council in 2017/2018. This has been detailed in the Chief Financial Officer's Statement.

The Senior Leadership Team will continue to work with our partners to find a local solution for the delivery of an integrated health and social care system which meets the needs of our population but which does not further increase the pressure on Council finances.

The Executive and Senior Leadership Team will also work with other local authorities, the Local Government Association and the Association of Directors of Adult Services to lobby for national solutions to the crisis in health and social care. However, the Government has already recognised that there is a need for additional funding and has provided flexibility for councils to raise Council Tax by a total of 3% for adult social care in 2017/2018 and 2018/19.

It is the unanimous view of the Senior Leadership Team that full advantage should be taken of this flexibility in the next financial year in order that the Council's base budget can be increased and built on in future years. The Senior Leadership Team therefore strongly recommends that Council Tax is raised by 3% for additional adult social care costs in 2017/18.”