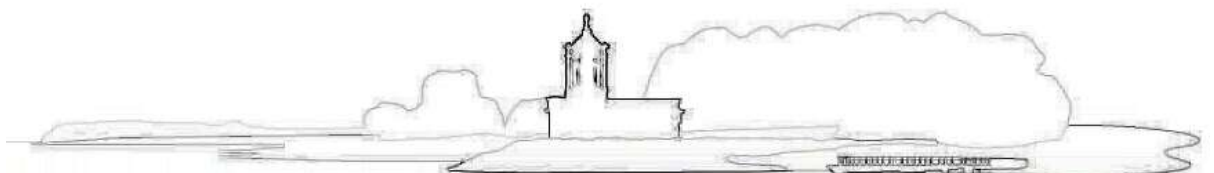


# Rutland County Council

## **The Budget 2015 - 16**



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# 1. Executive Summary

## A Introduction from Portfolio Holder for Finance – Cllr King

“The Rutland County Council finances are in a position which means we have time to allow the Council to carry out further restructuring to address the ongoing cuts in funding that are planned over the coming years by Central Government. The revenue funding from Central Government for our County has always been below the National average and on Page 10 of the report it highlights that issue by showing we are the 6th worst funded Unitary Council, with Leicester City getting around 2.5 times more per household, the result of that is the pressure on Council tax levels which is also highlighted. Despite that challenge the attached reports highlight the result of years of work to get the Finances into a position that is able to deal with the pressures that will come over the coming years.

However the report identifies a number of risks to our finances in the future, they are similar to pressures all Councils are considering, but Rutland is now better placed than many Councils to deal with those pressures, with the Medium Term Financial Plan showing we must use the next 4 years to look at a long term solution for the pressures we predict will be coming along.

As a council not only is our revenue account under control, but our capital programmes are also well thought out in terms of affordability and we have continued to deliver on projects that improve the lives of our residents. One of the most noticeable projects over the last few years is the conversion of the former prison at Ashwell to create a business park, an enlarged Adult Learning centre and with a successful Sport England bid for £500,000 a refurbished Gym already being used by the Judo club. The site will over the 10 year business plan deliver a revenue funding stream to deliver other council services not just from the rent received, but also from the business rates share the Council is now allowed to keep. To keep Council costs to a minimum it is important that Rutland has a successful economy and to that end the Council has invested in a roll out plan for high speed broadband across the County filling in the large gaps left by the commercial sector. Rutland currently has the highest take up of rural high speed broadband in England following that rollout, this is important to help drive our economy and reduce the burden that unemployment has on public services as well as allow information technology to play a part in delivering Council services.

The biggest single challenge to our long term financial plan is the risk that has emerged from the Labour party who have indicated they want to revise the New Homes Bonus, this bonus was established by the current Government who "top sliced" the then funding from Central Government and redistributed it to Councils who managed the pressures of housing growth. The loss or major adjustment of this funding method will cause unacceptable damage to our financial plan if it is implemented.

With good strategic planning we are delivering limited housing growth in a manner which makes our County more attractive to food and fuel retailers, leisure and entertainment providers who then provide jobs and business rates to not only help our vibrant economy, but a share of the business rates to help deliver Council services.

During the next few years more and more work will be undertaken jointly with health service providers, while this provides a real opportunity for better services it does pass to the Council some of the financial risks around increased demand amongst an ageing population, but none the less an improvement for local residents that will be worth the effort. As part of our wish to be helping to co-ordinate and help deliver better services for our community we have listened to the concerns around the plans for the Fire Service and the criticism of the Ambulance service, and to that end we wish to consult on an important proposal. The proposal would allow the Fire Service 2 more years to restructure while continuing to keep 3 Fire tenders in the County, we also wish to discuss with them the introduction of a First response service to supplement the Ambulance service.

Having considered all the many factors that are likely to effect the Medium Term Financial Plan (MTFP) I am happy to propose for the 5th year that we do not increase Council Tax for Rutland County Council”.

## **B Overview from s151 Officer**

- 1.1 Whilst the Council’s financial position continues to look stable in the short term, the financial landscape still looks uncertain. Beyond 2015/16, we are still unaware of how the finance settlement might look; whether funding streams like New Homes Bonus will continue at all; whether the Better Care Fund will continue to be available to promote health and social care integration; or whether the Care Act 2014 (Care Act) will be fully funded.
- 1.2 Alongside funding uncertainty, the Council will continue to see housing and population growth and the demand for adult and social cares services will increase not only through demographic changes but through the national drive to keep people in their communities and outside of hospitals and residential care, and through increased scrutiny of child protection arrangements. All this means that pressure on local authority services will increase.
- 1.3 This position is not unique to Rutland. At a national level s151 Officers have expressed their concerns that there is more uncertainty in the financial climate than ever before. We have made assumptions to try and best estimate what the financial outlook will look like. But these could change and indeed have over the last year.
- 1.4 Through the prudent financial planning of Officers and Members, the Council’s position is stable but still remains challenging over the medium term. My summary of the position for 2015/16 is as follows:

- the draft budget results in a deficit. The deficit position is affordable for now and preferable to rushing to make quick cuts. This position will of course need to be addressed in future years;
- the Council has received funding to meet the anticipatory costs of implementing the Care Act but the funding is not sufficient and action will need to be taken to reduce costs to an affordable level;
- outside of the Care Act, there are new challenges and pressures on the Council's budget arising from increased activity levels, withdrawal of government funding and the need to invest in some areas to re-engineer the way services are delivered;
- the budget includes the Better Care Fund allocation of £2m in full although some of this allocation will be spent by Health;
- the Council has now completed a People First review which aims to save £1.5m - £2m starting in 2015/16 – the budget includes some early savings arising from this review and some savings targets to be achieved in year; and
- an increase in council tax is not required in 2015/16 as any loss in funding from freezing council tax is likely to be mitigated in the main, as per the prior year, through the permanent inclusion in Revenue Support Grant (RSG) of the freeze grant although this has yet to be confirmed.

1.5 From 2016/17 onwards, the financial position begins to deteriorate:

- it is expected that the level of funding will continue to reduce substantially e.g. RSG is predicted to reduce by c£990k in 2016/17 and a further c£630k in 2017/18;
- the Council's annual deficit is in the region of £1.5m as it spends more than the resources it has available despite limited increases in expenditure;
- the Council plans to make further savings but the level of savings is not sufficient to prevent a drop in reserve levels by 2018/19 compared to existing levels.

1.6 The Council's position is therefore strong but challenging. The Council's prudent financial management over the years means that it has a level of reserves where it can plan for a reduction in expenditure in a controlled manner without resorting to some of the emergency measures proposed by other authorities. However, the need for savings cannot be deferred indefinitely.

## **C Key questions and answers**

1.7 Delivering Council Services within the MTFP is a key priority for the Council. The remainder of this report gives Members answers to some of the key

questions relevant to the budget setting process. Further detail can be found in individual sections.

<b>Key questions</b>	<b>Status</b>	<b>Ref</b>
<i>Statutory and constitutional requirements (section 8)</i>		
1. Overall Position – Is the Council on track to meet its constitutional and statutory requirements?	Yes	Section 8
<i>Funding and MTFP (section 2)</i>		
2. What resource does the Council have available in 2015/16 and over the next five years and how certain is it?	The Council's resources are reducing as government funding reduces and the risks associated with funding are greater. There is also uncertainty in relation to funding in respect of Health related funding and the Care Act.	2.1 and Appendix 2 MTFP
3. What level of reserves should the Council be aiming to retain?	It is proposed that the minimum level is increased to £3m given the increased level of uncertainty and the risk profile of funding. The short term position affords the Council time to reduce expenditure to match funding levels.	2.32 - 2.38
4. What choice does the Council have over the level of Council tax?	The Council can decide to take the freeze grant (c1% of council tax) or increase council tax. Increases in excess of 1.99% require a referendum.	2.39 - 2.45
5. Is the Council in a healthy financial position?	In the short term yes, but over the medium term the Council's current forecasts indicate that spending plans exceed available resources.	1B Executive Summary
<i>2015/16 budget (section 3)</i>		
6. What does the overall budget look like and how does it compare to prior year?	The net budget of £33.27m is £1.21m higher than the 2014/15 Q1 budget but includes the full BCF allocation and the costs of the Care Act.	3A
7. Priorities – how does the proposed budget support the Council's priorities?	The Council continues to invest in Digital Rutland, Oakham Enterprise Park and the Local Council tax support scheme.	3C
8. What new savings is the Council planning to make in 2015/16?	About £786k of savings across a number of areas, none of which have an impact on front line savings.	3D
<i>Capital (section 4)</i>		

<b>Key questions</b>	<b>Status</b>	<b>Ref</b>
9. Are there any additions/amends to the current capital programme?	Schemes approved by Council for The Castle restoration project and Sports Grants have been added to the existing programme.	4B
<i>Consultation (section 7)</i>		
10. How will the Council consult on the budget?	On-line consultation, a meeting with local business and the local parish council forum.	7A

## **D Key facts and figures**

1.8 The key points to note are:

- Q1 14/15 net budget was £31.95m
- The full BCF revenue allocation of c£2m is included in 2015/16;
- The Care Act results in new pressures of c£421k albeit offset by £330k of funding;
- The national pay award of 2.2% is included in the 15/16 budget;
- RSG funding has reduced by £1.289m from 2014/15;
- The Council has identified savings of £786k in year; and
- The new net budget for 2015/16 is £33.275m takes account of the above changes.



## 2. Funding and Medium Term Financial Plan (MTFP)

### A Funding – what resources do we have available over the next 5 years and how certain is it?

2.1 The local government finance settlement was announced on 18th December 2014. The settlement announcement updated the indicative settlement made in December 2013 which was in turn updated in July 2014.

	2014/15*	2015/16 (original)	2015/16 (July)	2015/16 (December)
Revenue Support Grant (RSG)	£5.362m	£3.636m	£3.838m	£4.073m
Business Rates Baseline	£3.968m	£4.250m	£4.250m	£4.043m
<b>Total</b>	<b>£9.330m</b>	<b>£7.886m</b>	<b>£8.088m</b>	<b>£8.116m</b>

\* Government 15-16 settlement included a revised settlement figure for 14-15 of £9.330m for comparative purposes.

2.2 The settlement itself shows a decrease in settlement funding of £1.214m from 2014/15 (13%). RSG has reduced by 24%. The Government uses a concept called “spending power” to measure the impact of cuts on the totality of an authority’s ability to spend. This includes all grants (including specific grants), council tax and business rates. The Government’s analysis shows that the Council’s spending power has increased from £32.82m to £33.42m (an increase of 59k or 1.8%). This spending power analysis includes just over £2m for the Better Care Fund. As the Council is spending this jointly with the CCG, the Council itself believes that its spending power is c£32.62m, a decrease of £200k. Further analysis is provided in 2.9.

2.3 The provisional settlement will be finalised in January 2015. As is normally the case, the Council will also receive other funding allocations i.e. grants from different Government Departments.

2.4 Under the Health and Social Care Act 2012, public health functions transferred from the NHS to local government on the 1 April 2013. The Healthy Child Programme (HCP) for 0-5 year olds, which is delivered by health visitors remained with NHS England to enable the expansion of health visitors and places on the Family Nurse Partnerships by April 2015. In January 2014 the Government confirmed that the commissioning for HCP for 0-5 year olds would transfer to local government on the 1 October 2015. Unlike the other public health transfer, it is only the commissioning that will transfer and not the workforce.

2.5 The Department of Health (DoH) intends to publish a document shortly giving local authorities an opportunity to comment on the proposed allocations for 2015/16.

2.6 **The MTFP in Appendix 2 sets out the overall position** based on notifications received to date.

***Comparative Funding Position***

2.7 The system of local government finance changed substantially in 2013/14. In place of formula grant, the Government introduced the business rates retention system. This meant that money previously allocated by formula grant was split two ways:

- an amount retained by local authorities from business rates collected locally;
- an amount distributed by the Government as RSG; and
- the amount which would otherwise have been distributed as formula grant, minus the Government’s estimate of locally retained rates, is now distributed to local authorities as RSG.

2.8 In determining cuts, the Government still sees retained business rates as central government funding. Thus, when it announces that local authority funding will be cut by a certain percentage, the Government is applying this to the sum of RSG and locally retained rates (the “settlement funding assessment”). Because business rate poundage’s increase each year (as do top-up and tariff payments) this means that RSG bears the full extent of the funding cuts calculated with reference to a much bigger figure. This explains the substantial percentage reductions seen in the MTFP and 2.1.

2.9 Per the Government’s analysis the Council’s spending power is about average but its Government funding is well below average and Council tax dependency high as shown in the table below.

Measure	Unitary average	Rutland	Leicester City
Spending power per household	1,989	2,041  (Rank 21 <sup>st</sup> highest out of 55)	2,356
Settlement funding per household	793	495  (Rank 6 <sup>th</sup> lowest out of 55)	1,288
Council tax dependency (% of spending power generated by council tax)	42.7%	61.9%  (Rank 2 <sup>nd</sup> highest out of 55)	26.7%

## **Key Funding Assumptions**

2.10 The amounts included for other funding streams are set out in the detailed MTFP. The Council's key funding streams including assumptions and risk factors are discussed briefly below. An uncertainty RAG rating has been applied to each funding stream.

<b>Funding</b>	<b>Commentary</b>	<b>RAG rating</b>
RSG	<p>The RSG allocation is known up to 2015-16. Beyond that the Council continues to assume that grant will be reduced.</p> <p>Extensive consultation continues to be undertaken with neighbouring authorities, the Local Government Association (LGA), LG Futures (an external company advising on local government finance) and Department for Communities and Local Government advisors. All consultees agree that reductions are likely. The headlines from the Autumn Statement confirm that spending will continue to fall – “The government’s planned consolidation in the next Parliament is reflected in the fiscal assumption that Total Managed Expenditure will fall in real terms in 2016-17 and 2017-18 at the same rate as between 2010-11 and 2014-15.”</p> <p>The MTFP assumes the current trend of funding reductions will continue. For 2016/17 a reduction of 25% has been built in.</p>	<b>AMBER</b>
Business rates	<p>The amount to be retained under "Business Rates Retention" (BRR) scheme has been updated in line with the current year forecast and a view about growth for 2015/16. The Council has seen little growth this year and while some growth is likely in 2015/16 given developments with Aldi and Rutland Plastics for example, it is not envisaged that this will have a material change on NNDR yield given likelihood of appeals and increased level of reliefs. The Council's NNDR1 return will not be completed until late January (when the form is issued) so all NNDR figures are provisional.</p> <p>A 5% increase in growth would yield approx. £300k for the Council. Conversely, the Council could lose up to £350k before the Government provides safety net funding. The potential loss of income through appeals remains a risk and could have a significant impact on business rates revenue.</p>	<b>AMBER</b>

<b>Funding</b>	<b>Commentary</b>	<b>RAG rating</b>
Council tax	<p>The MTFP has traditionally assumed that a 2% council tax increase will be applied each year. In recent times, Members have had a choice about whether to accept the Governments offer of a freeze grant and have taken it. This choice is again available in 2015/16.</p> <p>If the Council were to seek to increase Council tax by more than the 1.99% threshold it would be required under the Localism Act 2011 to hold a referendum to seek approval for the increase. The result of the referendum is binding.</p> <p>Unlike other funding, the decision rests with the Council about council tax rises but there is uncertainty as Members determine tax rises annually – the MTFP assumes a council tax freeze in 2015/16 and 2% increases thereafter.</p> <p>The tax base continues to increase with housing growth and over the next 4 years it is assumed that the number of Band D equivalents will increase by c80-90 compared to what was originally envisaged in 2014/15. An increase in local council tax support claims could dampen this growth but in 14/15 the number of claimants has reduced.</p>	<b>GREEN</b>
New Homes Bonus	<p>New Homes Bonus is awarded annually by the department for Communities and Local Government based on changes in the number of dwellings measured at 1st October each year.</p> <p>The MTFP uses projections from Planning on new homes and based on current year performance is reducing the damping effect from 35% to 25% to reflect the fact that developments are in progress. Coupled with revised housing growth figures, there is an uplift and expected income from NHB of £428k.</p> <p>There has been debate over whether NHB will continue in its current form, will be ring-fenced or replaced with a different scheme. For example, in 2014/15, the Government decided to top-slice NHB to give to Local Enterprise Partnerships (LEPs) but then reversed this decision shortly after. Moreover, the Labour Party have already signalled their intention to stop NHB.</p> <p>It therefore continues to be a form of funding which is uncertain.</p>	<b>RED</b>

Funding	Commentary	RAG rating
Non-ring fenced grants	<p><b>A full list of non-ring fenced and other grants is shown in Appendix 8</b> to give Members perspective on level of funding the Council receives outside of RSG and Business Rates.</p> <p>There is no confirmation beyond 2015/16 of any funding. Grants also come from different Government Departments who do not work to the same timetable so notifications of funding can be sporadic.</p> <p>The biggest risk for the Council is that it assumes that grant income will be received when this is not the case. To mitigate this, the Council only includes grant income where there is some degree of certainty.</p>	<b>AMBER</b>
Better Care Fund/Health funding	<p>The Better Care Fund replaced grant previously received from Health (NHS Support for Social Care grant). The BCF allocations have been confirmed for 2015/16. There have been no announcements for 2016/17 and beyond although it is likely that some funding will continue to be received to support health and social care integration.</p> <p>The BCF funds some existing services (because there is a clear link that these contribute to better health outcomes) and allows for investments in new services such as Community Agents.</p> <p>The MTFP assumes some lost income for BCF from 16/17 onwards £300k in 16/17k, £200k in 17/18k and £100k. The loss reduces over time on the basis that the Council can reduce expenditure should funding reduce.</p> <p>The MTFP also includes a contingency of c200k in 15/16 to cover a) the performance risk element of the BCF (failure to meet admission targets could result in a £54k loss of income to the Council); b) the likely shift of activity from health to social care as the LLR Health economy looks to save £400m and reduce the number of hospital beds by 250 over the next two years; and c) the potential increase in activity arising from demographic changes and housing growth.</p>	<b>AMBER</b>
Ring fenced grants	<p>These grants are included within cost centres and not shown with other funding streams. The biggest ring fenced grant is for Public Health. The allocation for 2015/16 has been provisionally confirmed.</p>	<b>AMBER</b>

<b>Funding</b>	<b>Commentary</b>	<b>RAG rating</b>
Earmarked Reserves	<p>The Council earmarked reserves set aside for specific purposes. Where these are planned to be used the spending has been included within the relevant Directorate costs and the total funding used is shown as a Transfer from earmarked reserves in the MTFP.</p> <p>A review of earmarked reserves is conducted as part of the annual final accounts process and any reserves no longer required for the specific purpose for which they were set aside are either returned to general reserve or switched to meet other identified needs.</p> <p>The MTFP assumes greater use of Earmarked Reserves in 15/16 than originally envisaged.</p>	<b>GREEN</b>

### ***Other MTFP changes***

2.11 The MTFP has been updated for changes as follows:

- Budget adjustments – minor adjustments to budgets for inflation and other amendments;
- Interest receivable – figures updated in line with spending plans and interest rate forecasts;
- Capital financing – figures re-profiled to reflect timing of expenditure plans; and
- Savings/pressures as explained in Section 3D and 3E.

### ***The revised MTFP compared to Quarter 1 (Q1)***

2.12 In reflecting all of the changes above, the MTFP at Budget Setting has changed since that presented at Q1. The key movements between the latest MTFP and that presented at Q1 are as follows:

<b>Area</b>	<b>Commentary</b>	<b>Amount £m</b>
General Fund Carry Forward Balance 18/19 as per Q1 report (173/2014) *adjusted to include Q1 surplus		<b>(4,263)</b>
Council tax	<p>There are 2 major factors that have affected the amount of Council Tax income projected over the life of the MTFP:</p> <ol style="list-style-type: none"> <li>1. Dampening of housing growth reduced from 35% to 25% based on recent performance</li> <li>2. Changes in the tax base as per the table below</li> </ol>	<b>(312)</b>

Area	Commentary	Amount £m															
	<table border="0"> <thead> <tr> <th></th> <th>Q1</th> <th>Revised</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>14,464</td> <td>14,558</td> </tr> <tr> <td>2016/17</td> <td>14,638</td> <td>14,702</td> </tr> <tr> <td>2017/18</td> <td>14,773</td> <td>14,870</td> </tr> <tr> <td>2018/19</td> <td>14,863</td> <td>15,003</td> </tr> </tbody> </table> <p>NB. The 2014/15 budget was set on a tax base of 14,305 with the current tax base at 14,386.</p>		Q1	Revised	2015/16	14,464	14,558	2016/17	14,638	14,702	2017/18	14,773	14,870	2018/19	14,863	15,003	
	Q1	Revised															
2015/16	14,464	14,558															
2016/17	14,638	14,702															
2017/18	14,773	14,870															
2018/19	14,863	15,003															
New Homes Bonus	<p>There has been 3 significant changes in new homes since the Q1 position that have affected the level of New Homes Bonus the Council is likely to receive</p> <ol style="list-style-type: none"> <li>Housing figures for New Homes Bonus in 2014/15 now expected to be 209</li> <li>Changes in the housing trajectory estimate as per the Local Plan</li> </ol>	<b>(428)</b>															
Care Act funding	New funding to support the introduction of the Care Act.	<b>(1,177)</b>															
Use of earmarked reserves	The use of earmarked reserves to support expenditure.	<b>(1,043)</b>															
Net cost of services changes	The impact of Savings/Pressures and technical adjustments over the lifetime of the MTFP.	<b>580</b>															
Other	There are other changes that impacted the MTFP. The largest variances are changes in Appropriations i.e. depreciation (£291k), Revenue Contributions to Capital Outlay (RCCO) (£880k), Reduction in Non-Ring fenced Grants (£98k), Better Care Funding (£761k), Capital Financing (£146k).	<b>2,458</b>															
General Fund Carry Forward Balance 18/19 as per Appendix 2		<b>(4,185)</b>															

## **B Spending Plans – How are spending plans expected to change over the next five years?**

2.13 The MTFP at **Appendix 2** sets out the forecast spending profile of the Council and estimates the level of resources it will have available for 2015/16 and the years following.

2.14 There are four significant factors that will have a significant impact on spending plans. These are:

***PeopleFirst review***

2.15 Full Council approved the PeopleFirst review and associated recommendations and conclusions in September 2014 and over the coming years this will be implemented in full. The implementation of proposals will inevitably have an impact on the People Directorate budget and the way in which it is configured.

2.16 The MTFP savings for PeopleFirst have been updated as follows (the profiling is indicative and will depend on detailed project timetables and any statutory consultation requirements). The revised target is lower in some cases because of PeopleFirst savings already achieved and built into budgets:

	<b>15/16 £000</b>	<b>16/17 £000</b>	<b>17/18 £000</b>	<b>18/19 £000</b>
<b>MTFP target (Q1 in 2014/15)</b>	<b>500</b>	<b>600</b>	<b>900</b>	<b>1500</b>
<b>PeopleFirst savings achieved</b>	<b>253</b>	<b>253</b>	<b>216</b>	<b>216</b>
<b>Revised target</b>	<b>300</b>	<b>600</b>	<b>825</b>	<b>1100</b>
Transport	50	100	150	200
Staffing	125	250	300	400
Public Health	25	50	75	100
Service redesign	100	200	300	400

- Staffing – the structure is being drafted by the Director of People and will be completed by the end of March 2015. Savings are anticipated but not all in year 1 given the due process required and the potential for the structure to be implemented in phases to reflect workload, changes to Care Act etc.
- Transport – a corporate wide review being led by Director for Places (Environment, Planning and Transportation) which is looking at total transport provision and the way it is delivered;
- Service redesign/efficiencies – the PeopleFirst review highlighted a range of opportunities for service redesign, potential integration with health, delivery of services in different ways, optimising the contribution from the voluntary sector and opportunities for charging. It is envisaged that savings will be released from a variety of projects being delivered.
- Public health – targeting Public Health funding to local priorities was a key PeopleFirst target. The 2015/16 budget includes the use of public health funding to fund some core services so the further target set for 2015/16 is small.



## **The Care Act**

2.17 The Care Act will be implemented in stages between 2014 and 2016. Amongst the key changes are:

- national eligibility criteria;
- new responsibilities for Information and Advice;
- increased rights and access to services for carers; and
- Adult Social Care funding reforms.

2.18 Some aspects of what is required for the Care Act have already been put in place. For example, Rutland already has a Safeguarding Adults Board. The Council has set up a series of Transformation work streams to address all aspects of the Care Act. Work continues to identify:

- the tasks required to prepare for the implementation the Act and any associated costs;
- the additional resources and costs of delivering the requirements as 'business as usual'.

2.19 The timetable for Care Act implementation is shown below:

<b>From April 2015</b>	<b>From April 2016</b>
<ul style="list-style-type: none"> <li>• Duties on prevention and wellbeing</li> <li>• Duties on information and advice (including paying for care)</li> <li>• Assessments (including carers' assessments)</li> <li>• National minimum threshold for eligibility</li> <li>• Personal budgets and care and support plans</li> <li>• Safeguarding</li> <li>• Universal deferred payment agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Extended means test</li> <li>• Care accounts</li> <li>• Capped charging system</li> <li>• Duties on market shaping</li> </ul>

2.20 Some costs were already built into budgets pre 15/16 budget setting. The total cost of the Care Act for 2015/16 is estimated to be £531k. Of the £531k, £421k are new pressures. Moreover, the £531k includes first year implementation and set up costs and will reduce to £381k in 2016/17 and £341k thereafter. In 2015/16 the £531k is partially offset by funding of £294k and a further £34k in the Better Care Fund.

2.21 In order to quantify some of the costs relating to the Care Act for both those reforms to be implemented from 1<sup>st</sup> April 2015 and those from 1<sup>st</sup> April 2016, the Council is making use of national modelling tools. However the number of

assumptions that need to be made with little reliable evidence is a concern on two levels a) the Council is unable to predict with high levels of confidence what costs might be for financial planning purposes; and b) the Council believes that Government funding will similarly be derived on a lack of meaningful data which is likely to result in the Care Act being underfunded. The table below illustrates some examples of where costs may be incurred and some of the issues around predicting costs or loss of income. Should the costs exceed the amount budgeted for in 2015/16, the Council can use its adult and social care earmarked reserve to fund any shortfall.

<b>Potential pressure</b>	<b>Issues</b>
<p>Duty to assess and provide for new carers (applies from 2015/16)- notional government funding £34k</p>	<p>The Council does not know:</p> <ul style="list-style-type: none"> <li>• how many carers exist in our community under this new definition;</li> <li>• how many of these carers will request an assessment; and</li> <li>• of those requesting an assessment, it is not known how many will be eligible for support.</li> </ul> <p>Provisionally, the Council estimates a pressure of c£60k in 2015/16 based on 40 new carers at an average cost of £1,500 but this will be reviewed as more information becomes available. The People First review earlier this year recommended that the current offer be reviewed in the light of the Care Act and this review is underway to ensure a revised offer is in place during 2015/16.</p>
<p>Duty to assess and provide for prisoners (applies from 2015/16) – government funding £68k</p>	<p>The provision of care and support for those in custodial settings will be based on the principle of equivalence so local authorities will be required to provide an equivalent level of care and support as the rest of the population receives, subject to some exceptions to reflect the particular constraints and circumstances of custodial settings.</p> <p>The estimates for funding were derived using data on the prison population in England and the results of a limited pilot survey of the prevalence of need and support costs in a sample of prisons.</p> <p>The Council does not know:</p> <ul style="list-style-type: none"> <li>• how many prisoners will need to be assessed;</li> <li>• how many will be eligible for support;</li> <li>• what type of care packages will be required and the</li> </ul>

	<p>extent to which the prison will contribute itself (through existing services) to care needs.</p> <p>The Council has included in its budget a figure in line with funding but this will again be reviewed in due course.</p>
<p>Increase in asset thresholds (applies from 2016/17) – Government have indicated their intention to fund costs</p>	<p>From 2016/17, capital asset thresholds increase from £23,250 to £118,000 meaning that those with capital above £23,250 may be eligible for financial support. The costs for the Council will vary according to the:</p> <ul style="list-style-type: none"> <li>• number of those currently self-funding who will request an assessment;</li> <li>• financial position of those self-funders (capital and weekly income);</li> <li>• cost of care currently paid by self-funders;</li> <li>• expected length of stay in care; and</li> <li>• attrition rate of assets.</li> </ul> <p>The Council has included a contingency of £100k in the MTFP for 16/17 but is expecting additional funding to be received.</p>

### ***Better Care Together and Better Care Fund (BCF)***

2.22 The government has set up the BCF – this is a pooled budget to improve the ways health services and social care services work together, starting with services for older people and people with long term conditions. The BCF aims to drive forward health and social care integration so that people receive the right care and support at the right time, in the right place. The main aims of the BCF include:

- Improving services even though there is greater demand and less money;
- Getting people cared for in their own homes, avoiding admission to hospital and residential care;
- Providing help for people to better manage their health conditions;
- Spending money on supporting people to live well in their communities, to prevent them needing costly health or social care services later.

2.23 The BCF is a key part of the Better Care Together programme. In June 2014 the Local Health and Social Care Economy (LHSCE/LLR) developed a 5 year strategic plan setting out its ambition to transform local services in line with the models of care set out by the Better Care Together (BCT) programme.

2.24 BCT sets out a vision to improve health and social care services across LLR, from prevention and primary care through to acute secondary and tertiary care.

Successful delivery of this programme will result in greater independence and better outcomes for patients and service users, supporting people to live independently in their homes and out of acute care settings. This vision is consistent with the BCF.

- 2.25 Part of the BCT strategy is to 'left shift' activity i.e. reduce demand for higher cost and more acute services by delivering an enhanced community offer. Adult social care has a critical role to play in helping achieve this goal. For example, the Health sector has initiated a beds programme that will reduce the number of hospital beds by c250 over the next two years. Work has begun to make estimates to quantify this impact on social care. This example illustrates the need for careful planning and coordination between the different services.
- 2.26 The BCF supports this vision as it will fund some existing services (because there is a clear link that these contribute to better health outcomes) and allows for investments in new services such as Community Agents.
- 2.27 BCF schemes all have performance targets. Failure to deliver targets and demonstrate a contribution to the achievement of national outcomes may result in funding being withdrawn, reduced or redirected. This presents a risk, albeit one that is being managed through various governance processes, as the Council could be left to fund projects should this be the case.
- 2.28 Should the BCF funding end in 2015/16 and the Council receive no health funding at all or the Health and Wellbeing Board decide that it wants to use funding towards new schemes, the Council would be left with services costing c£1.2m for which there is no funding. Over time the Council would seek to address this and might have to reduce service levels. For each BCF scheme the Council is working out an 'exit strategy', in order to mitigate any potential loss of funding, which would allow the scheme to continue or be withdrawn. This scenario is very unlikely as the Council has always received some health contribution and the schemes to be funded are supported by evidence that they will have a positive impact on health outcomes.

### ***The Council Election in May 2015***

- 2.29 In May 2015, the Council will hold its election. As with any election the new administration may wish to revisit Council priorities and may determine a new direction for the Council. The translation of new priorities into policies and spending plans could impact significantly on the proposed budget.

### ***Other potential spending pressures***

- 2.30 The MTFP has been regularly updated throughout the current year and shows the baseline position, assuming a continuation of existing services with allowances for service pressures, inflation etc. While the MTFP provides a useful modelling tool that can be used to demonstrate the effect of a range of variables on the Council's financial stability over the medium term, there are a number of inherent risks that could impact on spending plans that are outside of the Council's control (these are covered below):

Risk	Action to mitigate risk
<p>There is a risk that, with the localisation of <b>council tax support</b>, the Council will bear the financial burden of any increase in the number of residents claiming council tax support. In addition, there is a risk that collection levels will be lower than estimated with a subsequent impact on the future financial position of the Collection Fund.</p> <p>The Council has monitored the operation of the local council tax support scheme in year 1 and to date in year 2 and there has been no significant drop in collection rates or an increase in the amount of support being paid.</p>	<p>Proactive monitoring of collection levels for council tax and the collection fund will provide early indicators of any risks materialising.</p>
<p>The MTFP assumes that some <b>service pressures</b> can be contained within the forecast budgets as growth in only built in where there is a degree of certainty. As part of the 2015/16 budget setting process, the following pressures have been highlighted:</p> <ul style="list-style-type: none"> <li>• <i>Internal Audit</i> – the team is in transition and there is an overspend this year. Continuation of existing arrangements or the recruitment of a Head of Audit and an apprentice should allow the service to deliver in line with its original budget</li> <li>• <i>Holiday pay</i> – As a consequence of cases at Employment Tribunal, all employers are facing the pressure of calculating holiday pay with the inclusion of overtime (and possibly other allowances, e.g. Standby). Whilst the cases have not yet been through the full tribunal system, employment law specialists are advising that the cases are likely to be won. Claimants can only go back as far as 3 months to cite their last period of annual leave/inaccurate payment and overtime ‘in scope’ relates to ‘normal’ overtime and not to ‘occasional/ad hoc overtime’. The cost to the Council is being looked at but is likely to be less than £10k pa.</li> </ul>	<p>This will be monitored through the monthly monitoring process and quarterly reports to Cabinet. Variances identified as recurring are highlighted to Cabinet and the longer term implications assessed.</p> <p>Sufficient balances will be maintained to cope with unforeseen cost pressures in the short-term.</p>

Risk	Action to mitigate risk
<p><b>Pinewood</b> young people's facility currently has no occupants, and work is on-going to build up the occupancy. Under occupancy will place pressure on the budget as an income and potential savings are at risk.</p>	<p>In addition to the work to increase referrals, the Council is also assessing alternative funding models and business cases.</p>
<p><b>Inflation</b> may increase to a higher level than has been assumed in the MTFP.</p>	<p>Monitoring of actual increases compared to forecasts through the budget monitoring process.</p> <p>Procurement process to be used to negotiate improved rates in contracts.</p>
<p><b>Interest rates</b> may fall thereby reducing the Council's ability to earn investment income.</p>	<p>Regular review of the position and consideration of the balance between investing surplus cash and using it to repay long term debt. Advice from Capita used to forecast investment income.</p>
<p><b>Capital financing</b> costs have been estimated based on the assumption that capital receipts from asset disposals are used to reduce the borrowing requirement. Failure to dispose of assets will increase the capital financing costs.</p>	<p>The estimates within the capital programme are based on the latest information.</p>
<p>The Council can be impacted by changes arising from partner bodies such as the <b>Police and Fire</b> as they, like the Council, aim to reduce costs. Any decision to reduce or reconfigure services in this County could result in additional demands on the Council.</p>	<p>The Council is working with partners to understand the impact of any changes and support changes where possible. Provisional support for the Fire Service is proposed in 3.14.</p>
<p>The contract with our <b>leisure provider</b>, SLL, continues to be financially challenging following temporary closure of the swimming pool last year.</p> <p>Whilst the risk is low, if the Council was to have to assume responsibility for running leisure services or retender, there could be a cost.</p>	<p>The position is being closely monitored and the Council continues to work with SLL to provide support.</p>
<p>The <b>Independent Living Fund (ILF)</b> works in partnership with over 200 local authorities to provide discretionary cash payments directly to</p>	<p>The Council has included a pressure in the MTFP for 2016/17 to mitigate the</p>

Risk	Action to mitigate risk
<p>disabled people - these payments allow them to purchase care from an agency or pay the wages of a privately employed personal assistant.</p> <p>The Minister for Disabled People announced that the ILF will be closing on 30 June 2015. From 1 July 2015, the funding and responsibility of ILF care and support needs will transfer to local authorities in England and the devolved administrations in Scotland, Wales and Northern Ireland.</p> <p>The Council has three residents who obtain funding from the ILF. It is not known whether the funding that will be transferred to the Council will be sufficient to meet the current costs and any additional administrative duties in the medium term despite assurances received. This position is being kept under review.</p>	<p>potential loss of funding due to the closure of the ILF.</p>
<p>The growth of academies will continue to lead to a <b>loss of Education Service Grant</b>, which cannot be readily compensated by cost reductions as the Council still maintains a responsibility to have oversight of school performance.</p>	<p>The Council has factored into grant forecasts known conversions and continues to review how it can discharge its responsibilities in the most economical way.</p>
<p>The Council is reviewing its <b>IT Strategy</b> and will need to make decisions about systems replacement, its network infrastructure, how IT will be used in the future etc. These decisions are likely to have a significant financial impact as the Council, unlike some others, does not include in its capital programme an allocation for IT other than for big IT projects such as raise.</p>	<p>The Council will put together a business case and look to use existing funds (unallocated capital resources) and earmarked reserves to fund any costs.</p>
<p>There has been speculation nationally regarding a potential increase to the national minimum wage or a call for public bodies to adopt the “<b>living wage</b>”. This would be unlikely to put significant pressure on the wage bill but it would, however, increase the cost of some contracted services and it could deter some suppliers from wanting to do business with the Council thus having an impact on the</p>	<p>The Council has no plans to adopt the ‘living’ wage and would have to assess the full implications should there be a formal requirement to do so.</p>

Risk	Action to mitigate risk
local economy.	
<p>The Council agreed rates with <b>Care Home</b> providers for 2015/16. A further review is planned for 2016/17 onwards.</p> <p>At a more strategic level, supporting people to live independently in their own community will impact on the residential care market but the extent of this not yet known. Moreover, ensuring a sustainable and competitive market remains a challenge in order for the Council to strike the right balance between quality and cost.</p>	<p>The Council will be undertaking a review in 2015/16 and will be seeking to ensure that any increases are limited to what is reasonable.</p> <p>A market position statement and commissioning strategy for all care needs will be published in 2015. These publications will set out the Council's current position and future intentions, including emerging market needs and how these will be met. Quality, cost and sustainability will be key themes.</p>
<p>The Council is calculating the cost of implementing the <b>Care Act</b> but there is still some uncertainty around a number of variables that could have a significant cost impact including the number of self-funders or carers who will ask to be assessed and the extent to which care costs above the cap will be funded. (see also 2.17 onwards). Interim management arrangements are in place and are expected to remain in place until August 2015 but will be reviewed in the new year to ensure the Council is appropriately resourced to implement the second phase of the Act.</p>	<p>The Council's transformation team is monitoring developments and working up potential costs using national models and available information.</p>
<p>The 2014/15 and 2015/16 <b>pay award</b> has been settled. Pay awards beyond 2015/16 will be subject to national agreement.</p>	<p>The Council will retain its pay assumption of 2% for 2016/17 and beyond.</p>

2.31 As further information becomes available an update on these risks will be provided in February budget paper.

### **C Reserves – What level of reserves should the Council be aiming to retain?**

2.32 Reserves can be held for three main purposes:



- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; and
- a means of building up funds to meet known or predicted liabilities.

2.33 The level of reserves are set to take account of:

- strategic, operational and financial risks facing the Council;
- key financial assumptions underpinning the budget; and
- quality of the Council's financial management arrangements.

2.34 There are a range of risks that may arise that the reserves are held for in order to maintain the Council's sound financial position. These risks include the following:

<b>Risk factor/issue</b>	<b>Potential cost</b>
Loss of business rates income before Safety Net reached – the Council has seen any substantial growth in business rates and a small number of businesses account for the majority of rates levied	£0 - £300k
Adult and Social Care pressures (a single complex high needs case may cost over £100k per annum)	£200 – £300k
Other service pressures or overspends – 1% of net spending e.g. winter maintenance	£0 - £300k
Grant uncertainty – reductions in funding greater than anticipated (10% of RSG), including the risk that other funding e.g. New Homes Bonus is withdrawn or changed	£0 - £500k
Education redundancies no longer paid for through DSG	£0 - £150k
Restriction on Council's ability to increase council tax above 1.99% without a referendum – in Rutland, where two thirds of net income comes from council tax, limiting of this option could be significant	£0 - £200k
Above inflationary increases or shortfalls in discretionary income	£0 - £100k
Loss of health/Better Care Funding – historically there has always been a transfer of health funding to local	£0 - £500k

<b>Risk factor/issue</b>	<b>Potential cost</b>
authorities but this could change	
Failure of key service provider – this risk heightens with the new responsibilities under the Care Act for local authorities to ensure the security and supply of care via the market including intervening where providers fail.	£0 - £200k
Legislative or policy changes that may or may not be funded e.g. Care Act	£0 - £200k
Potential growth in demand for services	£0 - £200k

2.35 The Council's minimum reserves target is currently set at £2m which equates to about 6% of net spending. There is no specific guidance in respect of minimum reserve levels. The Audit Commission report *Striking a Balance* (December 2012) confirms this:

“The Audit Commission has not [...] issued any guidance to auditors concerning councils' minimum reserve levels and is not aware of any specific guidance for councils on minimum levels.”

2.36 It is therefore the responsibility of Chief Finance Officers to advise based on professional judgement and a risk assessment. It is proposed that the minimum level of reserves is increased to £3m (c9% of net revenue spending). In Report 277/2013 the basis of the minimum recommended level set in 2014/15 was discussed. This assessment has been updated in light of the current position. The key reasons for this change are:

- the Council's key funding streams and amount are deemed to be increasingly uncertain (Section 2,A);
- despite existing savings plans, the Council is still using reserves to balance the budget (Appendix 2);
- there are potential cost pressures arising from the Care Act, increased social activity arising from service changes in health and demographic change which are only partly factored into spending plans;
- whilst the Council has savings targets built into the MTFP and has a very good track record of delivering against targets, there is no guarantee that all savings can be realised.

2.37 Presently, the Council's general fund balances (and useable earmarked reserves) are above the minimum level. This gives the Council time to address the issues raised above and respond in a measured way to further funding cuts should they arise.

2.38 To give Members a comparative view, analysis has been undertaken of the Council's relative position on total reserves (earmarked and general fund).

Using the Government Revenue Budget return forms, the Unitary Authority average holds approximately the equivalent of 25% of its Net Revenue Expenditure (the Government defines NRE as expenditure less some specific grants) in reserves. The range is 2% to 55% (Leicester City for example runs at 49%,but Peterborough City only at 9%) with RCC at 36%.

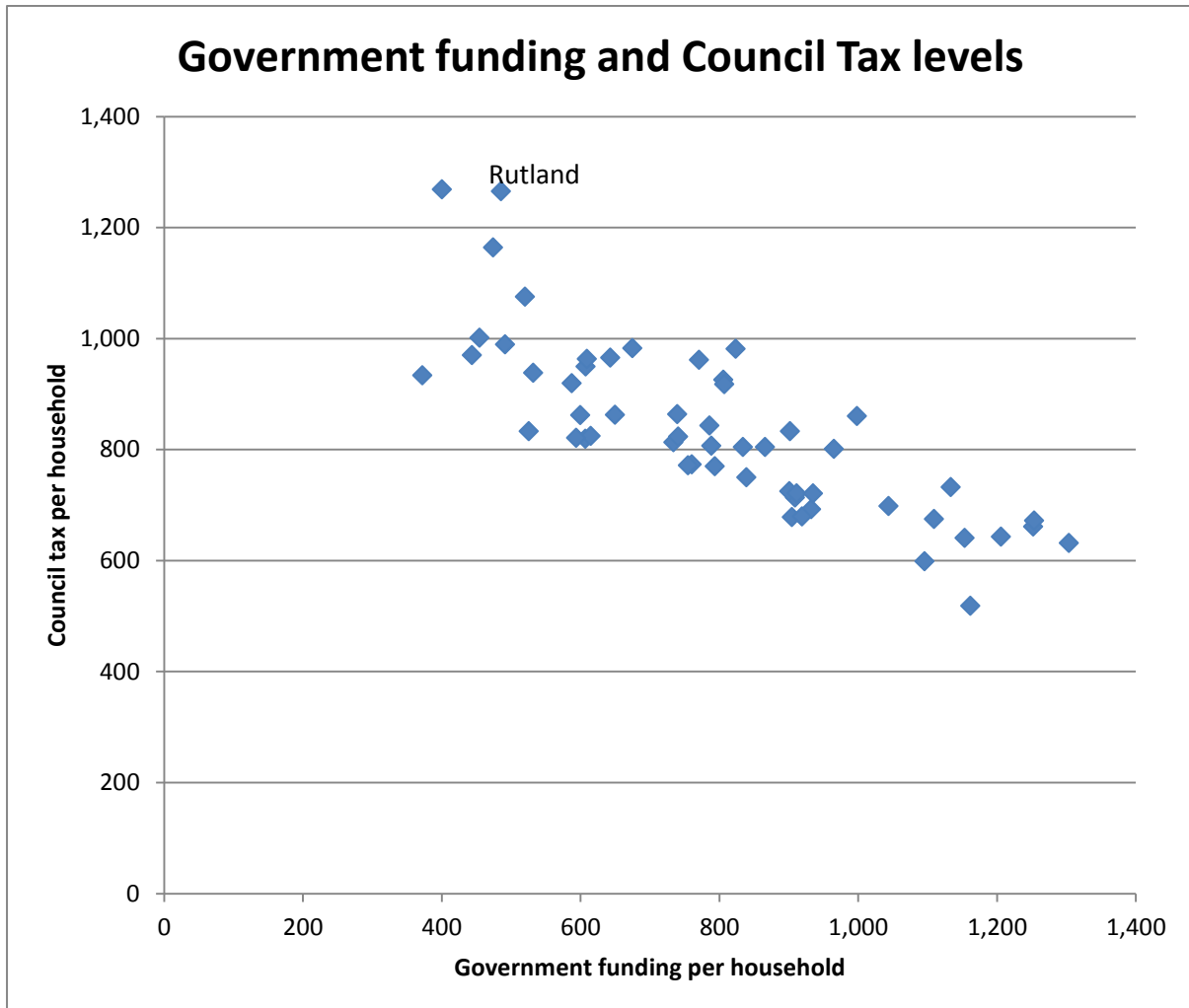
	<b>Unitary average</b>	<b>All Council average</b>	<b>Rutland</b>
Average General Fund Balance as % of Net Revenue Expenditure	7%	18%	28%
Average Earmarked Reserves as % of Net Revenue Expenditure	18%	35%	8%
Total Reserves as % of Net Revenue Expenditure	25%	53%	36%

**D Level of Council tax – What choice does the Council have over council tax levels?**

- 2.39 The tax levied by the Council constitutes only part of the tax Rutland citizens have to pay (albeit the major part). Separate taxes are raised by the Office of the Police and Crime Commissioner and the Fire Service. These are added to the Council’s tax, to constitute the total tax charged.
- 2.40 The Government has in recent years established a 1.99% limit on raising Council Tax before a referendum must be called. However, if a Council does not raise Council Tax the Government has offered additional funding – freeze grant – worth an equivalent of a 1% increase in Council Tax. In 2014/15 the Government announced that the freeze grant offered would be built into the base for RSG (the provisional allocations for 2015/16 confirm this).
- 2.41 Increasing the Council Tax above the Government set threshold would require a referendum to be held, the result of which is binding.
- 2.42 Whilst full details of the support for 2015/16 have not been given, it is assumed that the support will be offered in the same way and that the Council will again freeze Council tax for the fifth successive year. The MTFP assumes, following Cabinet direction, council tax rises of 2% from 2016/17 onwards and includes some tax base growth as described in 2.10.
- 2.43 No decision will be made on council tax levels until Full Council on 23<sup>rd</sup> February and full details of any freeze grant offer will be known.
- 2.44 Members should note that whilst the Council’s Band D tax levels and Council tax requirement per household remain in the upper quartile relative to other unitary authorities, it remains in the lowest quartile for Government funding per household. The graph below shows the correlation between council tax and

government funding per household. The council tax figures exclude charges made for green waste by some Councils.

2.45 The average unitary charge per household is £835. For Rutland to charge Council Tax at a similar level it would need to reduce its council tax requirement from c£20m to £13.5m (resulting in a 34% reduction in charge per household).



**E Collection Fund – What is the estimated surplus at 31 March 2015?**

2.46 The Council, as a billing authority for Council Tax, is required to keep a special fund, known as the Collection Fund. The fund is credited with the amount of Council tax it collects. Expenditure from the fund is in respect of Rutland County Council’s own demand (i.e. General Fund expenditure net of RSG and share of Business rates) and the precepts payable to the Police Authority and Fire Service.

2.47 If a surplus or deficit remains in the Collection Fund at the year end it is subsequently distributed to, or borne by the billing authority (in this situation the Council) and the preceptors (Police and Fire Authorities). Billing authorities are required to estimate the expected Collection Fund balance for the year to 31 March in order that the sum can be taken into account by billing authorities and

preceptors in calculating the amounts of Council Tax for the coming year. The difference between the estimate at 15 January, and actual position at 31 March will be taken into account in the following financial year. The estimated financial position on the Collection Fund at 31 March 2015 is set out below:

Estimated surplus at 31 March 2015	£30,000
<b>Share of surplus</b>	
Rutland County Council	£25,905
Leicestershire Police Authority	£3,066
Leicestershire Fire Service	£1,029

2.48 The Regulations provide for the Council's share of the estimated surplus to be transferred to the General Fund in 2015/16, however because of the small level of the surplus and the fluctuation in surplus/deficit during the year, the current proposal is to declare a nil surplus/deficit on the Collection Fund.

### 3. Revenue Budget Proposals

#### A Overview – what does the overall budget look like and how does it compare to prior year?

3.1 The table below show the net cost of services by Directorate in the draft budget for 2015/16:

Directorate	Draft budget 2015/16 £000
People	15,401
Places	12,384
Resources	5,714
Fire Service Support	75
Savings	(300)
<b>Net cost of services</b>	<b>£33,275</b>

3.2 The movement from the Approved budget for 2014/15 at Q1 (£32.19m is the total budget of which £31.95m is the Directorate budget) to the draft budget for 2015/16 can be seen in **Directorate appendices 3 – 5** and is summarised in broad terms below. The Q1 budget, rather than the approved budget, was selected as the start point for comparisons as it reflects both the inclusion of grants received late after the budget was approved and budget carry forwards.

3.3 The movement between budgets can be explained as follows:

Area	Amount £000	Detail
<b>Q1 2014/15 budget</b>	<b>31,951</b>	Total cost of Service budget excluding Inflation contingency
Reversals	(1,632)	Primarily one off budgets in 2014/15 no longer needed
Savings	(786)	Savings put forward by Directorates (see 3D)
Other Savings	(300)	Other Peoples First Savings
Fire Service Support	75	See Section 3E
Better Care Fund	1,608	Inclusion of BCF in full (see 3E)
Care Act pressures	421	New costs for implementing the Care Act (2.17-2.21)
Other pressures	1,038	Other non BCF/Care Act pressures (see 3E)
Adjustments	143	Depreciation/technical changes

Area	Amount £000	Detail
Inflation	757	1% superannuation adjustment - £89k Pay award lump sum - £59k 2% pay award and increments - £262k Non-pay inflation - £347k
<b>2015/16 budget</b>	<b>33,275</b>	

## **B Development of budget proposals – how has the revenue budget been developed?**

3.4 The starting point is the Q1 Approved Budget 2014/15 which is updated for any approved changes and adjustments as reported at the Q1 financial monitoring. Minor adjustments are made to individual budgets as part of the normal annual budget process. These include changes to:

- employee costs to align budgets to known pay rates of staff in post and corresponding employer National Insurance and Superannuation contributions;
- external funding streams resulting in adjustments to service spending levels;
- reflect use of reserves and external contributions which have been set aside for specific services.
- remove one-off budgets from 2014/15 and to reflect decisions made since the last budget setting relating to virements and supplementary estimates
- provide for inflation (the percentage applied depends on the type of budget, and this is in line with the assumptions contained within the MTFP)
- meet service specific pressures – details are provided in **Appendix 6**.
- encompass agreed savings – details are provided in **Appendix 6**.

3.5 There are a number of budgets where expenditure is likely to be incurred where the current budget is set as 'nil' or de minimis levels. The reason for this is that the amount to be spent in 2015/16 will be determined by the budget unspent in 2014/15. For example, if the Digital Rutland budget of £200k is underspent by £50k, then this amount (£50k) will be carried forward and become the new budget for 2015/16. The budgets in this category include:

- Travel for Rutland
- Tourism
- Planning Delivery Grant

3.6 As set out in Section 2B, the 2015/16 budget process included specific consideration of the Care Act, Better Care Fund and PeopleFirst work.

### **C Priorities – how does the proposed budget support the Council’s priorities?**

3.7 The Council continues to focus on delivering and maintaining core services during difficult financial times whilst investing in economic growth and infrastructure. Examples include:

- the continued support of the Local Council tax support scheme, the Discretionary Fund and Crisis Loans (for which Government funding has been subsumed within RSG) recognises the need to support those in greatest financial need despite reductions in government grant funding;
- the inclusion of Better Care Fund schemes in the budget in 2015/16 and beyond and the investment in new projects like Community Agents demonstrate the Council’s commitment to putting residents first through integrating services with health ignoring organisational boundaries;
- the proposed work programme (and savings that will follow) from the PeopleFirst review demonstrate support for the delivery of the MTFP alongside a commitment to re-engineer service provision and refocus service focus to those in greatest need;
- Oakham Enterprise Park has over 66.7% of units let (in sq ft terms) and is now supporting the Councils budget whilst delivering diverse economic benefit to the people of Rutland. We will continue to develop the site around these principles;
- the commitment to meet the requirements of the Care Act although it is not, as it stands, fully funded by Government; and
- development of our infrastructure through the ‘Digital Rutland’ project which is rolling out superfast fibre broadband across businesses and local communities.

### **D Savings – what new savings are the Council planning to make in 2015/16?**

3.8 The 2015/16 budget includes:

- savings built into service budgets pre 15/16 budget process £112k and new savings put forward £674k (see Appendix 6). Most savings are recurring as shown in the table in 3.9.
- a savings target of £300k for PeopleFirst which was explained in 2.15.



3.9 Not all savings are recurring as shown in the table below.

	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>
Savings	£785,900	£721,900	£676,700	£676,700

3.10 It is considered that savings proposals do not have any significant adverse impact on Front Line services. However all budget considerations have to be balanced against the need to maintain a sound financial position throughout the life of the MTFP and there can be no guarantee that this can be achieved whilst continuing with all existing front line services.

**E Pressures – what services are requesting extra funding to cope with increased workload and other pressures?**

3.11 Service pressures may arise from increased demand from service users, legislative changes that place additional duties or responsibilities on the Council or from policy changes.

3.12 The Council aims to contain service pressures within existing budgets where possible. In section 2, some of the areas where there are risks were discussed. Budgets have not been increased for 2015/16 for these pressures.

3.13 Pressures built into service budgets pre 15/16 budget process (£1,730k) and new pressures identified of (£1,338k) included within the MTFP are shown in **Appendix 6**. They represent a combination of Care Act, non-Care Act pressures and inclusion of BCF schemes (which are actually funded). Not all pressures are recurring as shown in the table below.

	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>
Pressures	£3,067,400	£2,655,900	£2,480,900	£2,480,900

3.14 Moreover, of the total pressures, £59k is being funded from Public Health and £88k from earmarked reserves so there is no General Fund impact for these pressures.

3.15 A further pressure of £75k for 2015/16 and 2016/17 is included within the draft budget in relation to the Fire Service. The Council is aware of the financial pressures facing the Fire Service and understands the proposal to reduce the number of Fire tenders in Rutland. The Council would like to offer financial support to the Fire Service for a period of 2 years with an amount of money equal to £5 per household based upon the following conditions:

- That Rutland retains 2 Fire Stations, the current number of engines staffed by one full time and two retained crew (It is recognised the matter

of the size of the crew and the operational hours are a matter for the Fire Service); and

- That the Fire Service uses the 2 years to look for further economies or shared services including first responders and Rutland Military bases.

3.16 A further pressure has been identified relating to an increased need for Children and Adults Social Care Services. The total cost of this pressure is yet to be finalised but this work will be completed shortly so that Scrutiny Panels can be advised accordingly and a formal pressure included in the final budget paper to be presented in February.

**F Earmarked Reserves – how will they be used to fund 2015/16 revenue expenditure?**

3.17 Earmarked reserves are used as a means of building up funds to meet known or predicted liabilities. Their establishment and use is subject to Council approval and movements are reported as part of the quarterly financial monitoring reports.

3.18 The balances held in Earmarked Reserves at 1<sup>st</sup> April 2014 and estimated balances as at March 2015 (as estimated at Q2) are shown below and total c£2.38m (ring fenced balances such as Public Health and s106 are excluded because the Council cannot choose to change the intended use of such reserves).

3.19 The table below shows whether reserves are still required and whether there are spending plans in place for 2015/16 and beyond.

	<b>Balance at 01 April 2014</b>	<b>Balance at 31 March 2015</b>	<b>Required?</b>	<b>To be used in 2015/16 and beyond?</b>
<b>Reserve</b>	<b>£000</b>	<b>£000</b>		
<b>Invest to Save</b>	449	322	Yes	Yes
Invest to Save Reserve is used to fund investment projects, costs of restructuring and other one-off projects that will yield economic or efficiency gains in future years. It has been used and will continue to be used.				
<b>Planning Delivery Grant</b>	83	73	Yes	Yes
Reserve held to support continued development of Local Planning Framework				
<b>Internal Audit</b>	15	5	Yes	Yes
Reserve held to support shared Welland Internal Audit service. It can be used to support additional support costs if needed. In 14/15 this reserve has offset				

	<b>Balance at 01 April 2014</b>	<b>Balance at 31 March 2015</b>	<b>Required?</b>	<b>To be used in 2015/16 and beyond?</b>
overspends caused by staff turnover and use of alternative delivery mechanisms.				
<b>Welfare Reserve</b>	50	121	Yes	Yes
The Welfare Reserve combines the underspend on the Discretionary Fund, Crisis Loans and unused grant given by Government to fund welfare reform administration. It is intended to use this reserve to fund crisis loans in 15/16 and to top up the Discretionary Fund if required following the decision to reduce the amount available from £100k to £50k. Fund can also be used to support any changes to Local Council Tax support in the future.				
<b>Training</b>	50	21	Yes	Yes
Created from underspends on the training budget. Reserve has been used in 14/15 and will be used in the future for exceptional items as the training budget is being reduced from 15/16.				
<b>Highways</b>	307	171	Yes	Yes
The Highways reserve combines external funding received from Government for Sustainable Drainage Schemes (which is partly on hold); S38 Income received in 13/14 (and continuing to be received in 14/15) being matched to expenditure over the next few years; and the Winter Maintenance reserve to be utilised as necessary to cover periods of extreme weather conditions.				
<b>NNDR</b>	287	287	Yes	Yes
In common with a number of local authorities a reserve was established to meet any shortfalls in business rates income arising from appeals or a downturn in the economy. As the risk is still live, no change is proposed.				
<b>Tourism</b>	75	55	Yes	Yes
Continued funding of tourism initiatives from Anglian Water funding.				
<b>Adoption Reform Grant</b>	67	81	Yes	Yes
The Adoption Reform Grant has been given to local authorities to: <ul style="list-style-type: none"> <li>a) introduce structural reform of adopter recruitment to increase the supply of adopters; and,</li> <li>b) reduce the backlog of children waiting for adoption, particularly by developing innovative ways of finding adoptive families for children who traditionally wait longer</li> </ul>				

	<b>Balance at 01 April 2014</b>	<b>Balance at 31 March 2015</b>	<b>Required?</b>	<b>To be used in 2015/16 and beyond?</b>
<p>than average to be adopted.</p> <p>In order to support this work a two year fixed term contract (anticipated to start Jan 2015) has been agreed. This grant will fund this post for the two years.</p>				
<b>SEN Grant</b>	75	150	Yes	Yes
<p>The SEN reform Grant is required to complete the transfer of Statements of SEN to Education, Health &amp; Care Plans (EHCP) as defined by the Children &amp; Families Act 2014. This funding will be used to fund additional capacity over the next two years to ensure that the Council complies with the relevant legislation.</p>				
<b>Travel4Rutland</b>	33	33	Yes	Possibly
<p>This is the revenue generated by the ShoreLink and WorkLink services during the first 18 months of operations. This may be required after the end of the grant funded period (April 2015) depending on the date the Council decides these services should end.</p>				
<b>SEND Grant</b>	0	78	Yes	Yes
<p>This is an additional grant covering the same as SEN Reform Grant for disabled children.</p>				
<b>Castle Restoration</b>	51	51	Yes	Yes
<p>Funds set aside to support Castle project. Part will be used in 15/16 to compensate for the loss of income as the Castle is closed during renovation works.</p>				
<b>Digital Rutland</b>	367	264	Yes	Yes
<p>As agreed by Cabinet, amount set aside for completion of Digital Rutland works, a substantial amount is to be used in 15/16.</p>				
<b>Social Care</b>	631	630	Yes	Yes
<p>The remit of this reserve is to provide additional funds as and when required for care packages and other exceptional costs arising from the Council's safeguarding and care work. There are risks on the horizon arising from changes in the health sector, the Care Act and demographic pressures. The reserve could be used to offset some of the 15/16 social care pressures and may be called upon should caseload increase further (or beyond that budgeted for in relation to the Care Act) in relation to carers.</p>				

	<b>Balance at 01 April 2014</b>	<b>Balance at 31 March 2015</b>	<b>Required?</b>	<b>To be used in 2015/16 and beyond?</b>
<b>Other Reserves</b>	354	38	No	No
'Other' Reserves includes those set up for Budget Carry Forwards which have now been used or are no longer required. The residual amount will be transferred to General Fund Reserves.				
<b>Earmarked reserves total sub total</b>	<b>2,894</b>	<b>2,380</b>		
<b>Public Health</b>	347	449	Yes	Yes
Ring fenced reserve which must be spent on public health objectives				
<b>Total</b>	<b>3,241</b>	<b>2,829</b>		

3.20 The MTFP currently shows transfers from reserves of £825k for 2015/16 which consist of:

- £9k – Social care reserve;
- £20k – Highways reserve;
- £25k – Welfare reserve;
- £180k – Digital Rutland;
- £15k – Castle Restoration;
- £63k – SEN grant;
- £14k – Tourism; and
- £500k – Sports and Leisure.

3.21 A further £54k will be used from s106 and Commuted Sum reserves to fund revenue expenditure.

## 4. Capital Programme

### A Overall Programme – what does the overall programme look like?

4.1 The Capital Programme is developed around specific projects. These projects sometimes span across more than one financial year. Any projects already approved which are not yet completed will continue into 15/16. The estimated spend in 15/16 will depend primarily on the outturn for 14/15. The overall programme is shown below. The table below is an update of that reported in Report 245/2014 Q1 finance report where details of all schemes can be found. The key changes are shown in 4.2. Further detail can be seen in **Appendix 7**.

Portfolio	Project Budget £000	Project Forecast £000	Spend to 2013/14 £000	Current 2014/15 Budget £000	Budget 2015/16 £000	Budget 2016/17 to 18/19 £000
Approved Projects						
People	1,808	1,808	404	418	290	696
Places	46,337	46,774	35,462	7,347	3,528	0
Resources	0	0	0		0	0
<b>Total Approved</b>	<b>48,145</b>	<b>48,582</b>	<b>35,866</b>	<b>7,765</b>	<b>3,818</b>	<b>696</b>
Unapproved Projects						
People	2,860	2,860	0	0	2,860	0
Places	10,738	1,680	0	27	2,365	8,346
Resources	567	567	0	0	567	0
<b>Total Unapproved</b>	<b>14,165</b>	<b>5,107</b>	<b>0</b>	<b>27</b>	<b>5,792</b>	<b>0</b>
<b>Total Capital Programme</b>	<b>62,310</b>	<b>53,689</b>	<b>35,866</b>	<b>7,792</b>	<b>9,610</b>	<b>9,042</b>
Financed By						
Grant	(46,052)	(46,487)	(23,982)	(5,004)	(8,192)	(8,874)
Section 106	(626)	(626)	0	(387)	(71)	(168)
Prudential borrowing	(8,156)	(8,156)	(5,663)	(2,206)	(287)	0
Usable Capital Receipts Reserve	(4,999)	(4,999)	(4,971)	(28)	0	0
Revenue Contribution to Capital Outlay	(1,007)	(1,009)	(76)	(51)	(880)	0
Contributions	(1,470)	(1,470)	(1,174)	(116)	(180)	0
<b>Total Financing</b>	<b>(62,310)</b>	<b>(62,747)</b>	<b>(35,866)</b>	<b>(7,792)</b>	<b>(9,610)</b>	<b>(9,042)</b>

## **B Changes – are there any additions/changes to approved projects?**

4.2 Any new projects or schemes are approved by Cabinet or Council depending on the size of the project. There has been movement on the capital programme to reflect the approval of the following Projects

- Oakham Castle Restoration (£2,381K) – funded largely from external grant;
- Sports & Leisure Grant Scheme (£500k) – this project is being funded through a Revenue Contribution from the General Fund (if s106 funding is not available at the time the grant is required) but will be repaid through S106 funding subject to any conditions of funding being met; and
- Care Act Enablers (£76k) approved as part of BCF.

In addition to the above projects there is the roll forward of the unapproved projects (grant funding not yet allocated to an approved project) including;

- Education Grants (£2,068k) - This grant is being held to fund any projects coming forward to deal with the increase in demand for school places.
- Highways Grants (£2,365k) - The Director of Places (Environment, Planning & Transport), will report on the detailed programme of works at a later date as in previous years – this allocation is significantly higher than the 2014/15 allocation (£1,653k). Included within the grant announcement was indicative funding for a further 5 years (£8,346k) now included within the capital programme.
- IT/Adult Social Care Grants (£567k) - As a result of the Care Act various IT systems will need replacing/upgrading. This funding has been earmarked to fund this expenditure. A separate paper will be brought to Cabinet requesting approval for this project.

## **5. Treasury Management**

### **A Prudential indicators – what prudential indicators will we adhere to?**

- 5.1 Local authority capital expenditure is based on a system of self-regulation, based upon a code of practice (the “prudential code”).
- 5.2 Council complies with the code of practice, which requires us to agree a set of indicators to demonstrate that any borrowing is affordable, sustainable and prudent. To comply with the code, the Council must approve the indicators at the same time as it agrees the budget. The indicators including the limit on total borrowing (currently set at £28,000k) are approved through the Treasury Management Strategy, taken separately to this report.

### **B MRP – How will we calculate the Minimum Revenue Provision?**

- 5.3 By law, the Council is required to charge to its budget each year an amount for the repayment of debt. This is known as “minimum revenue provision” (MRP). The purpose of this section of the report is to propose a policy in respect of calculating MRP.
- 5.4 CLG Guidance issued requires full Council to approve an MRP Statement in advance of each year. Council will be asked to approve the following MRP Statement as part of the Treasury Management Strategy:
- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure (SCE(R)), the MRP Policy will be to follow the existing practice outlined in former CLG Regulations.
  - For all unsupported borrowing, the MRP Policy will be to follow the Asset Life Method i.e. MRP will be based on the estimated life of the assets.



## **6. School Funding**

### **A Overview – How are schools funded?**

6.1 Schools are funded from ring fenced grants, the most notable of which is the Dedicated Schools Grant (DSG). This funding cannot be used for any other Council function, and essentially schools operate within their own fund with any under or over expenditures being taken forward into future years. DSG can be divided into three main areas:

- Schools block - approximately £22.0m for Rutland County Council which essentially funds schools' budgets. This includes approximately £17.3m for academies which is determined by the local Schools Forum and Council but paid to the Education Funding Agency (EFA).
- High Needs block - approximately £4m which primarily supports Special Educational Needs expenditure including maintained special schools.
- Early Years block - approximately £1.4m, which funds educational provision for 2 to 5 year olds in both Local Education Authority (LEA) Schools and Private, Voluntary and Independent (PVI) settings.

6.2 Locally, the Schools Forum, which comprises of representatives from Early Years Settings, Primary, Secondary and Special Schools, will make recommendations to the Council on how much funding should be allocated to the three blocks and also the formula that should be used to distribute monies to individual schools and Early Years Settings.

### **B Allocations – What Government Funding is received and how is it allocated?**

#### ***DSG***

6.3 The DSG is apportioned between authorities largely based on pupil numbers and historical out of date formulae. The final grant level for 2015/16 will not be finalised until December when the schools census data for October 2014 has been collated.

6.4 There is widespread recognition that the current schools funding system is unfair and out of date and over the last 3 years the Department for Education (DfE) have introduced a number of changes to how local authorities distribute funding to schools to help improve the transparency of funding. The DfE have for 2015/16 looked at how to improve funding to schools nationally by providing additional funding to the least fairly funded authorities, of which Rutland is one of them.

6.5 The proposal is to firstly ensure that all local authorities will be funded at least at the same cash level per pupil as in 2014/15 and to allocate an additional £390m for 2015/16 to fund schools in the least fairly funded authorities.

- 6.6 Through this additional funding, every local areas allocation of funding will reflect a minimum basic per pupil amount and minimum amounts reflecting other pupil and school characteristics. Local Authorities will not be obliged to use all these factors or to set their factors at the minimum funding level. It will remain for the local authority, in agreement with Schools Forum, to decide how best to design its local formula to meet local circumstances. Based on the October 2014 census data, Rutland will receive an additional £1,157k to allocate to schools.

### ***Pupil Premium Grant (PPG)***

- 6.7 In 2015/16 maintained schools (i.e. excluding academies) are expected to receive £0.2m in PPG. This is £1,320 per eligible Primary pupil (an increase from £1,300 in 2014/15) and £935 for eligible Secondary pupil. This money is designed to bridge the attainment gap for pupils who are in receipt of free school meals.
- 6.8 There is an additional PPG grant for children in care of £1.9m which is initially held centrally and allocated to schools on the basis of their needs via personal education plans.
- 6.9 Schools also receive Pupil Premium to support children and young people with parents in the armed forces. There is no information as to the level for 2015/16 but each eligible pupil currently attracts a premium of £300.
- 6.10 The Government has taken significant steps to provide support at an earlier stage for disadvantaged pupils, to ensure all young children are able to fulfil their potential in life. Recently it was announced that schools, nurseries and childminders are to receive £300 for every 3 and 4 year old from a low-income family under the new early years pupil premium, so these children start school on an equal footing to their peers.

### ***Universal Infant Free School Meals (UIFSM)***

- 6.11 From September 2014 every infant (key stage1) pupil is entitled to a free school meal. This is funded by an additional specific grant amounting to £2.30 per pupil.
- 6.12 Distributing funding across schools, recognising deprivation and special educational needs (SEN) factors, has become increasingly difficult at a time of no growth in resource availability.
- 6.13 Schools are protected by a nationally set Minimum Funding Guarantee (MFG). This is set at -1.5% per pupil for 2015/16. This means that a school's budget cannot fall by more than 1.5% per pupil from the previous year, regardless of any formula changes that are made.
- 6.14 Schools have reserves they can call on, and the Council will work closely with any maintained school that is experiencing financial difficulty to draw up a recovery plan. Short term loans are available based upon a balanced recovery plan.

## 7. Consultation

### A Consultation – how will we consult and when?

7.1 As outlined in the table in paragraph 1.2 above the Council has a statutory duty to consult on its budget proposals with representatives of non-domestic ratepayers and local persons.

7.2 It is proposed that consultation for 15/16 includes:

- consideration by each of the Scrutiny Panels at special meetings in January 2015;
- a meeting with representatives of the local business community in February 2015;
- a presentation of the budget to the Parish Council Forum in January 2015; and
- consultation via an online survey, static displays at libraries and publicity through the local print and broadcast media.

7.3 The outcome of the consultation will be reported to Cabinet on 10th February 2015 or Council on 23rd depending on the timing of events to enable it to consider the views expressed when making its recommendation to Council on the budget.

### B Consultation – what key questions will we ask?

7.4 In order to encourage a high level of response to the consultation it is suggested that two key questions are asked with the opportunity for respondents to add their own views on any issues of particular interest to them. Suggested questions are:

Would you support a council tax freeze in April 2015?
Have you any other comments or suggestions about our draft budget proposals?
Do you support the Council's proposal to contribute £75k match funding to the Fire Service in 2015/16 and 2016/17 to maintain a second fire tender in Rutland?

7.5 Respondents would be encouraged to provide supporting comments on each of the questions to assist the Council in assessing the options when setting the budget and council tax in February 2015.

## 8. Statutory and Constitutional Requirements

### A Overall Position – are we on track to meet our constitutional and statutory requirements?

8.1 In setting a budget and level of council tax, the Council has to meet a number of statutory requirements and also ensure compliance with its constitution. The table below sets out how the Council intends to meet those requirements.

Requirement	Status
<i>Statutory requirements under Local Government Finance Act 1992:</i>	
To levy and collect council tax	To be reported to Council 23/02/2015
To calculate budget requirements and levels of council tax	To be reported to Council 23/02/2015
To consult representatives of persons subject to non-domestic rates about proposals for expenditure	Discussed in Section 7 of this paper.
To approve the budget and set Council Tax by 11th March in each year	To be approved at Council 23/02/2015
<i>Statutory requirements under Local Government Act 2003:</i>	
Under section 25 of the Local Government Act 2003 the Section 151 Officer is required to report to the Council on the robustness of the estimates made for the purpose of setting the Council Tax and the adequacy of the proposed financial reserves.	Within this report
<i>Statutory requirements under Local Government Act 1999:</i>	
To consider, as a matter of course, the possibilities for provision of information to, consultation with and involvement of representatives of local persons across all authority functions.	Discussed in Section 7 of this paper
<i>Requirements under constitution:</i>	
Cabinet to recommend the budget to the Council	Draft to Cabinet will be presented 10/02/2015
Council to approve the budget and set Council Tax	To be approved at Council 23/02/2015

<p>The Chief Finance Officer shall report to Cabinet for consideration not later than 31st December in each year on draft budgets for the following financial year to be subject to consultation</p>	<p>The draft budget has been published pre 31<sup>st</sup> December following the settlement but will be discussed at Cabinet in early January.</p>
<p>After the completion of the consultation period the Chief Finance Officer shall report for consideration by Cabinet not later than 28th February in each year on draft budgets for approval by the Council.</p>	<p>To be approved at Council 23/02/2015</p>

**A large print version of this document is available on request**



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