

# Rutland County Council

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## COUNCIL - 27 February 2023

### AGENDA SUPPLEMENT

#### 10) REPORT FROM THE CABINET (Pages 3 - 10)

Two amendments to the Council's Budget for 2023/24 have been received from Councillor N Begy on behalf of the Together4Rutland group.

The details of the amendments and advice from the Council's Chief Financial Officer in respect of the amendments are contained within this supplement.

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#### TO: MEMBERS OF THE COUNCIL

Councillor J Dale – Chairman of the Council

Councillor N Begy – Vice-Chairman of the Council

Councillor P Ainsley

Councillor D Blanksby

Councillor A Brown

Councillor P Browne

Councillor W Cross

Councillor S Harvey

Councillor S Lambert

Councillor M Oxley

Councillor K Payne

Councillor L Stephenson

Councillor A Walters

Councillor S Webb

Councillor R Wilson

Councillor E Baines

Councillor K Bool

Councillor G Brown

Councillor J Burrows

Councillor J Fox

Councillor O Hemsley

Councillor A MacCartney

Councillor R Payne

Councillor R Powell

Councillor L Toseland

Councillor G Waller

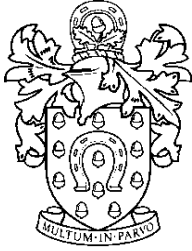
Councillor D Wilby

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#### THE COUNCIL'S STRATEGIC AIMS

- A special place
- Sustainable lives
- Health and well
- A county for everyone
- A modern and effective Council

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## MEETING: COUNCIL

MEETING DATE: 27 FEBRUARY 2023

AGENDA ITEM: 10

### **Amendment to Council on 27th February 2023 from Councillor N Begy**

Given the concern expressed by many residents about the impact of the financial squeeze caused by the inflation in food and utility costs in the last and the real increase in income tax scheduled for April 2023, it is proposed that the Council varies its approach to support those in need but who are not necessarily claiming LCTS benefits.

There are two funding sources for support, the government's Household Support Fund (HSF) and the Council's Hardship Fund. The former includes some provisions to support those not on LCTS, but the amount is small, and the Hardship Fund is exclusively targeted at those eligible for Local Council Tax Support (LCTS).

#### **Household Support Fund**

On 30 September 2021, the government announced that vulnerable households across the country could access a new [£500 million support fund](#) to help them with essentials over the winter. This funding covered the period 6 October 2021 to 31 March 2022 inclusive. The fund was extended until the end of March 2023, and the government have announced it will continue again until the end of March 2024. Rutland's allocation has been in the region of £130k - £150k for 6 months.

The latest Rutland was prepared and approved in October 2022 in accordance with government guidance to ensure money was distributed to those in need as quickly as possible, principally residents already receiving LCTS, which falls into two categories, those claiming benefit and those on the state pension. There was the opportunity for those not receiving LCTS also to make an application, but the initial sum allocated was small at just £2000, just 1% of the total pot. This sum was increased to £5000 and has still not been fully spent.

The government has announced that they will continue with the HSF during 2023/24, and the current expectation is that Rutland will receive a similar sum for the year totalling £300k for 2023/24.

Given that the current policy expires on 31<sup>st</sup> March 2023, it is therefore proposed that an updated policy be developed for the distribution of the HSF is broadened in line with the government advice, which is:-

*The expectation is that The Fund should be used to support households in the most need; particularly those who may not be eligible for the other support government has recently made available but who are nevertheless in need.*

Those on LCTS receive up to a 75% discount on their Council Tax compared to those who are not eligible, and they also receive an HSF payment. When the Council updates its policy in line with the guidance (which is awaited), it is therefore proposed that the allocation for those not on LCTS is increased to c£15k to the extent that the guidance may allow.

### **Hardship Fund**

Currently, the RCC Hardship Fund of £20k is only available to those already on LCTS. There is no fund available for council tax help for those not on LCTS.

Therefore, it is proposed that a further £20k be allocated to extend the Hardship Fund in the budget specifically for those not on LCTS. This money would be allocated from the £244,900 Demand Led Contingency already allocated in the budget for 2023/24. If the Hardship Fund was at risk of being overspent, the Director for Resources may ask for additional funds to support those in hardship in line with the recommendation, which is already part of Cabinet's proposals.

### **Amendment to Council**

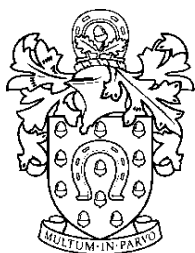
Therefore I will propose the following amendment at the Council Budget meeting on 27<sup>th</sup> February:-

Council approves the allocation of an increased amount of funding from the Household Support Fund to support those not on LCTS and asks the Director of Resources to amend the Household Support Fund Policy accordingly in conjunction with the Portfolio Holder for Finance. The Policy will be reviewed prior to any allocation of funds in the second half of the HSF programme, probably September 2023, to ensure that it is meeting the objective of supporting those in need and not on LCTS.

Council approves an additional £20,000 to be allocated to the RCC Hardship Fund to be ring-fenced for those households in significant need and who are not eligible for Local Council Tax Support, to be managed by the Section 151 Officer under delegated authority (on the recommendation of the Revenues and Benefits Manager) who are struggling to meet Council Tax payments. The maximum support will be capped at £100 per household.

If the Hardship Fund was at risk of being overspent, the Director for Resources may ask for additional funds to support those in hardship in line with the recommendation, which is already part of Cabinet's Budget proposals.

Council asks that those residents who are the most in need be made aware of the above programmes through the local press, social media, voluntary groups, foodbanks, etc.



## MEETING: COUNCIL

MEETING DATE: 27 FEBRUARY 2023

## AGENDA ITEM: 10

### Amendment to Council from Councillor N Begy

The report approved by the Cabinet and being presented to Council for approval suggests that there is no alternative to a 2% Adult Social Care Levy and a 2.99% increase in Local Council Tax, giving a total of 5% in the year.

Is that the case?

Could the Council raise Council Tax by just 1% plus the Adult Social Care Levy by 2%, just 3% in total? According to the report, this would cost approx. £3m over the period to 2026/27.

The following opportunities are available to members to avoid the need to maximise the increase in Council Tax in a year when many residents, not just the most vulnerable, suffer through higher utility costs, higher mortgage payments, higher food costs, higher income tax, etc.

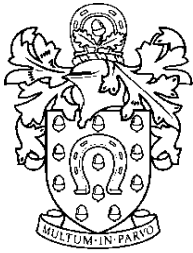
- 1 When Council approved the Financial Sustainability Strategy, the forecast for the General Fund Reserves was £7.8m by 2027/28. In the Budget MTFP, this has risen by £3m to just over £11m, an increase of £3m
- 2 In the **Treasury Management Strategy** big page 37 para 4.1.1, the Council has "...between £50m to £62m available to invest." In response to the Scrutiny question about interest receivable on deposits, that number is reduced from £41m to £21m. In addition, there is a "dampening of 20%" to accommodate changes in balances below these already reduces sums and earlier reduction in base rates. If only £5m was added to these balances with a range of £46m to £26m over the same period and the dampening removed, then there could be a further £2m received in interest payments.
- 3 **Contingency** Within the budget is a contingency of 0.5% of expenditure (£245k). However, this percentage rises to 1.5%, 2.4%, 3.4% and 4.3% in subsequent years. Maintaining the contingency in the MTFP at 0.5% over the plan period would increase General Fund Reserves by £5.3m. Even at 1% of expenditure, it would increase Reserves by £4m.
- 4 Savings target over the Plan Period. The Financial Sustainability Strategy was approved with savings of £16.8m over the MTFP period to 2026/27. In the Budget, only £11.9m of savings are now being called for. A difference of nearly £5m
- 5 In the **Treasury Management Strategy** big page 43 para 5.2.5, an overpayment of £2m has been made to the Minimum Revenue Position account. While it would not be wise to put this into General Reserves or use

it to fund current expenditure, in extremis, this could be further support for the General Reserves if they were ever to drop below the £3m minimum level to which Council has agreed.

In 2021, Council supported an increase of only 3%, including the Adult Social Care Levy of 2%, against the strong advice of the 151 Officer. However, the impact of that decision did not result in a significant decline in Reserves. In fact, there was an increase.

**Amendment to council**

We propose the following amendment at the council meeting of 27<sup>th</sup> Feb, that council approves a 1% increase in local council tax and a 2% increase in the social care levy, giving a total increase of 3%



**MEETING: COUNCIL**

**MEETING DATE: 27 FEBRUARY 2023**

**AGENDA ITEM: 10**

**Advice from the Council's Chief Financial Officer (Section 151 Officer) in respect of amendments received in relation to the Council's budget.**

**Section 151 Officer advice in respect of the amendment in respect of the Household Fund and Discretionary Fund**

1. The amendment can be accommodated within the Council's budget and is operationally deliverable within existing resources.

**Section 151 Officer advice in respect of the amendment to increase Council Tax by 3%**

1. My professional advice to Members is included within the final budget report and is given in the context of the significant uncertainty and risks we face as a Council and a local government sector. The amendment proposes a council tax rise of 3%. My advice in respect of Council Tax is clear. In the context of significant uncertainty, the Council's best chance for financial sustainability is to raise Council Tax by the maximum amount allowable, 4.99%. A proposed rise of only 3% would reduce council tax income by c£600k in 23/24 and every year following but would give Band D households a saving on Rutland council tax of £38.16 (73p a week) compared to a proposed increase of 4.99%. My view is that an increase of 3% would expose the Council to greater risk and I would strongly advise against it. However, I accept that there are scenarios (albeit outside of our control) that could prevail which would mean that a 3% rise may be sufficient to support a financially stable Council.
2. Our Medium Term Financial Plan (MTFP) is one version of possible scenarios that could prevail. Members should be aware of this. It is built on a series of assumptions and risks - set out in para 4.3.4 and section 5 of the budget report – that cover Government funding, the pay award, future council tax rates, levels of demand, pension contribution rates etc. These assumptions are based on professional judgment, experience and available information. Regrettably, very few assumptions are certain. In particular para 4.3.5 highlights the uncertainty around funding from 25/26 after a General Election. Members will know that many of the assumptions are outside of the Council's control and any variation could have a significant impact positively or adversely on the Council's financial position. I have spent time showing Members what changes to assumptions could mean to the MTFP and the Council's projected financial deficit.

3. The amendment asserts that there is “room” in the MTFP to accommodate the £3m funding loss from a 3% tax rise (compared to 4.99%). This is possible and I will go through my view of the issues raised.
4. The amendment highlights that investment income returns may be better than envisaged. I am hopeful that this is the case and at this point it is very likely as Council capital spending plans are slower than expected and interest rates remain high. My updated view is that we could exceed the budget by 10%-15% (£160k-£250k) in 23/24. Beyond 23/24 there is more uncertainty particularly around Interest Rates, level of Balances and level and timing of Capital Investment. I consider £2m over the lifetime of the MTFP to be unrealistic but I cannot rule it out. Members should note that any additional investment income is one-off, a windfall. A windfall in itself can replace the lost £600k Council Tax in one year or maybe even two years but it is unlikely to plug the gap indefinitely.
5. The amendment also asserts that the contingency may be overstated or not required in full so could be reduced. I accept that there is a possibility that this is true but by no means certain. The contingency for 23/24 is 0.5% of the budget (£245k). It is lower in the year of the proposed budget because there are known pressures that are already built into the base budget (Directorate costs). Importantly, the £245k is built into the MTFP in every year that follows. This means contingency allows for that amount to be built into the base budget in that year and subsequent years if a pressure arises. For example, if demand for commissioned transport rises the £245k contingency can be moved into the base budget in 23/24 and every year after. The contingency for years from 24/25 represents 1% of that years budget.
6. In terms of the adequacy of the contingency, what I do know is that the MTFP does not include any provision (other than this contingency) for unexpected pressures. What I also know is that the contingency in the last few years has not been sufficient to cover subsequent pressures. For example in January 2022, the contingency for 23/24 was £842k (£428k of this was for 22/23 pressures continuing into 23/24 as per the point above and the remainder for 23/24). Pressures for 23/24 turned out to be £902k made up of £256k for commissioned transport, Adult Social Care demand £260k, Childrens Social Care Demand £300k, Community Support Service £39k, Other Pressures £47k . In this economic climate maintaining such a provision at this level is advisable. Of course we may be in a position with new information to reduce the provision in 25/26 and beyond but I would argue it is too early to assess and for now the approach is prudent.
7. We could also extend such speculation about the robustness of assumptions to other variables including for example the pay award. We have budgeted for a 4% settlement. In 22/23, the pay award was settled at a rate that was effectively 6%. Helpfully, Cllr Waller reported back from a recent East Midlands Council pay briefing that a number of Councils have budgeted for more than 4% for 23/24 and that we run a risk with only a provision of 4% in light of the current ask from Unions. She is correct. A 5% award would cost the Council another £186k per annum beyond what is included in the budget. The same rate as 22/23 would cost an additional £372k per annum.



8. The proposal also references savings. Whilst it is not explicit, I believe the assertion is that further savings could be made beyond the £4m built into the budget. The Council has made an assumption that it can deliver further savings of £4m by 27/28 (having made £1.1m of service led savings in 23/24). The report explains in para 6.1.1. why this figure is lower than that presented in the Financial Sustainability Strategy. The report also explains in 4.4.4 why the £4m figure is challenging. Neither myself, the Chief Executive or Corporate Leadership Team believe that savings above this level are realistic. Importantly, I have seen no analysis or proposals from any Member arguing that a greater level of saving is achievable.
9. The delivery of £4m savings assumes that the Council can identify savings at this level (this is still a work in progress) and that enough Members in the Council Chamber will approve savings when asked to do so. I consider this to be a very significant risk which I highlighted in the Financial Sustainability Strategy. It is my view that decisions around reducing or changing service provision will be very challenging for Members. The recent decision around Leisure exemplifies the type of sensitive decision we face in the future.
10. The amendment also references the 21/22 council tax decision. In 21/22 and 22/23 the Council raised council tax by the maximum allowable over that two year period. I do not see any parallels with the amendment for 23/24. A rise of only 3% could not be “made up” in future years as was the case with the 21/22 council tax decision.
11. My final point relates to the comment re MRP and the suggestion that the reversal of the decision made in 2014 would boost General Fund balances by £2m (albeit would increase the deficit by £200k per annum thereafter until the £2m is repaid). My initial view is that this is not the case as capital balances were used to make the overpayment. However, before making any final decision on this matter I would need to consult with external audit and our treasury advisors. As the amendment does not propose reversing the overpayment, I will not be seeking that advice at this time but wanted to be clear on my initial view.
12. In summary, each of our assumptions carry a risk. Outcomes could be favourable as the amendment points out, but they also could be adverse. One thing is certain. We are in control of the decision over Council Tax levels. We know of Councils such as Northamptonshire County Council that have seen financial difficulties when not applying maximum tax rises. If the Council were to approve a 3% tax rise then this is affordable in the short term (there is no immediate risk). If then assumptions turn out better than expected (over the life of the MTFP), then it is of course the case that the impact of a 3% tax rise (a loss of c£600k every year from 23/24) may be managed in the medium to longer term. Conversely, a 3% tax rise coupled with assumptions turning out worse than expected would see the Council face an insurmountable challenge. Knowing this, my advice is that the Council should apply a 4.99% tax rise now (23/24) and when and if assumptions turn out more favourably in the future, the

Council may be in a position to make some positive choices – reduce its savings programme, hold or even reduce Council tax levels or invest in services.