



Rutland County Council

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Minutes of the **MEETING of the GROWTH, INFRASTRUCTURE AND RESOURCES SCRUTINY COMMITTEE** held via Zoom on Thursday, 28th January, 2021 at 7.00 pm

PRESENT: Mrs J Fox (Chair)
Ms A MacCartney
Mr M Oxley
Mrs K Payne
Mr I Razzell
Mr N Begy

OFFICERS	Mr S Della Rocca	Strategic Director for Resources
PRESENT:	Mrs P Sharp	Strategic Director for Places
	Mr A Merry	Finance Manager
	Mrs J Morley	Governance Officer

IN		
ATTENDANCE:	Mrs L Stephenson	Portfolio Holder for Culture & Leisure, Environment, Highways, Transportation & Road Safety
	Mr G Brown	Deputy Leader and Portfolio Holder for Planning and Finance
	Mr O Hemsley	Leader and Portfolio Holder for Rutland One Public Estate & Growth, Tourism & Economic Development, Communications, Resources (other than finance) and Property
	Ms G Waller	Councillor
	Mr J Dale	Councillor
	Mr W Cross	Councillor

1 APOLOGIES

No apologies were received.

2 DECLARATIONS OF INTEREST

Councillor Oxley declared a personal interest in respect of the fees and charges report as he was a funeral celebrant. He advised councillors that he would not take part in any debate on that item.

3 PETITIONS, DEPUTATIONS AND QUESTIONS

No petitions, deputations or questions had been received.

4 QUESTIONS WITH NOTICE FROM MEMBERS

No questions with notice had been received.

5 REVENUE AND CAPITAL BUDGET 2021/22 AND MEDIUM TERM FINANCIAL PLAN

Report No.08/2021 was received from the Strategic Director for Resources.

Mr Della Rocca, Strategic Director for Resources, introduced the draft budget report which had been agreed by Cabinet for consultation prior to the budget being formally set by Council in February 2021.

During the discussion the following points were noted:

- Councillors Waller and Powell had submitted questions directly to the section 151 officer before the meeting and it was agreed with the Chair that these questions and their answers would be appended to the minutes.
- Mr Della Rocca outlined the key points of the report in his presentation (appended to the minutes) and emphasised that using reserves to relieve the funding gap of circa £2.6million was not good financial practice and something he would have preferred not to do. The reserves should be used for unforeseen pressures and not to balance core expenditure.
- Although the Section 151 Officer understood the financial pressures that residents were facing, his advice to Members was to apply the maximum 3% raise for the Adult Social Care (ASC) precept in the first year as this would maximize yield and have the most impact on the 21/22 proposed deficit.
- Finding savings of £2.6million would not be an easy task and Mr Della Rocca argued that the financial challenge, alongside work on Covid 19 should be prioritised over all other matters.
- The amount of savings that needed to be made meant that fundamentally the Council would have to do things less, rather than just find efficiencies and work 'smarter'.
- Business rates were projected to go up by £200k because of new businesses such as McDonalds and this would contribute towards plugging the £2.6m gap. However the Council could not rely on this increase continuing because of uncertainties around the future economy.
- The underspend of c£1million shown in Quarter 3 20/21 was not an underspend on our core budget and arose primarily from additional Government funding. However, the underspend may be needed in 21/22 to cover additional costs arising from the pandemic. Any residual underspends should be treated as a "windfall".
- Councillor Brown, the Portfolio Holder for Finance and Deputy Leader, together with the Leader of the Council, Cllr Hemsley, and the Rutland MP, Alicia Kearns had met with Luke Hall, Minister of State for Regional Growth and Local Government to highlight the unacceptable funding disparity between Rutland and other councils. 80% of Rutland's spending came from Council Tax revenue as opposed to Government funding, whereas for most other councils this figure was c60%.
- Councillor Brown explained that the Minister was surprised how much of an impact the reduction in the New Homes Bonus had on small councils such as Rutland.
- The additional business rates tariff of £1million that the Council had to pay to the Government had a greater impact on a small authority such as Rutland, as the

£1m equated to 20% of business rates whereas in many other areas the £1m equated to, for example, only 10% of rates.

- Councillor Brown was frustrated by the lack of action on the Fairer Funding Review but RCC had been promised a seat at the table in 2022/23 to discuss this issue.
- Although he agreed with the Section 151 officer that it would be prudent to increase Council Tax by the full 5%, Councillor Brown had recommended to Cabinet only a 3% increase in recognition of the financial hardships felt by residents and also in support of local businesses, as every pound taken out was a pound less spent in the local economy.
- Councillor Oxley asked the Section 151 Officer whether this was the first time since working for RCC that he had given advice that Cabinet was not intending to implement. Mr Della Rocca stated that he and Mr Brown both acknowledged that the maximum yield would come from raising Council Tax by 5%. As the Section 151 officer he advised opting for the maximum, however Councillor Brown had taken into consideration the financial hardship for residents and that was why the Cabinet had recommended a lower increase.
- In response to a question from Councillor Begy, Councillor Brown used the waste contract as an example of where spending money on consultants was a good use of council money and would bring returns. The contract was very large (nearly £40 million over 10 years) and the relatively small amount of money paid up front would enable the Council to access expertise on the best way to procure this service.
- Rutland's roads were in a very good condition, especially when compared with neighbouring authorities. Councillor Stephenson, the Portfolio Holder for Highways voiced concern that if the Council stopped using the revenue budget to maintain its roads, the inevitable decline in surface condition would open up the Council to insurance claims. Councillors could however decide that they would accept a silver standard of maintenance rather than a gold standard. Mrs Sharp, Strategic Director for Places, pointed out at this point that Rutland was a Band 3 authority for roads which meant it was top class and therefore benefited from more Government funding. If our approach to highway management changed this funding could be at risk.
- Analysis of the revenue gained versus the lost income from disposing of assets had been carried out on the Council's sites; the Kings Centre made a good return of 20% so it was sensible to retain the site, Oakham Enterprise Park (OEP) made a reasonable return and there was also a project to look at what could be done with the unused side of the plot to increase income, and at the Ashwell site, officers had looked at developing it for housing but as it suffered from flooding issues this was not viable and therefore its value was reduced.
- Mr Della Rocca confirmed to Councillor MacCartney that the cumulative effect of not opting for the full 5% would be c£4.6 million over the next five years.
- There was an earmarked 'Pressure' reserve which was to cope with unforeseen difficulties and had arisen from underspends in previous years.
- The Brexit grant held in reserves was a section 31 grant which meant that it was not ring-fenced so, in theory, could be repurposed.
- The Adult Social Care Reserve was large because the costs in this area could be so variable. A small increase in demand could cause significant over spends.
- Reducing earmarked reserves and putting the monies back into general spending did not solve the fundamental funding problem that the Council faced.
- Mr Della Rocca hoped that by the end of February the initial work on the line by line review of services would have been done, with a view to collating work and submitting a report to Councillors in April.

- Councillor Brown agreed with Councillor Razell that it should be central government increasing funding through taxation rather than the Council having to increase an already comparatively high council tax, and further penalising residents.
- There was a legal budget and earmarked reserves which could provide for legal costs should there be any legal challenges to the Local Plan.
- Councillor Waller commended staff for the work they did in providing excellent services at a very good cost but felt that residents still did not understand why Rutland's council tax was so high and that communication of the issues could be improved.
- The Leader, Councillor Hemsley said that residents' views on the draft budget had been canvassed and as part of this, key points and the very clear and useful infographic had been used to illustrate spending and pressures.
- The budget this year was a very contentious issue and Councillor Oxley felt that the decisions should not be pre-empted but left to individual members to decide at full Council.

6 TREASURY MANAGEMENT STRATEGY AND CAPITAL INVESTMENT STRATEGY

Report No.161/2020 was received from the Strategic Director for Resources, the purpose of which was to set out the statutory reports expected in relation to treasury and capital investment operations for 2021/22, linked to the Council's Budget, Medium Term Financial Strategy and Capital Programme.

During discussion the following points were noted:

- There was a charge on the Council's £22m of borrowing so the Section 151 officer always looked for opportunities to repay this earlier however an opportunity had not presented itself so far.
- Further borrowing was not recommended unless it improved the Council's income stream.

7 FEES AND CHARGES

Report No.05/2021 was received from the Strategic Director for Resources, the purpose of which was to set out the proposals for fees and charges for services provided by the Council for the financial year 2021/22.

During discussion the following points were noted:

- The fees set for Green Waste were set to recover actual costs and not subsidise it in any way.
- 2 years ago fees comparisons with local councils, particularly Peterborough, were made and this resulted in a number of increases to reflect real costs.

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The Chair closed the meeting at 8.30pm

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Rutland County Council
Budget: Scrutiny
January 2021

Budget messages

- Settlement was disappointing
- Our Spending Power increase (36.7m from 35.3m) assumes 5% council tax increases and an increase in tax base
- Draft budget is based on 3% council tax increases (2% general and 1% for social care) rather than 3% for social care allowable
- Pressures emerging from this budget – leisure, waste management, grounds maintenance mean position is worse than expected
- Budget gives current gap in 21/22 of c£2.6m – plugged by use of Reserves which is poor practice
- Minimum reserve level was £2m but risk profile means I am recommending we go to £3m

Budget messages

- It is a 1 year settlement but “hope” that we will see a positive change in funding is unrealistic given national position
- So gap is £2.6m in 21/22 and continues at this rate in future years meaning we run out of general fund by 24/25
- Gap cannot be £2.6m in following budget year (22/23) – this would be a complete failure of financial governance and totally unacceptable
- **TARGETS**
- Reduce in year spending (21/22) to reduce dependency on reserves by at least £1m
- Budget for 22/23 must not use Reserves in excess of £1m

What we need to do

- Commit to balancing the books (Members and Officers)
- Show that commitment through action/decision making
- Prioritise the financial challenge alongside Covid-19 (e.g. defer other work to create space)
- Remove other distractions
- Challenge everything we do
- Accept it will take time to do some things but other things can be done quickly
- Accept we will have to prioritise resources and do some things less

Updates

- No signs of additional funding
- Business Rates return, projections indicate an extra £200k
- Local Tax Compensation scheme been reviewed – compensation for losses on business rates and NNDR
- Line by line review – work in progress
 - Some reductions we can take straight away
 - Some opportunities to use more ring fenced reserves
 - Some medium term opportunities
- Quarter 3 20/21 showing £980k underspend – into General Fund or use towards extra Covid-19 work carrying into 21/22
- Further work being done on future year tax base (impacts 23/24)

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BUDGET 2021-22 Detailed Questions

Page number /section	Heading	Question	
3/1)	General Fund Budget of £42.4m of 2020/21 detailed in Section 3	Please highlight exactly where in Section 3 this figure is shown (presumably 2021-22 not 2020/21)	This is wrong it should read Section 5. In para 5.5.1. it should read £42.6m not £42.4m
3/1)	1% of Adult Social Care precept of 3% available	Any proposal to agree that balance will be included in 2022-23 CTax? Will this decision be made as part of 2022-23 budget?	MTFP 22/23 assumes a 4% rise, 2% for general council tax and 2% for adult social care. Technically, the Government have not told us what powers we have for 22/23 (other than say we can do 3% over 2 years), they normally confirm this in December and then we can make the decision in 22/23.
10/3.2.13	£211k funding in recognition of increased costs of providing local council tax support	Is this taken into account before the collection fund deficit of £160k appendix 1?	The two things are not related. The £160k relates to 20/21 deficit which is paid for by RCC in 21/22. The £211k relates to extra support we will get in 21/22 which we will use to fund additional support to new claimants for council tax support. Any deficit or surplus on the Collection Fund in 21/22 is paid for in 22/23.
14/7	Schools funding	Are absolutely all costs relating to education included in Dedicated Schools Fund? £176,600 in People's budget for Schools and Early years?	Those that we are allowed to charge to the DSG are charged. There are some that we can't charge. £76k is depreciation for maintained schools so not a real cost, some of it is our education officers who deal with school improvement, organising training.
15/8	Council tax base	For 21/22 budget approx. how many houses based on compared to 20/21? Bullet point 1	The tax base uses Band D equivalents. In 20/21, the number was 15,652.48. In 21/22, the number is 15,659.87
9/3.2.3	Total government funding 21/22 shown as £10,360,000. In MTFP shown as £10,479,803.	Comparing like with like?	We will amend the first table. There were last minute changes. The £10.479m includes lower tier services grant £44k, social care in prisons £74k, business rates figure is different by £34k.
11/3.2.17 17/11	Pay award 1% for 22/23. Then 2% Pay award 22/23 is 1%	Which is it? What is the basis for the pay inflation contingency in the MTFP? £100k in	It is 0.5% which is c£100k. This is to cover pay inflation for those on lower grades. This is still to be negotiated nationally but HR advice was that this would be between £70k and £100k,

		2021/22 and increasing significantly thereafter?	For 22/23 we go back to 2%. The text is inconsistent as the assumptions changed a few times and we did not pick up all the references.
19/16	Needs management	Is this the explanation of the £273,900 in the budget for 2021/22? What is the basis for this figure and the exponential rises in this in future years? Is this in addition to £200k from earmarked reserves available every year?	Yes, it's effectively an inflation of 3% on certain cost centres where demand can be variable. In effect, the £200k from Reserves funds part of the Needs Management. It's not £279k plus £200k.
19/17	Contract procurement can be costly and one of specialist support will be needed	Basis for this support? Cost as % of savings gained or just fee basis for time spent?	Based on estimates and quotes received by those involved in those projects.
23/3.4.3 c)	Classification of services as either statutory or discretionary is virtually impossible	I don't understand using the example of the finance function here. All central services (ie resource department) are surely indirect overheads. Have £222k in invest to save earmarked reserves- what plans to use this?	The Finance function illustrates the problem quite clearly in my view. The Finance function meets lots of statutory requirements e.g. my costs as s151 officer, producing the accounts, paying bills within 30 days etc. Technically there is nothing anywhere that says you have to have a Finance function but we do have to do all the above duties. So do we classify the Finance function as statutory or not? Is it right to describe Finance as an overhead when we are filling a statutory role in some cases? There are no specific plans to use the ITS reserve at the moment.
37/6.5.2	Misc Grant Funding (Adult Social Care, Highways and Misc Grants) Unallocated funding (£335k) representing various balances from historic funding that the council no longer receives. This funding is not ring fenced.	What is happening to this funding then- can it still only be used for capital?	Yes can only be used for capital. The funding is reviewed and spent broadly on items which it relates where possible e.g. we are utilising some to support the expansion of schools
Appendix 1	MTFP	Why such a huge leap in Peoples directorate costs from 2021-22 to 22/23?	Because in 22/23 we will lose the Public Health funding that sits in the Directorate and this is c£1.2m. We will get the funding through Business Rates Retention which is why the

			Business rates figures goes up quite a bit.
Appendix 1	MTFP	What are housing growth costs and basis for these figures?	As we build more houses, there is likely to be an increase in some service costs e.g. waste collection. Not all services would be impacted e.g. libraries but some could be. I asked fellow s151 officers how they deal with this and everyone seems to ignore it. I went through the Council's budget line by line and took a view as to whether a service cost might change and came up with a figure per household to give an indicative pressure for future years. What happens when we set the budget for 22/23 is that I delete the housing growth costs number and replace it with actual pressures (from growth or anything else) we are facing. It is right to flag in MTFP that housing growth can lead to increased costs.
Appendix 3	Earmarked reserves	Why are earmarked reserves not used in MTFP beyond 2024/25?	They can be. Because they are not meant to fund everyday expenditure, you wouldn't expect this to be plotted this out way in advance. Use of reserves will be decided nearer the time.
Appendices 4,5,6	Cost of running Catmose offices	Where do these costs appear in the budget? Heating, insurance etc etc..	They are part of Property function costs in Places Directorate and are not itemised separately.
Appendix 5.1	Ashwell Road business Units	Shows annual loss £16,500. Why pay and inflation increase of 4.4% on this from 20/21. No employees? If units are let why are they costing RCC money?	The 16.5k includes £10.6k of depreciation which is reversed out below the line. The Actual expenditure lines total £30k with inflation of £0.7k (2.3%) If units are vacant then the council has to pay the business rates for the unit.
Appendix 5.1	Parking budget. IT/operational costs of cashless systems £44k.	Is this a saving against what it costs to run cash machines?	The additional costs will be offset from stopping the cash collection contract, with further efficiencies from staff no longer having to process.

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Questions on Budget 2021-22

Places Directorate

1. We are budgeting c£300k for consultancy to let contracts (Highways maintenance c£30k-£50k; Refuse collection £215k and leisure £50k). Is this sum going to provide us with value for money? Is there no cheaper way of letting contracts (e.g. through ESPO)?

The relevant Project Boards have asked this question and all use of external consultants is under review. However, there is an acceptance that external support is needed not necessarily for letting of contracts but helping us work out what we need. So Leisure support will include doing a needs assessment so we can determine what we might commission. Waste management support includes work on developing a waste management strategy amongst other works. We know from other Councils that these big procurements can be costly but costs need to be seen in the context of length and size of contract e.g. waste could be £3m pa for 10 years.

2. The waste, leisure and highways contracts are all up for renewal. What evidence is there from other authorities, or organisations such as ESPO, that we can cut costs following contract re-letting or are we likely to end up with higher costs, a reduced service or both? The recent contract extensions have led to higher costs.

We have set an indicative objective to reduce costs by 10% for waste and for Highways. For Leisure, we aim to be cost neutral. It is very unlikely that we can let these contracts, save 10% and keep the existing service levels. Members will have to decide what type of service they want to offer and whether they wish to stick to the 10% indicative targets.

3. What cost assumptions for these contracts (in 2 above) are included within the MTFP?

No savings/pressures have been built in for these contracts when the current contracts expire. This is highlighted as a risk – risk 17.

4. In the covering report risk 21, why is there no budget for planned work?

We have not been in a position to do this given the pandemic. We may be able to do some things using internal resource. We would look to use some earmarked reserves or capital reserves to do this if we can.

5. Are we making any savings this year on home to school transport (budget line RC1520) with schools closed? Will the cost of the necessity to have extra school buses due to the need to socially distance (£150k) be met from the Government's covid grant?

No because in the first lockdown, Government guidance stated we should continue to pay contractors even if the service was not being delivered. Yes Covid grant is used to fund this.

6. We are not required to provide free or subsidised travel to school or college for students aged over 16 (budget line RC1521). Why are we subsidising this travel

at a cost of £116k? Or is this a subsidy for those whose families are on benefits and those who can pay full cost do?

Members decide what the policy is and how much people contribute (and our policy exceeds the minimum requirement hence the subsidy) and this issue has come up as part of our budget review. It will be reviewed.

7. Does the explanation for budget line RC1600, parking, mean that the cashless car parking system has resulted in c£44k maintenance costs in excess of what it previously cost us to run the car parks?

The £44k includes additional maintenance costs and card processing fees. Some of this will be offset by cash collection savings, increased capacity for parking attendants, internal cash processing etc

8. Why is Ashwell Road business units (RC5821) a cost to us when our other properties produce income in excess of costs? Is it because it is used by RCC services rather than let commercially?

The total cost is £16k (£6k after depreciation). There are tenants in here and RCC do use some of the units. The units are susceptible to flooding risk and are not in the best state or location. The aim is to get to a cost neutral position. Future of these units will be part of the Asset review.

9. Could budget line RC5875 (school sports) be explained, please. We are in academic year 2020/21 and so should know what ran (if anything) between September and December 2020. We can safely assume little to no activity Jan to March 2021 so only have the summer programme to consider. Is the pressure of £20k a result of potentially no income from schools? And why is it £20k and not the full £300k? Or is it that we run this at a loss?

The School Sports programme is expected to go ahead, however if we are still operating under restrictions then there is the potential for a pressure of £20k. The net cost is £300 not £300,000 as the service operates at near cost neutral.

Resources Directorate

1. What is the purpose of the minimum reserve level?

This is something we are legally required to set. In any given year, the minimum reserve level is there to meet the extra costs that we could incur above that budgeted. With demand led services, a lot of discretionary income, council tax collection rates there are various variables that could go against us. £3m represents 7% of our budget and other Councils have seen overspends at this type of level.

2. Why is Internal Audit reserves financing Ash dieback (para 3.5.9)

As per the recommendation, we are proposing to repurpose some reserves including the IA reserve to this priority.