

CABINET

15 January 2019

REVENUE AND CAPITAL BUDGET 2019/20 AND MEDIUM TERM FINANCIAL PLAN

Report of the Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Key Decision: Yes	Forward Plan Reference: FP/070618	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources	01572 758159 sdrocca@rutland.gov.uk
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Ward Councillors	All	

DECISION RECOMMENDATIONS

That Cabinet:

1) approves for consultation:

- The Revenue Budget for 2019/20 detailed in Appendix 1, section 3 including savings proposals
- The Directorate budgets per Appendices 4-6 including savings and pressures
- An increase Council Tax by 2.99% with a further 2% for the Adult Social Care precept
- The Capital programme as detailed in Section 4 of Appendix 1

2) notes:

- That the funding position may change when the NNDR (business rates) tax base and local government finance settlement are finalised
- That additional revenue or capital expenditure may be incurred in 2019/20 funded through 2018/19 budget under spends to be carried forward via earmarked reserves. The use of reserves for budget carry forwards is not currently shown in the budget but will have no impact on the General Fund
- The estimated surplus of £75k on the Collection Fund as at 31 March 2019 (2.2 of Appendix 1) of which £65k is the Rutland share

- That Council will be considering the Treasury Management Strategy and Capital Investment Strategy separately
- The position on the Dedicated Schools Grant budget as per para 2.5.

1 PURPOSE OF THE REPORT

- 1.1 The Council is required to set a balanced budget and agree the level of Council tax for 2019/20 in the context of its Medium Term Financial Plan. This report presents a draft budget for consultation prior to the budget being formally set in February 2019.

2 BACKGROUND

2.1 Director for Resources: Section 151 Officer overview

- 2.1.1 The Council is proposing to set a balanced revenue budget of £36.4m in 2019/20. The balanced budget uses only £54k of General Fund reserves. This is positive in the context of ongoing financial pressures and a better position than originally envisaged thanks to savings that will be delivered and cost avoidance work as detailed in section 2.2 below.

- 2.1.2 The funding position beyond 19/20 is not known but based on existing assumptions, the medium term outlook looks challenging:

- While Government funding reforms are in progress, the Council is prudently preparing for further funding reductions;
- The Council is assuming maximum Council Tax/Adult Social Care precept increases for the foreseeable future to compensate Government funding reductions and to meet the costs of increased demand (adult social care, children's service, welfare support and homelessness) and the cost of delivering services;
- The Council is likely to face a funding shortage of c£1.9m per annum by 20/21 but the amount is uncertain and there are some areas (fees and charges for example) where future budgets are prudent.

- 2.1.3 The Council is working on savings and income options (Appendix 1, section 1.4 gives more detail) so that when the future is more certain it can take decisions that will allow it to continue to set a balanced budget. The Council has some time to address the position as it has General Fund reserves of c£9.2m despite uncertainties.

2.2 Revenue budget (detailed in Appendix 1, section 3)

- 2.2.1 The Council is proposing a net revenue budget of £36.4m. The budget will allow it to deliver on corporate plan priorities and meet statutory obligations. The Council continues to protect spending in key service areas like social care. Details of how

the budget is spent are included in Appendix 2¹ and summarised below.

Area	£m	Summary
Children's Social care	5.496	Social Care services to support and protect vulnerable children, young people, their families and young carers. Services include fostering, adoption, residential care, and care and support for children with disabilities
Adult Social care	12.146	Adult Social Care Services providing support to Adults with learning and physical disabilities and mental health needs to enable them to live full and valued lives in the community. Services include day care, community care, residential care, and adult protection service.
Waste management	2.482	The collection of all household waste and commercial waste. It also includes recycling and disposal of all materials, as well as the provision of household waste recycling centres.
Highways & road maintenance	1.015	The maintenance of all roads, car parks, footpaths, bridges and street lighting together with winter gritting and provision of grit bins. Included here is also traffic management, road safety together with the provision of flood protection. A further £2m is spent on planned maintenance outside of the £1.015m budget.
Public Transport	1.023	Cost of subsidising local bus provision and free travel to those of pensionable age.
School transport	1.683	The Council has a legal obligation to provide, in some cases, free school transport for all children alongside travel assistance for those with special educational needs.
Public Protection & Environment	1.768	Delivery of street cleaning and ground maintenance services alongside public protection work related to trading standards, licensing and crime and disorder.
Supporting front line services	4.412	Cost of support services including Finance, Human Resources, IT, Pool cars, Corporate support.

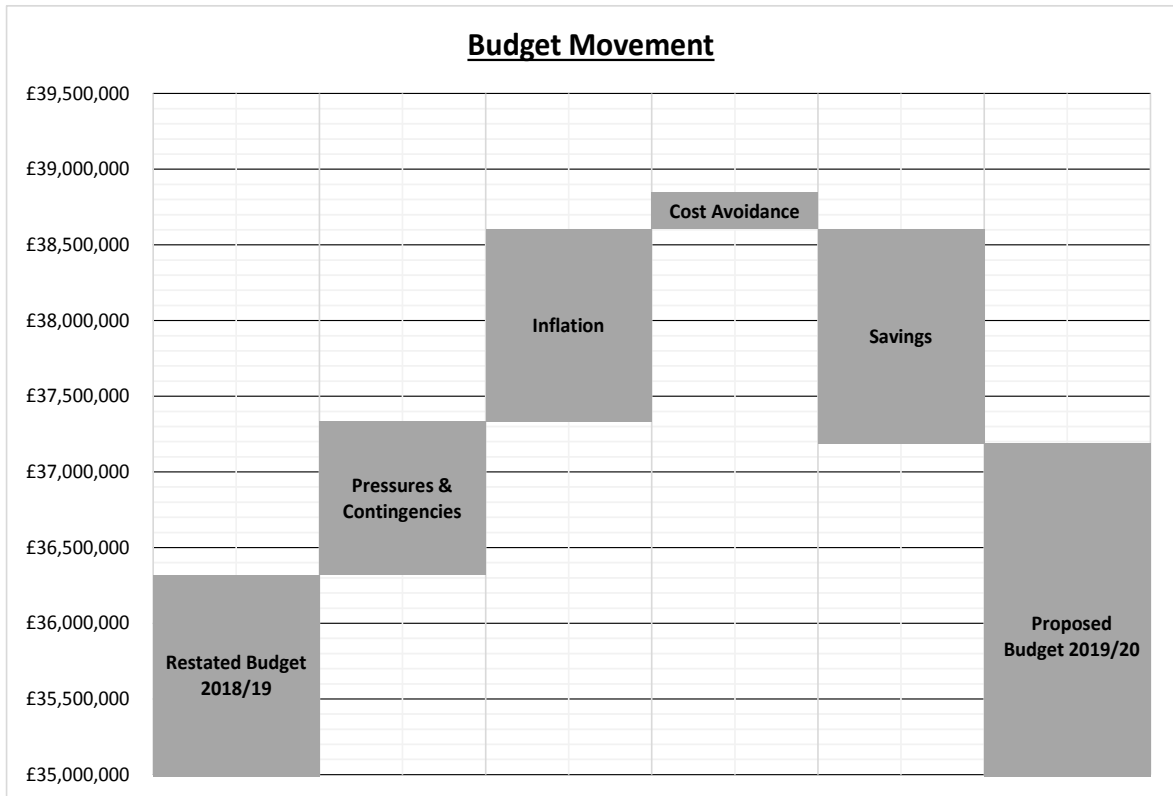
2.2.2 The Council's revenue budget is just less than £869k (2.3%) higher than the

¹ Appendix 2 summarises spend in a way that is meaningful for the public. This is different to the way in which the management accounts are presented for internal monitoring purposes.

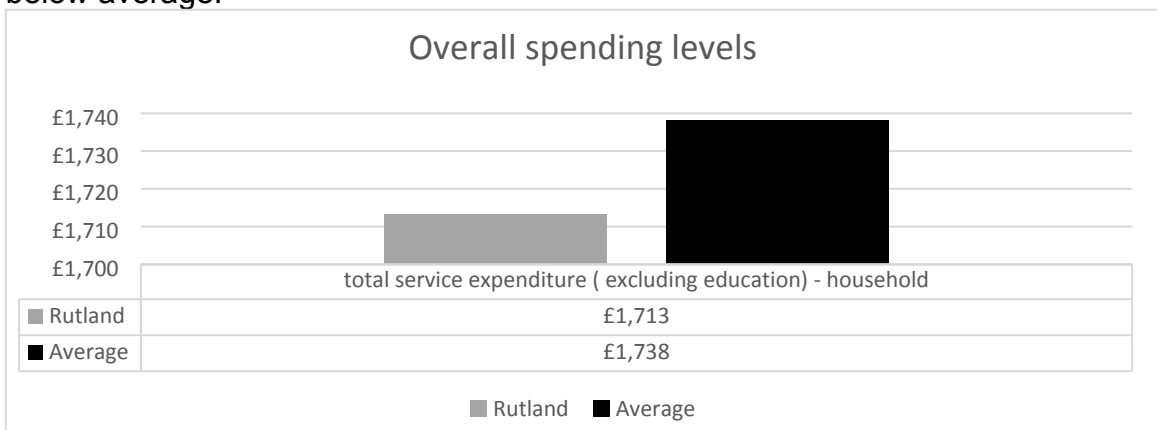
comparable budget for 18/19². This is because the Council is delivering savings of £1.5m which go a long way to offset general inflation, pay inflation and cost pressures totalling c£2.3m.

2.2.3 We have also taken action to avoid costs in children’s and adult social care of £235k through prevention work. Without the savings and cost avoidance delivered, the Council would be facing an increased budget of £2.5m in 19/20.

2.2.4 The diagram below shows how the budget compares to 18/19.

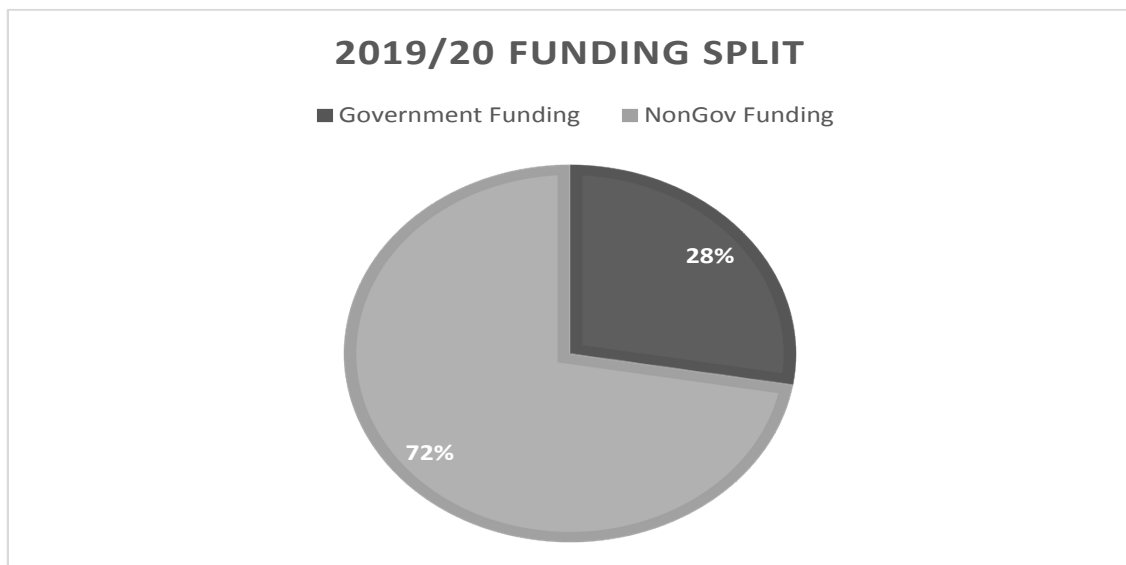


2.2.5 The Council’s budget represents good value for money. Our analysis, based on latest 18/19 information, tells that the Council’s overall spending per household is below average.



² Original Directorate budgets for 18/19 did not include the pay award and included one off items relevant to 18/19 only. The restated budget includes the pay award, transfers between directorates and removal of one off items.

2.2.6 The budget is funded from Government funding £10.1m and Council generated funds of £26.5m as shown below³:



2.2.7 As per the prior years, our budget is funded more from local taxpayers. This is because the Council gets less Government funding per head than other unitary councils.

2.2.8 The proposed budget assumes a Council Tax rise of 2.99% and an Adult Social Care precept of 2%. For a Band D property, the total charge would be £1,705. This represents an increase of £81 on last year (£1.56p per week or 39p a week for those in financial hardship).

2.2.9 Proposed tax increases will meet the additional cost of £870k but also reduce reliance on earmarked reserves of £1.1m compared to last year.

2.2.10 Best practice requires me to identify any risks associated with the budget, and section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates. This is covered in detail in Appendix 1, section 3.5.

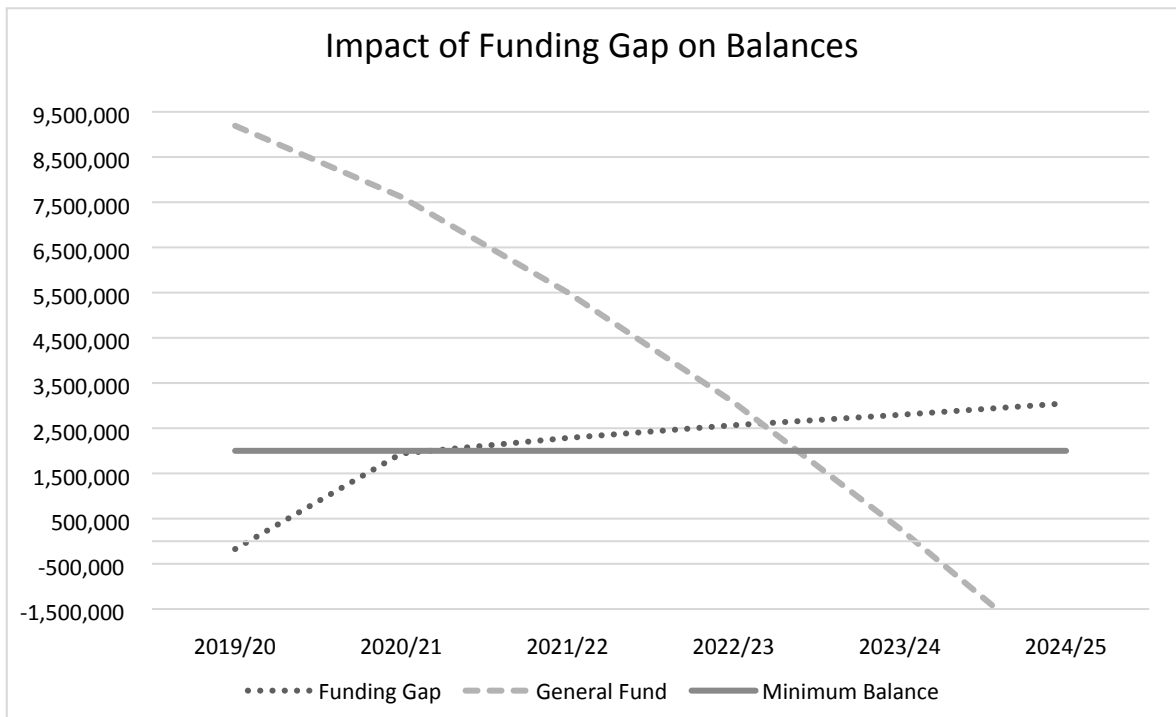
2.2.11 I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust based on information available.

2.3 Future outlook (detailed in Appendix A, section 1)

2.3.1 Beyond 19/20, the Council assumes that spending will increase through inflation/demand and that Government funding will reduce and continue to be replaced through Council Tax.

2.3.2 The Council is predicting a gap in funding of c£1.9m by 20/21 as shown in the chart below if no further action is taken. The chart shows that by 23/24, reserves will be below the minimum level needed and by 24/25, the Council will have no reserves left.

³ The % figures differ to those shown in Appendix 1, para 1.1.4 as the Government's spending power is based on assumed not actual council tax levels



2.3.3 With Government funding reviews ongoing and lots of uncertainty, the position is not clear. The chart below shows the risks/uncertainties the Council faces and an assessment of the potential impact on the MTFP (further analysis is given in Appendix 1, section 1.3).

	NEGATIVE			ANNUAL IMPACT		POSITIVE	
	£500k+ High	<£500k Medium	<250k Low	<250k Low	<£500k Medium	£500k+ High	
1 Business rates retention				Neutral			
2 Fair Funding				Neutral	Low		
3 Additional responsibilities				Neutral	Low		
4 Social care green paper				Neutral	Low		
5 Better Care Fund				Neutral	Low		
6 New Homes Bonus			Low	Neutral			
7 Schools Funding			Low	Neutral			
8 Local Plan				Neutral	Low		
9 St Georges Barracks						Medium	
10 Pay inflation			Low	Neutral			
11 Service pressures		Medium		Neutral			
12 Inflation				Neutral	Low		
13 Interest rates					Low		
14 Capital financing			Low	Neutral			
15 Demographics			Low	Neutral			
16 Outsourced services			Low	Neutral			
17 Pension liability			Low	Neutral			
18 Brexit			Low	Neutral			

2.3.4 The Council is looking at savings and income options in all areas so that when the future is more certain it can take decisions that will allow it to live within its means. (Appendix 1, section 1.4).

2.3.5 The Council also has reserves (c£9m – 24% of the net revenue budget) which can be used to support revenue spending whilst the Council reduces its net budget

accordingly.

2.4 Capital programme (detailed in Appendix 1, section 4)

2.4.1 The Council already has a capital programme of £28.321m which will continue to be delivered into 19/20.

2.4.2 In this budget, new schemes of £578k are being added and a further £3.350m of grant will be received to deliver the projects below.

Area	£m	Summary
Highways	2.755	Grant funding to maintain the public highways across the County
Integrated Transport	0.458	This funding provides support for transport capital improvement schemes. A number of schemes have already been identified, a Cabinet paper will be submitted once the capital schemes have been finalised.
DFGs	0.221	Forms part of the Better Care Fund, the full allocation is used to help residents remain in their home and be independent.

2.4.3 Further additions may be made in due course when funding is announced.

2.5 Schools budget (Appendix 1, section 6)

2.5.1 The Schools Block indicative allocation for Rutland is £23.453m compared to 2018/19 of £22.969m (an increase of £0.484m) equating to an increase of 2.1%. This figure is calculated using the October 2018 census data.

2.5.2 The High Needs block indicative allocation for 2019/20 is £3.825m compared to 2018/19 of £3.690m (an increase of £0.135m) equating to an increase of 3.6%. This is below that needed based on the current number of children with high needs and relevant costs. The Council is likely to be carrying a deficit of c£300k by the end of March 2019 and will need to produce a Recovery Plan which addresses this position by June 2019. This is a significant challenge and the deficit may take some years to recover. More information is provided in Appendix 1, section 6.2.

2.5.3 For Early Years, the hourly rate payable to settings is likely to be £4.25 – the same rate as in the prior year.

3 CONSULTATION

3.1 The Council is required to consult on the budget as set out in Section 6 below and has plans in place to meet those requirements. As per the prior year, it is proposed that consultation for 19/20 includes:

- consideration by each of the Scrutiny Panels at special meetings in January;

- a meeting with representatives of the local business community in February;
- a presentation of the budget to Parishes in January; and
- consultation online, static displays at libraries and publicity through the local print and broadcast media from 16th January to 6th February.

3.2 Consultation will focus on the following questions:

- Have you any comments or suggestions about the Council's draft budget proposals?
- Do you agree the Council should raise Council tax to protect key services like social care etc?
- Where do you think the Council ranks in terms of spending?
- Do you think Council spending should be mostly funded by Government or by local taxpayers?
- How well do you feel you understand the Council's financial position?

3.3 The outcome of the consultation will be reported to Cabinet or Council in February depending on the timing of events to enable it to consider the views expressed prior to final budget approval.

4 ALTERNATIVE OPTIONS

4.1 There are three key areas where the Council has choices: revenue savings/pressures, the capital programme, council tax funding and reserve levels. These are considered separately.

4.2 Revenue savings/pressures

4.2.1 Option 1 - In terms of revenue savings/pressures Members could approve all savings/pressures for consultation – this is the recommended option. Where savings have been put forward Officers are of the view that these are achievable without impacting on front line services. The budget includes service pressures most of which arise from a need to respond to statutory requirements and/or unavoidable circumstances such as demand.

4.2.2 Option 2 - Members could reject all savings/pressures – this would mean that in those areas where savings have been put forward officers would revert back to original spending plans. In light of the future funding outlook this is not advisable. In terms of pressures, then where these are included to respond to statutory requirements, Officers would need to find alternative savings either before the budget was set or in-year; otherwise it is likely that the budget would be overspent. The rejection of all proposals is not recommended.

4.2.3 Option 3 - Members could approve savings/pressures with amendments. Members would need to be mindful of the financial implications of doing this on the overall financial position.

4.3 Capital programme

4.3.1 The capital programme for 19/20 includes projects already approved by Cabinet/Council. Approvals for projects to be included in the programme will be sought in separate reports.

4.4 Funding

4.4.1 The MTFP includes funding assumptions. The majority are based on the professional judgement of officers taking into consideration the settlement allocation and all other available information. The one key funding decision that Full Council has to make is around Council tax levels.

4.4.2 The draft budget assumes a 2.99% Council Tax increase with a further 2% for Adult Social Care. In making this decision, Members need to be aware of the following issues:

- The Council's **challenging future outlook** (see Section 2.3)
- The fact that **all decisions have a cumulative impact** – for example, the 'loss' of funding by retaining Council Tax at its current level may be c£1.2m in 19/20 but over a 5 year period the loss is c£6.9m (even if maximum increases are applied from 20/21 onwards). Detail is given in Appendix 1, section 2.
- **Making savings is unlikely to compensate for loss of Council Tax** – the MTFP already requires substantial savings to be made even with maximum tax increases.

4.4.3 A summary of the impact of the decision is given below.

Impacts	18/19	19/20
<i>On residents</i>		
Council tax per Band D property	£1,624.13	£1,705.18
Weekly cost (Band D)	£31.23	£32.79
Maximum weekly cost for those receiving full council tax support	£7.81	£8.20
Number of households paying the full charge	9,665	9,846
Number of households receiving single persons discounts/ council tax support	7,418	6,582
Council tax support funding available for hardship cases	£25,000 with additional reserves held if required	£20,000 with additional reserves held if required

4.5 Reserve levels

- 4.5.1 As the Councils Section 151 Officer my view is that General Fund reserve levels of between £2m - £3m should be adequate. I am therefore recommending that the minimum General Fund reserve level is set at £2m. More detail is given in Appendix 1, Section 1.5.

5 FINANCIAL IMPLICATIONS

- 5.1 The draft budget as presented relies on a contribution of £54k from the General Fund.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Council is on course to agree its budget and set its Council Tax for 2019/20 within the timetable required by statute and the constitution.
- 6.1.1 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 approved at Council in February 2019
To calculate budget requirements and levels of council tax	To be approved at Council in February 2019
To consult representatives of persons subject to non-domestic rates about proposals for expenditure	To be presented at Business event in February
To approve the budget and set Council Tax by 11th March in each year	To be approved at Council in February 2019
The Council is also required by the Local Authorities (Funds)(England) Regulations 1992 in exercise of the powers under section 99(3) of the Local Government Finance Act 1988, to make an estimate on 15 January of the amount of the deficit or surplus on the Collection Fund as at 31st March 2018. This report sets out an estimated figure.	Appendix 1, Section 2

Requirement	Status
<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.	Appendix 1, Section 3.5

7 EQUALITY IMPACT ASSESSMENT (EIA)

- 7.1 In the exercise of its functions, the Council must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others.
- 7.2 The Council has completed EIA screening for all savings proposals and for the proposed tax increase (see Appendix 1, section 3.6). There are no proposals for decision on specific courses of action that could have an impact on different groups of people and therefore full EIAs are not required.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 DATA PROTECTION

- 9.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

10 HEALTH AND WELLBEING IMPLICATIONS

- 10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 11.1 The Council is required to set a balanced budget and agree the level of Council tax for 2019/20.
- 11.2 The draft budget for consultation is affordable within the context of the MTFP and will allow the Council to meet service aims and objectives for the coming year.

12 BACKGROUND PAPERS

12.1 There are no additional background papers to the report.

13 APPENDICES

Appendix 1	Budget Report 2019/20
Appendix 2	Spending diagram
Appendix 3	Medium Term Financial Plan and assumptions
Appendix 4.1	People Directorate – functional analysis
Appendix 4.2	People Directorate – subjective analysis
Appendix 5.1	Places Directorate – functional analysis
Appendix 5.2	Places Directorate – subjective analysis
Appendix 6.1	Resources Directorate – functional analysis
Appendix 6.2	Resources Directorate – subjective analysis
Appendix 7	Earmarked Reserves
Appendix 8	Capital programme

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.