

## CABINET

21 January 2020/21

### REVENUE AND CAPITAL BUDGET 20/21 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/090819	
Reason for Urgency:	N/A	
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, Director for Resources	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager	01572 758152 amerry@rutland.gov.uk
Ward Councillors	Not Applicable	

#### DECISION RECOMMENDATIONS

That Cabinet:

1) Approves for consultation:

- The General Fund Budget for 2020/21 detailed in Appendix 1, section 3 including savings proposals
- The Directorate budgets per Appendices 4-6
- An increase in Council Tax of 1.99% with a further 2% for the Adult Social Care precept
- The capital programme as detailed in Section 4 of Appendix 1
- The consolidation of the Insurance/Legal reserve into the earmarked "pressure reserve" with the ceiling on that reserve maintained at £1m.
- The ceiling on the Extreme Weather reserve is increased from £100k to £200k

2) Notes:

- That the funding position may change when the NNDR (business rates) tax base and local government finance settlement is finalised
- That additional revenue or capital expenditure may be incurred in 2020/21 funded through 2019/20 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 £126k on the Collection Fund as at 31 March 2020 (2.2 of Appendix 1) of which £108k 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 2020/21 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 2020.

## **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 £38.88m in 2020/21. The balanced budget uses only £10k of General Fund reserves and £292k of earmarked reserves. This is positive in the context of ongoing financial pressures and a better position than originally envisaged when the budget was set in 19/20. The draft Local Government funding settlement was consistent with the Spending Review 2019 more favourable than previously expected, in particular:

- The expected loss of Revenue Support Grant of £958k (originally expected to happen in 19/20) will not happen for the second year running;
- Additional grant funding for Social Care: £482k above that received in 19/20 and in total £712k more than originally envisaged;
- No proposed changes to the New Homes Bonus scheme for 20/21;
- The Rural Services Delivery grant (£849k) and Public Health grant (£1.2m) continue into 20/21 thereby mitigating the expected loss of c£500k when these grants are funded from Business Rates.

- 2.1.2 Despite a more favourable Settlement than originally expected, the Council's Government funding is in cash terms still only marginally more (£384k) than it was in 19/20 and still £135 per head less than other Unitary Councils. The increase does not cover inflation (£500k) let alone pay increases, including pension and National Insurance and the additional demand for services.

- 2.1.3 Beyond 20/21 the funding position is not known but based on existing assumptions, the medium term outlook looks challenging:

- While Government funding reforms are in progress (Fairer Funding, Business Rates retention and Social Care review), 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 and transport) and the general cost of delivering services;
- The Council is likely to face a funding shortage of c£1.4m per annum by 22/23 but the amount is uncertain.

2.1.4 The Council is working on an "Emergency budget" (i.e. savings and income options - Appendix 1, para 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£8.8m despite uncertainties.

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

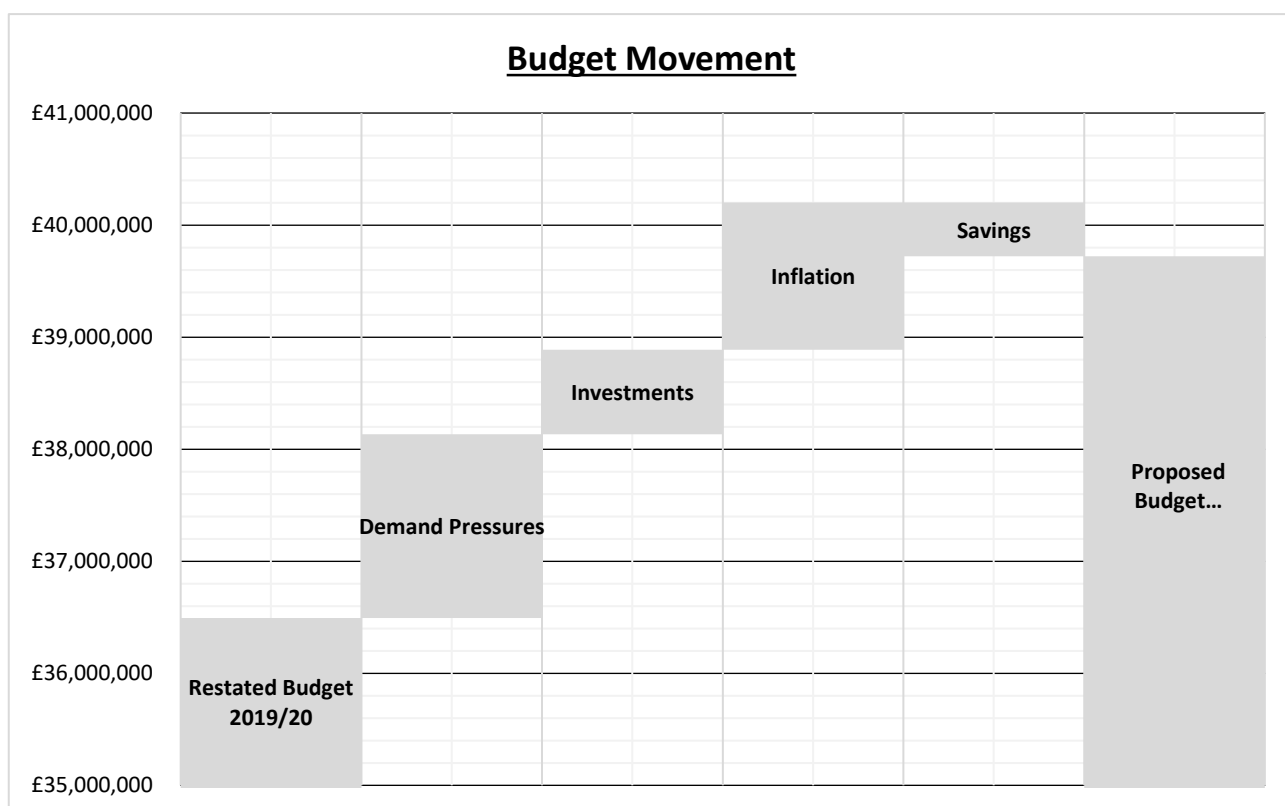
2.2.1 The Council is proposing a net revenue budget of £38.9m. The budget will allow it to deliver on corporate plan priorities and meet statutory obligations. The Council continues to protect spending in key service areas like social care. Details of how the budget is spent are included in Appendix 2<sup>1</sup> and summarised below.

Area	£m	Summary
Children's Social care	6.002	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	12.750	Adult social care services provide help and support for some of the most vulnerable people in our community – those with needs arising from illness, disability, old age or hardship. Services include day care, community care, residential care and adult protection service.
Waste management	2.607	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	1.123	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

<sup>1</sup> 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.

Area	£m	Summary
		protection. A further £2m is spent on planned maintenance outside of the revenue budget.
Public Transport	1.050	Cost of subsidising local bus provision and free travel to those of pensionable age.
School transport	1.863	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	1.640	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	4.381	Cost of support services including Finance, Human Resources, IT, Pool cars, Business support and Legal.

2.2.2 The Council's revenue budget is £3.2m (8.8%) higher than the comparable budget for 19/20<sup>2</sup>. The build-up of the budget is explained below.



2.2.3 The Council's restated budget for 19/20 is £36.4m (this is explained in Appendix

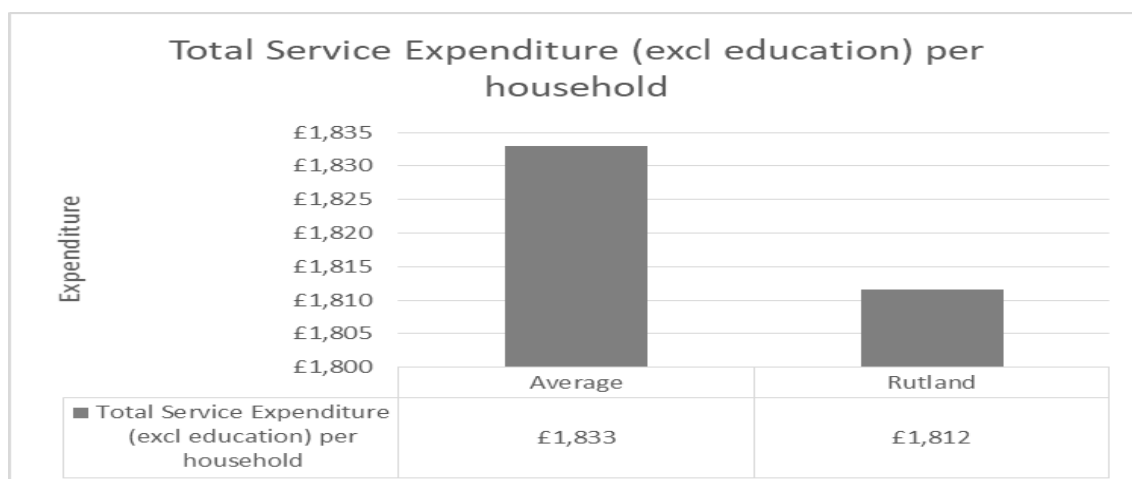
<sup>2</sup> Original Directorate budgets for 19/20 did not include the pay award and included one off items relevant to 19/20 only. The restated budget includes the pay award, transfers between directorates and removal of one off items.

9). The budget for 20/21 builds on the 19/20 budget and includes the following changes:

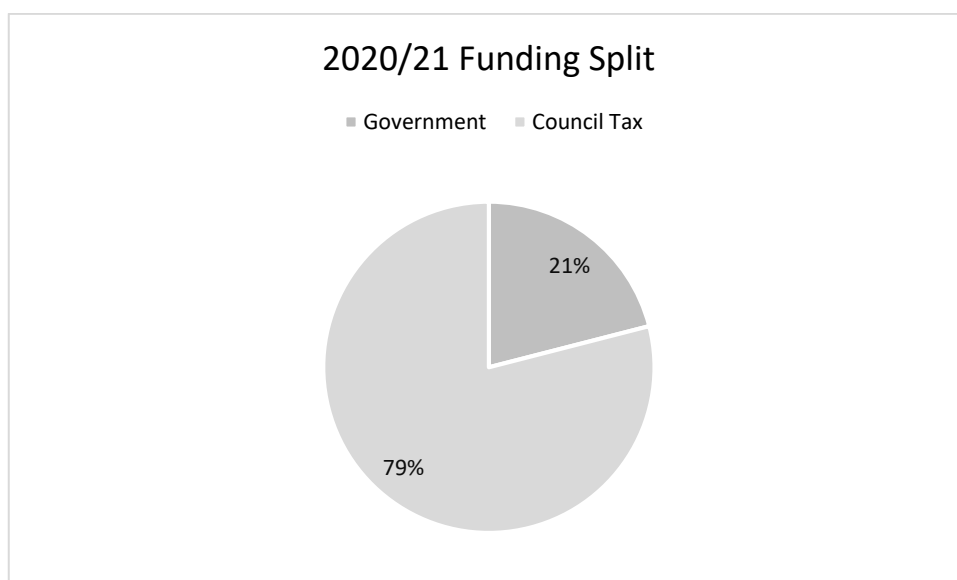
- Demand pressures totalling £1.6m where the Council has a duty to respond or where factors are uncontrollable such as a change in funding. Key pressures include:
  - i) The loss of £200k of health income where care packages are being reviewed rigorously by the NHS and more care is deemed to fall under adult social care with a greater cost therefore falling on the Council;
  - ii) An increased number of older people in residential care (200k) and mental health cases;
  - iii) An increase in the number of fostering cases (£300k);
  - iv) A change in Unaccompanied Asylum Seeker funding arrangements which has resulted in a loss of £65k;
  - v) A permanent increase in SEND staffing to cope with the increased caseload of children with high needs (£100k). The increased need has also had a £170k impact on the transport budget;
  - vi) Anticipated increase in legal costs of c£140k principally due to workloads in respect of social care and special educational needs;
  - vii) Anticipated one cost of c£190k one off for producing and finalising the Local Plan including any Inspection related costs.
- Demand pressures are offset by savings of c£479k. Notable savings come from a reduction in printing of £20k, restructure in Children's Services and other staff savings (£97k), dog warden contract (£25k), commercial property income (£58k), and the funding of some highways costs (£112k) from capital resources rather than revenue.
- Inflation pressures of £1.4m account for general inflation on good/services (£500k), pay inflation of 3% and a 1% increase in pension costs and other pay adjustments (£900k).
- The Council is making one off investment in some areas, including:
  - i) Contracts (£150k) – as a number of significant contracts are due for renewal (e.g. waste management) the Council will be investing in expertise to help get the best possible deal for Rutland;
  - ii) Customer Services (£100k) – the Council has set aside funds to support a digital first approach to transforming customer services and the launch of MyAccount;
  - iii) Public health £101k – the Council is investing its ring fenced reserves to promote healthier living as part of its prevention work;

- iv) Setting aside £380k (of which £135k is funded by a Government grant) to meet the additional costs of social care demand and in particular winter pressures.

2.2.4 The Council's budget represents good value for money. Our analysis, based on latest 19/20 information, tells that the Council's overall spending per household is below average compared to other Unitary Councils.



2.2.5 The budget is funded from Government funding and Council generated funds. The pie chart below shows the split based on Spending Power. The average split is 60:40 with other Unitary Councils receiving more Government funding (£135 more Government funding per head than Rutland)<sup>3</sup>. If Rutland received the average amount, it would be c£5m better off and Council tax would be lower. The pressure and dependency on Council results in a Rutland Band D Council tax of £1,705 (19/20 rate) compared to £754 in Westminster.



2.2.6 As per the prior years, our budget is funded increasingly by local taxpayers. The proposed budget assumes a Council Tax rise of 1.99% and an Adult Social Care

<sup>3</sup> The Government uses Spending Power to describe the resources available to a Council irrespective of whether resources are generated locally or not.

precept of 2%. For a Band D property, the total charge would be £1,773.21 this represents an increase of £68.03 on last year (£1.30p per week or 33p a week for those in financial hardship).

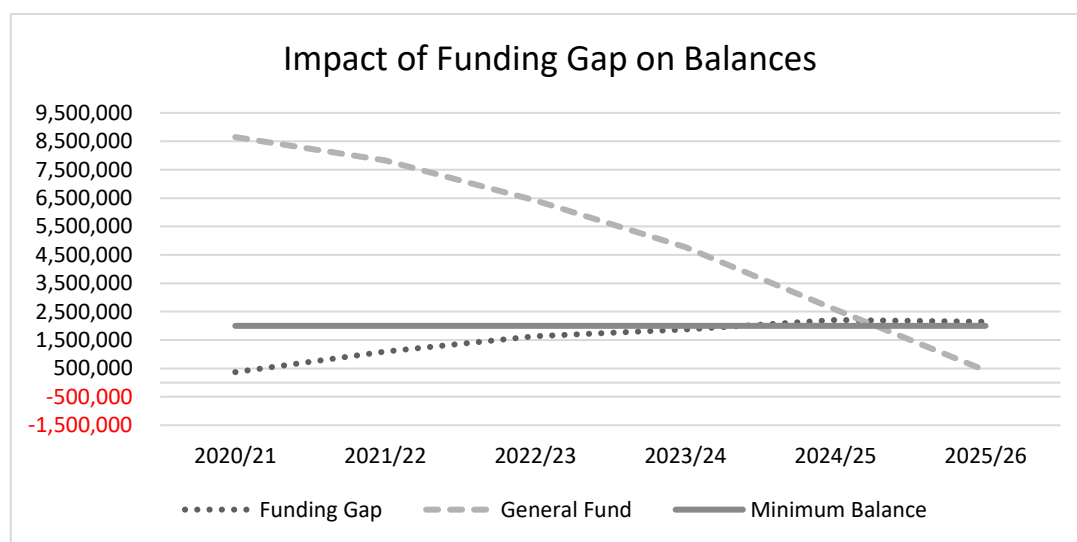
2.2.7 Best practice requires me to identify any risks associated with the budget, and section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.

2.2.8 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. This is covered in detail in Appendix 1, section 3.5.

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

2.3.1 Beyond 20/21, the Council assumes that spending will increase through inflation/demand and housing growth and that Government funding will continue along its existing trajectory. The outcome of the reforms referred to in para 2.1.2 will be critical in shaping future funding but the timetable remains unclear.

2.3.2 The Council is predicting a gap in funding of c£1.4m by 22/23 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 25/26, the Council will have no reserves left if it takes no action.



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

2.3.4 As indicated in para 2.1.3 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£8.8m – 22% 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 £26.586m which will continue to be delivered into 20/21.

2.4.2 As well as the £26.108m programme there are a number of projects that are likely to come forward when projects have been formalised in respect of:

- Highways
- Schools Places
- Oakham Enterprise Park

## 2.5 Schools budget (Appendix 1, section 6)

2.5.1 The Schools Block allocation for Rutland is £25.260m compared to £23.453m in 2019/20 (an increase of £1.807m equating 7.7%). The allocation is calculated using the October 2019 schools census data.

2.5.2 The High Needs block allocation for 2020/21 is £4.248m compared to 2019/20 of £3.825m (an increase of £0.423m) equating to an increase of 11.5%. The current level of spending on high needs is projected to be £4.3m in 2019/20, and continues to rise as reported in the Q2 Finance Report (170/2019). The Council is likely to be carrying a DSG deficit of c£700k by the end of March 2020 and will



need to produce a Recovery Plan which addresses this position by June 2020. 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 currently £4.25 – the same rate as in the prior year. With a slightly increased allocation the Council are looking at increasing this rate, with a recommendation likely by mid-January.

### **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 20/21 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 22<sup>nd</sup> January to 7<sup>th</sup> February.

- 3.2 Consultation will focus on same questions as per the prior year as this will allow the Council to gauge how responses may have changed over time but will include an additional question in relation to spending:

- 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?
- New Question – If the Council had to reduce spending, which area/s would you choose to spend less in?

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

### **4 ALTERNATIVE OPTIONS**

- 4.1 There are four 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 20/21 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 1.99% Council Tax increase with a further 2% precept for Adult Social Care effectively giving a rise of 3.99%. 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£1m in 20/21 but over a 5 year period the loss is c£5.9m (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 over the next 5 years (Appendix 1, section 1.4 explains some of the context that makes generating more savings challenging).
- 4.4.3 A summary of the impact of the Council tax decision is given below.

<b>Impacts</b>	<b>19/20</b>	<b>20/21</b>
Council tax per Band D property	£1,705.18	£1,773.21
Weekly cost (Band D)	£32.79	£34.10
Maximum weekly cost for those receiving full council tax support	£8.20	£8.52
Number of households paying the full charge	9,846	9,979
Number of households receiving single persons discounts/ council tax support	6,582	6,497
Council tax support funding available for hardship cases	£20,000 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. Members could choose to set the recommended level at a different rate.
- 4.5.2 In terms of earmarked reserves, the Council is expecting to be holding c£4.5m by March 2020. The budget proposes consolidating the Insurance/Legal reserve into the Pressures reserve and increasing the ceiling on the Extreme Weather reserve to £200k. Council could choose to take an alternative course of action.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 The draft budget as presented relies a small contribution from the General Fund of £10k.

### **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 6.1 The Council is on course to agree its budget and set its Council Tax for 2020/21 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.

<b>Requirement</b>	<b>Status</b>
<i>Statutory requirements under Local Government Finance Act 1992:</i>	

<b>Requirement</b>	<b>Status</b>
To levy and collect council tax	To be approved at Council in February 2020
To calculate budget requirements and levels of council tax	To be approved at Council in February 2020
To consult representatives of persons subject to non-domestic rates about proposals for expenditure	To be presented at a 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 2020
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 2.2
<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 20/21.
- 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	Revenue and Capital Budget Report 2020/21
Appendix 2	Council expenditure diagram 2020/21
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
Appendix 9	Restated budget

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