

Financial Outturn Position 2022 – 2023

Observations & Comments from the Strategic Overview and Scrutiny Committee

| No. | Question | Response |
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| 1. | <p>Overall:</p> <p>a. The report is well presented and understandable.</p> <p>b. Can more be done to highlight to Rutland residents the primary reasons for major overspends? When might this be done?</p> <p>c. Despite being assured in the Audit and Risk Committee that Financial Outturn reports would make comment on the position of the out-turn and impact on the Financial Sustainability Strategy, this document does not reflect either the position or the impact on the financial risk RCC is carrying. This should be commented upon in the document, the financial risk is the biggest risk the Council is carrying. Please comment.</p> | <p>a) Thank you for the feedback. The finance team are currently reviewing all financial reports to ensure transparency and clarity for the users to understand the financial position of the Council. These reviews will continue throughout the year, for each report taken to the various Council meetings. Feedback is welcomed to ensure that the information presented is clear, concise and understandable and continuous improvement can be made.</p> <p>b) Paragraph 3.4 provides an overview to the revenue financial performance for the year, with the table in 3.8 highlighting those service variances to budget of over £50k. Appendix B provides similar commentary for all variances over £50k along with an assessment of the possible impact for future budgets as contained in the MTFS, along with an explanation as to the movement since the forecast position in November 2022. Further clarity is sought for this point as to where additional information is required and this can be provided.</p> <p>c) In order to add clarity to the financial information presented the report is focused on the final financial performance for the 2022/23 year. However, it does provide the opportunity to assess whether the assumptions contained as part of the budget setting remain valid. This assessment is provided in section 3.11 to 3.14 and concludes that there are no changes recommended to the Councils MTFS (approved in Feb). Appendix B provides a more in depth analysis with regards to the assessment of the risk the variance from 2022/23 for the MTFS.</p> <p>With regards to the additional savings identified in the MTFS as part of the required transformational activity to service delivery. Work continues on these proposals, as per the original timescales outlined in the MTFS, with Cabinet to agree on the recommended changes to deliver savings in due course. As</p> |

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| | | <p>per the above conclusion the assumptions, as contained in the Financial Sustainability Strategy, remain valid.</p> |
| 2. | <p>Revenue Outturn</p> <p>a. Summary – the principal reasons for positive variances arising appear to be:</p> <ul style="list-style-type: none"> • Reduction in users • Alternative grant sources • Deferral of recruitment • Timing of receipts • Climate/ waste management <p>b. Should more be done to explain whether such items (positive variances) are “one offs” or repeatable (e.g. grants)</p> <p>c. Page 105 – Item 3.4 – Is it not likely that Adult Social Care costs will increase, due to the demographic? Is it also not likely that the present economic conditions in the UK will result in a more general increase in demand for these services?</p> <p>d. Page 106 – Monies received in advance – are these not just pre-payments?</p> | <p>a) As per 1b) response above. Many of the underspends were known before the 2023/24 budget was set and therefore incorporated into budget setting process. This enabled more detailed assumptions on service delivery and its resultant expenditure to be made and relevant adjustments included within the MTFS.</p> <p>b) The Council is currently undertaking an enhanced approach to how it sets future years budget. As part of this performance, both financial and service delivery, is being used to influence the design of services in the future. This design is being undertaken within the estimated funding envelope as set out in the MTFS.</p> <p>c) For some activity the Council approved the provision in the budget of demand contingency that can be utilised if service managers are unable to mitigate pressures from an increase in demand over and above the estimates included in the MTFS. This is an item that will be monitored as we progress through the year, and MTFS assumptions updated where appropriate.</p> <p>d) The terms and conditions of the grants determine the accounting treatment. The Council's accounts adhere to the CIPFA / LASAAC Code of Practice on Local Authority Accounting. Some grants are general grants (in terms of the Terms & Conditions) and the Council receives other grants for specific purposes. Government departments often release funding late in the financial year in accordance with specific spending plans given to them by the Treasury.</p> |
| 3. | <p>2022/23 Capital Outturn</p> <p>a. Page 111 and 129 – Digital Rutland – why did such a huge underspend occur?</p> | |

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| | <p>b. Page 111 – Levelling Up Fund – is there not a case for separating out that part of the monies that relate to Melton, or failing that referencing the amount in a note?</p> <p>c. Page 112/3 – Dedicated Schools Grant – should RCC’s position with regard to funding not be more prominently highlighted in our messaging? (See also comment on Page 126 below).</p> <p>d. Page 115 – Process Improvement Fund – when will plans be brought forward for the utilisation of such monies?</p> <p>e. Page 116 – Item 10.4 – question as d. above?</p> <p>f. Page 126 – Commissioned Transport – by how much has this cost risen year-on-year since academisation? Have discussions taken place with VAR to establish lower cost alternatives?</p> | <p>a) Three sites were descope from the project savings £357k. Other site costs were re-engineered as they were above the cap set by DCMS.</p> <p>b) Costs will be in shown separate in the future once final costs are agreed. Additional disclosure on the LUF programme will be included in future reports.</p> <p>c) Costs will be in shown separate in the future once final costs are agreed. Additional disclosure on the LUF programme will be included in future reports.</p> <p>d) A detailed section is now included in the report highlighting the potential risk to the Council. There is a statutory override for Councils whilst plans to make good the deficit positions are developed. The Council has mitigated the risk of this deficit position by providing funds in reserves. However, in order for General Fund to be used for such purposes, approval is required from DLUHC as DSG is a Department for Education funding stream.</p> <p>e) The use of this reserve will be set out in the Reserves Strategy to be presented to Cabinet in August and Council in September. Use of this reserve will follow the normal governance procedures, in line with the Constitution and the financial procedure rules.</p> <p>f) Use of these grant funds will follow the normal governance procedures, in line with the Constitution and the financial procedure rules.</p> <p>The Council have a statutory responsibility for all school age children regardless of the type of school the child accesses. Table below shows budget and outturn over the last 4 years.</p> <table border="1" data-bbox="1223 1171 2069 1369"> <thead> <tr> <th></th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> </tr> <tr> <th></th> <th>£000</th> <th>£000</th> <th>£000</th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>Budget</td> <td>1,601</td> <td>1,801</td> <td>1,921</td> <td>2,210</td> </tr> <tr> <td>Outturn</td> <td>1,959</td> <td>1,844</td> <td>2,333</td> <td>2,950</td> </tr> <tr> <td>Variance</td> <td>358</td> <td>43</td> <td>412</td> <td>740</td> </tr> </tbody> </table> | | 2019/20 | 2020/21 | 2021/22 | 2022/23 | | £000 | £000 | £000 | £000 | Budget | 1,601 | 1,801 | 1,921 | 2,210 | Outturn | 1,959 | 1,844 | 2,333 | 2,950 | Variance | 358 | 43 | 412 | 740 |
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| 4. | <p>Appendix D</p> <p>a. Page 131 – Local Plan – adequacy of reserve vs latest forecast</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>b. Page 131 – Risk Reserve – adequacy and how tested?</p> | <p>a) An update on the latest forecast for the Local Plan will be included with the Quarter 1 budget monitoring report, along with the assessment of the adequacy of the reserve funds.</p> <p>b) The assessment of the adequacy of reserves is subjective. There is no 'right' answer as to the precise level of reserves to be held. There is also no formula approach to calculating the correct level; it is therefore a matter of judgement. The duties of the Council's Section 151 Officer include the requirement 'to ensure that the Council maintains an adequate level of reserves, when considered alongside the risks the Council faces and the general economic outlook'. Each Council must make their own decisions about the level of reserves they hold, taking into account all of the risks and issues identified when the MTFs was set and ongoing through the year as new risks emerge. An assessment of the financial risks will be completed as part of the Reserve Strategy. It will take into account CIPFA's recommended factors that should be taken into account when considering the level of reserves and balances:</p> <ol style="list-style-type: none"> 1. Assumptions regarding inflation and interest rates 2. Estimates of the level and timing of capital receipts 3. The capacity to manage in-year demand led pressures 4. Ability to activate contingency plans if planned savings cannot be delivered 5. Risks inherent in any new partnerships 6. Financial standing of the authority (level of borrowing, debt outstanding etc.) 7. The authority's record of budget management and ability to manage in year budget pressures 8. Virement and year-end procedures in relation to under and overspends 9. The general financial climate 10. The adequacy of insurance arrangements |