

## CABINET

11 January 2024

# INTEGRATED BUDGET PLAN (IBP) AND MEDIUM-TERM FINANCIAL STRATEGY (MTFS) - 2024/25 TO 2027/28

## Report of the Deputy Leader and Portfolio Holder for Resources

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr A Johnson, Deputy Leader and Portfolio Holder for Resources	
Contact Officer(s): Name/Job Title	Kirsty Nutton, Strategic Director for Resources (s.151 Officer)	01572 758159 knutton@rutland.gov.uk
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Ward Councillors	N/A	

## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Summary

1.1.1 This report comes to Cabinet as part of the Council's formal budget setting process as set out within the constitution and as per legislative requirements to set a balanced and sustainable budget for 2024/25 - 2027/28.

### 1.2 Recommendations

It is recommended that Cabinet approves as the basis for public consultation:

1.2.1 The proposed budget including a Council Tax increase of 4.99% (2.99% general Council Tax and 2.0% Adult Social Care precept), as outlined in section 5.1.2 and Appendix F.

1.2.2 The budget proposals as outlined in Appendix B and C as the basis for public consultation.

1.2.3 The updated revenue budget assumptions, to be incorporated in the Medium-Term Financial Strategy (MTFS) 2024/25 – 2027/28. These are outlined in sections 5 and 6.

1.2.4 The grant funding receipts estimated across the MTFS as contained in Appendix D.

1.2.5 The Fees and Charges Strategy that details the approach to be adopted by directorates when setting and updating fees and charges as provided in Appendix E.

1.2.6 The revised capital programme and schemes outlined in section 6.5 and referencing

Appendix K and M.

- 1.2.7 The funding of the capital programme as detailed in the treasury management and capital strategies in Appendices L and M.
- 1.2.8 The updated Reserves Strategy and forecast reserve commitments to fund the cost of transformational investment and previously identified departmental commitments as outlined in section 7.4, and Appendices B, C and I.
- 1.2.9 The Education budget as outlined in section 6.6 and Appendix N.
- 1.2.10 The budget virement limits as outlined in section 9.
- 1.2.11 The Medium-Term Financial Strategy 2024/25 – 2027/28 as set out in the body of the report and following appendices:
  - Appendix A – 2024/25 – 2027/28 MTFS detailed budget position
  - Appendix B – Budget proposals tables (pressures / savings / investments)
  - Appendix C – Directorates Overview, Service Ambitions and Budget Variation Statements
  - Appendix D – Grant Register
  - Appendix E – Fees & Charges Strategy / Policy & Schedule
  - Appendix F – Funding strategy
  - Appendix G – Financial Health Indicators
  - Appendix H – Financial Risk Register
  - Appendix I – Reserve Strategy
  - Appendix J – Consultation document
  - Appendix K – Capital Programme Schemes 2024/25 – 2027/28
  - Appendix L – Treasury Management Strategy & Annual Investment Strategy
  - Appendix M – Capital Strategy
  - Appendix N – Dedicated Schools Grant and the Schools budget
  - Appendix O – Carbon Impact Assessment
  - *(Appendix P – Council Tax Resolution – to follow for Full Council only)*

It is recommended that Cabinet notes:

- 1.2.12 The strategic financial approach taken by the Council outlined in section 3 of this report.
- 1.2.13 The Council's core funding position following the provisional Local Government Settlement outlined in section 5.
- 1.2.14 The forecast reserves position and the statutory advice of the Chief Finance Officer outlined in section 7 'The Robustness (Section 25) Statement'
- 1.2.15 The financial health indicators which consider the key financial considerations of revenue and balance sheet performance, and that capital investment is not resulting in undue burden on future funding, section 8.

### **1.3 Reasons for Recommendations**

- 1.3.1 The Council must set a lawful and balanced budget. The approach outlined in this report work towards this requirement.

## **2 INTEGRATED BUDGET PLAN 2024/25 AND MEDIUM-TERM FINANCIAL STRATEGY 2024/25 – 2027/28**

### **2.1 Purpose**

- 2.1.1 This report to Cabinet forms part of the Council's formal Budget Framework. It requires Cabinet to initiate and make proposals and update assumptions to set a balanced budget for the financial years 2024/25 - 2027/28. There is a legal requirement to set a balanced budget for 2024/25. The purpose of this report is to:
- a) Recommend that Cabinet approve the budget proposals
  - b) Recommend that Cabinet approve the budget assumptions to update the Medium-Term Financial Strategy (MTFS), to ensure estimates reflect the most up to date information available
  - c) Outline the financial impact of the financial challenges facing the Council, in setting a balanced budget for the MTFS period
  - d) Outline the strategic approach and actions taken by the Council to deliver a balanced budget in 2024/25.
- 2.1.2 Proposals agreed by Cabinet at this meeting on 11 January 2024, will be approved for consultation, with responses received considered at Cabinet on 13 February with final proposals recommended to Council on 26 February 2024 for approval.
- 2.1.3 This report is submitted for Cabinet to consider under the Procedure Rule 121, “3) to prepare the Annual Budget”

### **2.2 Executive Summary**

- 2.2.1 The Council has been clear of its number one priority, it is outlined in the Corporate Strategy and that it is to be financially sustainable. This Integrated Budget Plan and Medium-Term Financial Strategy (IBP & MTFS) puts the Council on a firm footing to deliver on this priority. Whilst the plan relies on the use of £1.3m of reserves for 2024/25, future years budgets are balanced against future estimated income receipts. This is ahead of the timelines outlined in the Financial Sustainability Strategy as approved by Council in November 2022 by using less reserves to underpin the day-to-day expenditure in the future years.
- 2.2.2 This Plan and Strategy has been put forward with affordable service provision at the heart of its creation, ensuring that these services deliver the Corporate Strategy. The Council previously recognised that a transformational approach to how it delivers services was required. Previous MTFS's showed the Council was living beyond its means with reserves being used to prop up day to day expenditure.
- 2.2.3 As a result, this Plan and Strategy provides proposals that aim to deliver financial sustainability. Over the MTFS it considers:
- the budget pressures from rising demand for services and increasing costs from inflation and pay awards, alongside a reducing and uncertain future funding horizon worth £13.1m
  - the strategic use of Council's reserves to fund investment that will aid the delivery of future savings and modern ways of working of £3.4m.
  - the strategic investment in Council fixed assets (infrastructure and buildings) of over £43.0m.

- for the first time is the inclusion of 14 financial health indicators that enable all members to understand past decisions on financial performance that influence on the current and future financial prospects of the Council as drivers of expenditure and opportunities to create sustainable plans
- it contains saving proposals, based on the 12 transformation workstreams that plan to deliver £4.6m of savings.

2.2.4 The recent Provisional Settlement announced by government on 18 December continues to mean that the Council is increasingly reliant on Council Tax as its main source of income to deliver services to the most vulnerable in society, to deliver community services, alongside the other services that make Rutland a great place to live and work such as roads, transport, and waste collection and statutory services that keep the community safe and well.

2.2.5 It remains true that the Council faces financial challenges, with early indications from government suggesting a return to the level of cuts seen in the years of austerity. However, with this plan Rutland County Council is taking proactive steps in its financial management and remains committed to keeping control of its destiny, ensuring services are provided in accordance with the vision held in the Corporate Strategy that is known is most important to residents and businesses.

2.2.6 This report is structured into the following sections:

3	Strategic Financial Approach	9	Budget virements
4	Integrated Budget Plan Summary	10	Financial Risks
5	Core Funding Assumptions	11	Consultation
6	Core Expenditure Assumptions	12	Alternative Options Considered
7	Chief Finance Officers Robustness (Section 25) Statement	13	Implications of the Recommendations
8	Financial Health Indicators	14	Background Papers
		15	Appendices

### **3 STRATEGIC FINANCIAL APPROACH**

3.1.1 In construction of this 2024/25 Integrated Budget Plan the Council has worked to achieve the two key financial objectives previously approved as part of the Corporate Strategy (Council 7 November 2022, Item 10).

- The Council is committed to being financially sustainable - only spending the funding it receives and balancing the budget in any given year without using General Fund reserves.
- To maintain a recommended minimum limit of £3m as approved by Council as its General Fund balance. This helps protect the Council's financial resilience whilst operating in a challenging financial context with medium to longer term funding uncertainty.

3.1.2 These fundamental principles are carried forward in the Corporate Strategy Refresh 2024 also being considered at this Cabinet meeting through the objective of "an effective governed and financially viable Council".

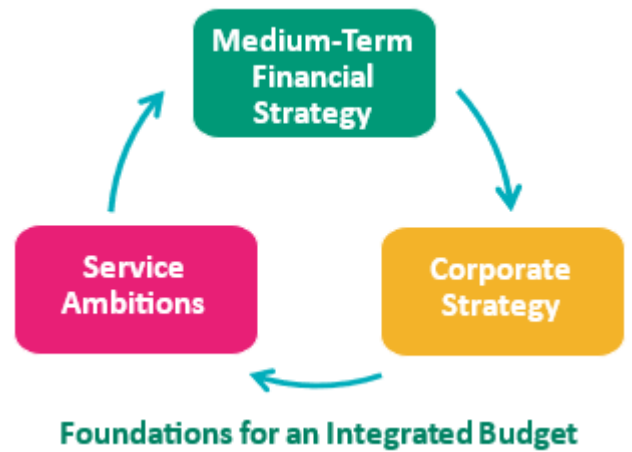
3.1.3 This strategy is based on the objectives above and three underlying principles:

- raising council tax to maximise funding available
- delivering the transformation programme and an “affordable service offer” and any other savings required
- using up to £2m of reserves to subsidise the budget to enable time for savings to be delivered.

3.1.4 With focus on the above objectives and principles the Council commenced an enhanced budget setting process in April 2023. The Council’s leadership team, working alongside the Portfolio Holder for finance, the Leader, and Cabinet members have undertaken, throughout the year, the following activities to create a financially sustainable position through:

- ✓ The approval and adoption by Full Council of the Reserve Strategy to facilitate financial resilience through use of balances to finance risk the Council may be exposed to, alongside investment provision to deliver medium to long-term saving plans.
- ✓ Adopting an enhanced Budget Setting Process for 2024/25 and future years called the Integrated Budget Plan. This approach commenced in April 2023 with Directors and Heads of Service in May 2023.
- ✓ Initial Cash Limits were allocated to Directors and in turn Heads of Service to enable services to be designed within an affordability envelope across the MTFS period to ensure financial sustainability is a focus.
- ✓ Linked to above, Heads of Service drafted Service Ambitions that detail their vision for their services alongside the actions required to deliver these plans within the Cash Limit allocated. This has helped ensure that the medium- and longer-term saving opportunities can be captured rather than a focus on short-term saving delivery.
- ✓ Delivery of the 12 workstreams identified as part of the Transformation Programme is incorporated into the Service Ambitions and budget proposals.
- ✓ Detailed discussions were held with the Strategic Director for Resources, Chief Executive, Strategic Directors, and associated Heads of Service to fully understand proposals for increases in investment and saving opportunities identified.
- ✓ Directors have worked with portfolio holders developing both investment and saving proposals in detail to ensure that proposals meet the objectives of the Corporate Strategy.
- ✓ Cabinet have reviewed the Corporate Strategy with the refresh incorporated into this budget plan and associated medium term financial strategies.
- ✓ Developed an budget consultation approach.

3.1.5 The budget setting process outlined above has enabled Strategic Directors and Head of Service to design their service within an affordability envelope and in line with the knowledge that a 'net nil' sum position underpinned the considerations. Where requests for additional funding were made, associated savings were required in other departments of the Council. This enabled a balance of solutions to be put forward for Cabinet consideration that meet the refreshed Corporate Strategy in a balanced and sustainable way.



3.1.6 The 12 transformational workstreams as identified in the Financial Sustainability Strategy are incorporated into the budget plan proposals and are based on the following themes:

- Operating framework
- Customer
- Community offer
- Commissioning & contracting
- Digital, data & technology
- Enabling services
- Public realm
- Cultural services
- Asset management
- Special educational needs
- Integrated care organisation
- Transport

### 3.2 Refreshed Corporate Strategy 2024

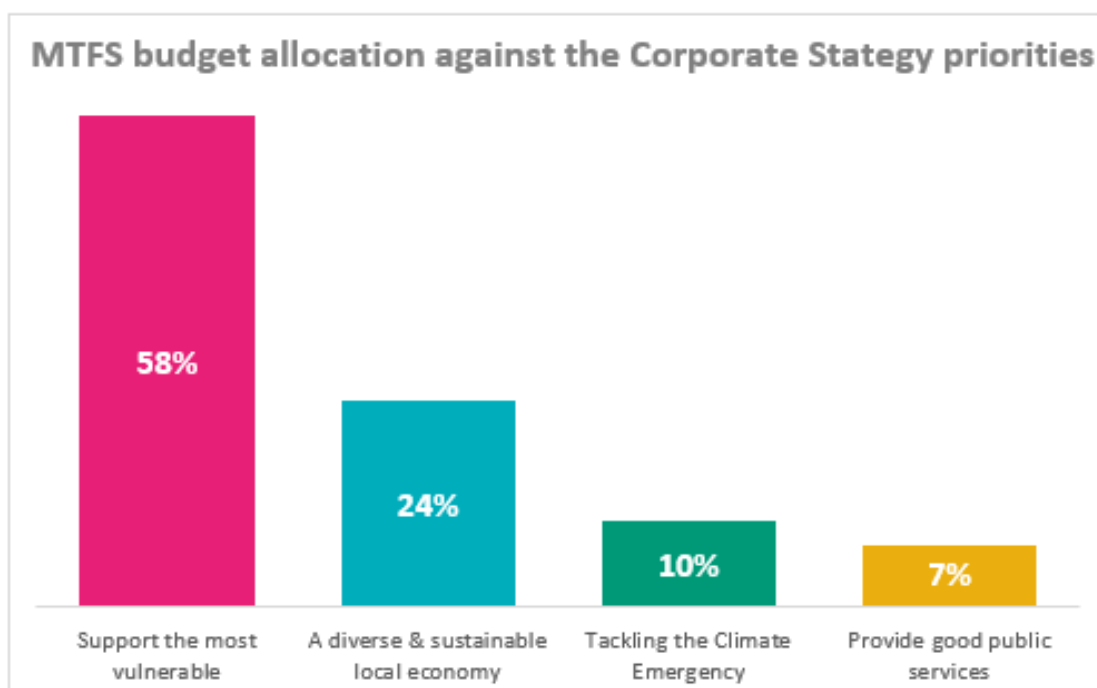
3.2.1 Alongside the consideration and approval by Cabinet of the Integrated Budget Plan and MTFs Cabinet will consider the refresh of the Corporate Strategy. Delivery of this strategy has been at the heart of the design of services within the affordability envelope and is based on the following four priorities, as shown in the diagram.

3.2.2 An estimate of how the budget is allocated to these priorities is provided throughout this Plan and Strategy. Some activities the Council undertakes are directly attributable to priorities and objectives, whilst other expenditure is indirectly attributable such as with the enabling services of the Resources and Law & Governance directorates. The allocation of budget also reflects the statutory duties of the Council.



3.2.3 Therefore, the allocation of budget to the corporate priorities is subjective but

provides a useful indication as where the Council's budget is spent and relative subsequent demands and risks that are placed on the budget.

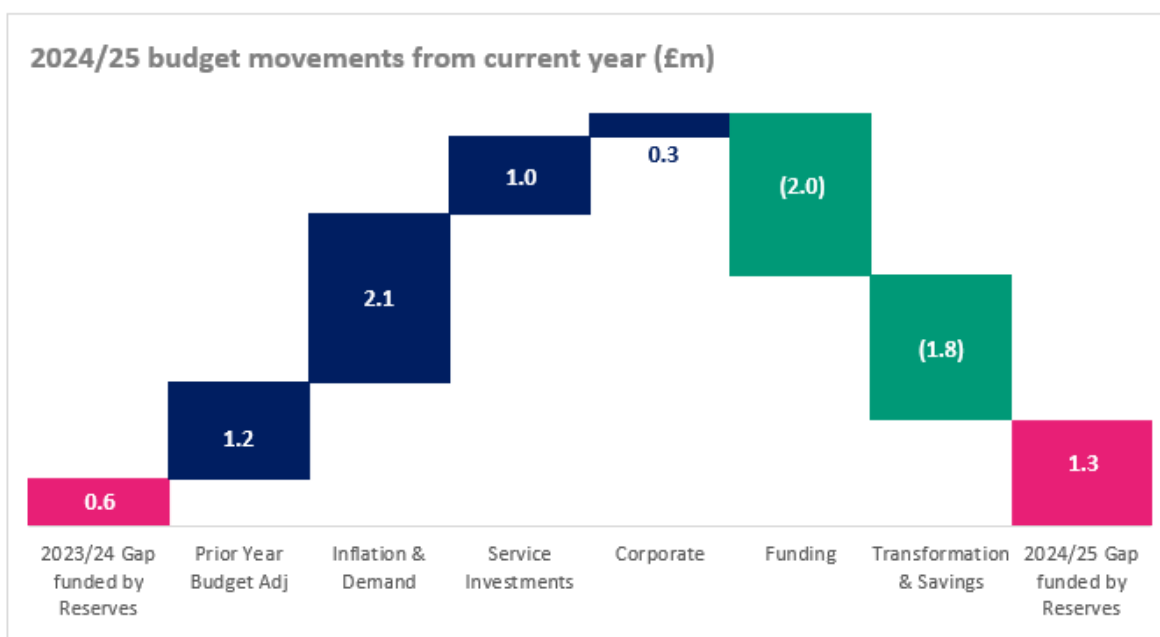


## 4 INTEGRATED BUDGET PLAN SUMMARY

4.1 The following tables summarise the budget position with detail of all proposals contained in Appendix B and C. The table takes the budget gap from 2023/24, which was funded from reserves, and summarises the budget pressures, savings and income estimated over the MTFS period.

Budget movement from 2023/24	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
2023/24 budget gap	589	589	589	589
Prior Year Budget Adjustment	1,215	1,247	1,247	1,347
Pressure - Demand	765	1,299	1,851	2,421
Pressure - Inflation	1,329	2,425	3,687	4,990
Service Investment	964	1,025	1,164	1,104
Pay award & risk management	288	1,458	2,326	2,684
<b>Additional costs</b>	<b>5,150</b>	<b>8,043</b>	<b>10,864</b>	<b>13,135</b>
Additional funding	(2,007)	(5,142)	(6,819)	(8,555)
<b>Gap before savings</b>	<b>3,143</b>	<b>2,901</b>	<b>4,045</b>	<b>4,580</b>
Transformation & savings	(1,827)	(2,901)	(4,045)	(4,580)
<b>Gap to be funded from reserves</b>	<b>1,316</b>	-	-	-

4.2 The following chart shows the movements relative to each other for 2024/25 with inflation and demand creating the larger budget pressures compared to current year. Prior year budget adjustments include the reversals of savings that were one-off in nature from the previous year such as the holding of vacancies, known contract fee increases, and removal of grants which were time limited.



4.3 The total package of savings and income can be further analysed into the following:

Transformation & saving category	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Demand management	(247)	(598)	(1,233)	(1,788)
Change in service offer	(519)	(1,112)	(1,443)	(1,443)
Service efficiencies	(336)	(376)	(493)	(532)
Contractor efficiencies	(494)	(494)	(494)	(494)
Income	(190)	(280)	(341)	(281)
Other (eg business rates)	(41)	(41)	(41)	(41)
<b>Total</b>	<b>(1,827)</b>	<b>(2,901)</b>	<b>(4,045)</b>	<b>(4,580)</b>

4.4 The following table provides a summary overview as to the budgets allocated by directorate over the MTFs period with more detail provided in Appendices A – C.

Directorate	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Adults & Health	17,559	18,056	18,494	18,965
Places	14,417	14,256	14,111	14,514
Childrens & Families	7,444	7,491	7,396	7,481
Resources	4,929	4,875	4,886	4,979
Law & Governance, Chief Executive	2,898	2,977	3,083	3,187
Corporate*	3,436	4,083	5,170	5,652
<b>Budget</b>	<b>50,682</b>	<b>51,738</b>	<b>53,141</b>	<b>54,777</b>
Financing	(49,367)	(51,738)	(53,141)	(54,777)
<b>Total</b>	<b>1,316</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* includes capital financing costs, future pay award estimated increases, risk management and investment from the Innovation Reserve



4.5 The following infographic provides an overview as to the types of services and areas of spend for the Council for 2024/25. Education, Adult's and Children's social care services represent 56% of the Council's gross budget.



## 5 CORE FUNDING ASSUMPTIONS

5.1.1 The following table outlines the Council's forecast core funding for 2024/25 based on the provisional Local Government Finance Settlement announced on 18 December 2023. Further details of the assumptions used are provided in Appendix F.

Funding summary	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Council Tax	(33,883)	(35,828)	(37,883)	(40,054)
Business rates	(6,830)	(5,468)	(5,695)	(5,944)
Better care fund	(2,994)	(2,994)	(2,994)	(2,994)
Social care grants	(2,687)	(2,687)	(2,687)	(2,687)
Rural Services Delivery Grant	(995)	(995)	(995)	(995)
Improved better care fund	(218)	(218)	(218)	(218)
Other	(173)	(116)	(116)	(116)
Core Spending Power increase*	-	(2,608)	(2,003)	(1,319)
Use of Innovation Fund Reserve	(1,587)	(824)	(550)	(450)
<b>Total</b>	<b>(49,367)</b>	<b>(51,738)</b>	<b>(53,141)</b>	<b>(54,777)</b>

\* this is an assumption based on the latest information available. Previously reflected estimates resulting from the Fair Funding Review (FFR). The timing of the FFR is now likely to be impacted by a General Election, see 0 for additional information.

5.1.2 The local government finance settlement was published on 18 December 2023. As this was based on the Autumn Statement 2022 the Council was able to make reliable estimates in the main. As with all announcements from government which coincide with the Council's own report publishing dates, there are some adjustments where the finance team are working through the details which could impact on the final

funding assumptions for the Council. However, these are not anticipated to be material and therefore impact fundamentally on this report.

## 5.2 Council Tax

- 5.2.1 In calculating the level of general grant support to be provided to councils the Government assumes that councils will maximise income receipts from Council Tax as part of the Core Spending Power assessment, see point 5.5.
- 5.2.2 For this MTFs the level of proposed Council Tax income is based on 4.99% increase, which is comprised of 2.99% general and 2.00% Adult Social Care precept on the 2023/24 rates. This is in line with the 2024/25 referendum limits confirmed in December 2023 by Government and means that the Band D rate will increase from £1,587.08 in 2023/24 to £1,666.28 in 2024/25 for the Council's element of the Council Tax charge.
- 5.2.3 The Council Tax base is forecast to increase by 140 homes each year, which equates to 115 Band D equivalents. This forecast is in line with the housing growth experienced within the County except for 2023/24 where growth has slowed due to prevailing national economic conditions which are expected to continue to recover for 2024/25.
- 5.2.4 The Council is a 'billing authority' and therefore operates a 'Collection Fund' that accounts for all the council tax and business rate payments as they are received from residents and businesses. For Council Tax the funding is distributed to the relevant precepting authorities eg Police, Fire and Parish Council's, based on their demand made at budget setting. The Council's share of the estimated surplus on the Collection Fund for the current year 2023/24 is £0.0m but this will be reviewed in January and updated as part of the final budget proposal. For budget setting purposes this is accounted for in the following year 2024/25 budget.
- 5.2.5 The following table summarises the Council's current Council Tax income assumptions over the MTFs period:

<b>Council Tax summary</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Council Tax increase	2.99%	2.99%	2.99%	2.99%
Adult social care precept	2.00%	2.00%	2.00%	2.00%
Council Tax Band D (£)	£1,666.28	£1,749.42	£1,836.72	£1,928.37
Council Tax Base	16,031.0	16,146.2	16,261.0	16,375.80
<b>Council Tax income (Band D x Tax Base) (£000)</b>	<b>33,883</b>	<b>35,828</b>	<b>37,883</b>	<b>40,054</b>
Parish precept*	tbc	tbc	tbc	tbc
Collection Fund surplus / (deficit)*	0	0	0	0
<b>Council Tax budget (£000)</b>	<b>33,883</b>	<b>35,828</b>	<b>37,883</b>	<b>40,054</b>

\* to be confirmed in final budget following statutory declaration mid-January 2024

- 5.2.6 Further information on Council Tax assumptions are contained in Appendix F.

## 5.3 Business Rates (National Non-Domestic Rates - NNDR)

- 5.3.1 The Council has completed the government return (NNDR1) to determine the income receipt from business rates in 2024/25. The Council's gross income, based on the actual rateable value of business premises in Rutland, has increased and has been offset by changes to the bad debt provision, empty property relief and the dampening of the gross rates amount in recognition of the challenging national

economic climate. Further information is contained in Appendix F.

5.3.2 The following table shows a summary of income assumed from Business Rates over the MTFS:

<b>Business Rates summary</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Business rates	(6,830)	(5,468)	(5,695)	(5,944)

## 5.4 Grants and the Local Government Provisional Settlement

5.4.1 The Local Government Provisional Settlement was published on the 18 December 2023. The Settlement maintained the assumptions from the previous year with a Core Spending Power (CSP) increase by £3.9bn (6.5%) in 2024/25. This is lower than the increase in CSP in 2023/24 (9.1%) and lower than that in 2022/23 (8.2%). This compares with the demand-led pressures in social care of adults and children's which outstrips the increases in funding as summarised in the table below:

	<b>Core Spending Power</b>	<b>Consumer Price Index</b>	<b>GDP Deflator*</b>	<b>National Adults &amp; Children social care pressures</b>	<b>Rutland's Adults &amp; Children social care pressures</b>
<b>Rate Increase</b>	6.5%	3.6%	1.7%	12.8% & 13.6%	8.2% & 9.2%

\* GDP deflator - a measure of general inflation

5.4.2 Compared to most other years before that, the projected increase in CSP in 2024/25 is higher in cash terms, with the following noted.

- More than half of the increase in CSP will come from the council tax increase. This shows how reliant the funding settlement continues to be on council tax increases. For Rutland the CSP increase is 6.7% which relies on 77% of the increase to be funded from Council Tax.
- Social care grants increase for a further year. Two-year increases were announced in the Autumn Statement 2022, and allocations were confirmed in October 2023. The Adult Social Care (ASC) Workforce Fund allocations that were announced in July 2023 are rolled into the larger ASC Market Sustainability and Improvement Fund (MSIF) grant.
- Services Grant continues to operate in the same way as in 2023/24 but with a significant reduced overall amount (down from £483m to £77m).
- Projections assume no change in New Homes Bonus and no change in the Rural Services Delivery Grant
- Business Rates (NNDR) cap compensation will be paid to authorities for lost income arising from the decision to freeze the small business rating multiplier.
- Funding guarantee continues to be calculated on the same basis as 2023/24 at 3% of core spending power and takes into account:
  - Increase in council tax from taxbase growth – not from Band D tax increases
  - Additional funding from grants, including Services Grant and all of the social care grants

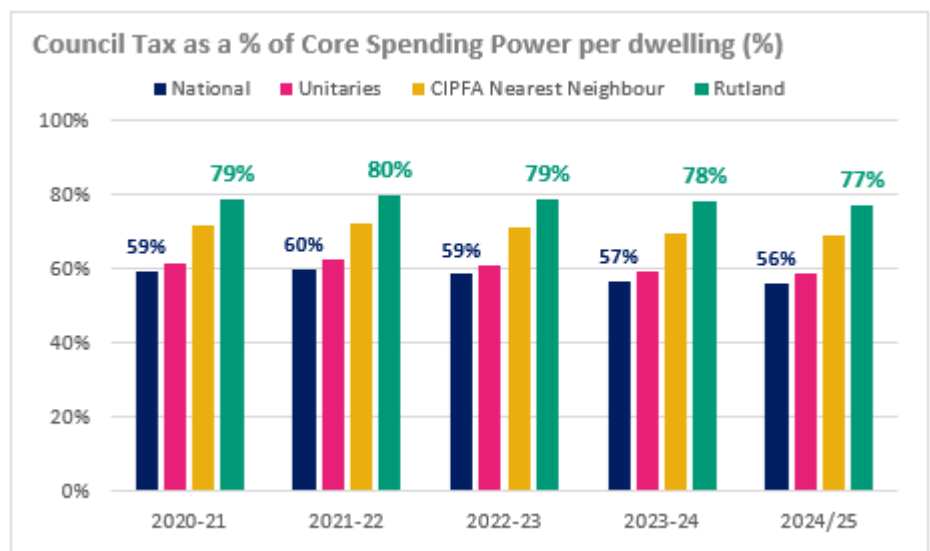
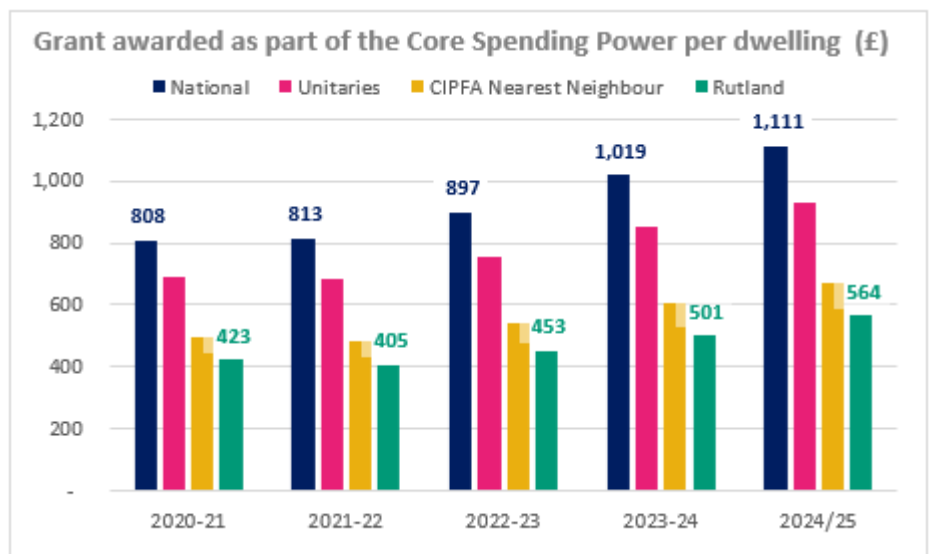
- Change in New Homes Bonus allocations
- Indicative public health grant allocations have already been announced with allocations increasing by 1.36%. The government is claiming that this will deliver 7% real-terms increase in funding in 2024/25, however this appears to include “local authority-led efforts to stop smoking”. Cashable benefits are likely to be NHS directly and adult social care indirectly.

## 5.5 Core Spending Power

5.5.1 Core Spending Power (CSP) is a measure of total council revenue funding from all sources, except for ringfenced grants and often contains assumptions on funding Councils may or may not approve. The Provisional Settlement for 2024/25 the Council had a CSP of £2,449.47 per dwelling which is £91.60 less than the average national position.

5.5.2 The Council’s CSP for general grant allocation per dwelling, £564.45, compares to the average national of £1,111.48, a notably smaller proportion.

5.5.3 Therefore, the Council’s reliance on Council Tax to fund Council services is proportionately greater at 77% than the national position 56%. This is also the case when compare with CIPFA Nearest Neighbour authorities, and similar Unitary class authorities as shown in the chart.



## 5.6 Longer Term Funding Reform

- 5.6.1 For a number of years, the Local Government sector has been anticipating the implementation of major structural changes within the funding system, to reflect changes in relative need, resources and the continuing pressures, such as those most noticeable within Adults and Children's Social Care budgets. There is a renewed commitment from the government to "[improve] the local government finance landscape in the next Parliament". Any change is going to be after the next General Election, though, and possibly even under a different government. Changes in funding reform could then be very different from those that were proposed by the current government.
- 5.6.2 Local Authorities have been budgeting based on one / two-year funding settlements, with 2024/25 being no exception to this trend. This means operating under increased levels of uncertainty and difficulties when setting a strategic financial plan due to nature of short-term budgeting. This makes it difficult for the Council to plan how best to allocate resources and provide services. However, for the Council to become financially sustainable, the Council has made best estimates of future funding to help facilitate expenditure reduction activities now to generate savings in the medium to long term.
- 5.6.3 In addition to the plans to review and implement Local Government funding reforms, the government had outlined the implementation of the Social Care and waste collection and disposal reforms. Implementing these wide-ranging changes within a short timeframe presented difficulties nationally, therefore the proposals have been delayed. The Council will closely monitor and work through these policies, to ensure the local impact of it is fully understood, aligned and factored into future strategies.

## 5.7 Fees and Charges

- 5.7.1 As part of the MTFs the Council reviews its fees and charges to ensure that it is receiving appropriate recompense for the services that it is allowed to charge its stakeholders. For some of the charge's increases are set nationally, which reduces the Council's opportunity for income generation.
- 5.7.2 The Council is expecting to generate additional income of £0.2m in relation to fees and charges compared to current year. The following table outlines the scale of fees and charges by directorate:

<b>Fees &amp; Charges by Directorate</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Adults & Health	(1,647)	(1,647)	(1,648)	(1,649)
Places	(2,662)	(2,682)	(2,768)	(2,776)
Childrens & Families	(259)	(262)	(266)	(267)
Resources	(1,281)	(1,307)	(1,338)	(1,368)
Law & Governance	(16)	(16)	(16)	(16)
<b>Total</b>	<b>(5,865)</b>	<b>(5,914)</b>	<b>(6,036)</b>	<b>(6,076)</b>

- 5.7.3 Further information on the Council's strategy and policy for fees and charges is set out in Appendix E and on the Council's website.

## **6 CORE EXPENDITURE ASSUMPTIONS**

6.1 In common with other councils, Rutland has experienced inflationary costs and increasing demand for child social care, adult social care and, albeit to a lesser degree than other councils' homelessness services which are placing significant demand on already stretched budgets.

6.1.1 A review of the Council's expenditure assumptions has been conducted by officers. This includes reviewing budget assumptions in relation to inflation on the Council's key contracts, pay rates and utilities. Assumptions have also been applied with regards to increases in demand over the MTFS period.

### **6.2 Inflationary Budget Pressures**

6.2.1 Inflation is estimated to lead to additional budgetary pressures over the MTFS of £1.3m in 2024/25 rising to £5.0m by 2027/28. This accounts for 37% of the budget demand over the MTFS.

6.2.2 The Bank of England (BoE) monetary report (August 2023) has been used to inform the revised MTFS assumptions for the Council's expenditure and income. The Consumer Price Index (CPI) inflation remains above the 2% target and the Office for National Statistics report that CPI was 6.7% in the 12 months to September 2023. The current MTFS assumes that inflation is expected to fall to around 5% by the end of 2023, with the target 2% being met by late 2024.

6.2.3 Greater energy prices have contributed to the high rate of inflation. The Council's energy prices will increase 7% in comparison to current budgeted levels in 2023/24.

6.2.4 Contract inflation is expected to continue to some degree, but at rates less than experienced during 2022/23. Key contract negotiations were undertaken in 2023/24 which has enabled the Council to develop a saving proposal of £0.5m within the Adults & Health Directorate.

6.2.5 After protracted negotiations local government pay award for 2023/24 was agreed in November 2023. The Council participates in the national negotiations. The assumptions within the MTFS have been reviewed and updated following this award with estimates in the range of 2.0% – 4.5% made over the MTFS period. Given the uncertainty with negotiations in recent years, this will be kept under review by both the HR and Finance teams and updates provided at later Cabinet and / or Council meetings.

6.2.6 Pension rates are included at the rate of the latest triennial valuation covering the period 1 April 2023 to March 2027. The same rates have been assumed at 22.8%.

### **6.3 Demand Led Budget Pressures**

6.3.1 Nationally Councils have experienced increasing demand pressures in both adult's and children's related social care services.

6.3.2 The number of children requiring care has remained relatively stable compared to the national position for the Council, however the complexity of need has increased. Within the MTFS it is assumed that there is an increase in demand over the period of £0.5m by 2027/28 to reflect the higher cost of placement. In response to the experienced budget pressures from the increased numbers of care leavers budget provision of £0.05m has been included as a service investment for additional capacity.

6.3.3 Demand led pressures on Adult Social Care (ASC) care packages continues to grow. The pressure is due to rising demand in a number of areas including

community care and accommodated care for all age and client groups. Additional demand pressures have been assumed in the MTFS period of £1.6m by 2027/28.

- 6.3.4 Prevention and demand management saving activities have been identified as part of the MTFS budget setting process which will deliver estimated savings of £1.8m by 2027/28. Transformational investment in operational and commissioning activity to review and find solutions that meet the need whilst trying to avoid additional costs alongside applying funding tools to share costs fairly with health partners will be adopted.
- 6.3.5 Based on recent experience with Adult Social Care providers officers are considering enhanced options with regards to the Council ensuring that safeguarding obligations are met with all care providers in the County. Therefore, they may be a further budget update may be presented at the next Cabinet in terms of how an increase in capacity would be funded.

## 6.4 Key Budget Assumptions

- 6.4.1 The following table shows the key expenditure assumptions applied across the MTFS period:

Expenditure assumptions rates	2024/25 %	2025/26 %	2026/27 %	2027/28 %
Utilities inflation	7.00	7.00	7.00	7.00
Contract inflation	*	2.00	2.00	2.00
Pay awards ( <i>range reflects number of assumptions eg lump sums for lower scale employees</i> )	2.00 – 4.00	2.00 – 4.00	2.00 – 4.00	2.00 – 4.00
Pension**	0.00	0.00	0.00	0.00
Demand (Cost Increase)	1.00	1.00	1.00	1.00
Interest rate for income receipt	4.89	3.26	2.76	2.70
Interest rate for borrowing***	6.38	6.38	6.38	6.38

\* Various rates used due to number of contract renewals. Waste assumed at 7.5%, Highways 12% general inflation 2%, Social Care 4%. Reduced to Government target of 2.00% beyond 2024/25

\*\* no known increase in rate until 2026/27 due to triennial review process – assumed no increase thereafter, will be reviewed as economy stabilises

\*\*\* average rate of current fixed rate borrowing

## 6.5 Capital Programme

- 6.5.1 The Council's Capital Programme is viewed over a four-year period to ensure correct stewardship of assets and efficient use of budgets, with the years forming the MTFS. The Council is proactive in attracting external funding for as many schemes as possible. A Capital Programme Board oversees the Council's capital requirements. The Capital Programme includes estimated project costs and profiling of expenditure whilst detailed business cases and due diligence is completed on some individual schemes.
- 6.5.2 A revised Capital Strategy forms Appendix M and once approved will guide the way for agreeing schemes in the Capital Programme in accordance with the key objectives within the Corporate Strategy. Given the continued challenge of setting a financially sustainable budget it is vital that any future capital programme consists of projects that are all or mostly grant-funded, that avoid future revenue pressures for asset maintenance and running costs where possible, lead to future income streams that pay back the investment in the short-to-medium term, and/or will lead to transformation and future revenue savings.

6.5.3 Under the previous accounting rules, leases that did not account for substantially all of an asset's useful economic life were treated as off-balance sheet and charged to revenue. The new IFRS16 accounting rule brings these leases (unless under a year in duration or for assets below a de minimum value) onto the balance sheet as capital expenditure.

6.5.4 The following table provides a summary position of the capital programme and funding over the MTFS period. For information on the detailed schemes this is contained in Appendix K.

<b>Estimated Capital Expenditure*</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Supporting the most vulnerable	1,033	270	270	270
A diverse & sustainable local economy	26,043	14,589	2,684	2,684
Tackling the climate emergency	0	0	0	0
Provide good public services	2,984	547	547	547
<b>Total Investment</b>	<b>30,060</b>	<b>15,406</b>	<b>3,501</b>	<b>3,501</b>
Grant & Contributions	29,363	15,326	3,421	3,421
Direct Revenue Financing	-	-	-	-
Capital Receipts	697	80	80	80
Net Financing Requirement	-	-	-	-
<b>Total Financing</b>	<b>30,060</b>	<b>15,406</b>	<b>3,501</b>	<b>3,501</b>

\* the Council is not undertaking any commercial activities / non-financial investments

6.5.5 As part of the transformation work, launched as part of the Financial Sustainability Strategy, the Council recognised the opportunity in a refreshed approach to optimising its asset portfolio to develop an Asset Management Strategy (AMS) that ensures value is maximised over the short, medium and long term. This strategy may result in rationalisation of Council assets and is likely to result in disposals where it is deemed assets no longer present a commercial, community or strategic case for retaining the property by the Council.

6.5.6 The Council will work with asset specialists as part of this continued review. To summarise some of the actions will include the following, and are outlined in more detail in the Capital Strategy in Appendix M:

- To develop on from the review of the asset base undertaken in 2023/24 - including receipt of updated valuations and the use of subject matter experts
- Reduce liabilities and expenditure to the Council in revenue and capital as a result of a rationalised asset portfolio

## **6.6 Dedicated Schools Grant and the Schools Budget 2024/25**

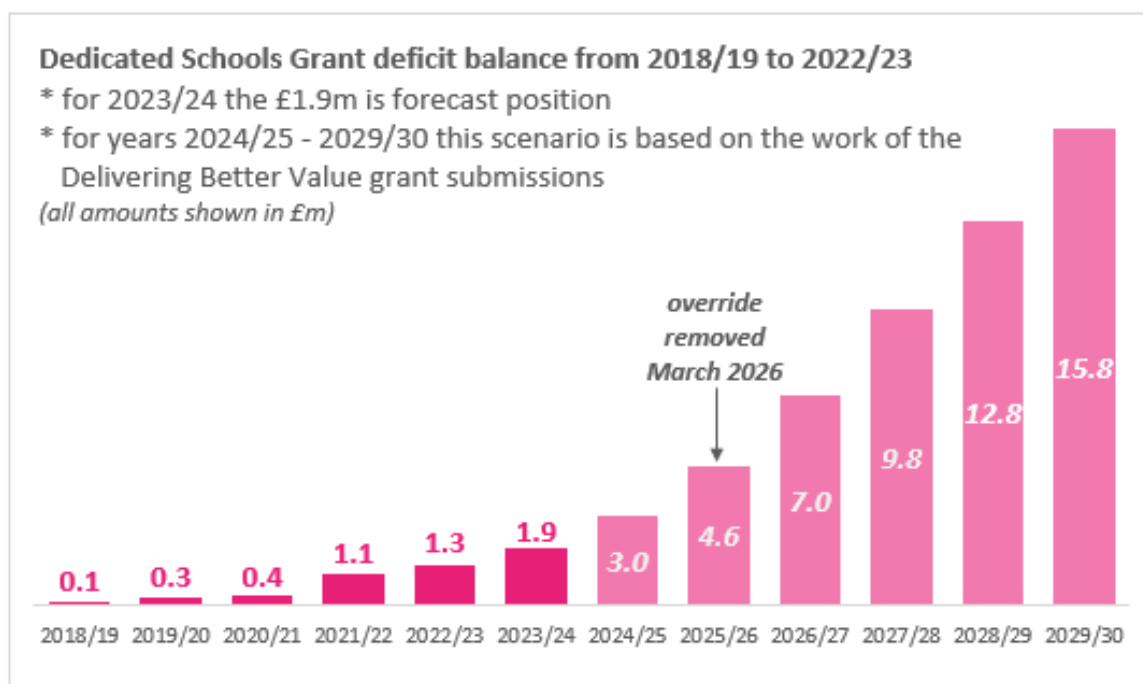
6.6.1 The Local Authority retains a statutory duty to annually set the schools budget for all schools in the County (maintained and Academy schools). The majority of the funding for Education comes through the Dedicated Schools Grant (DSG) which totals £39.8m including £31.5m for schools' budgets for 2024/25. Officers have worked with the Schools Forum, who are the representative group of education providers in the County, to develop budget proposals. A consultation exercise is undertaken with schools over how the funding is allocated via the Council's funding formula.

6.6.2 The local funding arrangements operate within the context of national requirements and guidelines, but the Council can use the national arrangements to target funding at priorities within the County. On 1 February 2024 the Schools Forum will consider the budget proposals outlined in Appendix N. The final budget proposals require



formal Council agreement at the meeting on the 26 February 2024.

- 6.6.3 The Council has a deficit balance on the Dedicated Schools Grant (DSG). From 1 April 2020 a new regulation was introduced that enabled any deficit on the Schools budget to be transferred to the Dedicated Schools Grant Adjustment Account for a specified period of time in order for the deficit to be made good. This had the effect of separating schools budget deficits from the local authority General Fund for a period, initially set at three years but later extended until March 2026.
- 6.6.4 In recent years the High Needs Block has operated in challenging environments with new demand being experienced and inflationary pressures resulting in an increase in price. As a result the deficit has increased from £0.1m in 2018/19 to a forecast deficit of £1.9m by 2023/24.
- 6.6.5 As a result of this position the Council submitted a grant application to the Department for Education 'Delivering Better Value' in Special Educational Needs and Disabilities (SEND) programme which aims to support participating local authorities to improve services to children and young people with SEND, working with the Council's partners to develop bespoke plans to deliver effective and sustainable SEND services.
- 6.6.6 The outcomes of this programme are that:
- children are assisted to grow and succeed in mainstream school and to get practical help at the right time in the right way which avoids exclusions
  - children's needs are identified and assessed quickly and the graduated response followed
  - settings having a greater understanding of unmet needs and the known links to behaviour and learning and therefore are better able to meet most needs within a mainstream environment. This will in turn mean that;
  - EHCP's are seldom needed except to support the most complex of needs in mainstream, and only in exceptional cases will a child need an alternative setting other than mainstream.
  - Therefore, through better understanding, training and experience of supporting complex needs, Rutland's mainstream setting will become specialist in their own right. This will lead to fewer children with SEND being excluded from mainstream, because these settings are confident that they can meet needs and in cases of behaviours that challenge they are able to de-escalate situations by providing the appropriate support.
- 6.6.7 As part of this scheme the Council is required to provide a model of a possible deficit position, and this is shown in the following chart. This shows that the deficit on the DSG could reach £15.8m by 2029/30 if no further mitigations (as listed in 6.6.6) were undertaken. Therefore, without meaningful intervention by the Council to address this deficit now the Council, under accounting convention, would be required to use a significant proportion of its General Fund to fund SEND expenditure once the statutory override deadline is reached. Funding the deficit at this rate would jeopardise the financial resilience and sustainability of the Council. Even at the current forecast deficit of £1.9m this restricts investment decisions that the Council could make in future service provision.



6.6.8 The Council is proactively involved in creating opportunities to address the deficit position in the High Needs block and was confirmed as a joint lead for the East Midlands Change Programme Partnership (CPP) alongside Leicester City and Leicestershire. The CPP is testing the key system-level reforms set out in the Special Educational Needs and Disabilities & Alternative Provision (SEND AP) Improvement Plan that is expected to deliver the system and culture changes needed to improve outcomes and experiences for children and young people with SEND or in AP and their families. This work is funded via grant funding of £5.9m for the region. The financial impact of this improvement plan is to be modelled as the programme progresses from the current set-up phase.

6.6.9 Over recent years local service-based activities have led to improvements being made in the SEND service provision, which was formally recognised in the August 2023 report from Ofsted and the Care Quality Commission following inspection. Building on this success the Council, through participation in two national strategic schemes, will undertake activities that lead to a better value for money service provision. Whilst these activities should reduce demand on SEND services and in turn should halt and make good the deficit on the DSG it is not yet guaranteed. In summary, alongside existing Council initiatives, further work on the high needs block to review and reduce a number of cost drivers will be undertaken over the MTFS period:

- Demand levels – changes for the new academic year
- Average costs
- Impact of recovery plan measures
- Impact of Delivering Better Value (DBV) programme
- Impact of Alternative Provision (SEND AP) Improvement Plan

6.6.10 The Council has previously agreed to underwrite the DSG deficit reserve using a commitment against General Fund reserves of £1.9m, although the statutory override removes the immediacy for this requirement. This enables the Council to manage the risk of not making good the deficit through future DSG funding by the

end of 2025/26 up to this value. However, the Secretary of State is required to approve this funding transfer as it moves funding between central government departments of Department for Levelling Up, Housing & Communities (DLUHC) and the Department for Education (DfE) and therefore it is not solely in the Council's remit to action.

## **7 CHIEF FINANCE OFFICERS ROBUSTNESS (SECTION 25) STATEMENT**

### **7.1 Requirement**

7.1.1 Section 25 of The Local Government Act 2003 includes the following statutory duty in respect of the budget report to Council:

*“the Chief Financial Officer (CFO) of the authority must report to it on the following matters:*

- a. the robustness of the estimates made for the purpose of the calculations and*
- b. the adequacy of the proposed financial reserves.”*

The Council is required to take this report into account when making that decision.

7.1.2 Section 26 of the same Act places an onus on the CFO to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.

7.1.3 This report has been prepared by the Section 151 Officer (CFO) as part of fulfilling this duty and gives the required advice relating to the Council's current and next years financial position, including a consideration of the proposed budget as a whole and all the financial risks facing the Council. It identifies the Council's approach to budget risk management and assesses the risks associated with the current year and 2024/25 budget to inform the advice on robustness.

### **7.2 Overall Financial Position**

7.2.1 The Council has a strong track record of delivering on its budget assumptions through sound financial management. The current financial year is forecasting an underspend of £1.6m at Quarter 2, which is a combination of interest receipts being greater than budgeted due to the increasing interest rates as the Bank of England combat inflationary pressures and savings made from a series of vacancies across the Council. However, the vacancy savings are mitigating some budget pressures incurred through changes in demand based on complexity of need, and price increases in contracts. Whilst the vacancy savings provide some mitigation to in year pressure, it is a strategic risk of the Council's in terms of being able to deliver the Corporate Strategy. Assumptions contained in this IBP and MTFS have been revised considering the performance in 2023/24.

7.2.2 The forecast underspend provides the Council with the opportunity to bring forward transformational activities to aid the achievement of financial sustainability. It is encouraging that the forecast outturn for the current year 2023/24 is better than budgeted, which provides some comfort in the form of a reserves position being better than expected. This is covered in more detail in section 7.3.

7.2.3 In November 2022 the Council agreed to a Financial Sustainability Strategy (FSS) that outlined the approach to the development as to how the Council could live within its means, a key corporate priority. This outlined 12 transformational workstreams, alongside the strategic use of reserves to underpin the budget whilst the savings plans were developed, implemented, and embedded.

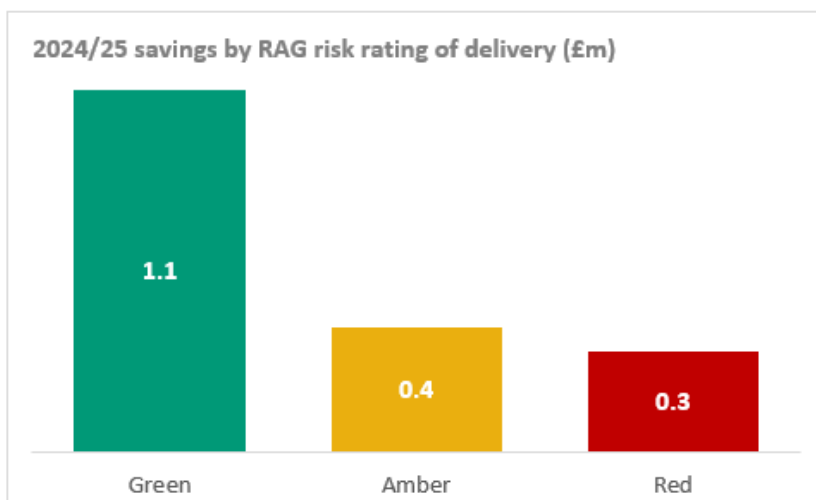
- 7.2.4 Using the FSS as a basis the Officers of the Council embraced an enhanced budget setting process that put service delivery at the heart of the budget design. The projected budget deficit in the FSS illustrated that the Council could no longer afford to provide services in the same way. The enhanced budget setting process therefore asked Heads of Service to design their services within a Cash Limit and which builds in the 12 transformation workstreams. The resulting Service Ambitions are outlined in Appendix C for each directorate.
- 7.2.5 Alongside this approach the finance team have completed a review of the financial resilience of the Council using 14 financial health indicators as contained in Appendix G. These indicators provide the context for the financial position the Council finds itself in today following past Council decisions and identifies where the Council has areas of strengths and weaknesses in achieving financial sustainability, see Section 8 and Appendix G for further information.
- 7.2.6 Section 4.1 of this report shows that the Council must make £1.8m of savings in 2024/25 rising to £4.6m by 2027/28. This equates to around 4% of the net revenue budget in 2024/25 rising to 8% by 2027/28. In addition, the Council needs to manage down some of the demand and cost pressures it can expect to face during the year ahead. The use of one-off savings and funding streams is modest, and likely to be better than many other Councils.
- 7.2.7 With regards to medium to long term financial challenges for the Council the continued uncertainty with future funding levels within Local Government remains a challenge against rising demand, expectations from the public and government alike, and rising costs of service delivery that outstrips funding available. Alongside this is the unknown funding solution to the increasing deficit position on the Dedicated Schools Grant. In the absence of firm and final solutions from the Department of Education, it is prudent to assumed that General Fund resources will be required in some form given that expenditure has been incurred, and the Council is already 'cash flowing' this expenditure. Without a known solution this is a risk that could expose the Council's financial position significantly. However, the Council is being proactive with both of these issues, with Officers and Cabinet taking action now to address these issues and mitigate this future risk.
- 7.2.8 In conclusion, the overall financial position of the Council remains a challenging one. Its resilience is relatively strong however, as detailed in section 7.3, there are risks attached to this proposed budget. However, this proposed budget can be seen as the step toward financial sustainability and contains risk mitigation considerations.

### **7.3 Robustness of the 2024/25 Budget Estimates**

- 7.3.1 The revenue budget has been formulated having regard to several factors including:
- Funding availability
  - Demography and service pressures
  - Risks and uncertainties
  - Emerging opportunities
  - Inflation
  - Transformation workstreams
  - Priorities
  - Continued recovery from the pandemic
- 7.3.2 It is important in setting any budget, in any year, that estimates are based on the best available information at the time of setting it. The accuracy and reliability of that information varies depending on what you are trying to forecast. Where the accuracy and reliability are uncertain, it is important not to be overly pessimistic or optimistic.

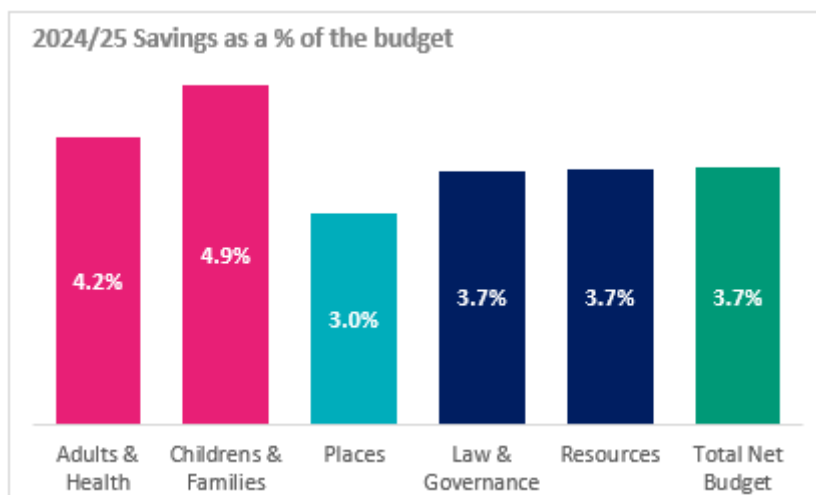
7.3.3 In the opinion of the Section 151 Officer, the over-arching conclusion is that the estimates prepared are realistic and deliverable, albeit challenging. There are however a number of issues to highlight:

- The Red rated risk savings shown in Appendix B rely on significant transformational change with how the public interact with the Council. Whilst the design of those new services means that accessibility is increased, leading to service improvements, it will require behavioural changes from the residents and businesses to be fully successful. The certainty of delivery of those savings is therefore less than ideal. However, this needs to be considered in the context of savings of £4.6m within an overall budget of £54.3m by 2027/28.



- There are Amber rated risks which include options that are not directly within the Council's gift to deliver. For example, greater working with partners to generate savings.

- The overall savings options do have a 'spread' across the Council's services and from a range of measures, most of which are within the Council's control to deliver on time and on budget. However, there is a considerable amount of work needed to deliver these savings and additional income, and there is therefore a risk of the capacity and pace needed to deliver the whole package of savings. The following chart shows this spread of savings as a percentage of the budget.



- Predicting demand pressures will always be a challenge, particularly when individual placements can be hugely expensive. Using historic trends, along with forecast population data, and intelligence from the Council's own internal management information systems, would normally provide a reasonable estimate. However, given the impact of the pandemic for almost two years, there is added uncertainty of demand projections still. The Council cannot be certain if demand continues to build and will then 'surge' through the systems as complexity increases through the loss of interventions at age-appropriate times.
- People's behaviours have undoubtedly changed from the pandemic years and may continue to do so now through the Cost-of-Living period. The Council has

previously seen the impact of online shopping on the high street footfall, and therefore visitors to the County, and the impact on local businesses is uncertain.

- For many years, inflation has been low and stable. Predicting where rates will go over the coming year remains difficult, and if they continue at current rates, or increase, then there will be a pressure on the budget that will need mitigating by good commissioning and procurement and / or other mitigations.

7.3.4 Given the above issues, the Section 151 Officer requires funds set aside to mitigate the risk from non-saving delivery. This will be from the repurposed Financial Sustainability Strategy & Budget Risk Reserve as the Council has created a sustainable budget position for 2025/26 – 2027/28 which does not rely on reserve funding to underpin the expenditure in those years. The widening definition of this reserve is required to provide an overall satisfactory conclusion on the robustness of budget estimates. This is therefore included in the proposed budget and is detailed in section 7.4, and Appendix I.

7.3.5 Risks will be reviewed and managed on a monthly basis through the Corporate Leadership Team's Board meetings for Risk & Finance Board, and the Corporate Project Management Board to ensure all savings are on track, where alternative solutions need to be devised and where mitigating actions can be appropriately applied. Progress will be reported through to Cabinet as part of the regular reporting and governance framework.

## **7.4 Adequacy of Reserves**

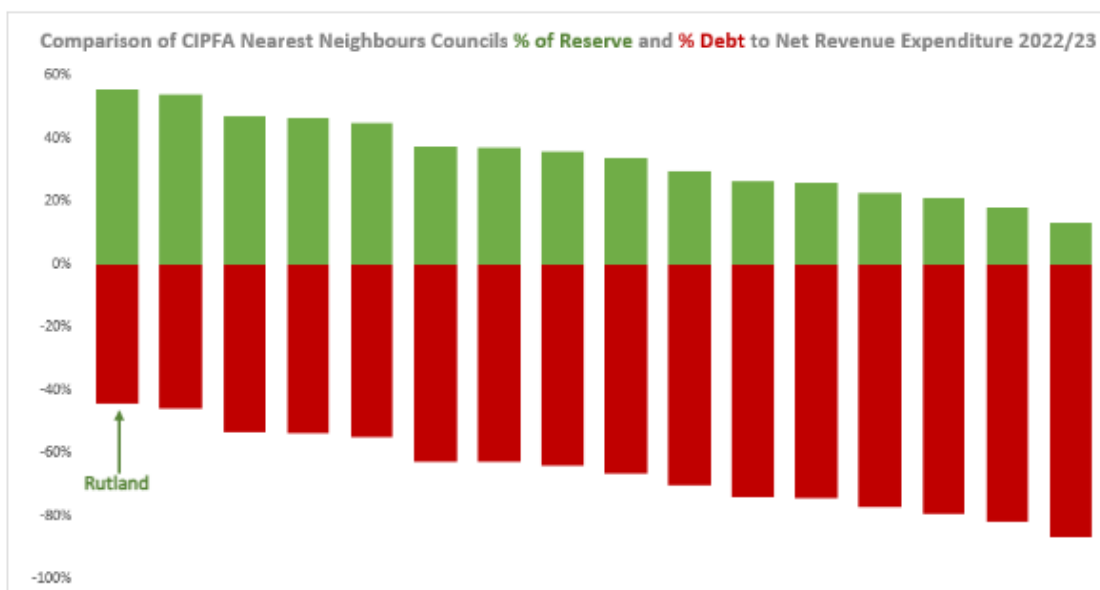
7.4.1 Each year, reviewing the level of reserves the Council holds is an important part of the budget setting process. The review must be balanced and reasonable, factoring in the current financial standing of the Council, the funding outlook into the medium term and beyond, and most importantly, the financial risk environment operating in.

7.4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that the following factors should be taken into account when considering the level of reserves and balances:

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

7.4.3 It should be noted that 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'.

7.4.4 Each Council must make their own decisions about the level of reserves they hold, taking into account all of the issues referred to above. A graphical analysis of the 2022/23 reserves follows. Rutland is ranked 1 out of 16 CIPFA Nearest Neighbour Councils in terms of the percentage of reserves held. The range of reserves held as a percentage of budget is wide; the lowest authority at 20%, up to the highest at 71%. The Council's figure is 71%. It is also worth looking at reserves alongside borrowing, as borrowing can be used to protect reserves, or reserves used to reduce borrowing. Fortunately, Rutland holds an appropriate level of borrowing and therefore that 'trade -off' remains an option. This is an area that is reviewed alongside the fiscal health indicators of the Council, Appendix G.



7.4.5 The reserves that the Council estimates to hold as at 1 April 2024 are, in the opinion of the S151 Officer, satisfactory for the year ahead. In considering the ten factors listed above, as well as the risks associated with the budgeted pressures and savings, it is the opinion of the S151 Officer that the overall risk environment for the Council has marginally decreased over the past twelve months as inflation appears to be reducing to the Governments target level, financial performance in the current financial year indicates sound budget assumptions applied, and financial analysis of the Council's balance sheet has been completed alongside other financial health indicators which indicate financial resilience for the Council.

7.4.6 The Council broadly categorises reserves as follows – in line with Local Government accounting practice:

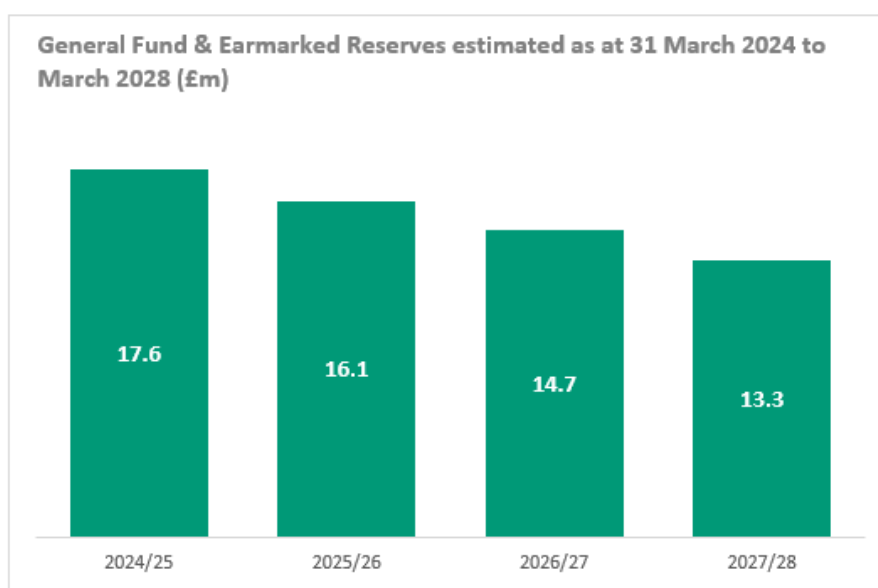
1. A working balance to manage in year risks – the General Fund Balance
2. Usable Reserves – these are reserves for available for future commitments such as transformational investments, have been used to balance the budget and manage specific risks inherent in the management of the budget
3. Ring Fenced Reserves – to meet known or predicted requirements

7.4.7 At the end of 2024/25 the Council's General Fund working balance is forecast to be £3.0m, usable reserves at £12.0m and ring-fenced reserves at £2.6m. The latter reserve type includes the £1.7m of reserves to fund the Local Plan costs.

7.4.8 More detailed consideration of the balance of reserves for investment and risk coverage is contained in the Reserves Strategy and Policy is contained in Appendix I. The following table provides a summary overview of the forecast position for

reserve balances across the MTFS period.

<b>Reserves estimated balance as at 31 March</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
General Fund	3,000	3,000	3,000	3,000
Financial Sustainability Strategy & Budget Risk Reserve	1,293	909	326	0
Departmental Reserves & Capital Investment Fund	1,906	1,631	1,355	1,079
Risk Reserve	7,071	7,071	7,071	6,723
Innovation Fund	2,813	1,989	1,439	989
Process Improvement Fund	1,500	1,500	1,500	1,500
<b>Total</b>	<b>17,583</b>	<b>16,100</b>	<b>14,691</b>	<b>13,291</b>



## 8 FINANCIAL HEALTH INDICATORS

- 8.1.1 Against a backdrop of existing funding pressures, the financial costs of the pandemic and significant price increases, the financial challenges public services face currently feel unprecedented. Some Councils are better placed than others to weather this financial challenge. However, there is a need to maintain financial resilience against such significant pressures, new and emerging risks, and operating in an uncertain funding environment.
- 8.1.2 Financial resilience is the ability of public services to remain viable, stable, and effective in the medium to long term while facing pressures from growing demand, a tightening of funding and an increasingly complex and unpredictable financial environment.
- 8.1.3 The indicators included in Appendix G have been created to form an opinion of the Council's financial resilience and are based on:
- Revenue based indicators for financial sustainability in the public sector
  - Financial health indicators – based on traditional balance sheet indicators to inform the financial strategy
  - Capital based financial indicators as a key driver of the balance sheet health and resulting burden on revenue funding



- 8.1.4 In summary the 14 indicators of financial health for Rutland for the MTFS period suggest that the Council is taking appropriate measures to deliver a financially sustainable position. The revenue-based indicators reflect the uncertainty of future funding arrangements and the transformation savings agenda that is required to ensure the Council is able to operate within the funding envelope. The Balance Sheet indicators, alongside the Capital (investment in assets), show a relative position of strength which the Council can strategically use to support the revenue-based challenges. More detailed discussion of these indicators is in Appendix G.
- 8.1.5 The following table provides a summary as to the RAG rating of the trend for each grouping of indicator:

Indicator grouping	Red	Amber	Green
Revenue based financial sustainability indicators	2	2	1
Fiscal indicators	1	2	2
Capital investment indicators	0	0	4
<b>Total</b>	<b>3</b>	<b>4</b>	<b>7</b>

## 9 BUDGET VIREMENTS

- 9.1.1 The Council's Budget Framework, Part 9 of the Constitution enables the Council to specify the extent of virements within the budget and degree of in-year changes to the Budget Framework, which may be undertaken by Officers and Cabinet. Virements allows the Council to move spend approved in the budget to another budget in accordance with Financial Procedure Rules (FPR).
- 9.1.2 As part of the transformational workstream for 'Operating Framework' the FPR's will be reviewed in detail to ensure that they are appropriate to support a modern Council and do not create undue burdens that make it harder to deliver services to the public. It is best practice for the Council to review their FPRs given the impact of 'time value of money' such that the limits set may now give rise to unintended consequences if not regularly reviewed and updated. It is intended for this review to be completed by Autumn 2024.
- 9.1.3 In the existing framework, and the Council's FPRs, the principle remains that approved budget cannot be moved from one area of spend or project to another unless it meets the FPRs. This applies to both revenue and capital budgets.
- 9.1.4 The virement limits for 2024/25 are as follows:
- Directors, within their own area, can approve virements up to £25k
  - Virements required across departments can be approved by the Chief Executive and Chief Finance Officer, at the request of the Directors, up to a limit of £100k, any virements more than this limit will require Cabinet approval.
  - All budget virements more than £100k will require Cabinet approval
  - All budget virements in excess of £500k will require Council approval
- 9.1.5 The virement procedure rules will not apply in the following circumstances:
- a) Reflecting organisational structure changes eg changes in reporting line
  - b) Allocating corporate budgets or savings to departments agreed in the MTFS
  - c) Allocating budgets to individual capital schemes eg from school places capital programme or local transport plan projects.
  - d) Receipt of ring-fenced grant funds where the Council has no discretion as to

how the funds are used.

## 10 FINANCIAL RISKS

- 10.1.1 Local Government has become increasingly exposed to risk and instability within the system. It has become financially stretched following over a decade of funding cuts and austerity measures, and the uncertainty around future funding and wider public sector reforms causes added difficulties for strategic planning.
- 10.1.2 The Council assesses financial risks as part of its budget setting process and regular budgetary performance reviews. The Corporate Leadership Team considers finance performance monthly and reported to Cabinet on quarterly basis with Scrutiny considerations on a regular basis throughout the year. The management oversight described above feed into the Strategic Risk Register review and is reported to the Audit Committee.
- 10.1.3 This risk management arrangement ensures that risk management is aligned with the overall organisational approach and that the identification of key issues are managed, reported, and escalated appropriately and in a timely manner. Officer awareness of risk and capacity to manage risk is maintained in line with the reporting framework to provide assurance to the Council's overall governance and control environment.
- 10.1.4 Most of the financial risks identified are inherent, including the requirement to deliver savings plans, management of budgets, which relate to demand led services, and assumptions in respect of the level of resources receivable through Council Tax, Business Rates and government grants.
- 10.1.5 In addition, there are rising external factors creating an additional layer of financial risk such as the rising cost of the national living wage, the impact of inflation, increasing energy prices and additional burdens placed on Councils from further government reforms such as with waste collection and disposal, and adult social care reform. Recent experience of the latter risk is that new burdens are more costly than the funding attached from government.
- 10.1.6 Reasonable mitigating actions have been made where possible to the identified and managed risks, this is included in Appendix H and within the Reserves Strategy and Policy in Appendix I. Cabinet and Council should consider these when reviewing this Integrated Budget Plan and Medium-Term Financial Strategy proposals.
- 10.1.7 The Council's budget is constructed using best estimates for both the levels and timing of spending, cashable savings and resources. The following table provides an indication of the sensitivity of the overall budget to movements in the assumptions underpinning the estimated budgets allocated.

<b>Sensitivity analysis on budget estimates</b>	<b>Cash impact £000</b>
Investment rates 1% higher than budget	390
Investment rates 1% Lower than budget	(400)
Transport - SEN - Cost Increases of 5% above budget	48
Transport – Home to School - Cost increase of 5% above budget	71
Underachievement of Savings 10%	183
Increase in Waste Management - 5% increase in Disposal Costs	113
Increase In Adult Social Care - Cost Increases of 1% above budget	163

<b>Sensitivity analysis on budget estimates</b>	<b>Cash impact £000</b>
Increase in Childrens Social Care - Cost Increases of 1% above budget	95
Pay Award – Flat £1,925 (as 23/24)	551
Pay Award – Flat £3,000	1,091
Pay Award – 10%	1,417
Pay Award - 4%	306

## **11 CONSULTATION**

- 11.1.1 The budget consultation document is to be published on the website for residents, businesses, and staff to view and provide responses via an online survey. The Council will also seek to raise awareness of the budget proposals via the use of various mediums. Hard copies of the budget consultation document (Appendix J) will be available on request.
- 11.1.2 Representations will be sought from a range of stakeholders to enable residents, partner organisations, businesses and other interested parties to feedback on these budget proposals, which have been designed to deliver on the refreshed Corporate Strategy. The Council will make full use of its communications channels to share information about the budget consultation and encourage responses. This includes direct emails, website updates, social media, briefings, attendance at relevant meetings, and via members. Stakeholder groups are listed below:

<b>Stakeholders</b>
Rutland residents
Parish and Town Councils
Town Partnerships
Local businesses
Voluntary and community groups
Strategic partners

- 11.1.3 Responses from these interactions will be reported to Scrutiny, Cabinet and Council to consider alongside the Integrated Budget Plan proposals as outlined in this document.

## **12 ALTERNATIVE OPTIONS CONSIDERED**

- 12.1 No alternative option has been considered as the Cabinet is responsible under the constitution for initiating the budget proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11 March annually.

## **13 IMPLICATIONS OF THE RECOMMENDATIONS**

### **13.1 Elected Members**

- 13.1.1 Members must have regard to the advice of the Chief Financial (Section 151) Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.
- 13.1.2 Section 106 of the Local Government Finance Act 1992 applies whereby it is an offence for any Members with arrears of council tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned

declare at the outset of the meeting they are in arrears and that they will not be voting on the decision for that reason.

## **13.2 Legal Implications**

- 13.2.1 In terms of the Council's executive arrangements, the adoption of the Council's Budget is a role shared between the Cabinet and the Council, whereby the Cabinet (Leader) is responsible for formulating the budget proposals and Full Council is responsible for then approving (or not) those proposals and setting the budget and council tax requirement.
- 13.2.2 For the remainder of the year, the principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot, through the budget, overrule an executive decision as to how to spend money, but the Budget will require the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authorities 'budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Integrated Budget Plan and Medium Term Financial Strategy, or expenditure of unexpected new money outside the Budget is required to have approval of the Council before the Leader and the Cabinet can make that decision.
- 13.2.3 When it comes to making its decision on 26 February 2024, the Council is under a legal duty to meet the full requirements of Section 31A of the Local Government Finance Act 1992, which includes the obligation to produce a balanced budget.
- 13.2.4 The principle of fairness applies to consultation on the budget proposals, both consultations required under s65 of the Local Government Finance Act 1992 and more generally as proposed here, which operates as a set of rules of law. These rules are that:
- Consultation must be at a time when proposals are still at a formative stage
  - The proposer must give sufficient reasons for any proposal to permit intelligent consideration and response
  - Adequate time must be given for consideration and response
  - The product of consultation must be conscientiously considered in finalising any statutory proposals.
- 13.2.5 Added to which are two further principles that allow for variation in the form of consultation which are:
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting and
  - The demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare application for a future benefit.
- 13.2.6 It should be noted that the consultation taken place on the contents of this report, the Budget proposals, and consequently the Cabinet's general approach to balancing the budget, and not on the various decisions to take whatever actions that may be implicit in the proposals and later adoption of that budget, each of which may or may not require their own consultation process.

- 13.2.7 By virtue of section 25, Local Government Act 2003, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (CFO), as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence, that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered, and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.
- 13.2.8 Where the CFO makes a judgement that the council is unable to set or achieve a balanced budget, or there is an imminent prospect of this they have a responsibility to issue a section 114 notice (s114) of the Local Government Act 1988.
- 13.2.9 Once a s114 notice has been served the council has 21 days to meet and consider the report. During these 21 days the council must not incur any new expenditure unless the CFO has specifically authorised the spend.
- 13.2.10 This suspension of spending will trigger external scrutiny from the council's auditors. However, failure to act, when necessary, could result in the council losing its financial independence with its powers potentially passed to commissioners appointed by government.

### **Modifications to the Guidance**

- 13.2.11 In June 2020, the Chartered Institute of Public Finance and Accountancy (CIPFA) confirmed amendments to the guidelines in wake of the COVID-19 pandemic to allow Councils under budgetary pressure as a result of the pandemic time and space to explore alternatives to freezing spending via issuing a s114 notice.
- 13.2.12 The temporary modifications to guidance proposed by CIPFA would mean that it should not normally be necessary for a s114 notice to be issued while informal discussions with government are in progress. The modifications include the following two additional steps:
- At the earliest possible stage, a CFO should make informal confidential contact with DLUHC (previously MHCLG) to advise of financial concerns and a possible forthcoming s114 requirement.
  - The CFO should communicate the potential unbalanced budget position due to COVID-19 to DLUHC (previously MHCLG) at the same time as providing a potential a s114 scenario report to the Cabinet and the external auditor.

### **13.3 Data Protection Implications**

- 13.3.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no identified risks or issues to the rights and freedoms of individuals.

### **13.4 Equality Implications**

- 13.4.1 All budget proposals published in this budget process have been considered with regards to equalities issues, and where an Equality Impact Assessment (EIA) have been required these have been completed and compiled. This approach will be kept under review throughout the MTFs period and EIAs completed at each stage of any of the new proposals for example with the Communities workstream as implementation stages progress.

### **13.5 Community Safety Implications**

- 13.5.1 The Council has a duty in accordance with S17 Crime and Disorder Act 1988, when exercising its functions, to have due regard to the likely effect of that exercise of those functions on and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social behaviour).
- 13.5.2 This duty has been considered and there are no community safety implications relating directly to the recommendations.

### **13.6 Health And Wellbeing Implications**

- 13.6.1 None directly related to the recommendations.

### **13.7 Environmental And Climate Change Implications**

- 13.7.1 On 11 January 2021 Rutland County Council acknowledged that it was in a climate emergency. The Council understands that it needs to take urgent action to address it.
- 13.7.2 All budget proposals published in this budget have been considered with regards to the carbon impact and where appropriate carbon impact assessments have been completed. In some instances, proposals are in the early stages of development and until detailed plans are available the carbon impact cannot be determined. These have been identified as 'unknown' at this stage but will be reviewed once detailed plans are available. These have been summarised within Appendix O.

### **13.8 Procurement Implications**

- 13.8.1 There are the no direct procurement implications arising from this report, however all budget expenditure on the provision of services will be undertaken in accordance with Council's procurement framework.

### **13.9 HR Implications**

- 13.9.1 The Council remains committed to developing a workforce that can continue to deliver the Council's priorities, and also is adaptable to change. The alignment of the Council's workforce, structures and processes is key to maximising capacity and performance. In a climate of recruitment, retention, pay pressures, and working within this MTFS, the workforce plan and talent management will help to ensure that there is a workforce that will meet the Council's current and future needs. A suitably competent workforce in the right place at the right time, will also enable delivery of the Council's transformation workstreams.
- 13.9.2 Whilst it is anticipated that there will be some staffing implications as part of this budget, much of the management focus will be looking at how the Operating Model needs to change to meet the needs moving forward and to ensure any staffing impact is minimised. In the event that saving proposals come forward that have headcount / staffing implications, these will be considered in line with the Council's Restructure Policy.
- 13.9.3 It remains the Council's priority to minimise the impact on staffing levels and so that redundancies are the last resort. Such measures may include vacancy management, reviewing the use of agency staff, and voluntary redundancy (subject to service delivery and future contribution to efficiency savings).

## 14 BACKGROUND PAPERS

- [Previous budget Setting Report \(37/2023\)](#)
- [Financial Sustainability Strategy \(158/2022\)](#)
- [2023/24 Quarter 1 – Revenue and Capital Forecast Report \(1 16/2023\)](#)
- [2023/24 Quarter 2 – Revenue and Capital Forecast Report \(168/2023\)](#)
- [The Dedicated Schools Grant \(Dsg\) And The Special Educational Needs And Disability \(Send\) Recovery Plan](#)
- [Strategic Risk Register \(176/2023\)](#)

## 15 APPENDICES

- Appendix A – 2024/25 – 2027/28 MTFS detailed budget position
- Appendix B – Budget proposals tables (pressures / savings / investments)
- Appendix C – Directorates Overview, Service Ambitions and Budget Variation Statements
- Appendix D – Grant Register
- Appendix E – Fees & Charges Strategy / Policy & Schedule
- Appendix F – Funding Strategy
- Appendix G – Financial Health Indicators
- Appendix H – Financial Risk Register
- Appendix I – Reserve Strategy
- Appendix J – Consultation document
- Appendix K – Capital Programme Schemes 2024/25 – 2027/28
- Appendix L – Treasury Management Strategy & Annual Investment Strategy
- Appendix M – Capital Strategy
- Appendix N – Dedicated Schools Grant and the Schools budget
- Appendix O – Carbon Impact Assessment
- *(Appendix P – Council Tax Resolution – to follow for Full Council only)*

An Accessible Version of this Report is available upon request – Contact 01572 722577.