

## CABINET

12 January 2016

# REVENUE AND CAPITAL BUDGET 2016/17 AND MEDIUM TERM FINANCIAL PLAN

### Report of the Director for Resources

Strategic Aim:	All	
Key Decision: Yes	Forward Plan Reference: FP/210815/03	
Exempt Information	Appendix 8 is exempt as it contains exempt information and is not for publication in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.	
Cabinet Member(s) Responsible:	Mr T C King, Deputy Leader and Portfolio Holder for Places (Development and Economy) and Resources	
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Ward Councillors	N/A	

### DECISION RECOMMENDATIONS

That Cabinet:

1) approves for consultation:

- The General Fund Budget for 2016/17 detailed in Section 3 of Appendix 1
- The savings proposals set out in Appendix 6
- The service pressures contained within Appendix 7 and other pressures listed in 3.5.1 of Appendix 1 including the interim cost reduction programme
- The indicative Directorate budgets per Appendices 3 - 5
- That Council tax for 2016/17 is increased by 3.99% including a 2% social care precept
- The capital programme as detailed in Section 4 of Appendix 1 including a new capital project as per Appendix 11
- That an amount of £38k of Revenue Support Grant is transferred to parish councils to compensate them for the loss of tax base arising from the delivery of council tax support as a discount

2) notes:

- The Medium Term Financial Plan at Appendix 2 and underlying assumptions

- That the funding position may change when the NNDR (business rates) tax base and local government finance settlement are finalised
- That other than the one new project proposed there have been no substantive changes to the existing capital programme and that schemes will be added subject to formal appraisal and approval
- That additional revenue or capital expenditure may be incurred in 2016/17 funded through 2015/16 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 £172,000 on the Collection Fund as at 31 March 2016 (2.8 of Appendix 1) of which £148,500 is the Rutland share
- That Council will be approving the Treasury Management Strategy separately and that any implications arising from it are already covered in the draft budget.

## **1 PURPOSE OF THE REPORT**

- 1.1 The Council is required to set a balanced budget and agree the level of Council tax including whether a social care precept of up to 2% should be levied for 2016/17. This report presents a draft budget for consultation prior to the budget being formally set in February 2016.

## **2 BACKGROUND AND MAIN CONSIDERATIONS**

- 2.1 The budget for 2016/17 is set within a changing financial context. In November 2015 the Government announced the outcome of its Comprehensive Spending Review and followed that in December with the provisional local government finance settlement which included its first 4-year settlement offer to local authorities.
- 2.2 The details of the Settlement and what it means for Rutland are given in Appendix 1 (sections 2.1 and 2.2). The Sections set out how the Council's government funding will reduce substantially over time on the assumption that the Government expects local authorities to raise council tax by 3.75% including a new 2% social care precept.
- 2.3 This assumption has a significant impact on the Council's Medium Term Financial Plan (MTFP) as both the level of government cuts and how they have been applied penalise those local authorities with a high tax base i.e. those that have the greater ability to generate revenue locally.
- 2.4 One of the Council's aims in setting the budget is to deliver services within its MTFP. In this regard, there are two key principles that the Council must achieve over the medium term:
- First, the Council must not spend more than the resources it has available – it must set a balanced budget and one that does not rely on the ongoing use of reserves;
  - Second, the Council must ensure that its level of General Fund balances remains above the minimum level of £2m as advised by the Council's Chief Finance Officer (para 2.5 of Appendix 1 refers).

- 2.5 In the medium term, the MTFP shows the challenge facing this Council – namely that assuming the Council raises Council tax by 3.99% each year (including levying the additional 2% social care precept) it will still have to reduce net expenditure by over £2m to ensure that it is spending within its available funding. The earlier the Council takes action then the less severe it will need to be. If it does nothing then by 20/21 the Council will have less than the £2 minimum recommended reserve level.
- 2.6 The draft revenue budget for 16/17 is therefore proposed in the acknowledgement that further reductions in net expenditure either through savings or income generation will be required in time without drastic action today.
- 2.7 The key points to note in the draft revenue budget are:
- The net cost of services is £33.773m, only 0.78% higher than the 15/16 approved budget of £33.509m;
  - The 16/17 budget includes a provisional pay award of 2%, a contract inflation contingency to cover costs of the living wage, other service pressures and other provisions;
  - Net capital financing costs are £1.718m compared to £1.903m last year;
  - RSG funding has reduced by £1.6m from 15/16;
  - The Council has identified service pressures of £502k, other uncontrollable pressures e.g. pay inflation, NI increases of £425k, a provision an interim cost reduction programme of £80k and contracts/activity increase of £350k;
  - The predicted surplus on the Collection Fund for 15/16 to be taken into account in the 16/17 budget is £172k of which the Councils share is £148k;
  - The Council is planning to save £1.256m in year; and
  - The overall budget position is balanced by using £853k of General Fund reserves for 16/17.
- 2.8 The capital programme for 16/17 comprises three strands:
- Capital projects already approved that will span across more than one financial year. Any projects already approved which are not yet completed will continue into 16/17 – the total 16/17 budget for these projects is £1.76m;
  - New projects to be approved – total £100k; and
  - Funding set aside for specific areas/projects – total £9.56m. In these areas detailed plans will be brought forward in due course.

### **3 CONSULTATION**

- 3.1 The Council is required to consult on the budget as set out in Section 7 of Appendix 1 and has plans in place to meet those requirements.

## **4 ALTERNATIVE OPTIONS**

4.1 There are three key areas where the Council has choices: revenue savings/pressures, the capital programme and funding decisions. 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 very few service pressures most of which arise from a need to respond to statutory requirements.

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. Some non-statutory pressures such as senior management pay are effectively savings proposals in that they reduce a reliance on high cost interims which have placed an undue burden on previous years budgets. 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 There is one new capital project in the Capital Programme for consideration. This is an Invest to Save project proposing the introduction of solar panels at Oakham Enterprise Park. The capital outlay of £100k is projected to have a beneficial revenue impact over time through the reduction of energy costs. This project will be funded from prudential borrowing. Members could choose not to pursue this project or fund it differently but given that it has a revenue payback, this is not recommended.

### **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. There are three key funding decisions that Full Council has to make:

- a) Should the Council increase Council tax levels?
- b) Should the Council levy up to an additional 2% precept for social care?
- c) Should the Council passport some RSG funding to parishes?

4.4.2 Decisions a) and b) are fundamental to the amount of funding the Council will have available over the next five years given the cuts in Government funding. In making

these decisions, Members need to be aware of the following issues:

- **Government funding is reducing** – RSG reduces effectively by 122% over the next 4 years (Appendix 1, 2.1 gives details);
- **Government’s funding allocations** assume Council will raise council tax by 1.75% and levy the 2% social care precept. In previous years the Government offered a council tax freeze grant to compensate those Councils who did not increase council tax. This grant was one of the key factors behind the Council’s decision not to increase council tax – this offer is no longer available;
- **All decisions have a cumulative impact** – for example, the ‘loss’ of funding by retaining Council tax at its current level may be c£400k in 16/17 but over a 4 year period the loss is in excess of £2m (even if 2% increases are applied from 17/18 onwards); and
- **Making savings is unlikely to compensate for funding reductions** – the MTFP already assumes substantial savings have to be made over the life of the MTFP, over £2m by 19/20.

4.5 It is strongly recommended that the Council increases council tax by 1.99% and levies the social care precept at 2%.

4.6 In terms of funding parishes, in 13/14 Cabinet agreed to compensate the parish and town councils for any net loss arising from the delivery of council tax support as a discount. The amount of compensation was £38,000. This was repeated in 14/15 and 15/16 and the Council proposes to do the same again in 16/17. In light of RSG reductions it is proposed that this will be the final year the grant is transferred.

## 5 FINANCIAL IMPLICATIONS

5.1 The draft budget as presented relies on a contribution of £853k from the General Fund. As set out above, this is affordable in 16/17 but in the medium term net expenditure needs to be reduced by c£2m.

## 6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 The Council is on course to agree its budget and set its Council Tax for 2016/17 within the timetable required by statute and the constitution.

6.2 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. This report meets that requirement.

6.3 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 31<sup>st</sup> March 2016. This report sets out an indicative figure to be formally confirmed in the February budget.

6.4 A full list of legal and governance considerations and how the Council meets them is covered in Appendix 1, Section 8.

## **7 EQUALITY IMPACT ASSESSMENT (EIA)**

7.1 An initial EIA screening was carried out on all new saving/pressure proposals covering the following questions:

- Could the impact of the report affect one group less or more favourably than another on the basis of Age, Disability, Gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation
- Is there any evidence that some groups are affected differently?
- If you have identified potential discrimination, are any exceptions valid, legal and/or justifiable?
- Is the impact of the policy/guidance likely to be negative?
- If so can the impact be avoided?
- Are there alternatives that achieve the policy/guidance objectives without the impact?
- Can we reduce the impact by taking different action?

7.2 This initial screening identified that none of the service proposals contained within the report required a full EIA to be completed.

## **8 COMMUNITY SAFETY IMPLICATIONS**

8.1 There are no community safety implications.

## **9 HEALTH AND WELLBEING IMPLICATIONS**

9.1 There are no health and wellbeing implications.

## **10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

10.1 The Council is required to set a balanced budget and agree the level of Council tax for 2016/17.

10.2 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.

10.3 The Council's future aims and objectives, currently under review, will need to be delivered in the context of a revised MTFP.

## **11 BACKGROUND PAPERS**

11.1 There are no additional background papers to the report.

## **12 APPENDICES**

Appendix 1

Budget Report 2016/17

Appendix 2

Medium Term Financial Plan and assumptions

Appendix 3.1	People Directorate – functional analysis
Appendix 3.2	People Directorate – subjective analysis
Appendix 4.1	Places Directorate – functional analysis
Appendix 4.2	Places Directorate – subjective analysis
Appendix 5.1	Resources Directorate – functional analysis
Appendix 5.2	Resources Directorate – subjective analysis
Appendix 6	Savings
Appendix 7	Pressures
Appendix 8	Senior Management pay model
Appendix 9	Better Care Together – Impact on social care
Appendix 10	Capital programme
Appendix 11	New Capital project – Solar Panels at OEP

A Large Print or Braille Version of this Report is available upon request –  
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