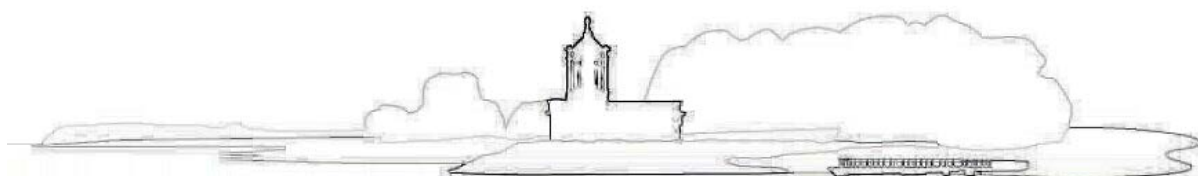




# Rutland County Council

The Budget  
2016 - 17



## Contents

1	Executive Summary .....	4
1.1	Introduction from Portfolio Holder – Cllr King .....	4
1.2	Overview from s151 Officer.....	5
1.3	Key questions and answers .....	7
1.4	Key facts and figures.....	9
2	Funding and medium term financial plan (MTFP) .....	10
2.1	The settlement - what is the overall position for Rutland?.....	10
2.2	The settlement detail - what do the detailed changes mean for Rutland? ...	15
2.3	Funding settlement – how does our settlement compare to others?.....	19
2.4	Spending Plans – How may spending plans change over time?.....	20
2.5	Reserves – What level of reserves should the Council retain? .....	28
2.6	Level of Council tax – what choice does the Council have?.....	30
2.7	Social Care precept - What choice does the Council have? .....	31
2.8	Collection Fund – What is the estimated surplus for 2015/16? .....	32
2.9	Parish Councils – Should the Council passport RSG to parishes? .....	33
3	Revenue Budget Proposals .....	34
3.1	Overview – what is the overall revenue budget and how does it compare? .....	34
3.2	The budget process – how has the revenue budget been developed? .....	35
3.3	Priorities – how does the budget support the Council's priorities? .....	37
3.4	Savings – what new savings are being proposed? .....	38
3.5	Pressures – what service issues or factors are causing pressures? .....	38
3.6	Earmarked Reserves – how will they be used?.....	41
4	Capital Programme .....	45
4.1	Overall Programme – what does the overall programme look like? .....	45
4.2	Changes – what approved projects continue or stop in 2016/17?.....	46
4.3	Funding set aside – what funding is set aside for future projects?.....	47
4.4	Funding Available – what other funding is held and available for use? .....	47
4.5	New projects – what new projects are being submitted for approval?.....	48
5	Treasury Management .....	49
5.1	Prudential indicators – what prudential indicators will we adhere to?.....	49
5.2	MRP – How will we calculate the Minimum Revenue Provision?.....	49
6	School Funding .....	50
6.1	Overview – How are schools funded?.....	50
6.2	Allocations – What funding is received and how is it allocated?.....	51
7	Consultation .....	52

7.1	Consultation – how will we consult and when? .....	52
7.2	Consultation – what key questions will we ask? .....	52
8	Statutory and Constitutional Requirements.....	53
8.1	Constitutional and statutory requirements – will we meet them?.....	53

# **1 EXECUTIVE SUMMARY**

## **1.1 Introduction from Portfolio Holder – Cllr King**

- 1.1.1 The budget process for 2016/17 will be a challenge for the Council and more importantly the County and its residents. Although the budget for the particular year ahead has been in the process of development for at least 4 years as part of the Medium Term Financial plans that have been developed over those years, we have now had a Government announcement of indicative funding for the next 4 years which will prove challenging to many Councils.
- 1.1.2 Councillors have helped guide the Council through the years since Independence against the challenges of poor funding, and will over the next 4 years deal with similar challenges again. The basic assumption by the Treasury for Rutland, as with other Upper Tier Councils, is to encourage them to increase Council Tax by 3.75%, 1.75% to cover inflation and 2% to cover increases in the costs of Care. This would result in an overall 16% increase in Council tax over the next 4 years, and while it is too early at this stage to confirm that situation, the funding provided by Government is based upon that assumption. The 3.75% would be a sound approach towards dealing with inflationary pressures, both general and specific to care pressures, had this been the only change proposed in funding.
- 1.1.3 At the same time the main funding for the Council, known as Revenue Support Grant (RSG) provided to Rutland which is already the 6th lowest of all Unitary Councils, will be cut to zero over the 4 years. However in addition Rutland will be expected to pay Government almost a million pounds in the 4th year as they would like to cut our RSG more, but it is already too small to do so, hence the request for Rutland to pay to Government. In addition to this major change in funding, estimated to be a reduction in annual income of over £5 million by the end of the 4 years, a consultation will take place on cutting another area of the Councils funding. This area is called New Homes Bonus, when it was introduced it was monies taken from the RSG and pooled to provide compensation and encouragement to communities dealing with higher than average housing growth, of which Rutland is one. Currently a 6 year bonus is received, that may now be cut to 4 years, so reducing funding even more.
- 1.1.4 We will now benefit from a new small rural sparsity grant, and thanks must go to the SPARSE Council network for that, a body that Cllr Roger Begy has worked on for a number of years to lobby Government about the increased costs of operating over rural areas.
- 1.1.5 While understanding that Government wants to deal with the overall National debt and sees Local government as a partner who has shown it can change and make savings we will none the less lobby with other Councils over the degree to which the impact of these cuts will have on some Councils is disproportionate.

1.1.6 Most of my comments above relate to the 4 year funding plan, the position and budget 2016/17 needs to confirmed and remains at this stage a sound plan, it will allow time to work on the plan for the years beyond. The financial stability that Councillors and Officers of the Council have put in place over recent years means we have time to do the work to deal with the 4 year pressures. Many Councils are in a similar, or worse position, than ourselves and therefore as part of the work to be we will not be alone in seeking some changes to the funding for years to come.

## **1.2 Overview from s151 Officer**

1.2.1 Last year, I commented that whilst the Council's financial position continues to look stable in the short term, the financial landscape still looks uncertain. Following the Comprehensive Spending Review (CSR) and first Local Government Finance Settlement of the new Parliament some uncertainty remains but the direction of travel is very clear. In brief, the 4-year provisional settlement indicates that the Council's government funding will reduce more than previously expected with Government making the assumption that Elected Members will raise revenue locally through council tax and a new social care precept to make up the shortfall. Members are left having to balance decisions between cutting local services and raising more revenue as Central Government passes on the fiscal responsibility to Local Government. The outcome will undoubtedly be a balance between both.

1.2.2 In the Spending Review, the Chancellor announced that the local government finance system will be reformed with the main government grant (RSG) removed. In 18/19 and 19/20 our RSG will technically be negative (£30k and £960k) compared to c£4m in 2015/16 although this is offset in part by the receipt of an extra £1.8m (over 4 years) of Rural Delivery Grant. The Government will also reform New Homes Bonus with consultation already in progress – whatever is decided our funding will reduce by nearly £1m over 4 years. Local authorities will also be allowed to retain all business rates but the initial 4 year-settlement figures indicate that this Council will not be allowed, in real terms (ignoring inflation), to keep any more than it does now. In fact in 18/19 and 19/20, our negative RSG will actually be paid from Business Rates. The Chancellor also announced more investment in the Better Care Fund but in the detail this Council will actually receive nothing on the proviso that it can generate extra funds through the social care precept.

1.2.3 All these changes will lead to a significant reduction in Government funding for this Council. If we use the Governments own figures on spending power government funding (grants, NHB etc) reduces from representing 17.7% of spending power in 2015/16 to 1.7% in 2019/20.

1.2.4 At the same time, the Government has made it clear that local authorities have the power to raise council tax and take advantage of flexibility given to implement the new 2% social care precept thereby minimising the 'loss' of funding. If Elected Members do this then the Government asserts that our spending power will be slightly better in cash terms than it is today. Whilst decisions around council tax and the social care precept are a matter for Members, any decision to not increase council tax or apply the social care

precept would leave the Council with significant financial problems in the medium term.

1.2.5 Alongside funding cuts and some uncertainty, the Council continues to see:

- housing and population growth;
- the demand for adult and social care services increasing not only through demographic changes but through the national drive to keep people in their communities and outside of hospitals and residential care;
- cost pressures arising from the National Minimum Wage, pension changes, legislative changes in areas such as deprivation of liberties (where a local authority is asked by a third party e.g. a care home or hospital to deprive a person of their liberty for their own benefit).

1.2.6 Taking all the available information including the draft budget for 16/17, I have made assumptions to arrive at a best estimate of what the financial future will look but this could change again as the Government consults on various issues and ploughs ahead with reforms. The medium term overall position shows that the Council's General Fund reserves will have reduced significantly by 19/20 and by 20/21 will be below the recommended level of £2m and the Council will, without savings, be spending £2.6m more than available resources.

1.2.7 In these circumstances the Council has little choice but to work towards reducing its deficit position by:

- focusing its resources on priority areas;
- continuing to ensure that it focuses on achieving value for money/best value;
- continuing with its plans to identify and deliver savings, increase income and external funding; and
- embracing the flexibility given by the Government to raise council tax and the social care precept.

1.2.8 Through the prudent financial planning of Officers and Members, the Council is in a position where it does not need to take any drastic measures. Its proposed budget for 2016/17 is robust and balanced with use of General Fund reserves. Over the medium term, the position becomes increasingly challenging as noted above. This position is not affected by the loss of Section 106 funding from the Oakham North Development which was set aside for capital purposes. My summary of the position for 16/17 is as follows:

- The budget for 16/17 represents in cash terms a 0.78% increase from the original budget for 15/16. This increase is low in the face of the

additional pressures the Council faces some of which were highlighted above;

- The 16/17 budget results in the use of General Fund reserves of c£850k. The 'deficit' position is affordable for now but will of course need to be addressed in future years;
- The budget includes the Better Care Fund allocation of c£2m as per the prior year although some of this allocation will continue to be spent by Health and some will go towards protecting existing services rather than investing in new services;
- the Council has delivered its year 1 People First savings and the budget and MTFP includes some further savings to be achieved in year alongside; and
- an increase in council tax of 3.99% is proposed for the first time in six years which includes a 2% social care precept.

1.2.9 From 17/18 onwards, the financial position begins to deteriorate:

- RSG will reduce from £2.4m in 2016/17 to only £944k in 17/18;
- It is predicted that any NHB reforms will also be applied from 2017/18 – the initial estimate is a funding loss of £250k in that year;
- the Council's annual deficit is in the region of £1.5m as it spends more than the resources it has available despite limited increases in expenditure;
- the Council plans to make further savings from PeopleFirst but the level of savings is not sufficient to prevent a drop in reserve levels by 17/18 to £7.7m compared to c£10m today.

1.2.10 The Council's position is therefore both stable (on the assumption that Council tax/Social care precept rises are applied) but nonetheless very challenging.

### **1.3 Key questions and answers**

1.3.1 Delivering Council Services within the MTFP is a key priority for the Council. The remainder of this report gives Members answers to some of the key questions relevant to the budget setting process. Further detail can be found in individual sections.

<b>Key questions</b>	<b>Status</b>	<b>Ref</b>
<i>Statutory and constitutional requirements (section 8)</i>		
1. Overall Position – Is the Council on track to meet its constitutional and statutory requirements?	Statutory requirements yes, but the draft budget has been pushed back to January 2016 to give an opportunity for the CSR and the detailed local government settlement (received 17 <sup>th</sup> December) to be processed.	Section 8
<i>Funding and MTFP (section 2)</i>		
2. What resource does the Council have available in 16/17 and over the next five years and how certain is it?	The Council's resources have reduced from 15/16 and are predicted to reduce further. RSG is reducing by £1.6m in 16/17 and is negative by 19/20, New Homes Bonus funding will reduce and business rates income will not increase in real terms as the local government finance system is reformed. Other funding also remains uncertain.	2.1 and Appendix 2 MTFP
3. What level of reserves should the Council be aiming to retain?	It is proposed that the minimum level is retained at £2m but given the increased level of uncertainty and the risk profile of funding the Council will need to monitor this position. The short term position affords the Council time to reduce expenditure to match funding levels.	2.5
4. What choice does the Council have over the level of Council tax?	The Council can decide to keep Council tax at the current level or increase it by up to 1.99%. Increases in excess of 1.99% require a referendum but the Government is allowing Councils to raise an extra 2% (so the limit becomes 3.99%) to fund social care. Whilst Members do have a choice, the impact of not doing so is significant. The budget assumes a 3.99% increase in council tax.	2.6-2.7
5. Is the Council in a healthy financial position?	In the short term the position is stable but from 2017/18 the Council's current forecasts indicate that spending plans exceed available resources by £1.5m and therefore action is required in the next 2 to 3 years before General Fund reserves are depleted.	1.2 and 2.1



Key questions	Status	Ref
<i>16/17 budget (section 3)</i>		
6. What does the overall budget look like and how does it compare to prior year?	The 16/17 budget is in cash terms 0.78% higher than 15/16. In achieving this position a number of pressures have been absorbed.	3.1
7. Priorities – how does the proposed budget support the Council's priorities?	The priorities are under review but the Council's spending plans continue investment in infrastructure (Digital Rutland, Highways), economic development (Oakham Enterprise Park), school improvement and those in greatest need through the Local Council tax support scheme and social care spending.	3.3
8. What new savings is the Council planning to make in 16/17?	About £1.256m of savings across a number of areas, none of which have an impact on front line savings. The main revenue saving is in Highways.	3.4
<i>Capital (section 4)</i>		
9. Are there any additions/amends to the current capital programme?	Most schemes continue into 16/17. Some funding, e.g. highways, has been set aside and spending plans will be presented and approved in due course. There is one new capital project for approval – the introduction of solar panels at OEP (an invest to save project).	4.2
<i>Consultation (section 7)</i>		
10. How will the Council consult on the budget?	On-line consultation, a meeting with local business and the local parish council forum.	7.1

## 1.4 Key facts and figures

### 1.4.1 The key points to note are:

- The net cost of services is £33.773m, 0.78% higher than the 15/16 approved budget of £33.509m;
- The 16/17 budget includes pay award of 2%, a contract inflation contingency and other provisions;
- Net capital financing costs are £1.718m compared to £1.903m last year;
- RSG funding has reduced by £1.7m from 15/16;

- The Council has identified service pressures of £502k, other uncontrollable pressures e.g. pay inflation, NI increases of £425k, a provision for the interim cost reduction programme of £80k and contracts/activity increase of £350k;
- The Council is planning to save £1.256m in year;
- The overall budget position is balanced by using £853k of General Fund reserves for 16/17; and
- The Council will be lobbying Government to reconsider how government funding is distributed.

## 2 FUNDING AND MEDIUM TERM FINANCIAL PLAN (MTFP)

### 2.1 The settlement - what is the overall position for Rutland?

- 2.1.1 In November 2015 the Government announced the outcome of its Comprehensive Spending Review (CSR) and followed that in December with the local government finance settlement. The Spending Review determines how the Government will spend public money over the course of this Parliament by setting budgets for each central government department. This is reviewed in the Autumn Statement which is an annual update of the Government's plans for the economy.
- 2.1.2 The overall objective of the review from a macroeconomic perspective was to return Government spending to a net surplus position (£10bn by 19/20) thereby reducing net debt as a % of GDP. If spending plans are adhered to and assumptions hold true then this will be achieved.
- 2.1.3 Within the figures, Government spending plans prioritise and protect some areas such as the NHS, Police and Defence whereas other areas pick up a disproportionate share of spending reductions. Local government falls into the latter category. The CSR delivers consolidation of £12 billion through savings to departmental resource spending by 19/20. This is made up of £21.5 billion of savings from unprotected departments (including Department of Communities and Local Government - DCLG), of which £9.5 billion will be reinvested in priorities.
- 2.1.4 In the CSR, the Government presented detailed figures which showed that core central government funding will fall by c60% in real terms over the Spending Review period but local government spending will broadly be the same in cash terms.

	<b>15/16 billion</b>	<b>16/17 billion</b>	<b>17/18 billion</b>	<b>18/19 billion</b>	<b>19/20 billion</b>
<b>DCLG LG DEL (1)</b>	11.5	9.6	7.4	6.1	5.4

	<b>15/16 billion</b>	<b>16/17 billion</b>	<b>17/18 billion</b>	<b>18/19 billion</b>	<b>19/20 billion</b>
<b>Locally Financed Expenditure (2)</b>	28.8	29.0	31.5	33.6	35.1
<b>Local government spending</b>	40.3	38.6	38.9	39.7	40.5
(1) Includes RSG, New Homes Bonus (2) Includes Council tax, business rates and other local income <i>Source: Table 2.17, page 100 of the CSR</i>					

- 2.1.5 This situation arises because the Government uses the term “local government spending”. “Local government spending” includes locally generated income like council tax and business rates. It asserts that “local government spending” will be higher in cash terms by 19/20 than in 15/16 at £40.5bn thereby giving a real term (i.e. after inflation) reduction of only 1.7% a year. In simple terms, the Government concludes that if all local authorities increase Council tax by 1.75% per annum and those with social care responsibilities levy the additional 2% precept and local authorities deliver growth then the Government will be able to reduce core funding (ignoring the reform of the business rates retention scheme) without local authorities feeling substantial reductions. The way the Government calculates local government spending, it has transferred “funding risk” to locally elected members. This is evident in our settlement.
- 2.1.6 The local government provisional finance settlement was announced on 17th December 2015. It ‘offered’ Councils a 4-year settlement subject to an annual ‘refresh’ and the publication of an efficiency plan – what this means is not clear but many commentators believe that it could include an expectation that Councils use reserves to support spending plans. The Settlement was unclear on whether the 4-year settlement might change for those Councils not wishing to accept the offer. Whilst the information and figures are presented differently from the CSR and include adjusted council tax figures, the overall message is consistent.
- 2.1.7 In the settlement the Government has introduced a new concept of core spending power comprising:
- Settlement Funding Assessment (RSG and Business rates);
  - Council Tax (including CPI rises of 1.75% and growth based on average movements on the tax base between 13/14 and 15/16);
  - 2% social care precept (an extra 2% on council tax);

- additional funding for the Better Care Fund;
- New Homes Bonus (NHB) (actuals for 16/17 and achieved payments only for years beyond that); and
- a new Rural Delivery Grant (RDG).

2.1.8 DCLG asserts that it has cut core spending power for England by only 3.9% on average in cash terms (c7% in real terms assuming 1.75% CPI each year) over the 4-year period. However, what this Council would call Government funding (RSG, BCF, NHB and RDG) has been cut by c58% on average with the main grant RSG cut by 78%. The national position is shown overleaf.

Core Spending Power of Local Government; ENGLAND						
	2015-16 (adjusted)	2016-17	2017-18	2018-19	2019-20	% change
		£ millions	£ millions	£ millions	£ millions	
Modified Settlement Funding Assessment; of which	<b>21,249.94</b>	<b>18,601.46</b>	<b>16,621.62</b>	<b>15,536.04</b>	<b>14,499.70</b>	<b>-32%</b>
RSG	9,926.80	7,183.90	4,979.50	3,550.40	2,218.00	-78%
Business Rates	11,323.20	11,417.50	11,642.10	11,985.60	12,368.60	9%
Council Tax of which;	22,035.88	23,148.30	24,435.52	25,821.26	27,314.16	24%
<i>Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)</i>	22,035.88	22,748.55	23,601.84	24,512.95	25,486.08	16%
<i>additional revenue from 2% referendum principle for social care</i>	-	392.75	820.87	1,289.80	1,803.95	
<i>additional revenue from £5 referendum principle for lower quartile districts Band D Council Tax level</i>	-	6.99	12.80	18.51	24.13	
Improved Better Care Fund	-	-	105.00	825.00	1,500.00	
New Homes Bonus and returned funding	1,200.00	1,485.00	1,493.00	938.00	900.00	-25%
Rural Services Delivery Grant	15.50	20.00	35.00	50.00	65.00	319%
<b>Core Spending Power</b>	<b>44,501.3</b>	<b>43,254.8</b>	<b>42,585.1</b>	<b>42,345.3</b>	<b>42,778.9</b>	
Change over the Spending Review period (£ millions)					-1,722.5	
Change over the Spending Review period (% change)					-3.9%	
Change for Settlement Core Funding (£ millions)					-1,472.0	
Change for Settlement Core Funding (% change)					-3%	

2.1.9 The change for Rutland is an increase in core spending power of 4.3% but as the method for applying government funding reductions has sought to distribute funds away from those Councils with high tax base and hence high revenue (relative to their level of overall funding), Government funding has virtually disappeared.

Core Spending Power of Local Government; RUTLAND						
	2015-16 (adjusted)	2016-17	2017-18	2018-19	2019-20	% change
		£ millions	£ millions	£ millions	£ millions	
Modified Settlement Funding Assessment; of which	<b>8.39</b>	<b>6.47</b>	<b>5.05</b>	<b>4.25</b>	<b>3.46</b>	<b>-59%</b>
RSG	4.34	2.39	0.88	-0.03	-0.96	<b>-122%</b>
Business Rates	4.04	4.07	4.15	4.28	4.41	<b>9%</b>
Council Tax of which;	20.69	21.90	23.31	24.82	26.46	<b>28%</b>
<i>Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)</i>	20.69	21.48	22.41	23.41	24.48	<b>18%</b>
<i>additional revenue from 2% referendum principle for social care</i>	-	0.42	0.89	1.41	1.98	
<i>additional revenue from £5 referendum principle for lower quartile districts Band D Council Tax level</i>	-	-	-	-	-	
Improved Better Care Fund	-	-	-	-	-	
New Homes Bonus and returned funding	0.82	1.24	1.25	0.78	0.75	<b>-9%</b>
Rural Services Delivery Grant	0.16	0.21	0.37	0.52	0.68	<b>319%</b>
<b>Core Spending Power</b>	<b>30.1</b>	<b>29.8</b>	<b>30.0</b>	<b>30.4</b>	<b>31.4</b>	
Change over the Spending Review period (£ millions)					1.3	
Change over the Spending Review period (% change)					4.3%	
Change for Settlement Core Funding (£ millions)					0.84	
Change for Settlement Core Funding (% change)					3%	

2.1.10 Individual allocations have been determined by cuts to what the Government call Settlement Core Funding (RSG, Business Rates and Council tax). On the assumption that Council tax increases (see 2.1.7) and business rates increases by RPI, then the cuts have been primarily made to RSG. Rutland's % cut is 122% compared to the average of 78% reflecting its high council tax base and revenue.

2.1.11 The headlines from the detailed settlement are:

- RSG has been reduced by 40% from 2015/16 and will technically be minus £960k by 19/20;
- Business Rates baseline is broadly the same as last year and will increase by RPI for the next 4 years but it appears that the Council will not be keeping any extra business rates at this stage (technically it will pay the negative RSG through an additional tariff applied to Business Rates);
- The Government assumes the Council will generate an extra £1.2m in 2016/17 (and over £6m for the next 4 years) from Council taxpayers through raising Council tax and levying a 2% social care precept. This is a local decision but the Government expectation is clear;
- The settlement shows no increase in the Better Care Fund in any of the next 4 years;
- The New Homes Bonus payment for 16/17 is secured. Future figures assume that the current regime will continue to apply – this is unlikely

to be the case as consultation is already underway to change the current system;

- The Council will receive increases in Rural Delivery grant to reflect the extra costs of rural service delivery; and
- Inflation will be c1.75% pa over the next 4 years but the settlement does not provide funding to meet those additional costs.

2.1.12 Whilst the Government would assert that the Council is no worse off, this is in reality not the case. The Council works to a 5-year MTFP and whilst the Council has always anticipated significant cuts, including a 52% reduction to RSG, the various changes announced through the CSR and settlement mean that the cuts in the MTFP did not go far enough.

2.1.13 In putting together the latest MTFP the Council can only make prudent assumptions in light of the information available. The latest MTFP is shown in Appendix 2. The table overleaf compares the status of two key targets pre settlement (Quarter 2 15/16) and post settlement. The two key targets are:

- The deficit/surplus – the Council aims to have a nil deficit i.e. it is spending within available resources; and
- Minimum reserve levels – the Council's minimum level is £2m.

2.1.14 The analysis uses 19/20 as the benchmark as that year is the last year of the Q2 MTFP. It also highlights the expected position as at 20/21 (the final year of the new MTFP) although it should be noted that the Government will be reforming the local government finance system before then so funding figures for 20/21 are illustrative at best.

2.1.15 The Council finds itself in a worse financial position than expected as show below:

	<b>Pre settlement (Q2)</b>	<b>Post settlement</b>	<b>Target</b>
19/20 deficit (reliance on reserves)	£1,295,512	£2,424,144	£0
19/20 General Fund reserves	£6,870,386	£3,225,532	>£2,000,000
20/21 deficit (reliance on reserves)	N/A	£2,657,755	£0
20/21 General Fund reserves	N/A	£567,777	>£2,000,000

2.1.16 The change in expected balances in 19/20 between the Q2 MTFP and the latest version represents an additional £1.1m of net cost pressures (living wage, contract inflation, apprenticeship levy etc) and net key funding differences of £2.5m are as follows:

- The Council estimates it will lose £740k from New Homes Bonus (see 2.2) subject to the outcome of consultation – the loss might be greater;
- The Council’s government funding loss is £6.2m (this covers the loss of RSG, Business rates, Council tax freeze grant, and Care Act funding which has been rolled into adjusted RSG offset by additional Rural Delivery Grant);
- £4.3m of the above loss is compensated for by the new 2% social care precept leaving a net £1.9m loss from grant and social care precept; and
- Other minor differences include additional Collection Fund surplus (£50k) and use of earmarked reserves (£100k).

2.1.17 In summary, the impact of the overall settlement on Rutland can be summarised as follows:

- The Council will receive less in government funding than what it does today – whilst significant reductions were built into the MTFP, the cuts are greater than expected;
- The Government assumes the Council will raise council tax and levy a social care precept – if it does then its overall spending power will be broadly the same in 19/20 as it is today;
- The Council’s General Fund reserves will reduce from £10m to c£3.2m by 19/20 if no more savings are made beyond PeopleFirst – the settlement has not changed this trajectory; and
- By 2019/20 the Council is spending £2.4m more than the resources it has available – this position is much worse than anticipated because cuts are greater in that year.

## 2.2 The settlement detail - what do the detailed changes mean for Rutland?

2.2.1 The table below goes into more detail about the Spending Review and Settlement. A range of announcements were made that directly or indirectly affect local government and this council.

Announcement	Impact
The <b>main local government grant will be phased out</b> and additional responsibilities devolved to local authorities, empowering them to drive local	RSG will be phased out by 19/20 but for this Council the £4m received in 15/16 will be effectively negative by 18/19. As the Council cannot receive negative RSG it will simply pay more to

Announcement	Impact
<p>economic growth and support their local community.</p> <p>By the end of the Parliament local government <b>will retain 100 per cent of business rate revenues</b></p> <p>The system of top-ups and tariffs which redistributes revenues between local authorities will be retained.</p> <p>The government will consider <b>transferring responsibility</b> for funding the administration of Housing Benefit for pensioners and Attendance Allowance and consult on options to transfer responsibility for funding public health.</p>	<p>the Government from its business rates.</p> <p>The 4 year-settlement indicates that the Council will not keep any more business rates but will in fact pay more over to the Government but this still has to be confirmed. The amount will be decided via a revised 'needs' formula which is required as some authorities collect more than 'needed' and others less.</p> <p>The MTFP assumes no transfers of responsibility and funding for now. Historically, where there have been transfers, the Council has "lost" funding e.g. council tax benefit.</p>
<p>The Spending Review creates a <b>social care precept</b> to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on adult social care. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2 per cent per year above the existing threshold.</p>	<p>The MTFP assumes in line with Government expectations that the Council will take the opportunity to levy a precept of 2%.</p> <p>An additional 2% on Council tax is worth c£400k pa.</p>
<p>From 2017 the Spending Review makes available social care funds for local government, rising to £1.5 billion by 19/20, to be included in an improved <b>Better Care Fund</b>.</p>	<p>The Council can now build the BCF into its MTFP with certainty but the 4-year settlement indicates there will be no increases in the BCF for Rutland.</p>
<p>There has been no announcement on how funding earmarked for Phase 2 of the <b>Care Act</b> will be used in the interim period while the introduction of reforms is</p>	<p>The MTFP included the separate Care Act grant received in 15/16. The grant of £180k is now included into the adjusted settlement funding (RSG/business rates). The Council assumed this grant would continue but</p>



Announcement	Impact
<p>delayed.</p> <p>The Government remains committed to introducing the <b>Dilnot</b> reforms to social care, with funding provided in 19/20 to cover the costs of local authorities preparing for these changes. The cap on reasonable care costs and extension of means tested support will then be introduced and funded from April 2020.</p>	<p>as it is now within RSG it has been effectively lost.</p> <p>The Council assumes that Dilnot reforms will be fully funded although there is a £200k contingency built into the MTFP (£100k in 17/18 and a further £100k in 18/19).</p>
<p>The Government will consult on reforms to the <b>New Homes Bonus</b>, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from six years to four years. This will include a preferred option for savings of at least £800 million.</p>	<p>The MTFP did assume funding is received for six years. The Government have stated that any changes will take effect from 17/18. Options being considered include moving payments from 6 to 4, 3 or 2 years but including some transitional period.</p> <p>The consultation document itself includes various options for making payment deductions including:</p> <ul style="list-style-type: none"> <li>• if local authorities do not have a local plan;</li> <li>• a lower tariff being applied to homes built on appeal;</li> <li>• only making payments above a baseline representing deadweight (normal growth).</li> </ul> <p>The MTFP already highlighted NHB as a funding risk and pending the outcome of reforms it is assumed all funding will be received for 4 rather than 6 years.</p>
<p>The Government will make savings in local authority <b>public health</b> spending averaging annual real terms savings of 3.9 per cent over the next five years.</p> <p>The ring fence on public health</p>	<p>PH funding announcements have not yet been made. The MTFP assumes that any public health funding reduction will be absorbed and will work with the Director of Public Health to make further savings without compromising the initial £200k saving built in for</p>

Announcement	Impact
<p>spending will be maintained in 16/17 and 17/18.</p>	<p>PeopleFirst.</p>
<p>The <b>apprenticeship</b> levy will be introduced in April 2017 at a rate of 0.5 per cent of an employer's pay bill, to deliver 3 million apprenticeship starts by 2020. The levy will be paid through PAYE by 19-20, and raise £3 billion in the UK.</p>	<p>This represents a £50k levy for every £10m from April 2017. An appropriate amount, £54k, has been built into the MTFP from 17/18. This adds over £200k of cost to spending plans over the life of the MTFP.</p>
<p>The Government will introduce a <b>national funding formula</b> for schools, high needs and early years. The new formulae will be implemented from 17/18.</p> <p>Around £600 million savings will be made from the Education Services Grant (ESG) including phasing out the additional funding schools receive through the ESG. The government will reduce the local authority role in running schools and remove a number of statutory duties.</p>	<p>Schools funding is outside of the Revenue Account and is ring fenced.</p> <p>The ESG general funding rate for local authorities in 16/17 is £77 per pupil in mainstream schools and £288.75 and £327.25 per place in pupil referral units and special schools respectively.</p> <p>The Council has 14 academies which receive funding directly and 7 LEA schools. Its 16/17 allocation is £154k but the MTFP assumes this will diminish over time.</p> <p>ESG is not ring fenced but traditionally is used to fund the following:</p> <ul style="list-style-type: none"> <li>• Education welfare services</li> <li>• Monitoring national curriculum assessment</li> <li>• Pupil support</li> <li>• School improvement</li> <li>• Statutory/regulatory duties</li> <li>• Therapies and other health related services</li> </ul>
<p>As announced at Summer Budget, to help protect jobs and the quality of public services the Spending Review funds public sector workforces for an average <b>pay award</b> of 1% for 4 years from 16-17.</p>	<p>The MTFP assumes an annual 2% pay award and as the Council is part of the national bargaining agreement no change is proposed. The latest offer from the employers is c1% with some adjustments at lower levels for the National Minimum Wage but this is yet to be accepted.</p>

<b>Announcement</b>	<b>Impact</b>
Local authorities will have flexibility to <b>spend capital receipts from asset sales on the revenue</b> costs of reform projects, subject to conditions.	The Council assumes that no capital receipts will be used to fund revenue over the life of the MTFP.
The Spending Review includes over £500 million by 19-20 for the <b>Disabled Facilities Grant</b> , which will fund around 85,000 home adaptations that year	DFG's are part of the BCF. The Council has historically topped up the DFG allocation with Section 106 funding. This may change depending on the Council's individual allocation.
The Government has made a number of announcements in relation to <b>planning and housing</b> in particular the proposal for a delivery test on local authorities, to ensure delivery against the homes set out in local plans within a reasonable timeframe.	The Council will be considering the impact of these proposals and whether they will impact on planned housing growth. At this stage, there is no change to the MTFP.

## 2.3 Funding settlement – how does our settlement compare to others?

2.3.1 The Councils spending power is above average when compared to the Unitary average for 16/17.

<b>Measure</b>	<b>Unitary average</b>	<b>Rutland</b>	<b>Leicester City</b>	<b>Highest and Lowest</b>
Spending power per household	1,651	1,788 (Rank 8 <sup>th</sup> highest)	1,925 (Rank 1 <sup>st</sup> )	Leicester (H) Windsor and Maidenhead (1,344)
Government funding per household (i.e. all funding except council tax/business rates)	339	230 (Rank 6 <sup>th</sup> lowest)	540 (Rank 1 <sup>st</sup> )	Leicester (H) Wokingham (169)
Council tax dependency (% of spending)	51.6%	69.36% (Rank 3 <sup>rd</sup> highest)	33.54% (Rank 2 <sup>nd</sup> lowest)	Wokingham 74.58% Kingston Upon

power generated by council tax)				Hull 32.35%
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2.3.2 Spending power includes resources generated by Council's themselves, notably Council tax. The above table shows that the Government funding per household is significantly below the national average reflecting the Council's dependency on council tax income.

## 2.4 Spending Plans – How may spending plans change over time?

2.4.1 The MTFP at Appendix 2 sets out the forecast spending profile of the Council over the medium term and estimates the level of resources it will have available. The budget for 16/17 is discussed in Section 3. This section focuses on the factors that may have a significant impact on spending plans over the next 5 years.

### *PeopleFirst review*

2.4.2 Full Council approved the PeopleFirst review and associated recommendations and conclusions in September 2014. PeopleFirst has delivered savings in Year 1 as reported in the Quarterly Finance Reports to Cabinet during 15/16.

2.4.3 Savings targets for 16/17 and beyond are as set out below (the profiling is indicative and will depend on detailed project timetables and any statutory consultation requirements).

	15/16 £000	16/17 £000	17/18 £000	18/19 £000
<b>MTFP target</b>	<b>500</b>	<b>600</b>	<b>900</b>	<b>1500</b>
<b>PeopleFirst already savings achieved (pre 15/16)</b>	<b>253</b>	<b>253</b>	<b>216</b>	<b>216</b>
<b>Revised target</b>	<b>300</b>	<b>600</b>	<b>825</b>	<b>1100</b>
Transport	0	0	50	100
Service Review	76	169	659	709
Structure Review	123	220	220	220
Public Health	200	200	200	200
<b>Total</b>	<b>399</b>	<b>589</b>	<b>1129</b>	<b>1229</b>
Less: already saved (in Directorate budgets)	283	354	354	354
Savings to be achieved	N/A	235	775	875

2.4.4 In Q1 of 15/16 the Director of People agreed with the Director of Public Health that **public health** resources can be redeployed to fund initiatives which have a public health benefit currently funded outside of public health. In order to allow time for contractual issues to be resolved, £200k of public health earmarked reserves was used to fund core expenditure in 15/16 and

this will be repeated in 16/17 – this represents a saving to the General Fund.

- 2.4.5 The **Transport** review is underway. The Council spends over £2.6m on Transport across a range of areas (SEN, Home to School Transport, Concessionary Travel etc) and is seeking to ensure that this spend is optimised. The Council has secured external funding of £100k to bring in external consultants, JMP, to help undertake a holistic assessment of transport needs and identify the most efficient delivery model going forward. The work of JMP is expected to produce recommendations for consideration by May 2016.
- 2.4.6 The original plan included a new Directorate **structure** which will be implemented in full in 16/17. The structure yields a saving of £0k net of the cost of introducing market supplements for hard to recruit positions, namely social workers to maximise retention and avoid expensive interims. The final value of savings to be made will be subject to a separate Cabinet decision re Youth Services.
- 2.4.7 The **service review** savings comprise changes to the existing charging framework which will be progressed through Cabinet, future review of the approach to placement commissioning by an external third partner to be appointed on a contingent fee basis and a review of grant funding to the voluntary sector. A shift of service delivery into the sector itself should mean that overall funding levels will not reduce.

***Better Care Together (BCT) and Better Care Fund (BCF) and integration with Health***

- 2.4.8 This is the second year of the BCF – this is a pooled budget to improve the way health services and social care services work together, starting with services for older people and people with long term conditions. The BCF aims to drive forward health and social care integration so that people receive the right care and support at the right time, in the right place.
- 2.4.9 The BCF is a key part of the BCT programme. In June 2014 the Local Health and Social Care Economy (LHSCE/LLR) developed a 5 year strategic plan setting out its ambition to transform local services in line with the models of care set out by the BCT programme.
- 2.4.10 BCT sets out a vision to improve health and social care services across LLR, from prevention and primary care through to acute secondary and tertiary care. Successful delivery of this programme will result in greater independence and better outcomes for patients and service users, supporting people to live independently in their homes and out of acute care settings. This vision is consistent with the BCF.
- 2.4.11 Part of the BCT strategy is to 'left shift' activity from secondary to primary care. Over the past few months, Council officers have been working with BCT colleagues to assess the impact on Adult Social Care (ASC) of planned changes across a range of work streams e.g. planned care, urgent care, learning disability etc. Meetings have been held where Local Authority

partners have the opportunity to assess any capacity and financial impacts to their ASC responsibilities as a result of the programme and to assess whether they are able to deliver any proposed changes.

2.4.12 The table in Appendix 9 summarises the expected impact in more detail. In summary, the outcome thus far of these meetings is that there is likely to be some impact. However, quantifying the extent of the impact (positively or adversely) in advance of changes is difficult because it will depend on individual patient needs and how care needs are met, whether patients meet the financial thresholds for Council support, and the success or otherwise of prevention work. The Council believes that further work is needed and has recently met with BCT colleagues requesting greater clarity over proposed changes so that social care impacts can be assessed. At this stage, the Council plans to:

- assess whether the impact of any changes can be monitored through a “tracking” system which shows how patients move through the health and social care services and the costs of interventions at each point;
- maintain a contingency fund of £200k alongside the ASC earmarked reserve so that it can respond to increased demand if necessary; and
- raise the issue of funding transfers should changes simply displace activity from health to social care.

2.4.13 The BCF continues into 16/17 and supports this vision as it will fund some existing services (because there is a clear link that these contribute to better health outcomes).

2.4.14 BCF schemes all have performance targets. Failure to deliver targets and demonstrate a contribution to the achievement of national outcomes may result in funding being withdrawn, reduced or redirected. In 2015/16 c£100k was linked to achievement of non election admissions but it is likely that this link will be removed in 2016/17.

2.4.15 The Council believes that building on the work done to date, there is a real opportunity to increase the size of the BCF and further integrate service provision with Health maximising the use of joint resources and making savings. Over the next few years, this could manifest itself in various different ways be it co-location of teams, joint commissioning and contracting, joint teams etc. This direction is consistent with the CSR which requires that “health and social care must have a plan” for integration by 2017, to be implemented by 2020.

### ***Corporate Savings***

2.4.16 One of the key principles of delivering services within the MTFP is “living within your means” i.e. not spending more than the resources available. Whilst the Council has a very good track record of spending within its allocated annual budget, the MTFP shows that in 16/17 and beyond the Council is spending more than the funding it has available and is therefore

reliant on using General Fund reserves to balance the budget. The Council is aware of the problem and has a plan to 'save' which comprises the following elements:

- Income maximisation – the Council is looking at ways of generating more income from property assets, 'selling' services and through modifying its existing charging framework;
- Invest to Save proposals – the Council is considering a range of proposals which involve some up-front investment but a medium term payback in the form of reduced revenue costs. Investment in solar panels at Oakham Enterprise Park is a current example;
- Partnering – recognising the inherent difficulties of delivering some services in isolation, the Council is seeking to work with other partners to build resilience in service delivery whilst reducing cost and improving performance. The provision, support and maintenance of Agresso is an example being pursued;
- Commissioning – achieving better value for money through smarter commissioning or joint commissioning where possible to obtain the benefits of economies of scale is a key priority given the Council's level of third party expenditure. The budget includes bringing in some external support in the People Directorate to pursue this line;
- Service/corporate reviews – alongside specific service reviews in areas such as Revenues/Benefits, there is a corporate admin review being kicked off alongside the website/digital project which will be done in 16/17 all of which are aimed at driving efficiencies. The Council will also be undertaking a review of the Places Directorate – a zero based budget review mirroring the work done on the People Directorate in 2014;
- External funding – the Council has a good track record of obtaining external funding whether it be through Sport England, LEP or the Department for Transport and now has access to GRANTfinder which is a user-friendly, professional funding tool highlighting millions of pounds' worth of support; and
- Vacancy control – the Council has an approach to vacancies whereby the Chief Executive has to approve the business rationale to fill all vacancies. As the Council reduces its reliance on interims (funded in part by vacancy management and alternative ways of working), it is expected that staff savings will accrue over time to the extent that a small vacancy target of £75k is built into the budget.

### ***Potential service and spending pressures***

2.4.17 The MTFP has been regularly updated throughout the year and shows the baseline position, assuming a continuation of existing services with allowances for service pressures, inflation etc. While the MTFP provides a

useful modelling tool that can be used to demonstrate the effect of a range of variables on the Council's financial stability over the medium term, there are a number of inherent risks that could impact on spending plans that are outside of the Council's control (these are covered below):

Risk	Action to mitigate risk
<p>There is a risk that the Council will bear the financial burden of any increase in the number of residents claiming <b>council tax support</b>. In the last two years the number of people claiming council tax support has reduced as the County has reached full employment. However, the Governments <b>welfare reform changes</b> (notwithstanding the deferral of tax credit reductions) will reduce income of those receiving support and may increase the demand for council tax support, discretionary fund, crisis loans and discretionary housing payments.</p> <p>In addition, there is a risk that <b>council tax collection levels</b> will be lower than estimated particular if council tax increases of 2% are applied with a subsequent impact on the future financial position of the Collection Fund.</p>	<p>Proactive monitoring of demand for funding and collection levels for council tax will provide early indicators of any risks materialising.</p> <p>The council tax support scheme and crisis loans will be reviewed in 16/17.</p>
<p>The MTFP assumes that some <b>service pressures</b> can be contained within the forecast budgets as growth is only built in where there is a degree of certainty. As part of the 15/16 budget setting process, the following potential pressures have been highlighted:</p> <ul style="list-style-type: none"> <li>• <i>Internal Audit</i> – the team is without a Head of Audit and Deputy Head and arrangements are in place with LGSS providing that cover. Options are being considered to deliver the service within the current budget but there could be a financial impact of up to £10k if this cannot be achieved.</li> <li>• <i>By-elections</i> – the Council has been in the position previously where it has had to hold an unexpected by-election. The Council does not routinely budget for these costs which tend to be c£5k</li> </ul>	<p>These will be monitored through the monthly monitoring process and quarterly reports to Cabinet. Variances identified as recurring are highlighted to Cabinet and the longer term implications assessed.</p> <p>Sufficient balances will be maintained to cope with unforeseen cost pressures in the short-term.</p>



Risk	Action to mitigate risk
<ul style="list-style-type: none"> <li>• <i>Fostering and adoption</i> – Costs will depend on the number of children currently in care and how this changes in the future but this position is volatile. On 26 October, Council's also assumed new statutory duties to accommodate 17 year olds charged and bailed from police custody. This could cost up to £2k per young person per week.</li> <li>• <i>Psychologist services</i> - Education psychology services are being piloted to offer a more comprehensive and targeted approach. As a demand led service, there is a risk that demand pressures exceed the available budget.</li> </ul>	
<p>Whilst <b>inflation</b> has been low for some time, there are emerging issues that may cause pressure on prices the Council pays for goods and services although the CSR indicates that CPI will remain below 2% over the review period.</p> <p>The Government will introduce a new <b>National Living Wage (NLW)</b> for workers aged 25 and above. From April 2016, the new NLW will be set at £7.20 – a rise of 70p relative to the current NMW rate, and 50p above the NMW increase coming into effect in October 2015.</p> <p>The Council believes that there will be a pressure as many private sector organisations have already publicly announced that increases in costs are likely to be passed onto consumers. As key contracts are tendered and negotiated there may be an impact.</p>	<p>The Council will monitor the position on key contracts and has inflation built into the MTFP.</p> <p>The Council is tendering for services so it can ensure value for money and does allow for inflationary cost increases and will aim where possible to keep costs within the current budget.</p>
<p><b>Interest rates</b> may change thereby reducing the Council's ability to earn investment income.</p>	<p>Regular review of the position and consideration of the balance between investing surplus cash and using it to repay long term debt. Advice from Capita is used to forecast investment income.</p>
<p><b>Capital financing</b> costs have been estimated based on the assumption that no</p>	<p>Corporate analysis of existing</p>

Risk	Action to mitigate risk
further external borrowing is undertaken during the life of the MTFP.	and potential new projects.
The Council can be impacted by changes arising from partner bodies such as the <b>Police and Fire</b> as they, like the Council, aim to reduce costs. Any decision to reduce or reconfigure services in this County could result in additional demands on the Council.	The Council is working with partners to understand the impact of any changes and support changes where possible.
<p>The <b>Independent Living Fund (ILF)</b> closed on 30 June 2015. From 1 July 2015, the funding and responsibility of ILF care and support needs transferred to local authorities.</p> <p>The Council has three residents who obtain funding from the ILF. The Council received a grant to cover costs in 15/16 but it is not known whether this will be received this year.</p>	The Council has included a pressure in the MTFP for 16/17 to mitigate the potential loss of funding due to the closure of the ILF.
<p>The Council has a contract with <b>Care Home</b> providers for 15/16. This agreement assumed CPI increases in 15/16. The CPI rate is effectively 0%. Care Home providers are seeking to renegotiate this for 15/16 and for 16/17.</p> <p>The challenge is to negotiate a fair rate for the cost of care that allows the market to remain healthy and competitive.</p>	The Council will be seeking to ensure that any increases are limited to what is reasonable.
<p>The Council has seen <b>demographic</b> changes over time and will do so again in the future. Changes in population and number of households have not always translated into increases in service costs.</p> <p>This issue is relevant to Adult Social Care where many authorities assume that increases in population and in particular in 65+ age groups will place extra demand on social care budgets. Future budgets therefore typically include an “allowance” to compensate for this.</p> <p>The Council is expecting to see population</p>	The Council has a Social Care Reserve and a £200k Adult Social Care contingency to allow it to respond to changes in demand.

Risk	Action to mitigate risk
<p>changes over the next 5 years but in line with its Adult Social Care strategy it will seek to respond to any changes by helping people to live independently as far as possible.</p>	
<p>One of the biggest risks for Adult Social Care relates to cases which receive <b>NHS Continuing HealthCare funding</b>. NHS continuing healthcare is the name given to a package of care that is arranged and funded by the NHS for individuals who are not in hospital and have been assessed as having a "primary health need". Some packages involve elements of health and social care. In these cases costs are shared on an agreed % basis as determined by a Panel.</p> <p>As the content of care packages changes (i.e. the mix of social and health care required) so does the flow of funding which means that cases previously 100% NHS funded can suddenly require a substantial contribution from social care and vice versa. One complicating factor is that the Council only picks up the social care costs if the patient is eligible for support in line with financial thresholds.</p> <p>The Council has both benefitted and lost from this practice in the past and it serves to make social care budgets very volatile.</p>	<p>Budgeting for the potential changes in Continuing HealthCare funding is almost impossible as it will depend on individual patient circumstance.</p> <p>The Council holds a Social Care reserve from which it can drawdown funding to meet the peaks and troughs of demand and other changes.</p>
<p>The Council's net pension liability for the Local Government Pension Scheme (controlled by Leicestershire County Council as the Pension Fund administrator) has increased from £34.5 million (2014) to £42.0 million in the year to 31 March 2015. There are two main elements that create this liability: the value of assets held by the pension fund, and the estimated future demands for pension payments. While the value of assets has increased by £6.7 million during the year, liabilities have also increased by £14.2 million.</p> <p>Should investment returns not narrow the</p>	<p>The position will be monitored but the Council has made a marginal adjustment to future rates in anticipation of the triennial review.</p>

Risk	Action to mitigate risk
gap in the future, it is likely that contribution rates may increase creating a demand on the General Fund. Current contribution rates will be reviewed again in a years' time. The Council has been informally advised through Pension Fund officers that contribution rates will rise again.	
The <b>pay award</b> for 16/17 will be subject to national agreement.	The Council will retain its pay assumption of 2% for 16/17 and beyond.

2.4.18 As further information becomes available an update on these risks will be provided in Quarterly reports.

## 2.5 Reserves – What level of reserves should the Council retain?

2.5.1 Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; and
- a means of building up funds to meet known or predicted liabilities.

2.5.2 The level of reserves is set to take account of:

- strategic, operational and financial risks facing the Council;
- key financial assumptions underpinning the budget; and
- quality of the Council's financial management arrangements.

2.5.3 There are a range of risks that may arise that the reserves are held for in order to maintain the Council's sound financial position. These risks include the following:

Risk factor/issue	Potential cost
Loss of business rates income before Safety Net reached – the Council has not seen any substantial growth in business rates and a small number of businesses account for the majority of rates levied	£0 - £300k
Other service pressures or overspends – 1% of	£0 - £300k

<b>Risk factor/issue</b>	<b>Potential cost</b>
net spending e.g. winter maintenance	
Grant uncertainty – further reductions in funding greater than anticipated (this is a risk in relation to Public Health, New Homes Bonus)	£0 - £500k
Education redundancies no longer paid for through DSG	£0 - £150k
Above inflationary increases including the Living Wage or shortfalls in discretionary income	£0 - £300k
Social care demand - the Council could be adversely impacted by demographic changes and/or the shift of activity from acute or primary care to social care	£0 - £500k
Failure of key service provider	£0 - £200k
Legislative or policy changes that may or may not be funded	£0 - £200k
Potential growth in demand for general services	£0 - £200k

2.5.4 The Council's minimum reserves target is currently set at £2m which equates to about 6% of net spending. There is no specific guidance in respect of minimum reserve levels but it is Chief Finance Officers view that a level between £2m and £3m is adequate based on professional judgement and a risk assessment taking into account the following factors:

- despite existing savings plans, the Council is still using reserves to balance the budget;
- there are potential cost pressures which are only partly factored into spending plans (see 2.4.17);
- whilst the Council has some savings targets built into the MTFP and has a very good track record of delivering savings, there is no guarantee that this will continue.

2.5.5 Presently, the Council's general fund balances (and useable earmarked reserves) are above the minimum level. This gives the Council time to address the issues raised above and respond in a measured way to funding cuts.

2.5.6 To give Members a comparative view, analysis has been undertaken of the Council's relative position on total reserves (earmarked and general fund). Using the Government Revenue Budget return forms, the Unitary Authority average (as at 1 April 2015) holds approximately the equivalent of 28% of its

Net Revenue Expenditure (the Government defines NRE as expenditure less some specific grants) in reserves. The range is 7% to 68% (Leicester City for example runs at 68%, but Peterborough City, York, Thurrock, Wiltshire and Middlesbrough are all below 11%) with RCC at 39%.

	<b>Unitary average</b>	<b>Rutland</b>
Average General Fund Balance as % of Net Revenue Expenditure	7%	29%
Average Earmarked Reserves as % of Net Revenue Expenditure	20%	10%
Total Reserves as % of Net Revenue Expenditure	28%	39%

## **2.6 Level of Council tax – what choice does the Council have?**

2.6.1 The tax levied by the Council constitutes only part of the tax Rutland citizens have to pay (albeit the major part). Separate taxes are raised by the Office of the Police and Crime Commissioner and the Fire Service. These are added to the Council's tax to constitute the total tax charged.

2.6.2 The Government has in recent years established a 1.99% limit on raising Council Tax before a referendum must be called. The MTFP assumes, council tax rises of 1.99% in line with Governments expectations from 16/17 onwards and includes some tax base growth as described in Appendix 2. No decision will be made on council tax levels until Full Council on 23<sup>rd</sup> February.

2.6.3 The table below gives examples of the different tax rate increases that could be applied in 2016/17, the new Band D rate and the extra revenue this generates over 5 years.

	<b>Council tax rate</b>	<b>16/17 council tax revenue £000</b>	<b>extra revenue generated for 16/17 – 20/21 £000</b>
Band D – current	£1,430.51	£21,083	-
+0.5%	£1,437.66	£21,189	£562
+0.75%	£1,441.24	£21,241	£842
+1%	£1,444.82	£21,294	£1,122
+1.25%	£1,448.39	£21,347	£1,403
+1.5%	£1,451.97	£21,399	£1,684

+1.75%	£1,455.54	£21,452	£1,964
+1.99%	£1,459.12	£21,505	£2,245

2.6.4 Members should note that should Council tax not be increased in 2016/17, the 'loss' of funding of £2.2m would mean that the MTFP General Fund balance would be below the recommended level by 19/20 and would be negative (which is not allowed) by 20/21 unless of course substantial savings were made.

2.6.5 Members are aware that the Council's Band D tax levels are amongst the highest of other Unitary councils but this does not mean that the Council is high cost or inefficient. The Council's service expenditure per head is low as is Government funding per head. The average service expenditure per head is £1,387. The Council is the second lowest after Thurrock. In light of the Government's expectations as set out earlier, the high council tax position will not change.

<b>Council</b>	<b>Band D 14/15</b>	<b>Band D 15/16 (1) (4)</b>	<b>Service Expenditure per head (2)</b>
Nottingham	1431.8	1459.67	1883.42
Rutland	1430.51	1430.51	1095.74
Northumberland	1399.77	1427.63	1433.85
Bristol	1391.87	1419.01	1318.78
Hartlepool	1418.7	1418.70	1650.66
Middlesbrough	1355.03	1380.12	1670.66
Redcar and Cleveland	1390.14	1376.19	1557.98
Reading	1338.25	1365.00	1395.35
Isle of Wight	1315.47	1341.64	1545.25
Brighton & Hove	1312.89	1339.02	1539.76
(1) Band D rates show those Councils freezing Council tax between 14/15 and 15/16 (2) Service expenditure obtained from Government RA returns for 15/16 (3) Core Funding includes RSG and Business Rates only (based on 15/16 figures) (4) A number of the above authorities also charge for green waste collection			

## 2.7 Social Care precept - What choice does the Council have?

2.7.1 The Spending Review creates a **social care precept** to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on adult social care. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2 per cent per year above the existing threshold (in effect allowing 3.99% council

tax increases).

- 2.7.2 The CSR document states that the extra funds will, alongside the BCF, “support Council’s to continue to focus on core services and to increase the prices they pay for care, including covering the costs of the National Living Wage”.
- 2.7.3 This Council, like many others, has a strong case for levying the 2% precept:
- The costs of care have gone up over the past few years and are very likely to increase again as the Government recognises;
  - The Council has reviewed its charging policy and is currently consulting on further minor changes – while the costs of care will increase the Council will be unable to recover all of the extra costs from service users who are eligible for financial support;
  - The Council has a growing elderly population and this is likely to place additional demands on social care services;
  - The Council is working with Better Care Together colleagues to assess the impact of changes to the health system on social care (para 2.4.12 gives details). As there is an aim to keep people in their own homes and out of hospital, there will inevitably be a shift from secondary to primary and social care.
- 2.7.4 The Governments own figures indicate that the Council will generate in excess of £2m over a 4-year period to contribute towards social care costs. The same principle for council tax can be applied to the social care precept. If the Council does not apply the increase year on year, General Fund balances will fall below recommended levels.
- 2.7.5 Should the Council levy the additional precept, the Section 151 Officer will be required to provide information via a national template form to demonstrate that an amount equivalent to the additional council tax has been allocated to social care.

## **2.8 Collection Fund – What is the estimated surplus for 2015/16?**

- 2.8.1 The Council, as a billing authority, is required to keep a special fund, known as the Collection Fund. The fund is credited with the amount of Council tax it collects. Expenditure from the fund is in respect of Rutland County Council’s own demand (i.e. General Fund expenditure net of RSG and share of Business rates) and the precepts payable to the Police Authority and Fire Service.
- 2.8.2 If a surplus or deficit remains in the Collection Fund at the year-end it is subsequently distributed to, or borne by the billing authority (in this situation the Council) and the preceptors (Police and Fire Authorities). Billing authorities are required to estimate the expected Collection Fund balance for the year to 31 March in order that the sum can be taken into account by



billing authorities and preceptors in calculating the amounts of Council Tax for the coming year. The difference between the estimate at 15 January, and actual position at 31 March will be taken into account in the following financial year. The estimated financial position on the Collection Fund at 31 March 2016 is set out below:

Estimated surplus at 31 March 2016	£172,000
<b>Share of surplus</b>	
Rutland County Council	£148,500
Leicestershire Police Authority	£17,500
Leicestershire Fire Service	£6,000

2.8.3 The Regulations provide for the Council's share of the estimated surplus to be transferred to the General Fund in 16/17.

## **2.9 Parish Councils – Should the Council passport RSG to parishes?**

2.9.1 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 2014/15 and 2015/16 and the Council plans to passport the same amount in 2016/17. However, in light of the overall funding position, this will be the final year that any grant is transferred to parish councils as it is included in the RSG base but cannot be seen.

### 3 REVENUE BUDGET PROPOSALS

#### 3.1 Overview – what is the overall revenue budget and how does it compare?

3.1.1 The table below show the net cost of services by Directorate in the draft budget for 16/17:

<b>Directorate</b>	<b>Draft budget 2016/17 £000</b>
People	15,777
Places	12,318
Resources	5,232
Pay Inflation Contingency	331
Contract Inflation Contingency	150
BCF Contingency	200
People First Savings	(235)
<b>Net cost of services</b>	<b>£33,773</b>

3.1.2 The movement from the approved budget for 2015/16 at Q1 (£34.386m) to the draft budget for 16/17 can be seen in Directorate appendices 3 – 5 and is summarised in broad terms below. The Q1 budget, rather than the approved budget, was selected as the start point for comparisons as it reflects both the inclusion of grants received late after the budget was approved and budget carry forwards but comparisons to the original approved budget are given later.

3.1.3 In reviewing the Directorate Budgets, readers can also refer to the functional budget monitoring workbooks available on the website that are available as part of budget monitoring for background information about services. These can be found on the following link:

[http://www.rutland.gov.uk/council\\_and\\_democracy/council\\_budgets\\_and\\_spending/2015-16\\_budget\\_min.aspx](http://www.rutland.gov.uk/council_and_democracy/council_budgets_and_spending/2015-16_budget_min.aspx)

3.1.4 The movement between budgets can be explained as follows:

<b>Area</b>	<b>Amount £000</b>	<b>Detail</b>
<b>Q1 15/16 budget</b>	<b>34,386</b>	Total cost of Service budget excluding Inflation contingency and People First Savings
Reversals	(1,451)	Primarily one off budgets in 15/16 no longer needed, including budget carry forwards and use of earmarked reserves
Savings	(668)	Savings put forward by Directorates (see 3.4)
Other Savings	(354)	Other Peoples First Savings built already in the budget (see 2.4 and 3.4)
People First	(235)	Savings as yet not built into Directorate

Area	Amount £000	Detail
Savings		budgets (see 2.4)
Pressures	502	Service pressures put forward by Directorates (£232k) and one-off pressures funded from earmarked reserves of £270k
Adjustments	335	Depreciation adjustment - £42k Single Tier State Pension - £174k Pay regrades and auto enrolment in Pension scheme - £119k
Inflation	577	1% superannuation adjustment - £94k Staff Increments - £104k Non pay Inflation - £379k
Pay Inflation Contingency	331	The Council has retained its pay assumption of 2% for 16/17 and beyond and has set aside a provision for the interim cost reduction programme (see 3.5.4 to 3.5.12)
Contract Inflation Contingency	150	The Council has built in additional provision for contract inflation (see 3.5.13)
Adult Social Care Contingency	200	To cover demographic growth and any extra activity emanating from changes in healthcare system (see 2.4.17)
<b>2016/17 budget</b>	<b>33,773</b>	

3.1.5 The 16/17 budget is just 0.78% higher than on 15/16 (33,509k). The Council's 16/17 budget has had to absorb a number of additional pressures most of which are uncontrollable:

- 174k – single state pension (extra NI costs);
- 379k – non pay inflation;
- 94k – 1% superannuation adjustment;
- 200k – staff increments and regrades (not senior management related) and pension adjustment e.g. a new person in post joining pension scheme when outgoing person was not in it;
- 150k – extra contract inflation contingency; and
- 331k – pay inflation contingency – assumes 2% pay award and a provision for the interim cost reduction programme.

### 3.2 The budget process – how has the revenue budget been developed?

3.2.1 The starting point is the Q1 approved Budget 2015/16 which is updated for any approved changes and adjustments as reported at Q1 financial monitoring. Minor adjustments are made to individual budgets as part of the

normal annual budget process. These include changes to:

- employee costs to align budgets to known pay rates of staff in post and corresponding employer National Insurance and Superannuation contributions. The employee budgets have also been adjusted to take into account the increase in National Insurance contributions due to the introduction of the single tier state pension (see 3.5.14) and Superannuation budgets have been adjusted to reflect the impact of auto enrolment for new starters (especially where the staff leaver was not in the pension scheme). Salary costs on vacant posts have also been moved to the top of the scale;
- external funding streams resulting in adjustments to service spending levels;
- reflect use of reserves and external contributions which have been set aside for specific services;
- remove one-off budgets from 2015/16 and to reflect decisions made since the last budget setting relating to virements and budget additions;
- provide for inflation (the percentage applied depends on the type of budget);
- encompass agreed savings – details are provided in Appendix 6;
- meet service specific pressures – details are provided in Appendix 7;
- rebase budgets in line with new functional budget reporting – the functional budgets now help the Council have a better understanding of the services being provided and what is being spent on those services but the new approach also highlighted variances not previously seen as budgets are presented differently. For 16/17 budgets have been rebased. The rebasing has a ‘nil’ impact and should not be read as the Council disinvesting/investing in certain services.

3.2.2 There are a number of budgets where expenditure is likely to be incurred where the current budget is set as ‘nil’. The reason for this is that the amount to be spent in 2016/17 will be determined by the budget unspent in 2015/16. For example, if the Digital Rutland budget of £200k is underspent by £50k, then this amount (£50k) will be carried forward and become the new budget for 2016/17. The budgets in this category include:

- Travel for Rutland;
- Tourism; and
- Planning Delivery Grant.

### **3.3 Priorities – how does the budget support the Council’s priorities?**

3.3.1 The Council continues to focus on delivering and maintaining core services during difficult financial times whilst investing in economic growth, infrastructure and those services which support those who are vulnerable/in greatest need. Examples include:

- the continued support of the Local Council tax support scheme, the Discretionary Fund and Crisis Loans (for which Government funding has been subsumed within RSG) recognises the need to support those in greatest financial need despite reductions in government grant funding. The Council has resisted reducing the support offered to those with financial hardship recognising the wider changes taking place in the Welfare system;
- the continuation of Better Care Fund schemes in the budget in 2016/17 demonstrate the Council’s commitment to putting residents first through integrating services with health ignoring organisational boundaries. Whilst still early, the BCF schemes are working well with the number of admissions to residential care below target, the number of people still at home 91 days after receiving reablement services increasing and an overall reduction in non elective admissions to hospital;
- the proposed work programme (and savings that have been delivered to date) from the PeopleFirst review demonstrate support for the delivery of the MTFP alongside a commitment to re-engineer service provision and refocus service focus to those in greatest need;
- Oakham Enterprise Park (OEP) has over 98% of units let (in sq ft terms) and is now supporting the Councils budget whilst delivering diverse economic benefits to the people of Rutland. In 16/17 OEP makes a contribution of £171k to support the rest of the Council’s spending;
- development of our infrastructure through the ‘Digital Rutland’ project which is rolling out superfast fibre broadband across businesses and local communities. The Council has achieved c86% connectivity and is working with its partner on how to deliver the remainder.
- the Council invested £50k in school improvement last year which continues into 16/17. Analysis of school performance indicated that a sustained focus needs to be placed on improving attainment mainly at Key Stage 2 but also at Key Stage 4 to bring the county performance in line with regional and national performance, but also in terms of specific curricular developments such as primary mathematics, school leadership development including governance and continued work on safeguarding and child protection. Work undertaken in 15/16 continues this year.

### 3.4 Savings – what new savings are being proposed?

3.4.1 The 2016/17 budget includes:

- savings built into service budgets pre 16/17 budget process £384k; People First savings of £354k and new savings put forward £284k (see Appendix 6).
- a further savings target of £234k for PeopleFirst which was explained in 2.4.13.

3.4.2 It is considered that savings proposals do not have any significant adverse impact on Front Line services and in all cases an Equalities Impact Assessment has been considered.

### 3.5 Pressures – what service issues or factors are causing pressures?

3.5.1 There are various pressures reflected in the 2016/17 budget and beyond:

- Service pressures – para 3.5.2 - £502k of which £270k are one-off pressures funded from earmarked reserves;
- Pay inflation – para 3.5.4 to 3.5.12 - £331k
- Contract inflation contingency – para 3.13 - £150k
- Changes to National Insurance contributions – para 3.14 to 3.15 - £174k
- Adult Social care contingency – para 2.4.12 - £200k.

3.5.2 **Service pressures** may arise from increased demand from service users, legislative changes that place additional duties or responsibilities on the Council or from policy changes. The Council aims to contain service pressures within existing budgets where possible. In section 2, some of the areas where there are risks were discussed. Budgets have not been increased for 2016/17 for these pressures.

3.5.3 Pressures of £502k have been built into service budgets. These include pressures already built into the MTFP pre the 16/17 budget process (£339k); service pressures identified of £113k; one-off pressures funded from earmarked reserves of £270k; less pressures built into the budgets pre 2016/17 that are no longer required (£219k). Details are shown in Appendix 7.

3.5.4 The Council also includes **pay inflation** contingency in the budget on the assumption that pay increases by 2% per annum. The Council is subject to a national pay agreement but historically this contingency has been sufficient to meet costs.

3.5.5 In 2016/17, the pay contingency budget includes a provision for an interim cost reduction programme. Members are aware from our Quarterly Monitoring reports that throughout 2015/16 directorate budgets have come under pressure from the additional costs relating to the use of interim and agency staff. This is particularly the case within the People Directorate. This is not a local issue. The recruitment and retention of staff in key roles for both Adults and Children’s services has over the past 2/3 years become more and more challenging. Demand outstrips supply creating salary pressures and increasingly in order to attract good quality candidates for key roles the Council has been forced to pay market supplements.

3.5.6 The additional cost to the Council along is c£350k and shown in the table below:

	<b>Salary savings</b>	<b>Interim/agency costs</b>
Resources	437,976	336,534
Places	275,797	164,036
People	1,364,875	1,921,776
	<b>2,078,648</b>	<b>2,422,347</b>

3.5.7 The excess cost over budget has been largely covered in year by holding other posts vacant, using one off (fortuitous) sources of funding or through budget top ups. For example, in the case for the some senior management posts included within the overall costs, they were funded by a budget top up of £250k plus one senior post being held giving extra savings of £50k. These budget top ups have been removed for 2016/17 and the vacant post removed from the structure.

3.5.8 Clearly this position is not sustainable for a number of reasons:

- a) Uncertainty relating to management and service delivery is crucial in all areas to build knowledge and confidence. This is challenging where there is a high turnover of staff in key roles and stability cannot be assured when using Interims and Agency staff. Quite simply we need to be able to recruit permanent high quality staff;
- b) The temporary funding mechanism is far from ideal. Vacant posts will all be reviewed and if no longer required they will be deleted longer term. We cannot rely on one off funds to support staffing costs within the base budget;
- c) The payment of market supplements creates a situation where the Senior Managers Pay structure is out of alignment with pay differentials impacted; and

- d) The costs associated with failed recruitment exercises are significant in themselves. Some vacancies have been advertised up to 4 times each failing to attract suitable candidates.
- 3.5.9 In order to facilitate a Senior Management pay structure that addresses the issues highlighted above the Chief Executive commissioned a Job Evaluation exercise to review and recommend a pay structure that reflects the current market pressures. The Exempt Appendix (see Appendix 8) provides a comparison of the current and proposed salary ranges for all posts covered by the exercise and the projected costs associated with the proposed salary bands and the impact on our MTFP.
- 3.5.10 It is proposed that the new salary bandings are effective from 1st April 2016. In relation to the People Directorate it is also proposed that a vacancy target of £50k is included within the 2016/17 budget to allow the Director to review posts that have been held vacant funding the additional costs of Interims. A further Corporate Vacancy target of £25k will be managed in the same way by the Chief Executive across Places and Resources Directorates.
- 3.5.11 The MTFP has been adjusted for the impact of the revised pay structure. This is estimated at £80k for 2016/17 rising to £157k in 2019/20 on the assumption that there is an annual 2% pay increase which is unlikely.
- 3.5.12 The amended pay and grading structure will represent a change of terms and conditions to those staff within scope – however, no employee will suffer a detriment as a result of this process. The Council is therefore required to undertake consultation with Unison and the individuals affected in order to achieve an acceptance to a variation of contract. Preliminary discussions have taken place and will be formalised following approval of this paper.
- 3.5.13 The budget also includes £150k to cover **contract inflation** contingency. This represents an amount set aside to cover above inflation rises should they materialise on key contract, supplies etc. It is important to note that inflation is not included automatically on all items so this contingency provides some cover in the event of pressures from suppliers passing on the cost of the living wage, pension changes etc.
- 3.5.14 State pension contracted out arrangements will end from April 2016. What this means for individuals is that currently employees who are paying into a contracted out occupational pension scheme do not receive the state second Pension and pay a lower rate of **National Insurance Contributions (NICs)**, along with their employers. With the end of this practice and the introduction of the single tier state pension, Local Government Pension Scheme (LGPS) employers and their pension scheme members will see their NICs go up in April 2016, whilst their occupational pension contributions will remain the same.
- 3.5.15 The Council will in effect lose a 3.4% rebate which is calculated on the eligible salary costs. The total cost to the Council in 2016/17 is £174k.



### 3.6 Earmarked Reserves – how will they be used?

3.6.1 Earmarked reserves are used as a means of building up funds to meet known or predicted liabilities. Their establishment and use is subject to Council approval and movements are reported as part of the quarterly financial monitoring reports.

3.6.2 The balances held in Earmarked Reserves at 1<sup>st</sup> April 2015 and estimated balances as at March 2016 (as estimated at Q2) are shown below and total c£2.8m (ring fenced balances such as Public Health and s106 are excluded because the Council cannot choose to change the intended use of such reserves).

3.6.3 The table below shows whether reserves are still required and whether there are spending plans in place for 2016/17 and beyond.

	<b>Balance at 01 April 2015</b>	<b>Balance at 31 March 2016</b>	<b>Required?</b>	<b>To be used in 2016/17 and beyond?</b>
<b>Reserve (ceiling)</b>	<b>£000</b>	<b>£000</b>		
<b>Invest to Save (£500k)</b>	357	417	Yes	Yes
Invest to Save Reserve is used to fund investment projects, costs of restructuring and other one-off projects that will yield economic or efficiency gains in future years. It has been used and will continue to be used.				
<b>Planning Delivery Grant (current balance)</b>	74	39	Yes	Yes
Reserve held to support continued development of Local Planning Framework				
<b>Internal Audit (unlimited)</b>	5	5	Yes	Yes
Reserve held to support shared Welland Internal Audit service. It can be used to support additional support costs if needed.				
<b>Welfare Reserve (£150k)</b>	130	143	Yes	Yes
The Welfare Reserve combines the under spend on the Discretionary Fund, Crisis Loans and unused grant given by Government to fund welfare reform administration. Funds can also be used to support any changes to Local Council Tax support in the future.				
<b>Training (£80k)</b>	80	80	Yes	Yes
Created from underspends on the training budget and investment in a leadership				

	<b>Balance at 01 April 2015</b>	<b>Balance at 31 March 2016</b>	<b>Required?</b>	<b>To be used in 2016/17 and beyond?</b>
programme for senior managers and customer service is a priority for 2016/17.				
<b>Highways (£300k)</b>	297	254	Yes	Yes
The Highways reserve combines external funding received from Government for Sustainable Drainage Schemes (which is partly on hold); S38 Income being matched to expenditure over the next few years; and the Winter Maintenance reserve to be utilised as necessary to cover periods of extreme weather conditions.				
<b>NNDR (unlimited)</b>	287	0	Maybe	Maybe
The Council is allowed to retain a proportion of NNDR income based on the amount it might collect in any given year with the remainder paid to Government. Any amounts in this reserve reflect receipts received in excess of the agreed amount and must be paid over to Government.				
<b>Tourism (limited to available funding)</b>	68	52	Yes	Yes
Continued funding of tourism initiatives from Anglian Water funding.				
<b>Adoption Reform Grant (£57k)</b>	57	57	Yes	Yes
The Adoption Reform Grant has been given to local authorities to: a) introduce structural reform of adopter recruitment to increase the supply of adopters; and, b) reduce the backlog of children waiting for adoption, particularly by developing innovative ways of finding adoptive families for children who traditionally wait longer than average to be adopted.				
<b>SEN Grant (£grant received)</b>	170	107	Yes	Yes
The SEN reform Grant is required to complete the transfer of Statements of SEN to Education, Health & Care Plans (EHCP) as defined by the Children & Families Act 2014.				
<b>Travel4Rutland (current balance)</b>	50	50	Yes	Yes
This is the revenue generated by the ShoreLink and WorkLink services during the				

	<b>Balance at 01 April 2015</b>	<b>Balance at 31 March 2016</b>	<b>Required?</b>	<b>To be used in 2016/17 and beyond?</b>
first 18 months of operations.				
<b>SEND Grant (current balance)</b>	104	104	Yes	Yes
This is an additional grant covering the same as SEN Reform Grant for disabled children.				
<b>Insurance and Legal (£200k)</b>	100	100	Yes	Yes
A new reserve set up to meet any additional costs from claims, appeals or other legal claims. Legal costs associated with the Oakham North Development will be funded from this reserve.				
<b>Digital Rutland (£current balance)</b>	292	339	Yes	Yes
As agreed by Cabinet, amount set aside for completion of Digital Rutland works, a substantial amount is to be used in 16/17.				
<b>Social Care (£750k)</b>	999	462	Yes	Yes
The remit of this reserve is to provide additional funds as and when required for care packages and other exceptional costs arising from the Council's safeguarding and care work. There are risks on the horizon arising from changes in the health sector, the Care Act and demographic pressures. It will be used in 16/17 to fund external support to help try and reduce placement costs.				
<b>Other Reserves</b>	450	206	No	No
'Other' Reserves includes those set up for Budget Carry Forwards which have now been used or are no longer required. The residual amount will be transferred to General Fund Reserves.				
<b>Earmarked reserves total sub total</b>	<b>3,520</b>	<b>2,415</b>		
<b>Public Health (unlimited)</b>	559	359	Yes	Yes
Ring fenced reserve which must be spent on public health objectives				
<b>Total</b>	<b>4,079</b>	<b>2,774</b>		

3.6.4 The MTFP currently shows transfers from reserves of £543k for 2016/17 which consist of:

- £60k from the Adult Social Care Reserve to fund external support to help reduce placement costs;
- £210k use of Public Health Reserve to fund Oral Hygiene programme and support the People First programme;
- £180k use of Digital Rutland Reserve to fund Capital expenditure;
- £20k use of s38 Highways income as part of 5 year funding programme;
- £25k from SEN reform grant reserve to continue to fund fixed term post as approved in 2015/16;
- £14k use of tourism reserve;
- £25k use of welfare reserve fund for continued to support to those in financial crisis;
- £9k from the Adult Social Care reserve to fund ongoing maintenance of web based system as approved in 2015/16

3.6.5 A further £36k will be used from Commuted Sum reserves to fund revenue expenditure.

## 4 CAPITAL PROGRAMME

### 4.1 Overall Programme – what does the overall programme look like?

4.1.1 The Capital Programme is developed around specific projects. The programme 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;
- New projects to be approved; and
- Funding set aside for specific areas/projects – in these areas detailed plans will be brought forward in due course.

4.1.2 The table below is an update of that reported in Report 206/2015 Q2 finance report where details of all schemes can be found. Further detail can be seen in Appendix 10.

Portfolio	Project Budget £000	Project Forecast £000	Spend to Date £000	Budget 2015/16 £000	Budget 2016/17 £000	Budget 17/18 to 20/11 £000
<b>Approved Projects</b>						
People	1,841	1,830	653	929	205	704
Places	16,365	16,371	9,018	7,418	1,564	0
Resources	0	0	0	0	0	0
<b>Total Approved</b>	<b>18,206</b>	<b>18,201</b>	<b>9,671</b>	<b>8,347</b>	<b>1,769</b>	<b>704</b>
<b>Uncommitted Projects</b>						
People	4,851	4,851	0	0	3,491	1,360
Places	11,213	11,213	0	0	2,707	8,133
Resources	0	0	0	0	0	0
Other	3,370	3,370	0	0	3,370	1,653
<b>Total Uncommitted</b>	<b>19,434</b>	<b>19,434</b>	<b>0</b>	<b>0</b>	<b>9,568</b>	<b>11,146</b>
<b>Total Capital Programme</b>	<b>37,640</b>	<b>37,635</b>	<b>9,671</b>	<b>8,347</b>	<b>11,337</b>	<b>11,850</b>
				<b>Budget 2015/16 £000</b>	<b>Budget 2016/17 £000</b>	<b>Budget 17/18 to 20/11 £000</b>
<b>Financed By</b>						
Grant Funding				(6,732)	(6,525)	(10,081)
Section 106				(681)	(1,477)	(116)
Prudential Borrowing				(257)	(1,204)	0
Usable Capital Receipts Reserve				0	0	0
Revenue Contribution to Capital Outlay (RCCO)				(521)	(180)	0
Oakham North Agreement				(156)	(1,951)	(1,653)
<b>Total Financing</b>				<b>(8,347)</b>	<b>(11,337)</b>	<b>(11,850)</b>

## **4.2 Changes – what approved projects continue or stop in 2016/17?**

4.2.1 A number of 2015/16 capital programmes are expected to complete by 31<sup>st</sup> March 2016. It is likely that the following projects will be completing in 2015/16 and therefore not request a carry forward into 2016/17.

- Autism Innovation – Rutland County Council received funding of £18.5k to improve local autism services and increase awareness within Rutland in March 2015. This project has already completed with works undertaken at Libraries, Museum and Rutland Adult Learning Service (Oakham Enterprise Park).
- Special Guardianship Order – The capital project was a contribution to a house extension for special guardianship carers. The three children had been discharged from the care of Rutland County Council. The work to the extension is expected to complete by March 2016.
- Oakham Enterprise Park – Phase 1 of the Oakham Enterprise Park was completed mid 2015/16. Further capital funding may be requested to develop the site further in due course.
- Active Rutland Hub – The final grant claim was submitted to Sports England in May 2015, a retention of £7.5k will be received within 12 months of the completion date (May 2016).
- Rutland Museum – The capital project was to install a new boiler at the museum which was completed in November 2015.
- Replacement CCTV – the replacement of the CCTV system with new high definition units in Oakham and Uppingham town centres is expected to be completed by March 2016.

4.2.2 Some of the capital projects will span across more than one financial year. Any projects already approved which are not yet completed will continue into 16/17. The estimated spend in 16/17 will depend primarily on the outturn (the amount spent) for 15/16. The following capital projects are expected to request a carry forward budget to 2016/17 or use allocations received in 2016/17.

- Disabled Facilities Grant – The funding is to help disabled residents remain in their home by providing equipment and adaptations based on individual needs. The process can often take many months to complete.
- Adult Social Care System Replacement – The replacement of the social care case management system for adults is expected to be completed early 2016/17.
- Capital Allocation Project Board (CAPB) – Report numbers 82/2015 and 81/2015 have been approved by Cabinet covering a number of schemes on schools within the County. Some of the projects have

been delayed and it is expected that a carry forward will be required for the completion of the schemes.

- Highways Maintenance – The programme of works for 2015/16 (Report 154/2015) is primarily for improvements, such as new roads, or redesign such as additional lanes, new traffic information and control systems or structural renewal. The 2015/16 capital programme was not approved until October 2015 and therefore a carry forward is likely to be requested.
- Sports Grant - Bids for the Section 106 sport, leisure and recreation funding can be made for capital spend of open space for play, pitches, sports buildings, village/community halls, scout huts, art facilities etc. The capital programme has been allocated a maximum of £500k for the project. Any under spends could be carried forward into future years.
- Oakham Castle Restoration – The restoration for Oakham Castle is expected to be completed by April 2016. The Oakham Castle restoration is predominantly funded by Heritage Lottery with the remainder funded by revenue contributions and Section 106.

#### **4.3 Funding set aside – what funding is set aside for future projects?**

4.3.1 The Council holds funding pending further reports to Cabinet / Council to get formal approval for the use of these funds including:

- Education Grants - Already holding (£1.927m) - This grant is being held to fund any projects coming forward to deal with the increase in demand for school places. Further expected grant funding is £1.273m for 16/17 and £1.360m for 17/18.
- Highway Grants - Already holding (£501k) - This grant is being held to fund future highways projects. Further expected grant funding is £2.206m for 16/17, £2.154m for 17/18 and £1.993m 18/19 – 20/21. The figures are indicative figures issued in 2015/16.

#### **4.4 Funding Available – what other funding is held and available for use?**

- Adult Social Care Grants (£291k);
- S106 – (£1.419m) representing the current holding balance. Projects will be developed to deal with infrastructure demands from new/existing developments.

Oakham North Agreement - £1.951m representing the current holding balance and £1.654m due to be received over the next 3 years. The Council has some flexibility on how this funding is used to support the development.

#### **4.5 New projects – what new projects are being submitted for approval?**

- 4.5.1 Any new projects or schemes are approved by Cabinet or Council depending on the size of the project. Approval is required for the new 2016/17 capital programme for the procurement and installation of solar photovoltaic panels at Oakham Enterprise Park (£100k). The objective of the project is to generate both financial and energy savings by driving down the cost of electricity consumed on site. Further details for this project can be found in Appendix 11.



## **5 TREASURY MANAGEMENT**

### **5.1 Prudential indicators – what prudential indicators will we adhere to?**

- 5.1.1 Local authority capital expenditure is based on a system of self-regulation, based upon a code of practice (the “prudential code”).
- 5.1.2 Council complies with the code of practice, which requires us to agree a set of indicators to demonstrate that any borrowing is affordable, sustainable and prudent. To comply with the code, the Council must approve the indicators at the same time as it agrees the budget. The indicators including the limit on total borrowing (currently set at £28m) are approved through the Treasury Management Strategy, taken separately to this report.

### **5.2 MRP – How will we calculate the Minimum Revenue Provision?**

- 5.2.1 By law, the Council is required to charge to its budget each year an amount for the repayment of debt. This is known as “minimum revenue provision” (MRP). The purpose of this section of the report is to propose a policy in respect of calculating MRP.
- 5.2.2 CLG Guidance issued requires full Council to approve an MRP Statement in advance of each year. Council will be asked to approve the MRP Statement as part of the Treasury Management Strategy.

## **6 SCHOOL FUNDING**

### **6.1 Overview – How are schools funded?**

6.1.1 Schools are funded from ring fenced grants, the most notable of which is the Dedicated Schools Grant (DSG). This funding cannot be used for any other Council function, and essentially schools operate within their own fund with any under or over expenditures being taken forward into future years. DSG can be divided into three main areas:

- Schools block - approximately £22.0m for Rutland County Council which essentially funds schools' budgets. This includes approximately £18.8m for academies which is determined by the local Schools Forum and Council but paid to the Education Funding Agency (EFA).
- High Needs block - approximately £4m which primarily supports Special Educational Needs expenditure including maintained special schools.
- Early Years block - approximately £1.4m, which funds educational provision for 2 to 4 year olds in both Local Education Authority (LEA) Schools and Private, Voluntary and Independent (PVI) settings.

6.1.2 Locally, the Schools Forum, which comprises of representatives from Early Years Settings, Primary, Secondary and Special Schools, will make recommendations to the Council on how much funding should be allocated to the three blocks and also the formula that should be used to distribute monies to individual schools and Early Years Settings.

6.1.3 Schools are protected by a nationally set Minimum Funding Guarantee (MFG). This is set at -1.5% per pupil for 2016/17. This means that a school's budget cannot fall by more than 1.5% per pupil from the previous year, regardless of any formula changes that are made.

6.1.4 Schools have reserves they can call on, and the Council will work closely with any maintained school that is experiencing financial difficulty to draw up a recovery plan. Short term loans are available based upon a balanced recovery plan.

6.1.5 The Government has announced that the future of schools funding is set to change. The Government will introduce a national funding formula for schools, high needs and early years. The new formulae will be implemented from 2017/18 and is expected to be fairer so that pupils with similar needs will receive the same funding irrespective of where they live.

6.1.6 At the same time, the Government will be reviewing the statutory responsibilities of local authorities as part of its next step of ending local authorities' role in running schools and all schools becoming an academy. To this end, the Education Services grant which contributes towards funding the Council' statutory responsibility is also reducing.

6.1.7 The Council's priority for 16/17 is therefore to continue to embed the work it is doing on school improvement and to respond to the school funding consultation taking the opportunity to influence how the future arrangements might look.

## **6.2 Allocations – What funding is received and how is it allocated?**

### ***DSG***

6.2.1 The DSG is apportioned between authorities largely based on pupil numbers and a set fee per pupil which was adjusted last year to take into account the fact that some authorities have in the past been unfairly funded, of which Rutland was one of them. The Department for Education (DfE) have published the final grant allocations for 2016/17 based on the schools census data for October 2015. The allocations for the Schools and Early Years blocks have remained at the same per pupil funding level as for 2015/16 with only the number of pupils recorded on the census impacting on the funding.

6.2.2 For Early Years, the pupil numbers have remained static and therefore the funding has remained at £1.4m. Schools Forum has agreed to fund from the Schools Block and increase in hourly rate for the Early Years settings from £4.20 per hour to £4.60 per hour. This will require a transfer of funding amounting to £117k from the schools block.

6.2.3 For the Schools block, the pupil numbers have increased by 84 pupils since the previous October census and this has led to an increase in total block allocation to £22.4m. After the transfer of funding to the Early Years Block, it will leave £22.3m to be allocated to the schools via the updated funding formula.

### ***Pupil Premium Grant (PPG)***

6.2.4 The DfE have announced that the level of Pupil Premiums for 2016/17 will remain the same as for 2015/16, as follows:

- Primary disadvantaged pupil Premium is £1,320 per pupil;
- Secondary disadvantaged pupil premium is £935 per pupil;
- Looked after children pupil premium is £1,900 per pupil;
- children no longer looked after due to adoption, special guardianship order etc is £1,900 per pupil; and
- Service children pupil premium is £300 per pupil.

### ***Universal Infant Free School Meals (UIFSM)***

6.2.5 From September 2014 every infant (key stage1) pupil is entitled to a free school meal. This is funded by an additional specific grant amounting to £2.30 per pupil. The funding for 2016/17 is yet to be announced.

## **7 CONSULTATION**

### **7.1 Consultation – how will we consult and when?**

7.1.1 The Council has a statutory duty to consult on its budget proposals with representatives of non-domestic ratepayers and local persons.

7.1.2 It is proposed that consultation for 16/17 includes:

- consideration by each of the Scrutiny Panels at special meetings in January 2016;
- a meeting with representatives of the local business community in February 2016;
- a presentation of the budget to the Parish Council Forum on 28<sup>th</sup> January 2016; and
- consultation online, static displays at libraries and publicity through the local print and broadcast media.

7.1.3 As part of consultation and in order to support the Council's corporate savings work, Cabinet is seeking to agree with Scrutiny Panels any areas where they may wish to take a 'deep dive' into particular budgets.

7.1.4 The outcome of the consultation will be reported to Cabinet on 9th February 2016 or Council on 22nd February depending on the timing of events to enable it to consider the views expressed when making its recommendation to Council on the budget.

### **7.2 Consultation – what key questions will we ask?**

7.2.1 In order to encourage a high level of response to the consultation it is suggested that one open question below is asked giving the opportunity for respondents to add their own views on any issues of particular interest to them.

Have you any comments or suggestions about the Council's draft budget proposals?
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## 8 STATUTORY AND CONSTITUTIONAL REQUIREMENTS

### 8.1 Constitutional and statutory requirements – will we meet them?

8.1.1 In setting a budget and level of council tax, the Council has to meet a number of statutory requirements and also ensure compliance with its constitution. The table below sets out how the Council intends to meet those requirements.

<b>Requirement</b>	<b>Status</b>
<i>Statutory requirements under Local Government Finance Act 1992:</i>	
To levy and collect council tax	To be reported to Council 22/02/2016
To calculate budget requirements and levels of council tax	To be reported to Council 22/02/2016
To consult representatives of persons subject to non-domestic rates about proposals for expenditure	Discussed in Section 7 of this paper.
To approve the budget and set Council Tax by 11th March in each year	To be approved at Council 22/02/2016
<i>Statutory requirements under Local</i>	
Under section 25 of the Local Government Act 2003 the Section 151 Officer is required to report to the Council on the robustness of the estimates made for the purpose of setting the Council Tax and the adequacy of the proposed financial reserves.	Within this report
<i>Statutory requirements under Local Government Act 1999:</i>	
To consider, as a matter of course, the possibilities for provision of information to, consultation with and involvement of representatives of local persons across all authority functions.	Discussed in Section 7 of this paper

Requirement	Status
<i>Requirements under constitution:</i>	
Cabinet to recommend the budget to the Council	Draft to Cabinet will be presented 9/02/2016
Council to approve the budget and set Council Tax	To be approved at Council 22/02/2016
The Chief Finance Officer shall report to Cabinet for consideration not later than 31st December in each year on draft budgets for the following financial year to be subject to consultation	The draft budget has been pushed back to January 2016 with the agreement of Cabinet as the local government settlement was not received until 17 <sup>th</sup> December leaving no time for that to be processed and the draft budget produced and presented pre the end of December.
After the completion of the consultation period the Chief Finance Officer shall report for consideration by Cabinet not later than 28th February in each year on draft budgets for approval by the Council.	To be approved at Council 22/02/2016

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available on request**



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