

CABINET

10 January 2017

REVENUE AND CAPITAL BUDGET 2017/18 AND MEDIUM TERM FINANCIAL PLAN

Report of the Director for Resources

Strategic Aim:	All	
Key Decision: Yes	Forward Plan Reference: FP/260816/01	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T C King, Leader and Portfolio Holder for Corporate Finance	
Contact Officer(s):	Saverio Della Rocca, Assistant Director (Finance)	01572 758159 sdrocca@rutland.gov.uk
	Debbie Mogg, Director for Resources	01572 758358 dmogg@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That Cabinet:

1) approves for consultation:

- The General Fund Budget for 2017/18 detailed in Appendix 1, section 3
- The savings proposals set out in Appendix 6
- The service pressures contained within Appendix 7
- The indicative Directorate budgets per Appendices 3 - 5
- That Council tax for 2017/18 is increased by 3.99% including a 2% social care precept
- The capital programme as detailed in Section 4 of Appendix 1

2) notes:

- The Medium Term Financial Plan at Appendix 2 and underlying assumptions
- That the funding position may change when the NNDR (business rates) tax base and local government finance settlement are finalised
- That in the final budget report, a recommendation will be made asking that the Director for Resources is given delegated authority to spend £150k on IT capital expenditure (para 4.4.2, Appendix 1)
- That additional revenue or capital expenditure may be incurred in 2017/18

funded through 2016/17 budget under spends to be carried forward via earmarked reserves. The use of reserves for budget carry forwards is not currently shown in the budget but will have no impact on the General Fund

- The estimated surplus of £196,000 on the Collection Fund as at 31 March 2017 (2.6 of Appendix 1) of which £170,000 is the Rutland share
- That in the 16/17 outturn report (Q4), a recommendation will be made to transfer a £1m of General Fund balances to earmarked reserves in line with paras 2.7.6 of Appendix 1.
- That Council will be approving the Treasury Management Strategy separately and that any implications arising from it are already covered in the draft budget.

1 PURPOSE OF THE REPORT

- 1.1 The Council is required to set a balanced budget and agree the level of Council tax for 2017/18. This report presents a draft budget for consultation prior to the budget being formally set in February 2017.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The budget for 2017/18 is set within the context of the Governments 4-year settlement offer made in November 2015 and accepted in September 2016.
- 2.2 The Autumn Statement and 17/18 Local Government Finance Settlement resulted in little new funding for the Council. The Council did receive a new adult social care grant of £136k but this was outweighed by changes to the New Homes Bonus scheme which results in estimated losses of £716k up to 20/21.
- 2.3 The reduction in New Homes Bonus funding was to some extent already anticipated as the Council's MTFP assumed a loss of £1.6m (up until 20/21) with the reduction of six year payments (of £1,540 per Band D equivalent) to four year payments. However, the introduction of a 0.4% baseline (c65 properties) below which no funding is received creates further losses of £716k as noted above.
- 2.4 The lack of new funding in the Finance Settlement coupled with the freedom Councils were given to bring forward council tax rises (for adult social care purposes) reiterates the Government's stance on local authorities needing to generate their own funding. However, it should be noted that the settlement is in draft and in 16/17 more funding was made available in the final settlement following intensive lobbying from the LGA and Rural Services Network.
- 2.5 One of the Council's aims in setting the budget is to deliver services within its MTFP. In this regard, there are two key principles that the Council must achieve over the medium term:
- First, the Council must not spend more than the resources it has available – it must set a balanced budget and one that does not rely on the ongoing use of reserves;
 - Second, the Council must ensure that its level of General Fund balances remains above the minimum level of £2m as advised by the Council's Chief Finance Officer (para 2.5 of Appendix 1 refers).

2.6 In the medium term, the MTFP shows the challenge facing this Council – namely that assuming the Council raises Council tax by 3.99% each year (including levying the additional 2% social care precept) it will still have to reduce net expenditure by c£2m to ensure that it is spending within its available funding. The earlier the Council takes action then the less severe it will need to be.

2.7 The draft revenue budget for 17/18 is therefore proposed in the acknowledgement that further reductions in net expenditure either through savings or income generation will be required in time without drastic action today.

2.8 The key points to note in the draft revenue budget are:

- The available funding resources to the Council is £33.615m compared to £34.121m last year with RSG reduced from £2.353m to £889k;
- Of the funding available, only £10.3m is from government funding (this includes business rates);
- The available funding of £33.6m assumes that Council increases council tax by 3.99% (including 2% for the social care precept);
- The Council is using £67k from its General Fund and £108k from earmarked reserves to balance its budget;
- The net cost of services is £33.962m, slightly lower than the 16/17 approved budget of £33.993m;
- The 17/18 budget includes a pay award of 1%;
- The 17/18 budget includes a contingency of £200k to meet in-year social care pressures if needed;
- Net capital financing costs are £1.903m;
- The budget includes £807k of new service pressures; and
- The budget includes £732k of new savings.

2.9 The capital programme for 17/18 comprises:

- 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 17/18;
- Funding set aside for specific areas/projects – in these areas detailed plans will be brought forward in due course.

3 CONSULTATION

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

4 ALTERNATIVE OPTIONS

4.1 There are three key areas where the Council has choices: revenue savings/pressures, the capital programme, funding decisions and reserve levels. These are considered separately.

4.2 Revenue savings/pressures

4.2.1 Option 1 - In terms of revenue savings/pressures Members could approve all savings/pressures for consultation – this is the recommended option. Where savings have been put forward Officers are of the view that these are achievable without impacting on front line services. The budget includes service pressures most of which arise from a need to respond to statutory requirements and/or unavoidable circumstances.

4.2.2 Option 2 - Members could reject all savings/pressures – this would mean that in those areas where savings have been put forward officers would revert back to original spending plans. In light of the future funding outlook this is not advisable. In terms of pressures, then where these are included to respond to statutory requirements, Officers would need to find alternative savings either before the budget was set or in-year; otherwise it is likely that the budget would be overspent. The rejection of all proposals is not recommended.

4.2.3 Option 3 – Members could approve savings/pressures with amendments. Members would need to be mindful of the financial implications of doing this on the overall financial position.

4.3 Capital programme

4.3.1 The capital programme for 17/18 includes projects already approved by Cabinet/Council.

4.3.2 Cabinet will be asked to delegate responsibility to officers in consultation with Portfolio Holders to work up the detail of projects and incur expenditure in relation to IT projects.

4.3.3 IT infrastructure spend can be incurred on a new system or upgrading existing equipment. Delegation will be requested for reasons of expediency and to avoid bringing back requests for small value projects. Members could choose not to approve this delegation and require full Cabinet approval.

4.4 Funding

4.4.1 The MTFP includes funding assumptions. The majority are based on the professional judgement of officers taking into consideration the settlement allocation and all other available information. The one key funding decision that Full Council has to make is around whether to increase Council tax.

4.4.2 This decision is fundamental to the amount of funding the Council will have available over the next five years given the cuts in Government funding. In making these decisions, Members need to be aware of the following issues:

- The Council accepted a 4 year funding offer in September 2016. This offer included a **significant reduction in Government funding** over the four year period.
- Government's funding allocations announced in 16/17 in the four year offer assume **Councils will raise council tax** – this assumption is not changed in the Finance Settlement – there is no new core funding for Council;
- **All decisions have a cumulative impact** – for example, the 'loss' of funding by retaining Council tax at its current level may be c£800k in 17/18 but over a 4 year period the loss is in excess of £3m (even if 3.99% increases are applied from 18/19 onwards); and
- **Making savings is unlikely to compensate for funding reductions** – the MTFP already assumes substantial savings have to be made over the life of the MTFP, over £2m by 19/20.

4.4.3 It is strongly recommended that the Council increases council tax by 3.99% (including the social care precept).

4.5 Reserve levels

4.5.1 The Councils Section 151 Officer (Assistant Director – Finance) is recommending that the minimum General Fund reserve level is maintained at £2m and that £1m of existing General Fund balances are transferred to earmarked reserves (para 2.7.6 of Appendix 1 explains in detail).

4.5.2 Many authorities keep a lower level of General Reserves and set funds aside in earmarked reserves. The rationale for this is that a high level of General Fund balances can give a distorted view of financial health. As authorities know that additional pressures or liabilities are inevitable creating earmarked reserves to cover these gives a better balanced view of the real level of General Fund balances.

4.5.3 It is therefore **proposed that the £1m transfer** includes a top up of £500k to the **social care reserve and that the ceiling is increased to £1m**. Other than a £200k contingency, the MTFP includes no additional contingency for increased demand for social care. Some Councils include an amount for unpredicted demand in spend forecasts. The Council is opposed to this approach as it can discourage budget managers from taking corrective action or looking at alternative means of living within the budget. However, it is very likely that additional demand will be experienced at some point over the medium term as evidenced by the pressures in this year's budget.

4.5.4 It is also proposed that £500k is put into a new **pressures reserve** (with a ceiling of £1m) to meet the costs of price pressures (as seen with recycling costs in 16/17); uncontrollable demand for services outside of social care; and other one-off costs. As officers submit pressures for consideration in the annual budget a contribution would be made from the earmarked reserve thereby reducing the impact on the General Fund. There is no allowance in the MTFP for pressures at present.

4.5.5 Council could choose not to implement these changes. Technically, the overall

position would not change but Members would need to bear in mind that all future non-social care pressures and any social care pressures above the existing reserve level would need to be funded from General Fund reserves.

5 FINANCIAL IMPLICATIONS

- 5.1 The draft budget as presented relies on a contribution of £67k from the General Fund. As set out above, this is affordable in 17/18 but in the medium term net expenditure needs to be reduced by c£2m.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Council is on course to agree its budget and set its Council Tax for 2017/18 within the timetable required by statute and the constitution.
- 6.2 Under section 25 of the Local Government Act 2003 the Section 151 Officer is required to report to the Council on the robustness of the estimates made for the purpose of setting the Council Tax and the adequacy of the proposed financial reserves. This report meets that requirement and comment is made in Appendix 1, Section 3.8.
- 6.3 The Council is also required by the Local Authorities (Funds)(England) Regulations 1992 in exercise of the powers under section 99(3) of the Local Government Finance Act 1988, to make an estimate on 15 January of the amount of the deficit or surplus on the Collection Fund as at 31st March 2016. This report sets out an indicative figure to be formally confirmed in the February budget.
- 6.4 A full list of legal and governance considerations and how the Council meets them is covered in Appendix 1, Section 8.

7 EQUALITY IMPACT ASSESSMENT (EIA)

- 7.1 In the exercise of its functions, the Council must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others.
- 7.2 The Council has completed EIA screening for all savings proposals and for the proposed tax increase (see Appendix 1, section 3.9). There are no proposals for decision on specific courses of action that could have an impact on different groups of people and therefore full EIAs are not required.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 10.1 The Council is required to set a balanced budget and agree the level of Council tax for 2017/18.

10.2 The draft budget for consultation is affordable within the context of the MTFP and will allow the Council to meet service aims and objectives for the coming year.

11 BACKGROUND PAPERS

11.1 There are no additional background papers to the report.

12 APPENDICES

Appendix 1	Budget Report 2016/17
Appendix 2	Medium Term Financial Plan and assumptions
Appendix 3.1	People Directorate – functional analysis
Appendix 3.2	People Directorate – subjective analysis
Appendix 4.1	Places Directorate – functional analysis
Appendix 4.2	Places Directorate – subjective analysis
Appendix 5.1	Resources Directorate – functional analysis
Appendix 5.2	Resources Directorate – subjective analysis
Appendix 6	Savings
Appendix 7	Pressures
Appendix 8	Education Services Funding
Appendix 9	Earmarked Reserves
Appendix 10	Capital programme

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