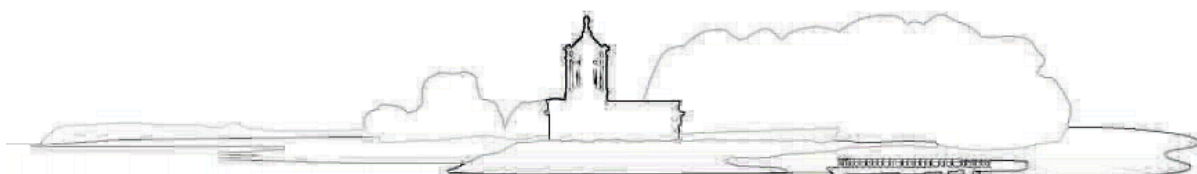




# Rutland County Council

## **The Budget 2018 - 19**



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# 1 EXECUTIVE SUMMARY

## 1.1 Overview from s151 Officer

1.1.1 In December 2015 the Government offered the Council a 4-year funding settlement which was accepted in September 2016. 18/19 is the third year of the four year settlement. Based on the November Budget and Local Government Finance Settlement, the Council has received some additional core funding beyond that expected (an increase in £324k for Rural Delivery grant and an adult social grant of £85k) but the overall loss in Government funding remains significant at just over £1.2m.

1.1.2 The medium term funding outlook therefore remains largely unchanged:

- Government funding will continue to reduce over the next few years. Whilst there is still uncertainty beyond 19/20, further cuts are likely despite calls for additional funding.
- Elected Members will be expected to raise revenue locally through council tax to make up some of the shortfall. This principle is exemplified by the Governments decision to allow Councils to increase basic council tax by 3% (up from 2%) from 18/19 to raise additional revenue.
- Whilst the Government is revamping the system for business rates and is reviewing the 'needs' formula and funding allocation method (Fair Funding Review), it is very unlikely that this Council will see any increase in funding in the medium term.
- The Council will have to become less reliant on Government funding and generate its own resources at the same time as having to reduce spending.
- The Council will continue to face demand and cost pressures – adult social care, children's service, welfare support and homelessness – based on recent history.

1.1.3 Based on the budget for 18/19 and other estimates, we assume that by 22/23 the funding gap will be £1.157m and the Councils reserves will be £4.29m compared to £8.8m today if no further action is taken.

1.1.4 Despite delivering nearly £1.3m in savings in 18/19, other pressures mean that the budget gap still exists. The Council's budget position for 18/19 (where there is a reliance on £80k from the General Fund to balance the budget) is manageable in the short term but not sustainable in the medium term which is why further action is underway.

1.1.5 The Council could, if necessary, reduce net costs in a short time scale to bring the MTFP back into balance by making cuts like many other Councils. The Council does not need to do this immediately because its level of

General Fund balances give it time to close the gap in a measured way that minimises the impact on front line services.

1.1.6 For the next few years therefore the Council's remit remains the same - work towards reducing its deficit position so that it can live within its means by:

- focusing on the growth agenda and the St Georges Barracks project which we believe could have a positive impact on our financial position;
- continuing to ensure that it focuses on achieving value for money/best value;
- continuing with its plans to identify and deliver savings;
- looking for opportunities to be more commercial and generate revenue income from investments; and
- embracing the flexibility given by the Government to raise council tax.

1.1.7 My summary of the position for the proposed 18/19 budget is as follows:

- The available funding resources to the Council are £34.541m (excluding reserves) compared to £34.364m last year. This assumes that Council increases council tax by 2.99% (plus an additional 2% for the social care precept) although this is still to be decided. The extra council tax yield is just over c£1.6m which compensates for the loss of Government funding but does not cover the cost of new pressures or inflation;
- Of the funding available, only £9.74m comes from Government compared to £10.95m in 17/18 and £12.1m in 16/17. This is a loss of £1.2m from 17/18 and £2.4m over two years;
- The net cost of services is £36.644m, which is higher than the 17/18 approved budget of £34.192m. After taking account of the increase in depreciation and 18/19 one off costs of £0.905m, then the comparable 18/19 budget is £35.655m – this represents a 4.52% increase over 17/18;
- The budget includes c£1m of new service pressures of which £522k relates to children's care services;
- The 18/19 budget includes pay and other inflation of £941k (including an assumed 2.64% pay award based on the latest offer made);
- The 18/19 budget includes a contingency of £185k to meet in-year adult social care pressures if needed;
- The budget includes savings of nearly £1.3m arising from policy and other changes made by Council (£806k of revenue savings alongside

capital financing savings of £237k and removal of council tax empty homes discounts £240k);

- The Council is using £80k from its General Fund to balance its budget and £562k from earmarked reserves; and
- The Council is spending £350k of ring fenced funding and £302k of grants/income previously received for specific purposes but not so far used to deliver service objectives.

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

### **2.1 Overview**

2.1.1 This section sets out the financial context for the 18/19 budget and in particular the financial position over the life of the MTFP taking into account:

- The finance settlement and available funding (2.2);
- Funding issues and risks beyond 18/19 (2.3);
- Indicative spending plans and risks (2.4);
- Council tax choices (2.5 including the Collection Fund– 2.6); and
- Level of General Fund reserves needed (2.7).

2.1.2 The Council has a rolling MTFP where all funding assumptions and spending plans are reviewed and updated.

### **2.2 The finance settlement - available funding and overall position for Rutland**

2.2.1 Almost no new funding from central government has been included in the settlement with the exception of additional Rural Delivery Grant and a small adult social care grant. Whilst there is an acknowledgement that there are pressures and funding challenges and reference to various ongoing reviews (Adult Social Care green paper, Fair funding review, Business Rates Retention) there is no promise of additional funding.

2.2.2 Using Government figures core spending power (available core funding) of local authorities in England is £44.9bn in 18/19 compared to £44.6bn in 15/16. In 18/19 60% comes from council tax compared to 49% in 15/16. The picture for Rutland is slightly better with core spending power at £31.6m in 18/19 compared to £30.1m in 15/16. In 18/19 80% of our spending power comes from Council tax. This figure is much higher than the national average of 60%.

2.2.3 The overall settlement for 18/19 has not changed the overall direction of travel with government funding reducing from the prior year with the expectation that Members will continue to raise council tax and levy the social care precept (discussed in more detail in 2.5). The figures for 20/21 onwards are speculative as the Government has only confirmed funding to 19/20. Table 1 shows the overall position.

**Table 1: Overall funding available**

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Core government funding (Table 2)	(1,906,180)	(848,500)	277,427	428,371	548,675	622,305
Other funding (Table 3)	(9,045,824)	(8,893,466)	(8,922,155)	(8,196,035)	(8,183,130)	(8,127,576)
<b>Total government funding</b>	<b>(10,952,004)</b>	<b>(9,741,966)</b>	<b>(8,644,728)</b>	<b>(7,767,664)</b>	<b>(7,634,455)</b>	<b>(7,505,271)</b>
Council tax (inc collection fund and social care precept)	(23,412,155)	(24,800,222)	(26,168,275)	(27,462,455)	(28,803,675)	(30,194,909)
<b>Total resources</b>	<b>(34,364,159)</b>	<b>(34,542,188)</b>	<b>(34,813,003)</b>	<b>(35,230,119)</b>	<b>(36,438,130)</b>	<b>(37,700,180)</b>
Use of Govt grant/Income received	(238,000)	(302,600)	(175,600)	(133,600)	(96,000)	(36,000)
Earmarked Reserves	(996,000)	(562,300)	(306,900)	(11,600)	(38,600)	(38,600)
Ringfenced Grants	73,000	(350,400)	(35,000)	0	0	0
<b>Use of reserves</b>	<b>(1,161,000)</b>	<b>(1,215,300)</b>	<b>(517,500)</b>	<b>(145,200)</b>	<b>(134,600)</b>	<b>(74,600)</b>

2.2.4 The local government finance settlement for 16/17 included a 4-year settlement offer to local councils (as set out in the table below) which the Council accepted. The settlement confirmed that the figures quoted in the 'offer' have not changed substantially (the offer was subject to an annual refresh in the event of exceptional circumstances) other than for some additional Rural Service Delivery grant and a small adult social care grant. The Government has not announced figures for beyond 19/20 but the Council has made its own assumptions based on advice from financial advisors Pixel. The view from Pixel is that lower Gross Domestic Product (GDP) growth will result in lower increases in public spending (1.5% rather than 2%) but it is likely that figures will not be published until the back end of 19/20.

**Table 2: Core government funding**

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
RSG	(888,716)	0	0	0	0	0
Transitional Grant	(336,573)	0	0	0	0	0
Rural Service Delivery Grants	(680,891)	(848,500)	(680,891)	(680,891)	(680,891)	(680,891)
Tariffs relating to Business Rates (extra payment to Government)	0	0	958,318	1,109,262	1,229,566	1,303,196
<b>Total core government funding</b>	<b>(1,906,180)</b>	<b>(848,500)</b>	<b>277,427</b>	<b>428,371</b>	<b>548,675</b>	<b>622,305</b>

2.2.5 In terms of core government funding, the Council therefore continues to receive less each year. In respect of other government/external funding, the Council's key income streams are set out below with some commentary below.

**Table 3: Other funding**

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Misc grants (2.2.6)	(467,328)	(392,992)	(329,482)	(110,128)	(110,128)	(110,128)
New Homes Bonus (2.2.7)	(1,214,332)	(1,231,222)	(1,238,830)	(992,226)	(893,108)	(752,996)
Better Care Fund (2.2.8)	(2,578,400)	(2,306,000)	(2,214,800)	(2,138,100)	(2,138,100)	(2,138,100)
Business rates (2.2.9)	(4,785,764)	(4,963,252)	(5,139,043)	(4,955,581)	(5,041,794)	(5,126,352)
<b>Total other gov funding</b>	<b>(9,045,824)</b>	<b>(8,893,466)</b>	<b>(8,922,155)</b>	<b>(8,196,035)</b>	<b>(8,183,130)</b>	<b>(8,127,576)</b>
Ring-fenced government funding (e.g. public health)	1,326,000	1,291,000	1,256,000	1,256,000	1,256,000	1,256,000



- 2.2.6 The Council receives few **grants** from Government departments. 2018/19 includes grants for Independent Living Fund £64k; Self Build and Custom Housebuilding £30k; Local Reform and Community Voices £21k; Extended Rights to Free School Travel £8k; Social Care in Prisons £74k; War Pensions Scheme Disregard £15k; Adult Social Care Grant £85k and £89k for business rates compensation (for the change from Retail Price Index to Consumer Price Index which reduces business rates collected).
- 2.2.7 In terms of **New Homes Bonus (NHB)** the MTFP assumes the following numbers of houses are built over the next 5 years and there are no further changes to the NHB scheme.

	2018/19	2019/20	2020/21	2021/22	2021/22
Builds expected	252	179	160	160	160

- 2.2.8 In 2017/18 the Government announced two year funding allocations and so the amount included for 18/19 is the second year of the **Improved Better Care Fund (iBCF)**.
- 2.2.9 Local government now ‘retains’ 50% of the **business rates** collected. In Rutland, 1% is paid to the Fire Authority, and 49% is retained by the Council. This is known as the “business rate retention scheme”. Of the 49% retained, the Council pays a tariff to the Government (valued at £1m).
- 2.2.10 Estimates of rates payable by businesses (and how much the Council will collect) have been estimated at £4.963m. This estimate has not changed following the completion of the rates forecast for 18/19 in the NNDR1 return. The estimates can be impacted by factors that reduce rates due (appeals, business failure, and greater discounts) or increase rates due (new business). For now the Council is not expecting significant growth.

### 2.3 **Beyond the 2018/19 settlement – funding issues are on the horizon and their potential impact**

- 2.3.1 The table below goes into detail about a range of announcements/ongoing matters that could directly or indirectly affect local government funding.

Issue	Impact
The Government announced its intention to introduce 75 per cent business rates retention for all in 2020/21. This will be through rolling in Revenue Support Grant, GLA Transport Grant, the Rural Services Delivery Grant and the Public Health Grant into business rates. The Government will also continue to work with the sector to improve the way the local	In theory, the intention to fund existing grants through business rates should be cost neutral but until the detail is seen this is uncertain.  The 3-year revaluation will benefit the Council as it will reduce volatility in the system and allow for the vast scale of increases in rateable value in some parts of the

Issue	Impact
<p>government finance system works, such as tackling the impact of business rates appeals on local authorities.</p> <p>In the Autumn Budget some changes to business rates were announced:</p> <ul style="list-style-type: none"> <li>• The switch from RPI to CPI to uprate the multiplier – effectively lowers the inflation rate for businesses</li> <li>• Introduction of 3-yearly revaluation</li> <li>• Current £1,000 discount for pubs will be extended for one more year</li> </ul>	<p>country to be equalised through resetting of baselines and tariffs/top ups.</p>
<p>The <b>Fair Funding Review</b> is re-examining what the “needs” of authorities are and how funding may be allocated taking into account available resources.</p> <p>The Government has issued a consultation document with a view to implementing this from 20/21.</p> <p>This consultation focuses specifically on potential approaches to measure the relative needs of local authorities. In particular, it:</p> <ul style="list-style-type: none"> <li>• presents the idea of using a simple foundation formula to measure the relative needs of local authorities, based on a small number of common cost drivers;</li> <li>• considers a number of service areas where in addition, a more sophisticated approach to measuring relative needs may potentially be required; and</li> </ul>	<p>The Fair Funding review is welcome but there is no sense that additional funding will be made available which is the biggest concern.</p> <p>The Fair Funding Review is likely to lead to shifts in funding with more moving to areas where the over 65 population is growing but our view is that changes to how existing funding is shared will make little difference and that damping will probably cap the largest changes.</p> <p>The review explains that the Councils relative resource position will be taken into account. As this Council is deemed to have a high level of its own resources (i.e. council tax) then its share of any national pot is unlikely to increase.</p>

Issue	Impact
<ul style="list-style-type: none"> <li>• outlines the statistical techniques that could be used to construct relative needs.</li> </ul> <p>The consultation does not cover the relative resources adjustment, transition or other technical matters but these will be the subject of a later series of discussion papers.</p>	
<p>The Government has previously indicated it would <b>transfer additional responsibilities</b> to local authorities and funding this through surplus rates.</p> <p>On the back of business rate pilots and creation of Combined Authorities this option is possible.</p>	<p>The MTFP assumes no transfers of responsibility and funding for now further to the settlement.</p> <p>Historically, where there have been transfers, the Council has “lost” funding e.g. council tax benefit. The Council will only lose out if transfers are not cost neutral.</p>
<p>There was no substantial new funding announced for social care in the Settlement other than a small one off grant.</p> <p>The <b>adult social care precept</b> continues to give local authorities the ability to raise new funding to spend exclusively on adult social care. There have been no changes announced in the local government finance settlement.</p> <p>The Government did confirm that it will publish a Green Paper on adult social care in the summer of 2018.</p>	<p>It is possible that amendments to the power could be made again in due course (i.e. beyond the period of the 4 year offer) with the Government coming under pressure to invest more or redirect resources from other parts of the system (under fair funding). Any decision to do this could restrict the powers given to local authorities to raise a precept.</p> <p>However, given the continuing pressure on adult social care services, the MTFP assumes this power will continue.</p>
<p>Individual local authority allocations for the improved <b>Better Care Fund</b> until 2019/20 were published in 2017/18 and there is no indication at this stage that there will be changes.</p> <p>Some element of future funding could be at risk if national targets</p>	<p>The MTFP includes the BCF in line with published allocations with no reductions for performance issues.</p> <p>Changes to how the BCF is used could create a pressure on the General Fund should funds be</p>

Issue	Impact
<p>are not met e.g. planned reductions in delayed transfers of care (DToC).</p> <p>Whilst additional NHS funding (£2.8bn to 19/20) was announced in the budget, there was no additional funding for the iBCF or social care other than £43m for Disabled Facilities Grants (DFGs) in 17/18.</p> <p>The pressures in the NHS are again putting financial pressure on CCGs including East Leicestershire and Rutland CCG to the point the CCG want to revisit the scope and projects of the BCF programme to ensure it meets the needs of the CCG in delivering health outcomes and savings elsewhere.</p> <p>In the medium term, the unsustainability of the current structure may accelerate the move towards single purpose health care organisations.</p>	<p>diverted from protecting core services to new areas.</p> <p>Our share is c£20k and this will be spent in 17/19.</p> <p>The Council is working with the CCG to help ensure the BCF programme prevents and minimises the demand for health and care services.</p>
<p>The <b>New Homes Bonus</b> continues with no changes announced in the Settlement. The baseline will remain at 0.4% for 2018/19.</p>	<p>The MTFP assumes a baseline of 0.4% (the Council will only be paid for any growth above 0.4% of the total number of existing council tax dwellings).</p>
<p>The Government made savings in local authority <b>public health</b> spending last year and further reductions are expected.</p> <p>The planned cuts to Public Health were not reversed in the Autumn Budget but confirmation of funding is awaited.</p> <p>As noted above, Public Health funding will come from Business Rates in the future.</p>	<p>MTFP assumes likely reductions of c£35k in 18/19 and 19/20 which have been confirmed.</p> <p>The MTFP assumes that any public health funding reduction will be absorbed or met in the short term from the Public health reserve.</p>
<p>Government remains committed to devolving powers to support local areas and is working towards</p>	<p>Council continues to monitor what the best approach is for Rutland and no decision has been made</p>

Issue	Impact
<p>various deals with <b>Combined Authorities</b> (CAs). More funding (skills, employment support, transport, adult education) will be routed through LEPs and CA and not being a member of a CA could give the Council a funding risk.</p> <p>Consultation in respect of Business Rates indicates that ideas to deal with some issues, e.g. appeals, across CA are unlikely to progress further.</p>	<p>as to whether it will become a member or non-constituent member of a CA.</p> <p>Should Councils be automatically “slotted” into a CA area then there may be funding impacts.</p> <p>The Greater Cambridge Greater Peterborough Enterprise Partnership is being reformed and the Council still does not see itself fitting neatly into any CA area.</p>
<p><b>Schools funding</b> is outside of the Revenue Account and is ring fenced. All aspects of school funding are under consultation. Details are given in Section 5.</p> <p>The Council has received illustrative numbers for the Central Schools Block from 2018/19 which would suggest that funding on retained duties (from the ESG) will continue to fall resulting in a continuing pressure, albeit small (&lt;£5k) on the General Fund.</p>	<p>It is possible that the level and nature of funding could inadvertently place more pressure on the General Fund should the Council not be able to deliver its statutory duties or if it has to intervene to support schools.</p>
<p>Local authorities continue to have flexibility to <b>spend capital receipts from asset sales on the revenue</b> costs of reform projects, subject to conditions.</p>	<p>The Council assumes that no capital receipts will be used to fund revenue over the life of the MTFP but will continue to keep this under review.</p>
<p><b>Housing</b> was a big theme in the Autumn Budget with measures announced that should lead to additional funding although details are to be confirmed:</p> <ul style="list-style-type: none"> <li>• Homelessness taskforce</li> <li>• Commitment to halving rough sleeping by 2022</li> <li>• Further £2.7bn for Housing Infrastructure Fund (HIF)</li> <li>• £1.1bn to unlock strategic sites</li> </ul>	<p>Local authorities can expect some funding to come their way albeit in some areas there is likely to be a competitive bidding process.</p>

Issue	Impact
<p>The <b>Local Plan</b> is the plan for the future development of Rutland which is drawn up by the Council in consultation with the community.</p> <p>The Local Plan will identify how much additional new development will be needed in Rutland over the next 20 year period to 2036 and where this should be located.</p> <p>The Chancellor announced concerted action in the Budget to deliver more house building. For example, the potential to intervene to resolve the gap between planning and house building.</p>	<p>Local plan information will impact income assumptions (council tax and new homes bonus) and may have an impact on spending plans including capital projects.</p> <p>The MTFP assumes core house building will be c160 homes pa.</p> <p>The potential for intervention is quite radical and will involve local authorities in some way either by getting them to identify problem sites or to use their Compulsory Purchase Order (CPO) powers.</p>
<p>In November, the MOD confirmed that <b>St Georges Barracks</b> will close in 2020/21. The Council receives both council tax and business rates from this site.</p> <p>The Council and the Defence Infrastructure Organisation (DIO) have been in continuous discussion about St George's Barracks since details of the closure were first announced.</p> <p>Our shared vision for St George's is the creation of a new 'garden village' with the right mix of housing, enterprise, leisure and recreation. We are at the very earliest stage and, having confirmed our commitment to work together, the Council and MOD will now begin the long process of master planning for the St George's site.</p> <p>The Council is bidding for external funding to help take forward this project from the Housing Infrastructure Fund.</p>	<p>The 'loss' of council tax and business rates would be less than £200k is not yet reflected in the MTFP.</p> <p>Any house building and other development on this site could have a positive impact on the Council's financial position over the medium term.</p> <p>New houses and business would deliver additional council tax, business rates and Community Infrastructure Levy which would be used to expand existing services and build new infrastructure on the site or in surrounding areas.</p>

Issue	Impact
<p>The <b>Rutland Hub</b> is the other project being considered as part of the Government One Public Estate initiative. The project objectives include:</p> <ul style="list-style-type: none"> <li>• Making better use of the Public Estate in Rutland</li> <li>• Creation of a Public Services Hub</li> <li>• Delivering better services, more efficiently and effectively supported by integration and co-location</li> <li>• Future proofing service delivery</li> <li>• Supporting sustainable growth</li> </ul> <p>A number of partners have signed up to participate in the project which is now entering feasibility stage.</p>	<p>The Hub could have a positive impact on Council running costs but also potentially release land for development and new homes which again is expected to have a positive impact on the MTFP.</p> <p>The Council is at the stage where it is commissioning a feasibility study.</p>

## 2.4 Spending plans and pressures – indicative spending plans over time

2.4.1 The MTFP at Appendix 2 sets out the forecast spending profile of the Council over the medium term. 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. The budget for 18/19 is discussed in Section 3.

	18/19	19/20	20/21	21/22	22/23
Places	12,033,100	12,083,600	12,361,200	12,635,100	12,909,900
People	18,135,900	17,811,800	18,118,700	18,528,600	18,961,600
Resources	5,906,400	6,030,900	6,112,400	6,217,400	6,326,700
Pay contingency	384,400	777,700	1,007,100	1,244,200	1,489,300
Social care contingency	184,800	100,000	100,000	100,000	100,000
Headcount saving		(121,000)	(121,000)	(121,000)	(121,000)
<b>Total</b>	<b>36,644,600</b>	<b>36,683,000</b>	<b>37,578,400</b>	<b>38,604,300</b>	<b>39,666,500</b>

2.4.2 This section focuses on the factors that may have a significant impact on spending plans over the next 5 years and covers:

- Assumptions, contingencies and risks (2.4.3)
- Approach to reducing net expenditure (2.4.4).

**Core assumptions, contingencies and risks**

2.4.3 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 that are outside of the Council’s control (these are covered below).

Risk	Action to mitigate risk
<p>With inflation at 3.1%, it is expected that trade unions and others will continue to lobby for <b>pay inflation</b> increases and the introduction of the Living Wage.</p> <p>The latest pay offer works out at around 2.64% pa (total cost of £384k in 18/19). This is still being considered.</p>	<p>The MTFP ordinarily assumes an annual pay award of 1.5% (higher than the rates given over the last few years) and as the Council is part of the national bargaining agreement no change is proposed.</p> <p>The pay provision (which includes amount set aside for pension changes etc) has been adjusted for the latest offer with future years remaining at 1.5%.</p>
<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, discretionary housing payments or crisis loans.</b></p> <p>In the last few years the number of people claiming support has reduced as the County has reached full employment.</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 Councils offer continues to be reviewed.</p>
<p>The MTFP includes some <b>service pressures</b> as growth is built in where there is a degree of certainty. However there are a range of potential issues across different services that could have an impact</p>	<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>



<b>Risk</b>	<b>Action to mitigate risk</b>
<p>which the Council does not budget for directly:</p> <ul style="list-style-type: none"> <li>• Increases in the cost of care packages arise from a growing population of older people, or greater demand for services;</li> <li>• An increase in costs of looked after children beyond that budgeted;</li> <li>• Downturn in the local economy which could impact our income from business units, car parking etc;</li> <li>• Extra interim staffing costs arising from difficulties in recruiting staff; and</li> <li>• An unexpected by-election.</li> </ul>	<p>As far as possible Directors will try to manage costs pressures within budget.</p> <p>The Council has an earmarked pressure reserve which can be used.</p> <p>Sufficient balances will also be maintained to cope with unforeseen cost pressures in the short-term.</p>
<p>Whilst <b>inflation</b> has been low for some time and the Government target is to keep it below 2%, there are emerging issues following the Brexit vote that are causing pressure on the £ that have seen inflation increase to 3.1%. This has impacted the prices the Council pays for goods and services.</p> <p>Compared to previous years, the Council has found it more difficult to absorb inflation in budgets.</p>	<p>The Council will monitor the position on key contracts and has inflation built into the MTFP which has been revisited as part of the 18/19 budget.</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>Advice from our Treasury advisors is that interest rates will stay below 1% for the next two years.</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 Link Asset Services is used to forecast investment income.</p>
<p><b>Capital financing</b> costs have been estimated based on the assumption that no further external borrowing is undertaken during the life of the</p>	<p>Corporate analysis of existing and potential new projects indicates that</p>

Risk	Action to mitigate risk
<p>MTFP without there being an appropriate revenue payback.</p>	<p>no further external borrowing is required at this stage.</p> <p>The Capital Investment Strategy allows for external borrowing only where there is a revenue payback.</p>
<p>The Council receives a contribution from health towards the cost of <b>care packages</b> where there is health need.</p> <p>Officers' sense that the Health sector will now take a much tougher line on what is classed as a health need therefore leaving the Council to potentially fund more of the cost.</p> <p>The Council has some significant care packages that are funded exclusively by health. Any changes to this position could have a significant impact on the budget.</p>	<p>We are monitoring this position and are taking advice from various bodies so we understand the options available to us.</p> <p>The CCG and other partners want to ensure that needs are properly paid for by the relevant organisation.</p>
<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>The Council is expecting to see population 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>The Council continues to monitor trends of demands for service and how this links to population changes.</p> <p>The Council has a Social Care Reserve and a Social Care contingency to allow it to respond to changes in demand in-year.</p>
<p>The Council has a number of <b>outsourced services</b> and retendering of contracts can lead to price pressure depending on the number of interested suppliers and market conditions. Whilst key contract expiry dates are not imminent (Refuse – 2022, Residual Waste – 2021, Street Cleaning – 2022, Leisure – 2021), contract</p>	<p>The MTFP has been updated to reflect the expected cost of services.</p>

Risk	Action to mitigate risk
inflation rates are kept under review.	
<p>The Council's net <b>pension liability</b> for the Local Government Pension Scheme (controlled by Leicestershire County Council as the Pension Fund administrator) has decreased.</p> <p>Following the triennial review, the contribution rates have been amended upwards to close the gap.</p> <p>Should investment returns not narrow the gap in the future, it is possible that contribution rates may increase again creating a demand on the General Fund.</p>	<p>The position will be monitored but the Council's MTFP includes the revised rates.</p>

### ***Reducing net expenditure***

- 2.4.4 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 18/19 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.
- 2.4.5 In 2017/18, the Council highlighted a number of strands to its approach to address this issue. It also highlighted the difficult financial context: a) its spend per head is low; and b) inevitably there are some areas where the potential for reductions to be made is low either because of savings already made, statutory obligations, current spend levels or other factors.
- 2.4.6 The Council could, if necessary, reduce net costs in a short time scale to bring the MTFP back into balance by cutting services like other councils. The Council does not need to do this and instead is aiming to close the gap in a measured way that minimises the impact on front line services. The table below summarises the action taken to achieve this goal.
- 2.4.7 Progress on key strands is shown below:

Theme	Progress
Income maximisation	<ul style="list-style-type: none"> <li>• Introduction of Green Waste charging approved from 1 April 2018</li> <li>• Review of council tax discounts completed with discounts to be removed from 1 April 2018</li> </ul>

Theme	Progress
	<ul style="list-style-type: none"> <li>• Council working with external consultancy support to review opportunities for income maximisation</li> </ul>
Invest to Save	<ul style="list-style-type: none"> <li>• Council is working on further development of OEP site</li> <li>• Investment strategy focusing on commercial investments to be presented for approval</li> <li>• New King Centre being opened</li> <li>• All property assets under review</li> </ul>
Partnering	<ul style="list-style-type: none"> <li>• Council currently sharing Director for Resources role with South Kesteven District Council (SKDC)</li> <li>• Council sharing Planning IT system with SKDC</li> <li>• Council looking at options for future of Building Control Services</li> <li>• Payroll outsourced to Herefordshire Council</li> <li>• Council in discussions with SKDC over possibilities of further joint working</li> </ul>
Commissioning and procurement	<ul style="list-style-type: none"> <li>• Savings made on extension of Revenues and Benefits IT system</li> <li>• Savings on change of banking provider</li> <li>• Facilities management contract being outsourced from in house provision</li> </ul>
Service reviews	<ul style="list-style-type: none"> <li>• Business Support review has completed and from 19/20 will generate savings from improvements and efficiencies</li> </ul>

2.4.8 Work will continue into 2018/19 alongside the Councils growth projects. The Council's aim is to balance the MTFP whilst avoiding withdrawing or reducing service provision.

## 2.5 Council tax – options available

2.5.1 The Government has increased the general council tax referendum limit from 1.99 per cent to 2.99 per cent for 2018/19 and 2019/20. Councils will be able to levy an Adult Social Care precept of an additional 2% with additional flexibility to increase the precept by 1% to 3% in 2018/19, provided that increases do not exceed 6% between 2017/18 and 2019/20.

2.5.2 The MTFP for 18/19 assumes a general council tax increase of 2.99% and a further 2% social care precept. The existing profile of adult social care spending does not anticipate the need for a 3% rise in 2018/19. However, council tax options of 3.99% and 4.99% are still being considered.

2.5.3 After 18/19, the MTFP assumes council tax rises of 3.99%. The table below shows the difference between:

- a) the current MTFP - a 4.99% increase in 18/19 followed by 3.99%;
- b) 3.99% increases per annum;
- c) a 2% annual increase for the life of the MTFP; and
- d) a council tax freeze for the life of the MTFP.

Options	Council tax rate 18/19	18/19 council tax revenue £000	Size of gap in 22/23	General Fund balance 22/23
4.99% in 18/19 then 3.99%	£1,624.13	£24.870m	£1.157m	£4.296m
3.99%	£1,608.66	£24.633m	£1.445m	£2.987m
2%	£1,577.88	£24.162m	£4.199m	-£4.874m
Band D – current	£1,546.94	£23.688m	£6.759m	-£12.368m

2.5.4 Members should note that even with Council tax rises of 2% for the next five years, the Council would have no General Fund balances remaining in 22/23 and would not be able to balance the budget unless of course substantial savings were made.

## 2.6 Collection Fund – the estimated balance for 2017/18

2.6.1 The Council, as a billing authority, is required to keep a special fund, known as the Collection Fund. 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 2018 is:

Estimated Deficit at 31 March 2018	£80,000
<b>Share of Deficit</b>	
Rutland County Council	£70,000
Leicestershire Police Authority	£8,000
Leicestershire Fire Service	£2,000

2.6.2 The Regulations provide for the Council's share of the estimated deficit to be transferred to the General Fund in 18/19.

## 2.7 Reserves – the minimum level of reserves required

2.7.1 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 – these are known as earmarked reserves.

2.7.2 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.

2.7.3 In the current climate, it is essential that the Council maintains General Fund reserves to deal with the unexpected. 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:

<b>Risk factor/issue</b>	<b>Potential impact (in any one year)</b>
Loss of business rates income before Safety Net reached through appeals or economic downturn	£0 - 300k
General service pressures or overspends – 1%	£373k
Grant uncertainty – further reductions in funding – 1% more than anticipated	£40k
Education redundancies no longer paid for through DSG	£0 - £50k
Pay inflation (1% more than budgeted for)	£140k
Decrease in collection rates for council tax – 1%	£240k
Increase in demand led services	£0 - £500k
Failure of key service provider	£0 - £200k
Legislative or policy changes that may or may not be funded	£0 - £200k

2.7.4 The Council's minimum reserves target is currently set at £2m which equates to about 5.5% of net spending. Presently, the Council's general fund balances (and useable earmarked reserves) are above the minimum

level at c£8.9m. Alongside this balance the Council has c£2.3m in earmarked reserves (detailed in Appendix 8).

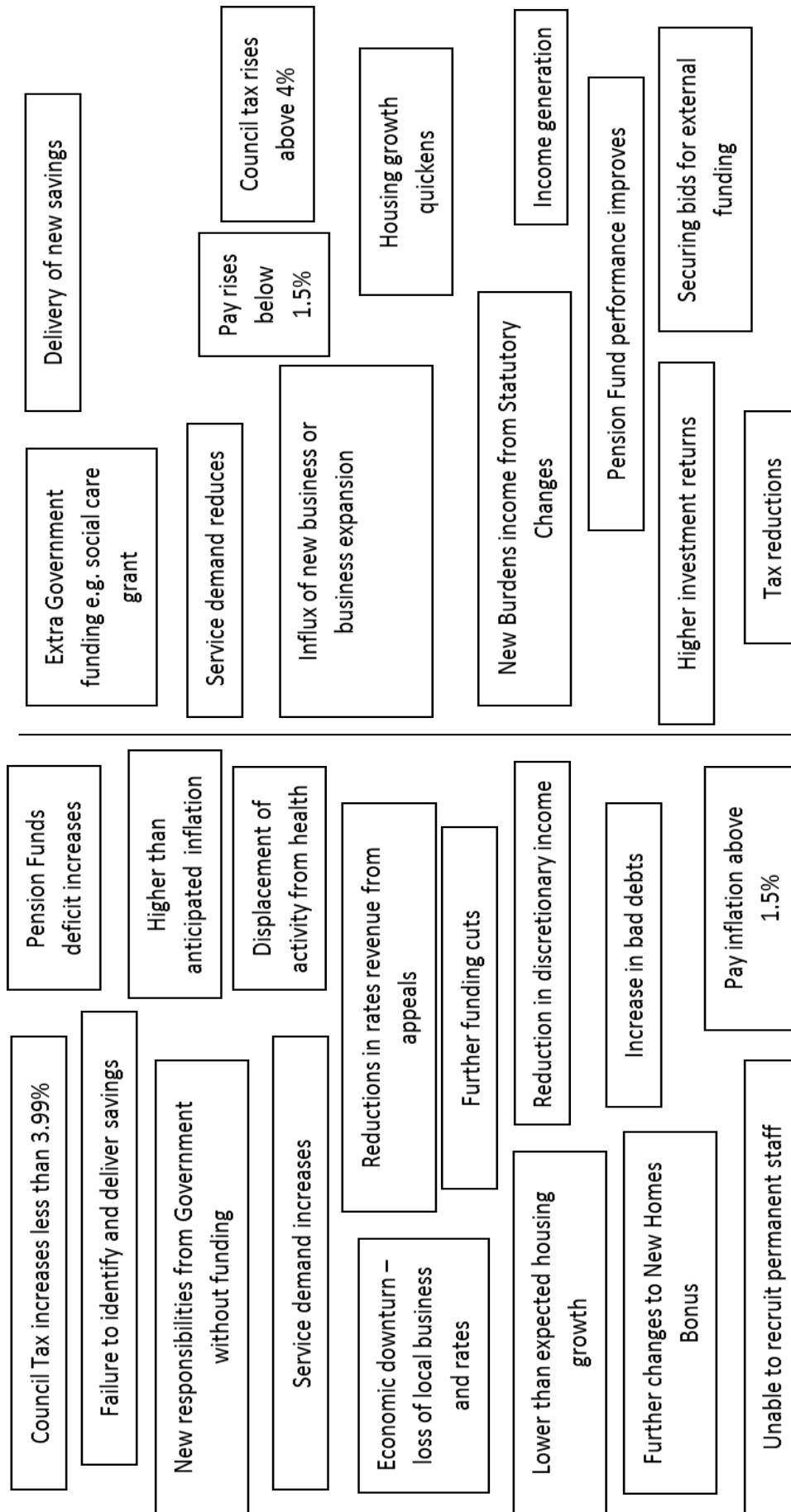
2.7.5 A review of the reserves position has been undertaken. **It is proposed that the minimum reserve level is maintained at between £2m and £3m** – this level is deemed adequate based on professional judgement and a risk assessment taking into account the following factors:

- a) despite existing savings plans, the Council is still using reserves to balance the budget (Council could fund 4 years of the current deficit) ;
- b) there are potential cost pressures which are only partly factored into spending plans;
- c) whilst the Council has some savings targets built into the MTFP and has a very good track record of delivering savings, no savings are guaranteed.

## **2.8 The financial outlook – the overall position**

2.8.1 The medium term outlook shows that the deficit continues into 19/20 and beyond.

2.8.2 The MTFP presents a position based on various assumptions and estimates about variables that are predominantly outside the control of the Council. The Council's experience is that these can change over time and sometimes quite significantly. The picture below shows how the funding gap might "get worse" or "improve" according to events that could materialise.





### 3 REVENUE BUDGET PROPOSALS

#### 3.1 Overview – the overall revenue budget

3.1.1 The MTFP always includes budgets for future years. The annual detailed budget work (explained in 3.2) updates that budget with latest information as shown in the table below:

		<b>Budget 2018/19 £000</b>
3.1.2	People	18,136
3.1.2	Places	12,033
3.1.2	Resources	5,906
<i>A</i>	<i>Sub-Total Directorate budgets</i>	<i>36,075</i>
3.1.3	Pay Inflation contingency	385
3.1.4	Social care contingency	184
<i>B</i>	<i>Sub-Total Contingencies &amp; Corporate Savings</i>	<i>569</i>
	<b>Net cost of services</b>	<b>36,644</b>
3.1.5	Revenue contribution to capital	0
3.1.6	Appropriations	(2,241)
3.1.7	Capital financing costs	1,644
3.1.8	Interest income	(210)
	<i>Sub-Total Capital</i>	<i>(807)</i>
	<b>Total Net Spending</b>	<b>35,837</b>
	<b>Funding</b>	<b>(34,542)</b>
	Use of Govt Grant/Income Received	(303)
	Earmarked Reserves	(562)
	Ringfenced Reserves	(350)
	<i>Sub-Total use of reserves</i>	<i>(1,215)</i>
	<b>Use of General Fund reserves</b>	<b>80</b>

3.1.2 The **Directorate budgets** are detailed by functional areas in Appendices 3 to 5. The budgets include savings and pressures and more detail is given in 3.4 and 3.5 and Appendices 6 and 7. 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/2017-18\\_budget\\_min.aspx](http://www.rutland.gov.uk/council_and_democracy/council_budgets_and_spending/2017-18_budget_min.aspx)

3.1.3 The budget includes a small contingency for **pay changes** (adjustment, re-grades, staff opting in to pension fund etc). The pay contingency for 18/19 contains an amount to cover the latest pay offer c2.64% plus 1.5% for future years with a small amount for pay regrades and pension changes.

3.1.4 The budget includes a contingency for £184k for **social care**. This is the same approach as per the prior year.

- 3.1.5 The **appropriations** figure represents adjustments the Council is required to make to its revenue position that are specified by statutory provisions and any other minor adjustments. It includes the reversal of the annual charge for depreciation on the Council's assets which is shown in Directorate budgets.
- 3.1.6 **Capital financing** costs of £1.644m comprise interest costs on loans of £1.033m and Minimum Revenue Provision (MRP) costs of £611k. MRP is a statutory charge to the revenue account which covers the repayment of debt (see 5.2). The MRP charge has reduced from 17/18 as the Council is being asked to revise its policy to repay debt on a straight line basis.
- 3.1.7 **Interest income** reflects interest earned on investments. This is expected to be in line with 17/18.

### 3.2 Budget comparison – the budget compared to prior year

- 3.2.1 For the purposes of this analysis capital costs are excluded. The table below shows the movement of the net cost of services from 17/18 to 18/19 and also shows adjusted budgets for comparative purposes.

Area	Amount £000	Detail
<b>Net cost of services 17/18</b>	<b>36,044</b>	Net cost of services reported at Q1 (147/2017) including inflation contingencies and Corporate Headcount saving
Less: one off items in 2017/18	(1,852)	Budgets funded from earmarked reserves £1,424k and removal of budgets approved for a fixed term £428k.
<b>Original Approved Net Cost of Services 17/18</b>	<b>34,192</b>	<b>As per Budget report (44/2017)</b>
Corporate Headcount Saving	121	In line with the Business Support Review, the Corporate Headcount saving has been delayed until 2019/20.
Pay Contingency	340	The pay contingency includes 2.64% for pay increases and an amount for regrades, ill health retirements etc.
Social Care Contingency	(66)	Social care contingency has been reduced as funding has been incorporated into the Directorate budget
Savings	(806)	Savings identified by Directorates
Pressures	1,013	£1,013k are recurring pressures on the base budget for which £428k is being met from earmarked reserves in

Area	Amount £000	Detail
		the short term and £585k from the General Fund.
Use of ringfenced reserves and grant income	561	£561k of the total pressure equates to additional one off spending at a Directorate level funded by earmarked reserves set aside for specific reasons.
Pay and other inflation	945	1% increase on superannuation; pay regrades, increments and pension auto enrolments and non-pay inflation - typically 2%
Depreciation Adjustment	344	The annual charge for Depreciation has been revised to take into account latest asset values. This is reversed out in Appropriations
<b>Net cost of services 18/19</b>	<b>36,644</b>	
Less: Depreciation	(344)	Depreciation is reversed out in Appropriations – so can be removed for comparative purposes
Less: one off items for 18/19	(561)	One off pressures removed from analysis for comparative purposes
<b>Comparative Net Cost of service 18/19</b>	<b>35,739</b>	<b>Percentage increase on 17/18 original budget is 4.52%</b>

3.2.2 The increase of 4.52% represents c3.7% for pay, superannuation and general inflation and a further net 0.8% for pressures. Details of pressures is given in 3.5 but as per the prior year, the Council continues to experience high demand and therefore costs in children with disabilities, fostering and adoption and SEN transport.

### 3.3 The budget process – the development of the revenue budget

3.3.1 The starting point is the Q1 approved Budget 2017/18 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 upgrade for increments or to align budgets to known pay rates of staff in post and corresponding employer National Insurance and Superannuation contributions;

- 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 2017/18 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 i.e. transfer costs between budgets without changing the overall budget.

### 3.4 **Savings – what savings are included in the budget?**

3.4.1 The 2018/19 budget includes total savings c£1.283m:

- New savings shown in Directorate budgets of £806k (Appendix 6);
- Savings from changes to the Minimum Revenue Provision policy c£237k;
- Removal of council tax discounts for empty homes c£240k (the additional income is shown in the Council tax line in the MTFP).

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

3.5.1 **Service pressures** may arise from increased demand from service users, legislative changes that place additional duties or responsibilities on the Council or from withdrawn funding which means the General Fund has to pay for services previously funded through other income e.g. grant. Budgets have not been increased for 2018/19 for these pressures.

3.5.2 Budget pressures include pressures of £1,013k of which £428k are funded from earmarked reserves so do not represent a pressure on the General Fund.

3.5.3 As per the prior year, the Council continues to experience increased demand and therefore costs in statutory services including children with disabilities and fostering and adoption. In 17/18 the Council increased these budgets for one year only on the basis that it was unclear at that time whether the increase in caseload was temporary or a sustained trend. Experience and further analysis in 17/18 shows that caseload continues to be at the same level and therefore both budgets have been rebased. The Council's budget

is now a combined £870k more than that set in 16/17.

3.5.4 The other key pressures related to SEN transport (meeting the cost of new placement) and the Places structure review. Changes in this area are expected to be cost neutral in due course as the Council endeavours to step up its commercial activities.

3.5.5 The budget also includes two contingencies – one to meet any increase in social care costs of £100k and a pay contingency of £385k to meet the pay award for 2018/19 and any pay regrades in year.

### 3.6 Corporate Plan priorities and targets

3.6.1 The Corporate Plan includes an objective to “ensure that our medium term financial plan is in balance and is based on delivering the best possible value for the Rutland pound”.

3.6.2 The financial targets related to the corporate plan financial objectives are covered below with an update to show how this budget contributes to the overall position.

Corporate plan target	Current position
Agree a savings target programme of between £1.5m and £2m by 31 March 2017 that delivers a reduced financial gap by 2019/20.	Savings were included in the 17/18 budget. The target is represented by the line in the MTFP call “use of General Fund balances”. At the time of budget setting in 17/18, the 19/20 gap was £1.920m. This gap is now estimated at £0.584m
Deliver the annual savings programme, to be reported at the end of each financial year.	Reporting on 17/18 savings target will be included in the outturn report.
Maintain reserve balances above minimum recommended level of £2m across the life of the MTFP	Balances remain above £2m over life of MTFP. Importantly projected balances by 20/21 are greater than those envisaged in the corporate plan MTFP.

### 3.7 Earmarked Reserves – funding expenditure through reserves

3.7.1 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.

3.7.2 The balances held in Earmarked Reserves at 1st April 2017 and estimated balances as at March 2018 are shown at Appendix 8. The MTFP currently shows net transfers from reserves of £1,215k for 2018/19 which consist of:

Use of Government Grants/Income received in previous years (£303k):

- £23k for Tourism funded by the Tourism reserve (£15k) and S106 monies (£8k);
- £60k from Highways to fund expenditure with s38;
- £36k from Commuted Sum reserves to fund grass cutting;
- £117k Planning Grants reserve to fund expenditure on preparation and delivery and examinations of the Local Plan
- £32k Election Grant to fund an additional post in the elections team;
- £35k of S106 monies (Lands End Way) to support the costs of the Oakham Hopper

Use of Ring Fenced Reserves (£350k):

- £266k to fund public health expenditure;
- £84k from Better Care Fund reserve to support new schemes in the BCF programme

Use of Reserves to support pressures (£562k):

- £413k from Adult Social Care reserve to fund a temporary contracts and procurement post (£36k), web based system maintenance (£9k), additional costs for Learning Disabilities cases transferred from Lincolnshire (£30k), increased costs for Fostering placements (£243k) and Children with Disabilities budget pressure (£95k);
- £150k from the Pressure reserve to fund the removal of the Placement savings budget (£90k) and to support Children with Disabilities budget pressure (£60k);
- £26k transferred to the Invest to Save – the repayment of funds used in 17/18 to support the new Green Waste service;
- £25k from the Welfare reserve to support the Financial crisis fund;

### 3.8 Reserves and Estimates - robustness

3.8.1 Best practice requires me to identify any risks associated with the budget, and section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.

3.8.2 In the current climate, it is inevitable that the budget carries significant risk.

In my view, although very difficult, the budget for 2018/19 is achievable subject to the risks and issues described below.

3.8.3 The most substantial risks are in demand led budgets and in particular social care.

3.8.4 In the longer term, the risks to the budget strategy arise from:

- non-identification and delivery of savings;
- unidentified and uncontrollable pressures; and
- loss of future resources, particularly in respect of changes to business rates.

3.8.5 A further risk is economic downturn, nationally or locally and the impact of Brexit. This could result in further significant reductions in funding beyond the 4-year offer, falling business rate income, and increased cost of council tax reductions for tax payers on low incomes. It could also lead to a growing need for Council services and an increase in bad debts.

3.8.6 The budget seeks to manage these risks as follows:

- a £100k contingency has been included in the 2018/19 budget. In addition to managing risk, this provides resource to be diverted should the need arise;
- should the contingency prove insufficient, the Council can call on earmarked reserves;
- a minimum balance of £2m reserves will be maintained.

3.8.7 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust based on information available.

### **3.9 Equalities – the impact on particular groups**

3.9.1 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.

3.9.2 The Council has completed EIA screening for all savings proposals and for the proposed tax increase. 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.

3.9.3 Some of the analysis relating to the Council tax increase is shown below:

**Proposal – 4.99% increase**

A Band D Council Tax increase of 4.99%, including Social Care Precept of 2% taking Band D Council Tax from £1,546.94 to £1,624.13 (Rutland County Council only). This proposal is linked to one aspect of local government funding where the Council has some discretion to raise additional funds by increases to Council Tax. However there are Council Tax rules in place that limit the extent of any Council Tax increases before a referendum is required, the limit for 2018/19 is 4.99%.

**Initial impact**

This increase will be applied to all bands of council tax. This will impact on all residents who are eligible to pay Council Tax. The average increase in cost per week on a Band D property is £1.48.

Since Council Tax is applicable to all properties it is not considered that the increase targets any one particular group; rather it is an increase that is applied across the board. At the same time because the increase is applied to all properties it is not possible to exempt any particular groups. By increasing Council tax, the Council is able to prevent further reductions in services to local residents and in so doing continue can mitigate adverse impacts facing individual households.

**Actions take to mitigate impact**

The risk is mitigated through various support offered: Local Council Tax Support, a Discretionary Fund and Advice.

The Council operates a local council tax support scheme which offers up to 75% discount for those on low incomes – those that are eligible for the full discount will see an increase of just 37p per week.

On top of the 75% discount, the Council continues to offer further support to those who can demonstrate financial hardship. It has funds of £25k set aside and is prepared to increase this amount should the need arise.

The Council also provides some budgeting and financial advice and has a contract with Citizens Advice Rutland to provide more specialist support if needed.

The Council will be seeking views on the Council tax increase proposal as part of its budget.



## 4 CAPITAL PROGRAMME

### 4.1 Overall Programme – existing and new projects

4.1.1 The Capital Programme is developed around specific projects. The programme comprises four strands:

- Approved projects: 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 18/19);
- Ring Fenced Grants: These projects will automatically be included in the existing capital programme (e.g. disabled facilities grants);
- Non Ring Fenced Grants: New projects to be approved in the budget or in-year; and
- Funding available but not yet allocated.

4.1.2 The table below is an overview of the position for 18/19. Projects that make up the total £30.938m are listed in Appendix 9.

Capital Programme	Budget Approved to Date	New Capital Projects	Budget 2018/19
	£000	£000	£000
Strategic Aims and Priorities	12,895	3,043	15,938
Commercialisation	200	10,000	10,200
Asset Management Requirements	3,591	1,209	4,800
<b>Total Projects</b>	<b>16,686</b>	<b>14,252</b>	<b>30,938</b>
<b>Financed By</b>			
Grant	(12,953)	(1,948)	(14,901)
Prudential Borrowing	(1,184)	(11,600)	(12,784)
Capital Receipts	(712)	(504)	(1,216)
RCCO	(274)	0	(274)
Oakham North Agreement	(386)	(200)	(586)
S106/CIL	(1,177)	0	(1,177)
<b>Total Funding</b>	<b>(16,686)</b>	<b>(14,252)</b>	<b>(30,938)</b>

### 4.2 Approved projects – approved projects continuing into 2018/19

4.2.1 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 2018/19. The estimated spend in 2018/19 will depend primarily on the outturn (the amount spent) for 2017/18.

4.2.2 Digital Rutland – This project delivers superfast fibre broadband throughout the county to support economic growth and provide more affordable high

quality broadband for all. The programme started in 2013/14 and has already achieved circa 94% coverage throughout Rutland. The capital funding requirement for Phase 3 was approved in August 2017 (Report No 140/2017) to maximise the fibre deployment and superfast broadband coverage.

- 4.2.3 Schools Maintenance – A cabinet report was approved in October 2017 (Report No 184/2017) for schools maintenance works expected over the next two years.
- 4.2.4 Oakham Castle Restoration – The restoration of Oakham Castle was completed in October 2016. This was predominantly funded by Heritage Lottery with the remainder funded by revenue contributions and Section 106. The programme will continue over the next couple of year to manage and support the development of the castle.
- 4.2.5 Schools: Increased Capacity – A cabinet report was approved in December 2016 to increase sufficient pupil places in Rutland schools. Since the approval of the report the estimated pupil places required has changed. A review of the capital projects will be completed during the 2018/19 Schools Capacity Return (SCAP).
- 4.2.6 Oakham Town Centre – A cabinet report for the highways capital programme was approved in April 2017 (Report No 6/2017) for the carry forward of £200k to part-fund the Oakham Town Centre works. This budget will not be spent as the project is on hold pending the work of a Task and Finish Group. A further £378k of capital funding for the detailed design works was included in the budget and the amount spent is being finalised.
- 4.2.7 Transforming Care Grant - The Leicester, Leicestershire and Rutland (LLR) Transforming Care Partnership, applied for Capital Grant funding from NHS England. The Council has been successful and will use funding for property acquisition which will benefit those with a Learning Disability and/or Autism (Report No 197/2017).

#### **4.3 Approved projects – projects delivered with ring fenced funding**

- 4.3.1 The Council receives Devolved Formula Capital funds which is passported to maintained schools to help them support the capital needs of their assets. Schools will decide what projects to fund.
- 4.3.2 The Council receives Disabled Facilities grant which is part of the Better Care Fund, the full allocation is used to help residents remain in their home and be independent.

#### **4.4 New projects – future projects requiring approval**

- 4.4.1 The capital programme includes funding set aside pending further reports to Cabinet/Council to get formal approval for the use of these funds.
- 4.4.2 Highways – A Cabinet paper will be presented in February 2018 highlighting the proposed capital programme for 2018/19, including a short term plan for

future years.

- 4.4.3 Special Educational Needs and Disabilities (SEND) – A paper is expected to go to cabinet in March detailing plans for the new funding.
  - 4.4.4 Oakham Enterprise Park (Phase 2) – A Cabinet paper was presented in December detailing the future plans for Oakham Enterprise Park for phase 2 and was approved by Council in January.
  - 4.4.5 Investments Projects – Due to the reduction in government funding and reduced investment income from traditional Treasury investments, the Council has reinforced the need to make better use of its available assets. The Council’s Capital Investment Strategy and Treasury Management Strategy include a request to approve £10m of funding for investment.
  - 4.4.6 Council IT infrastructure – the Council has traditionally funded IT projects from Revenue. Recognising there is a replacement cost associated with IT systems, software and equipment, provision has been set aside in the capital programme to fund these costs and further IT enhancements. Last year the Director of Resources was given delegated authority to allocate £150k and approve individual projects. A top up of the funding is required for 2018/19 to maintain the budget at £150k.
- 4.5 **New projects not included in 2018/19 Budget – potential future projects**
- 4.5.1 The projects below have not been included in the capital programme, but a report is expected to go to either Cabinet/Council in the near future for formal approval.
  - 4.5.2 Uppingham Library – A cabinet paper will be presented early in the new financial year identifying options.
  - 4.5.3 RCC Asset Management – Based on asset surveys a schedule of works for all Council owned assets as well as those assets where the council has a statutory obligation to maintain the assets (e.g. closed church walls) is being developed. A cabinet paper will be submitted once the survey works have been finalised.
  - 4.5.4 Integrated Transport Block – This funding provides support for transport capital improvement schemes. A number of schemes have already been identified, a Cabinet paper will be submitted once the capital schemes have been finalised.

#### 4.6 Unallocated Funding – funding available

4.6.1 Currently the Council is holding capital funds that have not yet been committed to a project. A breakdown of the funds held is shown in the table below

Category	Unallocated Funding	Index	Estimated Closing Balance 31/03/18	Grant Awarded 2018/19	Possible capital funding for 2018/19 Budget	Possible revenue funding for 2018/19 Budget	Estimated Closing Balance 2018/19
			£000	£000	£000	£000	£000
SAP	Devolved Formula Capital	4.3.1	(7)	(18)	18	0	(7)
SAP	Better Care Fund		0	(221)	221	0	0
SAP	Special Funding Provision (SEND)	4.4.3	0	(167)	500	0	333
SAP	Adult Social Care – Misc	4.6.2	(219)	0	0	0	(219)
SAP	Highways – Misc	4.6.2	(78)	0	0	0	(78)
SAP	Misc Grant	4.6.2	(41)	0	0	0	(41)
SAP	Section 106	4.6.3	(2,415)	(470)	0	104	(2,781)
SAP	CIL	4.6.4	(526)	(507)	0	0	(1,033)
AMR	Schools Capital Maintenance	4.6.5	(689)	(130)	0	0	(819)
AMR	Highways Incentive Funding	4.6.6	(4)	(224)	224	0	(4)
AMR	Integrated Transport	4.6.6	(928)	(458)	0	0	(1,386)
AMR	Highways Capital Maintenance	4.6.6	(45)	(1,535)	985	0	(595)
Various	Oakham North Agreement	4.6.7	(2,286)	(551)	200	0	(2,637)
Various	Capital Receipts	4.6.8	(1,347)	(168)	504	0	(1,011)
<b>Estimated Unallocated Funding</b>			<b>(8,584)</b>	<b>(4,449)</b>	<b>2,652</b>	<b>104</b>	<b>(10,278)</b>

- 4.6.2 Misc Grant Funding – Unallocated funding (£338k) representing various balances from historic funding that the council no longer receives. This funding is not ring fenced.
- 4.6.3 Section 106 – Unallocated funding (£2.781m) representing the expected holding balance. Projects will be developed to deal with infrastructure demands from new/existing developments. Expenditure must be spent on the specific details within the individual agreements.
- 4.6.4 CIL - Unallocated funding (£1.033m) represents the expected Community Infrastructure Levy from developers; this will be replacing section 106, with the exception of the Affordable Housing element. This funding must be spent on items contained within the CIL123 infrastructure list.
- 4.6.5 Schools Capital Maintenance – Unallocated funding (£819k) is ring-fenced and should be allocated to schools and children's centres based on the provision of sufficient numbers of school places and surplus place removal, also the repair, improvement and replacement of existing school buildings.
- 4.6.6 Highway Grants – Unallocated funding (£1.985m) this grant is being held to fund future highways projects which is not ring-fenced however, future allocations would be affected if the funding was not spent improving transport infrastructure within the County. The majority of the unallocated highways funding (£1.386m) relates to the integrated transport block which is given to local authorities for small transport improvement schemes.
- 4.6.7 Oakham North Agreement – Unallocated funding (£2.637m) representing the expected holding balance. £551k is due to be received next year. The Council has flexibility on how this funding is used to support the development.
- 4.6.8 Capital Receipts – Unallocated funding (£1.011m) represents the balance of capital receipts held. E.g. Barleythorpe, centre buses sale and the annual payment received from Spires Homes.

## **5 TREASURY MANAGEMENT**

### **5.1 Overview**

5.1.1 At the time of approving the budget, the Council will approve the Treasury Management Strategy and Capital Investment Strategy. The implications of these strategies (capital plans, investment returns and borrowing changes) are reflected in the budget.

### **5.2 Prudential indicators – indicators to be approved**

5.2.1 Local authority capital expenditure is based on a system of self-regulation, based upon a code of practice (the “prudential code”).

5.2.2 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 are approved through the Treasury Management Strategy, taken separately to this report.

### **5.3 Minimum Revenue provision – method of calculation**

5.3.1 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).

5.3.2 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. The Council has proposed changes to its MRP policy this year to make more prudent provision for debt repayment.

## **6 SCHOOL FUNDING**

### **6.1 Overview – How school funding works**

- 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 expenditure being taken forward into future years.
- 6.1.2 The Government has announced that it is to proceed with the implementation of National Funding Formulae for Schools, High Needs and Central Schools Services blocks starting in 2018/19 (the Early Years block is already allocated via a national formula implemented in 2017/18).
- 6.1.3 There are a number of significant changes to the funding system for this year, as follows:
- Central Schools Services block (CSSB) – Will be introduced in 2018/19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together funding previously allocated through the retained duties element of the Education Services Grant, funding for ongoing central functions such as admissions and national agreed licenses and funding for historic commitments.
  - Baselines have been adjusted to take into account the spending pattern of local authorities for 2017/18. All local authorities were asked to re-submit baseline data based on their current spend plans to allow the Department for Education (DfE) to ensure that national spend on each block reflected existing spend patterns.
  - Within the Schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018/19 through the national funding formula. Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula. These notional allocations will reflect the 0.5% increase.
  - A minimum per pupil funding level for both secondaries and primaries to target the lowest funded schools. The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools and at least £3,500 for all primary schools by 2019/20.
  - Whilst local authorities' schools block allocations will be calculated using the new national funding formula, actual allocations to individual schools for the next two years (2018/19 and 2019/20) will be set by the local authority using a local formula (but the local authority could simply use the national formula).
  - Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2018/19 through the high needs national funding formula.
  - The schools block will be ring-fenced for 2018/19, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum. There will be an exceptions process, which will require Secretary of State approval for considering transfers

above 0.5% limit and/or where the Schools Forum is opposed to the transfer. In 2017/18, the schools block for the Council was £22m, therefore, the maximum amount that could be transferred to the high needs block would be in the region of £110k.

- 6.1.4 A local authority must engage in open and transparent consultation with all maintained schools and academies in the area, as well as with its schools forum about any proposed changes to the local funding formula including the method, principles and rules adopted. Whilst consultation must take place, the local authority is responsible for making the final decisions on the formula. In reality, the options are limited.
- 6.1.5 Schools have been protected by a nationally set Minimum Funding Guarantee (MFG) of -1.5% per pupil. From 2018/19, local authorities will have flexibility to set a local MFG between 0.5% and -1.5% per pupil.
- 6.1.6 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.

## 6.2 **Allocations – funding received and allocated**

### ***DSG***

- 6.2.1 The overall DSG allocation for 2018/19 is £28.823m of which, £19.678m has been allocated to the academies. This means that the Council will receive £9.145m to fund the maintained schools, High Needs, Early Years and the Central School services.
- 6.2.2 The Schools Block allocation with figures based on the October 2017 School census has been published by the Department for Education (DfE). Rutland will receive £22.969m, an increase of £0.619m on the 2017/18 funding allocation (equating to a 2.7% increase overall). Individual school allocations would have seen increases of between 0.3% and 2.9%.
- 6.2.3 The High Needs block funding is likely to see Rutland receiving £3.732m which represents an increase of £0.03m on the allocation received in 2017/18 (the minimum 0.5% increase).
- 6.2.4 For Early Years, the new national funding formula for the allocation of funding for 3&4 year olds has already been implemented in 2017/18 and saw the hourly rate paid to settings being reduced from £4.60 to £4.40 per hour. This is likely to reduce further in 2018/19 to an hourly rate of between £4.20 and £4.25 dependent on the final allocation figures.
- 6.2.5 The Central School Services allocation has been calculated to be £0.163m compared to last year's budget of £0.166m. This reduction of £3k had been anticipated and included within the MTFP.

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

- 6.2.6 The DfE have announced the level of Pupil Premiums for 2018/19 as follows:
- Primary disadvantaged pupil premium is £1,320 per pupil;



- Secondary disadvantaged pupil premium is £935 per pupil;
- Children Looked after pupil premium is expected to increase to £2,300 per pupil (£1,900 last year) as a result of the DfE removing this factor from the School Funding Formula;
- Children no longer looked after due to adoption, special guardianship order etc is £2,300 per pupil; and
- Service children pupil premium is £300 per pupil.

***Universal Infant Free School Meals (UFSM)***

6.2.7 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 2018/19 is yet to be announced.

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