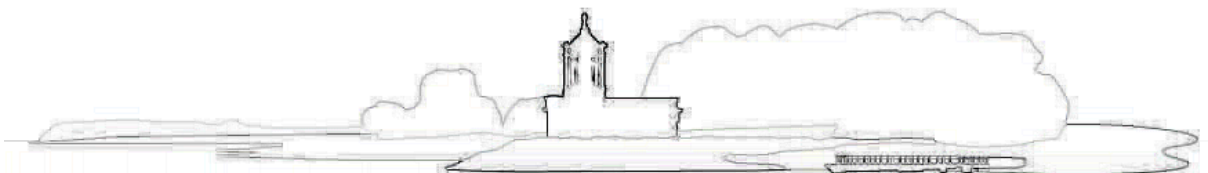




Rutland County Council

The Budget 2019 - 20



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1 FUNDING OUTLOOK

1.1 The finance settlement

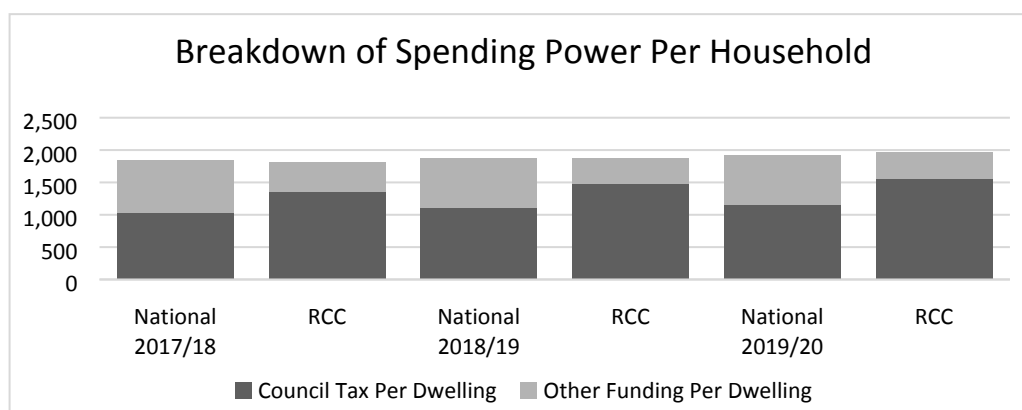
1.1.1 The draft Settlement for 19/20 was better than anticipated:

- The expected loss of RSG of £958k has been reversed;
- Additional grant funding has been received: £368k for social care and return of the business rates levy of £67k¹;
- There were no changes to the New Homes Bonus scheme;
- The Rural Services Delivery grant was expected to reduce by £168k but has remained at the same level.

1.1.2 However, the Council's Government funding is in cash terms still only marginally more (£379k) than it was in 18/19. So there is little Government funding support for inflation, pay increases or additional demand for services.

1.1.3 Beyond 19/20 the Government funding position is unknown. Whilst there is an acknowledgement that there are pressures and funding challenges and reference to various ongoing reviews (Social Care Green Paper, Fair Funding review, Business Rates Retention) there is no promise of additional funding yet. The Council believes that the additional grant funding for social care is likely to continue but again this is not confirmed.

1.1.4 Using Government figures, core spending power (available core funding) of local authorities in England is £46.4bn in 19/20 compared to £44.6bn in 15/16. In 19/20 60% comes from council tax compared to 49% in 15/16. The picture for Rutland is slightly better with core spending power at £33.53m in 19/20 compared to £30.12m in 15/16. In 19/20 79% of our spending power comes from Council tax. This figure is much higher than the national average of 60%.



¹ As part of the operation of the business rates retention system, we pay a levy on the growth in business rates. The surplus on the account has been redistributed to all Council's.

- 1.1.5 The overall settlement for 19/20 has not changed the overall direction of travel with Government funding significantly reduced compared to 2016/17 with the expectation that Members continue to raise Council Tax and levy the Adult Social Care precept (discussed in more detail in section 2).

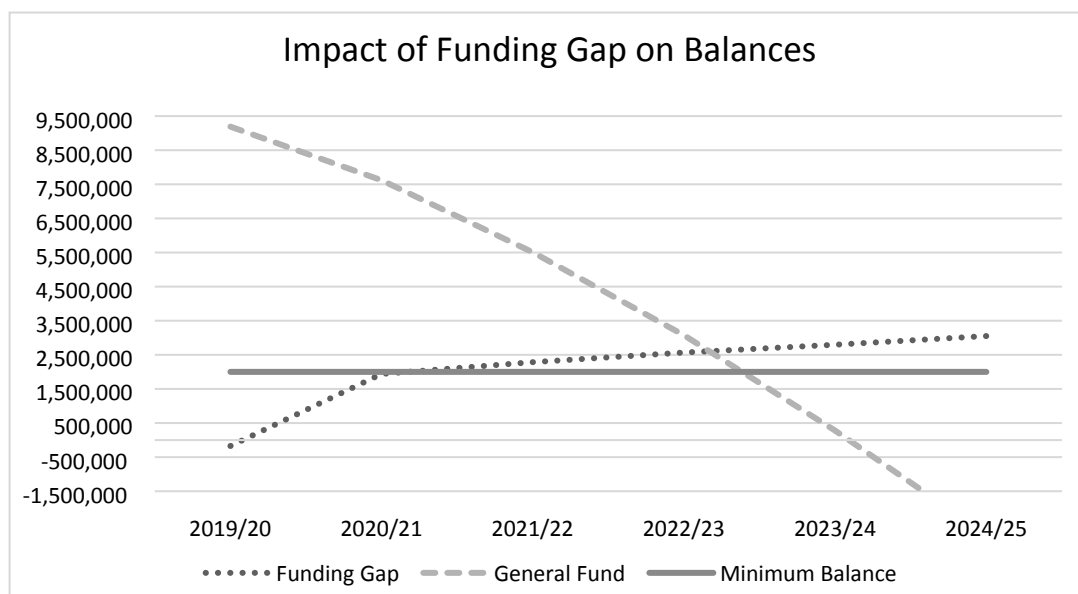
Overall funding available 16/17 – 19/20

	2016/17	2017/18	2018/19	2019/20
RSG	2.354	0.889	0	0
Transitional Grant	0.340	0.337	0	0
Rural Service Delivery Grants	0.843	0.681	0.849	0.849
Tariffs relating to Business Rates	0	0	0	0
Core government funding	3.537	1.907	0.849	0.849
Misc grants (1)	0.310	0.351	0.392	0.770
New Homes Bonus (2)	1.230	1.214	1.231	1.148
Better Care Fund (3)	2.046	2.061	2.306	2.215
Business rates (4)	4.770	4.786	4.963	5.139
Total government funding	11.893	10.319	9.741	10.121
<i>Council tax (inc collection fund and adult social care precept)</i>	<i>22.172</i>	<i>23.412</i>	<i>24.800</i>	<i>26.495</i>
Total resources	34.065	33.731	34.541	36.616
Use of Council reserves	(0.079)	0.288	1.295	(0.173)
<p>1 - Includes Social care grants of £368k 2 - NHB income for 19/20 is known but future years are based on anticipated housing growth 3 - BCF includes 77k for Improved Better Care Fund (iBCF). 4 - In Rutland, 50% of rates are paid to Government, 1% is paid to the Fire Authority, and 49% is retained by the Council. Of the 49% retained, the Council pays a further tariff to the Government (valued at £1m). The estimates can be impacted by factors that reduce rates due (appeals, business failure, and greater discounts) or increase rates due (new business).</p>				

1.2 The financial gap

- 1.2.1 Beyond 19/20, the Council assumes that spending will increase through inflation/demand and that Government funding will reduce and be replaced through Council tax.
- 1.2.2 The Council is predicting a gap in funding of c£1.9m by 20/21 as shown in the

chart below if no further action is taken. The chart shows that by 23/24, Council reserves will be below the minimum level needed and by 24/25, the Council will have no reserves left.



1.3 Risks and uncertainties

1.3.1 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 funding and spending that are outside of the Council’s control (these are covered below).

	Issue/risk	Impact/ Action to mitigate risk
1	<p>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, the Rural Services Delivery Grant and the Public Health Grant.</p> <p>We are still awaiting final details and further consultation has now been issued.</p>	<p>MTFP assumes grants rolled in but further funding loss expected.</p> <p>The Council will consider its response in due course.</p>
2	<p>The Fair Funding Review is re-examining what the “needs” of authorities are and how funding may be allocated taking into account available resources.</p> <p>Further consultation has been issued as part of the Settlement. The Council is deemed to have a high level of its own resources (i.e.</p>	<p>There is no sense that additional funding will be made available which is the biggest concern but funding could be diverted from district councils to those with social care responsibilities.</p>

	Issue/risk	Impact/ Action to mitigate risk
	Council Tax) so its share of any national pot is unlikely to increase.	The Council will consider its response in due course.
3	<p>The Government has previously indicated it would transfer additional responsibilities to local authorities and funding this through surplus rates.</p> <p>The MTFP assumes no transfers of responsibility and funding for now further to the settlement.</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.
4	The Social Care Green Paper is awaited. It may offer a model for how social care will be funded in the future. In the Settlement speech to Parliament, the Government indicated it is likely to be published in early 2019.	MTFP assumes no new funding for now but it is likely that existing grants will continue in some form.
5	Better Care Fund is uncertain beyond 19/20 but the level of funding is such that any plan to withdraw or reduce it would cause significant issues to joint working between health and social care.	<p>The MTFP includes the BCF in line with published allocations</p> <p>A loss or reduction in Fund could cause significant pressures.</p>
6	<p>The New Homes Bonus continues with no changes announced in the Settlement. The baseline will remain at 0.4% for 2019/20.</p> <p>The Council assumes the scheme will not change and calculates income based on anticipated housing growth.</p>	The MTFP dampens housing trajectory numbers by 10% as house building numbers can be volatile.
7	<p>Schools funding (Dedicated Schools Grant) is outside of the General Fund and is ring fenced.</p> <p>The Council is carrying a deficit on the DSG caused by High Needs pressures which it aims to recover over time. The Council</p>	Education team working with Schools to tackle issues. Recovery plan to be submitted to Department for

	Issue/risk	Impact/ Action to mitigate risk
	could come under pressure to meet the costs. Some funding will be set aside to support pressures, if needed, in respect of Special Educational Needs.	Education in June 2019.
8	<p>The Local Plan is the plan for the future development of Rutland which is drawn up by the Council in consultation with the community. Budget does include an allocation to deliver the Local Plan but additional costs could be incurred if the Plan is subject to challenge.</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 housing numbers impact a) infrastructure requirements – paid for primarily from CIL/s106, b) demand for services – paid for from the General Fund, and c) level of Council tax income to help meet additional service costs.</p>	<p>The Council has a legal earmarked reserve that can be called upon if needed.</p> <p>MTFP includes housing growth and additional costs for delivering services alongside council tax income.</p>
9	<p>St Georges Barracks 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 a shared vision for St George’s to create a new ‘garden village’ with the right mix of housing, enterprise, leisure and recreation.</p> <p>The master planning process is underway. The Council is bidding for external funding to help take forward this project from the Housing Infrastructure Fund (HIF).</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.</p> <p>MTFP assumes housing development (minimum 160 per annum) whether this is delivered at St Georges Barracks or elsewhere.</p>
10	It is expected that trade unions and others will continue to lobby for pay inflation	The MTFP assumes an annual pay award of 2% and as the

	Issue/risk	Impact/ Action to mitigate risk
	increases above inflation. Rates beyond 19/20 to be negotiated.	Council is part of the national bargaining agreement no change is proposed.
11	<p>The MTFP includes some service pressures 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 including:</p> <ul style="list-style-type: none"> • Increases in the cost of care packages arise from a growing population of older people, or greater demand for services • An increase in costs of looked after children beyond that budgeted • Downturn in local economy impacting income from rental units, car parking etc • Extra interim staffing costs arising from difficulties in recruiting staff • An unexpected by-election. 	<p>As far as possible Directors will try to manage costs pressures within budget.</p> <p>The Council has earmarked reserves which can be used.</p> <p>Sufficient balances will also be maintained to cope with unforeseen cost pressures in the short-term.</p>
12	Whilst inflation has been higher for some time and the Government target is to keep it below 2%, there are emerging issues as we near the Brexit vote that are causing pressure on the £. This could further impact the prices the Council pays for goods and services.	The Council will monitor the position on key contracts and has inflation built into the MTFP which has been revisited as part of the 19/20 budget.
13	<p>Interest rates 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.</p>	Advice from our Treasury advisors is factored into investment returns expectations.
14	Capital financing costs have been estimated based on the assumption that some borrowing is undertaken during the life	The Capital Investment Strategy allows for external borrowing

	Issue/risk	Impact/ Action to mitigate risk
	<p>of the MTFP to fund property maintenance costs.</p> <p>Corporate analysis of existing and potential new projects indicates that no further external borrowing is required at this stage.</p>	<p>only where there is a revenue payback so this would have a positive MTFP impact.</p>
15	<p>The Council has seen demographic 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. This has the potential to create additional demand of up to 4% per annum on adult social care.</p>	<p>The Council now includes an estimate for increased needs in its MTFP.</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>
16	<p>The Council has a number of outsourced services 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 inflation rates are kept under review.</p>	<p>The MTFP will be reviewed again in 19/20 to reflect the expected cost of services.</p>
17	<p>The Council's net pension liability for the Local Government Pension Scheme (controlled by Leicestershire County Council as the Pension Fund administrator) has decreased.</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>
18	<p>The Government has not yet voted on the proposed Brexit deal and is also preparing for 'No Deal'.</p> <p>The outcome of Brexit could not only impact the Government's comprehensive spending review next year, but also the local economy, local business and jobs.</p>	<p>The MTFP is neutral in respect of Brexit but the loss of key local business could have an impact of £300k before the Council is compensated by Government.</p>

1.4 Tackling the gap

1.4.1 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 from 20/21 and beyond the Council will have a financial gap.

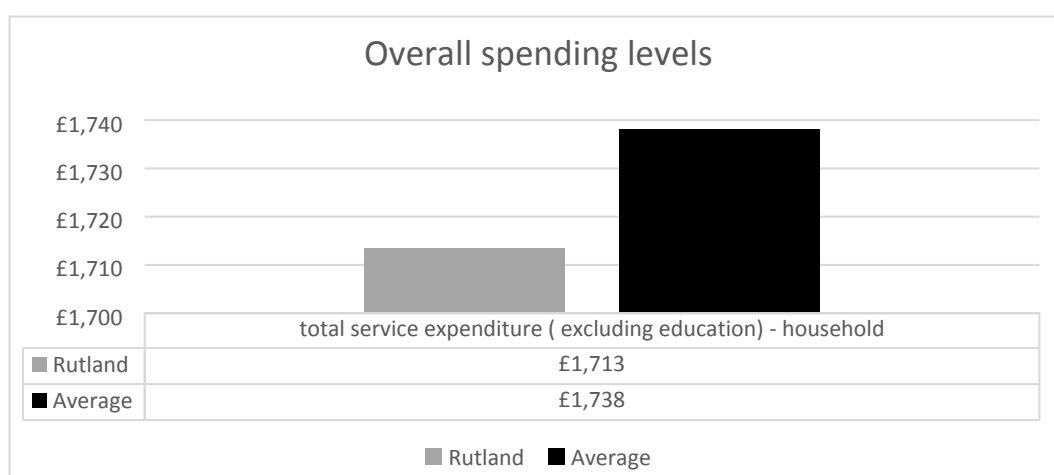
1.4.2 The Council has started reviewing again all of its expenditure and income to identify possible options that it could consider when its position is clearer. There are inevitably some challenges in doing this:

- Some services are statutory and therefore cannot be stopped or reduced (although they can be delivered differently);
- The Council has already made lots of savings (see 1.4.3) over the last 8 years which have been used to meet additional pressures and offset the loss of funding; and
- The Council provides good VFM and is generally low cost (see 1.4.4).

1.4.3 Savings made since 2011/12 are shown below (these are a combination of recurring and one off savings):

Year	Budget savings
11/12	3,313,050
12/13	1,193,500
13/14	1,534,500
14/15	889,400
15/16	785,900
16/17	1,022,400
17/18	931,300
18/19	805,600

1.4.4 Each Council is required to submit returns to Government showing budget/expenditure data across different service areas. The latest returns for 18/19 data show in overall terms the Council’s cost are below average.



- 1.4.5 Notwithstanding the above comments, the Council is working on savings and income options so that when the future is more certain it can take decisions that will allow it to continue to set a balanced budget. Areas of focus include staffing levels, making best use of technology, property, investments and transport subsidies.
- 1.4.6 There are also a number of MTFP assumptions that are prudent in relation to tax base growth, government funding loss, investment income and demand for social care. In these areas, the Council will aim to outperform assumptions made.

1.5 Reserves – the minimum level of reserves required

- 1.5.1 One of the reasons the Council has some time to address its position is because it has a healthy reserve level. General Fund reserves represent 28% of service expenditure (less education). This is high compared to other Councils indicating a good degree of financial management.

	General Fund reserves as % of Service Exp²	Earmarked reserves as % of Service Exp	Total
Rutland	28%	15%	43%
Average Unitary	7%	27%	34%

- 1.5.2 These reserves can be called upon in the short term to balance the budget but this cannot be continued indefinitely. Reserves also help to cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing and provide a contingency to cushion the impact of unexpected events or emergencies.
- 1.5.3 The level of reserves is set to take account of:
- strategic, operational and financial risks (see Section 1.3);
 - key financial assumptions underpinning the budget; and
 - quality of the Council’s financial management arrangements.
- 1.5.4 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. Alongside this balance the Council has c£3.7m in earmarked reserves (detailed in Appendix 7).
- 1.5.5 A review of the reserves position has been undertaken. **It is my view that General Fund reserves of between £2m and £3m are appropriate so I am**

² To enable comparisons, the Council has used Service Expenditure as defined in the Revenue returns (RO forms) submitted to Government by all Councils.

recommending that the minimum reserve level is maintained at £2m. This level is deemed adequate based on professional judgement and a risk assessment taking into account the following factors:

- a) despite savings delivered in 19/20, the Council has no formal agreed plans for beyond that;
- b) there are potential cost pressures which are only partly factored into plans; and
- c) future funding levels are unknown.

2 COUNCIL TAX

2.1 Council tax – options

2.1.1 The Government has kept the general Council Tax referendum limit at 2.99% for 2019/20. Rutland is also able to levy an Adult Social Care precept of an additional 2%.

2.1.2 The Council proposes to raise Council Tax by 2.99% and levy the Adult Social Care precept of 2%³. The rationale for this is straightforward:

- It avoids the Council making a substantial loss in 19/20;
- Failing to increase Council tax by the maximum amount leads to a £250k minimum loss of income (for every 1% not raised compared to 4.99%) in 19/20 but also every subsequent year (so £1.4m over 5 years);
- The Council cannot predict with any certainty the level of demand for services like social care/transport but it does know demand is likely increase; and
- The increase in Government funding received is not sufficient to meet inflation and other cost pressures.

2.1.3 The table below gives shows the difference between various options:

Change from 18/19	Council tax rate	19/20 council tax revenue £m	Loss against maximum yield in 19/20	5 year loss
4.99%	£1,705.18	£26.430m	N/A	N/A
3.99%	£1,688.94	£26.178m	£0.252m	£1.392m
2.99%	£1,672.69	£25.926m	£0.504m	£2.785m
1.99%	£1,656.45	£25.675m	£0.755m	£4.178m
0%	£1,624.13	£25.174m	£1.256m	£6.950m

2.1.4 Members should note that even with maximum Council Tax rises the Council still needs to find substantial savings. Not increasing Council Tax would make the position almost impossible as evidenced by the experience of Northamptonshire County Council.

2.2 Collection Fund – the estimated balance for 2018/19

2.2.1 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).

³ For the purposes of the table in 2.1.2, reference to Council Tax and rates includes the Adult Social Care precept

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.

- 2.2.2 The estimated financial position on the Collection Fund at 31 March 2019 is shown below.

Estimated Surplus at 31 March 2019	£75,000
Share of Surplus	
Rutland County Council	£65,000
Leicestershire Police Authority	£8,000
Leicestershire Fire Service	£2,000

- 2.2.3 The Regulations provide for the Council's share of the estimated surplus to be transferred to the General Fund in 19/20.

3 REVENUE BUDGET EXPLAINED

3.1 Overview

- 3.1.1 The MTFP always includes provisional 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:

		Draft budget 2019/20 £000
3.1.2	People	18,079
3.1.2	Places	12,253
3.1.2	Resources	6,492
<i>A</i>	<i>Sub-Total Directorate budgets</i>	36,824
3.1.3	Pay Inflation contingency	65
3.1.4	Social care contingency	300
<i>B</i>	<i>Sub-Total Contingencies & Corporate Savings</i>	365
	Net cost of services	37,189
3.1.5	Appropriations	(2,310)
3.1.6	Capital financing costs	1,764
3.1.7	Interest income	(200)
	<i>Sub-Total Capital</i>	(746)
	Total Net Spending	36,443
	Funding	(36,616)
3.1.8	Contribution to Earmarked Reserves	227
	<i>Sub-Total transfer to/(use) of reserves</i>	227
	Use of General Fund reserves	54

- 3.1.2 The **Directorate budgets** are detailed by functional areas in Appendices 4 to 6. The budgets include savings and pressures. The Budget is also represented in diagram form in **Appendix 2**.
- 3.1.3 The budget includes a small contingency for **pay** changes (adjustment, re-grades, staff opting in to pension fund etc).
- 3.1.4 The budget includes a contingency for £300k for **social care**. This is the same approach as per the prior year and reflects the fact that there is no grow built into the budget for demographic growth.
- 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 £1.764m comprise interest costs on loans of £1.033m and Minimum Revenue Provision (MRP) costs of £732k. MRP is a statutory charge to the revenue account which covers the repayment of debt (see 5.3).

3.1.7 **Interest income** reflects interest earned on investments. This has increased from 18/19.

3.1.8 **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. The 19/20 budget uses no earmarked reserves at this stage but acknowledges that some funding will be set aside to support pressures in respect of Special Educational Needs. A list of earmarked reserves is given in Appendix 7.

3.2 The budget process – the development of the revenue budget

3.2.1 The starting point is the restated 2018/19 budget which is updated for any approved changes and adjustments as reported in Quarterly reporting. Minor adjustments are made to individual budgets as part of the normal annual budget process. These include updating for the pay settlement, inflation, adjustments and removing one off budgets. Any savings and pressures are also factored in.

3.3 Savings

3.3.1 The 2019/20 budget includes total savings c£1.516m of which all except £29k are recurring. Savings can be categorised as follows:

Area	Definition	£m
Staffing efficiencies	Reduction in staffing costs	0.296
Service reductions	Reduction in service offering in relation to ring fenced funding	0.039
Efficiencies	Delivering the same for less from alternative ways of working	0.806
Income generation	Additional income generated from existing or new fees and charges	0.283
Budget realignment	Budget reductions based on previous year expenditure trends	0.091
		1.515m

3.3.2 The Council has also taken action to avoid costs. In demand led budget areas like social care careful management of needs through prevention work in adults and reuniting children with their families has avoided the Council incurring additional costs of c£235k in 19/20.

3.4 Pressures – additional costs

3.4.1 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.

3.4.2 The 2019/20 budget includes total pressures of c£897k of which £184k are one off and a separate £300k contingency for social care as no growth is built into individual budgets. Pressures can be categorised as follows:

Area	Definition	£m
Procurement and contracts	Increased costs associated with contracts or reprocurement of services	0.084
Statutory	One off costs from meeting a statutory duty	0.233
Demand	Cost associated with increased demand for services	0.481
Income reduction	Reduction in grants or income from services	0.060
Investment or growth	Investment in new/existing services	0.039
		0.897m

3.5 Reserves and Estimates - robustness

3.5.1 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.

3.5.2 The most substantial risks are in demand led budgets and in particular social care. In the longer term, the risks to the budget strategy arise from the risks detailed in 1.3 but can be summarised as follows.

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

3.5.3 A further risk is economic downturn, nationally or locally. This could result in further significant reductions in funding, 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.

3.5.4 It is my view that the Council's financial resilience is strong and the above risks can be managed, in particular:

- The Council has a good level of earmarked and General Fund reserves (see para 1.5);
- The Council is largely self-sufficient and its high dependency on Council tax leaves it less vulnerable to further government reductions;
- The level of reserves depletion over the last few years has been low;
- There is a £300k contingency in the budget which allows for resource to be diverted should the need arise; and
- The Council is effectively managing demand in adult and children's social care.

3.5.5 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.

3.6 Equalities – the impact on particular groups

3.6.1 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.

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

Proposal
A Band D Council Tax increase of 4.99%, including the Adult Social Care Precept of 2% taking Band D Council Tax from £1,624.13 to £1,705.18 (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 2019/20 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 cost per week on a Band D property is £1.55.

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 39p 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 £20k 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 2019/20)
- 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 2019/20. Projects that make up the total £28.899m and the £3.35m unallocated non ring fenced funding are listed in Appendix 9.

Capital Programme	Budget Approved to Date	New Capital Projects	Budget 2019/20
	£000	£000	£000
Strategic Aims and Priorities	7,694	248	7,942
Commercialisation	13,100	200	13,300
Asset Management Requirements	7,527	130	7,657
Total Projects	28,321	578	28,899
Financed By			
Grant	(12,645)	(248)	(12,893)
Prudential Borrowing	(12,868)	(200)	(13,068)
Capital Receipts	(1,631)	0	(1,631)
RCCO	(304)	0	(304)
Oakham North Agreement	(338)	0	(338)
S106/CIL	(535)	(130)	(665)
Total Budget Funding	(28,321)	(578)	(28,899)
Non Ring Fenced Grants - Unallocated			(3,350)
Total Funding			(32,249)

4.2 Approved projects – approved projects continuing into 2019/20

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 2019/20. The estimated spend in 2019/20 will depend primarily on the outturn (the amount spent) for 2018/19.

- 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 Council has submitted a capital bid for match funding to the Department of Culture, Media and Sport. A decision on the application is expected in January 2019.
- 4.2.3 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 year to manage and support the development of the Castle.
- 4.2.4 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 2019/20 Schools Capacity Return (SCAP).
- 4.2.5 Commercial investments – The programme includes up to £10m available for property investments that will generate a positive net return for the General Fund. No investments have been made to date.

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 For the 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 – approval required

- 4.4.1 Invest to Save – A new capital project has been created for 2019/20 to support the council on invest to save projects identified within year. It is requested that delegated authority be given to the Director of Resources, in consultation with the Finance Portfolio Holder and the appropriate Portfolio Holders(s) where the invest to save scheme has been identified. For example, if a Parish Council wanted to take responsibility for an asset previously run by the Council then this fund could be used to do some maintenance works so the asset was transferred in good condition.
- 4.4.2 Mobile Library – The current mobile library for Rutland County Council has been in operation for over 10 years, after undertaking a vehicle assessment the condition of the van would require extensive repair work and would therefore not be viable to proceed. A Cabinet paper will be presented shortly to support the purchase of a new vehicle.

4.5 Unallocated Funding (funding available) and potential future projects

4.5.1 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 31/03/19	Grant Awarded 2019/20	Capital funding for 2019/20 ring fenced budget	Capital funding for 2019/20 New Capital Budget (Approval Required)	Estimated Closing Balance 2019/20
			£000	£000	£000	£000	£000
SAP	Devolved Formula Capital		(7)	(27)	27	0	(7)
SAP	Better Care Fund		0	(221)	221	0	0
SAP	Adult Social Care – Misc	4.5.2	(219)	0	0	0	(219)
SAP	Highways – Misc	4.5.2	(78)	0	0	0	(78)
SAP	Misc Grant	4.5.2	(41)	0	0	0	(41)
SAP	Section 106	4.5.3	(2,554)	(208)	0	35	(2,727)
SAP	CIL	4.5.4	(1,032)	(536)	0	95	(1,473)
AMR	Schools Capital Maintenance	4.5.5	(881)	(192)	0	0	(1,073)
AMR	Highways Incentive Funding	4.5.6	0	(320)	0	0	(320)
AMR	Integrated Transport	4.5.7	(746)	(458)	0	0	(1,204)
AMR	Highways Capital Maintenance	4.5.6	(900)	(1,535)	0	0	(2,435)
Various	Oakham North Agreement	4.5.8	(2,634)	(551)	0	0	(3,185)
Various	Capital Receipts		0	(50)	0	0	(50)
Estimated Unallocated Funding			(9,092)	(4,098)	248	130	(12,812)

- 4.5.2 Misc Grant Funding – Unallocated funding (£338k) representing various balances from historic funding that the council no longer receives. This funding is not ring fenced.
- 4.5.3 Section 106 – Unallocated funding (£2.727m) 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.
- 4.5.4 CIL - Unallocated funding (£1.472m) 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. The list will be reviewed to reflect the Council’s new Local Plan.
- 4.5.5 Schools Capital Maintenance – Unallocated funding (£1.073m) 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.
- 4.5.6 Highway Capital Maintenance – Unallocated grant funding (£2.755m) 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 on improving transport infrastructure within the County. In the October 2018 budget, the Chancellor announced new money for local highways maintenance for the repair of roads, bridges and local highways infrastructure generally (£845k). A Cabinet paper is expected early 2019 highlighting the proposed capital programme for 2019/20.

Highways Funding	Funding 2017/18	Funding 2018/19	Funding 2019/20
Highways Capital	1,696,000	1,535,000	1,535,000
Highways Capital – Addition	0	845,000	0
Pothole	153,000	161,849	0
Pothole – Addition	158,954	0	0
Highways Incentive Funding	147,000	226,000	320,000
National Productivity Funding	378,000	0	0
Total	2,532,954	2,767,849	1,855,000

- 4.5.7 Integrated Transport (£1.204m) - The integrated transport block funding provides support for small transport capital improvement schemes. A number of schemes have already been agreed. Future schemes, using the balances held, are likely to include a fleet replacement programme.
- 4.5.8 Oakham North Agreement – Unallocated funding (£3.185m) representing the expected holding balance. The final £551k is due to be received in 2019/20. The Council has flexibility on how this funding is used to support the development.

- 4.5.9 Oakham Town Centre – the Task and Finish Group report has been considered by Council and feasibility work into the recommendations is ongoing. There are two overarching outcomes: a) various projects emerge which Council are asked to approve and/or b) projects emerge that can be delivered within existing capital projects e.g. upgrading of street furniture. Depending on the nature of works identified various funding options will be available.
- 4.5.10 Future Maintenance Requirements – £85k was approved at Q2 to identify the future maintenance requirements for Council assets. A Cabinet paper is expected once the scope of the works are known.

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 draft 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 MHCLG 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 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 indicative allocations for the Schools, High Needs and Central Schools Service blocks for 2019/20.
- 6.1.3 As in previous years, the Council is able to transfer 0.5% of the Schools block allocation to the High Needs block with the agreement of the Schools Forum. Due to the pressures being experienced by the High Needs budget, Forum has agreed to this transfer for 2019/20. This transfer will equate to approximately £0.117m being transferred between blocks
- 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 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 Schools Block allocation for Rutland is £23.453m compared to 2018/19 of £22.969m (an increase of £0.484m) equating to an increase of 2.1%. This figure is calculated using the October 2018 census data. The National Funding Formula sets the Primary and Secondary units of funding for each authority based on the previous years census data and these are used to calculate the funding received by the authority for the following year.
- 6.2.2 The two units of funding for Rutland County Council for 2019/20 have been set as follows:
- Primary Unit of Funding is £3,819.86 (£3,792.17 in 2018/19)
 - Secondary Unit of Funding is £4,827.39 (£4,809.39 in 2018/19)
- 6.2.3 The High Needs block allocation for 2019/20 is £3.825m compared to 2018/19 of £3.690m (an increase of £0.135m) equating to an increase of 3.6%. This is more than originally envisaged by £84k. This funding has been adjusted for the latest information on the numbers of pupils being imported/exported and changes in these numbers will impact the level of funding received by the authority.
- 6.2.4 The current level of spending on high needs is projected to be £4.0m in 2019/20 and therefore the allocation for 2019/20 is likely to be insufficient to cover costs next

year. The transfer of 0.5% from the schools block (approximately £0.117m) is for one year only and will automatically transfer back to the schools block the following year. The Council is likely to be carrying a DSG deficit of c£300k by the end of March 2019 and will need to produce a Recovery Plan which addresses this position by June 2019. This is a significant challenge and the deficit may take some years to recover.

- 6.2.5 The Early Years block allocation for 2019/20 has been provisionally set as £2.034m based on the same rate of funding as that for 2018/19 and therefore the hourly rate to settings of £4.25 is not likely to change for 2019/20.
- 6.2.6 The Central School Services block allocation is £0.163m for 2019/20 the same as that allocated in 2018/19.
- 6.2.7 The Central School Services block pays for the following services:
- Admissions Services
 - Nationally agreed copyright licence fees
 - The local authority statutory responsibilities (previously covered by the Education Services Grant)

Pupil Premium Grant (PPG)

- 6.2.8 The DfE have not yet announced the level of Pupil Premiums for 2019/20. The rates for 2018/19 were 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 (UIFSM)

- 6.2.9 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 2019/20 is yet to be announced.

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on request**



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