

Appendix A. Outturn 2018/19

1 REVENUE OUTTURN

1.1 Budget – what is the overall outturn position?

1.1.1 The Council is reporting a year end deficit of £15k. This represents an under spend of £74k on its budgeted deficit of £89k. The revenue position at 31 March 2019 is shown below:

	More detail	Current Budget £000	Q3 Forecast £000	Q4 Outturn £000	Outturn Variance
People		18,713	17,774	17,667	(1,046)
Places		12,313	12,549	12,166	(147)
Resources		6,888	6,246	6,011	(877)
Directorate Totals	1.2	37,914	36,569	35,844	(2,070)
Pay Inflation		21	0	0	(21)
Social Care Contingency		184	0	0	(184)
Net Cost of Services		38,119	36,569	35,844	(2,275)
Appropriations		(2,241)	(2,241)	(2,241)	0
Capital Financing	1.4.1	1,644	1,644	1,647	3
Interest Receivable	1.4.2	(210)	(305)	(312)	(102)
Net Operating Expenditure		37,312	35,667	34,938	(2,374)
Financing	1.4.3	(34,951)	(34,842)	(35,198)	(247)
Transfers to/(from) Reserves	1.1.2	(2,302)	(847)	121	2,423
Revenue Contribution to Capital	1.4.4	30	30	154	124
(Surplus)/Deficit		89	8	15	(74)
General Fund 1 April 2018		(8,978)	(8,978)	(8,978)	0
General Fund 31 March 2019		(8,889)	(8,970)	(8,963)	(74)

1.1.2 The overall position can be summarised as follows:

- The Council is reporting an under spend of £74k after setting aside Directorate under spends in relation to: a) ring fenced budgets; b) demand led budgets; or c) commitments made but not yet fulfilled. In each of these cases under spent budgets are placed into earmarked reserves and are carried forward for future use.
- Notwithstanding the above comment, the Directorate budgets do include genuine underspends arising from a) savings from vacant posts and delays in recruiting staff pending reviews or further work; b) additional grant

income received e.g. in respect of the One Public Estate programme; c) other cost control measures.

- Despite the overall under spend, there are some areas where there are overspends – there have been significant pressures in waste management, commercial properties and planning income. Further detail is given in Section 1.2.
- The Directorate under spend was increased further by additional grant income of £129k (of which £90k was received in the final quarter), better returns on investment income, £102k, and additional business rates of £188k, which was offset by reducing the draw down from the Business Rates reserve by £190k.

1.1.3 The revenue outturn position reconciles to the Comprehensive Income and Expenditure Statement (CIES) in the Draft Statement of Accounts which was published at the end of May.

1.2 Directorate spend – how does this compare to budget and Quarter 3 forecast?

1.2.1 A summary of the performance of each function against budget can be found in Appendices B to D. A full analysis of Directorate performance in respect of each function is provided in the accompanying Budget Excel file which is available on the Council website at:

<https://www.rutland.gov.uk/my-council/contacts-facts-and-figures/council-spending/budget-monitoring-quarterly-reports/>

1.2.2 Throughout the year, the Financial Procedure Rules (FPR) require Directors to report on functions which are forecast to be £25k overspent and provide a detailed report on functions overspent by more than £100k explaining the reasons why. As 18/19 is now complete, a summary of the position on each function is given in the Directorate appendices. The overall position is as follows:

Directorate	Within budget?	Ceilings>25k overspent?				Ceilings>£25k underspent?			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Places	Yes	2	1	4	4	2*	1*	1*	2*
Resources	Yes	1	0	0	0	5*	4*	5*	3*
People	Yes	3	3	3	3	9*	9*	9*	7*

***Note:** Only underspends included where Directorates are not currently proposing to carry forward/transfer to reserve unused budget to future years

People Directorate

- 1.2.3 The People Directorate is underspent by £1.046m and there has been a favourable movement of £107k since Quarter 3. For demand led areas £1m can represent a small number of cases (5-10) so the under spend should be seen in this context. The Directorate is required to carry forward unspent ring fenced budgets (e.g. Public Health and Better Care Fund) and is also requesting budget carry forwards of £101k from other unspent budgets as well as transferring £417k to the Social Care reserve. The impact of these changes is that the Directorate has, in effect, come in only slightly underspent (c£18k).

People Directorate budget	£'000	£'000
(Under)/Over spend People Directorate (Excluding Dedicated Schools Grant)		(1,045)
Add back: ring-fenced grant underspends (£204k Public Health plus £305k BCF transferred to reserves)	509	
Add back: Children's Social Care underspends to be transferred to Social Care reserve (see 1.2.7)	417	
Add back: Other budget carry forwards	101	
(Under)/Over spend after transfers		(18)
Key variances (Excluding Transfers to Reserves):		
Directorate costs	(43)	
Adults and Health (Prevention & Safeguarding, Direct Payments, Residential) (1.2.4)	439	
Adults and Health (Contracts & Procurement, Homecare, Support & Review, Hospital & Reablement) (1.2.5)	(402)	
Learning and Skills (1.2.6)	(12)	
Total Variance		(18)

- 1.2.4 As reported consistently throughout the year, the key pressures in the Directorate have revolved around Adult Social Care services of Prevention and Safeguarding, Direct Payments and Residential & Nursing. The key reasons for this are:

- The Prevention & Safeguarding service has overspent by c£80k as a result of an increased use of short term respite care. This supports the Adult Social Care Strategy of keeping people out of permanent residential care and at home for as long as possible. The overspend has been contained within the overall Adult Social Care spending for 2018/19 and use of respite care is unpredictable, therefore the budgets for next year have not been changed at this stage.
- Direct Payments has overspent by c£88k as a result of increased costs for some Learning Disabilities service users and an increase in the total number of packages (20 additional packages in the year). This is as a result of the promotional work undertaken by the Directorate to encourage individuals to take personal responsibility for their own provision which has

the benefit of reducing requirements for Homecare and Residential Care. The budget for 2019/20 has been increased and will be monitored closely throughout the year.

- The increase in residential costs by £255k is as a result of additional high cost placements in Older People, Learning Disabilities and Physical Disabilities. There has also been a significant reduction in anticipated income due to the loss of nine substantial contributors (i.e. clients who financially contributed to most of their care costs) estimated at £235k per annum. Since Q3, the overspend has also increased due to the inclusion of costs for a Mental Health case which it had been anticipated would be paid by another local authority. The Council is seeking legal advice as to whether to pursue this claim further.

1.2.5 The remaining functions for Adults and Health have underspent by £402k due to a number of factors including:

- an early intervention approach;
- staff vacancies;
- the movement of service users from Homecare to supported living or Direct Payments;
- increased income from service users and health;

Places Directorate Budget	£'000	£'000
(Under)/Over spend Places Directorate		(147)
Add back:		
Transfer to Reserves (Repairs & Maintenance, Road Maintenance, Digital Rutland, Warm Homes)	380	
Grants unused and committed in next year's budget (Planning Delivery grants)	96	
Return of unused funds (Tourism)	8	
Budget Carry Forwards (Sports & Leisure, Health & Safety, Bikeability, Directorate Management)	160	
(Under)/Over spend after transfers		497
Key variances (Excluding Transfers to Reserves):		
Development Control (1.2.9)	174	
Road Maintenance (1.2.10)	63	
Waste Management (1.2.11)	219	
Highways Management (1.2.12)	47	
Transport Management (1.2.13)	(48)	
Commercial & Industrial Properties (1.2.14)	141	

Vacancy Management Planning Policy (1.2.15)	(47)	
Vacancy Management Economic Development	(30)	
Other minor variances	(22)	
Total Variance		497

- the cost of the Deprivation of Liberties Safeguards contract being lower than anticipated.

1.2.6 Learning and Skills is underspent as a result of staff vacancies whilst a review of structures including roles and responsibilities is undertaken and also due to school improvement programmes starting later in year that will be completed next year. A budget carry forward to cover these commitments has been requested.

1.2.7 Children's Services underspends are the result of vacancy management (£50k); changes in Children's Placements totalling £278k from a reduction in fostering and residential care placements with children being reunited with families; and additional income for placing neighbouring authorities service users.

Places Directorate

1.2.8 The Places Directorate is underspent by £147k but is requesting that £644k of unspent budget is carried forward to next year or put into reserves. This effectively shows that the real position is a net overspend/reduced income of £497k.

1.2.9 Development control is overspent due to the number and complexity of planning applications received during the year being lower than anticipated leading to less income (c£164k). Land Charges income is also down against budget by c£20k, as a consequence of fewer planning applications as well as competition from private search companies, which has been partially mitigated by vacancy management savings (c£10k).

1.2.10 The over spend on Highways maintenance is down to the third party claims variance of £63k. This covers the payment of insurance claims, excesses, and unrecoverable damage to authority stock, such as road traffic accident (RTA) damaged street lighting.

1.2.11 The Waste Management overspend is the result of various factors including:

- disposal of waste paint where costs have increased from £0.52 to £1.95 per container (£82k additional cost). This has now been addressed by moving to a new service provider at lower disposal rates;
- the costs of disposing co-mingled waste (mixed waste in grey bins i.e. glass, plastics, paper, tins) have increased in cost from c£0.11 to £0.26 per kg (c£44k);
- the waste contract is subject to indexation and the budgeted uplift was more than budgeted (£72k);

- increased general household waste tonnages c£28k;
- purchases of skips have been required at the civic amenity sites c£36k;
- commercial refuse collection fee income is down on budget by £10k; and
- take up on the collection of green waste exceeded expectations by £96k partly mitigating the overall Waste Management overspend.

1.2.12 The variance in Highways Management is partly due to fees and charges income being down on budget. The Fees and Charges income budget was increased for 2018/19 by £72k but has come in £21k under budget, as demand was lower than expected. Other items contributing to the over spend include the costs of non-staff advertising for road closures (£11k), computer software (£8k), the use of agency staff to cover vacancies (£8k), and Section 38 income being lower than forecast due to fewer and less complex planning applications being received and needing support.

1.2.13 The Transport Management service includes contributions to the Road Safety Partnership. The Council received a £48k refund due as partnership spending was lower than expected.

1.2.14 The Commercial & Industrial Properties over spend is mainly due to under-recovery of rent driven by difficulty in letting certain units on the Oakham Enterprise Park site (£112k) and repairs and maintenance (£39k).

1.2.15 Planning Policy have held vacant posts in year (£47k) pending a restructure within the Planning Policy team which has now taken place. The appointments will be in place during quarter 1 of 2019/20.

Resources Directorate

1.2.16 The Resources Directorate is underspent against budget by £877k. With the Directorate requesting that £528k is carried forward to next year/put into earmarked reserves for future use, the real under spend is £299k.

Resources Directorate Budget	£'000	£'000
(Under)/Over spend Resources Directorate		(877)
Add back:		
Ringfenced Funding (St Georges Barracks)	100	
Budget Carry Forward to fund HR restructure costs	53	
Unused fund already committed in future years budget (Elections)	20	
Return of unused funds (Discretionary Hardship)	21	
Budget Carry Forwards (Invest to Save, Council Chamber modification, Training, Legal, Customer Services, Communication, Business Support)	384	
(Under)/Over spend after transfers		(299)
Key variances (Excluding Transfers to Reserves):		

Resources Directorate Budget	£'000	£'000
Revenues & Benefits (1.2.17)	(94)	
Rutland Hub (1.2.18)	(35)	
Directorate Management (1.2.19)	(59)	
Corporate Subscriptions (1.2.20)	(28)	
Audit Services (1.2.21)	(17)	
Chief Executive (1.2.22)	(40)	
Other minor variances	(26)	
Total Variance		(299)

- 1.2.17 The surplus in Revenues and Benefits mainly relates to vacancies within the service. One post has now been removed following the budget setting process in February 2019. There was also a one-off refund received that related to recovered court costs from previous years and better recovery of Housing Benefit overpayments than anticipated.
- 1.2.18 There is a £35k underspend on the Hub project as feasibility work is still ongoing as the initial assessment shows there is a financial gap. Actual spend has been met by s106 and the £35k budget not used will be held in the s106 reserve and can be accessed if and when the project resumes.
- 1.2.19 Following a restructure in the Senior Management Team within Resources, the Head of Corporate Governance post was removed during the year. Of a total underspend of £89k, £30k is requested to be carried forward to fund works required on the Council Chamber.
- 1.2.20 The under spend within Corporate Subscriptions relates to a saving made by ceasing the subscription to the LEP and instead subscribing to The New Local Government Network. The anticipated spend on the Apprenticeship Levy has also been lower than budgeted because of vacancies. The budget has been adjusted for 2019/20.
- 1.2.21 Underspends have also been seen for External Audit following a change in service provider. The budget allowed for additional work following the changeover but early indications are that this will not be required.
- 1.2.22 The under spend within Chief Executive relates to unused budget for applying costs associated with HR policies. This has been under-utilised for the last two financial years and budget has been reduced for 2019/20.
- 1.3 Budget Carry Forwards and using reserves – What budgets do officers wish to carry forward?**
- 1.3.1 The Council planned to use £2.291m from earmarked reserves during 2018/19 including Budget Carry Forward requests approved as part of the Q4 Outturn Report 2017/18 (83/2018). The Council also planned to use £169k of Commuted Sums and S106 revenue funding. A summary of the planned and actual movement in reserves is shown below.

	Budget 2018/19 £'000		Actuals 2018/19 £'000	
Balance @ 01/04/2018		(2,291)		(2,150)
Use of Reserves	(2,291)		(2,150)	
Transfer to Reserves	26	(2,265)	2,355	205
Balance @ 31/03/2019		(26)		(2,355)
Use of Commuted Sums	(36)		(36)	
Use of S106 for Revenue spend	(133)		(48)	
Total Use of S106/Committed sums		(169)		(84)

1.3.2 The transfer back to reserves totalling £2.355m are broken down by category below. The Directorate appendices (B-D) show the full list of transfers.

	£'000
Transfers to ring fenced reserves e.g. Better Care Fund, Public Health	509
Demand led underspends transferred to reserves to meet additional demand in the future	417
Budget Carry Forward – Spend already committed for projects/work in progress	448
Budget Carry Forward – Funds not yet formally committed but required in 19/20	274
Amount to be transferred to earmarked reserves (may or may not be used in 19/20 – see para 1.3.3)	707
Total Transfer to Reserves for 2018/19	2,355

1.3.3 The Council is being asked to transfer £205k into two new reserves as follows:

- Brexit Reserve – Additional funding (£105k) received has been received in 2018/19 for additional cost pressures as a result of Brexit and a further £105k will be paid in 2019/20. Due to the uncertainty around Brexit no additional expenditure was incurred during 2018/19. We are requesting that a new Brexit reserve is established with a ceiling of £210k.
- Repairs & Maintenance Reserve – the Council has various assets (vehicles and buildings) that need to be maintained. In order to smooth the impact of major repairs and maintenance and reduce the impact to the General Fund in future years, Council is being asked to set up a Repairs and Maintenance reserve. The commercial properties (OEP & Kings Centre) have budgets set aside to contribute to the reserve. Underspends in Libraries and Transport have also been requested to be transferred to the reserve to support the existing vehicle fleet. The total contribution for 2018/19 is £110k. The ceiling for this reserve is requested to be set at £500k as contributions from the commercial properties should grow over the coming years.

1.3.4 There are two reserves where it is requested that ceilings are increased as follows:

- Highways – increase ceiling to £550k from £300k. The Council are moving to a more proactive approach to highway maintenance which has seen significant savings removed from the revenue budget whilst capital investment is maintained. As a result of this approach, there is an under spend on the revenue budget of £250k which will be transferred to the Highways reserve to support any emergency repairs that may be required.
- Welfare Reserve – increase ceiling to £170k from £150k. Warm Homes Rutland Funding (£21k) was being held and the under spend against this is requested to be transferred to the Welfare Reserve. This funding will be drawn down as required.

1.3.5 A full list of earmarked reserves is shown below.

Reserve	Reserve Ceiling 2019/20	Balance 31/03/2019	Use 2019/20	Top Up 2019/20	Balance 31/03/2020
Invest to Save	500	272		27	299
Internal Audit	20	20			20
Welfare Reserve	150	162			162
Training	80	75			75
Highways	300	508			508
Brexit	0	105		105	210
Extreme Weather	100	100			100
Tourism	40	32			32
Insurance & Legal	200	180			180
Digital Rutland	37	25			25
Social Care (1)	Unlimited	1,035		200	1,235
Pressure	1,000	475			475
Public Health	Unlimited	316			316
Better Care Fund	Unlimited	439			439
NNDR		332		106	438
Repairs Reserve	0	110			110
Budget Carry Forward (2)		780	(780)		0
Total		4,966	(780)	438	4,624

1) Additional Top up approved at budget setting for addressing the pressure on the Dedicated Schools Grant.

2) Subject to Cabinet Approval

1.4 Schools funding – what is the current position?

1.4.1 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.

- 1.4.2 The DSG is split into Four Blocks (Schools, High Needs, Early Years, Central Services). The position on each block is shown below.

	Schools	High Needs	Early Years	Central Services	Total
	£000	£000	£000	£000	£000
Surplus/(Deficit) Carry Forwards from 2017/18	0	(60)	26	8	(26)
DSG Allocations	22,969	3,774	2,044	163	28,950
Academy Recoupment	(20,064)	(174)	0	0	(20,238)
Expenditure In Year	(2,905)	(3,816)	(1,897)	(150)	(8,768)
Funding received for Early Years in 2018/19 relating to 2017/18	0	0	64	0	64
Additional High Needs Funding	0	84	0	0	84
Early Years Clawback	0	0	(213)	0	(213)
Adjustment to Allocation	0	31	0	0	31
Under/(Over) spends in 2018/19	0	(101)	(2)	13	(90)
Surplus/(Deficit) Carried Forward to 2019/20	0	(161)	24	21	(116)
Percentage of DSG	-	(0.6%)	0.1%	0.1%	(0.4%)

- 1.4.3 The Department for Education (DfE) have noted over the last two years that more authorities are reporting a cumulative DSG deficit. The DfE will require a Recovery Plan from all local authorities that have an overall cumulative DSG deficit of 1% or more of their total allocations at the end of the 2018/19.

- 1.4.4 As can be seen from the from the table in 1.4.2 the current position is below the 1% limit, however current projections are that the deficit on the DSG would greater than 1% at the end of 2019/20. The Council is already preparing its own Recovery Plan in any event.

1.5 Financing – how has the budget been financed and how has this changed in year?

Capital Financing and Interest Receivable

- 1.5.1 Capital financing costs comprising the Minimum Revenue Provision (the amount set aside for the repayment of debt) and external interest payable are in line with budget.
- 1.5.2 The interest receivable on investments figure has exceeded budget by £102k in line with figures reported as early as Quarter 1. Investment income expected was reduced given the low level of interest rates and expected use of £5m of cash resources to fund commercial property investment as set out in the

capital programme. No opportunities arose to utilise the commercial property fund so the Council was able to invest the balances held for this purpose.

Non Ring-fenced Grants:

- 1.5.3 The Non Ring-fenced Grants outturn of £5.522m shows additional grants of £134k over and above the budget of £5.388m. This is due to the receipt of more grants than anticipated in relation to business rates (£60k), the Transparency Code (£13k), Virtual School Head (£30k) and other small grants of £31k.

Non-Domestic Rates

- 1.5.4 The Council's final position on Non-Domestic Rates was £4.951m. This is higher than actually anticipated because of the way in which business rates funding works not because of business rates growth.
- 1.5.5 In year, the Council receives business rates income based on projections made in January 2018. In addition, the Council receives compensation from MHCLG (in the form of section 31 grants) for rates foregone (c£802k) due to implementation of Government policy e.g. small business rate relief.
- 1.5.6 The MTFP had a budgeted position of £4.763m plus £0.2m from reserves due to repayment of losses in previous years giving a total position of £4.963m. With the current position being a yield of £4.951m the Council has reduced the drawdown of reserve from £200k to £10k so the total position is in line with that budgeted.

Council Tax and Collection Fund Surplus

- 1.5.7 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 (RCC) and the preceptors (Police and Fire Authorities). In 2018/19, the Council's Collection Fund surplus was £81k. The 2019/20 budget includes drawing down £65k of this surplus.

Appropriations

- 1.5.8 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 the Net Cost of Services line. Depreciation is included in Net Cost of Services to show the true cost of service provision but is removed so that it has no impact on the Council's General Fund balance.

2 CAPITAL PROGRAMME

2.1 Overall Programme – how much was spent in 18/19?

2.1.1 The table below shows the final position on the capital programme. The outturn shows the actual amount spent during the year and how this was funded. All projects have been funded as per cabinet approval with no changes made by the Chief Finance Officer. Appendix E shows the detailed position on each scheme within the capital programme. Estimated outturn underspends reflect the fact that some projects are on hold.

	Total Project Budget	Prior Year Outturn	Outturn 2018/19	Future Year Outturn	Estimated Outturn	Total Project Variance
	£000	£000	£000	£000	£000	£000
Approved Projects: Not started						
Commercialisation	10,200	0	0	10,200	10,200	0
Asset Management Requirements	2,525	0	0	2,525	2,525	0
Strategic Aims and Priorities	414	0	0	414	414	0
Total: Not Started	13,139	0	0	13,139	13,139	0
Approved Projects: In Progress						
Commercialisation	3,056	6	221	0	227	(2,829)
Asset Management Requirements	4,773	395	604	750	1,749	(3,024)
Strategic Aims and Priorities	7,570	4,344	368	2,858	7,570	0
Total: In Progress	15,399	4,745	1,193	3,608	9,546	(5,853)
Approved Projects: Completed						
Commercialisation	44	0	45	0	45	1
Asset Management Requirements	2,669	130	2,643	0	2,773	104
Strategic Aims and Priorities	552	68	598	0	666	115
Total: Completed	3,265	198	3,286	0	3,484	220
Total	31,803	4,943	4,479	16,747	26,169	(5,633)

2.1.2 The capital expenditure incurred in the year has been financed as follows:

	Outturn 2018/19 £000
Financed by:	
Grant	3,931
Capital Receipts	158
Developers Contributions	236
RCCO – revenue funding	154
Total Financing	4,479

2.1.3 The project variance of £161k relates to movements within the following projects:

2.1.4 Disabled Facilities Grant – In October 2017 the Council introduced the Health and Prevention Grant Pilot to support disabled and vulnerable clients to live independently and reduce the need for acute care. Due to the success of the pilot the project has overspent by £119k. It is expected that the pilot will support the Medium Term Financial Plan with the anticipated growth requirements within Adult Social Care, along with future revenue savings. The over spend has been funded from revenue contributions - Winter Pressures Funding (£70k) and other revenue underspends.

2.1.5 Highways – During the year £246k of expenditure previously funded from revenue has been identified as eligible capital cost and this has caused an over spend which is funded through held capital grant.

2.1.6 Integrated Transport Block – The overall programme of works includes schemes approved as part of Report (55/2017) and Report (141/2018). A small underspend is anticipated.

2.2 Approved programme – Are there changes to the approved programme?

2.2.1 The table below shows that the programme has increase by £2.673m since budget setting, giving a revised capital programme of £31.803m. The changes in the programme are as follows:

Capital Projects	Amount £000	Amount £000
Approved Capital Programme at Budget Setting (Report No: 44/2019)		29,130
Approved Since Budget Setting		
Rutland Agricultural Society (Report 8/2019) – issuing of a loan for extending and improving the car park at the Rutland Showground	70	
Devolved Formula Capital (New Funding) – funding passported to maintained schools for them to use as required	36	
Great Casterton C of E Primary (Delegated Approval S106) – to enhance the schools wheelchair accessibility.	43	
Highways Capital Projects 2019/20 (Report 56/2019) – annual investment programme in road maintenance	2,440	

Capital Projects	Amount £000	Amount £000
Burley Buckle and Associated Bowl (AoB Cabinet – 19 th March, item 704) – purchase of rare artefact for museum fully funded by donations	20	
9 Buckingham Road (Report 62/2019) – extension to Council property to support a housing need	210	
		2,819
Re-Profiling		
Devolved Formula Capital – Reduction from Academy conversions (see 2.2.2)	(16)	
		(16)
Cancelled Capital Programmes		
Mobile Library – planned replacement of mobile library no longer required after MOT and repairs	(130)	
		(130)
Revised Capital Programme		31,803

- 2.2.2 In March 2019, 3 schools have converted to academies. These academies will now get funding direct from the Education and Skills Funding Agency. This adjustment reflects the position that the Council will no longer receive funding in relation to these schools.

3 LOOKING AHEAD

3.1 Budget 19/20

- 3.1.1 The Council's budget was approved at February Council. Since that date minor changes have been approved and further grants received. An up to date position is shown in Appendix G.

3.2 Fair funding review

- 3.2.1 The current funding baselines for local authorities in England, as determined by the annual local government finance settlement, are based on an assessment of their relative needs and resources. The methodology behind this assessment was first introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.
- 3.2.2 The Government has drafted and consulted on the principles of a new distribution methodology. The Council has responded to this. Whilst the methodology itself is relatively simple which the Council welcomes, the Government has not indicated whether it will invest more in local government nor the relative weightings of the new formula. The consultation document includes no numbers. The Council's biggest concern is that any change to the methodology must come with an injection of additional resource. If it does not then the financial challenges faced by this Council and others will not go away.
- 3.2.3 We are awaiting a response to the consultation feedback and expect further consultation before the end of the year. It is very likely that we will only understand the financial impact of any changes (which will apply from 1 April 2020) by December 2019 by which time a draft budget will have already been prepared. This creates major uncertainty.

3.3 Business Rates Retention

- 3.3.1 Business rates retention was introduced in April 2013 and was designed to recognise the role that authorities play in their communities by giving them more control over the money they raise locally; removing the ring-fencing of incorporated grants and promoting and rewarding local economic growth, thus increasing overall revenue in the system. Before this, business rates were paid over to central government before being redistributed to authorities according to the allocation of formula grant.
- 3.3.2 The Government is currently in the process of reviewing the components of the business rates retention system, both individually and in aggregate. This reform of the system sits alongside the Government's aim to introduce 75% business rate retention in 2020.
- 3.3.3 Under Business Rates Retention, authorities get to keep any additional rates levied above a funding baseline. In urban areas where rates growth is substantial then authorities will keep more rates than their counterparts where growth is limited. In rural areas like Rutland growth tends to be limited.
- 3.3.4 One of the key issues for the Council therefore is the issue of resets i.e. how often

should the system be reset so that the additional rates achieved by any authority is redistributed to others who need it rather than it being retained locally. Without a full reset, some authorities will retain excessive gains from business rates.

3.3.5 The Council is in favour of a full reset every 3 years but awaits the Governments response to its latest consultation.

3.4 Social care: Green Paper

3.4.1 The Government confirmed some time ago that the Green Paper on social care for older people will cover the following issues:

- how people pay for social care including a cap on lifetime social care bills
- market stabilisation on the back of a number of care homes coming under financial pressure
- integration of health and social care and link with other services e.g. housing
- the role of carers
- workforce
- technological developments

3.4.2 The Government has now missed a fifth consecutive deadline for the green paper's publication having originally promised it for summer 2017. While Brexit has played a part in delaying the document, we understand that issues with the early proposals put to sector leaders have also contributed to the slow progress. Fundamentally, it is very likely that funding is a major factor and that proposed plans do not go far enough to address the issue.

3.4.3 The precise timings for the Green Paper are still not known.

3.5 Spending review

3.5.1 The political uncertainty created by Brexit is causing delay to many decisions throughout Whitehall. One casualty of the delay might be the Spending Review. The Chancellor announced that the SR19 would be revealed later in the Autumn and would cover the period 2020/21 to 2022/23. Brexit uncertainty could cut this to a single year (2020/21).

3.5.2 A one-year spending review is still unlikely but is a rising possibility. And setting the next Brexit deadline at 31 October 2019 makes the chances even greater: this new date more-or-less coincides with when SR19 would have been announced. Unsurprisingly we have seen increased coverage in the trade press of a one-year settlement.

3.5.3 A one-year review could be favourable as the Council expects to lose funding on the back of the Fair Funding review.

3.6 **MTFP**

- 3.6.1 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 MTFP is updated regularly to take account of government decisions, ministerial announcements and other information which means that assumptions need to be revisited.
- 3.6.2 There have been no major updates since budget setting. Our funding position beyond 19/20 is not known and until further information is received, no updates are planned.
- 3.6.3 The latest version is included in Appendix F.