

General Funding Strategy & Policy

1. Background and Context

- 1.1. The Council receives general income from three main sources:
 - Council Tax
 - Business Rates
 - General government grants
- 1.2. This funding strategy outlines the objectives that will be applied with regards to this income. This strategy is factored into the MTFS and a more detailed review of the strategy will take place during 2024/25 and be presented to Council in the Autumn of 2024 to enable debate and inclusion in the following Integrated Budget Plan and MTFS
- 1.3. The Council is in receipt of specific service-related income such as with fees and charges and specific ring-fenced grant from government. This income is accounted for as part of the Directorate activity and forms part of the opportunities considered by Directors as to how their services operate, see Appendix D – Grant Register.
- 1.4. For income that relates to investments in Council assets this forms part of the capital strategy and treasury management strategy (Appendices M & L). The most cost-effective funding of assets is considered as part of the treasury management strategy and resulting impact on revenue expenditure. The overall approach is for the asset to be of benefit to the service delivery of the Council, leading to either a directly attributable saving or enhancement to service provision that create other non-monetary benefits. Additional grant funding for capital will not be undertaken if such expenditure provides an undue burden on future revenue expenditure both in terms of capital financing and ongoing maintenance costs.

2. Council Tax

- 2.1. Council Tax is levied on households by local authorities in Britain, based on the estimated value of a property.
- 2.2. Council Tax is the core funding stream for the Council and therefore an increase to raise this tax needs to be measured against the services required to deliver the Corporate Strategy and statutory functions, against what performance level is both affordable and acceptable. Each year the government, as part of the Local Government Finance Settlement, sets the limit as to the maximum increase to the rate of Council Tax that can be made without the need for a local referendum to increase fees above this rate. For 2024/25 this is 2.99% for the general Council Tax precept and 2% for the Adult Social Care precept.
- 2.3. For 2024/25 a 1% change in Council Tax equates to £0.3m on Council Tax income. The following table shows the assumptions in rates that have been applied to this MTFS period and assumes that the existing maximum % increases to precepts confirmed by Government before a local referendum is triggered will continue at the same level:

Council Tax rate increase / (decrease) for Rutland County Council	2024/25 %	2025/26 %	2026/27 %	2027/28 %
General precept	2.99	2.99	2.99	2.99
Adult Social Care precept	2.00	2.00	2.00	2.00
Total increase / (decrease)	4.99	4.99	4.99	4.99

- 2.4. The Council is the collecting authority for Police and Fire Council Tax precepts; however, it is unable to influence or control how much these precepting authorities charge. These precepting authorities are limited to their maximum increase by government.
- 2.5. The Council previously approved Council Tax reliefs for hardship which can be applied for in exceptional circumstances where the charge is reduce for a short time, and a separate discretionary fund which provides short term help for residents suffering from financial hardship. The use of these funds is kept under review and reported on during the year as part of the regular financial performance reports. The value of these funds over the MTFS are shown in the following table.

Council Tax discretionary reliefs funds	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Discretionary fund	20	20	20	20
Financial crisis fund*	20	20	20	20
Total	40	40	40	40

** The financial crisis fund is available to help in the event of a crisis, emergency, or disaster, and not limited to the payment of Council Tax. The fund is managed by Rutland Citizen's Advice Bureau on the Council's behalf.*

- 2.6. Other statutory reliefs are available for residents such as Single Person Discount (SPD) and the Local Council Tax Support Scheme (LCTS). LCTS is a means tested support that is largely based on the abolished Council Tax Benefit scheme and considers the make-up of households. Cabinet considered a paper in October 2023 and approved that alternative schemes are to be explored during 2024/25 for further Cabinet approval seeking schemes that contribute to the financial sustainability of the Council. The Council's scheme has not fundamentally changed since its introduction in 2013.
- 2.7. The cost of SPD and LCTS reliefs reduce the tax base on which Council Tax can be charge, in effect depressing the number of dwellings from which income can be based upon. The impact of these reliefs on the tax base for MTFS Council Tax income assumptions are shown in the table, see point below.
- 2.8. Each year the Council makes an allowance for bad debt provision for the collection of Council Tax income. For Rutland, the collection rates compare favourably with neighbouring authorities and the Council, shown in the table below.
- 2.9. Following table shows the key assumptions for Council Tax base over the MTFS period.

Council Tax taxbase (Band D equivalents)	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Equivalent Chargeable Dwellings	16,292	16,391	16,507	16,623
Local Council Tax Support	(588)	(588)	(588)	(588)
Unbanded Properties	14	14	14	14
Growth	96	115	115	115
Bad debt provision (1% non-collection)	(158)	(161)	(162)	(163)
MOD Equivalent Taxbase Contribution	375	375	375	375
Taxbase assumed over the MTFS period	16,031	16,146	16,261	16,376

- 2.10. In March 2023 Council approved the adoption of the Empty Homes and Second Homes premiums in advance of legislation being passed (Government proposed amendments in May 2022). The Bill was enacted in October 2023 but the delays experienced mean that the timing of implementation for these premiums is uncertain. The Council is obliged to provide one years notice for second home premiums, so this can not be applied until 1 April 2025. Legal advice received is for Council to recommend determining that the decisions made previously are re-confirmed.
- 2.11. As a result of the above the Council has modelled the assumptions of this amendment, in terms of increase to the tax based, from 2025/26.
- 2.12. In addition to the above assumptions the Council will include the forecasted position on Council Tax for the previous financial year which can be paid or repaid depending on whether there is a surplus or deficit for the year. For 2023/24 the Council are declaring a deficit of £85k of which £73k the Council will have to repay.

3. Business Rates (National Non Domestic Rates – NNDR)

- 3.1. Business rates are a tax levied on business properties to help pay for local Council services. They are the business equivalent of council tax on domestic properties. Business rates are paid to the Council by the occupiers or owners of most non-domestic properties. Business rates are calculated using a rateable value and applying a multiplier which is set annually by government.
- 3.2. The Council can retain 49% of the income its collects as Business Rates with 1% paid to the Fire Authority and the remaining 50% paid to central government.
- 3.3. The Council provides some discretionary relief to certain non-profit making organisations and is subject to eligibility criteria and evidence that the business can contribute to the Corporate Strategy priorities.
- 3.4. The following table provides a summary of the assumptions made with regards to business rates over the MTFS period:

Business Rate income & estimated reliefs	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Business rate income	19,307	20,126	20,762	21,452
Relief	(6,758)	(6,851)	(4,970)	(5,068)
Bad Debt Allowance	(50)	(33)	(34)	(34)
Appeals Allowance	(1,183)	(750)	(765)	(780)

Business Rate income & estimated reliefs	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Business Rate income	11,316	12,492	14,993	15,570
Less Renewables (100% retained by RCC)	(38)	(38)	(38)	(38)
Less Cost of Collection	(75)	(76)	(78)	(80)
Net Income	11,203	12,378	14,877	15,452
RCC Retention Percentage (%)	49	49	49	49
Retained Income	5,489	6,065	7,290	7,571
Compensation for Government Reliefs	1,838	2,305	940	958
Rates Income + Grant	7,327	8,370	8,230	8,529
Grant for Under Indexing	1,403	-	-	-
Tariff	(1,353)	(1,353)	(1,356)	(1,534)
Surplus on Prior Year Business Rates	358			
Renewables	50	38	38	38
Levy	(284)	-	-	-
Total Business Rates Income	7,501	7,055	6,912	7,033

3.5. The Business Rates funding system continues to be increasingly complex, with Government making amendments frequently since 2013. This has resulted in a series of adjustments, shown in the previous table, and has resulted in many councils having alternative calculations for their Business Rate income. The following points provide a summary of the business rates calculation:

- Previously the government set the business rate multiplier nationally and rates income was pooled nationally and re-distributed to councils via the government grant system.
- Currently, under a 'hybrid' system, the business rate multiplier is still set nationally, but the total income is shared 50:50 between national and local government.
- There is a system of 'top-ups' and 'tariffs' linked to the grant system to attempt to distribute funds based on need. This is based on a calculated Business Rates Baseline. The Council is deemed a 'tariff' authority as income receipts are greater than the calculated baseline.
- A proportion (but not all) of the increased business rate income due to expansion in the business sector retained locally.
- Safety nets to protect councils who experience business closures.
- Complexity of the system means there is some local incentive for economic growth, but via a highly complex formula driven system.
- The government has piloted a new system where some local councils retain more than 50% of any growth in business rates locally. The intention is to move to a revised system nationally, but this has now been deferred.

3.6. From 1992–2012, the national system meant that any local changes due to business closures or successful business rates appeals were dealt with at national level. Under the current system, any appeal that is successful has a local impact on the Council's funding levels. To offset some of this risk, some councils have joined together, usually in county areas, and formed voluntary

business rates pools, which aim to spread such risk over a larger number of individual councils.

4. Grant Funding

- 4.1. The Council will ensure that all opportunities to attract additional grant funding are investigated when it is identified that the benefits of receipt of such funding aligns with the delivery of the Council's Corporate Strategy.
- 4.2. Applications to grants will be completed on a case-by-case basis to ensure that the costs of any bid submissions are not excessive in relation to the funds available and terms and conditions that may be applied to such funding.

5. Fees and Charges

- 5.1. The Council will ensure that commercial opportunities are maximised to generate income on the delivery of chargeable services. The aim of all fees and charges will be to recover full costs except where this is prevented by legislation and / or market conditions.
- 5.2. Income from fees and charges inform the overall Directorate budget and form part of the policies relevant to service provision, eg costs of green waste collection offset the total cost of the waste collection service. Fees and charges do not form part of the general fund income stream which underpins all Council expenditure.
- 5.3. Fees and charges are reviewed as part of each budget setting process in line with the Fees and Charges Policy detailed in Appendix E, and the design of affordable services to meet Cash Limit allocations.

6. Developer Contributions

- 6.1. The Council is a Community Infrastructure Levy (CIL) charging authority and will raise charges in line with the published scheme <https://www.rutland.gov.uk/planning-building-control/local-plan/community-infrastructure-levy-cil>.
- 6.2. S106 planning obligations are used for all affordable housing contributions and may also be used for site-specific mitigation measures where it is more appropriate than applying the CIL regulations.
- 6.3. The Council will retain 5% of CIL receipts to fund the administration of the process as per [The Community Infrastructure Levy Regulations 2010](#).
- 6.4. Administration fees for s106 obligations will be subject to separate negotiation and will be calculated inline with the fees and charges policy set out in Appendix E.
- 6.5. Developer contributions will be used to meet any obligations relating to needs arising from developments from where the contributions are received, generally these will be infrastructure needs such as;
 - highways
 - education
 - learning and skills
 - county sports provision

- health & wellbeing facilities