

CABINET

17 June 2014

Q4 Financial Monitoring and Draft Financial Outturn 2013/14**Report of the Director for Resources**

STRATEGIC AIM:	Delivering Council Services within our Medium Term Financial Plan		
KEY DECISION	YES	DATE ITEM FIRST APPEARED ON FORWARD PLAN	March 2014

1. PURPOSE OF THE REPORT

- 1.1** To inform Cabinet of the draft outturn figures (subject to audit) for the financial year 2013/14 and provide an update on the Council's Medium Term Financial Plan (MTFP).

2. RECOMMENDATIONS

That Cabinet:

- 2.1** Note the 2013/14 revenue outturn position and general fund position at 31 March 2014.
- 2.2** Note the current balance of earmarked reserves and their specific purposes shown in paragraph 5.4.
- 2.3** Approve the revenue budget carry forwards of £1,092,000 as outlined in paragraph 5.6.
- 2.4** Approve the change of classification of earmarked reserves as outlined in paragraph 5.8.
- 2.5** Note the outturn on the 2013/14 Capital Programme.
- 2.6** Note the update on the MTFP as set out in section 8 of this report.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1** To enable Members to maintain sound financial management of the Council's operations.

4. REVENUE OUTTURN 2013/14

- 4.1** In overall terms, the Council has achieved a deficit of £203k compared to a current budget deficit of £274k. At the Net Cost of Services level the Council's outturn is £30.87m compared to its current budget of £32.13m. This represents an under spend of £1.25m (c3.9%). However, a substantial amount of the under spend e.g. Tourism, Digital Rutland, Training is to be carried forward to deliver services in 2014/15.

- 4.2** The final outturn position is broadly in line with what has been reported in previous quarters. At Net Cost of Service level the quarterly forecasts throughout the year have reduced each quarter reflecting the greater likelihood that some budgets would not be spent and would need to be carried forward or savings made in anticipation of savings targets built into the budget in 2014/15. There has also been some slow down in expenditure arising from the impact of the People First Review where some decisions about recruiting to vacant posts have been put on hold. Consequently, the outturn is £524k less than that reported at Quarter 3 and the main variances are explained in more detail in paragraph 4.8.
- 4.3** The MTFP as reported to Cabinet in February set out a Net Cost of Service budget for 2014/15 of £30.72m. In this context, the final outturn position is broadly consistent with the MTFP.
- 4.4** The summary revenue position at 31 March 2014 is shown below and in more detail at **Appendix 1**, which reconciles the Net Cost of Services in the Outturn summary to the Comprehensive Income and Expenditure Statement (CIES) in the Draft Statement of Accounts. Detailed performance by Directorate is shown at **Appendices 2 to 4**.

Summary Revenue Position as at 31 March 2014

Portfolio		Current Budget	Q1 Forecast Outturn	Q2 Forecast Outturn	Q3 Forecast Outturn	Q4 Outturn
		£000	£000	£000	£000	£000
Net Cost of Services	A	32,129	31,551	31,520	31,394	30,870
Capital Financing		2,197	2,197	2,197	2,170	2,206
Interest Receivable	B	(151)	(151)	(113)	(113)	(122)
Net Operating Expenditure		34,175	33,597	33,604	33,451	32,954
Financing:						
Non ring-fenced grants	C	(7,909)	(7,579)	(7,909)	(7,909)	(8,301)
National Non-Domestic Rates	D	(3,963)	(3,963)	(3,963)	(3,963)	(3,939)
Council Tax		(19,686)	(19,686)	(19,686)	(19,686)	(19,686)
Collection Fund Surplus	E	(126)	(126)	(126)	(126)	(126)
Transfers to/(from) Earmarked Reserves	F	(665)	(458)	(138)	(38)	1,524
Revenue Contribution to Capital Outlay	G	375	375	395	395	30
Appropriations:	H	(1,927)	(1,927)	(1,927)	(1,927)	(2,254)
(Surplus)/Deficit		274	233	250	197	203
General Fund 1 April 2013		(8,265)	(8,265)	(8,265)	(8,265)	(8,265)
General Fund 31 March 2014		(7,991)	(8,032)	(8,015)	(8,068)	(8,062)

A: Net Cost of Services

A1: Comparison to Budget:

4.5 The People Directorate has achieved an outturn of £14.36m compared to budget of £14.67m. This represents an under spend of £0.31m (c2%). The most significant areas of under/ over spends:

- underspend on Health and Social Care Projects (£234k) commissioned through the Health and Wellbeing Board – this funding will be used to support the PeopleFirst project and further integration with Health through the Better Care Fund;
- underspend on Public Health Funding (£113k) - some of the expenditure in public health is linked to activity and throughput which has been less than anticipated;
- staff savings and additional income in areas such as 11-19 Early Intervention, Community Safety & Housing Team (£43k) and Learning Disability & Mental Health Team (£83k);
- underspends in Direct Payments for Carers, staff vacancies and reduced usage of Social Care Contracts (£123k);
- underspends in Adoptions including unspent Adoption Reform Grant (£81k) and the Supporting Independence Service (£124k);
- outturn includes the cost of a provisional settlement to providers for fair cost of residential care and costs of Physical Disabilities placements of £232k;
- the Adult Learning Service, which is being sub-contracted, was intended to break-even but has incurred costs of £128k resulting from clawback of funding and additional staffing costs;
- the high cost placement of young person with disabilities in transition to adult services and the additional high costs of short term residential placements for children are c£300k above budget.

More detail on the variances can be found at **Appendix 2**.

4.6 The Places Directorate has achieved an outturn of £11.26m compared to budget of £12.05m. This represents an under spend of £790k (c7%). The bulk of the underspend relates to budget variances of £440k to be transferred to earmarked reserves for future usage, including Tourism (£74k), Digital Rutland (£67k) and future inspection of Highways road adoptions (£100k). The remainder of £350k mainly relates to staff savings from vacancy management across the directorate (£105k), fee income from road adoption fees over and above the £100k transferred to reserves (£73k), increase in number of planning applications including prelims and S106 monitoring fees over and above budget (£94k), and Home to School Transport underspend (£75k) mainly due to contract efficiency savings. There were some overspends including waste treatment and disposal costs (£53k). More detail on the variances can be found at **Appendix 3**.

4.7 The Resources Directorate has achieved an outturn of £5.23m compared to budget of £5.49m. This represents an under spend of £0.26m (c5%). The main areas of under spend compared to budget relate to staff savings from vacancy management in areas such as Finance (£38k) and Customer Services (£29k); the impact of the SMT/Democratic review (£59k); a number of one off savings for external audit (including a rebate of £12k); reduction in legal costs (£23k); subscriptions (£10k); telecommunications (£23k); and, deferral of some planned training (£50k). There was also additional recovery of housing benefit overpayments from existing claims of over £39k. There were some overspends including £18k for interim cover during maternity leave of the Director, additional reprographics costs of £27k and IT costs for extra laptops £38k. More detail on the variances can be found at **Appendix 4**.

A2: Comparison to Q3 Forecast:

4.8 There have been a number of budgets where the outturn was less than expected at Q3, some of the key variances are explained below. More detailed explanations can be found at **Appendices 2 to 4**:

Details of Significant Variances between Q4 and Q3		
	£'000	
Peoples Directorate		
Head of Service – Communities, Inclusion and Life Long Learning	(16)	The variance between Q3 and Q4 is due to the recharge to Rutland Adult Learning Service being higher than budgeted for in recognising the additional support required for the review of service and the sub-contracting.
Health/Wellbeing	(66)	No new projects commissioned by Health and WellBeing Board with request that unused funds be carried forward to support Better Care Fund/PeopleFirst Review/Care Bill work.
Public Health	(96)	Public health responsibilities transferred to Rutland CC on 1 April 2013. In the absence of historical activity data for public health services in Rutland, budget allocations for 2013/14 were based on a weighted per capita share of the Leicestershire and Rutland service costs. The movements between Q3 and Q4, and those between Q4 and budget, can be explained largely by lower than expected levels of activity for community alcohol, chlamydia and health checks services and out of county sexual health services.
Adult Social Care Management	(18)	New data reporting requirements need to be in place to enable enhanced reporting by April 2015, and the New Burdens Grant has been provided to support this. This work has commenced but the underspend of New Burdens Grant is requested to be carried forward to complete the necessary work.
Disabled Children	(34)	Difference between Q3 and outturn due to over projection of short breaks requirements and recovery of over payment to provider following transfer of case from children to adult services.

Details of Significant Variances between Q4 and Q3		
	£'000	
Mental Health	(14)	The variance between Q3 and Q4 is because the cost of Mental Health Professional cover was lower than expected and because a residential care placement ceased.
SEN Transport	(14)	Outturn less than Q3 prediction due to merging of some routes.
Homelessness	(11)	The underspend is because the demand for temporary accommodation is extremely variable. At Q3, some additional demand was anticipated because of a large homeless household, but this was resolved with a registered social landlord.
Day Opportunities	(37)	Retirement costs originally forecast to be paid for from this budget. Subsequently paid from the Pension Fund Allowance.
Rutland Adult Learning Service	(90)	Outturn position better than that Forecast at Q3 due to additional grant income bid being successful (£39k); staff leaving prior to completion of review (£38k); and , staff training not being undertaken (£10k)
Home Care	(37)	Work has taken place to outsource traditional home care cases thus reducing the need for higher staffing levels. New staff working arrangements fully embedded and there is a clearer understanding of the operating costs for this service going forward. Additionally the service has recharged Health for services delivered on its behalf at the true unit cost thus increasing income. Further development of the brokerage service has enabled packages of care to be transferred to external providers in a more timely way. This service was expected to achieve savings in year
Older People	155	50% increase in winter demand for commissioned care compared to 2012/13 which has been offset by under spends in Direct Payments and increased income from Health. There has also been an increased use of the REACH service to support the hospital discharge programme. The costs include an accrual for likely fee uplift backdated to 2011/12 of £234k.
Physical Disabilities	(51)	There has been a £100k pressure on budget experienced over 2013/14 as in previous years due to high cost of care for 1 individual, however, in the final quarter CHC funding for other service users reduced the pressure by £50k
Short Term Placements	(43)	There has been a decrease since last period due to a child no longer being accommodated.
Children's Social Care	(13)	Savings related to Social Worker Vacancy
Registration Service	(13)	Registration Services have accrued income due to high number of ceremonies.
Places Directorate		
Bridges and Culverts	(37)	Resources unavailable to carry out identified works after inspections completed, due to commitments on footways schemes. Works will need to be completed next year so permission is sought to carry budget forward to 2014/15.

Details of Significant Variances between Q4 and Q3		
	£'000	
Winter Maintenance	(14)	Variance due to mild winter. Underspend to be transferred to Winter Maintenance Reserve up to a rolling total of £75k.
Street Lighting	27	Variance due to increase in Parish costs and increased maintenance costs due to extremely wet weather
Barriers	23	Variance reported in January following barrier inspection which highlighted dangerous barrier over the A1 at Stamford.
Parking	(24)	The total underspend of £24k is due to a number of factors. Vacancy management £4,100, property related costs due to other demands on service meaning no time to deliver £5,100, hand held computers project delayed, £3,700, Traffic Road Orders (TRO) delays due to consideration of objections £3,700, and additional fee income received across all income streams greater than predicted at Q3 £7,900.
Warm Homes for Rutland	(23)	Grant funding for Warm Homes not fully spent due to lower take up to continue to be carried forward.
Land Charges	(16)	There remains no settlement of costs in relation to the personal searches claims as had been expected in Q3
Energy/climate changes	(47)	Variance due to grant funding not yet spent to be carried forward to 2014/15.
Development Control	(49)	As reported at Q3 the S106 monitoring fees are due to majors (retail) and as this is in advance of work as such it would be prudent to transfer to an earmarked reserve for future resourcing.
Admin Buildings	26	The variance between Q4 and Q3 was due to a number of factors. At Q3 electricity was forecast to deliver a saving but came in on budget £6k, ongoing costs of contract cleaning £13k and a business rates bill of £5k for Unit 21 at Oakham Enterprise Park for storage purposes. Other minor variances £2k.
OEP	29	Variance caused by high utility bills due to major water & gas leaks over the summer and significant part of electricity bill which backdates to 2012/13 financial year as well as rental income shortfall due to significant construction delays (rental units not being ready), broadband delays (resulting in extended rent-free periods) and lack of surveyor capacity (unable to bring units online and commence charging as previously anticipated).
Resources Directorate		
SMT support	(11)	This underspend is largely due to additional savings arising from the creation the new Corporate Support Team and delays in getting all staff in place. The Q3 forecast included electoral consultancy required to fill vacancy leading up to European Elections which has been recharged to Elections.
External audit	(13)	Additional one-off rebate from the Audit Commission.
Reprographics	22	Anticipated reduction in usage did not materialise in Q3. Work for 2014-15 already underway to address high printing and post costs with new printers installed.

Details of Significant Variances between Q4 and Q3		
	£'000	
Members Services	(8)	Additional savings arising from Democratic/SMT admin structure due to delays getting all staff in place.
Training	(22)	Training in respect of Customer Services and other programmes deferred.
Internal Audit	(13)	Staff and contractor savings in the final quarter.
Corporate Financial expenses	220	The movement of £220k relates to the £60k Heritable Bank write-off and the year-end review of the bad debt provision resulting in a charge of £154k, which has been shown against this cost centre.
Finance	(10)	Staff savings from departure of Technical Accountant.
Revenues	(22)	Additional grant received following the completion of the NNDR audit and extra court costs recovered (£10k).
IT	(12)	Vacancy savings.
IT support	65	Early procurement of additional laptops originally scheduled for purchase in April 2014.
Legal	(30)	Investigation into Legal expenses charged highlighted some overcharging which have now been corrected.
Benefits	(70)	Additional recovery of housing benefit overpayments.

B: Capital Financing and Interest Receivable

4.9 Capital financing costs comprising the Minimum Revenue Provision (the amount set aside for the repayment of debt) and external interest payable have been updated from the Quarter 3 forecast and show a small increase of £26k to reflect actual interest paid. The interest receivable on investments figure is broadly in line with Quarter 3 and budget with the Council achieving an average interest rate on balances of 0.46%. Discussion with Capita indicates that this performance is in line with other authorities.

C: Non Ring-fenced Grants:

4.10 A number of additional Non ring-fenced grants were received in the final quarter of the year that were not previously known about and so could not be forecast. These additional grants total £0.418m and most of these will be transferred to earmarked reserves and carried forward. The additional grants received were as follows:

Grant	£'000	Details
Additional Education Services Grant	12	Department For Education late notification of miscalculation of Academy adjustment
Adult Social Care Reablement	167	Funding allocation from the CCG for 13/14 for reablement received in the final quarter
LACSEG Topslice Refund	35	Amount held back by Department for Education(DfE) but no longer required
Capital Provision Redistribution Grant	31	Government held £100m from RSG to provide in-year capitalisation (to meet one-off restructuring costs) but has redistributed amounts unused back to local authorities
INSPIRE Annex III Grant from	8	Department for Environment, Food and Rural

Grant	£'000	Details
DEFRA		Affairs (DEFRA) funding for the set up costs and operational costs of meeting INSPIRE Annex III obligations for 3 years, as required by the New Burdens Doctrine.
New Burden Grant	3	DWP funding to meet software upgrades
Transparency Code set up grant	3	Additional grant to meet new reporting requirements
Sustainable Drainage	24	DEFRA funding to help authorities undertake duties in Schedule 3 of the Flood and Water Management Act
Severe Weather Recovery Scheme	132	Additional funding from Department for Transport for local highway authorities following severe weather and flooding.
Individual Electoral Registration	3	Extra funding to help pay for individual Electoral Registration and on-line registration
Total	418	

D: National Non-Domestic Rates:

- 4.11** Under the new “Business Rates Retention” (BRR) scheme, local authorities will keep a share of Business Rates income. 2013/14 was the first year of the Scheme. The Council’s settlement figure, its business rates baseline, was £3.964m. This means that any rates collected above this level can be retained, subject to a levy of c16%, by the Council (after the Government and other preceptors take their share).
- 4.12** Ratepayers can appeal to the Valuation Office to get the Rateable Value (RV) of their premises reduced. If they are successful then the amount they pay will be reduced and the Council has to make a refund. This refund reduces the amount collected from Business Rates. Under new accounting guidance, the Council is required to make an appeals provision. The Council has to set aside the amount of ‘losses’ it could make from appeals in the form of an appeals provision.
- 4.13** The value of the appeals provision is difficult to estimate. The Council is aware of the number of appeals outstanding (42) and is aware of the historical success rate of appeals and average reduction in RV levels for successful appeals. Nevertheless, the Council does not know whether existing appeals may be successful as the Valuation Office is not able to share the likely outcomes of ongoing appeals. If the actual losses through appeals is different to the provision made the impact is as follows:
- If the provision is greater than actual losses then the provision can be released in future years – this means that the Council benefits through an increased surplus;
 - If the provision is less than actual losses then the provision is increased – this means that the Council loses out as the NNDR surplus reduces.
- 4.14** The Council has included an appeals provision of £418k based on the information available.

E: Council Tax and Collection Fund Surplus:

4.15 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 2013/14, the Council was paid the balance estimated at 15 January 2013. The balance has therefore remained unchanged in the year.

F: Transfers to/ (from) Earmarked Reserves:

4.16 There has been significant movement in the transfers to/(from) reserves since Q3 for a number of reasons as follows:

- Transfer of £403k of the extra non ring-fenced grants received during the last quarter to earmarked reserves as shown in the table at 4.10 (the additional Education Services Grant and the Individual Electoral Registration Grant have not been transferred);
- £207k transferred to earmarked reserves for the Council's share of the 2013/14 National Non-Domestic Rates deficit (to be paid in 2014/15);
- £748k of additional underspends to be carried forward to earmarked reserves; and
- £201k of transfers from reserves (planned in Q3 but no longer required in 2013/14 because of delays or changes to plans). The most significant of which include Digital Rutland, Planning Delivery Grant, use of Public Health reserve, Children's Workforce Development – delayed until 2014/15 and use of SEN grant as there have been delays in employing staff.

4.17 The following table shows a summary of the additional underspends (from Q3 to Q4) to be carried forward to 2014/15.

Description	Amount £'000	Explanation
S256 Health Funding including Reablement	88	No new projects commissioned by Health and Wellbeing Board so unused funds to be transferred to Reserves.
Public Health	113	Public Health has under spent by £113k due to activity being lower than previously estimated. This will be transferred to ringfenced earmarked reserve.
Changing Lives Programme	10	At Q3 it was estimated that £30k would need to be carried forward to continue to work with identified families. This has increased at year end by £10k.
S106 Monitoring	15	The S106 monitoring fees are due to majors (retail) and as this is in advance of work as such it would be prudent to transfer to an earmarked reserve for future resourcing.

Description	Amount £'000	Explanation
Travel 4 Rutland	3	At Q3 it was estimated that £30k would be available to carry forward to support the project in future years. This has increased at year end by £3k
Local Sports Alliance	11	Funds held for the Local Sports Alliance - grants not fully committed to be carried forward for 2014/15
Financial Crisis Support	10	Unanticipated additional underspend on financial crisis loans to be carried forward
Training	50	Deferral of training on customer services and other staff training to be carried forward
Winter Maintenance	14	Variance due to mild winter. Underspend to be transferred to Winter Maintenance Reserve up to a rolling total of £75k.
Bridges	36	Resources unavailable to carry out identified works after inspections completed, due to commitments on footways schemes. Works will need to be completed next year so permission is sought to carry budget forward to 2014/15.
Warm Homes	47	Variance due to grant funding not yet spent to be carried forward to 2014/15.
Digital Rutland	300	Revenue contribution not needed in 2014/15 as expenditure to date has been met from grant. To be carried forward to 2014/15.
Catmose Fire Escape	51	Work on Fire Escape in progress. Full revenue contribution of £75k not required in 2014/15 so £51k to be carried forward.
Total	748	

G: Revenue Contribution to Capital Outlay:

4.18 The Council's budget and forecast included a direct revenue contribution of £300k towards the Digital Rutland project, and £75k for the Fire Escape as approved by Cabinet (97/2013). The direct revenue contribution for Digital Rutland is not required in 2013/14, as the Council has been able to fund the expenditure to date on Digital Rutland from grant, and therefore the £300k will be carried forward to next year. The work to the Fire Escape is not yet complete and therefore the contribution required from revenue is £24k in 2013/14. The remaining £51k will be required in 2014/15. The Catmose Pool works over spent by £6k and this has also been funded by a revenue contribution.

H: Appropriations:

4.19 The appropriations figure represents adjustments the Council is required to make to its revenue position that are specified by statutory provisions. The three elements covered are:

- 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;
- Under statutory regulations the balance on the business rates account - the Collection Fund - is shared between this authority, the Government and the Fire authority in prescribed percentages. The Council's share of the balance (a deficit of £207k arising from the Government paying the Fund a payment on account which is higher than the outturn suggests is required) must be held in a Collection Fund Adjustment Account and charged to the revenue account in the following year so that it has no impact on the council's General Fund balance. A provision has been made through a transfer to an earmarked reserve to meet this liability in 2014/2015; and,
- In previous years the Council had made provision for impairment of an investment with Heritable Bank based on advice from the company Administrators on the expected proportion of the principal sum that would be eventually recovered. In 2013/2014 a further sum was received from the Administrators which they advise is likely to be the final settlement. The outcome is that the cumulative impairment (i.e. loss) on the investment (valued at £120k at the start of the year) has been written back giving a £120k credit to the General Fund. The actual loss on the investment of £60k is recognised in the Resources net cost of services line.

5. EARMARKED RESERVES

5.1 The Council has earmarked reserves which are set aside for specific purposes. There are three types of earmarked reserves:

- **Statutory ring fenced reserves** – some funds must be spent in specific areas and are deemed ring fenced. The main ring fenced reserve for the Council is Public Health. Where the Council has ring-fenced funds, it is usually required to confirm by declaration that funds have been spent on purposes for which funding is intended.
- **Budget carry forward reserve** – where services have been unable to deliver spending plans in year for whatever reason, officers can request that funds or grants received are carried forward to future years.
- **Specific reserves** – the Council can set up specific reserves for various reasons e.g. winter maintenance, Invest to Save etc

5.2 The Council needs to review reserves periodically to assess whether:

- Reserves are still required;
- The level of reserves is adequate; or,
- Whether any new reserves are required.

5.3 Where Reserves are no longer required, then options include:

- Removing the reserves – effectively the balance on the reserve transfers to the General Fund; or,
- Relocating the balance in one reserve to another.

5.4 The table below shows the earmarked reserves held at 1st April 2013 and the transfers that have taken place in 2013/14:

Reserve	Balance @ 01/04/2013	Transfers to Reserve	Transfers (From) Reserve	Balance @ 31/03/2014
Invest to Save	£430,224	£77,300	(£129,395)	£378,129
Planning Delivery Grant	£125,881		(£42,107)	£83,774
Internal Audit	£16,680		(£1,539)	£15,141
Local Strategic Partnerships	£85,633		(£47,348)	£38,285
Health	£172,000			£172,000
Public Health Grant		£347,207		£347,207
Training		£50,144		£50,144
Travel 4 Rutland		£33,383		£33,383
Risk Management		£1,800		£1,800
Financial Crisis Support		£10,329		£10,329
Highways		£306,715		£306,715
National Non-Domestic Rates		£207,345		£207,345
Budget Carry Forward	£850,757	£1,105,499	(£358,661)	£1,597,595
Sub-Total	£1,681,175	£2,139,722	(£579,050)	£3,241,848
Commuted Sums	£384,774		(£27,969)	£356,805
S106 Funds	£481,771	£700,889	(£83,884)	£1,098,776
Total	£2,547,720	£2,840,612	(£690,903)	£4,697,429

5.5 The estimated Earmarked Reserves position at 31st March was reviewed as part of the Budget. Of these reserves, the use of the following amounts has already been approved as part of the 2014/15 Budget Report:

- £38,850 from the S256 Health and Reablement funds for Joint Integrated Health Project;
- £20,000 from Highways S38 Income;
- £50,000 from the Invest to Save for the People Directorate Review; and,
- £46,200 S106/contribution from the sale of Jules for the Youth Housing Project (approved in Cabinet report 259/2013).

5.6 Further to the outturn position, Officers are requesting that £1.092m is approved to be used in 2014/15 as per table below:

Analysis of Earmarked Reserves

		Amount £'000
A. Reserves already Approved for usage:		
Use of Reserves already approved by Cabinet	See paragraph 5.5	109
SEN Reform Grant	Approved as per cabinet report 264/2013	75
		184
B. Budget Requests for 2014/15 from Earmarked Reserves:		
Planning Delivery Grant	To cover costs of the Local Development Framework	17
Training	To support training on customer services deferred from 2013/14 and other staff training.	50
Financial Crisis	Underspend from financial crisis loans to be used if required in 2014/15	10
Highways	Sustainable Drainage, Severe Weather Recovery Scheme, Bridges	193
Children's Workforce Development	Specialist training requirements	20
S256 Health and Reablement	To support the Crisis Intervention Project	15
Tourism	Underspend on Anglian Water s106 funds to be used for tourism initiatives in 2014/15	74
Digital Rutland	£300k revenue contribution to capital for Digital Rutland and £67k for revenue costs	367
Catmose Fire Escape	Revenue contribution to complete capital scheme as approved by Cabinet	51
S106 Monitoring	To cover cost of salary of monitoring	15

		Amount £'000
	officer	
Warm Homes	Given out in grants to individuals to help make their homes more energy efficient.	70
DCLG Frontrunners Grant	This is to be used to assist parishes to develop their own local plans.	14
Local Sports Alliance	This is the total of contributions received from various sources that is not needed to fund expenditure in 2013/14. It will be used in 2014/15 to fund sport related projects.	32
Changing Lives Programme	To support troubled families in 2014/15	40
Adoption Reform Grant	To support the authority with adoption reforms	68
New Burden Grant	Used for Social Care Data Collection changes	56
		1,092
C. Ringfenced Reserves:		
Public Health	Ring fenced reserve transferred from former PCT. The Council is considering how Public Health funding including the reserve can be used to support existing initiatives funded elsewhere.	347
National Non-Domestic Rates	Reserve to be used to pay Rutland County Council's share of the 2013/14 deficit – to be paid in 2014/15	207
		554
D. Other Reserves:		
Invest to Save	Support one-off costs and Invest to Save projects. Balance after use of £50k (as per para 5.5). £200k is provisionally earmarked for match funding for Heritage Lottery Bid	328
Internal Audit	Shared reserve of the five Welland authorities receiving the IA service. Used to fund any additional delivery costs	15
Risk Management Reserve	To be used with Zurich Municipal to support any initiatives to reduce ongoing insurance costs	2
Highways	Monies obtained under S38 of the Highways Act for the adoption of roads from the developer. Winter Maintenance underspend following mild winter in 2013/14.	94
Welfare Reform Grant	Held to support review of Local Council Tax Support scheme, crisis loans and other Welfare projects and required to	39

		Amount £'000
	support changes to IT, training, consultation and any one-off transition costs.	
Planning Delivery Grant	Used to support development of local development framework	67
Travel 4 Rutland	Additional income used to offset any one off revenue costs in future	34
Castle Restoration	Used to support any costs associated with the Heritage Lottery Bid	51
Health	To be renamed Social Care reserve to be used to support Better Care Bill/ People First/Care Bill (see para 5.7)	172
S256 Health & Reablement		437
Children's Workforce Development		22
Community Transport Grant		33
Local Strategic Partnership	Proposed to be reallocated to Invest to Save (see para 5.7)	38
Misc. grants (per para 4.10)	To be used to set up a Business Rates reserve (see para 5.7)	80
		1,412

5.7 The Reserves position has been reviewed again in light of the outturn. The Council therefore has a number of earmarked reserves which are not marked for use today but are likely to be required over the next two years to help meet the following pressures and risks:

- Business rates – 2013/14 has been a positive year for the Rutland economy. Unemployment and business rate failure are low but there has been no growth in business rates and there are a number of large local businesses with appeals outstanding (as per 4.13 and 4.14). Should business rate income drop below the baseline level of £3.967m in 2014/15, the Government will not provide any safety net payments unless the fall reaches £3.669m. The risk remains live.
- PeopleFirst review – the PeopleFirst review has reached the consultation stage and no decisions have been made. Detailed proposals for individual service areas will be subject to further work and consultation in line with statutory requirements. The review will continue throughout 2014/15 and further consultation events are taking place in June. The Council will not be in a position to calculate the total level of potential savings until the consultation events have concluded. Moreover, the timing of any savings is at this stage unknown. Earmarked reserves could be used to meet the costs of additional work to determine proposals and any liabilities arising from the implementation of proposals.
- Health/Better Care Fund (BCF) – the Council has produced a BCF plan and is working with the CCG to integrate services and make existing services more effective. The BCF carries a performance risk as failure to meet agreed KPI's could reduce the proportion of funding

received. There is still debate about whether the performance link will be applied. Moreover, there has been coverage in the national press indicating that the BCF may be reconsidered. Part of the funding does go towards subsidising core expenditure on Reablement for example so withdrawal of this funding could leave a shortfall. One of the key priorities for Health is to 'shift' activity from secondary and primary to social care and ultimately to enable individuals to live independently or be supported at home. The 'shift' is likely to increase workload for local authorities but may, other than the BCF, not come with additional funding.

5.8 On the basis of the above pressures, it is suggested that the £782k of the reserves in line with the above table is reclassified as follows:

- £80k for Business Rates Reserve
- £631k for Social Care Reserve
- £71k for Invest to Save

6. CAPITAL PROGRAMME

6.1 Appendices 5 and 6 show the detailed final spending position on each scheme within the 2013/14 capital programme. The spending and funding are summarised below:

Portfolio	Project Budget £000	Project Forecast £000	Q3 Project Forecast £000	Total Project Variance £000	Current Budget 2013/14 £000	Actuals 2013/14 £000	Variance in Year £000
Approved Projects							
People	1,583	1,544	963	(39)	906	711	(195)
Places	60,355	59,466	59,030	(889)	8,760	5,713	(3,047)
Resources	15	15	41	0	0	0	0
Total Approved	61,953	61,025	60,034	(928)	9,666	6,424	(3,242)
Unapproved Projects							
People	4,150	4,150		0	920	0	(920)
Places	6,657	6,657		0	215	0	(215)
Total Unapproved	10,807	10,807	0	0	1,135	0	(1,135)
Total Capital Programme	72,760	71,832	60,034	(1,225)	10,801	6,424	(4,377)
Financing:							
Grant	56,454	55,691	44,075	(763)	7,827	5,542	(2,285)
Prudential borrowing	7,835	8,229	7,575	394	2,680	832	(1,848)
Usable Capital Receipts Reserve	6,130	5,678	6,034	(452)	78		(78)
Revenue Contribution to Capital Outlay	537	525	493	(12)	90	30	(60)
Contributions	1,804	1,709	1,857	(95)	126	20	(106)
Total Financing	72,760	71,832	60,034	(928)	10,801	6,424	(4,377)

- 6.2** The headlines from the capital programme are as follows. A number of capital projects have now been fully completed including Adult Soccer, Post 16, BS4A, Cottesmore County Primary School works. In relation to Highways projects, there have been some project underspends in areas such as Footways and Resurfacing. Underspends on Highways projects funded through grant are carried forward to the 2014/15 Highways capital programme and prioritised accordingly.
- 6.3** A number of capital projects are still in progress and will continue into next year and so funds will be carried forward. The most significant of these are:
- Digital Rutland where phase 1 and 2 is now completed;
 - Travel for Rutland – a project where work outstanding relates to the bus station and cycle routes;
 - Catmose Campus where work regarding external defects is intended to be complete by August; and
 - Oakham Enterprise Park where construction works continue.
- 6.4** There are no projects significantly overspent which the Council has not been able to fund through underspends or other available funding

7. OTHER FINANCIAL UPDATES

A. New Homes Bonus

- 7.1** The “New Homes Bonus” (NHB) is a scheme aimed at encouraging local authorities to grant planning permission for the building of new houses, in return for additional revenue. It is based on the net increase in the number of dwellings (additions less demolitions), with extra bonus for affordable homes, empty homes brought back into use and local authority owned and managed gypsy site pitches. Each additional property attracts a grant of £1,450 per year for 6 years, a total of £8,700. An additional £350 is received for each affordable home.
- 7.2** The Council has included in the MTFP a target of 162 for ‘new’ homes. The change in property totals is measured from October to October. Actual performance to date is:

New Homes Bonus	Start position CTB1 Oct 2013	Current position	Movement from base
Properties	16,171	16,294	+123
Empty Homes	169	160	+9
Movement			+132
Target			+162
% achieved			81%

As it stands the current position looks favourable. However, as the Council saw in the 2013/14 NHB year, the long term empty position can fluctuate from one quarter to the next.

B. Local Council tax support

- 7.3 Changes to Council Tax Benefit have been implemented from April 2013. The Council's council tax base has been reduced to reflect its proposed Scheme (which reduces the amount of council tax to be collected by £1.561m). A further allowance was made in the 2013/14 budget to provide support for any existing benefit recipients who suffer hardship (to the value of £100k by way of a discretionary fund).

Month 2013/14	Total spend	Variance	Caseload
April 2013	£1,558,414	£2,586	509
May 2013	£1,563,251	-£2,251	508
June 2013	£1,536,654	-£24,346	504
July 2013	£1,532,782	-£28,218	502
August 2013	£1,523,288	-£37,712	493
September 2013	£1,509,938	-£51,062	485
October 2013	£1,499,539	-£61,461	491
November 2013	£1,480,378	-£80,622	473
December 2013	£1,478,984	-£82,016	482
January 2014	£1,471,525	-£89,475	461
February 2014	£1,469,989	-£91,011	464
March 2014	£1,466,187	-£94,813	460

- 7.4 The Council also put £100k into a Discretionary Hardship fund. The latest position is shown below. The final quarter saw a small increase in applications but the fund remains substantially under spent.

Discretionary Fund	Q2	Q3	Q4
Number of applications	110	152	197
Number refused	46	58	68
Number awarded	64	94	129
Number of appeals	7	7	7
Value of awards	£8,816	£8,836	£14,775

C. Debtors

- 7.5 The Council's aged debt position shows significant improvement since last year. Overall debt is higher but it includes £1.5m of invoices raised in late March for public sector and s106 debt which has now all been paid. Debts over 91 days has reduced substantially reflecting the write offs approved by Cabinet and the substantial progress in recovering old debt.

Aged debt	31.3.2013 £'000	31.12.2013 £'000	31.3.2014 £'000
0-30 days	1,029	678	1,988
31-60 days	50	39	48
61-90 days	61	6	11
> 91 days	814	242	250
Deferred Payments	140	19	97
Total	2,094	984	2,394

8. MEDIUM TERM FINANCIAL PLAN (MTFP)

8.1 The MTFP was presented to Full Council in February 2014 as part of the annual budget setting process. The MTFP is kept up-to-date to reflect any funding changes, any additional pressures or reductions in budgets and the results of outturn. There have been changes to the MTFP since approval of the budget in February which will be presented in the Quarter 1 Outturn report. A copy of the latest MTFP including the outturn is shown in **Appendix 7**. The key points to note are:

- The Better Care Fund - the Council has now submitted its BCF Plan and is aware of the projects it will be delivering in 2014/15 and how the BCF funding will be used. New budgets will be established to reflect projects and spending plans;
- EMCARE - the Council is negotiating the cost of care with EMCARE and has included a provisional settlement figure in the 2013/14 outturn. Whilst negotiations are not yet finalised, the MTFP will need to reflect the additional increase in costs arising from the provisional settlement;
- RALS - the Council is progressing the sub-contracting of its Adult Learning offering following a restructure of the service and has revisited its budget to ensure that it reflects the latest understanding;
- Additional funding - the Council has received notification of additional funding of £125,000 for the implementation of the Care Bill. The People Directorate is considering what work is required to implement the Care Bill and the resource implications;
- Capital financing - Work is underway to re profile the capital financing costs within the MTFP in light of the 2013/14 outturn;
- Pressures, savings and growth – Officers are undertaking a review of whether, based on the outturn and other information, there is scope to make additional savings (above those already built in the plan) or whether there are any emerging pressures. In addition, work is underway to identify opportunities to ‘invest’ resources into areas that could yield a return in the form of extra income or a reduction in future costs; and,
- NNDR - business rates estimates are being revisited to take into account local knowledge of potential developments e.g. growth and appeals.

8.2 The Budget report (29/2014) included a number of risks to the MTFP which have been updated. A brief summary is included below.

Risk	Update since budget
The current grant settlement is only for 2014/15 and 2015/16. Funding for future years of the MTFP is uncertain in respect of RSG or specific grants.	Risk unchanged.
The arrangements for retained business	The number of appeals

Risk	Update since budget
<p>rates carries risk in that any reduction in the amount collected, up to the safety net level, would create a funding gap that the Council would have to manage.</p>	<p>lodged is a concern and there is a growing national lobby for a change in the business rates system which could cause uncertainty.</p>
<p>The MTFP assumes that a freeze grant will be offered and accepted in 2014/15 and 2015/16. The MTFP assumes that council tax will increase by 2% from 2016/17 onwards.</p> <p>The threshold at which the Council is able to increase the level of council tax could be reviewed again by Government.</p>	<p>Risk unchanged.</p>
<p>The Government are committed to reviewing New Homes following a critical report from the National Audit Office on its impact and any changes could restrict how the Council uses funding or it could reduce the amount it has unavailable.</p>	<p>Risk unchanged.</p>
<p>The MTFP assumes that some service pressures can be contained within the forecast budgets in areas like Fostering, Blue Badge, Older people, and Physical disabilities.</p>	<p>2014/15 budget being reviewed as part of Q1 monitoring.</p>
<p>The National Joint Council Trade Union Side's is calling for the implementation of the Living Wage. Some Councils have implemented this in full, some have rejected it and others have adopted a 'supplement' approach whereby a separate supplement is paid to impacted employees in parallel to the existing pay and grading structure. The Council has very few staff affected (less than 10) and has not yet formulated a response. Undertaking a 'supplement' approach would incur minimal cost. Implementing a flat rate increase across other scale points would cost in excess of £1m pa.</p> <p>Furthermore, the 2014/15 pay settlement remains outstanding and Unison has rejected the current offer and are threatening strike action.</p>	<p>Risk unchanged. 14/15 settlement is likely to be 1% but risk regarding Living Wage has not changed.</p>

- 8.3** In summary, the five year projections set out in the MTFP at budget time, remain unchanged. Whilst the Council plans to save at least £1.5m by 2017/18, the MTFP continues to show that by 2017/18 the Council spending plans exceed available resources by £1.5m. The outturn position does not change this challenge.

9. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	The outturn is reported within a reasonable period after the end of the financial year and in line with the timescales as set out in the Accounts and Audit (England) Regulations 2011
Viability	Low	There are no significant issues within this report
Finance	Medium	The report highlights the position at the end of 2013/14 and the impact over the longer term.
Profile	High	The financial position of the Authority is high profile at the current time
Equality and Diversity	Low	There are no particular issues arising from an Initial Equality Impact Assessment.

Background Papers

Revenue Budget 2013/14
Capital Programme 2013/14

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