

## Appendix A. Q2 Budget Report 2019/20

### 1 REVENUE MONITORING

#### 1.1 Overall Position – are we on track to achieve budget?

1.1.1 The table in para 1.1.2 sets out the Council's forecast revenue outturn for 31 March 2020 as at the end of September (Quarter 2). The Q2 revenue position is that the Council is forecasting a deficit of £123k compared to a budgeted deficit of £235k. The Council is in overall terms £111k under budget, a change of £385k since Q1.

	Ref	Budget (Report 44/2019)  £000	Revised Budget  £000	Q1 Forecast Outturn  £000	Q2 Forecast Outturn  £000	Latest Forecast Year End Variance £000
People		18,079	18,631	18,334	18,705	74
Places		12,253	12,614	12,433	12,850	236
Resources		6,492	6,698	6,467	6,511	(187)
<b>Directorate Totals</b>	A, C, D,	<b>36,824</b>	<b>37,943</b>	<b>37,234</b>	<b>38,066</b>	<b>123</b>
Pay Inflation		65	65	0	0	(65)
Social Care Contingency	F	300	306	165	165	(141)
<b>Net Cost of Services</b>		<b>37,189</b>	<b>38,314</b>	<b>37,399</b>	<b>38,231</b>	<b>(83)</b>
Depreciation		(2,310)	(2,310)	(2,310)	(2,310)	0
Capital Financing		1,764	1,764	1,764	1,764	0
Interest Receivable	E	(200)	(200)	(300)	(360)	(160)
<b>Net Operating Expenditure</b>		<b>36,443</b>	<b>37,568</b>	<b>36,553</b>	<b>37,325</b>	<b>(243)</b>
Financing		(36,839)	(37,022)	(36,886)	(37,068)	(46)
Transfers to/(from) reserves	G	438	(589)	(176)	(412)	177
Revenue Contribution to Capital	B	0	278	248	278	0
<b>(Surplus)/Deficit</b>	<b>A,B</b>	<b>42</b>	<b>235</b>	<b>(261)</b>	<b>123</b>	<b>(112)</b>
<b>General Fund 1 April 19</b>		<b>(8,970)</b>	<b>(8,963)</b>	<b>(8,963)</b>	<b>(8,963)</b>	<b>0</b>
<b>General Fund 31 March 20</b>		<b>(8,928)</b>	<b>(8,728)</b>	<b>(9,224)</b>	<b>(8,840)</b>	<b>(112)</b>

1.1.2 The movement between Q1 and Q2 represents 1% of the Net Cost of Services and is not unusual because officers now more information to make forecasts in demand-led areas and a better understanding of the likelihood of recruiting to vacant posts and the costs of plugging any gaps with interims.

1.1.3 The £385k adverse change between Q1 and Q2 reflects additional expenditure forecast of c£862k (the vast majority of which is demand-led) less additional grants of £180k, transfers from earmarked reserves of £236k and interest receivable of £60k. The key points to note are:

- a) The Directorate budget has been increased by £335k owing to the use of ring fenced reserves (Better Care Fund and Public Health reserve), Brexit grant.
- b) The budgeted deficit has been reduced by £15k (reflecting additional grants of £45k which support General Fund expenditure less £30k investment required in new air conditioning units for the IT server room).
- c) At Directorate level, the net position is an over spend of just over £123k which is £832k adverse compared to Q1. There have been significant (i.e. above £20k) movements across many areas (these are covered in each Directorate section) but the notable ones include: Commissioned Transport £180k, c£70k in Legal Services, £237k in Fostering and Adoption; and £200k in Adult Social care.
- d) There are 10 functional areas where forecast overspends are more than £25k over budget.
- e) Income received on investments has continued to be better than predicted and it is anticipated that this will be over achieved by £160k (a £60k increase since Q1).
- f) The budget had contingency built in to support demand if it materialised. The pay contingency is there to support any changes in terms and conditions not covered by existing budgets, there has no use of this so far and this is likely to continue for the remainder of the year. The Social Care contingency is there to support rises in demand for social care. Any underspend against this contingency is transferred to the social care reserve.
- g) The Council is estimating an additional £236k transfer from earmarked reserves compared to Q1.

1.2 Directorate spend – what's the latest position at directorate level?

1.2.1 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:

**[http://www.rutland.gov.uk/council\\_and\\_democracy/council\\_budgets\\_and\\_spending.aspx](http://www.rutland.gov.uk/council_and_democracy/council_budgets_and_spending.aspx)**

***People Directorate***

1.2.2 The People Directorate is forecast to be £74k over budget. This is a strong position in the face of pressures. The forecast is £371k more than the

estimated position at Q1. Key movements are explained below (references to Appendix H are included for budgets that are over £25k overspent):

<b>Function</b>	<b>Movement between Q1 and Q2</b>	<b>Commentary</b>
Public Health*	28,500	Increase in budget and forecast due to draw down of Public Health Reserve to support Dementia activities (Stepping into Nature)
BCF Holistic Management*	21,100	Additional Funding received for BCF resulting in additional investment in existing projects.
ASC Prevention & Safeguarding*	(54,600)	Income received for Respite Care from service users. This is unpredictable as it based on financial assessment of users. In 2018/19 we only received £6k of income.
ASC Housing*	31,000	Additional Funding received from Public Health Reserve draw down to facilitate the purchase of software to improve the process around housing allocations
ASC Support & Review – Homecare*	52,600	Increase of 4 service users from Q1.
ASC Support & Review - Residential & Nursing (see Appendix H4)	199,000	Increase of 14 service users from Q1.
ASC Community Income*	(29,300)	Income received from the new service users for residential care (see below)
ASC Support & Review – Staffing*	(30,600)	Short term staffing vacancies.
ASC Hospital & Reablement*	36,100	Use of agency staff to cover vacancies whilst recruitment is ongoing.
Permanency & Protection Service (see Appendix H1)	141,800	The overall demand for the service stayed consistent with Q1. The complexity of cases has changed (one new placement has cost £75k).
Fostering, Adoption & Care leaver Service	236,800	Increase in demand (one placement costing £263k per annum, started in

<b>Function</b>	<b>Movement between Q1 and Q2</b>	<b>Commentary</b>
(see Appendix H2)		July)
Early Intervention – Targeted*	(84,500)	Reduction in a high cost placement
Early Intervention – SEND & Inclusion*	(63,400)	One off grant funding received which now offsets a pressure identified at Q1
Rutland Adult Learning*	(121,800)	ESFA clawback not expected to be required and increased income for service delivery

\*Function within budget

### ***Places Directorate***

1.2.3 Whilst in overall terms, the Places Directorate is over budget by £236k. This is a movement of £312k from the underspend position of £76k at Q1. The key messages about the current position are as follows (references to Appendix H are included for budgets that are over £25k overspent):

<b>Function</b>	<b>Movement between Q1 and Q2</b>	<b>Commentary</b>
Brexit (Directorate Management Cost)	55,000	It is estimated that £55k of officer time and other costs has been incurred on Brexit related work.
Development Control*	(25,800)	Vacancy management
Highways Management	35,900	The majority of the overspend is down to a change in legislation to advertising for road closures. The change has meant that information has to be publicised twice rather than once.
Commissioned Transport (See Appendix H6)	178,500	Increases in demand across transport for Children. These are all statutory functions that the Council must provide.
Parking (See appendix H7)	34,900	Parking charges were amended at the start of the financial year to simplify tariffs and the 30 min tariff is now free to support town centre shopping. The changes appear to have changed peoples parking

<b>Function</b>	<b>Movement between Q1 and Q2</b>	<b>Commentary</b>
		habits, with less use of longer term tariffs.
Transport Management*	(34,400)	Reduction in working hours of staff.
Waste Management (See Appendix H8)	24,200	Refuse collection overspend is due to an indexation of 2.7% being charged for the service when initially the expectations were an indexation of 2.1%
Planning Policy (see Appendix H5)	26,000	Relates to the work required to deliver the Local Plan (additional works of the Woolfox site and increased legal costs).
Property Services (see Appendix H9)	74,700	Agency costs required to cover vacant posts where recruitment has been unsuccessful and programmed capital works (e.g. OEP Phase 2 and Officers Mess) which did not progress as anticipated resulting in under capitalisation of salaries.
Commercial & Industrial Properties*	46,800	Additional repairs at OEP

\*Function within budget

### **Resources Directorate**

1.2.4 The Resources Directorate is forecasting to be £187k under budget. This is an adverse movement of £44k from Q1. The main swings relate to:

- The HR Function is underspend by £40k (a further movement of £23k since Q1) due to a new starter commencing part way through the year and a change in the staffing structure;
- There are savings in Revenues and Benefits of c70k mainly due to staffing vacancies but additional investment has been made in the quarter into increasing online functionality available to customers;
- The only area where there is potential overspend (currently estimated at £68k) is Legal. The forecast on this budget is volatile and costs associated with SEN tribunal claims are increasing.

### **Dedicated Schools Grant (DSG)**

1.2.5 The table below summarises the 2019/20 DSG Outturn against each of the four blocks.

	<b>Schools £000</b>	<b>High Needs £000</b>	<b>Early Years £000</b>	<b>Central Schools £000</b>	<b>Total £000</b>
<b>Surplus/(Deficit) Carry Forwards from 2018/19</b>	<b>0</b>	<b>(157)</b>	<b>24</b>	<b>21</b>	<b>(112)</b>
DSG Allocations	23,453	3,825	2,034	163	29,475
Transfer between blocks	(117)	117	0	0	0
Academy Recoupment	(21,669)	(176)	0	0	(21,845)
Expenditure in Year	(1,667)	(4,039)	(2,047)	(148)	(7,901)
Recovery Plan Investment	0	(195)	0	0	( 195)
Additional High Needs Costs not yet placed	0	(86)	0	0	(86)
Under/(Over) spends in 2019/20	0	(554)	(13)	15	(552)
<b>Surplus/(Deficit) Carried Forward to 2019/20</b>	<b>0</b>	<b>(711)</b>	<b>11</b>	<b>36</b>	<b>(664)</b>
Percentage of Total DSG	-	(2.41%)	0.04%	0.12%	(2.25%)

1.2.6 The key point to note is that the deficit on the DSG would require the submission of a Recovery Plan to the DfE by June 2020.

1.2.7 There has been an increase in the number Education Health and Care Plan's (EHCP) that have transferred into the county (households who relocate to Rutland), with one case alone predicted to cost £62k. The Council normally has a net transfer out, but this year we have seen this change to a net transfer in of six cases. The total movement from Q1, including the six cases mentioned in the above paragraph, is 16. This equates to a 7% increase in total plans.

1.2.8 The Council has agreed with Schools Forum a recovery plan to address some of the issues for the overspend. However, if trends continue then this alone will not be enough to turn the position around. The national review may address some of the issues with the current system (para 3.3).

### 1.3 High Risk/Pressure Areas

1.3.1 Whilst many forecasts can change quickly particularly those in demand-led areas (children's and adult social care, fostering and adoption, homelessness for example), the position at Quarter 2 is as follows:

Directorate	Within budget?	Ceilings>25k overspent?		Ceilings>£25k underspent?		Requests for budget changes?
		Q1	Q2	Q1	Q2	
Places	No	1	5	1*	3*	No
Resources	Yes	0	1	6*	5*	No
People	No	6**	4**	9*	11*	No

**\*Note:** Only underspends included where Directorates are not currently proposing to carry forward unused budget to next year

\*\* In the People Directorate, individual functions (e.g Direct Payments) may be overspent with corresponding underspends elsewhere as part of the strategy to manage needs within overall Adult Social Care budget.

- 1.3.2 Where functional forecasts are projected to be more than £25k over budget (listed in the table below) a detailed explanation of the current position is included in Appendix H.

Function	Amount Overspent	Further Detail Appendix H
<b>Peoples</b>		
Permanency and Protection Service	£181,200	H1
Fostering, Adoption and Care Leavers	£397,300	H2
ASC Support and Review - Direct Payments	£81,900	H3
ASC Support and Review - Residential & Nursing	£438,600	H4
<b>Places</b>		
Planning Policy	£52,900	H5
Commissioned Transport	£180,300	H6
Parking	£35,300	H7
Waste Management	£45,300	H8
Property Services	£56,500	H9
<b>Resources</b>		
Legal Services	£66,000	H10

## 1.4 Forward look 20/21 – potential pressures and savings?

1.4.1 The Quarter 2 position has highlighted pressures that may have an impact beyond this financial year alongside some potential savings. All figures are provisional and are summarised in the table below:

Area	Saving £	Pressure £
<p>SEN high needs – Overspend is relating to staffing costs that were previously funded from a ring fenced grant that has ceased. With the number of children being referred, then the Council has thus far been unable to reduce staffing numbers.</p> <p>The total pressure could be in excess of £100k pa in the future but a review is being undertaken to assess mitigating actions. Additional grant was received in 19/20 but position unclear for 20/21.</p>		£100k
Health and Safety – resources required to deliver ongoing health and safety responsibilities being considered		£50k
Local Plan - see Appendix H5		£195k
Adult Social Care - two high cost placements have transferred into the service - see Appendix H3/4		£400k
Fostering, Adoption & Care Leaver Service – High cost placements have put pressure on the budget – See Appendix H2		£300k
Children Looked After – See Appendix H1		£100k
Legal – pressures on the budget in 19/20 and with legislation changes in respect of Deprivation of Living Standard protocols applying to children and changes to the Family Court proceedings, the Council is doing some work to assess impact.		£60k
Commissioned Transport – See Appendix H6		£150k

Area	Saving £	Pressure £
Printing – going Digital First has seen the Council reduce the number of printers and the amount of printing undertaken. A saving of £20k is included at Q1 and up to £40k is anticipated	£40k	
Dog Warden contract – the Council has moved from a fixed price contract to a “pay as you go” which is estimated to deliver a saving of up to £20k	£20k	
Interest receivable – based on current returns and level of balances available to invest, the Council expects to exceed budgeted investment income	£100k	
Collection Fund surplus – the Council is likely to have a surplus on the Collection Fund arising from more houses coming into the rating system and lower than expected council tax support.	£130k	

## 2 CAPITAL PROGRAMME

### 2.1 Overall Programme – are we on track to achieve our approved capital budget?

2.1.1 The following table sets out the position against the Capital Programme as at the end of September 2019, including the total approved project budget, estimated outturn to the end of the projects and variances against budget.

	<b>Total Project Budget</b>	<b>Prior Years Outturn (A)</b>	<b>Estimated Future Outturn (B)</b>	<b>Total Project Outturn (A+B)</b>	<b>Total Project Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Approved Projects</b>					
Commercialisation	10,541	227	114	341	(10,200)
Asset Management Requirement	7,266	793	3,419	4,212	(3,054)
Strategic Aims and Priorities	8,052	4,713	3,182	7,895	(157)
<b>Total</b>	<b>25,859</b>	<b>5,733</b>	<b>6,715</b>	<b>12,448</b>	<b>(13,411)</b>
<b>Financed By:</b>					
Grant	(12,347)	(4,148)	(5,145)	(9,293)	3,054
Prudential Borrowing	(11,469)	(582)	(687)	(1,269)	10,200
Capital Receipts	(442)	(159)	(283)	(442)	0
Revenue Contributions	(552)	(274)	(278)	(552)	0
Developers Contributions	(1,049)	(570)	(322)	(892)	157
<b>Total Financing</b>	<b>(25,859)</b>	<b>(5,733)</b>	<b>(6,715)</b>	<b>(12,448)</b>	<b>13,411</b>

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

2.2.1 The approved capital programme was £28.557m as per the 2019/20 Quarter 1 Budget Monitoring Report (Report No: 114/2019). The net change to the capital programme is £2.699m, therefore giving a revised capital programme of £25.859m

	Project	Amount £000	Amount £000
<b>Approved Capital Programme (Q1 Report No 114/2019)</b>			<b>28,557</b>
<b>Approvals Since Q1</b>			
Strategic Aims and Priorities	S106 TPP - Greetham Community Centre (Delegated Approval)	10	
Asset Management Requirements	Museum Roof (Report 113/2019)	87	
<b>Total Approvals Since Q1</b>			<b>97</b>
<b>New Capital Programme – Requesting Approval</b>			
Asset Management Requirements	Air Conditioning Unit (2.2.2)	30	
<b>Total New Capital Programme – Requesting Approval</b>			<b>30</b>
<b>Cancelled Capital Programmes</b>			
Commercialisation	Oakham Enterprise Park - Phase 2a (Paragraph 2.2.3)	(2,025)	
Commercialisation	St Georges Barracks - Officers Mess (Paragraph 2.2.4)	(800)	
<b>Total Cancelled Capital Programmes</b>			<b>(2,826)</b>
<b>Total Adjustments to Capital Programme</b>			<b>(2,699)</b>
<b>Revised Capital Programme 2019/20</b>			<b>25,859</b>

2.2.2 Air Conditioning Unit – The Council is required to fund emergency work on two air conditioning units to be installed in the Catmose server room.

2.2.3 Oakham Enterprise Park – Phase 2a project has been removed from the Capital Programme in line with the corporate plan. The Council has been unable to secure a viable business case.

2.2.4 St Georges Barracks, Officer Mess – The Officer Mess has been cancelled as there is no viable business case for bringing the project forward in advance of the wider St Georges project. This will now form part of the St Georges Proposal.

2.2.5 Appendix I includes a detailed breakdown of the capital projects and current forecast and a full list of additions and withdrawals.

## 2.3 Unallocated funding – what are we holding?

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

Uncommitted Funding Held	Opening Balance 2019/20	Grant Awarded	Estimated Capital Financing for on hold projects	Estimated Capital Financing ongoing projects	Uncommitted Funding
	£000	£000	£000	£000	£000
Adult Social Care	(225)	0	0	0	(225)
Basic Needs	(2,913)	0	2,912	0	(1)
Capital Maintenance (education)	(1,017)	(154)	4	137	(1,031)
Highways & Transport	(2,212)	(2,313)	87	3,038	(1,400)
Schools Targeted Capital	(312)	(849)	50	944	(167)
Miscellaneous	(71)	(482)	0	514	(39)
<b>Total</b>					<b>(2,863)</b>
Developer Contributions	(6,586)	(1,294)	157	322	(7,401)
Capital Receipts	(1,443)	(50)	0	283	(1,210)
<b>Total Uncommitted Funding Available</b>					<b>(11,474)</b>

### 3 CORPORATE FINANCE UPDATES

#### 3.1 MTFP – what changes have there been since the budget was approved?

3.1.1 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.

3.1.2 In light of the Spending Review (detailed in 3.2), Ministerial promises and the Government’s Finance settlement technical consultation, the MTFP has been updated to show our best estimate of the latest position.

3.1.3 As we still await detailed allocations and the Local Government Finance Settlement itself, the position is likely to change further and is still shrouded in a degree of uncertainty. In overall terms, the latest MTFP shows a better position for 2020/21 than that anticipated at the time the 2019/20 budget was set.

3.1.4 The question is ‘what has changed?’. There are two key factors:

- a) the Government has not completed its review of Fairer Funding and the Business Rates Retention scheme. Both of these reforms were anticipated to leave the Council worse off from 20/21; and
- b) the Spending Review has promised new funding.

3.1.5 The table below explains the detailed reasons why we have moved from projecting a ‘loss’ of c£1.6m to a near ‘break-even’ position.

<b>Funding / expenditure</b>	<b>Assumptions/What’s changed</b>	<b>Change £000</b>
<b>Predicted loss per MTFP at 19/20 budget setting</b>		<b>(1,580)</b>
Net cost of Services (NCS)	Budget MTFP assumed we would lose Public Health grant of £1.2m and this would be replaced by additional Business Rates. This has been deferred so we are better off by c£1.2m at the NCS level. The £1.2m notional ‘gain’ is offset by a) pressures (both one off and recurring that will need to be confirmed and agreed during budget setting 20/21 – section 1.5 highlights potential issues) that have emerged as part of 19/20 and b) an additional 1% set aside for the pay settlement (the Unions have submitted a case for 10% and we have provided for 3% rather than 2% because of pre-election statements being made).	160
Business Rates	Budget MTFP assumed £1.2m Public Health grant would be included within business rates (linked to point	(200)

<b>Funding / expenditure</b>	<b>Assumptions/What's changed</b>	<b>Change £000</b>
	above) but we would lose an additional £900k through negative Revenue Support Grant (the Government's method for addressing the issue that our 'resources' are greater than our need). Neither is expected to happen in 20/21 which means we are only £200k worse off on this line than expected after other minor business rate changes.	
Grants	Additional social care grants are expected alongside the continuation of Rural Delivery grant which we expected to be removed as part of the implementation of Business Rates Retention. Changes to the New Homes Bonus Scheme are also factored into this position.	1,830
Collection Fund	The Council is predicting a surplus on the Collection Fund arising from greater council tax income than anticipated (more houses coming into rating and less benefits being paid)	190
Earmarked reserves	Council anticipated using earmarked reserves of £367k but in light of government grants to be received for social care, use of reserves is no longer planned in most cases.	(320)
<b>Predicted surplus per Current MTFP</b>		<b>80</b>

3.1.6 Over the medium term uncertainty prevails – the Spending Review covers one year only, the impact of Brexit is not yet fully understood and the General Election may result in a change of Government.

## 3.2 Spending Round 2019

3.2.1 The Government undertook the Spending Review 2019 on Wednesday 4 September. The key points to note are:

- It is a one-year spending review that covers only 2020/21. A multi-year spending review will be announced next year.
- Departmental spending will increase by 4.1% in real terms, whilst keeping within the government's fiscal rules. In overall terms, the Spending Review will deliver real growth in day-to-day departmental spending. Therefore, this funding settlement is different to those that were announced earlier this decade, when spending was falling in cash terms.
- Local Government (Department Expenditure Limits) DEL will increase by more than any other department. Local Government DEL will increase by 12.4% (£1.1bn in 2020/21). The bulk of the increase, however, is the increase in funding for the adult social care grants (£1.0bn).

- Core Spending Power (CSP is the amount of funding a Council will have available will increase by £2.9bn in 2020-21 (in cash terms, £2.0bn in real terms). CSP includes government funding and council tax. This means two things a) an increase in CSP does not necessarily mean more Government funding; and b) CSP is an estimate because it relies on assumptions about councils increasing council tax and on the increase in tax bases.
- Council tax - Councils will be able to increase Band D by 4.0% (2% for general use and 2% for Adult Social Care).
- Social care funding - existing social care funding will be rolled over into 2020/21 and that a further £1bn will be added to it via a grant. The Council will receive £712k in social care grant.
- New Homes Bonus (NHB) - NHB is not mentioned in the spending round but an indication of direction of travel has been given as part of the Local Government Technical Consultation. From the consultation it appears that we will get a payment for 1 year based on current year performance with payments being phased out from 21/22.
- Rural Services Delivery Grant - This grant is not mentioned. It forms part of CSP and we assume there will be no change in 2020/21.
- Business rates - Baseline Funding Levels (BFL) will be increased in line with the increase in the business rate multiplier.

3.2.2 The Governments technical consultation paper which was published following the Spending Review has confirmed some of the details and allowed the MTFP to be updated as explained in 3.1.

### 3.3 School Funding – what changes are emerging?

3.3.1 In the Spending Round, the Chancellor made various announcements relating to Schools. The key announcements included:

- The schools budget will rise by £2.6 billion in 2020/21, £4.8 billion in 2021-22 and £7.1 billion in 2022/23, compared to 2019/20 funding levels. Separate to this, each year the government will provide almost £1.5 billion of funding to compensate schools for the increased cost of employer pensions contributions.
- The minimum per pupil funding levels will be set at £3,750 for primary schools and £5,000 for secondary schools. The following year, in 2021/22, the primary minimum level will rise to £4,000.
- The Schools National Funding Formula (NFF) for 2020/21 will continue to have the same factors as at present.
- High Needs funding for 2020/21 will increase by £700 million.

- An increase to early years spending of £66 million to increase the hourly rate paid to childcare providers through the government's free hours offers

3.3.2 Since the Spending Review, the overall allocations for Schools have been announced. These show an increase of c£900k on the Schools Block and c£387k on High Needs. The impact for individual Schools is not yet known.

3.3.3 Whilst the additional funding is welcome, the Government has also announced a major review into support for children with Special Educational Needs. This announcement comes after a very critical National Audit Office (NAO) report which concluded that "The Department has increased school funding, particularly for high needs, but funding has not kept pace with the rise in the number of pupils". The report also criticised funding arrangements which incentivise exclusion rather than inclusion.

### 3.4 New Homes Bonus – latest position?

3.4.1 The 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 equivalent to the national average council tax for that Band (approx. £1,670 for a Band D property). An additional £350 is received for each affordable home.

3.4.2 In terms of latest performance, the NHB allocation for 2020/21 is based on performance achieved between October 2018 and September 2019.

<b>New Homes Bonus (Council Tax Band)</b>	<b>Start position CTB1 Oct 2018</b>	<b>Actual CTB1 Oct 2019</b>	<b>Movement from base</b>
A	1,644	1,655	11
B	4,654	4,711	57
C	3,176	3,206	30
D	2,497	2,527	30
E	2,311	2,348	37
F	1,634	1,641	7
G	1,274	1,282	8
H	150	153	3
<b>Properties</b>	<b>17,340</b>	<b>17,523</b>	<b>183</b>
Empty Homes	183	181	2
Movement			185

3.4.3 The target in the MTFP was a movement in base of 203 properties which would have contributed £231,970. The 185 properties the base has moved will contribute £197,809.

3.4.4 NHB is paid on the number of band D equivalent properties; when the growth is converted to band D equivalents NHB will be received for 183 properties. This is due to a conversion rate of 99% as there are more properties built at below band D (110 of the 185 properties are band A to band C)

3.4.5 The updated MTFP (see para 3.1) includes the changes as a result of this.

### 3.5 Business Rates Forecast – what is the latest position?

3.5.1 The Council's budgeted position on Business Rates is £5.253m. The amount of rates budgeted comprises actual rates retained net of the levy (£197k, payable because the Council has achieved an actual outturn above its baseline) and tariff (£1.035m). The rates retained figure also includes compensation from DCLG (in the form of section 31 grants) for rates foregone due (c£921k) for implementation of Government policy e.g. small business rate relief.

3.5.2 The current position is showing that we would be in a slight surplus position for income we will receive in 2019/20 of c£40k.

3.5.3 The MTFP has not been adjusted for this position because it is too early to assess the impact on 2020/21 as overall rates retained will depend on perspective for growth, potential for appeals next year and eligible discounts.

### 3.6 Other updates

3.6.1 **Collection Fund** - Council Tax represents 60% of the total income the Council receives, and even slight fluctuations can have a significant impact on the General Fund balance. For that reason the position on Council Tax is monitored closely. There are a variety of movements that can affect the Council Tax Collection Fund Balance, including additional Council Tax Support claims; fluctuations in the council tax base (e.g. number of properties the Council bills); and write offs.

3.6.2 The current surplus is c£190k which would be paid in 2020/21. This is mainly down to the Council tax base being higher than budgeted.

3.6.3 **Fees and charges: Green Waste** - The Green Waste service is on target to break even this year. With income projections higher than expected at £424k, both direct and indirect costs of providing the service are likely to be covered. The Revenue Account cost centre shows a forecast of £106,000 which covers the payback to the Invest to Save Reserve of £26,000 and general overheads and management costs which are shown elsewhere.

3.6.4 Given the current position, it is proposed that the Green Waste charge remains the same for 2020/21 at £35.00 and that no inflationary increase is applied.

## 4 FINANCIAL PERFORMANCE

### 4.1 Debtors – are we recovering our debts?

4.1.1 The Councils aged debt position is shown below. The items deemed to have a Red rating relate to accounts for social care where there may not be enough in the estate to cover the final bill.

<b>Aged debt</b>	<b>Q2 £000</b>
0-30 days	804
31-60 days	53
61-90 days	59
> 91 days	413
<b>Total</b>	<b>1,329</b>
<b>By Directorate</b>	
Corporate	693
People	386
Places	243
Resources	7
<b>Total</b>	<b>1,329</b>
<b>By Recovery Rating</b>	
Red	60
Amber	353
Green	916
<b>Total</b>	<b>1,329</b>

4.1.2 The debt position with the East Leicestershire and Rutland CCG has improved significantly with only £49k being over 30 days old. Over the last year the Council has been working with the CCG and has collected income in excess of £2.9m which has reduced the debt by over £0.6m.

### 4.2 Investment Income – is our return on investments as expected?

4.2.1 In the second quarter, the Council's average interest rate received on investments has been 0.97% on an average investment balance of £40,041k, which is an increase from the 0.83% in 2018/19.

4.2.2 The rate achieved is above the 6 month LIBOR interest rate - the average interest rate at which a selection of banks in London are prepared to lend to one another in British pounds with a maturity of 6 months – of 0.83%.

4.2.3 The Council is outperforming budget by c£160k with the rate of return in line with other council's performance. The table below shows our current investments as at 30 September 2019.

Investment Number	Amount Invested	Interest Rate	Date Invested	Maturity Date	Number of Days
<b>Banks - UK</b>					
1	1,000,000	1.10%	31-Oct-18	30-Oct-19	364
2	2,000,000	1.15%	15-Nov-18	14-Nov-19	364
3	1,000,000	1.15%	16-Apr-19	16-Jan-20	275
4	1,000,000	1.25%	16-Apr-19	14-Apr-20	364
5	1,000,000	1.25%	8-May-19	6-May-20	364
6	3,000,000	0.92%	7-Jun-19	5-Jun-20	364
7	1,000,000	1.15%	15-Nov-18	14-Nov-19	364
8	1,000,000	1.25%	18-Jun-19	20-May-20	337
9	1,000,000	1.15%	27-Jun-19	25-Jun-20	364
10	1,000,000	1.25%	28-Jun-19	26-Jun-20	364
11	2,000,000	1.00%	5-Sep-19	3-Sep-20	364
12	2,887,991	0.65%	Instant Access		
<b>Building Societies</b>					
13	1,000,000	0.85%	5-Apr-19	5-Jul-19	91
14	2,000,000	0.97%	8-Oct-18	7-Oct-19	364
15	1,000,000	0.97%	17-Apr-19	17-Oct-19	183
16	1,000,000	1.05%	17-Apr-19	17-Oct-19	183
17	1,000,000	1.05%	17-Apr-19	17-Oct-19	183
18	1,000,000	0.95%	17-Apr-19	17-Oct-19	183
19	1,000,000	1.00%	18-Jun-19	18-Dec-19	183
20	1,000,000	1.05%	24-Jun-19	20-Dec-19	179
21	1,000,000	1.00%	05-Jul-19	3-Jan-20	182
22	1,000,000	1.05%	16-Jul-19	16-Jan-20	184
23	1,000,000	0.95%	8-Aug-19	6-Aug-20	364
24	2,000,000	1.00%	18-Sep-19	18-Jun-20	274
<b>Local Authorities</b>					
25	2,000,000	0.70%	21-Aug-19	21-Nov-19	92
26	5,000,000	0.80%	30-Apr-19	15-Oct-19	168
<b>Total</b>	<b>38,887,991</b>				