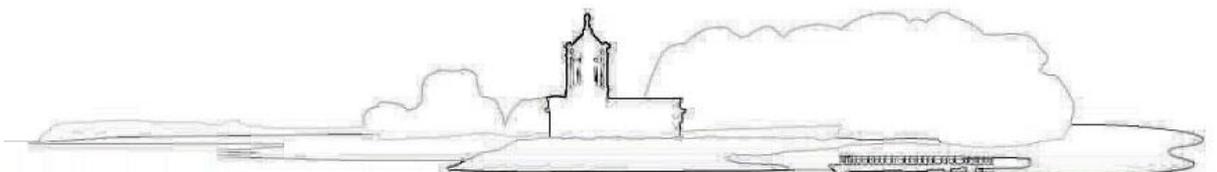


Rutland County Council

Quarterly Monitoring Report 2015 - 16



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1. Revenue Monitoring

A The Budget – what is the current budget?

1.1 The current budget is that approved by Council/Cabinet on 10th February 2015 (report No. 39/2015) and subsequently amended following changes made by Cabinet/Council as set out in Appendix 2 and summarised in the table below.

Reconciliation of approved budget to current budget	£000	£000
Approved Net Cost of Services (39/2015)		33,509
Changes already approved (as listed in Appendix 2)		777
Current Net Cost of Services		34,286
Approved (Surplus)/Deficit (39/2015)	575	
Changes already approved (as listed in Appendix 2)	(50)	
Current (Surplus)/Deficit	525	

B Overall Position – are we on track to achieve budget?

1.2 The table in para 1.4 sets out the Council's forecast revenue outturn for 31 March 2016 as at the end of June (Quarter 1). The Council's forecast deficit is £82k compared to the current budget deficit of £525k. This is a favourable position in light of the Medium Term Financial Plan requirement for savings to be made and future funding uncertainty.

1.3 The favourable position can be attributed to a number of factors:

- The Net Cost of Services shows a forecast of £497k under budget, representing approximately 1.4% of the total budget. The reasons for the under spends are discussed in more detail in section 1.6 to 1.23.
- Interest receivable is expected to exceed budget by £60k due to better investment rates being received (see section 4.2 to 4.5).
- An increase in non ring-fenced grants funding and other income of £101k. This is due mainly to the receipt of a refund for historic electricity charges of £80k.
- The transfers from earmarked reserves is expected to be £679k less than budgeted. The expected reduction comprises a decrease in the original proposed transfers of £60k plus additional transfers to reserves identified at Q1 of £154k. The s106 contributions to Capital are no longer shown as a transfer from Earmarked Reserves within the revenue position. This has reduced the amount by an additional transfer from reserves by £465k.
- The revenue contribution to capital outturn (RCCO) is forecast to be reduced by £465k. The reduction is because the s106 will now be applied

directly to the capital programme. The reduction in RCCO does not result in a saving as the transfer from the s106 reserve has reduced by the same amount.

1.4 The Revenue budget position at Q1:

	Approved Budget	Revised Budget	Q1 Forecast Outturn	Latest Forecast Year End Variance
	£000	£000	£000	£000
People	15,651	15,979	15,904	(75)
Places	12,369	12,741	12,396	(345)
Resources	5,714	5,666	5,491	(176)
Directorate Totals	33,734	34,386	33,790	(597)
Fire Authority	75	0	0	0
Better Care Fund Contingency	0	200	200	0
People First Saving	(300)	(300)	(200)	100
Net Cost of Services	33,509	34,286	33,790	(497)
Capital Financing	2,020	2,020	2,020	0
Interest Receivable	(116)	(116)	(176)	(60)
Net Operating Expenditure	35,412	36,190	35,633	(557)
Financing	(32,696)	(32,696)	(32,796)	(101)
Transfers to/(from) reserves	(1,167)	(2,265)	(1,586)	679
Revenue contributions to capital	880	1,151	686	(465)
Appropriations	(1,855)	(1,855)	(1,855)	0
(Surplus)/Deficit	575	525	82	(443)
General Fund 1 April 2015	(9,227)	(9,675)	(9,675)	0
General Fund 31 March 2016	(8,652)	(9,150)	(9,593)	(443)

1.5 Whilst the overall position is favourable, there are a number of issues and factors that could change and impact on the final outturn position as follows:

- The current forecast is based on known activity and expenditure as at Quarter 1 which is very early on in the financial year and is therefore liable to change over the next two quarters;
- When the budget was set in February, assumptions were made in respect of the Care Act including set up costs for the changes still to be implemented in April 2016. Recent Government announcements delaying the introduction of some of the Care Act changes now need to be reviewed and the impact assessed for both 2015/16 and for future years (para 1.42 to 1.44 gives further detail);

- The budget includes a Better Care Together/Better Care Fund contingency of £200k to cover a) the performance risk element of the BCF (failure to meet admission targets could result in a £54k loss of income to the Council); b) the likely shift of activity from health to social care as the LLR health economy looks to save £400m and reduce the number of hospital beds by 250 over the next two years; and c) the potential increase in activity arising from demographic changes and housing growth. Whilst at Q1, the performance targets have been met, this is a small element of the overall contingency and therefore it is assumed, at this stage, that it will still be required.
- There are a significant number of volatile and demand led budgets largely in the People Directorate. These budgets are difficult to predict. For example, the social care budgets are impacted not only by caseload, but also the complexity of care packages, the extent to which individuals have to contribute towards the cost of their care and whether Continuing Health Care (CHC) funding is available.
- The Council is awaiting information on a possible dividend to be paid from Heritable Bank (Icelandic Bank) and this is not currently in the forecast. The dividend is likely to be between £48k and £60k.
- Within the Directorate forecasts, managers have predicted spend on staffing budgets based on assumptions around the recruitment of new staff and therefore a reduction in the use of agency/ interims to cover vacancies. If these assumptions change then there can be an impact on the forecast.

C Directorate spend – what’s the latest position at directorate level?

- 1.6 The Council agreed to move to functional budgets when approving the new Financial Procedure Rules and the Directorate Q1 forecasts have been produced on this basis. This has required the disaggregation of some existing cost centres into a number of different functions. For example, a budget was set for Older People for 2015/16 of £2.6m which included costs on Homecare, Daycare, Residential and Nursing Care, Direct Payments and other costs. These costs have now been split out into separate functions.
- 1.7 Whilst the functional budgets now help the Council have a better understanding of the services being provided and what is being spent on those services, the new approach also highlights variances not previously seen as budgets are presented differently. For example, the Older People budget was set to manage overall costs of £2.6m and not on managing individual elements of the budget e.g. Homecare or Residential Care. So if Homecare and Residential Care were under and over spent respectively by £200k, the budget would show a nil variance. Under the current approach both variances are shown. This is more helpful for readers in understanding the services being provided.

- 1.8 As part of Q2, the Finance team will work with the People Directorate to rebase some of the functional budgets if this is required (within overall current financial budget) in preparation for 16/17 budget setting.
- 1.9 Directorate budgets have been updated in the quarter to reflect any adjustments as detailed in Appendix 3. Directorate budgets do not include any support service budgets. The support service recharge budgets will be allocated to services at the year-end in line with the actual costs for support services. This enables Members to monitor any over or under spends on support services throughout the year.
- 1.10 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

People Directorate

- 1.11 The People Directorate is under budget in overall terms but there are some functions where budgets are forecast to be overspent by £25k. A summary of the current position by area is shown below.

Adults and Health (Ringfenced)

- 1.12 The Public Health Grant and the Better Care Fund (BCF) are both ringfenced funding streams and therefore any underspends are transferred to earmarked reserves as there are restrictions on how this funding can be spent. The BCF is currently showing an under spend of £26k on staff vacancies (Programme Support and Integrated Care project) and on Community Agents with all other schemes forecasting to budget.

Adults and Health (Non Ringfenced)

- 1.13 There are a number of functions that make up the total Adult and Health (Non Ringfenced) budget with some individual functions showing some significant variances due in part to the change to functional reporting.
- 1.14 Staffing budgets within Adults and Health are forecasting to be £152k under budget due to vacancies with some of these being held as the structure is under review.
- 1.15 The overall cost of providing care to individuals is forecast to be £142k over budget mainly due to the cost of Homecare and a reduction in anticipated Fairer Charging income (£262k over budget) offset by underspends on Direct Payments and Residential & Nursing Care (£130k under). The overspend on Homecare centres around the increase in the assessed number of hours of care required for Older People and an increase in activity for people with Learning Disabilities. The reduction in forecast on the Fairer Charging income is due to a combination of a reduction in clients

contributing higher amounts towards the cost of their care and new clients being assessed as having to make a small or no contribution.

- 1.16 If the Directorate had been fully staffed at the start of the year, then this area of the budget would be showing a significant pressure arising from the cost of care packages and the loss of income from providing care to individuals.

Childrens

- 1.17 Childrens services are forecast to be overspent by £58k in total. Staffing budgets are forecast to be £82k overspent due to the use of agency staff to cover for vacant posts and long term sickness. Children's Disability budgets are also forecast to be overspent by £85k due mainly to changes in care package rates rather than increases in demand.
- 1.18 The over spends are partially offset by underspends on Safeguarding (£42k) and Early intervention services of (£59k). Safeguarding underspend is in relation to reduced usage of independent Medical/Psychiatric and other professional assessments as well as a reduction in requests for officers to chair Child Protection Panels. The under spend on Early Intervention is on the Youth Housing Project and Childrens Centres.

Summary

- 1.19 Whilst the directorate has a number of overspends which exceed the £25k and one forecast which exceeds £100k, no formal request for budget changes are being made at this time as the overspends are contained within the overall Directorate budget. Whilst the directorate is not formally requesting an increase in funding at this time, Appendix 7 shows the position on Homecare which is £262k overspent.

Resources Directorate

- 1.20 The Resources Directorate is under budget in overall terms by £176k and has no functions where budgets are forecast to overspend by £25k. The key underspends for the Directorate include:
- The Chief Executive function is forecast to underspend by £30k due to vacant Business Manager post. This post is being considered as part of the People Directorate structure and therefore it is assumed at this stage that the post will remain vacant until the end of September.
 - The Revenues and Benefits function is forecasting an underspend of £57k due mainly to Housing Benefit recovery of overpayments being better than predicted and fewer losses from fraud and error.
 - The Financial Support function is forecasting an underspend of £35k due to a reduction in the number and amount of awards for financial crisis support (£10k) and the number of awards for discretionary hardship being broadly in line with last year (£25k). The Council has previously agreed

that any underspends are held in the Welfare Earmarked Reserve to fund future demand.

1.21 No formal request for budget changes are being made as small overspends can be contained within the overall Directorate budget.

Places Directorate

1.22 The Places Directorate is under budget in overall terms and has no functions where budgets are forecast to overspend by £25k. The key underspends for the Directorate include:

- Development Control is forecasting a £145k underspend due to receipts for 5 large Planning Applications for £198k not originally expected.
- There are forecast underspends resulting from staff vacancies in Economic Development £38k, Highways Management £30k, and Transport Management £32k.

1.23 No formal request for budget changes is being made as small overspends can be contained within the overall Directorate budget.

D Approvals – in line with Financial Procedure Rules (FPRs), what requests for changes to budget are being made?

1.24 Where Directors wish to increase a functional budget by over £100k or a budget is expected to be £100k overspent or they anticipate that the overall Directorate budget is likely to be overspent (there is no de-minimis level) they must seek approval in advance from Cabinet or Council for a virement to cover any increase or report retrospectively. This is particularly relevant for demand-led budgets or where the Council has a statutory responsibility to provide a service.

1.25 The table below summarises the overall position at the end of Q1:

Directorate	Within budget?	Ceilings >£25k overspent?	Requests for budget changes?
Places	Yes	No	No
Resources	Yes	No	No
People	Yes	Yes	No

1.26 In line with the above, there are no requests for budget changes from quarter end reporting. However, in line with Financial Procedure Rules, as the People Directorate have one forecast which is projecting to be overspent by more than £100k a detailed explanation of the current position is shown at Appendix 7.

E Fees and charges income – are key income budgets on target?

1.27 The Council collects a significant amount of income in areas such as car parking etc. The latest position, shown overleaf, indicates that the overall income on key budgets will be exceeded:

Income Description	Current Budget £000	Q1 Forecast £000	Variance £000
Charging for Residential Accommodation	869	901	32
Total Parking Income	486	480	(6)
Rents from Business Units and Business Park	404	440	36
Fairer Charging income	335	253	(82)
Planning Fees	327	450	123
Building Regulations	188	188	0
Waste management - Sale of Recyclables	131	129	(2)
Registrars - Births, Marriages etc.	101	116	15
Active Rutland Hub	93	82	(11)
Licensing - Premises, Traders, Events etc.	76	71	(5)
Total	3,010	3,110	100

1.28 Residential care charging income can be volatile as it is based on caseload and the assessed package. The forecast is based on the current caseload and estimated weeks in care;

1.29 The reduction in forecast on the Fairer Charging income is due to a combination of a reduction in numbers of individuals contributing higher amounts towards the cost of their care and new starters being assessed as having to make a small or no contribution; and,

1.30 Planning Fees are exceeding targets due to 5 large Planning Applications being received.

F Savings – will we achieve budgeted savings?

1.31 The 2015/16 budget includes:

- savings built into service budgets of £786k (Appendix 6 of Report 39/2015); and,
- a savings target of £300k for PeopleFirst.

Corporate savings

1.32 At Quarter 1, all savings had been achieved with the exception of the following:

- Community Alarms - £21k. Whilst it had been originally proposed to cease this contract, a review has been started into whether this contract

represents Value for Money and contributes towards the aims and objectives of the Better Care Fund. Any decision on this contract has therefore been deferred and the saving not yet achieved.

- Legal Services - £5k. It had been anticipated that a reduction in the legal services budget would be possible. Work is ongoing to disaggregate the legal budget and monitor costs on a service basis so it is expected that savings can be achieved in the medium term. However, in the first quarter there has been a 20% increase in the usage of the service compared to the same quarter last year and so the forecast indicates this may not be achieved.
- Welland Procurement - £2k. Notification has been received that the fee for the Welland Procurement service has increased and therefore this saving will not be achieved.

People First

1.33 The MTFP savings for PeopleFirst are £300k for 2015/16. It is anticipated that these savings will be achieved as shown below:

	15/16 £000	Actual £000
Target	300	493
Transport	50	81
Staffing	125	129
Public Health	25	200
Service redesign	100	83

1.34 The Directorate structure is under review and is expected to yield savings from November 2015. The structure is being finalised and will be implemented thereafter. The figures could change depending on the timing of the implementation.

1.35 The Director of People has agreed with the Director of Public Health that public health resources can be redeployed to fund initiatives currently funded outside of public health. This will require existing contracts to be terminated or amended to better reflect Rutland requirements. In order to allow time for contractual issues to be resolved, £200k of public health earmarked reserves will be used to fund core expenditure in 2015/16 and 2016/17 – this represents a saving to the General Fund.

1.36 The Transport review is underway and a total saving of £82k is forecast from transport for 2015/16. This will be achieved through the implementation of a number of initiatives identified as part of the transport review for example bringing 6 SEN routes in house, together with savings created through vacancy management and a reduction in the need to purchase travel tokens this year.

1.37 Other savings of £83k have been achieved through Childrens Centre moving out of Great Casterton (£10k), a renegotiated contract for Housing Floating

Support (£66k); and cessation of the Deaf and Hard of Hearing agreement with Leicestershire County Council (£7k).

1.38 The People First saving will be processed through Directorate budgets at Q2. The forecast at directorate level already reflects any savings already achieved as part of the People First review. For example, the saving on the Housing Floating Support Contract of £66k is shown in under spends.

1.39 In respect of Public Health, as the expenditure to be offset by the transfer from earmarked reserves has not yet been identified, the £200k is being forecast against the People First Saving, so as to ensure that the overall Council forecast includes the saving from the Public Health Grant.

G Pressures – will we achieve budgeted savings?

1.40 Pressures built into service budgets of £3,068k are included within 2015/16 budget (Appendix 6 of report 39/2015). They represent a combination of Care Act, non-Care Act pressures and inclusion of BCF schemes (which are actually funded).

1.41 The following non BCF pressures are unlikely to materialise:

- Contracts and Procurement - £108k. The budget was increased for a Quality Assurance Post (permanent), a Commissioning & Market Development Officer (for 2 years) and a Business Process Officer (for 1 year). None of these posts have yet been recruited as the new team manager is reviewing the structure. Currently it is forecast that in 2015/16, only £44k is likely to be required.
- REACH / Reablement Service - £25k. The budget was increased to cover the cost of a part time Physio seconded from Leicestershire Partnership Trust define to work with REACH supporting reablement goals. This post will now be funded through the BCF and this pressure is no longer required.

Care Act pressures

1.42 On Friday 17th July, the Government made various announcements in relation to the Care Act. In particular, three key reforms have been postponed until April 2020:

- The cap on the amount self-funders will have to contribute to their care costs was due to be introduced from April 2016. Costs were to be limited to £72,000 for over 65s and younger adults with disabilities.
- A duty on councils to meet the eligible needs of self-funders in care homes at their request; and
- A more generous means test for residential care that nationally the government estimated would have benefited an extra 23,000 people nationally in 2016-17 alone.

1.43 In response to the Care Act, the Council built £525k of additional cost into the budget in 2015/16, £385k in 16/17 and £350k in 17/18. The Council also received funding of £294k to cover some of the additional costs. In light of the announcements, the Council is undertaking work to assess the impact on its budget and MTFP. Whilst this work is ongoing, some early findings can be shared:

- Of the £525k additional cost built into the budget only £100k in 2015/16 rising to £140k from 2016/17 related to reforms to be implemented from 2016/17. The remaining element which includes for examples additional costs for prison assessment (£68k) and carers (£91k) are not impacted by the announcement.
- Councils received £146m (RCC received £140k) at the start of this year to carry out early assessments of self-funders on the basis that the care cap would be introduced from next April. The Government have said no decision had been made on what would happen to that funding.
- The Council included an additional £100k in 16/17 and a further £100k in 17/18 in the MTFP in anticipation of Care Act costs. This position could again change.

1.44 Further analysis on the impact will be provided in Quarter 2.

H Earmarked Reserves – how are we using reserves?

1.45 The transfers from Earmarked Reserves include transfers specifically to cover service expenditure that would otherwise be funded from the General Fund.

Reserve	Ceiling £'000	Balance @ 1/4/15 £'000	Planned Use 2015/16 £'000	Forecast usage Q1 £'000	Transfers to Reserve £'000	S106 Capital £'000	Balance @ 31/3/16 £'000
Invest to Save	500	357	(20)	(20)	80		417
Internal Audit	Unlimited	5	0	0	0		5
Planning Delivery Grant	74	74	(35)	(35)	0		39
Welfare Reserve	150	130	(25)	0	10		140
Public Health Grant	Unlimited	559	0	0	0		559
Better Care Fund	Unlimited	17	0	0	26		43
Training	80	80	0	0	0		80
Social Care	750	999	(558)	(558)	0		441
Travel 4 Rutland	50	50	0	0	0		50
Insurance	200	100	0	0	0		100
Highways	300	297	(63)	(43)	0		254
National Non Domestic Rates	Unlimited	287	(287)	(287)	0		0

Reserve	Ceiling £'000	Balance @ 1/4/15 £'000	Planned Use 2015/16 £'000	Forecast usage Q1 £'000	Transfers to Reserve £'000	S106 Capital £'000	Balance @ 31/3/16 £'000
SEN Grant	Limited to Grant Received	170	(63)	(63)	0		107
SEND Grant	Limited to Grant Received	104	0	0	0		104
Digital Rutland	Limited to Funding	292	(180)	(180)	38		150
Tourism	Limited to Funding	68	(14)	(13)	0		55
Adoption Reform Grant	Limited to Grant Received	57	0	0	0		57
Budget Carry Forwards		450	(395)	(385)	0		65
Sub Total		4,096	(1,640)	(1,584)	154	0	2,666
Commuted Sums		322	(36)	(36)			286
S106		1,721	(590)	(120)		(487)	1,114
Total Reserves		6,139	(2,266)	(1,740)	154	(487)	4,066

1.46 The Section 106 balance represents the brought forward position less expected usage of;

- Capital - £298k Sports Grants, £106k Disabled Facility Grants, £15k Castle and £67k Active Rutland Hub
- Revenue - £19k Youth Housing, £101k Sports Grants.

I Looking ahead – are there any emerging pressures or issues?

1.47 The Council has received confirmation of £23k for Special Education Needs and Disability reform grant. This is already included as a non ringfenced grant for 2015/16. As yet, the Directorate has not identified a requirement to spend this grant.

Independent Living Fund (ILF)

1.48 The Independent Living Fund (ILF) works in partnership with over 200 local authorities to provide discretionary cash payments directly to disabled people - these payments allow them to purchase care from an agency or pay the wages of a privately employed personal assistant. The ILF has now closed and duties transferred to Council. The Council has received £55k, via

a Section 31 Grant, to cover 3 clients who are eligible for and have been receiving support.

- 1.49 These 3 clients have been assessed and will require this funding to continue. Therefore, it is proposed that the Council approve the expenditure of £55k on supporting these individuals funded by the grant received.

2. Capital Programme

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

2.1 The following table sets out the position against the Capital Programme as at 30 June 2015, including the total approved project budget, forecasted expenditure to the end of the project and variances against budget.

Portfolio	Total Project Budget £000	Expenditure (Prior Years) £000	Budget 2015/16 £000	Estimated Outturn 2015/16 £000	Variance 2015/16 £000	Total Project Expenditure £000	Total Project Variance £000
Approved Projects							
People	872	3	869	858	11	861	11
Places	11,852	5,055	6,797	6,684	113	11,758	94
Resources	0	0	0	0	0	0	0
Total Approved	12,724	5,058	7,666	7,542	124	12,619	105
Financed by:							
Grant			(4,899)	(4,872)	(27)	(6,283)	290
Prudential Borrowing			(1,361)	(1,359)	(2)	(3,722)	(210)
Capital Receipts			0	0	0	(1,100)	229
Revenue Contribution to Capital Outlay			(781)	(686)	(95)	(686)	(514)
S106			(625)	(625)	0	(827)	99
Total Financing			(7,666)	(7,542)	(124)	(12,619)	(105)

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

2.2 The approved capital programme for 2015/16 was £3.818m as per the capital programme (39/2015). The table below shows that the programme for 2015/16 has increased during the quarter by £3.848m. This increase is shown within the following three areas:

- Approvals since MTFP – these are projects which have been approved by Members since the original budget was produced. Further details of the approval can be found using the report numbers associated with the projects.
- Reprofiting - Projects previously approved in 2014/15 but not spent in full. The overall cost of the projects remains in line with the original approval and the budget is therefore increased in future years.
- Budget Carry Forward – Annual projects where a request was submitted and approved for the underspend to be carry forward into the next financial year.

Portfolio	Project	Amount £000	Amount £000
Approved Capital Programme (MTFP)			3,818
Approvals Since MTFP			
Places	Capital Allocations Project Board (82/2015)	400	
Places	Pupil Place Planning (81/2015)	938	
Places	Adult Social Care Replacement System (83/2015)	514	
Places	Replacement CCTV System (67/2015)	138	
Total Approval Since MTFP			1,990
Reprofiting			
Places	Various Highway Schemes (96/2015 Appendix 1 Para 2.3)	371	
Places	Digital Rutland (96/2015 Appendix 1 Para 2.3)	1,184	
Places	Capital Allocations Project Board (96/2015 Appendix 1 Para 2.3)	121	
Places	Active Rutland Hub (96/2015 Appendix 1 Para 2.3)	247	
Places	Oakham Enterprise Park (96/2015 Appendix 1 para 2.4)	(110)	
Places	Oakham Castle Restoration	(20)	
Peoples	Autism Innovation (96/2015 Appendix 1 Para 2.3)	15	
Total Reprofiting			1,808
Budget Carry Forward			
Peoples	Disabled Facility Grants (96/2015 Appendix 1 Para 2.2)	50	
Total Budget Carry Forward			50
Total Adjustments			3,848
Revised Capital Programme 2015/16			7,666

C Project progress - Are there delays in key projects?

2.3 There are no expected delays on the 2015/16 capital programme. Appendix 8 includes a detailed breakdown.

D Unallocated projects – what are we planning?

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

Portfolio	Funding Held	Amount at held 31/03/2015 £000	Grant Received 2015/16 £000	Allocated 2015/16 £000	Amount Unallocated £000
People	ASC Unallocated Grant	630	21	(314)	337
People	Schools Targeted Capital	148	0	0	148
People	Basic Need Unallocated	1,597	506	(938)	1,165
People	Capital Maintenance	902	226	(515)	613
People Total					2,263
Places	Highways Grant	391	2,394	(371)	2,414
Places Total					2,414
Total Capital Funding Available					4,677

2.5 The Schools Targeted Capital, Basic Need and Capital Maintenance are monitored by the Capital Allocations Project Board. The Capital Allocations Project Board oversee the Schools & Childrens Centres Asset Management planning process for capital expenditure for schools, colleges and childrens centres taking into account strategic pressures.

2.6 The Highways grant has a scheme of works being completed and is on the Forward Plan currently scheduled to be presented to Cabinet on the 18 August 2015.

3. Medium Term Financial Plan (MTFP)

A Overview - have there been changes since the budget?

- 3.1 The MTFP has been updated to take account of the 2014/15 outturn and the position at Q1. No other changes have been made at this stage. The Q1 MTFP is included within this report at Appendix 9. The MTFP will be updated further in September.

B New Homes Bonus (NHB) - will we achieve our target?

- 3.2 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. £1,450 for a Band D property per year for 6 years, a total of £8,700). An additional £350 is received for each affordable home.
- 3.3 The NHB allocation for 2016/17 is based on performance achieved between October 2014 and September 2015. The Council originally included an amount of £285,300 in the MTFP for 2016/17. Performance to date is as follows:

New Homes Bonus (Council Tax Band)	Start position CTB1 Oct 2014	Actual 30 June 2015	Movement from base
A	1,569	1,592	23
B	4,372	4,448	76
C	2,908	2,963	55
D	2,375	2,396	21
E	2,201	2,246	45
F	1,555	1,571	16
G	1,243	1,247	4
H	145	146	1
Properties	16,368	16,609	241
Empty Homes	157	191	(34)
Movement			207
Target			180
% achieved			115%

- 3.4 The spread of the properties completed to date would provide the Council with £284k worth of funding, (99% of the budgeted amount). The over performance only translates to 99% of the budgeted amount because the actual payment is based on the actual banding of the house, where the budgeted amount is based on an average band D property. With a further

quarter left in the New Homes Bonus year, the 2016/17 target is likely to be exceeded.

C Retained Business Rates (RBR) Monitoring – is our RBR retention forecast realistic?

- 3.5 Under the RBR scheme the Council retains a proportion of the total RBR received. RCC share is 49% with the remainder paid to Central Government (50% share) and The Leicestershire Fire Authority (1% share).
- 3.6 The income RCC receives through RBR is determined on the performance of the Collection Fund¹. The performance of the collection fund is estimated in the January before the Financial Year starts in the April. This estimation is what the Collection Fund will pay to the bodies within the fund for the next financial year; fluctuations in performance will not impact during the financial year. The January estimate is split into three areas
- The expected income in the next financial year.
 - The expected performance in the current financial year.
 - The difference in performance between estimated and actual performance for the preceding financial year.
- 3.7 The only impact the performance of the collection fund will have on 2015/16 is that any additional growth in the collection fund will be levied and is payable in the financial year the growth is made. The table below shows the current forecast against the current MTFP position and the levy payable. The table shows that the Council is on course to be liable for a levy of £89k which will be payable in 2015/16. The performance of the collection fund is largely in line with expectations, however, more statutory reliefs have been given out than anticipated. The Council is partly refunded for these losses through the granting of Section 31 grants.

¹ Section 89 of the [Local Government Finance Act 1988](#) required every English billing authority to establish a collection fund by 1 April 1990. Sections 90(1)(e), (2)(e), 98(4) and (5) as amended by Part III, Schedule 10 of the [Local Government Finance Act 1992](#), give the Secretary of State power to issue specifications and directions detailing the timing and nature of payments into and out of the fund.

	Business Rates Retention	Q1 Forecast £000
	Net yield	10,079
	Government share (50%)	5,040
	Fire Authority share (1%)	101
	RCC share of Retained Rates (49%)	4,939
	(Less Tariff)	(790)
	Section 31 Grants (compensation for loss of rates)	439
A	RCC RBR – Tariff plus S31	4,588
B	RCC Funding Baseline	4,043
C	Levy Rate	16.3%
D	Less Levy	(89)
E	Share of Previous Deficit	(294)
	Net RCC Retained Business Rates (A-D-E)	4,205

- 3.8 The retained business rates forecast of £4.205m largely compares to the MTFP position of £4.250m. The £0.045m difference is explained in the table below.

Business Rates Retention	MTFP £000	Q1 Forecast £000	Variance £000
RCC share of Retained Rates (49%)	5,022	4,939	(83)
Section 31 Grants (compensation for loss of rates)	394	439	45
Levy	(82)	(89)	(7)
Total			(45)

- 3.9 If the performance on Business Rates Retention continues to underperform the MTFP position the Council will be able to declare a deficit to be repaid in 2016/17.

D Council Tax and Council Tax Benefit – are we on budget?

- 3.10 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.

- 3.11 The table below shows the expected outturn on council tax taking into account known changes.

Area	Annual Billing £000	Q1 Forecast £000
Annual Debit	26,139	26,139
Adjustments to Annual Debit	-	78
Council Tax Support	(1,356)	(1,358)
Gross Income from Council Tax	24,783	24,859
Total Demands and Precepts	(24,723)	(24,723)
Bad Debt Provision and Write Offs	(60)	(60)
Total expenditure	(24,783)	(24,783)
Estimated surplus/(deficit) for 15/16	0	76
Actual Surplus/(Deficit) Brought Forward	28	28
Estimated Surplus/(Deficit) 31/03/2016	28	104
RCC share	24	90

3.12 If the performance of the Collection Fund continues to outperform the MTFP position the Council will be able to declare a surplus to be distributed in 2016/17.

3.13 The Council put £50k into a Discretionary Hardship Fund to support those who need additional support paying their council tax. The latest position is shown below. The number of awards is slightly lower than this time last year.

Hardship Fund	2014/15 Outturn	Actual @Q1
Number of applications	214	53
Number awarded	172	25
Number of appeals (won)	1	0
Value of awards (£000)	24	2
Budget remaining (£000)	76	48

E The Budget – what is the impact of the July Budget on the Council?

3.14 On the 8th July 2015 the Chancellor delivered his summer budget. There was very little in the budget in respect of local authority funding, in particular:

- The Chancellor announced that £37bn savings that are needed to be found over the parliament, annual savings of £12bn from welfare and £5bn from addressing tax-related issues were announced in the budget. The remainder would be found in the spending review from non-protected government departments of which local government is one. The Chancellor did say that “no year will see cuts as deep as those required in 2011/12 and 2012/13”. There is no reason to believe the cuts to government funding will not keep on falling in line with the assumptions already built into the MTFP.

- There was no reference in the budget to Council tax referendum limits – a relaxation of the limits would allow Councils to increase council tax above 1.99% without recourse to a referendum.
- There were no changes announced re business rates. The government published updates on action it is taking to improve the administration of business rates, including the appeals system, and on tackling business rates avoidance. The indication is that plans are fiscally neutral.
- There was no reference to New Homes Bonus and whether any changes may be made.
- There was no reference to the Better Care Fund but the current view is that the BCF funding level for 2016/17 will be similar to that in 2015/16.

3.15 There were a range of other changes that will impact the Councils MTFP which are discussed below.

3.16 The Government will introduce a new National Living Wage (NLW) for workers aged 25 and above. From April 2016, the new NLW will be set at £7.20 – a rise of 70p relative to the current NMW rate, and 50p above the NMW increase coming into effect in October 2015. This will have a minimal impact on the Council's workforce. The LGA issued a press release indicating that "an additional £330 million would be needed in 2016 to initially cover increased contract costs to home care and residential care providers in order for them to pay council care staff the National Living Wage". The Council does believe that there could be an impact on the cost of supplies and services and will be assessing how this may play out.

3.17 To help local authority financial planning it was confirmed that public sector pay was to rise by 1% per year over the next four years. The MTFP already assumes a 2% increase so this announcement does not create a pressure should the Unions agree to this level;

3.18 Various welfare reform changes were announced including disability benefits will not be taxed or means-tested, universal credit and tax credits are to be restricted to two children, affecting those born after April 2017, the income threshold for tax credits is to be reduced from £6,420 to £3,850 and working-age benefits are to be frozen for four years (including tax credits and local housing allowance). The Council is working through details so that it can assess the impact on its own financial position and the impact on individuals in the community;

3.19 £30 million will be allocated to further speed up adoption for the 3,000 children awaiting adoption, whilst paving the way for regional adoption agencies although there was no mention of how this would be passed onto local authorities;

3.20 The Government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. Although

only indirectly affecting the Council, reducing the costs of the administering authorities could contribute towards reducing the liability of the councils pensions commitments (currently £41.964m);

3.21 From September 2017 the free childcare entitlement will be doubled from 15 hours to 30 hours a week for working parents of 3 and 4 year olds. This will support those who choose to go out to work. The Government will implement this extension of free hours early in some local areas from September 2016. This free childcare is worth around £5,000 a year per child. There was no mention of how this would be funded and whether the burden would be picked up by local authorities so there is a potential pressure to RCC; and

3.22 Confirmation that the government will exempt travel expenses paid to councillors by their local authority from income tax (limited to the approved mileage allowance payment (AMAP) rates where it applies to mileage payments) – to take effect from 6 April 2016.

F Emerging issues – what other issues are emerging?

3.23 The Government has also announced that the schools block funding for 2016/17 will utilise the same per pupil unit of funding as that for 2015/16. The total allocation for 2016/17 (assuming the number of pupils remain at the same level as 2015/16) will be £22.037m.

4. Financial Performance

A Debtors – are we recovering our debts?

- 4.1 The Council's aged debt position shows a large decrease in debts outstanding from the previous quarter, with particular reference to the >91 day range. This is attributable to an invoice raised to NHS England for £622k for the Better Care Fund 2014/15 that was paid on the 15 April 2015. The decrease in the 61-90 days range is related to PCT invoices of £111k that have now been paid.

Aged debt	@31/3/2015 £000	@30/06/2015 £000
0-30 days	1,084	813
31-60 days	33	31
61-90 days	177	44
> 91days	828	224
Deferred Payments	202	188
Total	2,324	1,300
By Directorate		
People	1,836	883
Places	279	375
Resources	209	42
Total	2,324	1,300
By Recovery Rating		
Red	4	10
Amber	321	259
Green	1,999	1,031
Total	2,324	1,300

B Investment Income – is our return on investments as expected?

- 4.2 In the first quarter, the Council's average interest rate received on investments has been 0.72% on an average investment balance of £24.242m.
- 4.3 The rate achieved is above the 3 month British pound sterling (GBP) 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 3 months – of 0.58%. The policy change to invest longer term is now fully implemented, and the average interest rate of 0.72% is nearing the maximum the Council would expect to achieve in the current financial climate.

4.4 The budgeted interest for 2015/16 was £116k. With the change in policy the council are currently forecasting investment income at being £176k. The table below shows the current investments held.

Investment Number	Amount Invested	Interest Rate	Date Invested	Maturity Date	Number of Days
Banks - UK					
1	1,000,000	0.70%	29-Jan-15	29-Jul-15	181
2	1,000,000	0.70%	29-Jan-15	29-Jul-15	181
3	1,000,000	1.00%	01-Apr-15	30-Mar-16	364
4	1,000,000	1.00%	01-Apr-15	30-Mar-16	364
5	1,000,000	0.92%	01-Apr-15	30-Mar-16	364
6	1,000,000	0.92%	14-Apr-15	12-Apr-16	364
7	1,000,000	0.98%	01-Jun-15	31-May-16	365
8	1,000,000	1.00%	08-Jun-15	06-Jun-16	364
Building Societies					
9	1,000,000	0.67%	15-Jan-15	14-Jul-15	180
10	1,000,000	0.70%	20-Jan-15	21-Jul-15	182
11	1,000,000	0.68%	29-Jan-15	29-Jul-15	181
9	1,000,000	0.69%	29-Jan-15	04-Aug-15	187
10	1,000,000	0.55%	01-May-15	08-Sep-15	130
11	1,000,000	0.66%	10-Mar-15	10-Sep-15	184
12	1,000,000	0.65%	10-Mar-15	17-Sep-15	191
13	1,000,000	0.52%	24-Jun-15	24-Sep-15	92
14	1,000,000	0.69%	01-Apr-15	06-Oct-15	188
	1,000,000	0.67%	13-Apr-15	13-Oct-15	183
	1,000,000	0.66%	12-May-15	17-Nov-15	189
15	1,000,000	0.75%	26-May-15	24-Nov-15	182
16	1,000,000	0.70%	23-Jun-15	22-Dec-15	182
Money Market Funds					
18	2,197,863	0.40%	Instant Access		
19	1,115,753	0.42%	Instant Access		
20	1,000	0.40%	Instant Access		
Total	24,314,616				

4.5 The administrators of Heritable Bank have notified the Council that a further dividend is to be paid. The dividend is expected to take the amount repaid to between 98%-100%, (£40k to £60k in monetary terms). The outstanding balance had been written off in the 2013/14 accounts. The impact of receiving this dividend has not been included in the above forecast for investment income.