

Subject: Financial Monitoring

Status: For Publication

Report to: Cabinet

Date: 21 March 2007

Report of: Head of Financial Services

Portfolio

Holder: Finance and Risk Management

Key Decision:

No

Forward Plan

General Exception

Special Urgency

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to continue to update Members on the General Fund estimates for 2006/07, the Capital Programme and Treasury matters; as well as progress with delivering budget savings and growth.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following corporate priorities:
- *Strong financial management and the delivery of value for money services (Improvement)* – Effective and strong Financial Management ensures the effective management of the Council's resources which then enables the provision of value for money services.

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:
- 3.1.1 Financial monitoring focuses on the key risk areas of: Employment costs, Income, agreed budget savings and emerging issues and opportunities. In addition the current monitoring analysis now focuses on service department costs as part of the 06/07 budget exercise.

- 3.1.2 The Councils' investment in new financial systems and the restructure within the Financial Services department has now begun to assist the Council in developing more robust forecasting techniques, which will allow potential financial risks to be identified and addressed earlier in the year.
- 3.1.3 As from 1st April 2007 a further £1,099k, currently within the Housing Revenue Account, will become available for General fund use. This one off funding source has been identified in the Medium Term Financial Strategy to support the Council's change / improvement programme, potential impact from Single Status and potentially increasing general reserves.

4. BACKGROUND AND OPTIONS

4.1 Capital

- 4.1.1 Capital Receipts: the current forecast indicates a current surplus on capital receipts of £962k. However this assumes the following receipts before the end of year some of which have already been mentioned in 4.1.2 above:

	£000
○ GVH – Right to Buy, Vat shelter & Affordable housing	2,385
○ Capital receipts from land and property sales	1,197
Total	3,407

- 4.1.2 Recent correspondence between GVH and officers suggest that the above receipt from GVH should be achieved and received by the year end.
- 4.1.3 As at 28th February, we continue to see £105k of useable capital receipts, from the disposal of assets, above the deminimus level (£10k) being generated. Amounts received below £10k total £76k.
- 4.1.4 As previously reported the disposal programme in relation to the accommodation strategy has commenced. The council has recently accepted offers on Haslingden Neighbourhood Office, Roberts Street Depot and land in Whitworth. Rawtenstall Cemetery Lodge, previously approved for disposal, has been delayed and is awaiting land registry resolutions. The push to raise capital receipts from the disposal of surplus land and buildings must remain a priority in order to secure Capital surpluses buy 31st March 2007. With this in mind the Executive Director of Resources is chairing a weekly meeting with the Facilities / Estates Department in order to monitor progress of the disposal programme.

4.1.5 Actual Capital Expenditure to 28th February 2007 is as follows:

Value	Detail
£1,061k	Whitworth Civic Hall
£2,024 k	Housing Investment Programme
£210k	DDA Works
£441k	SS&L – Kerb Sider (LEF Grant adjustment), vehicle lease buy out and slippage from 2005/06
£272k	Accommodation Strategy – slippage from 2005/06
£106k	ICT
£87k	Restructuring Costs
£18k	Swinnel Brook Culvert
£249k	Regeneration – Futures park
£218k	LSVT – slippage from 2005/06
£26k	Car Parks
£20k	Panoptican
£4,732k	Total

4.1.6 Henrietta Street Depot: This was reported last month. Tenders have now been received back below the previously reported forecast of £135k.

4.2 Revenue

4.2.1 Overall a full year adverse variance of £46k is currently forecast. This is a prudent position and is explained below. Each service Department forecast summary compared to original budget is as follows:

General Fund	Full Yr Budget * 2006/2007 £000	Full Yr Forecast 2006/2007 £000	Variance £000
Service Area			
Streetscene & Liveability	4,432	4,431	2
Spatial Develop	602	537	65
Customer Services & E-govt	1,915	2,130	(215)
Community & Partnerships	1,241	1,227	14
Regeneration & Strategic Housing	388	475	(87)
Homelessness	109	110	(1)
Finance	454	394	60
Policy & Change Management	162	163	(1)
Legal & Democratic Services	2,240	2,269	(29)
Human Resources	221	220	0
Non-distributed Costs	(651)	(768)	118
Corporate Resources	(308)	(391)	83
Risk Items	0	55	(55)
Total	10,806	10,852	(46)

* *adjusted for previously agreed virements*

1 - £55K, in the "Risk Items" above, is included in the forecast as a means of increasing the legal fees reserve – this may have to be waived in order to protect general reserves.

4.2.2 The forecast follows detailed work in preparation for the 2007/08 budget. Net forecast costs compare to previous forecast prepared in February reporting an adverse variance of £26k.

4.2.3 The major changes being:

- SS& L provision – contaminated land research 20k

4.2.4 We have taken a prudent view regarding the favourable impact from staff vacancies. At the end of the first 11 months, total actual staff costs incurred compared to budget continue to make savings and were as follows:

Staff Costs 11 months to 28.02.07	Estimate 2006/2007 £000	Actual to date 2006/2007 £000	Variance £000
Streetscene & Liveability	2,682	2,597	85
Spatial Develop	598	543	55
Customer Services & E-govt	819	823	(4)
Community & Partnerships	78	79	(1)
Regeneration & Strategic Housing	369	374	(5)
Finance	352	356	(4)
Policy & Change Management	88	81	6
Legal & Democratic Services	995	990	4
Human Resources	164	171	(7)
Total	6,143	6,014	129

Some of the staff savings achieved to date have been earmarked for use during 2006/07, in particular SSL. Members of the executive team will be considering carefully with Heads of Service the process for utilising any saving which has occurred and for filling posts which become vacant.

4.2.5 Impact on General Fund Reserves

- As reported last month the Council has received a claim for an historical incident for which the Council is unlikely to be able to pass on to its insurers. The previously reported estimate is like to prove correct.
- Capitalisation directives from Department of Communities and Local Government have reduced all local government capital direction requests by 42%, this will have a negative impact on reserves by £46k.

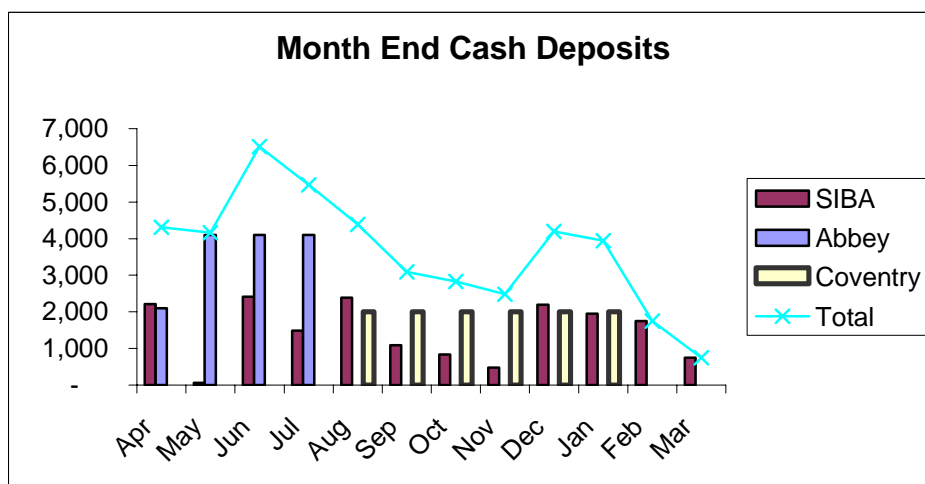
4.3 Treasury Management

4.3.1 As previously reported the transfer of the Council's housing stock on 27th March 2006 to Green Vale Homes resulted in all the Councils External debt being repaid, a more favourable position than anticipated in the budget. The change in circumstances means that the net budget capital financing cost is now anticipated to be a net surplus as follows:

	Budget 06/076	F'cast 06/076	Variance
Minimum Revenue Prov'n	153	115	39
Treasury Costs	10	8	2
Interest Paid	66	5	61
Interest Received	(40)	(190)	150
Total Cost / (surplus)	189	(63)	251

4.3.2 The above table shows a current favourable variance on capital financing of £251k, this is as previous reports.

4.3.3 The Council is able not only to earn interest on its book figures but on funds committed but not yet paid out. The total balances on which the council was earning interest at 28th February was £1,748k – the banks would refer to this as available cleared balances. The graph below shows our month end cleared balances over the first 11 months and the forecast cash flow for the remainder of the year:



4.3.4 The above graph shows the available cleared balances in each of the investment accounts, both historical and forecast. The peaks in June 2006 and January 2007 are due in the main to the months being free from precepts being paid to County, Police and Fire authorities.

4.3.5 Cash balances in March now include the anticipated receipts from Green Vale Homes (GVH) through the VAT shelter and the “Right to Buy” sharing agreement, although this will only have a marginal effect on in year investment returns. The above also recognises £660k due, being the confirmed payment in relation to the Local Authority Business Growth Incentive Scheme (LABGIS).

4.3.6 The current interest terms for the accounts which the Council regularly uses are:

	%		Interest Paid
	AER Gross Rate		
SIBA			
£1.5 M +	5.12	5.25	Quarterly
£1M - £1.5 M	5.28	5.20	Quarterly

4.3.7 The rise in Bank Rate in the early part of January by 25 basis points to 5.25% has remained unchanged at the last meeting of the Monetary Policy Committee (08/03/07). The expectation is however for a further rise in the short term.

4.3.8 Sector Treasury interest rate forecasts remain as follows:

	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007	Q/E1 2008	Q/E2 2008	Q/E3 2008
Base Rate	5.50%	5.50%	5.25%	5.00%	5.00%	5.00%	4.75%
25yr PWLB	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

Sector (January 2007)

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

5.1 Financial Matters are dealt within the report. In particular the Council will have to assess the level of its General Reserves.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

6.1 Unless specifically commented upon within the report, there are no implications for Legal and Democratic service matters.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

7.1 Unless specifically commented upon within the report, there are no implications for Human Resource matters.

8. CONCLUSION

8.1 Overall the General Fund revenue forecast is showing a full year deficit of £46k and includes provision for Council’s current know risk areas.

9. RECOMMENDATION

9.1 The Members note and consider the contents of the report.

10. CONSULTATION CARRIED OUT

10.1 Executive Director of Resources

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Background Papers	
Document	Place of Inspection
2006/07 Budget (revenue and capital)	Full Council papers – Feb 06