

Subject: Financial Monitoring

Status: For Publication

Report to: Cabinet

Date: 12th December 2007

Report of: Head of Financial Services

Portfolio

Holder: A Well Managed Council

Key Decision: No

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

1.1 The purpose of the report is to update Members on the General Fund estimates for 2007/08, the Capital Programme and Treasury matters.

2. CORPORATE PRIORITIES

2.1 The matters discussed in this report are linked to and support the following corporate priority:

- *A Well Managed Council: strong financial management and the delivery of value for money services (Customers, 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 07/08 budget exercise.

4. BACKGROUND AND OPTIONS

4.1 Capital

4.1.1 Capital Receipts to date compared to full year expectations are as follows:

Receipts:	Budget Expectations	Received	Surplus / (Deficit)
Land & Property Sales	1,085	129	(956)
GVH - RTB	1,676	0	(1,676)
GVH - Vat Shelter	428	0	(428)
Insurance	50	144	94
	3,239	273	(2,966)

4.1.2 Receipts from GVH are due, under the terms of the transfer contract, at the end of the financial year. Remaining debt from 06/07 will be settled with interest by the Cabinet date.

4.1.3 As at 30th November 2007 of the useable capital receipts noted above £125k was above the deminimus level of £10k. Amounts received below £10k total £4k. This is in addition to £144k received in connection with insurance claims (in particular Haslingden Sports Centre).

4.1.4 The disposal programme has been identified and a number of major items have already been approved by Members. The Executive Director of Resources continues to chair a regular meeting with the Property Services and Legal Teams in order to monitor the progress of the disposal programme. The disposal programme had targeted £750k to be received by Christmas, though this now looks unlikely. Recent developments include the acceptance of offers for the Whitworth Neighbourhood Office following a tender process, which will contribute towards this target. Various officer negotiations are in progress regarding other assets and involve varying degrees of complexity.

4.1.5 Officers are currently estimating the cost of repair work to the Rochdale Road, Bacup car park which has recently suffered the collapse of a retaining wall. Additional capital resources will be required to make good the damage caused.

4.1.6 Actual Capital Expenditure to 30th November 2007 compared to budget is as follows:

Expenditure:	Approved Expenditure	Expenditure to date	Balance outstanding
Customer Services & e-Government	382	121	261
SS&L	1,086	130	957
Communities & Partnership	130	40	90
Regeneration & Economic Dev	34	8	26
Corporate	986	374	612
Housing	4,314	1,508	2,806
	6,932	2,181	4,751

4.1.7 Spending continues to be behind on a straight line profile, with 66% of the programme still outstanding and only 4 months of the financial year remaining. Future expenditure to be deferred into 08/09 is likely to total at least £600k (this includes £350k earmarked towards pension deficits – Officers are currently in positive talks with Green Vale Homes on this matter).

4.1.8 New Capital Expenditure – The air handling unit at Haslingden Swimming Pool is now beyond economic repair. Replacement of the unit is required in order to protect the fabric of the building and ensure a satisfactory swimming experience. The capital expenditure will be in the region of £25k.

4.2 Forecast Net Revenue Expenditure

4.2.2 The current revenue spend forecast compared to budget for 2007/08 indicates some cost pressures but overall a net favourable variance of £48k (this compares to a similar favourable variance previously reported of £48k) [see shaded area below] and is detailed by service area as follows:

Service Area	2007/08 Base Budget £000	2007/08 Forecast £000	2007/08 Variance Adv/(Fav) £000	Variance last reported £000
Operational Services				
Community and Partnerships	1,392	1,349	(43)	(49)
Customer Services and e Government	1,955	1,954	(1)	11
Regeneration	573	555	(18)	(12)
Regulatory Services	567	574	7	11
Street Scene and Neighbourhood Services	4,756	4,740	(16)	(42)
Support Services				
Finance & Property Services	165	301	136	132
Democratic Services	783	802	19	18
Policy and Performance	141	139	(2)	0
Corporate Management	627	649	22	16
People and Organisational Development	108	108	0	0
Non Distributed Costs	655	698	43	43
Financing and Reserves				
Capital Financing and Interest	(523)	(738)	(215)	(151)
Transfer to/(from) Reserves	0	19	19	(25)
Transfers to/(from) Earmarked Reserves	64	64	0	0
Total	11,263	11,215	(48)	(48)

NB - re the variance column, figures in brackets are favourable variances, those without brackets are adverse variances

4.2.3 The movement in the variance is detailed as follows:

4.2.3.1 Community & Partnership (favourable variance decreased by £6k) – being in the main various sundry changes with some offset via existing provisions within the service area.

4.2.3.2 Customer Services & e-Government (now favourable variance increased by £12k) – being in the main a more favourable forecast on Concessionary Travel (see below), though adverse variances have arisen in income projections and service/software contract costs.

NB The Council has previously set aside £261k (after changes to the 06/07 Minimum Revenue Provision) as a budget volatility reserve to absorb such demand led costs should Members so approve. The above transfer from reserves includes the use of £73k (previously £117k) of this reserve to support the forecast of an increase in the cost of concessionary travel.

4.2.3.3 Regeneration (no significant change). The forecast assumes that restructure cost of £43k will be met from Change Management Reserve.

4.2.3.4 Regulatory Services (adverse variance increased by £4k) – No material individual changes

4.2.3.5 Street Scene & Liveability (favourable variance now decreased by £36k). This is due to additional Health & Safety investment and revised projections

on refuse and street cleansing costs. Overall the service area continues to project a small saving.

- 4.2.3.6 Financial & Property Services – no material change to previous forecasts
- 4.2.3.7 Democratic Services – no material changes, There has been a small gain with a refund of expenditure in relation to previous General Election costs incurred, though this has been offset by additional local election and electoral role support costs.
- 4.2.3.8 Corporate Management – no material change
- 4.2.3.9 People & Organisational Development – no material changes
- 4.2.3.10 Non- distributed costs – no material changes
- 4.2.3.11 Capital Financing and interest – favourable increase of £64k (see 4.5.1 below)
- 4.2.3.12 Transfer to/(from) reserves are analysed as follows:

Transfer to/(from) reserves	
Budget Volatility re Concessionary Travel	(72)
Change Management re MRP	91
	19

- 4.2.4 *Impact of variances on Service Departments* – As previously reported we need to be aware, as we look towards the end of the financial year, that Members have previously agreed that where departments are able to make savings, unless there are other corporate pressure, the service area can carry forward into future years 50% of the saving to fund non-recurrent local investment initiatives. At the same time those departments that incur expenditure above agreed budgets are required to recover that overspend (unless agreed by Members) from future year’s budget resources. The impact of the above on Council reserves is therefore shown below, on the worst case assumption that all overspends are written off to general reserves. Overall the net Council spend (and impact on reserves) is currently forecast to be marginally under budget:

	£000
Services where net costs are below budget (less saving retained within the service)	(254)
Services where costs are above budget	226
Net transfer to reserves	19
Negative/(Favourable) Impact on General Reserves	(9)

4.3 2006/07 Budget Savings

4.3.1 The 2006/07 budget process identified a number of budget savings the following is an up date on those original proposals

Budget Proposal	2007/08 £	Staffing FTE	Update
Legal Services Income Generation	10,000	-	Achieved and on budget
Changes to Democratic Services Provision	19,370	0.3	Achieved and reflected in current establishment.
Disestablish Vacant Insurance Officer Post	21,120	1.0	Achieved and reflected in current establishment.
Revision to Training Budget	20,000	-	Achieved and working to budget
Provision of IT Services	100,000	-	Achieved initially however notice was served partway through the year. The loss of the contract and its impact on the full year has been contained within budget due to: 1) an initially higher monthly contract fee & 2) reduced fees from our ICT management p
Insurance Premium Savings	15,000	-	Achieved as proposed through reduced cover for non-operational buildings
Christmas Lights Sponsorship	5,000	-	Not Achieved shortfall of £5k offset by underspends elsewhere within Community & Partnership
Changes to Transport Arrangements	5,000	-	Achieved through agreement with Lancashire County Council
Disestablish Vacant Housing Clerical Post	13,140	0.7	Achieved and reflected in current establishment.
	208,630	2.0	

4.4 Employment Costs

4.4.1 The above forecast includes, amongst other things, some anticipated saving on salary costs. To put the above net expenditure in context the following table shows the current net saving position as at period 8 (November) for total employment costs.

Employment Costs - Period 8 - November 2007	2007/08	2007/08	2007/08
	Actual	Budget	Variance
	£000	£000	Adv/(Fav) £000
Operational Services			
Community and Partnerships	64	77	(13)
Customer Services and e Government	295	322	(27)
Regeneration	369	340	29
Regulatory Services	490	506	(16)
Street Scene and Neighbourhood Services	2,047	2,125	(78)
Support Services			
Financial Services	323	332	(9)
Democratic Services	524	529	(5)
Policy and Performance	61	61	0
Corporate Management	238	233	5
People & Operational Development	238	217	21
Total	4649	4742	(93)

NB - re the variance column, figures in brackets are favourable variances, those without brackets are adverse variances

4.4.2 The 2007/08 pay award has not yet been paid to staff. The table above includes the original budget figure, less the 2% pay award budget, in order to show a realistic underlying position.

4.4.3 Latest developments in the National pay award are that the pay offer (2.457% on spinal column points five and above with effect from the 1st April 2007 with a further increase in spinal column point 4 to take it to £6.00 an hour) has been accepted by UNISON and AMICUS. Council will process adjusted payroll in December 2007.

4.4.4 The Council retained the equivalent of 0.95% (£61k) of the Councils salaries and wages budget. It is proposed that the surplus generated (c. £33k) will be added to the Single Status Reserve.

4.5 Reserves, Provisions & Grants

4.5.1 Appendix 1 illustrates the most significant Reserves, Provisions & Grants available to the Council less amounts already committed. The only change since last reports are to reflect the Volatility Reserve as per 4.2.3.12 above

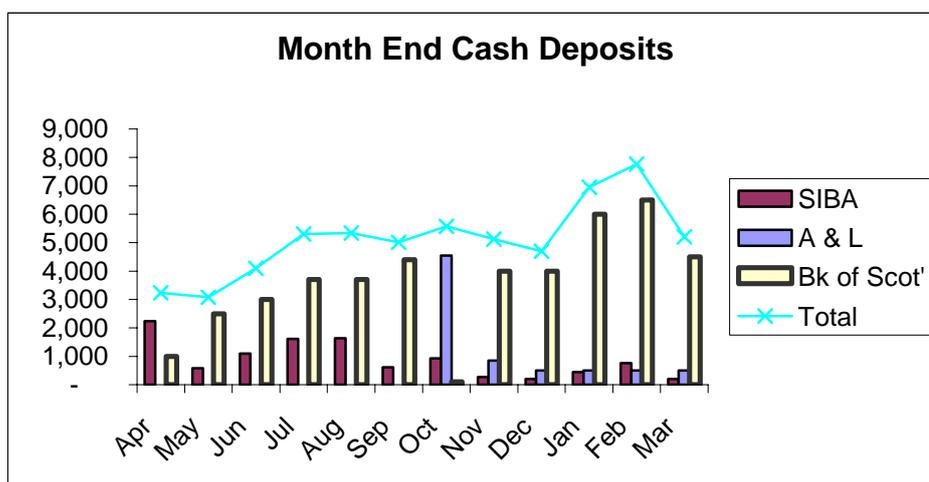
4.6 Treasury Management

4.6.1 Interest received less capital financing costs compared to budget are anticipated to as follows:

	Budget 07/08	F'cst 07/08	Variance () = Fav
Minimum Revenue Prov'n	110	19	(91)
Interest Paid	5	5	0
Interest Received	(210)	(334)	(124)
Total Cost / (surplus)	(95)	(310)	(215)

4.5.2 The above table shows a current favourable variance on capital financing of £215k (an increase on previous reports, this reflects in the main interest compensation agreed with Green Vale Homes on debts previously outstanding and now paid). The technical gain (as previously reported re the Minimum Revenue Provision) has been transferred to the Change Management Reserve as previously approved.

4.5.3 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 30th November was £5,122k – the banks would refer to this as available cleared balances. The graph below shows our month end cleared balances over the first 8 months and the forecast cash flow for the remainder of the year (analysed by our different investment accounts):



4.5.4 The above graph shows the available cleared balances in each of the investment accounts, both historical and forecast. The peaks in June 2007 and January 2008 are due in the main to the months being free from precepts being paid to County, Police and Fire authorities.

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

	%		Interest Paid
	AER Gross Rate		
SIBA			
£1.5 M +	5.88	5.75	Quarterly
£1M - £1.5 M	5.82	5.70	Quarterly
Alliance & Leisester			
£500 +	6.14	5.99	Monthly
Bank of Scotland			
£1 M +	6.85	6.64	Monthly
£500k - £1 M	6.54	6.35	Monthly
£0 - £500k	3.82	3.75	Monthly
<i>(as at 03/12/07)</i>			

4.5.6 The Council's current account banking arrangements ensure that any surplus funds are automatically transferred into a Special Investment Bank Account (SIBA) on a daily basis or transferred back to the current account as funds are required. Members can see from the above that rates offered by The Bank of Scotland have again become significantly more competitive.

4.5.7 Our treasury advisors, Sector, continue to believe bank base rates have reached their peak. Their latest forecast published October 07 remains unchanged and is as follows:

	Q/E3 2007	Q/E4 2007	Q/E1 2008	Q/E2 2008	Q/E3 2008
Base Rate	5.75%	5.75%	5.50%	5.25%	5.25%
25yr PWLB	4.90%	4.90%	4.80%	4.70%	4.65%

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

5.1 Financial matters are dealt with within the report.

6. COMMENTS OF THE EXECUTIVE DIRECTOR OF REGULATORY SERVICES

6.1 Unless specifically commented upon within the report, there are no specific legal implications.

7. COMMENTS OF THE HEAD OF PEOPLE & ORGANISATIONAL DEVELOPMENT

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 to be in line with the Councils net revenue budget and includes provision for Council's current know risk areas.

9. RECOMMENDATIONS

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

- 9.2 Approve capital expenditure as per 4.1.8

10. CONSULTATION CARRIED OUT

- 10.1 Executive Director of Resources

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Background Papers	
Document	Place of Inspection
2007/08 Budget (revenue and capital)	Full Council papers – Feb 07
2007/08 Additional capital authorisations	