

Subject: Financial Monitoring for
2008/09

Status: For Publication

Report to: Cabinet

Date: 3rd December 2008

Report of: Head of Financial Services

Portfolio

Holder: Finance and Resources

Key Decision: No

Forward Plan General Exception Special Urgency "X" In
Relevant Box

1. PURPOSE OF REPORT

1.1 The purpose of the report is to update Members on the General Fund estimates monitoring for 2008/09, the Capital Programme and Treasury matters.

2. CORPORATE PRIORITIES

2.1 The matters discussed in this report are linked to and support each of the Council's priority areas however in particular they impact on following:

- o *A Well Managed Council: strong financial management and the delivery of value for money services (Customers, Community Network, Improvement, Partnerships) – Effective and strong Financial Management ensures the effective management of the Council's resources which then enables the provision and delivery 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, emerging issues and opportunities and in particular service department net costs.

3.1.2 The delivery of capital receipts is now emerging as a prime area of focus for the Council in supporting its corporate priorities.

4. BACKGROUND AND OPTIONS

4.1 Capital

4.1.1 Capital Receipts as at 31st October compared to full year expectations were as follows:

Receipts:	Expectations £000	Received £000	Surplus / (Deficit) £000
Land & Property Sales	1,100	120	(980)
GVH - RTB	1,438	85	(1,353)
GVH - Vat Shelter	560	0	(560)
	3,098	205	(2,893)

4.1.2 The Whitworth N.O. was auctioned 16th October '08 for £154k; the deposit has been received and is awaiting final completion. The current economic and financial climate continues to be challenging and now a cause for concern in the raising of capital receipts. As previously requested the Portfolio Holder for Finance and Resources will meet on 24th November 2008 to review current progress on capital receipts and the affordability of the current medium term capital programme.

4.1.3 The accrued value to the Council of RTB receipts is c. £180 for the 6 months to September 2008 on the basis of 5 sales. VAT shelter receipts of £193k were received in November 2008 for the first quarter, with a further c. £200 estimated for qtr 2.

4.1.4 Actual Capital Expenditure to 31st October 2008 compared to budget is as follows:

SERVICE AREA	2008'9 BUD INCLUDE SLIPPAGE	Period 7 MONITORING		FULL YR FORECAST	% spend
	Total £000	Spend £	Committ £	Forecast £	to date
Place Directorate					
Place Operations	1,357	521	50	1,358	38%
Customer Services and e Government	105	108	3	108	103%
Communities	399	202	49	393	51%
Regeneration	1,079	16	0	1,079	1%
Corporate Support Services					
Finance & Property Services	813	535	0	852	66%
Housing					
	3,321	1,160	50	3,321	35%
	7,074	2,541	152	7,111	36%

4.1.5 The capital property maintenance programme is, at the time of writing, c. 85% complete with the anticipation that all projects for 08/09 will be completed before Christmas '08.

4.1.6 **S.106 (Town & Planning Act 1990)** – Finance, Legal and Planning Officers have recently been working to review the processes and monitoring of S.106 planning monies with a view maximising value. Current available resources are noted below in the following table:

Section 106 resources	08/09 & Previous £000
Section 106 invoices paid	747
Section 106 monies released (liable) to 3rd parties	504
Section 106 monies available for RBC	243

4.2 Net Revenue Expenditure Forecast

4.2.2 The estimated revenue spend outturn compared to budget for 2008/09 is £193k favourable (previously reported for Sept £253k). The following table as per the previous report now includes movement on earmarked reserves and is detailed by service area as follows:

General Fund Summary - Oct 2008 (Period 7)

Service Area	2008/09 Org Budget (adj for JE & org review) £000	2008/09 Forecast £000	2008/09 Variance (Adv)/Fav £000	Variance last reported £000	Change in October (Adv)/Fav £000
Place Directorate					
Place Operations	3,864.2	3,808.6	55.7	50.2	5.5
Customer Services and e Government	2,779.1	2,792.6	(13.5)	(3.4)	(10.1)
Communities	1,252.6	1,127.6	125.0	128.5	(3.5)
Regeneration	652.1	617.0	35.1	70.7	(35.6)
Business Directorate					
Building Control Services	133.7	122.6	11.1	9.5	1.6
Environmental Services	780.4	742.5	37.8	41.7	(3.9)
Legal & Democratic Services	1,131.3	1,082.7	48.6	54.3	(5.7)
Planning Services	528.4	612.1	(83.6)	(78.5)	(5.1)
Corporate Support Services					
Finance & Property Services	220.7	345.7	(125.0)	(112.6)	(12.4)
Corporate Management	541.2	542.1	(0.9)	(0.9)	0.0
People and Policy (incl P&P & Comm)	301.3	285.4	15.9	6.9	9.0
Non Distributed Costs	481.5	487.0	(5.5)	(5.5)	(0.0)
Capital Financing and Interest	(902.4)	(994.7)	92.3	92.3	0.0
Favourable impact on General Fund	11,764.2	11,571.2	193.0	253.2	(60.2)
Use of Earmarked Reserves					
Transfer to/(from) Change Management Reserve	(37.0)	101.5	(138.5)	(127.5)	(11.0)
Transfers to/(from) Economic Regeneration Reserve	(112.0)	(112.0)	0.0	0.0	0.0
Transfers to/(from) Single Status Reserve	(111.5)	(111.5)	0.0	0.0	0.0
Transfers to/(from) Health & Wellbeing Reserve	0.0	22.6	(22.6)	(22.6)	0.0
Net Impact on Reserves	11,503.7	11,471.8	31.9	103.1	(71.2)

4.2.3 The variances are detailed as follows:

4.2.4 Place Directorate (Total forecast gain of £202k, previously reported £246k)

4.2.4.1 *Place Operations* (forecast gain of £56k, compared to the previous month of £50k). The significant negative event in this area is that, due to world markets changes, we cannot now guarantee £40 per tonne on our recycled paper. The forecast has been downgraded, by £19k, to reflect an income stream of £25 per tonne. Other savings in the area of vehicle costs and manpower mitigated the negative impact overall.

4.2.4.2 *Customer Services & e-Government* (forecast adverse variance of £13k, compares to an adverse £10k previously reported) – No significant variances

4.2.4.3 *Communities* (forecast gain of £125k, previously reported £128k) – No significant variances

4.2.4.4 *Regeneration* (forecast gain of £35k previously reported £71k) – the key negative variance (£27k) being a reduction our forecast of allowable ELEVATE income claims.

4.2.5 Business Directorate (Total forecast favourable £11k compared to previously reported an adverse of £27k)

4.2.5.1 *Building Control* (forecast gain of £3k, previously £3k) – No significant changes

- 4.2.5.2 *Environmental Services* (forecast gain of £38k previously £42k) – No significant changes
- 4.2.5.3 *Legal & Democratic Services* (forecast gain of £47k previously £54k) – No significant changes
- 4.2.5.4 *Planning and Land Charges* (forecast adverse of £83k previously £79k) – No significant changes
- 4.2.6 Corporate Support Services (Total forecast adverse variance of £23k previously adverse £20k)
- 4.2.6.1 *Finance & Property* (forecast adverse of £125k previously £113k) – Reduction in ability to recharge valuation fees together with some additional industrial voids.
- 4.2.6.2 *Corporate Management* (forecast adverse £1k, previously adverse of £1k) – No significant changes
- 4.2.6.3 *People & Policy* (forecast favourable £16k previously adverse of £7k) – Number of miscellaneous savings
- 4.2.6.4 *Non Distributed Costs* (forecast adverse £5k previously adverse of £5k) – No significant changes
- 4.2.6.5 *Capital Financing* (forecast gain of £92k previously £92k) –
- 4.2.7 Concessionary Travel – We have now received from Lancashire CC indications of actual costs to be allocated to Rossendale and as a result a tentative forecast of the full impact on this council. Based on the current Lancashire pooling arrangement we now anticipate a further cost above our current budget of c.£90k which compares to our previous forecast of c. £190k. *Funding will be provided from the budget volatility reserve as a final year end adjustment once the actual cost has been finalised.*
- 4.2.8 **Under spend carry forward rules** – Members will recall that service areas are allowed to carry forward under spends for use on non recurrent budgets. Therefore the following table shows the forecast impact on General Fund reserves at the year end:

	£000
General Reserves Variance forecast	193
Less 50% service under spend	
Place	101
Busines	7
Corporate	0
Favourable Impact on General Reserves	85

4.3 Employment Costs

4.3.1 The above outturn includes, amongst other things, some saving on salary costs. To put the above net expenditure in context the following table shows the net salary saving position as at period 7 (Oct '08) for total employment costs.

Employment Costs - Period 7 - October 2008	2008/09 YTD Budget £000	2008/09 YTD Actual £000	2008/09 Variance (Adv)/Fav £000	Period 7 Movement (Adv)/Fav £000	Budgeted Staff FTEs	Current Vacant Posts
Place Directorate						
Communities Service	295	279	16	4	3.0	2.0
Customer Services	213	198	15	2	10.8	1.0
Regeneration Service	282	241	41	8	13.0	3.0
Operations Service	1,385	1,349	36	(3)	114.9	2.0
Business Directorate						
Building Control Services	122	115	7	2	6.0	0.0
Environmental Services	282	231	51	8	12.0	1.0
Legal & Democratic Services	313	289	24	4	19.4	1.5
Planning Services	320	303	17	2	17.2	1.0
Corporate Services						
Corporate Management	265	270	(5)	(1)	7.0	0.0
Finance & Property Services	426	423	3	1	23.5	1.0
People & Policy	214	204	10	(0)	10.0	0.5
Non-Distributed Costs	126	188	(62)	(8)	0.0	0.0
Total	4,244	4,092	153	19	236.8	13.0

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

4.3.2 The above forecasts do not yet take account of the financial impact following the recent senior management restructure. It is anticipated that a further gain of £27k will impact on the 08/09 out turn after redundancy costs of £23k, notice periods £16k and previously agreed market supplements £11k.

4.3.3 The National 2.45% pay offer for 2008/09 is due to go to arbitration, however, nationally it has been agreed that employees should now receive their back pay. Rossendale therefore made the backdated payment in the November 2008 payroll.

4.4 Reserves, Provisions & Grants

Appendix 1 illustrates the most significant Reserves, Provisions & Grants available to the Council less amounts already committed. No new requests are made in this report.

4.5 Treasury Management

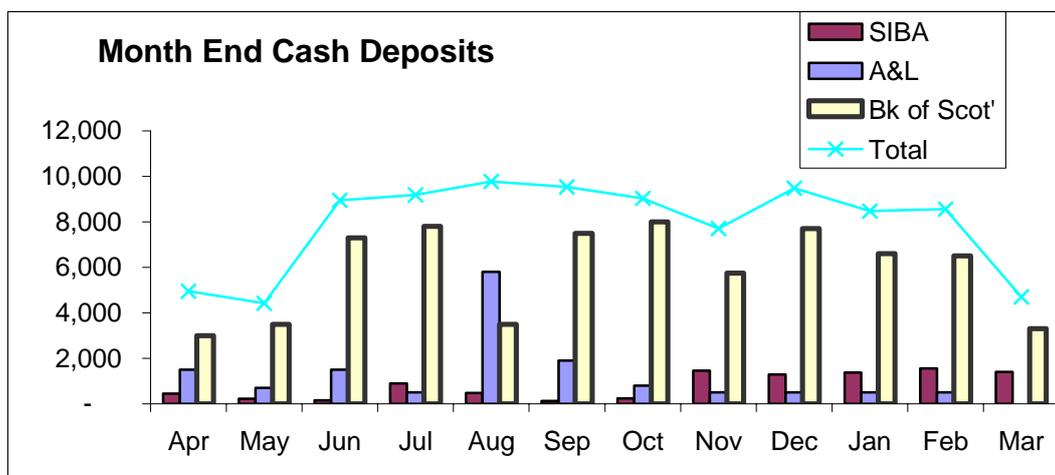
4.5.1 Interest received less capital financing costs compared to budget were as follows:

	Budget 08/09	F'cast 07/08	Variance () = Neg'
Minimum Revenue Prov'n	(88)	(88)	0
Interest Paid	(5)	(6)	(1)
Interest Received	237	333	95
Total	145	239	94

4.5.2 The above table shows a current and prudent favourable variance on capital financing of £94k (compares to £94k reported last month).

4.5.3 We continue not to forecast any change to the Minimum Revenue Provision, there may be some additional saving also in this area. However, this will be ultimately be determined by the availability of Useable Capital Receipts and the use of internal borrowing requirements.

4.5.4 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 31st October was £9,038k – the banks would refer to this as available cleared balances. The graph below shows our month end cleared balances over the 12 months.



4.5.5 The above graph shows the available cleared balances in each of the investment accounts, both historical and forecast. October balances continue to be strong and compare to £5.6m cleared cash at 31st October 2007.

4.5.6 Mid October saw the first signs of firm speculation and evidence that there would be significant bank base interest rate reductions over the next 12 months. One forecast (from USB) which officers monitor showed rates below 3% into 2009. With that in mind and in order to protect interest receipts over the medium to long term officers locked in £3m over 364 days at 6.78% (364 being the maximum length for deposits above £500k).

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

		AER	% Gross Rate	Interest Paid
SIBA	£1.5 M +	3.03	3.00	Quarterly
	£1M - £1.5 M	2.98	2.95	Quarterly
Alliance & Leisester	£500 +	3.80	3.74	Monthly
Bank of Scotland <i>(as at 07/11/08)</i>	£1 +	4.18	4.10	Monthly
Bank of Scotland	3 month fixed		5.93/6.08	Quarterly
Bank of Scotland	364 days fixed		6.78	Annually

4.5.8 The £3m 364 day investment had anticipated a forecast gain of c. £30k in the 08/09 forecast however this was rapidly reversed on the the 7th November by a shock change to bank base rates of a 1.5% reduction by the Bank of England's Monetary Policy Committee – no forecasters leading up to the meeting had predicted such a large cut. The MPC have now publically declared that the economy is the number one priority as apposed to inflation worries (see below). In the MPC recently published minutes a 2% reduction was also considered.

4.5.9 The Inflation figure saw further changes in the October publications. The Consumer Price Index for September rising to 5.2% (Aug 4.7%), with the Retail Price Index was down to 5.0% (Aug 4.80%). Speculation was that inflation has now peaked with expectations of a downward fall over the next 12 months – in part justifying the MCP's decision regarding interest rates. Indeed the November update to inflation figures saw the first signs of falls with CPI at 4.5% and RPI at 4.2 %

4.5.8 As at mid-October treasury advisors were forecasting a 0.5% cut in interest rates in the final quarter of 2008, going down to as little as 1.75% in 2009. Our treasury advisors, Sector, are now forecasting as follows:

	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009
Base Rate	2.50%	1.75%	1.75%	1.75%	1.75%
25yr PWLB	4.60%	4.50%	4.50%	4.50%	4.55%

as at November '08

4.5.9 Officers continue to focus on sundry debtors, currently standing at £506k for 31st October 2008 and compare to £542k (Debtor Days 75) for the same period last year. At the same time the average time taken for debts to be paid now stands at 83 debtor days.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

5.1 Financial matters are dealt with within the report.

6. MONITORING OFFICER

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

7. HEAD OF PEOPLE AND ORGANISATIONAL DEVELOPMENT (ON BEHALF OF THE HEAD OF PAID SERVICE

7.1 Unless specifically commented upon within the report, there are no implications for consideration.

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 That Members recommend the additional use of the Change Management Reserve and the Health & Wellbeing Projects Reserves as detailed in 4.4.1 above.

10. CONSULTATION CARRIED OUT

10.1 Directors, Heads of Services and Budget Holders.

11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required ~~Yes~~ / No

Is an Equality Impact Assessment attached ~~Yes~~ / No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required ~~Yes~~ / No

Is a Biodiversity Impact Assessment attached

~~Yes~~ / No

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Background Papers	
Document	Place of Inspection
2008/09 Budget (revenue and capital)	Full Council papers – Feb 08
Monthly detailed financial monitoring statements for each service area, including gross income and expenditure budget variances, in addition to the net service variance analysis detailed above.	Financial Services