



TITLE:	Financial Monitoring Report – 2005/06
TO/ON:	Cabinet, 9th November 2005
BY:	Head of Financial Services
LEAD MEMBER:	Cllr. M Ormerod
STATUS:	For Publication

1. PURPOSE OF THE REPORT

1.1 The purpose of the report is to update the Board on the General Fund estimates for 2005/06 and progress on capital spend and disposals together with the Housing Revenue Account.

2. RECOMMENDATIONS

- 2.1 That Cabinet Members note the contents of the report.
- 2.2 That Cabinet Members recommend Council to increase the 2005/06 capital programme by £227,000 as detailed in 3.7
- 2.3 To agree to earmark £10,000 from the current year under spend to mitigate the effects of the Revenue Support Grant amending reports.

3. REPORT AND REASONS FOR RECOMMENDATIONS AND TIMETABLE FOR IMPLEMENTATION

3.1 **Asset Disposals and Capital Receipts:** In the 6 month period to 30th September there has been £102k of capital receipts in relation to general fund assets. Rights to Buy (RTB) have generated a retained value of £671k. The following table illustrates the trend to date:

Capital Receipts	Comments	Value £1000's
General		
Q1		10
Q2		92
Q3	-	-
Q4	-	-
Cumulative total	2% above annual target	102
Total Budget 05/06	-	100
Right to Buy		
Q1	Based on 43 RTBs	377
Q2	Based on 33 RTBs	341
Q3	Oct to date: 3 RTBs	40
Q4	-	-
Cumulative total	83% of annual target	758
Total Budget 05/06		908
Combined Cumulative total	Trend rate equates to £1,474 over the full year	860
Combined Total Budget 05/06		1,008

3.2 The above 05/06 budget receipt targets are in addition to planned expenditure funded from external resources, supported borrowing, insurance receipts and reserves brought forward. General capital receipts have hit the full year target. The current trend for RTB also indicates that we are on track to achieve the full year budget target. Offers for Haslingden Public Hall, following the recent marketing campaign have now been received. Completion is expected to take approximately 8 to 12 weeks.

3.3 Capital spend as at 30th September 2005 is as follows:

Detail	Actual Spend £000's	Full Year Budget / Approvals £000's	Forecast for 2005/06
IEG / IT	290	375	474
SS & L	218	514	419
Leisure	88	1,342	1,226
Regeneration	80	852	404
Corporate	-	490	659
Accommodation	25	834	* 832
Private Sector Renewal	928	4,105	3,295
Total	1,509	8,512	7,309

* see 3.5 below

- 3.4** The forecast also includes IEG grant carried over from 04/05 (£99k), The original Regeneration budget included £500k grant contribution from North West Development Agency, this has now been revised down to £202k and will be reflected in future spend. Corporate costs include the cost of restructuring estimates (£409k). Private Sector Renewal estimates re Elevate contributions have been reduced (Environmental works £810k)
- 3.5** The accommodation strategy is currently one of the authority's key capital projects, involving amongst other things the creation of a Rawtenstall based One Stop Shop and the relocation of Town Hall based staff. The various elements are as follows:

Project	Cost / Estimate (£000's)
One Stop Shop - Rawtenstall	85.2
Town Hall Annex (1st & 2nd Floors)	15.0
Stubbylee	83.5
Futures Park	75.6
Members Workroom	7.3
Kay Street	1.2
Hurstwood Court (Housing)	217.6
<i>Shared Costs:</i>	
IT	166.8
Telephones	154.7
Professional Fees	25.0
Total Cost	831.9
Budget	834.0
Favourable variance	2.1

- 3.6** The most significant difference from the figures previously reported to Members is in relation to the cost of Telephone systems. Detailed examination of the options available in this regard indicated that amending and modifying current systems would not be cost effective, with further investment likely to be needed within a relatively short period. The solution identified integrates the Councils' voice and data traffic over a single network covering all the main office sites. This also provides the potential for the eventual elimination of fax machines and improved mobile working through the addition of further software. The current changes in accommodation represent a one off opportunity to make a change such as this which moves the Council infrastructure forward very significantly whilst also generating cashable and non-cashable efficiencies which will be taken into account in the 2006/07 budget.
- 3.7** Additional Capital Pressures: a number of additional capital items are emerging, some of which now require Cabinet and Council approval. They are as follows:

Service Area	Description	£000's
Street Scene & Liveability	"Kerbsider" wagon (buy out following Lancs. Environmental Fund 3 yr grant)	22
E. Lancs. railway clock tower	Shared contribution to restoration and repairs, Awaiting details from ELR – requires Cabinet /Council approval	20
Lea Brook	Repairs to drains / sewers at Lea Brook estate (1/3 rd paid by HRA) – requires Cabinet / Council approval	27
Whitworth Civic Hall	Additional resources required following full costing exercise - requires Cabinet / Council approval	180
Total		249
Cabinet / Council approval required (see 2.2)		227

3.8 *Whitworth Civic Hall:* Members have previously allocated £1,118 k for the rebuild of the Hall. The original budget was based on an initial concept design with costs based on square meter building industry averages. A detailed Employers Specification was developed by the Councils' construction advisors in association with representatives from the Community Leisure Association of Whitworth (CLAW). This design and specification was submitted to five contractors with the lowest tender offer being accepted. (NB - other than a letter of intent, formal contracts have not yet been completed). In addition to the main tendered design and construction costs, addition costs have already been incurred or will need to be to complete the rebuild. Amongst other things these are: initial concept design, client project management, planning supervision, planning fees, fixtures and fittings. The final design and build costs have yet to be finalised. However based on the tender response together with the other known costs the total current estimated expenditure is £1,298 k, being £180 k short of the original budget authority.

3.9 **Capital Resources:** Capital receipts are well on track to meet budget expectations (3.1). The accommodation strategy is being funded from future asset disposals. Earmarked disposals will now gather momentum following the commencement of the Town Hall Annex conversion for the One Stop Shop. Agreed capital spend to date, plus the above approval request and allowing for anticipated slippages in the programme gives £11 k of head room for the full year. This figure excludes any benefit from the accommodation strategy

disposals which may be raised in 2005/06 or any additional receipts from other sources such as housing tenant right to buy. Members therefore have resources to approve the current requested capital expenditure but any additional requests will require new resources to be identified.

- 3.10 General Fund Income:** The key areas of concern remain recycling, street sweeping and development control. Recycling is predicting a reduction in rates per tonne totalling £17k. Street sweeping are projecting reduced income to the value of £33k from Lancashire CC for gulley cleaning not now forthcoming, due to LCC now using their own resources. Development control income is currently 46% of total income seen in the same 6 month period last year and likely be £60k adverse against its end of October budget.
- 3.11** The major area yet to prove itself is in Street Scene & Liveability and the new Cost Sharing arrangement with LCC. Refuse collection teams are currently introducing the alternate week collection: increased green waste, and introducing cardboard and textiles collections. The budget anticipates a net benefit to the service of £59k. The Head of Service is currently reviewing the assumptions and action plans as we anticipate a net increased cost to the Council in 06/07.
- 3.12** In light of new pension disclosures and accounting treatment the annual dividend from Rossendale Transport Company is not now possible, until adequate distributable reserves are retained. An alternative payment method has been agreed with the company involving the recharge of service costs. The new arrangements have a slightly negative budget impact.
- 3.13 Salaries & Wage Costs:** In contrast to Income, salaries and wages show significant savings against anticipated budget costs as at the end of the first 6 months. The combined saving of basic salaries & wages, overtime and temporary contract staff is £166k, though some of this saving maybe required in later months for additional interim/temporary support staff.
- 3.14** The main savings have been in Customer Services and E Government where there have been a number of vacancies in the areas of processing staff. Regeneration & Spatial Development has also experienced savings due to professional vacancies in Planning departments.
- 3.15 Budget Savings Targets:** commenting by exception the main areas of risk are:

Service	Comment	Budget Impact
SS &L	Cost sharing is the key issue in this area. Some negotiating still to be done with LCC as to its implications for 05/06 and 06/07.	TBC
R&SD	As noted above (3.6) Development control income is down in Q1	Adverse - £30k
C & P	No issues	Nil
P & CM	No issues	Nil
CS & E-G	Verification Compliance achieved, but value reduced. However, we expect this to be offset by gains on the benefits subsidy claim.	Nil
L&DS	No issues	Nil
FS	No issues	Nil
Housing	No issues	Nil
HR	No issues	Nil
CR	No issues	Nil
	Total	Adverse £30k

3.16 Post – Budget issues / opportunities: since completion of the budget a number of issues/opportunities are emerging:

Service	Comment	Budget Impact £000's
SS &L	1 - Capital resources have been used to release £60k revenue for interim management and feasibility studies totalling £71k 2 – CCTV monitoring costs understated 3 – Manpower and associated costs 4 – Kerbsider purchase £22k Capital	Adverse - £11k Adverse - £21k Adverse - £20k N/A
R&SD	1 – Nb - Planning delivery grant awarded this year is £375k, an increase of £226k on 04/05. The grant has yet to be allocated and should in the main be made available for service improvements. 2 – Adverse impact from the Quality Bus route initiative. Some over provision in the bus shelters budget, but still expect shortfall	Nil Adverse - £15k
C&P	1 - £15k of grant budget not yet allocated	Nil
CS & E-G	No material Issues – Branding and communications strategy to be funded from Change Management	Nil

	Reserves	
P & CM	No material Issues	Nil
L&DS	No material Issues	Nil
Finance	No material Issues	Nil
Housing	No material Issues	Nil
HR	No material Issues	Nil
Corp Resources	1 -Insurance premiums have been renewed until 31 st March (c. 9 mths). 2 – As in 04/05 GF anticipate some gain in recharges made to HRA for 05/06. These costs are fully budgeted within 05/06 HRA . 3 - Investment incomes (see below 3.11) Estimated £90k 4 – Accommodation strategy – some slippage due to delays in IT and BT communications links, cost to be absorbed from other budgets.	Favourable - £50k Favourable – £50k Favourable - £90k Nil
	Total (Favourable)	Favourable - £123k

3.13 Summary of the above against budget expectations being:

	Favourable £000's	Adverse £000's
Employment Costs	166	
Income		140
Savings proposals		30
Non- budget issues	123	
Total - Favourable	119	

3.14 Treasury Matters: the following table illustrates the current treasury position

Detail	Budget 05/06 £000's	As At 30th June £000's	As At 26th Oct £000's
1 –Borrowings			
Long Term	21,512	19,855	19,855
Short Term	3,000	3,000	3,000
2 – Investments			
Long Term	-	-	-
Short Term	1,000	6,213	5,041

3 – Interest			
Paid	1,314	-	-
Received	(58)	(52)	(115)
HRA rechg'd	(1,076)	-	-

- 3.15** The Short term loan of £3M matured on 19th September and was replaced for one year with PWLB at 4.35%, in anticipation of a potential Housing Stock Transfer.
- 3.16 HRA:** Despite some current quarter one overspend in the area of repairs and to a lesser extent sheltered accommodation, the HRA continues to retrieve this position and now shows a surplus of £72k compared to a half year budget deficit of £19k. The main gains coming from increased income less some additional cost of repairs, maintenance and sheltered housing.
- 3.17** HRA finance team are currently completing a more in depth review of the full year forecast to take in the above trends and the additional costs of new accommodation. The forecast should be at least in line with the original full year budget.
- 3.18 Revenue Support Grant (RSG)** - The Office of the Deputy Prime Minister has recently published draft amending reports for the 2004/05 and 2005/06 RSG Settlements. These reports deal with correcting the effects on grant entitlement of inaccurate population data derived from the 2001 census. The overall effect of the two reports on Rossendale is a loss of grant of up to £10,000. This will be recovered through reducing payments in 2006/07.
- 3.19** It would seem prudent to earmark up to £10,000 of the General Fund revenue underspend forecast above to offset this back dated loss of grant. This will have the effect of protecting the Council's underlying budget position going forward.

4. CORPORATE IMPROVEMENT PRIORITIES

4.1 FINANCE AND RISK MANAGEMENT

4.1.1 See main report

4.2 MEMBER DEVELOPMENT AND POLITICAL ARRANGEMENTS

4.2.1 Finance is the number one priority for the authority. Members need to develop an understanding of how finance links to service delivery and other corporate priorities.

4.3 HUMAN RESOURCES

4.3.1 There are no material Human Resource issues.

4.4 ANY OTHER RELEVANT CORPORATE PRIORITIES

4.4.1 There are no other material corporate priority implications.

5 RISK

5.1 Financial monitoring is concentrated on the key risk areas of: Employment costs, Income, agreed budget savings and emerging issues and opportunities.

5.2 The councils' investment into new financial systems and the restructure within the Financial Services department will assist the Council in developing more robust forecasting techniques.

5.3 The Executive Director of Resources has previously reported that "any fortuitous income or unallocated under spend generated.... should be taken to earmarked reserves created for

- a) Change Management
- b) Strategic Risk Management

These reserves will only be used to support non-recurrent expenditure and will have no effect on underlying expenditure levels, other than potentially to fund investment to generate savings." It is therefore recommended that any net favourable impact is transferred to such funds

5.4 The actions recommended in regard to the Revenue Support Grant amending reports reflect the Council identifying and mitigating risk on an ongoing basis.

6. LEGAL IMPLICATIONS ARISING FROM THE REPORT

6.1 There are no material legal implications.

7. EQUALITIES ISSUES ARISING FROM THE REPORT

7.1 There are no material equality issues arising.

8. WARDS AFFECTED

8.1 All wards are affected

9. CONSULTATIONS

9.1 Executive Director of Resources

Background documents:

2005/06 Budget

For further information on the details of this report, please contact:

P Seddon, Head of Financial Services (ext 4597, philseddon@rossendalebc.gov.uk)