

TITLE: FINANCIAL MONITORING REPORT 2005/2006

TO/ON: THE CABINET / 7TH DECEMBER 2005

BY: HEAD OF FINANCIAL SERVICES

PORTFOLIO HOLDER: CABINET MEMBER FOR FINANCE AND RISK MANAGEMENT

STATUS: FOR PUBLICATION

1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to update Members 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 endorse the contents of the report

3. REPORT AND REASONS FOR RECOMMENDATIONS AND TIMETABLE FOR IMPLEMENTATION

- 3.1 **Asset Disposals and Capital Receipts:** In the period to 21st November there has been £160k of capital receipts in relation to general fund assets. Rights to Buy (RTB) have generated a retained value of £791k. The following table illustrates the trend to date:

Capital Receipts	Comments	Value £1000's
General		
Q1		10
Q2		92
Q3	(to 28/11/05)	58
Q4	-	-
Cumulative total	60% above annual target	160
Total Budget 05/06	-	100

Right to Buy		
Q1	Based on 43 RTBs	377
Q2	Based on 33 RTBs	341
Q3	Oct/Nov to date: 8 RTBs	73
Q4	-	-
Cumulative total	87% of annual target	791
Total Budget 05/06		908
Combined Cumulative total	Trend rate equates to £1,426 over the full year	951
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 useable capital receipts reserve brought forward. General capital receipts have hit the full year target. The current trend for RTB, though on track to achieve the full year budget target, also indicates a slow down in completions in the current Qtr 3 period. 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 (excluding Housing) as at 21st November 2005 is as follows:

Detail	Actual Spend £000's	Full Year Budget / Approvals £000's	Forecast for 2005/06
IEG / IT	320	375	474
SS & L	218	541	* 446
Leisure	80	1,566	* 1,246
Regeneration	86	852	* 404
Corporate	-	490	659
Accommodation	166	834	832
Private Sector Renewal	490	4,105	2,396
Total	1,360	8,763	6,457

* assumes some slippage in spend

3.4 The forecast also includes IEG grant carried over from 04/05 (£150k), 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 on a worst case basis (£409k). Private Sector Renewal estimates re Elevate contributions have been reduced from £2,990k to £1,349k.

- 3.5 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 approvals and allowing for anticipated slippages in the programme gives £62k 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. The available capital receipts figure of £62k is also after the budget allowance for a Housing Stock Transfer “No vote”. The decision of tenants in Nov 05 mitigates considerably the risk of not transferring the housing stock.
- 3.6 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 was £63k adverse against its end of October budget.
- 3.7** 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.
- 3.8 Salaries & Wage Costs:** In contrast to Income, salaries and wages show significant savings against anticipated budget costs as at the end of the first 7 months. The combined saving of basic salaries & wages, overtime and temporary contract staff is c. £170k, though some of this saving maybe required in later months for additional interim/temporary support staff.
- 3.9** 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.
- 3.10 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

3.11 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 2 – CCTV monitoring costs understated 3 – Manpower and associated costs	Adverse - £30k Adverse - £21k Adverse - £20k
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 in full 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 Reserves	Nil
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).	Favourable - £50k

	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	Favourable – £50k Favourable - £90k
	Total (Favourable)	Favourable - £104k

3.13 Summary of the above against budget expectations being:

	Favourable £000's	Adverse £000's
Employment Costs	170	
Income		140
Savings proposals		30
Non- budget issues	104	
Total - Favourable	104	

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 18th Nov £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	7,844
3 – Interest			
Paid	1,314	-	-
Received	(58)	(52)	(115)
HRA rechg'd	(1,076)	-	-

3.15 Officers have recently opened a new Business Reserve account offered by our principle bankers, National Westminster. This account was not only able to exceed rates offered by other bankers but transfer charge to and from our current account are free,

- 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 Overview & Scrutiny Committee** – Any comments from the meeting of 30th November 2005 will be reported verbally at the Cabinet meeting.

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

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:

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