

Subject:	Financial Monitoring 2013/14 Quarter One	Status:	For Publication
Report to:	Cabinet	Date:	Cabinet 18 th September 2013
Report of:	Finance Manager	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	The Members note the contents of the report being the first quarter Financial Monitoring Report (Period 3) for 2013/14

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to update Members on the final financial monitoring position for 2013/14 as at the end of June 2013. This report and the attached appendix covers:
- the regular monthly budget monitoring for the General Fund and the Capital Programme along with movements on key reserves
 - the cash position of the Council and any significant treasury management matters
 - progress on collecting all forms of income and debts.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
 - **A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
 - **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

Strong financial control ensures the effective management of the Council's resources, which then enables the provision and delivery of value for money services.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Financial monitoring of General Fund service departments focuses on the key risk areas of employee costs, income, implementation of agreed budget savings, emerging issues and opportunities and in particular service department net expenditure.
 - Budget setting for future years is now treated as an integral part of financial monitoring during the current year. Progress to identify and implement further savings to meet the challenges in the Medium Term Financial Strategy (MTFS) are

reported here as they begin to impact upon the 2013/14 out-turn.

- The previous budget-setting exercise for 2013/14 and beyond has identified a further reduction in resources over the medium term producing a future in year deficit now totalling around £1.5m. Members, collectively, continue to face some difficult choices in order to balance expenditure with available resources over the medium term.
- Risks associated with treasury management practices are managed within the Council's Treasury Management Strategy and Treasury Management Practices documents (approved in February 2013).
- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2013/14 and in the years to come.

5. BACKGROUND AND OPTIONS

5.1 2013/14 Forecast

The monthly financial monitoring report for the 3 months ending March 2013 is attached at Appendix 1.

The Q1 monitoring report on the General Fund for 2013/14 is showing a net £29k favourable variance compared to the original budget of £9,332k. As a consequence of the favourable variances arising from savings in response to the MTF5 challenge, the planned use of £386k from the Transitional Budget Reserve has now been deferred to support future years.

Given the current levels in the Directorate Investment Reserve it may be prudent that any favourable year end budget variance is transferred to the Transitional Reserve. Available Transitional Reserve for futures years would therefore be £862k at the end of March 2014.

A general pay award of 1% has been settled for grades up to Chief Offer level. The pay award is in line with budget assumptions and is the first to staff since April 2009.

5.2 New Areas of Focus

Changes brought about as a result of the Localisation of Council Tax and the retention of business rates will mean that increased attention is put on monitoring the collection rates associated with Council Tax and National Non-Domestic Rates (NNDR - Business Rates).

The current position is reported on page 33 of Appendix 1. Forecasting in these areas is subject to potential volatile changes (eg: successful valuation appeals, level of Local Council Tax Support given, collection rates, movements in the gross tax base, etc.). As a result the Finance Team will continue to develop the forecasting models during 2013/14. Currently the anticipated favourable variances from Council Tax and NNDR are not included in variance noted in para' 5.1 above.

5.3 Government Consultation on Local Government Finance

5.3.1 Finance Settlement 2014/15 and 2015/16

The Department of Communities and Local Government (DCLG) has recently published a technical consultation on the Local Government Finance Settlement 2014/15 and 2015/16.

The consultation essentially seeks views on a range of detailed and technical issues concerning the 2014/15 and 2015/16 Local Government Finance Settlement. The illustrative 2014/15 grant settlement was published 4 February 2013 but since its

publication, the Government has announced that a further reduction be made from the local government spending control total.

The 2014/15 proposed changes include a further reduction of 1% overall from the previously announced funding settlement (excluding the local share of business rates and the council tax freeze element of the revenue support grant), an uplift of the RPI applied to the local share of the Estimated Business Rates Aggregate and an increase in the Business Rates safety net hold back of £95m in addition to the £25m already assumed which can be offset by a reduction in the provision for other costs (capitalisation in the main). The impact of these proposals for Rossendale is as below:

2014-15	Settlement Estimate £'000	Current. Consultation £'000	Proposed Reduction £'000
Formula Funding - RSG	2,069	2,022	(47)
Formula Funding - NNDR	1,871	1,874	3
Resources	3,940	3,896	(44)

RSG – Revenue Support Grant

The 2015/16 proposed changes include a reduction of 10% in the local government departmental expenditure limit, an uplift of the Retail Price Index applied to the local share of the Estimated Business Rates Aggregate, the removal of £1.1billion from Revenue Support Grant to provide the New Homes Bonus, the holding back of £50m to fund safety net payments and continuation of council tax freeze compensation. The impact of these proposals for Rossendale is as below:

2015-16	MTFS Estimate £'000	Current Consultation £'000	Reduction £'000
Formula Funding - RSG	1,883	1,464	(419)
Formula Funding - NNDR	1,832	2,021	189
Resources	3,715	3,485	(230)

The Councils MTFS has anticipated a 9% reduction in 2015/16 RSG resources. Current consultation indicates a 27.6% reduction. This is mitigated to some extent by an increase gain to Council from NNDR resources. However, the risks associated with NNDR lie essentially with the Council.

Beyond 2015/16 can only be described as uncertain. The Council's previous MTFS anticipated a continued decline in RSG of 9% per annum. A recent Local Government Association funding model indicated a further decline in RSG of 22% for each of the following years (2016/17 & 2017/18).

This latest information will therefore form part of our considerations as we revise the MTFS over the coming months.

5.3.2 **New Homes Bonus**

The Government is planning to top-slice the New Homes Bonus (NHB) in order to create, nationally, £400 million of funding for Local Enterprise Partnerships (LEPs). The Government is consulting on 2 options:

1. All authorities would have their fund NHB reduced by 35% or
2. In two tier authorities, the Upper tier loses its share with the balance falling on the Lower tier (approximately 19% for Districts)

For Rossendale we are currently assuming £426k within our base budget and MFTS for 2015/16. The above options would mean a reduction in 2015/16 resources ranging from £81k to £149k.

The Government has suggested that LEPs should take account of committed spending by authorities in their area.

There are no indications as to plans beyond 2015/16.

5.3.3 **2013/14 Council Tax Freeze Grant**

The Government is proposing to continue to pay the 2013/14 Freeze Grant beyond the original 2 years and will now continue to pay for a further year in 2015/16. The value to Council is £55k.

5.3.4 **Consultation Response**

Consultation response / feedback to DCLG will focus on:

- The lack of transparency and certainty in assisting with financial planning
- District Councils continuing to face and bare the largest % of cuts
- Reallocation of New Home Bonus funding previously allocated to local authorities and who have budgeted this as main stream funding
- Uncertainty and lack of information beyond 2015/16

5.3.5 **Update of the Councils Medium Term Financial Strategy (MTFS)**

The next monitoring report will include an update to the MTFS to include the future savings identified to date together with our assumptions regarding future funding resources.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial matters are noted above and in the attached appendix.

7. MONITORING OFFICER

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

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

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

9. CONSULTATION CARRIED OUT

9.1 Directors, Heads of Services and Budget Holders

10. CONCLUSION

10.1 Robust monitoring of the General Fund is essential to control risks expressed in section 4.

10.2 Despite a continued cost reduction programme, the challenge remains for Council to continue its efficiency agenda in order to realise its medium term saving target, which given recent consultation is likely to increase. Members, collectively, continue to face difficult choices in order to balance expenditure with available resources over the medium term.

Background Papers

Documents	Place of Inspection
Financial monitoring statements for each service area.	Financial Services.
2013/14 Budget Papers	Financial Services / Council website.