

Subject:	Financial Monitoring 2013/14 Quarter 2	Status:	For Publication
Report to:	Cabinet	Date:	23 rd October 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 second quarter Financial Monitoring Report for 2013/14 together with an update on the Medium Term Financial Strategy (MTFS) forecast.

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 September 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
 - an update on the MTFS

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 up to £1.7m. 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 first six months of the year, ending September 2013 is attached at Appendix 1.

The Q2 monitoring report on the General Fund for 2013/14 is showing a net £48k favourable variance compared to the original budget of £9,332k and the Q1 forecast favourable £29k. This follows the deferral of the planned use of £386k from the Transitional Budget Reserve 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 £880k 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 Medium Term Financial Strategy (MTFS) update

In June 21013 the Members approved a series of consultation on saving proposals estimated to range between £700k and £1m per annum. In July 2013 the Government published its own consultation on resources for 2015/16 together with a revision for 2014/15. Given this the previous Financial Monitoring report to Cabinet stated that an update to the MTFS would now be published.

5.2.1 The latest MTFs can be seen below and is showing a forecast deficit for 2017/18 of £1.7m (line A) based on current known costs and an estimate of available resources. This is predicted to reduce to £1.3m (line B) adjusting for further anticipated savings and possible cost pressures.

	Line	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000
Budget Estimates		9,332	9,147	9,316	9,622	9,728
Forecast for known savings changes.		(59)	0	0	0	0
Revised forecast		9,273	9,147	9,316	9,622	9,728
Estimated Funding:						
Council Tax		4,580	4,699	4,793	4,889	4,987
Council Tax Support Grant		871	-	-	-	-
RSG		2,214	2,031	1,464	1,146	896
NNDR		1,473	1,875	2,021	2,061	2,103
Grant for 0% C Tax uplift 2011-15		137	137	-	-	-
Grant for 0% C Tax uplift 2013-14		55	55	55	-	-
Resources		9,330	8,797	8,333	8,097	7,986
Surplus / (further savings required)	A	57	(351)	(983)	(1,526)	(1,742)
Future Pressures		(100)	(334)	(334)	(434)	(534)
Work in progress savings		0	388	378	348	328
Other possible savings		0	150	223	264	661
Surplus / (further savings required)	B	(43)	(146)	(716)	(1,347)	(1,287)
Use of Transitional Reserves		43	89	639	450	0
Surplus / (further savings required)		0	(57)	(77)	(897)	(1,287)

Resources beyond 2015-16 are uncertain

5.2.2 Further anticipated savings and possible cost pressures are as follows:

Future Pressures	2014-15	2015-16	2016-17	2017-18
	£000	£000	£000	£000
DWP Admin Subsidy	-	-	100	100
Loss of Council tax Benefit Subsidy	60	60	60	60
Revenue Contribution to Capital	100	100	100	100
Increased Pension Contributions	-	-	-	50
Recycling Income	70	70	70	70
Volume & Technical	100	100	100	150
Total	330	330	430	530

Work in Progress savings	2014-15	2015-16	2016-17	2017-18
	£000	£000	£000	£000
Pension Auto Enrollment deferred	60	50	20	-
Agreed Refuse savings	250	250	250	250
Agreed Parks savings	78	78	78	78
Total	388	378	348	328

Other Possible savings	2014-15	2015-16	2016-17	2017-18
	£000	£000	£000	£000
Planning Income	50	50	50	50
Taxi Licesning Income	100	50	50	50
Planning Re-structure	-	38	38	38
Windfarms - Rental income	-	-	-	150
Windfarms - Business Rates	-	-	41	288
Homelessness Grant (assume reinstated)	-	85	85	85
	150	223	264	661

5.2.3 The MTFs forecast assumes the following key assumptions:

- Pay will increase by 1% pa
- The 5 days unpaid leave for all staff will continue throughout the MFTS period
- No adjustment made as a result of any adverse impact of the 2013 pensions revaluation, shortly to be published.
- Council Tax will increase by 2% pa from 2014/15 onwards
- Central Government financing for 2014/15 and 2015/16 will be in line with the July 2013 technical consultations.
- RSG will decline in line with LGA estimates for 2016/17 onwards.
- Retained NNDR will increase by 2% pa for 2016/17 onwards with no significant adverse or favourable changes to the rateable tax base.
- No allowance has been made for any surplus on the Council Tax Collection Fund.
- Revenues associated with new commercial Wind turbines will commence in 2015/16.
- Housing grants will continue beyond 2013/14 at the same levels (though, given previous reductions, this may prove to be optimistic)
- New Homes Bonus continues to be in the base budget. A prudent view has been taken re a 35% reduction in 15/16 and beyond. This is the worst case scenario from recent

Government consultation.

- The original transitional reserve of £814k has been increased as a result of addition expenditure savings and income forecast for 2013/14. This brings the reserve to £1.221m as at March 2014.
- Due to the uncertainty of their impact, no other changes are assumed as a result of Universal Credit, the transfer of Housing Benefits and the current contract arrangements with Capita.

5.2.4 The June 2013 report to Cabinet identified a number of areas to be consulted upon ranging between £700 to £1.0m. The current value totalling £970k and their status is noted in the following table:

Service Area	Activity	Status	Value £000s
Business	Reduction in staffing numbers in relation to Building Control	Achieved	86
Business	Review Homelessness structure maintaining statutory functionality	Achieved	33
Operations	Implementation of refuse and recycling review	Work in Progress	250
Communities	Review and restructure of communities function	Achieved	50
Communities	Review of grass cutting and parks/open spaces	Achieved	22
Communities	Review of grass cutting and parks/open spaces	Work in Progress	78
Communities	Completion of grant funding/commissioning approach	Achieved	70
Finance & Property	Reduction in staff structures	Achieved	111
Service Reviews	Continue reviews as appropriate	Achieved	144
Leisure	Continue working with RLT to identify further efficiencies	Achieved	127
			970

5.2.5 The goal to achieve the required savings seems to be a constantly moving and elusive target and a journey that the Council has now been on for a number of years. Just to give some context to the challenging and changing savings agenda, since the last Feb 2013 Cabinet MTFs update report, the following additional pressures have recently been imposed upon the Council (in main from Central Government):

Financial Pressure	£'000
Further cut to Revenue Support Grant for 2015/16	230
Changes to Employers National Insurance Contributions (effective 1 st April 2016)	106
Recycling Income	67
New Homes Bonus – Top Sliced contribution to support LEP	150
Total	553

5.3 Staff Resources

The MTFS and the drive for savings have had a significant impact on the resources of Council particularly in the area of staffing. A significant change has been made to the Council's back office personnel with increasing focus now turning to frontline staffing numbers. The recent changes are illustrated in the table below, comparing the budget staff position as at March 2010 and 2013 to current levels (which also now form the basis for 2014/15):

Full Time Equivalent Employees	2010/11	2013/14	2014/15	% Decline 2014/15 vs 2013/14	% Decline 2014/15 vs 2010/11
Communities & Operations	106.9	95.8	90.4	5.7%	15.5%
Business Directorate					
Legal & Democratic Services	14.3	12.7	11.5	9.7%	19.8%
Building Control	5.0	5.0	3.0	40.0%	40.0%
Development Control & Forward Planning	12.5	10.8	9.8	9.2%	21.5%
Land Charges	2.5	2.0	2.0	0.0%	20.0%
Licensing	8.6	8.8	7.0	20.5%	18.6%
<i>Subtotal - Business Directorate</i>	42.9	39.3	33.3	15.3%	22.4%
Health Housing & Regeneration	26.5	19.6	17.3	11.7%	34.7%
Customer Services & E-Government	13.8	9.8	8.8	10.1%	36.2%
Corporate Management	6.0	5.0	4.0	20.0%	33.3%
Finance & Property Services	22.7	19.1	12.6	33.8%	44.3%
People & Policy	10.1	7.0	5.5	21.4%	45.5%
	228.9	195.6	171.9	12.1%	24.9%

The impact of the 12% reduction in staffing, over the past year, equates to a saving of £580k (gross salary and NI).

5.4. Financial Resources

Total financial resources available to the Council will always determine its budget spend. However, not only has Central Government allocation of Revenue Support Grant and Business Rates declined over recent years but we have seen grants such as Housing Administration and Business Rates collections allowance being eroded. As a result we will see a real cash reduction in Government 2015/16 resources of 43% (£2.7m) when compared to 2010/11. Allowing for inflation this is a real reduction of 51% (equivalent to £3.8m).

The above does not include the Council Tax freeze grants which are simply a time limited compensation for not increasing Council Tax. By not increasing Council Tax by say 2% pa since 2010/11, may have cost the Council, cumulatively, up to £1.m in resources by 2015/16. This financial opportunity cost would have been enough to balance the current MTFS up to 2016/17.

5.4.1 Movement in budget resources - some observations

- In 2010/11 actual combined cash resources from the Government's general settlement and local Council Tax was £11.0m. This equates to £162 per head per annum for each person living in Rossendale (the Government settle element was £81 per head)
- The Government have indicated that resources for 2015/16 will be £3.4m which together with Council tax will provide a total estimated resource of £8.3m. This is a reduction to £122 per annum for each person in Rossendale (the Government settle element has reduced to £38 per head).
- For 2015/16 the Governments cash reduction in its resource allocation since 2010/11 is 43%, but given inflation over this same period the real reduction in resources is 51%.
- We expect employee numbers to reduce by 24% from 229 (full time equivalents) in 2010/11 to 172 by the start of 2014/15 with the likelihood of further reductions during the period up to March 2016.

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.