

**TITLE:** FINANCIAL MONITORING REPORT – 2005/06

**TO/ON:** THE CABINET, 29<sup>TH</sup> MARCH 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 31<sup>st</sup> December there has been £311k of capital receipts in relation to general fund assets. Rights to Buy (RTB) have generated a retained value of £1,315k to the end of February 06. The following table illustrates the trend to date:

Capital Receipts	Comments	Value £1000's
<b>General</b>		
Q1		10
Q2		92
Q3		59
Q4	-	150
Cumulative total	211% above annual target	311
<b>Total Budget 05/06</b>	-	<b>100</b>

<b>Right to Buy</b>		
Q1	Based on 43 RTBs	377
Q2	Based on 33 RTBs	341
Q3	Based on 27 RTBs	326
Q4	Based on 22 RTBs	271
Cumulative total	45% above annual target	1,315
<b>Total Budget 05/06</b>		<b>908</b>
<b>Combined Cumulative total</b>	61% above annual target	<b>1,626</b>
<b>Combined Total Budget 05/06</b>		<b>1,008</b>

**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. Both general capital receipts and RTB have hit the full year target. The sale of Hasligden Public Hall was completed in February. Due to the anticipated transfer of Housing Stock, further RTB completions ended on 27<sup>th</sup> February. Thereafter, future housing receipts are subject to the final agreement of the housing stock transfer. In addition a total of £22k has been received in general sundry receipts below the £10k limit for capital receipts. An offer for Rawtenstall Cemetery has been accepted, subject to contract and is expected to be completed at the end of March.

**3.3** Capital spend (excluding Housing) as at 27<sup>th</sup> February 2006 is as follows:

<b>Detail</b>	<b>Actual Spend £000's</b>	<b>Full Year Budget / Approvals £000's</b>	<b>Forecast for 2005/06</b>
IEG / IT	386	375	474
SS & L	278	541	* 446
Leisure	177	1,566	* 1,246
Regeneration	146	852	282
Corporate	377	490	377
Accommodation	273	834	832
Private Sector Renewal	876	4,105	* 2,130
<b>Total</b>	<b>2,513</b>	<b>8,763</b>	<b>5,787</b>

\* assumes some slippage in spend

**3.4** As in previous reports the forecast 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 £80k and will be reflected in future spend. Corporate costs include the cost of

restructuring estimates on a worst case basis (£377k). Private Sector Renewal estimates re Elevate contributions have been reduced from £2,990k to £1,386k in addition £280k of Private Sector Renewal expenditure has been deferred into 06/07.

**3.5 Capital Resources:** Capital receipts have exceeded budget expectations (3.1). The accommodation strategy is being funded from future asset disposals. Earmarked disposals need now to gather momentum following the opening of One Stop Shop and closure of some neighbourhood offices. Agreed capital spend to date, plus the above approvals and allowing for anticipated slippages in the programme gives £753k of head room for the full year. This figure excludes any benefit from the accommodation strategy disposals as these are now likely to be raised in 2006/07. The available capital receipts figure of £753k is also after reducing the original budget allowance for a Housing Stock Transfer “No vote” to £nil following positive ballot. Transfer of the Housing stock is scheduled for 27<sup>th</sup> March 2006.

**3.6 General Fund:** As part of the 06/07 budget preparation an in depth forecast of 05/06 was undertaken. The current year forecast has since been further refined and continues to show a favourable savings variance of £154k against the original net budget requirement:

Service Area	Full Yr Budget 2005/2005 £000	Full Yr Forecast 2005/2005 £000
Streetscene & Liveability	4,139	3,939
Regeneration & Spatial Develop	1,029	1,581
Customer Services & E-govt	1,590	1,484
Finance	257	230
Policy & Change Management	115	129
Gen Fund Housing	203	203
Legal & Democratic Services	1,306	1,291
Human Resources	253	232
Non-distributed Costs	(310)	(323)
Community & Partnerships	1,074	1,104
Corporate Resources	36	(330)
Transfer to General Reserves	115	115
	<b>9,809</b>	<b>9,655</b>
<b>Forecast Budget saving</b>		154

**3.7** During the course of the year there have been a number of budget transfers as a result of the corporate reorganisation in the latter part of 04/05 and other reorganisations during 05/06. The material underlying changes for each service are as follows:

**3.8 Street Scene & Liveability:** saving due to transfer of property budgets to Regeneration and Spatial Development (£314k), Insurance savings (£37k). Digital mapping costs (funded from Change Management Reserve [CRM] -

£55k), CCTV monitoring costs £20k, Car parking costs £10k, refuse collection (management, staffing and transport costs, less saving on capitalisation of leases) £43k, loss of income in the main as a result of Lancashire County Councils new arrangements (£37k), other miscellaneous net saving items - £14k. The uncertainty around the impact of new costs sharing arrangements with Lancashire County Council has lessened with the final signing of the agreement and an anticipated revenue receipt marginally in excess of budget expectations.

- 3.9 Regeneration and Spatial Development.** Increases in net expenditure resulting from: £110k reduction in development control income, £90k additional maintenance costs (legionella and asbestos audits), and transitional accommodation cost £90k, staff savings of £40k and £314k transfer of cost for properties originally budgeted in Street Scene. £140k of these expenses are funded through the change management reserves. With regard to Development Control income we have seen an improvement of late which has resulted in £40k gain in this latest forecast.
- 3.10 Customer Services & e-Government.** £70k additional land charges net income as a result of the Housing Stock Transfer (HST), cost savings as a result of the creation of a one stop shop and closure of neighbourhood offices £30k, salary savings £50k. It is anticipated that a further £10k could be earned by land charges as a result of the HST. This forecast has increased in net costs since last reporting in the main due to a reduction in Court Fee income.
- 3.11 Finance.** £28k staff savings resulting from restructure during the year.
- 3.12 Policy and change management.** Additional £10k expenditure for partnership working review, funded from the change management reserve and £6k for the Councils performance monitoring software licences (Covalent).
- 3.13 Legal and Democratic Services.** Net reduced expenditure arising from £30k increased income (re: Rossendale Transport Ltd to partly offset lost dividend see 3.15), reduced consultancy £13k (net of legal fees for constitutional review) and salary savings £21k and a £45k provision for the recruitment of a new Chief Executive.
- 3.14 Human Resources.** Budget transfer to Rossendale Leisure Trust grant for direct HR provision.
- 3.15 Non-distributed costs.** Additional £90k bank interest received less loss of Rossendale Transport Ltd £60k dividend (replaced by service charges from other service areas – see 3.13)
- 3.16 Community and Partnerships.** Increase due to the cost of the grant to Rossendale Leisure Trust of £67k (being human resources budget transfer, and inflation), reduction in Human Resources recharges of £19k (following transfer to Leisure Trust), and an increase in the Local Strategic Partnership budget of £5k. Since the previous forecast a further £24k potential saving has been identified over a number of miscellaneous areas.

**3.17 Corporate Resources.** Represents the transfer in of funding from the change management reserve to finance various one off costs as noted above. This has increased since last reported and is noted in 3.18. Also include is £37k gained from the crystallising of previous debt rescheduling gains (see 3.21).

**3.18** The previous monitoring report (January 06) indicated a net saving of £117k. The key changes are as follows:

<b>Saving as per previous monitoring</b>		<b>117</b>
Add	Development control Income	40
	Use of Change Management Reserve	20
	Write back of net loan discounts (see 3.21)	37
Less	Court Fee Income reduction	-40
	Revenues Partnership Review	-20
	Miscellaneous items (saving)	0
<b>Current savings forecast</b>		<b>154</b>

**3.19** There may be some areas within the current forecast which in due course may prove to be overly prudent. In particular the current trend in building maintenance is below our budget expectation due in the main as a result of Facilities Management Services focus being on office accommodation moves. Final expenditure on maintenance may come under budget in total for the full year. Current estimates show spend to date at c. £50k below budget – one option could be to make provision for any under spend in 05/06 in order to increase spending budget for 06/07.

**3.20 Treasury Matters:** the following table illustrates the current treasury position

Detail	Budget 05/06 £000's	Actual As At 30th June £000's	Actual As At 31st Dec £000's	Actual As At 27th Feb £000's	Forecast For 31st Mar £000's
<b>1 – Borrowings</b>					
Long Term	21,512	19,855	19,855	19,855	-
Short Term	3,000	3,000	3,000	3,000	-
<b>2 – Investments</b>					
Long Term	-	-	-	-	-
Short Term	1,000	6,213	7,696	6,454	1,800
<b>3 – Interest</b>					
Paid	1,314	-	-	-	-
Received	(58)	(59)	(178)	(210)	(210)
HRA rechg'd	(1,076)	-	-	-	-

**3.21 Impact on external debt from Housing Stock Transfer:** A positive impact of the Housing Stock Transfer is the repayment, by ODPM, of debt and rescheduling costs applicable to Housing Revenue Account. The repayment calculation is based on amounts used for Housing subsidy calculations. This figure is figure (before new debt rescheduling costs) is just marginally higher than the combined actual external debt of £22,855k (see 3.20 above). The anticipated result will be that the Council will therefore be free of external debt at 31<sup>st</sup> March 2006. This has a further benefit that previous debt rescheduling net gains will be crystallised creating a gain to general fund of c. £37k.

**3.22** The Council is at the time of writing in the process of converting £10 M of market debt into PWLB, this is due to ODPM only repaying PWLB debt as part of the stock transfer. The Council has in the past year increased its borrowing powers to allow for this procedure. 69% of the rescheduling costs will form part of the repayment by ODPM. The balance of c. £1.2 M will be paid using available capital receipts in order to ensure compliance with accounting rules. This means that funding for this years programme will be by Prudential Borrowing. It is anticipated that Council cash flows will be strong enough to fund from internal resources rather than have to borrow from the open market, in the short term, although some loans are likely to be required during 2006/07 when interest rates are forecast to ease a little.

**3.23 HRA:** the HRA continues to show the strong position seen in the second quarter with a cumulative budget favourable variance of £175k at the end of Jan 06, compared to a budget surplus of £30k. The main gains coming from increased income less a mix of overhead saving. The full year forecast remains more cautious showing a surplus of £41k compared to a full year budget deficit of £43k, an overall favourable variance of £84k.

## **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 has previously concentrated on the key risk areas of: Employment costs, Income, agreed budget savings and emerging issues and opportunities. The current monitoring analysis now focuses on service department costs as part of the 06/07 budget exercise.

5.2 The councils' investment into new financial systems and the restructure within the Financial Services department has now begun to 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 and 2006/07 Budget working papers

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

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

J Crawford, Finance Manager (ext 4601, [janicecrawford@rossendalebc.gov.uk](mailto:janicecrawford@rossendalebc.gov.uk))