

<b>Subject:</b>	Financial Monitoring 2013/14 Update	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	12 <sup>th</sup> February 2014
<b>Report of:</b>	Finance Manager	<b>Portfolio Holder:</b>	Finance and Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Community Impact Assessment:</b>	Required:	<del>Yes</del> /No	Attached: <del>Yes</del> /No
<b>Biodiversity Impact Assessment</b>	Required:	<del>Yes</del> /No	Attached: <del>Yes</del> /No
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<b>1.</b>	<b>RECOMMENDATION(S)</b>
1.1	That Members note the contents of the report.

## 2. PURPOSE OF REPORT

- 2.1 As reported previously to Members, Officers are now publishing the full reporting pack on a quarterly basis. Quarter 2 was reported in full in October with an overview update provided to the November Cabinet. This report now updates Members on the final financial monitoring position for 2013/14 Quarter 3 in full.

## 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 in identifying and implementing further savings to meet the challenges in the Medium Term Financial Strategy (MTFS) are reported 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 overall favourable variance on the General Fund has risen to £139k, which officers recommend is transferred to the Transitional Reserve to support the Medium Term Financial Strategy.

This is a favourable movement of £91k during quarter 3, principally in

- Reduced costs in 2013/14 - including £39k for publicity and £23k in staff costs
- Recovery of costs – £20k in relation to overpaid benefits and £20k of prior year election costs now recovered from partner organisations
- Increased income – from additional trade waste contracts and licencing

### **5.2 Reserves**

In line with the Medium Term Financial Strategy the Transitional Reserve is being built up to provide General Fund support in 2015/16 and 2016/17.

Funds have also been separately identified now for the Bacup Townscape Heritage Initiative. The Council's matched funding commitment totals £400k which will be required to fund costs over the next five years. In addition to this LCC is to spend £100k on highways works.

The total reserves at the end of the financial year are expected to be around £6,347k, but this is expected to drop to £5,007k by the end of March 2017.

### **5.3 Government Grants Unapplied**

Rossendale is administering the Homes and Communities Agency Grant from East Lancashire. To date £963k has been received, and this has been used to bring 107 properties back into use, of which 27 (25%) have been within Rossendale.

Bacup Town Centre funds have now been transferred to the Bacup Townscape Heritage Initiative Reserve to fund costs over the next five years as noted above.

The only other active grant is the Disabled Facilities Grant and notification has now been received of the 2014/15 grant along with an indicative level for 2015/16. Similar funds beyond 2015/16 are not guaranteed, so the balance of housing capital pot grants will be directed to support these works being April 2016.

### **5.4 Staffing**

Changes to staffing during quarter 3 have removed a further 7FTE posts from the establishment, leaving 172.1FTEs. This represents a drop of over 11% during the year so far from the original budget of 193.6FTEs. This is expected to save the Council over £500k per annum in future years.

## 5.5 Treasury Management

In accordance with the member's approval at Cabinet in November, the Council has now opened a 35-day notice account with Svenska Handelsbanken. This account is currently paying 0.75% interest, which is 0.39% above the Capita Asset Services benchmark for 1-month investments and is helping to maintain the original budget for interest income despite a general fall in interest rates across the Council's accounts during the autumn. The use of the Svenska account is also designed to spread the Council's investment risk after it came to light that the use of a 95-day notice account with NatWest was pushing the total funds with that organisation over the Treasury Management Practice limit of £5m as noted on page 28.

## 5.6 Capital Receipts and Capital Programme

Quarter 3 has seen the conclusion of three asset sales totalling £155k.

The capital programme has also seen four changes – including two new grant-funded projects in the Stacksteads Cycleway and the Veterans in Communities drop-in centre in Haslingden. The revised programme is now £2,537k, against which £1,108k (44%) of costs have been paid or committed to date.

## 5.7 Collection Fund – Council Tax and NNDR

The Council's share of the projected surplus on council tax collection has risen to £112k and the non-domestic rates are also showing a potential surplus of up to £93k for the Council. Neither of these surpluses are included in the General Fund revenue favourable variance forecast for 2013/14.

## 6. SECTION 151 OFFICER

6.1 Financial matters are noted in the report attached.

## 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

Background Papers	
Documents	Place of Inspection
Financial monitoring statements for each service area.	Financial Services.
Banking sector credit reports	Financial Services