

<b>Subject:</b>	Financial Monitoring Report 2015/16 as at end July 2015	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	16 <sup>th</sup> September 2015
<b>Report of:</b>	Finance Manager	<b>Portfolio Holder:</b>	Resources & Performance
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input 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	The Members note the contents of the first monitoring report for 2015/16.

## 2. PURPOSE OF REPORT

2.1 This is the first financial monitoring report for 2015/16 as at the end of July 2015, covering the anticipated full year impact of any changes identified to date.

## 3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
- **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
- **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

The primary focus of the Council's budget setting is to support its Corporate priorities.

## 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 being reflected in the first-draft 2016/17 budget working papers as they begin to impact upon the 2015/16 year.
- The budget-setting exercise back in February identified a further reduction in resources over the medium term producing a future in-year deficit now totalling up to £1.4m by 2019/20. Though these figures are continually being reviewed, members, collectively, still continue to face some difficult choices in order to balance

expenditure with available resources over the medium term.

- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2015/16 and in the years to come.

## **5. BACKGROUND AND OPTIONS**

### **5.1 2015/16 Revenue Forecast**

The Budget for 2015/16 was set back in February 2015 at a net £8,901k. This first monitoring report is showing a current prediction of a net favourable variance of £631k. Further details on the main movements this quarter can be found in the full Financial Monitoring Report at Appendix 1, pages 4 and 5.

### **5.2 Reserves**

Officers continue to recommend that the overall favourable variance at the year-end is transferred to the Transitional Reserve to help meet the MTFS pressures in future years. This is likely to bring the Transitional Reserve up to £3,130k at the end of the year. Though this would cover the requirements up to 2019/20, as quoted in the Medium Term Financial Strategy reported to Council back in February, ongoing review of cost pressures look set to increase that requirement.

The Business Rates Retention Reserve now reflects the anticipated in-year variances explained in Appendix 1 page 32, including receipt of £644k Section 31 grants, less payment of the levy to central government of £304k.

The predicted total balance of cash-backed Earmarked Reserves at the year-end is now £10,480k.

### **5.3 Staffing**

There has been no change to the Council's establishment in the year so far, though 8 of the 161.5 FTE posts were vacant at the end of July, contributing cash savings to date of £77k. The ongoing impacts of these savings have been reflected in the full year forecast based upon anticipated dates from which they might be filled, giving a full-year favourable variance of £136.8k.

### **5.4 Treasury Management**

The total value of the Council's resources has risen to £15.3m by the end of July, following the normal annual cash flow patterns from the opening balance of £11.1m. This is above the expected balances, thanks in part to revenue savings and the level of capital project slippage brought into 2015/16 at the end of last year. The result is a predicted £15.5k favourable forecast on the interest rate income for the year. Officers continue to monitoring interest rate forecasts for setting future income budgets and the latest professional prediction is that any interest rate rise will be deferred again until spring 2016.

The collection rate for 2014/15 year debts is now 97.3% and collection of debts raised in Q1 of 2015/16 are already at around 93%. This is reflected in the debtor days performance indicator which stands at 56 days in July 2015 compared to 88 days in July 2014.

Of the £630k debt outstanding 44% was under 30 days old. Where specific concerns have been raised, provision for doubtful debt has already been charged into the General Fund, leaving a doubtful debt provision balance of £202k to meet the doubtful debts value of £224k. Officers will be carefully monitoring any need to make additional doubtful debt contributions.

**5.5 Capital Receipts and Minimum Revenue Provision (MRP)**

Receipts from asset sales in the first six months total £66k of the original budget £75k, officers are therefore confident that the original target will be achieved. In addition the last 2 refuse vehicles have been sold at auction for £49k in total.

**5.6 Capital Programme**

The capital programme started the year at £825k, to which £1,901k of slippage was added. New projects during the year now total £2,134k, with the addition of the Bacup THI project, Haslingden Grip & Go and the purchase of the former Police Station. This means that the revised capital programme for 2015/16 is £4,860k. More details can be found on page 29 of the report at Appendix 1.

In terms of capital activity so far, £902k has been spent, including the purchase of the Police Station at £152k, £204k on DFG, £120k on car parks and pathways improvements and £321 on Haslingden Grip & Go.

**5.7 Collection Fund – Council Tax and Business Rates**

The Council Tax Collection projected out-turn is showing an overall surplus of £325k of which RBC's share is £53k, which includes a prudent view of future banding appeals, with a further £260k being predicted before the year end.

The projected outturn for Business Rates Collection is a cash deficit of £738k of which RBC share is £285k. This is due to an increase in banding appeals and an adverse decision taken nationally regarding business rates at health centres. Despite this, the overall business rates are expected to return a £44k favourable variance for the Council once £644k of S31 relief grants and the payment of a £305k central government levy are taken into account. This is a very complicated scheme to try to explain the adverse and favourable movements, but more details can be found on page 32 of the report attached.

**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. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

8.1 Unless specifically commented upon within the report, there are no implications for consideration. Staffing issues have been discussed with colleagues in the People & Policy section.

**9. CONSULTATION CARRIED OUT**

9.1 Directors, Heads of Services and Budget Holders.

9.2 Capita Asset Services specialist treasury management advisors

**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.

<b>Background Papers</b>	
<b>Documents</b>	<b>Place of Inspection</b>
Financial monitoring statements for each service area.	Financial Services.
Capita Asset Services "Citywatch" report for July 2015	Financial Services