

<b>Subject:</b>	Q2 Financial Monitoring Report	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	25 <sup>th</sup> November 2015
<b>Report of:</b>	Finance Manager	<b>Portfolio Holder:</b>	Resources & Performance
<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 The purpose of the report is to update Members on:
- the latest revenue forecast for 2015/16

## 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 take impact on the 2015/16 year and beyond.

- The budget-setting exercise back in February identified a further reduction in resources over the medium term producing a future in-year deficit at the time 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.
- Continued austerity planning by Central Government resulting in a further reduction of central government resources.
- The recent intervention of The Secretary of State in relation to the Scout Moor wind turbine expansion.
- At the October Cabinet meeting the Council's risk register score for the alignment of financial resources and expenditure was updated from E3 to C1 (moderate likelihood and catastrophic impact).
- The Chancellor's recent announcement with regard to the 100% retention of local taxation.

## **5. BACKGROUND AND OPTIONS**

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

Appendix 1 is a full financial update for the 2015/16 year as at the end of September. The last forecast, at the end of July, presented to the September Cabinet, indicated a full year budget surplus of £631k. At the end of September the projected surplus has dropped £135k to £496k, the main factors being:

- Favourable - Recovery of CTax and Benefit overpayments, pension fund top-up budget amendment.
- Adverse - Taxi Licensing (potential impact of policy changes), Empty Homes Scheme, Senior Management support, internal audit costs.

More information can be found on pages 4 to 21 of Appendix 1

### **5.2 Earmarked Reserves**

The MTFS update presented to Members at the October Cabinet showed a requirement to take £2,369k from the Transitional Reserve over the next 5 years. The current balance on the Reserve is £2,497k, therefore no further contributions are anticipated at this stage. Instead, any General Fund surplus resources are being directed into the Empty Homes Reserve.

The Change Management Reserve has now been re-designated as the Employment and Transport Reserve (as per Full Council in February) at a required value of £1,500k. The balance of £78k on the Change Management Reserve has been transferred to the Empty Homes Reserve.

To clarify matters contributions into the Empty Homes Reserve have now been split between recycled grants received/anticipated and other internal contributions from the General Fund Surplus. With £338k expected in recycled grant this year (of which £106k had been received up to the end of September), £78k from Change Management and £496k from the General Fund projected surplus.

### 5.3 **Government Grants Unapplied**

There has been little movement since the last report, with most of the balance relating to Disabled Facilities Grants.

### 5.4 **Staffing**

The re-structure of the People and Policy Team has increased the establishment by 1fte to 162.5, against which there were 10 vacant posts at the end of September. With temporary increases in staff required in the planning and housing teams, the net favourable change in staffing costs at the end of September was £43k.

### 5.5 **Treasury and Cash Management**

At the end of September the bank balances had risen to £16.3m from £15.3m at the end of July following the normal annual cash flow patterns. This is above the expected balances, thanks in part to the revenue savings on the General Fund and the level of capital project slippage into 2015/16. Despite the low interest rates, the higher balances are contributing to an expected favourable variance on the interest income for the year of £25.2k, though this will depend upon the profile of capital spend over the next few months.

Officers are closely monitoring the level of debt, especially in relation to the new housing rent stream. Of the £691k outstanding 32% was under 30 days old. At £200k the current doubtful provision is adequate to cover the anticipated requirement, but this will be reviewed again closer to the year-end.

### 5.6 **Capital Receipts and the Capital Expenditure Programme**

There has been little movement in capital receipts since the last report, but officers are still confident that the original budget of £75k from land sales will be achieved.

The capital programme started the year at £825k, to which £1,901k of slippage was added. New projects during 2015/16 now total £2,250k, with the quarter 2 addition of a community-led project at Rosemount Woodlands being funded by grants and the application of Section 106 monies to fund works at Greenfield Gardens. This means that the revised capital programme for 2015/16 is £4,976k.

### 5.7 **Collection Fund - Council Tax and Business Rates**

The Council Tax Collection projected out-turn is showing an overall surplus of £294k of which RBC's share is £48k, which includes a prudent view of future banding appeals, with a further £242k being predicted before the year end.

The projected outturn for Business Rates Collection is a cash deficit of £949k of which the RBC share is £380k. A national decision pertaining to the rating of Health Centres has adversely impacted on Business Rates collection at a cost of £450k, however, the 2014/15 appeals provision accounted for this judgement. Further banding appeals in 2015/16 have reduced the collection of business rates income by £400k. At the same time the Council will receive an additional £655k in S31 grants but have to pay £266k of this back in extra Levy.

With a favourable adjustment of £256k in the amount to be taken in Precept this means an overall net favourable movement of £265k for the Council.

## 5.8 Medium Term Financial Strategy (MTFS)

Members were presented with an updated financial forecast at the October Cabinet. Based on a number of assumptions the maximum annual deficit over the 5 year period was calculated to be £678k

### 5.8.1 Council Tax base

Since October 2015 and the last published forecast officers have had sight of the data to be used in calculating the Council tax base. The figure for budget setting purposes is now likely to be better than that used in the previous forecast and will potentially benefit the Council by c £100k in each year. The reasons for the tax base growth are a combination of housing unit growth and a reduction in the cost of Local Council Tax Support.

### 5.8.2 Key Assumptions

The key assumptions underpinning the forecast and their current status are as follows:

- Council Tax would start to increase in 2016/17 on an annual basis – subject to Member budget decision in February 2016. The maximum increase before a referendum is triggered is expected to be in line with previous years (1.99%).
- The Council would see an income stream from renewable energy, at Scout Moor, as from 2017/18 – currently awaiting a decision by the Secretary of State
- Council would be part of a business rates pooling arrangement as from 2016/17 – currently awaiting guidance from DCLG, meanwhile Lancashire County Council and nine districts (including Rossendale) have submitted a scheme based on last year's DCLG guidance.
- The revenue support grant would all but disappear over the 5 years – awaiting the outcome of the autumn statement and the draft Local Government Financial settlement expected around Christmas 2015.
- Current income streams, such as New Home Bonus and licencing, will continue at current levels over the medium term. The latter is potentially at risk due to the proposed policy changes currently under review.
- The future annual cost of the Empty Homes project will be contained at c £200k per annum.
- There being no material financial impact as a result of the 2016 tri-annual Pension Valuation. The actuarial valuation is about to commence. The Pension fund's senior officers have stated their intention to try to retain contribution rates at current levels, though this will be challenging given, amongst others, long term interest rate expectations.
- There being no material increase in the costs of administering revenues, housing benefits, customer services and the One Stop Shop beyond September 2019 when the current contractual arrangements with Capita cease.

*NB – readers of the report may have their own different assumptions which will either increase or reduce the financial gap. That said, given the status of some of the above there is now significant risk that at least one of the above, once resolved, may not result in an advantage to Council. On that basis the annual deficit gap would be c.£700k.*

## 5.9 Budget Consultation

Public consultation will now commence on, amongst other things:

- Council priorities
- the 2016/17 net Budget expenditure,
- the level of Council Tax for 2016/17,
- fees and charges,
- measures to bridge anticipated future funding gaps

## 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 and MTFS 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. 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.
Capita Asset Services "Citywatch" report for October 2015	Financial Services
October 2015 MTFS report.	RBC website - Cabinet Minutes 21/10/2015