Rossendale
BOROUGH COUNCIL

ITEM NO. E1

Subject:	Financial Out-turn Report 2016/17		**Status:**	For Publication	
Report to:	Cabinet		**Date:**	6th July 2017	
Report of:	Finance Manager		**Portfolio Holder:**	Resources & Customers	
Key Decision:	☐	Forward Plan ☒	General Exception ☐	Special Urgency ☐	
Equality 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	That Members note the contents of the report.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to update Members on:

- financial out-turn report for 2016/17

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 2017/18 budget working papers.

- The most recent MTFS update which still shows a funding gap of £960k in 2020/21 and 2021/22, despite the potential annual savings identified to date of £742k.
- Amongst other things the Council must explore in bridging its forecast funding gap is to become more commercially aware and to grow its resources alongside challenges to its cost base.
- Any continued austerity planning by Central Government resulting in a further reduction of central government resources and the implications of Brexit.
- The pending results of the intervention by The Secretary of State in relation to the Scout Moor wind turbine expansion. Given the potential lifetime financial value to the Council Officers will consider the options available should the Secretary of State not endorse the locally determined planning decision.
- At the October 2015 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).
- It is now understood that the Government has dropped previous proposals for the 100% retention locally of Business Rates collected. Given our Lancashire pooling arrangements and the financial benefits it brings to Council this was previously highlighted as a risk to Council but is no longer expected to be so.

5. BACKGROUND AND OPTIONS

5.1 2016/17 Financial Out-turn

This Q4 out-turn covers known activities since January 2017 and forecasts an adverse variance of £385k, an improvement of £65k from the Q3 forecast. The most notable changes during Q4 are:

- Benefits Subsidy out-turn is £81k adverse for the year, a further shift of £7k on that predicted in Q3. This is a volatile area covering benefit grants of over £19m and while costs dropped 1.7% from the budget, the subsidy dropped 2.6%, giving a net adverse change of 0.9%.
- Court Costs awarded - officers were right to predict a favourable variance of £96k in the value of court costs awarded during the year, however there was no doubtful debt provision back in 2015/16 so the prudent 2016/17 action will reduce that favourable variance down to around £24k.
- The external review of business rates during the year has cost £34k which has been funded from the Business Rates Reserve. This has contributed to the favourable impact on the Business Rates income shown on page 32.
- Operations - in Q3 the costs of vehicle hire and maintenance were showing an overspend of £31k and £76k respectively as officers delayed replacing some vehicles while a full assessment of ongoing needs and safety requirements were undertaken. Efforts to minimise these increases during Q4 have improved the out-turn by £23k in total. At the same time reductions and one-off breaks in the MRP repayment schedule have brought a further favourable variance of £77k to offset these costs. Overall strong budget management has brought about c. £100k of savings alongside service improvements.
- Licensing - the policy changes, in addition to the immediate customer service improvements, continue to be having less of an impact on the income than expected, resulting in an improvement of £156k for the year.
- The costs of staff in the original budgets started the year with a savings target of £150k. The final position has resulted in a further saving of £89k.

- Reductions in general grants to outside bodies and a one-off administration fee for the homelessness prevention project for 16/17yr olds, have helped to fund an additional contribution to the STAR working group.
- Empty Homes – some further adverse movement - further details can be found on pages 12 & 13. The Council's direct management of the scheme has now come to an end following our partnership with Calico Homes Limited. Financial costs aside, the swift actions the Council has previously taken as the lead authority for the HCA Pennine Lancashire empty homes project has meant that now 330 homes have been fully renovated and are being used to house some of the area's most vulnerable residents. In addition to the positive social impact, the renovated homes now have the potential to generate some £300,000 pa of New Homes Bonus for Pennine Lancashire.
- Savings in training budget has led to a favourable variance of £18k in the People & Policy Team, albeit with no detriment to our annual investment into staff and organisational development.
- Officers have made a £12.5k provision for doubtful debts, as explained on page 27.
- The impact of the Leisure Trust investment has reduced the in-year revenue grant by £46k and sets the Trust to be self-sustainable for future years with no reliance from Council for annual grant funding (previously £95k pa). At the same time officers have applied the Leisure Reserve with £38k to support the Trust's management restructure and £750k to refinance the Trust's balance sheet deficit, effectively bringing the cash-flow loan that the Trust had with the Council back down to zero.

5.2 **Earmarked Reserves**

The net adverse £385k variance on the General Fund has been supported by a further contribution from the Empty Homes Reserve and £788k of the Leisure Reserve has been applied at the end of Q4, as noted above. The forecast closing balance on the Reserves at 31st March 2017 is now £6,228k, though this is expected to drop to £1,656k by March 2021 with the planned use of the Transitional Reserve as part of the MTFS.

5.3 **Treasury Management**

Pages 25 and 26 explain the closing balances in the Council's cash and investments dropping from £12.4m in December to £6.3m at the end of the financial year. The normal cash flow patterns expect a drop towards year-end, but this year is lower than budget due to the £1m invested in the Transport company mortgage in October 2016 and the £1m investment in the Leisure Trust's lease at Haslingden Sports Centre in November 2016.

Despite reducing balances and reducing interest rates, the total interest income adverse variance has been held at £13k. In future years bank interest will be supplemented by interest and cost-savings arising from the investments above, rather than traditional bank investments.

For the year as a whole, the average total resources within the Council's bank accounts was £12,806k, which means that the £76k of interest income achieved from bank investments was 0.59%. During the year officers maintained a relatively high proportion of funds in instant access accounts to facilitate the two £1m investments noted above and the Empty Homes renovations programme. Such instant access funds were earning minimum interest of around 0.1% for the second half of the year, therefore an overall return of 0.59% is a reasonable portfolio performance, though it did not match the Capita model portfolio return.

5.4 Capital Programme

Capital Receipts have now exceeded their original budget target with the sale of Lower Lodge Terrace at £150k.

New capital projects in Q4 included the Spinning Point Phase 1 at £5,325k. As explained on pages 28 and 29, the capital programme rose to £13,379k during the year, but £8873k of this has been carried forward into 2017/18 with ongoing projects like the Spinning Point, Bacup THI and the Ski Slope investment.

Disabled Facilities Grants (DFGs) received £791k from the Better Care Fund during the year, up from £424k in 2015/16. With some occupational therapy assessments being held up at a county-wide level, there is no problem in carrying forward a cumulative grant balance of £391k at March 2017. Officers have been informed that the 2017/18 grant will rise again to £869k, which gives a potential available grant fund of £1,260k. This means that the £383k former Housing Capital Pot grant held in Grants Unapplied on page 24 is unlikely to be called upon in the near future. In November 2016 the stewardship of DFGs and the accompanying financial controls were judged to be “substantial” by Internal Audit.

5.5 Collection Fund

Council Tax collection rates have remained slightly below the 2015/16 levels. The overall surplus is expected to be £239k, of which Rossendale will keep £37k (compared to a £40k forecast at the Q3 report).

Meanwhile, back in Q3 officers suspected that the 5% drop in collection rates was attributable to a shift for some business to opt for 12 payments in the year rather than 10. This has been proved correct as collections ended the year at 97.2%, down just 0.2% on 2015/16. However, Members should note the consistent reduction in collection rates over recent years, for both Council Tax and Business Rates.

The favourable variances for business rates can be broken down into four areas

- The projected outturn for Business Rates Collection is a cash surplus of £389k of which RBC share is £156k.
- There has also been a volume gain of £1,040 for Rossendale, mainly from the net value of band increases and decreases, which would have led to a levy payment to central government of £520k under the 2015/16 scheme. However, the new Lancashire Business Rates Pool means that, rather than paying £520k to central government, £52k now goes to LCC as their 10% benefit from the Pool and Rossendale keeps the balance of 468k.
- This was also the first year that renewable energy income was 100% attributable to Rossendale Council, equating to £242k.
- S31 Grants and Localism relief have ended the year at £445k favourable.

Therefore, the final table on page 32 shows that this gives an overall gain for RBC of £1,133k, which is above the MTFS target of £760k.

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. CONCLUSION

9.1 Robust monitoring of the General Fund and MTFS is essential to control risks expressed in section 4.

9.2 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.
2016/17 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy.	RBC website - Full Council 24/02/2016