

Subject: FINANCIAL OUTTURN 05/06

Status: FOR PUBLICATION

Report to: CABINET

Date: 7th JUNE 2006

Report of: HEAD OF FINANCIAL SERVICES

Portfolio

Holder: FINANCE AND RISK MANAGEMENT

Key Decision:

NO

Forward Plan
Relevant Box

General Exception

Special Urgency

"X" In

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to report to members the financial outturn for 05/06 of the General Fund Account and the Housing Revenue Account (HRA).

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following corporate priorities:

- *Financial Management (Improvement):* 05/06 is the final year of the Council's three year financial recovery plan. The Council must demonstrate that it continues to manage its financial resources in an efficient and effective manner. In particular the Council must:
 - integrate its Financial Management practices with those of Risk Management and in particular Performance Management and
 - demonstrate its ability to target resources to areas of corporate priority.

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- *Level of General Fund Reserves:* The Council must now set a level of General Fund reserves based on an assessment of potential risk which the council is exposed to. The council through its Medium Term Financial Strategy has made the assessment that the level of General Fund Reserves should be in the region of £500k to £750k.
- *External Audit:* The Councils accounts are still subject to final audit by the District Auditor. The draft unaudited Statement of Accounts is currently being prepared in preparation for Member approval via the Accounts Committee on 28th June. Final audited accounts will be approved at the same committee on 28th September.

4. BACKGROUND AND OPTIONS

- 4.1 During the course of 05/06 a regular monitoring report has been brought to Members. The last reports to Members indicated favorable variances on both General Fund and Housing Revenue Account.
- 4.2 There has been a consistent theme in previous monitoring reports particularly in the nature of adverse and favourable variances (e.g.: Income, staffing costs, interest)
- 4.3 The tables below detail the latest position regarding the outturn of the General Fund and Housing Revenue Accounts respectively:

General Fund	Full Yr Budget	Unaudited
Service Area	2005/2006	2005/2006
	£000	£000
Streetscene & Liveability	4,139	4,141
Regeneration & Spatial Develop	1,029	591
Customer Services & E-govt	1,590	1,603
Finance	257	239
Policy & Change Management	115	116
Gen Fund Housing	203	202
Legal & Democratic Services	1,306	1,370
Human Resources	253	227
Non-distributed Costs	(310)	(567)
Community & Partnerships	1,074	1,557
Corporate Resources	36	76
Transfer to General Reserves	115	115
	9,809	9,671
Budget Saving		138

(nb – The main movement on Regeneration and Communities and Partnership is due to internal recharging of cost such as asset charges / Depreciation)

Housing Revenue Account	Full Yr Budget 2005/2006 £000	Unaudited 2005/2006 £000
Income	9,021	9,275
Expenses	9,064	9,159
Net (Spend) / Surplus	<u>(43)</u>	<u>116</u>
Budget Saving		159

- 4.4 The previous monitoring report forecast a favourable variance of £154k on the General Fund. The material changes are as follows:

Movement in reported variance		
Previously reported		154
Loan discounts not applicable	(37)	
Misc	<u>22</u>	<u>(15)</u>
Current variance		139

- 4.5 Though the Housing stock has now transferred to Green Vale Homes the HRA is required to be kept open until 1st April 2007. At this point any remaining balances become available for General Fund use. The Medium Term Financial Plan has identified the possible use of these resources for a two areas: Job Evaluation Reserve and Building Maintenance. Including the above surplus of £116k the HRA reserves now stand at £1,013k.
- 4.6 Change Management Reserve (CMR):
- 4.6.1 In 04/05 the Council was able to create a CMR. The Medium Term Financial Strategy identified that should there be a positive ballot resulting in a Housing stock transfer then the Strategic Risk Management Reserve would be transferred into the CMR.
- 4.6.2 We had expected additional gains above budget from Housing Benefits Subsidy claims, as was the case last year. However preliminary figures suggest that the gain is less than the previous year and the mid-year forecast our advisors gave. We are currently investigating the reason for the reduction.
- 4.6.3 The movement on the CMR and final balance is as follows:

Change Management Reserve		
Balance at 31.03.05		323
IT Best Value Review	35	
Revenues & Benefits Partnership Review	92	
Digital Mapping of Council land assets (net not funded by other means)	55	
Land Charges: digital software	26	
Legionella Audit	70	
Asbestos Audit	20	
Transitional accommodation costs	50	
Review of The Councils approach to Partnership working	6	
		<u>354</u>
Contribution from changes to Housing Benefits subsidy		330
Other Contributions		106
Transfer from Strategic Risk Reserve		349
Balance available at 31.03.06		754

- 4.7 The utilisation of interest from improved cash flow has been used to create a legal liability reserve. The balance on the reserve stands as follows:

Legal Liability Reserves		
Balance as at 31.03.05		0
Contribution to Legal Liability Reserve		<u>100</u>
Balance as at 31.03.06		100

- 4.8 The Financial Services department are still finalising the final accounts close down in preparation for the draft accounts to be presented to the Accounts Committee (28th June 2006). There may be still some minor movement in General Fund or Housing Revenue accounts prior to the end of June.

- 4.9 Appropriation to General Reserves is anticipated as follows, and is broadly in line with the figures when the budget was set.

Appropriation of General Fund Reserves		
Balance as at 31.03.05		386
Budget allocation	115	
05/06 Budget variance	139	<u>254</u>
Balance as at 31.03.06		640

- 4.10 The Medium Term Financial Plan assumed General Fund revenue balances of c. £650k for 31st March 2006 together with a number of specific reserves created from favourable increases in income or reductions in expenses. As some final work is required to the accounts it is suggested that the setting of the final levels of specific reserves, prior to confirmation by the Accounts Committee, be delegated to the Head of Financial Services in consultation with the Portfolio Holder for Finance and Risk Management.
- 4.11 Capital Financing: Appendix 1 states the expenditure during the year and the sources of capital financing. The main addition to expenditure not previously reported is the capitalisation of general fund debt premium (£1.3M) as a result of the total debt restructure as part of the Housing Stock Transfer. The benefit to general fund is that this resulted in the Council being free from all its external debt (this was c. £23m at the point of restructure).
- 4.12 Capital receipts have been generated and used as follows:

Capital Receipts	
Balance as at 31.03.05	1,504
Sale of Assets	2,787
Capital used to finance expenditure	(4,240)
Balance as at 31.03.06	51

- 4.13 A separate briefing note on the Council's Treasury Management performance over the course of the year will be circulated to all members in due course.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

- 5.1 Financial considerations are dealt with in the body of the report.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

- 6.1 As indicated the Council's annual Statement of Accounts (which includes General Fund and Housing Revenue Accounts) and other key areas such as the Housing Subsidy and Grant claims are still subject to final audit by the District Auditor.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

- 7.1 There are no direct Human Resource implications, other than the references to Job Evaluation / Single Status regarding the eventual use of HRA reserves.

8. CONCLUSION

- 8.1 The Council has demonstrated its ability to improve its financial position by sticking to its three year recovery plan following the financial difficulties it faced at the end of 02/03.

- 8.2 The Council is now in a much stronger financial position both in terms of reserves and liquid assets - this will be demonstrated in the Councils consolidated balance sheet for 31st March 2006.
- 8.3 Financial management and awareness is now becoming more embedded in the organisation.

9. RECOMMENDATION(S)

- 9.1 The Cabinet are recommended to:
- a Note the contents of the report
 - b Agree the use and contributions to the change management reserve as noted in paragraph 4.6
 - c Agree the appropriation of reserves as noted in paragraph 4.8, and authorise the Head of Financial Services to make any adjustments between reserves required to mitigate risks facing the Council in consultation with the Portfolio Holder for Finance and Risk Management.
 - d Agree the capital financing requirements as detailed in Appendix 1 and paragraph 4.12

10. CONSULTATION CARRIED OUT

- 10.1 Executive Director of Resources.

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Background Papers	
Document	Place of Inspection
05/06 Cabinet monitoring reports	Cabinet Papers
Annual Budget 2005/06	Cabinet Papers
Medium Term Financial Plan	Cabinet Papers