

**Subject:** Financial Monitoring

**Status:** For Publication

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**Report to:** Cabinet

**Date:** 13<sup>th</sup> December 2006

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**Report of:** Head of Financial Services

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**Portfolio**

**Holder:** Finance & Risk Management

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**Key Decision:** No

Forward Plan  General Exception  Special Urgency

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**1. PURPOSE OF REPORT**

1.1 The purpose of the report is to continue to update Members on the General Fund estimates for 2006/07, the Capital Programme and Treasury matters; as well as progress with delivering budget savings and growth.

**2. CORPORATE PRIORITIES**

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

- Financial Management: *embedding financial management throughout the organisation.*

**3. RISK ASSESSMENT IMPLICATIONS**

3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:

3.1.1 Financial monitoring focuses on the key risk areas of: Employment costs, Income, agreed budget savings and emerging issues and opportunities. In addition the current monitoring analysis now focuses on service department costs as part of the 06/07 budget exercise.

3.1.2 The Councils' investment in new financial systems and the restructure within the Financial Services department has now begun to assist the Council in developing more robust forecasting techniques, which will allow potential financial risks to be identified and addressed earlier in the year.

3.1.3 As from 1<sup>st</sup> April 2007 a further £1,099k, currently within the Housing Revenue Account, will become available for General fund use. This one off funding source has been identified in the Medium Term Financial Strategy to support the Council's change / improvement programme, potential impact from Single Status and potentially increasing general reserves.

## 4. BACKGROUND AND OPTIONS

### 4.1 Capital

4.1.1 As at 30<sup>th</sup> November 2006, £105k of useable capital receipts, from the disposal of assets, above the deminimus level (£10k) have been generated. Amounts received below £10k total £61k. Since the last report £72k has been generated as a result of the recent SS&L surplus vehicles disposal.

4.1.2 As previously reported the disposal programme in relation to the accommodation strategy has commenced. The council has recently accepted offers on Haslingden Neighbourhood Office and Roberts Street Depot. Rawtenstall Cemetery Lodge, previously approved for disposal, has been delayed and is awaiting land registry resolutions. A new initiative has now commenced on the marketing and disposal of other vacant properties, involving the appointment of a property agent. The push to raise capital receipts from the disposal of surplus land and buildings must remain a priority.

4.1.3 Actual Capital Expenditure in the first quarter is as follows:

<b>Value</b>	<b>Detail</b>
£992k	Whitworth Civic Hall
£877 k	Housing Investment Programme
£184k	DDA Works
£375k	SS&L – Kerb Sider (LEF Grant adjustment), vehicle lease buy out and slippage from 2005/06
£303k	Accommodation Strategy – slippage from 2005/06
£57k	ICT
£51k	Restructuring Costs
£18k	Swinnel Brook Culvert
£29k	Regeneration – Futures park
£218k	LSVT – slippage from 2005/06
£25k	Car Parks
<b>£3,129</b>	<b>Total</b>

## 4.2 Revenue

4.2.1 Overall a full year adverse variance of £16k is currently forecast. This is a prudent position and is explained below. Each service Department forecast summary compared to original budget is as follows:

General Fund Service Area	Full Yr Budget * 2006/2007 £000	Full Yr Forecast 2006/2007 £000	Variance £000
Streetscene & Liveability	4,432	4,356	77
Spatial Develop	602	537	65
Customer Services & E-govt	1,915	2,130	(215)
Community & Partnerships	1,241	1,227	14
Regeneration & Strategic Housing	388	475	(87)
Homelessness	109	110	(1)
Finance	454	394	60
Policy & Change Management	162	163	(1)
Legal & Democratic Services	2,240	2,269	(29)
Human Resources	221	220	0
Non-distributed Costs	(651)	(768)	118
Corporate Resources	(308)	(391)	83
Risk Items	0	100	(100)
<b>Total</b>	<b>10,806</b>	<b>10,822</b>	<b>(16)</b>

\* adjusted for previously agreed virements

1 - £100K, in the "Risk Items" above, is included in the forecast in relation to various legal fees.  
2 - Previously agreed costs to support Rossendale Leisure Trust in its restructure are funded from the Change Management Reserve and are excluded from the above.

4.2.2 The forecast follows detailed work in preparation for the 2007/08 budget. Net forecast costs compare to previous forecast prepared in October reporting a favourable variance of £78k.

4.2.3 The major changes being:

- SS& L provision (above), income falls	35k
- Insurance costs additional residual cost of LSVT	60k

4.2.4 Previous forecasts anticipated a net saving to SS&L of £122k, however current forecasts predict savings of £77k. Given the level of current spend, It is still reasonable to expect that final savings within SS&L will be in excess of this figure.

4.2.5 Following the transfer of the Councils' housing stock, the Councils economies of scale in the procuring of insurance has been reduced – this has resulted in insurance costs being c. £60k above our budget. Officers are currently reviewing the Councils' insurance cover particularly in relation to the insurance values of its property portfolio.

4.2.6 We have taken a prudent view regarding the favourable impact from staff vacancies. At the end of the first 8 months, total actual staff costs incurred compared to budget continue to make savings and were as follows:

<b>Staff Costs 8 months to 30.11.06</b>	<b>Estimate</b>		<b>Actual to date</b>		<b>Variance</b>
	<b>2006/2007 £000</b>		<b>2006/2007 £000</b>		<b>£000</b>
<b>Streetscene &amp; Liveability</b>	1,996		1,888		108
<b>Spatial Develop</b>	489		396		93
<b>Customer Services &amp; E-govt</b>	761		742		19
<b>Community &amp; Partnerships</b>	57		57		0
<b>Regeneration &amp; Strategic Housing</b>	392		322		70
<b>Finance</b>	332		338		(6)
<b>Policy &amp; Change Management</b>	69		54		15
<b>Legal &amp; Democratic Services</b>	772		755		17
<b>Human Resources</b>	223		204		19
<b>Total</b>	<b>5,090</b>		<b>4,756</b>		<b>334</b>

Some of the staff savings achieved to date have been earmarked for use during 2006/07; however it would be reasonable to estimate that additional manpower savings may be available at the end of the financial year over and above those included in the above forecast. Members of the executive team will be considering carefully with Heads of Service the process for utilising any saving which has occurred and for filling posts which become vacant.

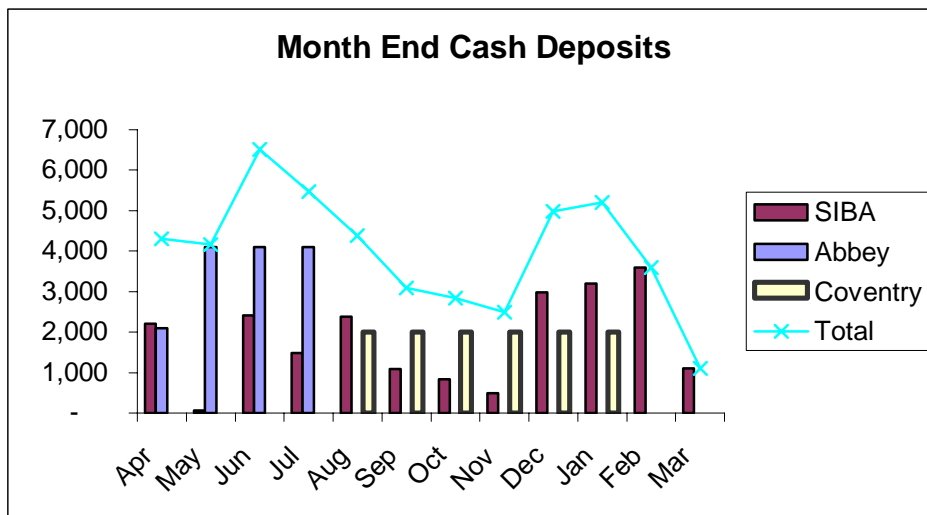
### 4.3 Treasury Management

4.3.1 As previously reported the transfer of the Council's housing stock on 27<sup>th</sup> March 2006 to Green Vale Homes resulted in all the Councils External debt being repaid, a more favourable position than anticipated in the budget. The change in circumstances means that the net budget capital financing cost is now anticipated to be a net surplus as follows:

	<b>Budget 06/076</b>	<b>F'cast 06/076</b>	<b>Variance</b>
Minimum Revenue Prov'n	153	115	39
Treasury Costs	10	8	2
Interest Paid	66	5	61
Interest Received	(40)	(207)	167
<b>Total Cost / (surplus)</b>	<b>189</b>	<b>(79)</b>	<b>268</b>

4.3.2 The above table shows a current favourable variance on capital financing of £268k, this is in line with previous reports.

4.3.3 The Council is able not only to earn interest on its book figures but on funds committed but not yet paid out. The total balances on which the council was earning interest at 30<sup>th</sup> November was £2,489k – the banks would refer to this as available cleared balances. The graph below shows our month end cleared balances over the first 8 months and the forecast cash flow for the remainder of the year:



4.3.4 The above graph shows the available cleared balances in each of the investment accounts, both historical and forecast. The peaks in June 2006 and January 2007 are due in the main to the months being free from precepts being paid to County, Police and Fire authorities.

4.3.5 Cash balances in February and March may be higher than anticipated depending upon receipts from Green Vale Homes through the VAT shelter and the “Right to Buy” sharing agreement, although this will only have a marginal effect on in year investment returns.

4.3.6 The current interest terms for the accounts which the Council regularly uses are:

	%		Interest Paid
	AER Gross Rate		
<b>SIBA</b>			
£1.5 M +	5.09	5.00	Quarterly
£1M - £1.5 M	5.03	4.95	Quarterly
<b>Coventry BS</b>			
£2 M	5.07	5.01	6 Months

4.3.7 As anticipated in the last report there was a change to interest rates on 9<sup>th</sup> November when the bank of England’s Monetary Policy Committee (MPC) increased rates by a quarter of one percent. Any further change will depend

upon expectations regarding: growth in the economy, energy prices passing into wage settlements and strength of inflation expectations.

- 4.3.8 Sector Treasury has adjusted its interest rate forecast in light of the November Inflation Report, the latest MPC decision and market conditions in recent weeks. The interest rate forecast remains unchanged but with a risk to the upside in early 2007. Bank rate forecast remains unchanged throughout 2007 although they do have a risk to the downside in the final quarter of the year. Sectors' forecast for PWLB and investment rates is as follows:

	<b>Q/E4 2006</b>	<b>Q/E1 2007</b>	<b>Q/E2 2007</b>	<b>Q/E3 2007</b>	<b>Q/E4 2007</b>	<b>Q/E1 2008</b>
<b>Base Rate</b>	5.00%	5.00%	5.00%	5.00%	5.00%	4.75%
<b>25yr PWLB</b>	4.25%	4.50%	4.50%	4.50%	4.50%	4.50%

*Sector (November 2006)*

## **5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES**

- 5.1 Financial Matters are dealt within the report.

## **6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES**

- 6.1 Unless specifically commented upon within the report, there are no implications for Legal and Democratic service matters.

## **7. COMMENTS OF THE HEAD OF HUMAN RESOURCES**

- 7.1 Unless specifically commented upon within the report, there are no implications for Human Resource matters.

## **8. CONCLUSION**

- 8.1 Overall the General Fund revenue forecast is showing a full year deficit of £16k and includes provision for Council's current know risk areas.
- 8.2 Capital receipts from surplus properties need to be realised in order to avoid the Council incurring debt (either internal or external).

## **9. RECOMMENDATION(S)**

- 9.1 The Members note and consider the contents of the report.

## **10. CONSULTATION CARRIED OUT**

- 10.1 Executive Director of Resources

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<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
2006/07 Budget (revenue and capital)	Full Council papers – Feb 06