

ITEM E5

RECOMMENDATIONS TO COUNCIL 27th JUNE 2007

Recommendations from Cabinet – 6th June 2007

2006/07 FINANCIAL OUTTURN

Council are recommended:

1. To approve the capital expenditure requests as outlined in 4.1.7 of the report.
2. To approve the movement in reserves (i.e. General Reserve, Housing Revenue Account, Revenue Volatility Reserve, Change Management Reserve and Economic Regeneration Reserve) as outlined in 4.4 of the report.
3. To approve the Reserves Policy Statement, set out in the Annual Treasury Report.

NEIGHBOURHOOD FORA

Council are recommended:

1. To amend the Constitution to grant delegated authority to the Neighbourhood Fora to determine bids received, and to accommodate the proposals relating to the changed membership set out in this report.

(The Terms of Reference for the Neighbourhood Fora will be tabled at the meeting)

Recommendations from the Joint Meeting of the Audit Scrutiny Committee and the Standards Committee – 14th June 2007

TERMS OF REFERENCE OF THE AUDIT SCRUTINY COMMITTEE AND STANDARDS SCRUTINY COMMITTEE

Council are recommended:

To amend the Terms of Reference as set out by the Head of Planning, Legal and Democratic Services.

(The Terms of Reference for the Committees will be tabled at the meeting)

Subject: 2006/07 Financial Outturn

Status: For Publication

Report to: Cabinet

Date: 7th June 2007

Report of: Head of Financial Services

Portfolio

Holder: Well Managed Council

Key Decision

Forward Plan
Relevant Box

General Exception

Special Urgency

"X" In

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to update Members on the General Fund outturn for 2006/07, the Capital Programme and Treasury matters.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following corporate priorities:
- *Strong financial management and the delivery of value for money services (Improvement)* – Effective and strong Financial Management ensures the effective management of the Council's resources which then enables the provision of value for money services.

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 during 2006/07 focused on the key risk areas of: Employment costs, Income, agreed budget savings and emerging issues and opportunities, in addition too service department net costs.
- 3.1.2 As from 1st April 2007 a further £1M, 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. 2006/07 FINANCIAL OUTTURN

4.1 Capital

4.1.1 Capital Receipts, are summarised as follows:

	£000
○ GVH – Right to Buy, Vat shelter & Affordable housing	2,019
○ Capital receipts from land and property sales	838
Total	2,857

4.1.2 Receipts were below our previous expectations due to:

	£000
○ GVH – RTB delays as per the contract	366
○ Land and property sales, timing difference	275
○ Deminimus capital receipts (credited to revenue)	84
Total	725

These delays have not impacted on the financing of the programme due to the expenditure slippage identified below

4.1.3 Actual Capital Expenditure to 31st March 2007 was as follows:

Value	Detail
£1,118k	Whitworth Civic Hall
£2,679 k	Housing Investment Programme
£201k	DDA Works
£429k	SS&L – Kerb Sider (LEF Grant adjustment), vehicle lease buy out and slippage from 2005/06
£309k	Accommodation Strategy – slippage from 2005/06
£294k	ICT
£61k	Restructuring Costs
£18k	Swinnel Brook Culvert

£308k	Regeneration – Futures park
£218k	LSVT – slippage from 2005/06
£26k	Car Parks
£20k	Top O'Slate site Remediation
£50k	Insurance Costs – awaiting repayment
£18k	Property (re Capital Building Programme)
£5,750k	Total

4.1.4 The capital spend for 2006/07 is therefore financed by:

Value	Detail
£1,887k	Specific Grants (PDG, NWDA, DCLG, DFG, etc)
£685k	Capital Grant
£3,011k	Useable capital receipts (including insurance)
£35k	Building Control Contributions
£15k	Aggregates Levy
£56k	LPSA
£60k	GVH (towards disabled facilities)
£5,750k	

4.1.5 Useable Capital Receipts - the following table shows balances brought forward, new receipts, usage and available balances carried forward:

Value	Detail
£115k	Balance b/forward as at 31/3/06
£2,857k	Capital Receipts during 06/07
£992k	Insurance Receipts
£3,011k	Capital Expenditure
£953k	Balance c/forward as at 31/3/07

Of the above balance carried forward £856k is reserved for affordable housing under the term of the Housing Stock Transfer agreement.

4.1.6 Capital Expenditure Slippage on the 2006/07 programme to carry forward in to 2007/08:

Value	Detail
£36k	Whitworth Civic Hall
£182k	Property (re Capital Building Programme)
£13k	Museum
£4k	Car Parks
£30k	Cemeteries
£134k	Housing Programme
£135k	Henrietta Street Depot

£534k	Balance to c/forward
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This sum is less than the slippage in capital receipts reflecting the continued overall product under commitment of capital resources

4.1.7 Approvals requested: The Councils Capital Steering group has recently met and seeks approval for the following additional capital resources either as part of strategic measures to maximise revenue resources, or to meet spending needs identified since the capital start programme was set:

Value	Detail
£100k	DWP support previously agreed by Cabinet from earmarked reserves. Change of approach in order to optimise resources (£78k incurred during 06/07, £22k to c/fwd)
£26k	Top O' Slate Remediation – Increased cost due to Environment Agency conditions in relation to site preparation and initial monitoring.
£144k	Capital items previously reported as revenue during 06/07 in order to maximise financial flexibility (See 4.2.5)
£388k	Vehicle Replacement Programme (Year 1) being the commencement of a 7 year programme for the replacement of SS&L vehicles currently owned by the Council (ie non-leased vehicles). Final financing arrangements (ie Purchase or Lease) to be delegated to the Executive Director of Resources (Appendix 1)
£38k	Customer Relationship Management (CRM) – integration of Council back office systems with Lancashire County Council's shared CRM system (Appendix 2)
£46k	Internet / Intranet GIS Mapping system to replace systems no longer supported (Appendix 3)
£19k	Replacement of signage with signage reflecting the new corporate identity and consistent with current requirements in terms of health and safety (Appendix 4)
£40k	Partial replacement of Ski matting (Appendix 5)

4.2 Revenue

4.2.2 Overall a full year favourable variance of £171k is anticipated. Each service Department 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	4,879	4,633	245
Spatial Develop	546	470	76
Customer Services & E-govt	1,837	1,728	109
Community & Partnerships	1,693	1,702	(9)
Regeneration & Strategic Housing	551	462	89
Homelessness	0	0	0
Finance	355	363	(9)
Policy & Change Management	167	148	19
Legal & Democratic Services	1,345	1,524	(179)
Human Resources	143	154	(11)
Non-distributed Costs	0	12	(12)
Corporate Resources	(711)	(563)	(148)
Risk Items	0		0
Total	10,806	10,635	171

* adjusted for previously agreed virements and internal charges

4.2.3 The major changes (explained further below) since last reporting being:

	£000's
Anticipated Adverse Outturn	-46
Uninsured Historical Claim (latest estimate)	-138
Non Capitalised Redundancy costs	-46
Total anticipated adverse outturn	-230
<i>Favourable:</i>	
Deminimus receipts	84
S106	118
Revenue Capitalised	144
Risk Provision	55
Housing Benefits Subsidy	183
<i>Adverse</i>	
Concessionary travel	-82
Contract provisions	-52
HR - Rewards	-12
Sundry	-37
Current Favourable Outturn position	171

4.2.4 As can be seen above, in the last reports to Members we anticipated an overall adverse impact on reserves as a result of: budget overspends (£46k), Historical claim (£138k) and reduced capitalisation directives from the Dep't of Communities and Local Government (£46k). Collectively we therefore anticipated a £230k negative impact on reserves.

4.2.5 *Additional Favourable Variances* - This was however has been reduced by adjusting accounting treatments and other variances as follows:

Deminimus Capital Receipts (£84k) – ie individual capital receipts on the disposal of assets generating below £10k are allowable as a revenue contribution. These had previously been reported alongside general capital receipts.

Section 106 agreements (£118) – Amongst other things, colleagues within the legal department have helped identify historical balances in relation to S106 agreements no longer required as the ongoing expenditure required has previously absorbed into ongoing revenue budget resources

Revenue Capitalised (£144k) – A number of revenue items previously treated as revenue costs have now been legitimately reclassified as capital expenditure. These include: capitalised salaries, accommodation costs, acquisition of assets and associated legal costs

Risk Provision (£55k) – We had hoped to increase the Legal liabilities reserve, but as previously reported it is suggested that this is reversed in order to support general reserves. The Legal Liability Reserve therefore remains at £100k

Housing Benefits Subsidy (£182k) – The year end Housing Benefits Claim is all but complete and indicates a significantly better position, in cash terms, than that forecast at the midyear; albeit this represents only a 1% favourable gain in percentage terms. The volatility of this area is one of the reasons for the creation of a Revenue Volatility Reserve (see 4.4).

4.2.6 *Additional Adverse Variances* – a number of adverse budget variances occurred as we approached closure of the accounts as follows:

Concessionary Travel (£82k): as result of changes to concessionary travel, namely free travel for the over 60's (within boundary) and a flat 50p fare cross boundary we have seen a significant increase in the volume of activity. In particularly the historical fall in activity over the late autumn, winter months and the early part of spring did not materialise. This has been a Lancashire wide concern for a number of districts. It is clear that the forecasts initially commissioned by the Lancashire & Cumbria Concessionary group were significantly underestimated. However the negative impact on the Rossendale budget has not been as great as some districts within Lancashire.

Contract Provisions (£52k): At this stage we have taken a worst case scenario in regard to the cost of certain contracted out services (in the main Homelessness)

HR Rewards & Recognition strategy (£12k): Members have recently approved a pay and recognition strategy for which an initial provision is required.

Sundry items (£33k): As part of final close down a number of sundry adjustments were required netting off to an adverse variance. Amongst the majority of cost was the final impact from the Housing Stock Transfer, being costs now falling upon General Fund (eg ex-employee pension strain costs as a result of previous early retirements or added years).

4.3 Implications for 2007/08 Revenue budgets

4.3.1 The 2006/07 closedown has identified some implications for 2007/08. They are as follows:

- Concessionary Travel volume increases.
- Residual cost previously allocated to Housing Revenue Account
- Housing Benefits Subsidy potential gain
- Maximising the empty properties relief available with regard to NNDR

4.4 **Reserves** : Attached to this report is a proposed reserves policy statement which in line with best practice outlines the purpose of each reserve, acceptable level and procedure for releasing resources for each reserve.

The paragraphs below outline proposals for the most significant reserves also taking account of the release of the former HRA resources after 31st March 2007

4.4.1 General reserves are unearmarked resources and it is proposed to set them as follows as a result of the outturn.

General Reserves	
Balance b/fwd at 31st March 2006	646
06/07 Outturn Surplus	171
Transfe to Revenue Volatility Reserve	(100)
Balance c/fwd at 31st March 2007	717

Nb – The Medium Term Financial Strategy indicates Council policy to maintain general reserves of between £500k and £750k. The current position is therefore towards the upper level of the range.

4.4.2 Taking into account the risks to financial stability arising specifically from

- Concessionary Fares
- Housing Benefit Payments
- Interest rate fluctuations

It is proposed to create an earmarked Budget Volatility Reserve to assist in managing these risks. The table below outlines proposals for this reserve.

Budget Volatility Reserve	
Balance b/fwd at 31st March 2006	0
Transfer from General Reserves	100
Balance c/fwd at 31st March 2007	100
Transfer from HRA	100
Available Balance	200

4.4.3 The Change Management Reserve exists to support the Council's improvement programme. Use of the reserve in year is outlined below.

Change Management Reserve	Change Manag't	Budget Approval	Actual Spend	Carried Forward
Balance as at 31st March 2006	724			
Communications Resources (one off element)		35	25	10
External Advice - Strategic Partnership		100	36	64
External Advice Waste Transfer Station		50	50	0
Upgrade CONFIRM Contract Management System		20	16	0
Digitise Street Cleansing Routes		20	20	0
Extend period of interim management for front line services		22	22	0
Community Involvement strategy		30	30	0
£10 k as one off for purchase of Christmas lights (linked to the priority of promoting Rossendale)		10	10	0
Internal Communications		5		5
Financial Services		20	20	0
RL Trust - restructure costs		274	274	0
Drainage expenses		20	20	0
Pension Strain		134	134	0
LPSA Contribution	56			
	780	740	657	79
Balance as at 31st March 2007	123			
Earmarked & C'fwd from 2006/07	(79)			
Transfer from HRA	1,000			
Job Evaluation Prov'n	(400)			
Transfer to Revenue Volatility Reserve	(100)			
Available balance	544			

4.4.4 *Economic Regeneration Reserve* - The Council received £661k in the latter half of March 2007 as a result of the Local Authority Business Growth Incentive Scheme. Essentially this is a central government scheme that returns a proportion of increased NNDR revenues back to local authorities. The Council's Medium Term Financial Strategy has earmarked these funds to an Economic Regeneration Reserve to support, amongst other things, the Council's new Economic Regeneration Team.

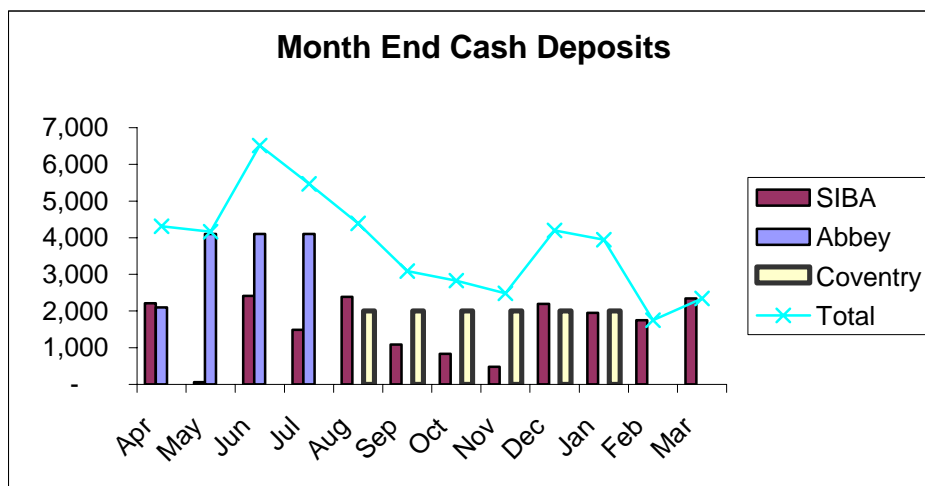
4.4.5 *Legal Liability Reserve* – as per 4.2.5 there is no change to this reserve and it remains at £100k.

4.4.6 The Council's overall reserves position has continued to be strengthened allowing resources to be provided to facilitate the management of the risks facing us and the continuation of investment in improvement.

4.5 Treasury Management

4.5.1 The final cash position as at 31st March 2007 was £2,133k in terms of a balance sheet position, though due to uncleared cheques, £2,345k of cleared funds was available for deposit. At the time of writing the Bank of England's MPC has just announced a further 25 basis point rise in the bank base rate and now stands at 5.50%. In addition SECTOR, our treasury advisors, are anticipating a further increase of 25 basis points by the end of September 2007.

4.5.2 The cash flow for the full 12 months has therefore been as follows:



4.5.3 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.

4.5.4 In accordance with The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management, attached as an Appendix 6 is The Annual Treasury Management Report for 2006/07.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

5.1 Financial Matters are dealt within the report. In particular the Council will have to assess the level of its General Reserves.

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 shows a full year surplus of £171k and includes provision for Council's current know risk areas. This represents a continuing strengthening of the Council's overall financial position.

9. RECOMMENDATIONS

- 9.1 That Members note and consider the contents of the report.
9.2 Recommend the capital expenditure requests in 4.1.7 to the Council
9.3 Approve the final revenue adjustments creating an in year surplus of £171k
9.4 Recommend the movement in reserves (ie General Reserve, Housing Revenue Account , Revenue Volatility Reserve, Change Management Reserve and Economic Regeneration Reserve) as in 4.4 to the Council
9.5 Recommend the attached Reserves Policy Statement to the Council for approval.
9.6 Approve The Annual Treasury Management Report for 2006/07 (4.5.4 Appendix 6)

10. CONSULTATION CARRIED OUT

- 10.1 Executive Director of Resources
10.2 Finance & Risk Management Portfolio Holder

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

**ANNUAL TREASURY
REPORT**

2006/07

ANNUAL TREASURY REPORT 2006/07

1. INTRODUCTION AND BACKGROUND

The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management 2001 was adopted by this Council on 16th March 2005 and this Council fully complies with its requirements.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Cabinet / Council of an annual strategy report for the year ahead and an annual review report of the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

Treasury management in this context is defined as:

"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

2. THIS ANNUAL TREASURY REPORT COVERS

- ❖ the Council's current treasury position;
- ❖ performance measurement;
- ❖ the strategy for 2006/07;
- ❖ the economy in 2006/07;
- ❖ borrowing and investment rates in 2006/07;
- ❖ the borrowing outturn for 2006/07;
- ❖ compliance with treasury limits and Prudential Indicators;
- ❖ investment outturn for 2006/07;
- ❖ debt rescheduling;
- ❖ other issues.

3. CURRENT TREASURY POSITION

The Council's debt and investment position at the beginning and the end of the year was as follows:

	31st March 2007 Principal		% Rate/ Return	Average Life yrs	31st March 2006 Principal	% Rate/ Return	Average Life yrs
Fixed Rate Funding:							
- PWLB	£0				£0		
- Market	£0	£0	n/a		£0	n/a	
Variable Rate Funding:							
- PWLB	£0				£0		
- Market	£0	£0	n/a		£0	n/a	
Total Debt		£0	n/a		£0	n/a	
Investments:							
- In-House	£2,345		5.25		£4,056	4.50	
- With Managers	£0		n/a		£0	n/a	
Total Investments		£2,345	5.25%		£4,056	4.50%	

n/a = not applicable

The Council's external borrowings were repaid as a result of the Housing Stock Transfer on 27th March 2006. The investments noted above represent cleared available funds on overnight deposits.

4. PERFORMANCE MEASUREMENT

Though one of the key changes in the revision of the Code in 1996 was the formal introduction of performance measurement relating to investments, debt and capital financing activities the use of benchmarking for the Councils investments is not fully appropriate given the relatively small day to day balances and short term investment periods. That said all the Councils investments match at least the prevailing Bank of England Base Rate (see Section 10 for comparison against LIBID [London Interbank Bid Rate]).

5. THE STRATEGY FOR 2006/07

The Sector recommended treasury strategy for 2006/07, (in November 2005), was based on their view of the rate of growth of GDP in the UK economy only recovering weakly during 2006/07 and remaining at a below trend level of 2.0% in 2006; this was primarily due to weak consumer expenditure undermined by major increases in gas and electricity prices and another spike up in oil prices, plus a curtailing of the strong increases in public sector expenditure of previous years. House price inflation had fallen back to very low levels and there were no major concerns on inflation in general (recent spikes in some prices would fall out of the index eventually). In addition, continuing increases in the Fed rate in the US would reduce economic growth there to 2.5% in 2006 while growth in the Euro area was also expected to continue weak but to rise a little. Given

this overall quite weak outlook, their forecast for Bank Rate was that there would need to be two cuts from 4.5% to 4.0% by the end of 2006 in order to stimulate growth in the economy. This would then be followed by quarterly 0.25% increases in Bank Rate in quarters 1 to 3 of 2007 once the economy had regained its trend growth rate of about 2.5 – 2.75% p.a.

The effect on interest rates for the UK was therefore expected to be as follows:

- ❖ **Shorter-term interest rates** - The “average” City view anticipated that weak growth in the UK, US and EU would lead to a decrease in U.K. Bank Rate from 4.5% to either 4.25 or 4.00% by the end of 2006.
 - ❖ **Longer-term interest rates** - The view on longer-term fixed interest rates (PWLB 25-30 year – as longer periods did not commence until 7.12.05) was that long term PWLB rates would rise by about 0.25% to end 2006/07 at around 4.75%.
1. **The Adopted Treasury Strategy** – Having, however, become debt free in March 2006 it was anticipated that there would be no capital borrowings requirements during 2006/07

6. THE ECONOMY

Shorter-term interest rates – Bank Rate started 2006/07 at 4.5%, having been unchanged at this level since August 2005. The Bank of England Inflation Report of May 2006 marked a watershed in as much as their Monetary Policy Committee (MPC) switched from a loosening bias on interest rates to a tightening bias. MPC suspicions that official data had been under recording the strength of economic growth were vindicated by retrospective adjustments (increases) to annual growth figures extending back as far as 2001 in the quarter 1 2006 GDP figures. These revisions also increased the Q4 2005 and Q1 2006 GDP growth figures up from 0.6% to 0.7% q/q. This tipped previous expectations of an underperforming UK economy over into one that was running at or above its trend rate of growth. Previous expectations of cuts in Bank Rate in 2006 evaporated and were replaced by the reverse expectation i.e. at least one, if not two increases of 0.25% by the end of 2006. Bank Rate accordingly rose to 4.75% in August 2006 and then to 5.0% in November.

This was then followed by another rate increase in January to 5.25% which was a huge shock to both the financial markets and forecasters and immediately sparked inferences that the MPC had had access to some bad news on the inflation front, which was not available to the markets at that time, before it took that decision. These fears were indeed confirmed soon after by the news that CPI (Consumer Price Inflation) had jumped to 3.0% in December, a whisker away from the MPC having to write a letter of explanation to the Chancellor (if it had gone over 3.0%). The annual growth rate also hit 3.0%, the highest in two years, in Q4 2006 adding to confirmation that the recent increases in Bank Rate had done little to dampen the economy and stoking expectations that Bank Rate would have to rise even further.

Longer-term interest rates – The Public Works Loan Board (PWLB) 45-50 year rate started the year at 4.20% (25-30 year at 4.30%) and fell to a low of 4.05% several times in late September to early November (25-30 year low was 4.20% in September and November). The high point for 45-50 year was 4.50% in late March 2007 (25-30 year had several highs of 4.65% in January to March 2007) before finishing the year at 4.45% (25-30 year 4.65%). The sustained rise in long term rates in Q4 2006 and Q1 2007 was underpinned by the rise in inflation expectations.

7. BORROWING AND INVESTMENT RATES IN 2006/07

12-month bid rates: During early April, the 12 month LIBID rate hit a low of 4.63%. It then climbed steadily towards 5.0% until Bank Rate was increased to 4.75% on 3 August, when it jumped up nearly another 20 basis points. Growing expectations of the imminence of another Bank Rate increase saw the rate continue to climb to hit 5.4% when expectations were realised on 9 November when Bank Rate rose to 5.0%. This rising trend continued and the surprise Bank Rate increase on 11 January saw 12 month LIBID jump nearly another 20 basis points to 5.76%. It then ended the year at 5.81%.

5 (and 10 year) gilt yields: These yields also started off with lows for the year in early April of 4.43% (10 year 4.38%). They hit a high in early February of 5.37% (10 year 5.02% in late January) before ending the year at 5.21% (10 year 4.94%).

Longer-term interest rates – The PWLB 45-50 year rate started the year at 4.20% and then rose to 4.45% around the end of Q2. It then fell back to a year low of 4.05% on a number of occasions in late September to early November. However, it then climbed back again to 4.45% on a number of occasions in late January – March and finished on a year high of 4.50% near the year end. (The 25-30 year rate started the year at 4.30% and hit a low of 4.20% in September and November before reaching a high at the end of the year of 4.65%).

8. BORROWING OUTTURN FOR 2006/07

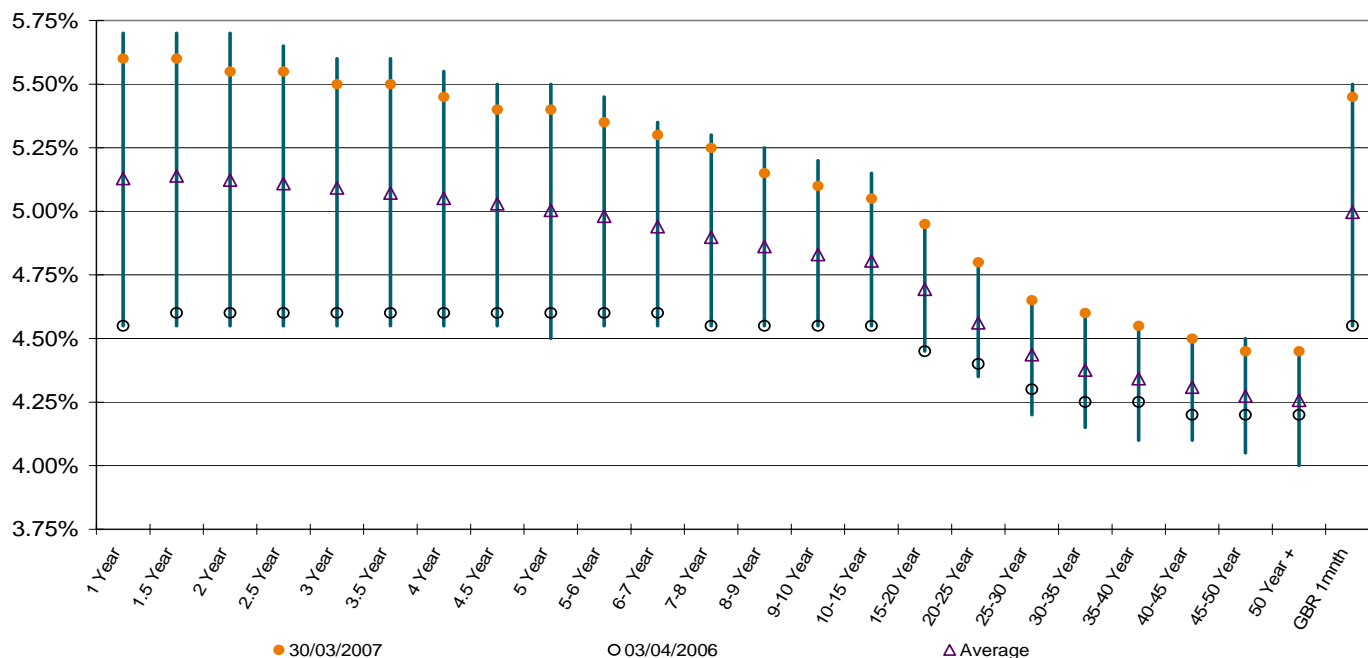
Other than some short term borrowing requirement in the last week of 2006/07, the Council remained debt free for the majority of the financial year.

For information, average PWLB maturity loan interest rates for 2006/07 were:

1 year	5.13%
9 - 10 year	4.83%
25 - 30 year	4.44%
45 - 50 year	4.27%
1 month GBR variable	5.00%

The graph below shows the range (high and low points) in rates for each maturity period during the year, and individual rates at the start and end of the financial year:

PWLB rates 2006/07



Debt Performance:

To maintain borrowing at short term rates to minimise any corresponding risk from maintaining short-term investments.

9. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement for 2006/07.

10. INVESTMENT OUTTURN FOR 2006/07

Internally Managed Investments - The Council manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The Council invests for a range of periods from overnight to 365 days, dependent on the Council's cash flows, its interest rate view and the interest rates on offer. The Maximum period of investment during 2006/07 was 6 months.

Investment Strategy - The expected short-term investment strategy for in-house managed funds was based on the advice of our treasury advisors.

Our treasury advisors, Sector, in their November 2005 forecast, indicate that Bank Rate would remain at 4.50% till quarter 2 2006 when it would fall to 4.25% and again to 4.0% in quarter 4 before starting to rise back in quarter 1 2007 to 4.25%. A major reversal of inflation and growth expectations in quarter 2 of 2006 negated these expectations and replaced them instead with an expectation that Bank Rate would need to rise to 5.0%.

Until the latter months of 2006/07 Sector were fairly cautious on investment advice having initially, like the markets, felt that the Bank Rate at the start of the financial year of 4.5% would be on a falling trend. Once these expectations had reversed, Sector advised a mixed range of deal maturities to dovetail in with the forecast rate movements. Thus for the majority of the period money was placed on call to meet the revised Sector forecast.

Investment Outturn for 2006/07 - Detailed below is the result of the investment strategy undertaken by the Council.

	Average Investment £000s	Rate of Return (gross of fees)	Rate of Return (net of fees)	Benchmark Return *
Internally Managed	3,789	4.82	N/A	4.84
Externally Managed	n/a	n/a	n/a	n/a

- Average Investment is based on period end balances

- Benchmark based on:

7 day London Inter-bank Bid Rate(LIBID) (not compounded) 4.84%

11. DEBT RESCHEDULING

On 13.1.06 Sector provided a major revision of its borrowing and debt rescheduling strategy and forecasts as a result of the introduction of new longer borrowing periods by the PWLB for periods between 35 – 50 years as from December 2005. However, due to the absence of external borrowing the advice was not applicable to Rossendale Borough Council.

12. OTHER ISSUES

There are no other issues to report.

Use and Purpose of Reserves Policy Statement

The Council maintains the following cash reserves

Unearmarked Reserves

- General Reserve

Earmarked Reserves

- The Budget Volatility Reserve
- The Change Management Reserve
- The Regeneration Reserve
- The Building Control Reserve
- The Single Status Reserve
- The Contract Performance Reserve
- The Legal Liabilities Reserve

This policy statement Identifies

- a) The status of the reserve, whether earmarked or not
- b) The purpose for which each reserve is held
- c) The mechanism through which funds may be released from the reserve

1. The General Reserve

This is an unearmarked reserve, which is available to mitigate general financial risks facing the Council. The Medium Term Financial Strategy indicates an acceptable range for this reserve as £500k to £750k, and that this reserve should not be used to artificially alter the level of Council Tax.

Use of this reserve will be as agreed by the Council on the recommendation of the Cabinet, either as part of the budget process or as a supplementary estimate arising from a monitoring report.

2. The Budget Volatility Reserve

This earmarked reserve exists to assist with managing the risk of overspending on specific budgets which are either demand led, or wholly externally influenced. These are:

- Benefit Payments
- Capital Financing and Interest
- Concessionary Fares

The acceptable level for this reserve will be determined by the Head of Financial Services based on a risk assessment of the likelihood of substantial variances on these budgets.

This reserve is not available to support the annual revenue budget and its use will be approved by the Council when it receives the Cabinet's recommendations in relation to the financial outturn for any given year.

3. The Change Management Reserve

This earmarked reserve exists to support non recurrent projects which help further the Council's improvement journey.

The reserve is created and topped up from corporately held underspendings and there is no maximum level for this reserve.

Use of this reserve in a year may be approved by the Cabinet collectively when considering financial monitoring reports.

4. The Regeneration Reserve

This earmarked reserve holds receipts from the Local Authority Business Growth Incentive Scheme and its use is restricted to the support of spending which supports the delivery of regeneration activity within the Borough.

There is no maximum level for this reserve.

Use of this reserve will usually be agreed by the Full Council as part of the setting of the budget. However, where additional expenditure is required during the year for specific projects the Cabinet may approve such spending on the recommendation of the Head of Economic Regeneration and Strategic Housing and Head of Financial Services.

5. The Building Control Reserve

This earmarked reserve is created from accumulated surpluses on the Building Control Trading account. Its use is restricted to supporting improvements in the Building Control Service and the management of adverse trends in trading activity.

There is no maximum level for this reserve.

Use of this reserve may be approved by the Cabinet on the recommendation of the Head of Spatial Development and Head of Financial Services.

6. The Single Status Reserve

This earmarked reserve exists to meet the transitional costs, in terms of pay protection etc, of implementing the job evaluation elements of the single status process.

The reserve is financed from costs transferred from the now closed Housing Revenue Account and the level at which it is set is based on a judgment of risk.

Use of this reserve will be subject to the agreement of the Cabinet on the recommendation of the Head of Human Resources and Head of Financial Services in relation to the conclusion of the pay and grading review.

7. Contract Performance Reserve

This earmarked reserve is financed from surplus on the collection fund generated through the performance of the revenues, benefits and customer contact contract.

The purpose of the reserve is to meet the cost of performance incentives payments under the contract and to finance one off service developments agreed by the Strategic Governance Board for the contract.

The maximum level for this reserve is £300k at any one time which represents the maximum performance incentive payable over the life of the contract plus a revolving allowance for service developments.

The head of Financial Services shall be authorised to utilise the reserve to make performance incentive payments, The use of the reserve for service developments will be authorised by the Cabinet on the recommendation of the Strategic Governance Board.

8. The Legal Liabilities Reserve

This reserve exists to protect the Council against the risk of unbudgeted legal costs being incurred in the exercise of the Council's regulatory functions.

The level of the reserve will be set based upon an assessment by the Head of Finance and Head of Legal Services of the risks in relation to matters in hand at the end of each year.

Use of the reserve will be determined by the Cabinet on the recommendation of the Head of Finance and Head of Legal and Democratic Services.

The Council does not hold reserves solely for the sake of holding reserves. The bulk of available cash reserves are earmarked for specific purposes aimed at securing improved services in one form or another. However, it needs to be borne in mind that each £100,000 of reserves in the bank can earn £5-6,000 per annum in interest income. Thus there is a trade off between holding cash and using it to secure improvements. The effect of this will be highlighted to Councillors each year through the Medium Term Financial Strategy.

Subject: Strengthening Area Fora

Status: For Publication

Report to: The Cabinet

Date: 6th June 2007

Report of: Head of Planning, Legal and Democratic Services

Portfolio

Holder: Health and Wellbeing

Key Decision:

No

Forward Plan

General Exception

Special Urgency

1. PURPOSE OF REPORT

- 1.1 The report outlines a number of options for the Cabinet to consider which will strengthen the role of Area Fora and bring local decision making closer to communities.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are directly linked to the following corporate priorities:-
- o Delivery of quality services to customers
 - o Equipping members to fulfil their role as leaders in the community

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 There is a risk to the reputation of the Council if Area Fora are perceived to be poorly performing.

4. BACKGROUND AND OPTIONS

- 4.1 A central theme running throughout the Government's modernisation process is the continuing drive for more effective engagement of local communities in decisions that affect them.
- 4.2 The Council has a leading role to play in promoting local democracy in Rossendale. Area Fora are an integral part of this process and represent an opportunity to engage with members of the public.

4.3 Area Fora have been in place in Rossendale since 2002. There are a number of drivers, both national and local, for reviewing the effectiveness of Area Fora.

- The Government white paper, Strong and Prosperous Communities encourages diversity and creativity, giving local council's the freedom they need to respond and meet their communities' needs. There is a continuing driver from Government to encourage community involvement in local democracy.
- The Community and Involvement and Engagement report undertaken on behalf of the Council by Rossendale Enterprise Anchor Limited (REAL) identified the requirement to review Area Fora to ensure that they amounted to a consistently effective community engagement mechanism.
- The Community Leadership Policy Statement and Action Plan approved by the Cabinet in November 2006 identified the need to develop strong links between the Council and the local community
- The publication of the Community Involvement and Engagement Strategy identified the need to review Area Fora

4.4 Working effectively, Area Fora can give real meaning to the Council's Community Leadership role and to developing involvement in decision-making and governance at a local level.

4.5 An analysis of the comments received during the development of the Community Involvement and Engagement Strategy has identified the following:

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Focus on local issues • Enables information to be shared on Council matters • Feedback on reports from the Police and NEAT Teams is good • Partnership working with the County Council and the Police • Developed mechanism to link to Lancashire Local so that County Council matters are fed through their decision making processes 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • No decision-making powers • Limited agendas • Meetings often seen as too long
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Involvement of partners • Responsive to local needs • Local Members acting as Community Leaders • Involvement of Whitworth Town Council on Whitworth Area Forum • Effective Community Leadership 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Feedback on issues raised at the meeting • Lack of clarity of role for Area Forum

4.6 The Way forward for Rossendale

The Cabinet are asked to consider the approach set out below as a way forward. As part of the refresh of Area Fora Members are asked to consider re-branding the Area Fora as Neighbourhood Fora, linked to the Neighbourhood Agenda and the development of Neighbourhood Plans, discussed elsewhere in the Cabinet's agenda.

4.6.1 Publicity

There are several ways in which to publicise the meetings as set out below:

- Posters prepared by Democratic Services in consultation with the Communications Manager and to be distributed by Elected Members and NEAT Officers
- Advertise on neighbourhood notice boards
- Advertise through local media by way of press releases etc
- Promote on the events page of the Council's website
- Use of pupil post in schools, where schools are used as meeting venues
- Banners where appropriate

4.6.2 Budgets

The Grants Advisory Board are recommending the option detailed below, to implement the Council's decision allocating resources to the Fora.

The Council have granted a total budget of £20,000 in the next financial year for each Area Forum to carry out local works and activities in line with the needs of local communities. It is proposed to allocate the £20,000 between the four Area Fora based on population per Ward which would equate to the following:

Neighbourhood Fora	Populati on No.	Budget £
Bacup	14,191	4,320
Haslingden (including Edenfield and Helmshore)	20,393	6,220
Rawtenstall	23,805	7,260
Whitworth	7,263	2,200

Other options, such as a total per Ward, per Councillor or equal amounts per Forum are available. However, each of these contains some degree of inequity, while the suggested option is relatively simple and can demonstrate a greater degree of equity.

The Cabinet are requested to consider the management of those budgets and the suggested approach is set out below:

- An application form would be developed and bids could be submitted up to a maximum value of £750.
- Applications would be fed through a Ward Councillor and would have to be championed by that Elected Member.
- A Working Group of each Area Forum would be established comprising three Elected Members and two community representatives. The Groups would be facilitated and supported through the Head of Community and Partnerships. The Neighbourhood Manager would be asked to comment on any grant application including attending the Working Group Meetings when required. Specific Terms of Reference would be prepared for the Working Groups.
- The Groups would consider the applications relevant to their Area Forum and report recommendations to the next meeting of the Area Forum for agreement. Applicants would be asked to attend the meeting

If this approach is agreed by the Cabinet an amendment to the scheme of delegation would be required whereby delegated authority would have to be given to the Neighbourhood Fora to determine bids received.

Members are asked to note that any individual can submit an application for funding and it is recommended that prior to the adoption of neighbourhood plans, preference should be given to those applications showing clear links to the Council's priorities. Following the adoption of neighbourhood plans preference should be given to those applications that are linked to the plans and priorities for the neighbourhood.

It is recommended that regular update reports should be given to the Area Forum meetings on the use of these resources.

4.6.3 Membership of Fora

The Cabinet are requested to consider the following option in terms of Membership of the Area Fora:

- All Elected Members for the Wards covered in the Fora
- A County Councillor. This will strengthen two tier working with the County Council and build on existing practice and links to Lancashire Local Rossendale.
- A Whitworth Town Councillor to serve on Whitworth Neighbourhood Forum (in line with the recently adopted Charter)
- Police Representative
- Two Community representatives on each Neighbourhood Forum which should be members of recognised community groups that are members of the Community Network

4.6.4 Format of Meetings

Surgery Sessions

In addition to the public question time session held at each Area Forum meeting an option for the Cabinet to consider is whether to hold an informal surgery prior to each meeting. This could be held from 6.30pm with refreshments being provided and would enable members of the public to meet ward councillors on an informal basis prior to the start of the meeting and items of individual concern could be raised at this time. This would increase opportunities for engagement and support Elected Members in their community leadership role. It is suggested that this be piloted at the next round of meetings and reviewed thereafter.

Public Question Time

A transparent process for raising and answering questions needs to be developed. This will include capturing questions that cannot be answered at the meeting and timescales for written responses should be provided in accordance with the customer services standards. It is suggested that where questions cannot be answered directly at the meeting, the member of the public is requested to write their contact details on a feedback form to ensure a response can be sent.

There should be an expectation that if written questions are submitted in advance of the meeting they will receive a response during the meeting. However, if the greatest benefit is to be obtained for the public it is suggested that they should be able to raise questions without notice as is current practice.

There also needs to be a mechanism for ensuring the response is accessible to all who were present at the meeting and it is suggested that the current mechanism whereby feedback sheets are circulated at each meeting is continued. Clear guidelines will help to manage public expectations.

Hot Topics

Through the Business Planning process Heads of Service will be asked to identify hot topics of public interest which could be focused on at each meeting. The Head of Planning, Legal and Democratic Services feels this approach should be piloted in the next cycle of Forum meetings.

Cycle of Meetings

It is recommended to maintain the current quarterly cycle of meetings.

Agenda Management

Firm agenda management will be critical to ensure meetings do not become overlong and there will need to be flexibility in the agenda if there is a burning issue that needs to be addressed.

Venues

It is recommended that the Members of each Forum be consulted on the selection of either a single meeting venue, or a limited number of venues.

4.6.5 Clarity on Role of Neighbourhood Fora - Objectives

Information Exchange

The main aim of the Fora is to include the community in the decision making process, to share information with local communities and to understand the key issues of local communities in Rossendale.

Member Role

Elected members have a key role to play as community leaders and have the ability to influence how corporate strategy is developed in relation to their local communities and it is proposed that their main role at the meeting is community engagement.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

5.1 The financial implications have been accommodated in the 2007/08 budget.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

6.1 As set out in the main report.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

7.1 There are no immediate human resource implications arising from this report.

8. CONCLUSION

8.1 Strengthening the role of Area Fora will play a key part in supporting Members in their Community Leadership role.

9. RECOMMENDATION

9.1 That the report be agreed.

9.2 That Area Fora be re-branded as Neighbourhood Fora.

9.3 That the budget of £20,000 allocated to each Neighbourhood Fora as set out in the report be agreed.

9.4 That the Council be recommended to amend the Constitution to grant delegated authority to the Neighbourhood Fora to determine bids received, and to accommodate the proposals relating to changed membership set out in this report.

10. CONSULTATION CARRIED OUT

10.1 Neighbourhood Management Project Team

Contact Officer	
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There are no background papers to this report