

Subject: Financial Monitoring (Outturn for 2007/08) **Status:** For Publication

Report to: Cabinet **Date:** 18th June 2008

Report of: Head of Financial Services

Portfolio

Holder: Finance and Resources

Key Decision: No

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

1.1 The purpose of the report is to update Members on the General Fund estimates and final outturn for 2007/08, 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 priority:

- o *A Well Managed Council: strong financial management and the delivery of value for money services (Customers, 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 07/08 has focused on the key risk areas of: Employment costs, Income, agreed budget savings, emerging issues and opportunities and service department net costs.

3.1.2 The report and the annual accounts (yet to be drafted) are subject to final external audit.

4. BACKGROUND AND OPTIONS

4.1 Capital

4.1.1 Capital Receipts as at 31st March compared to full year expectations were as follows:

Receipts:	Expectations	Received	Surplus / (Deficit)
Land & Property Sales	1,085	163	(922)
GVH - RTB	1,676	1,207	(469)
GVH - Vat Shelter	428	569	141
Insurance	50	144	94
	3,239	2,083	(1,156)

4.1.2 Receipts from GVH have been received under the terms of the transfer contract, at the end of the financial year (subject to a debtor in relation to month 12). Right to Buy (RTB) receipts have not been as buoyant as expected, which will have eventually a direct impact on funds available for the Affordable Housing programme. The previous years receipts on RTB was £2.65M.

4.1.3 As previously reported VAT shelter will be treated as revenue for 2007/08 and beyond. This approach gives the Council greater flexibility in the use of its cash resources and the creation of specific reserves (see below). This years VAT receipt is £307k less than the previous year.

4.1.4 The disposal programme has not been as successful as predicted with a number of potential site disposals being impeded for one reason or another (bidders pulling out, impasse on valuations, wider development considerations, amongst others)

4.1.5 Actual Capital Expenditure to 31st March 2008 compared to budget is as follows:

Expenditure:	Approved Expenditure	Expenditure to date	Balance outstanding	% Balance outstanding
Customer Services & e-Government	382	227	155	41%
SS&L	1,086	463	623	57%
Communities & Partnership	130	71	60	46%
Regeneration & Economic Dev	34	150	(116)	-341%
Corporate	986	459	527	53%
Housing	4,314	2,494	1,820	42%
	6,932	3,863	3,069	44%

4.1.6 As predicted spending was significantly behind the Capital programme (most significant being the Affordable housing programme (linked to 4.1.2 above), Street Scene (Vehicles) and Corporate (Pensions deficit – this will now commence 2008/09). The overspend in Regeneration overspend was funded via an insurance claims.

4.2 Net Revenue Expenditure Outturn

4.2.2 The estimated revenue spend outturn compared to budget for 2007/08 is £153k favourable (this compares to an adverse forecast last reported of £20k) [see shaded area below] and is detailed by service area as follows:

Service Area	2007/08 Base Budget £000	2007/08 Forecast £000	2007/08 Variance (Adv)/Fav £000	Variance last reported £000
Operational Services				
Community and Partnerships	584.5	540.2	44.3	44.3
Customer Services and e Government	2,780.6	2,770.0	10.6	28.8
Regeneration	578.8	584.9	(6.1)	(30.4)
Regulatory Services	844.4	884.9	(40.5)	(42.4)
Street Scene and Neighbourhood Services	5,163.9	4,961.1	202.8	2.8
Support Services				
Finance & Property Services	172.3	348.6	(176.3)	(174.9)
Democratic Services	1,003.0	992.2	10.8	(13.9)
Policy and Performance	150.6	144.2	6.4	3.7
Corporate Management	413.9	413.9	0.0	(23.4)
People and Organisational Development	156.5	135.5	21.0	0.0
Non Distributed Costs	532.0	560.0	(28.0)	(35.3)
Financing and Reserves				
Capital Financing and Interest	(855.5)	(1,081.3)	225.8	226.6
Transfer to/(from) Reserves	0.0	(38.0)	38.0	(6.0)
Transfers to/(from) Earmarked Reserves	(262.0)	(106.0)	(156.0)	0.0
Total	11,263.0	11,110.0	153.0	(20.1)

NB - re the variance column, figures in RED and BRACKETS are ADVERSE variances, those in BLACK and WITHOUT BRACKETS are FAVOURABLE variances

4.2.3 The movement in the variance is detailed as follows:

4.2.3.1 Community & Partnership (Favourable variance overall - no significant movement since last report).

4.2.3.2 Customer Services & e-Government (favourable variance has decrease by £18k). Concessionary fare costs increase of £41k (see below) offset by some saving on software fees.

NB The Council has previously set aside £261k (after changes to the 06/07 Minimum Revenue Provision) as a budget volatility reserve to absorb such demand led costs should Members so approve. The above transfer from reserves includes the use of £129k of this reserve to support the forecast of an increase in the cost of concessionary travel.

4.2.3.3 Regeneration (adverse variance has decreased by £24k.) Being a mix of cost and income gains in Parking Services. *In addition as reported last period the Council faces a potential claw back of grants previously claimed – this is due to the exclusion of third party non-cash matched contributions previously claimed. Potential risk:£14k.*

4.2.3.4 Regulatory Services (no material changes since last reporting)

- 4.2.3.5 Street Scene & Liveability (Favourable variance overall of £200k since last reporting). The key change is the receipt of PCT Health Projects grant transferred to reserves see below). In addition increases in Cemetery income, reduction in training needs and increases in stocks
- 4.2.3.6 Financial & Property Services (no material changes)
- 4.2.3.7 Democratic Services (favourable movement of £26k) majority due to staff savings
- 4.2.3.8 Corporate Management (favourable movement of £23k) being recharge to County of management services plus subscriptions savings.
- 4.2.3.9 People & Organisational Development (favourable movement of £21k) due to a mix of people and sundry cost savings
- 4.2.3.10 Capital Financing and interest – (No significant movement)
- 4.2.3.11 Transfer to/(from) reserves are analysed as follows:

Transfer to/(from) reserves	
Budget Volatility re Concessionary Travel	(129)
Change Management re MRP	91
	(38)

- 4.2.3.13 Transfer to earmarked reserves of £156k represents the PCT Health funding noted in Street Scene above.
- 4.2.4 *Impact of variances on Service Departments* – Under the agreed rules regarding the carry forward of 50% of savings for use on non-recurrent expenditure, the following service areas will benefit from this arrangement:

Unused budgets allowed to be carried forward	Budget Underspend £000	Carry Forward £000
Community and Partnerships	44.3	22.2
Street Scene & Liveability	46.8	23.4
Democratic Services	10.8	5.4
Policy & Performance	6.4	3.2
People & Organisational Development	21.0	10.5
Total	129.3	64.7

- 4.2.4 Given this and as part of 4.2.3.3 above it is anticipated that £88k will be available for reserves. The councils draft statutory accounts will be presented to the Accounts Committee 30th June 2008, there may be some further minor movement as the finance team make the final completion of the accounts. A summary of reserves and allocations is further explained below (para 4.5)

4.4 Employment Costs

4.4.1 The above outturn includes, amongst other things, some saving on salary costs. To put the above net expenditure in context the following table shows the net salary saving position as at period 12 (March 08) for total employment costs.

Employment Costs - Period 12 - March 2008	2007/08		2007/08	Movement since	Budgeted Staff FTEs
	YTD Budget	2007/08 Actual	Variance (Adv)/Fav	February (Adv)/Fav	
	£000	£000	£000	£000	
Operational Services					
Community and Partnerships	118	92	26	2	3.0
Customer Services and e Government	496	453	43	4	16.2
Economic Regeneration & Strategic Housing	518	564	-46	9	14.0
Regulatory Services	1,105	1,088	17	6	34.4
Street Scene and Neighbourhood Services	3,201	3,194	7	-34	126.4
Support Services					
Finance & Property Services	723	725	-2	-5	22.5
Democratic Services	257	242	15	2	8.2
Policy and Performance	91	91	0	-1	2.0
Corporate Management	356	358	-2	-1	7.0
People & Operational Development	378	324	54	42	6.5
Total	7,243	7,131	112	24	240.2

NB - re the variance column, figures in brackets are adverse variances, those without brackets are favourable variances

4.5 Reserves, Provisions & Grants

4.5.1 Appendix 1 illustrates the most significant Reserves, Provisions & Grants available to the Council less amounts already committed.

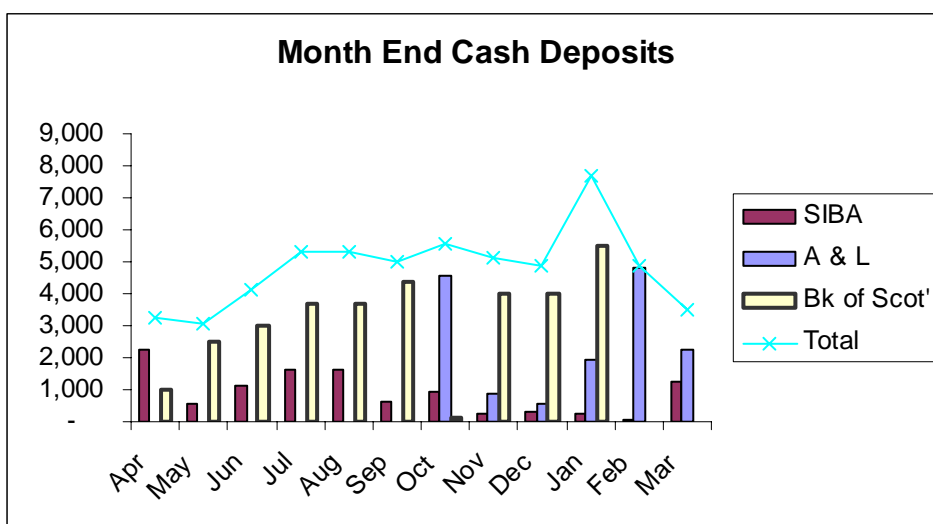
4.6 Treasury Management

4.6.1 Interest received less capital financing costs compared to budget were as follows:

	Budget 07/08	Actual 07/08	Variance () = Fav
Minimum Revenue Prov'n	110	32	(78)
Interest Paid	5	7	2
Interest Received	(210)	(367)	(157)
Total Cost / (surplus)	(95)	(328)	(233)

4.5.2 The above table shows a current favourable variance on capital financing of £233k (no change overall on previous reports). The technical gain (as previously reported re the Minimum Revenue Provision [MRP]) has been transferred to the Change Management Reserve as previously approved. Changes to MRP accounting rules for 07/08 have resulted in a lower gain than originally anticipated.

4.5.3 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 31st March was £3,513k – the banks would refer to this as available cleared balances. The graph below shows our month end cleared balances over the 12 months. The final 2 months of the year are the low months regarding cash as the majority of Council Tax is collected over the first 10 months of the year:



4.5.4 The above graph shows the available cleared balances in each of the investment accounts, both historical and forecast. The peaks in June 2007 and January 2008 are due in the main to the months being free from precepts being paid to County, Police and Fire authorities.

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

	AER	% Gross Rate	Interest Paid
SIBA			
£1.5 M +	5.09	5.00	Quarterly
£1M - £1.5 M	5.04	4.95	Quarterly
Alliance & Leicester			
£500 +	5.42	5.29	Monthly
Bank of Scotland			
£1 M +	5.54	5.40	Monthly
£500k - £1 M	5.22	5.10	Monthly
£0 - £500k	3.04	3.00	Monthly
<i>(as at 15/05/08)</i>			

4.5.6 The Council's current account banking arrangements ensure that any surplus funds are automatically transferred into a Special Investment Bank Account (SIBA) on a daily basis or transferred back to the current account as funds are required. Members can see from the above that rates offered by The Alliance & Leicester are now marginally more attractive than Bank of Scotland with the added advantage that they are on immediate call.

4.5.7 April saw a 25 basis points fall in the bank base rate. At the time the markets were anticipating further cuts in the near term however, Sector has reviewed its interest rate forecast in light the latest Inflation Report and statistics which showed inflation a fraction away from formal letter writing territory at 3%. The MPC's overriding concern of inflation is expected to provide an obstacle to any near term rate cuts and Sector now expects the Bank rate to remain unchanged for a longer period. However, inflation worries are only expected to cause a delay in any further rate cuts as slower growth is expected to become more entrenched through 2008 into 2009 providing a path for lower interest rates. Sector's revised forecast is as follows:

	Q/E2 2008	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009
Base Rate	5.00%	5.00%	4.75%	4.50%	4.25%	4.25%
25yr PWLB	4.70%	4.70%	4.65%	4.60%	4.55%	4.60%

as at 20/05/08

4.5.8 Sundry debtors have reduced at 31st March 2008 by £107k (18%) compared to the same period last year. At the same time the average time taken for debts to be paid has reduced from 85 days to 39 days.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

5.1 Financial matters are dealt with within the report.

6. MONITORING OFFICER

6.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

7. HEAD OF PEOPLE AND ORGANISATIONAL DEVELOPMENT (ON BEHALF OF THE HEAD OF PAID SERVICE

7.1 Unless specifically commented upon within the report, there are no implications for consideration.

8. CONCLUSION

8.1 Overall the General Fund revenue forecast is showing to be in line with the Councils net revenue budget and includes provision for Council's current know risk areas.

9. RECOMMENDATIONS

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

9.2 Members approve the final use and allocations of reserves.

10. CONSULTATION CARRIED OUT

10.1 Executive Director of Resources

11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required ~~Yes~~ / No

Is an Equality Impact Assessment attached ~~Yes~~ / No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required ~~Yes~~ / No

Is a Biodiversity Impact Assessment attached ~~Yes~~ / No

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Background Papers	
Document	Place of Inspection
2007/08 Budget (revenue and capital)	Full Council papers – Feb 07 Financial Services
2007/08 Additional capital authorisations	
Monthly detailed financial monitoring statements for each service area, including gross income and expenditure budget variances, in addition to the net service variance analysis detailed above.	