

Subject: Financial Monitoring for
2008/09

Status: For Publication

Report to: Cabinet

Date: 30th July 2008

Report of: Head of Financial Services

Portfolio

Holder: Finance and Resources

Key Decision: No NO/YES (Please delete)

Forward Plan General Exception Special Urgency "X" In
Relevant Box

1. PURPOSE OF REPORT

1.1 The purpose of the report is to update Members on the General Fund estimates monitoring for 2008/09, the Capital Programme and Treasury matters.

2. CORPORATE PRIORITIES

2.1 The matters discussed in this report are linked to and support each of the Council's priority areas however in particular they impact on following:

- o *A Well Managed Council: strong financial management and the delivery of value for money services (Customers, Community Network, Improvement, Partnerships) – Effective and strong Financial Management ensures the effective management of the Council's resources which then enables the provision and delivery 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 focuses on the key risk areas of: Employment costs, Income, agreed budget savings, emerging issues and opportunities and in particular service department net costs.

3.1.2 The delivery of capital receipts is now emerging as a prime area of focus for the Council in supporting its corporate priorities.

4. BACKGROUND AND OPTIONS

4.1 Capital

4.1.1 Capital Receipts as at 30th June compared to full year expectations were as follows:

Receipts:	Expectations	Received	Surplus / (Deficit)
Land & Property Sales	1,100	100	(1,000)
GVH - RTB	1,438	0	(1,438)
GVH - Vat Shelter	560	0	(560)
	3,098	100	(2,998)

4.1.2 The receipts from Green Vale Homes (GVH) re Vat Shelter and Right to Buy (RTB) are due to be received at the end of the financial year. Given the current climate the rate of RTBs will be closely monitored during the year. RBC have requested information as to amounts accrued as at 30th June for a verbal update to Members.

We will continue to monitor VAT shelter receipts, as above, because of their significance, however for final accounts purposes they will be treated as a revenue receipt, to fund amongst other things the Pensions Reserve.

4.1.3 Officers have formed a Property Disposals Group, meeting monthly, to proactively pursue the disposal of those assets of material value and which do not contribute to corporate priorities. However, given the current housing climate this will be a challenging assignment.

4.1.4 Actual Capital Expenditure to 30th June 2008 compared to budget is as follows:

Expenditure:	Approved Expenditure	Expenditure to date	Balance outstanding	% Balance outstanding
Customer Services & e-Government	70	69	1	1%
SS&L	1,692	295	1,397	83%
Communities & Partnership	64	4	60	94%
Regeneration & Economic Dev	44	17	27	62%
Corporate	1,413	38	1,375	97%
Housing (excludes affordable housing)	3,572	181	3,391	95%
	6,855	603	6,252	91%

4.1.5 Officer have recently finalised the tender process with regard to the capital maintenance programme for 08/09 and the slippage from the previous year. Members and the public should see the benefits of this investment over the summer months.

4.2 Net Revenue Expenditure Outturn

4.2.1 The estimated revenue spend outturn compared to budget for 2008/09 is £104k favourable and is detailed by service area as follows:

General Fund Summary - June 2008 (Period 3)

Service Area	2008/09 Org Budget (adj for JE) £000	2008/09 Forecast £000	2008/09 Variance (Adv)/Fav £000
Place Directorate			
Place Operations	3,907.7	3,887.5	20.2
Customer Services and e Government	2,779.0	2,759.7	19.3
Communities	1,260.6	1,178.5	82.1
Regeneration	639.7	604.3	35.3
Business Directorate			
Building Control Services	133.7	132.3	1.4
Environmental Services	780.2	762.8	17.4
Legal & Democratic Services	1,135.4	1,108.7	26.7
Planning Services	528.4	573.0	(44.6)
Corporate Support Services			
Finance & Property Services	223.7	277.5	(53.8)
Corporate Management	541.2	545.3	(4.1)
People and Policy (incl P&P & Comm)	301.3	305.0	(3.7)
Non Distributed Costs	481.5	493.2	(11.7)
Capital Financing and Interest	(902.4)	(922.4)	20.0
Reserves			
Transfer to/(from) Change Management Reserve	(37.0)	(37.0)	0.0
Transfers to/(from) Other Earmarked Reserves	(272.5)	(272.5)	0.0
Total	11,500.5	11,395.9	104.5

4.2.2 The variances are detailed as follows:

4.2.3 Place Directorate (Total forecast gain of £157k)

4.2.3.1 *Place Operations* (forecast gain of £20k) Fuel and tool costs plus bulk refuse income is forecast to be adverse, offset by savings across insurance, cemeteries and paper income, leasing costs, maintenance and staff/agency savings

4.2.3.2 *Customer Services & e-Government* (forecast gain of £19k) Benefits overpayments down offset by court cost income, staff, IT and other sundry cost savings. Other savings are anticipated on software licences (£40k) with a view to funding a disaster recovery programme

- 4.2.3.3 *Communities* (forecast gain of £82k) Markets income gains, cost savings on consultancy, Dog Warden service contact and sundry expenses together with an increased contribution from LCC re second homes. Recent changes in management have lead to a thorough review of the cost base leading to significant savings being identified.
- 4.2.3.4 *Regeneration* (forecast gain of £35k). A managers vacancy is currently being filled on an agency basis at an increased cost, however, this is being more than offset by other staff savings, gains in private sector renewal incomes and receipt of a one off grant.
- 4.2.4 Business Directorate (Total forecast gain of £1k)
- 4.2.4.1 *Building Control* (forecast gain of £1k) – No significant changes
- 4.2.4.2 *Environmental Services* (forecast gain of £17k) Being savings on consultancy costs, together with increase in fees and other sundry cost savings.
- 4.2.4.3 *Legal & Democratic Services* (forecast gain of £27k) Being staff vacancies and Member Allowances
- 4.2.4.4 *Planning* (forecast adverse of £45k) – Main driver being forecast reduction in land charges income due to the current housing market
- 4.2.5 Corporate Support Services (Total forecast adverse variance of £53k)
- 4.2.5.1 *Finance & Property* (forecast adverse of £54k) This is due to an upgrade required for bank security purposes to the cash receipting system, together with increased rent and rate costs. (nb - £20k will be funded from treasury management gains – see below). *The Council will as from 1st October enter into new contracts for Gas and Electricity supply. Supplies have been fixed for 2 years but have entailed a 59% price increase, the majority of which has been budgeted.*
- 4.2.5.2 *Corporate Management* (forecast adverse of £4k) being legal costs associated with a recent injunction. The gain from savings resulting from the Executive Director of Resources secondment have been ring fenced to support other projects within corporate resources.
- 4.2.5.3 *People & Policy* (forecast adverse of £4k) Additional H & S costs
- 4.2.5.4 *Non Distributed Costs* (forecast adverse of £12k) Error in the allocation of a car loan repayment to revenue during 07/09 together with historical pension payments.
- 4.2.5.5 *Capital Financing* (forecast gain of £20k) – being gains realised in the first quarter from treasury management

4.2.6 Concessionary Travel – We still await data on the impact of the new national concessionary scheme. However, we do anticipate an overspend, as in 07/08, of c.£130k – this overspend will be funded from the Budget Volatility Reserve.

4.2.7 The above forecast does not yet take account of the financial impact following the recent senior management restructure. The impact of this will be finalised as the costs of change are quantified in the next few weeks.

4.3 Employment Costs

4.3.1 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 3 (June 08) for total employment costs.

Employment Costs - Period 3 - June 2008	2008/09 YTD Budget £000	2008/09 YTD Actual £000	2008/09 Variance (Adv)/Fav £000	Period 3 Movement (Adv)/Fav £000	Budgeted Staff FTEs	Current Vacant Posts
Operational Services						
Community and Partnerships	25	23	2	1	3.0	0.0
Customer Services and e Government	131	120	11	4	16.2	1.0
Economic Regeneration & Strategic Housing	124	115	9	10	14.0	2.0
Regulatory Services	248	229	19	14	34.4	1.5
Street Scene and Neighbourhood Services	839	803	36	45	126.4	5.0
Support Services						
Finance & Property Services	187	185	2	(1)	22.5	0.0
Democratic Services	65	62	3	1	8.2	0.0
Policy and Performance	22	23	(1)	0	2.0	0.0
Corporate Management	116	115	1	(1)	7.0	0.0
People & Operational Development	54	49	5	(4)	6.5	0.0
Total	1,811	1,725	86	68	240.2	9.5

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

4.4 Reserves, Provisions & Grants

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

4.4.2 The Council has recently received pension strain costs, as anticipated, relating to redundancies made during 07/08 – these cost to be funded from Change Management Reserve.

4.4.3 The impact of Job Evaluation on the budget for 08/09 has been assessed at £120k.

4.4.4 The reserves as at 1st April 2008 have previously been approved by Members of the Accounts committee, including amongst other things the allocation of LABGIS receipts to the Economic Regeneration Reserve and the Regulatory

Services Reserve. The detailed spending plans are available to Members if required.

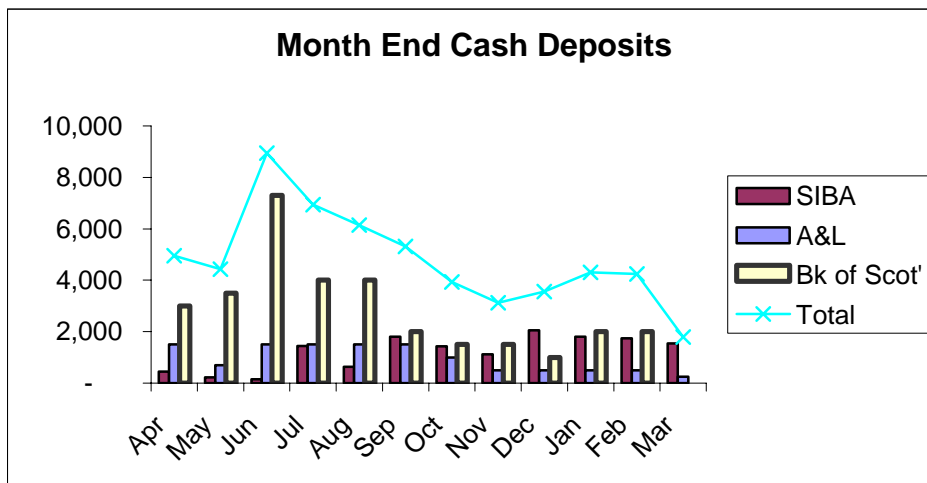
4.5 Treasury Management

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

	Budget 08/09	F'cast 07/08	Variance () = Neg'
Minimum Revenue Prov'n	(88)	(88)	0
Interest Paid	(5)	(6)	(1)
Interest Received	237	258	21
Total	145	165	20

4.5.2 The above table shows a current favourable variance on capital financing of £20k. In the main this is due to interests rates on deposits being received approximately 0.5% above base rates and stronger than anticipated cash flows (the budget was based on 5% base rates).

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 30th June was £8,947k – the banks would refer to this as available cleared balances. The graph below shows our month end cleared balances over the 12 months.



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 2008 and

January 2009 are due in the main to the months being free from precepts due to County, Police and Fire authorities.

- 4.5.5 Cash flow over the medium term is expected to be strong, Officers have therefore placed a total of £2.5M on 3 months deposit terms with Bank of Scotland at 6.10 & 6.15% 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 & Leisester			
£500 +	5.60	5.54	Monthly
Bank of Scotland			
£1 + (as at 17/07/097)	5.48	5.35	Monthly
Bank of Scotland			
3 month fixed		6.10/6.15	Quarterly

- 4.5.6 July saw as anticipated no change to bank base rates – they remain at 5.00%. The Consumer Price Index in July saw a 0.5% jump to 3.8%, with the Retail Price Index up by 0.3% to 4.6%, the largest pressures coming from food and non-alcoholic beverages.

- 4.5.7 Current market forecasts for bank interest rates are as follows:

	Q/E3 2008	Q/E4 2008	Q/E1 2009	Q/E2 2009	Q/E3 2009
Base Rate	5.00%	4.75%	4.50%	4.25%	4.25%
25yr PWLB	4.65%	4.55%	4.35%	4.30%	4.35%

as at July 08

- 4.5.8 Officers continue to focus on sundry debtors, currently standing at £431k for 30th June 2008 and compare to £610k for the same period last year. At the same time the average time taken for debts to be paid has reduced from 84 days to 79 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 Council's net revenue budget and includes provision for Council's current known risk areas.

9. RECOMMENDATIONS

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

9.2 Members approve the funding of pension strain costs from the Change Management Reserve.

9.3 Members approve funding for the impact of Job Evaluation from the Single Status Reserve.

10. CONSULTATION CARRIED OUT

10.1 Directors, Heads of Services and Budget Holders.

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
2008/09 Budget (revenue and capital) 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.	Full Council papers – Feb 08 Financial Services