

**Subject:** Financial Monitoring for  
2008/09

**Status:** For Publication

**Report to:** Cabinet

**Date:** 10<sup>th</sup> September 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 31<sup>st</sup> July compared to full year expectations were as follows:

Receipts:	Expectations £000	Received £000	Surplus / (Deficit) £000
Land & Property Sales	1,100	106	(994)
GVH - RTB	1,438	0	(1,438)
GVH - Vat Shelter	560	0	(560)
	3,098	106	(2,992)

The offer for the purchase of Whitworth NO has been withdrawn, Officers are now investigating an the auction process, subject to reserves. The first quarter receipts from Green Vale Homes (GVH) re Vat Shelter and Right to Buy (RTB) are due to be received during August 08 and total £280k. Compared to the previous years there has been a reduction in the value received as follows:

Qtr 1	2007/08	2008/09
RTB (£)	£234k	£64k
RTB (Numbers)	10	2
VAT	£171k	£216k

4.1.2 Officers have formed a Land and Property Group (being a subset of the Capital Steering Group). This group meets 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. That said there still remains a reasonable expectation of generating £750k from various other projects during the course of 08/09.

4.1.3 Actual Capital Expenditure to 31<sup>st</sup> July 2008 compared to budget is as follows:

Expenditure:	Approved Expenditure £000	Expenditure to date £000	Balance outstanding £000	% Balance outstanding
Customer Services & e-Government	105	86	19	18%
SS&L	1,692	296	1,396	82%
Communities & Partnership	64	34	30	47%
Regeneration & Economic Dev	44	18	26	59%
Corporate	1,513	167	1,347	89%
Housing (excludes affordable housing)	3,422	514	2,908	85%
	6,840	1,115	5,725	84%

4.1.4 Officers 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.

4.1.5 **S.106 (Town & Planning Act 1990)** – Finance, Legal and Planning Officers have recently been working to review the processes and monitoring of S.106 planning monies with a view maximising value. Future monitoring reports will ensure that S106 resources are a standard feature of this financial monitoring report.

## 4.2 Net Revenue Expenditure Forecast

4.2.2 The estimated revenue spend outturn compared to budget for 2008/09 is £114k favourable and is detailed by service area as follows:

### General Fund Summary - July 2008 (Period 4)

Service Area	2008/09 Org Budget (adj for JE) £000	2008/09 Forecast £000	2008/09 Variance (Adv)/Fav £000	Variance last reported £000	Change in May (Adv)/Fav £000
<b>Place Directorate</b>					
Place Operations	3,907.7	3,866.3	41.4	20.2	21.3
Customer Services and e Government	2,779.1	2,799.6	(20.5)	19.3	(39.8)
Communities	1,260.6	1,154.4	106.2	82.1	24.2
Regeneration	644.1	571.4	72.7	35.3	37.3
<b>Business Directorate</b>					
Building Control Services	133.7	130.7	3.0	1.4	1.6
Environmental Services	785.9	751.5	34.4	17.4	17.0
Legal & Democratic Services	1,131.3	1,122.5	8.8	26.7	(17.9)
Planning Services	528.4	590.1	(61.6)	(44.6)	(17.0)
<b>Corporate Support Services</b>					
Finance & Property Services	220.7	324.5	(103.8)	(53.8)	(49.9)
Corporate Management	541.2	542.1	(0.9)	(4.1)	3.2
People and Policy (incl P&P & Comm)	301.3	296.6	4.7	(3.7)	8.4
Non Distributed Costs	481.5	549.0	(67.5)	(11.7)	(55.8)
Capital Financing and Interest	(902.4)	(935.4)	33.0	20.0	13.0
<b>Reserves</b>					
Transfer to/(from) Change Management Reserve	(37.0)	(101.9)	64.9	0.0	64.9
Transfers to/(from) Other Earmarked Reserves	(272.5)	(272.5)	0.0	0.0	0.0
<b>Total</b>	<b>11,503.7</b>	<b>11,388.8</b>	<b>114.9</b>	<b>104.5</b>	<b>10.3</b>

4.2.3 The variances are detailed as follows:

4.2.4 Place Directorate ( Total forecast gain of £200k, previously reported £157k)

4.2.4.1 *Place Operations* (forecast gain of £41k). Cemeteries income continues to exceed budget, other staff vacancies and sundry savings less the cost of temporary hire of a street sweeping vehicle pending a new delivery financed by the capital programme.

4.2.4.2 *Customer Services & e-Government* (forecast adverse variance of £20k, compares to a favourable 19k previously reported) Software licences continue to be investigated in particular various Planning licences. Previous estimates had not captured commitments to "Voice Over IT" contracts. The forecast still includes a provision, as yet uncommitted of £22k towards Corporate Disaster Recovery initiatives (this area is currently being reviewed by the Executive Management Team)

4.2.4.3 *Communities* (forecast gain of £106k, previously reported £82k) Additional salary savings due to vacancies, though Markets income has been downgraded by £12k.

4.2.4.4 *Regeneration* (forecast gain of £73k previously reported £35k). The main driver is staff vacancies offset by an adverse variance of £12k within Tourism. (NB – following investigation it has been found that an invoicing

*error occurred which will be corrected during August with the result that the forecast will improve by £10k).*

- 4.2.5 Business Directorate (Total forecast adverse £15k compared to previously reported gain of £1k)
  - 4.2.5.1 *Building Control* (forecast gain of £3k, previously £1k) – No significant changes
  - 4.2.5.2 *Environmental Services* (forecast gain of £34k previously £17k) Being further savings on staff costs and support services
  - 4.2.5.3 *Legal & Democratic Services* (forecast gain of £9k previously £27k) Being a reduction on previously anticipated savings in staff vacancies and Member Allowances
  - 4.2.5.4 *Planning* (forecast adverse of £62k previously £45k) – Further reductions in Land Charges, further external support cost for reactive work, together with increased administration costs due to volume increase.
- 4.2.6 Corporate Support Services (Total forecast adverse variance of £134k previously £53k)
  - 4.2.6.1 *Finance & Property* (forecast adverse of £104k previously £54k) Industrial unit voids have resulted in a forecast downturn in revenues and reduced recharges of insurance premiums (though this latter item is reflected in sundry savings across other service areas)..
  - 4.2.6.2 *Corporate Management* (forecast adverse £1k, previously adverse of £4k) – Previously reported adverse variance has now been absorbed within other budget savings.
  - 4.2.6.3 *People & Policy* (forecast favourable £5k previously adverse of £4k) Staff and special events budget savings
  - 4.2.6.4 *Non Distributed Costs* (forecast adverse £68k from £12k) £65k cost of a pension strain funded from Change Management Reserve, as previously agreed.
  - 4.2.6.5 *Capital Financing* (forecast gain of £33k previously £20k) – The authority continues to make gains from strong cash flow and current favourable investment rates of interest.
- 4.2.7 Concessionary Travel – Lancashire County Council have made a tentative prediction of additional costs across the whole of the County. Our best estimate to date based on this information is for a adverse budget impact of £190k which has been approved as an application of the Budget Volatility Reserve.

### 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 4 (July 08) for total employment costs.

Employment Costs - Period 4 - July 2008	2008/09 YTD Budget £000	2008/09 YTD Actual £000	2008/09 Variance (Adv)/Fav £000	Period 4 Movement (Adv)/Fav £000	Budgeted Staff FTEs
<b>Operational Services</b>					
Community and Partnerships	34	31	2	0	3.0
Customer Services and e Government	170	161	9	1	16.2
Economic Regeneration & Strategic Housing	165	149	16	6	14.0
Regulatory Services	323	302	21	8	34.4
Street Scene and Neighbourhood Services	1,092	1,067	25	9	126.4
<b>Support Services</b>					
Finance & Property Services	251	247	5	2	22.5
Democratic Services	86	82	4	1	8.2
Policy and Performance	30	30	0	1	2.0
Corporate Management	156	153	4	2	7.0
People & Operational Development	72	66	6	1	6.5
<b>Total</b>	<b>2,380</b>	<b>2,288</b>	<b>92</b>	<b>31</b>	<b>240.2</b>

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

4.3.2 The above forecast does not yet take account of the financial impact following the recent senior management restructure. It is anticipated that a further gain of £27k will impact on the 08/09 out turn after redundancy costs of £23k, notice periods £16k and previously agreed market supplements £11k.

4.3.3 The national 2 day strike (15<sup>th</sup> / 16<sup>th</sup> July) was not fully supported by staff however for those that did participate this will result in a saving of £8k (equivalent to 4.3% of the daily July payroll cost)

### 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. There are no changes to previous reports to Members.

### 4.5 Treasury Management

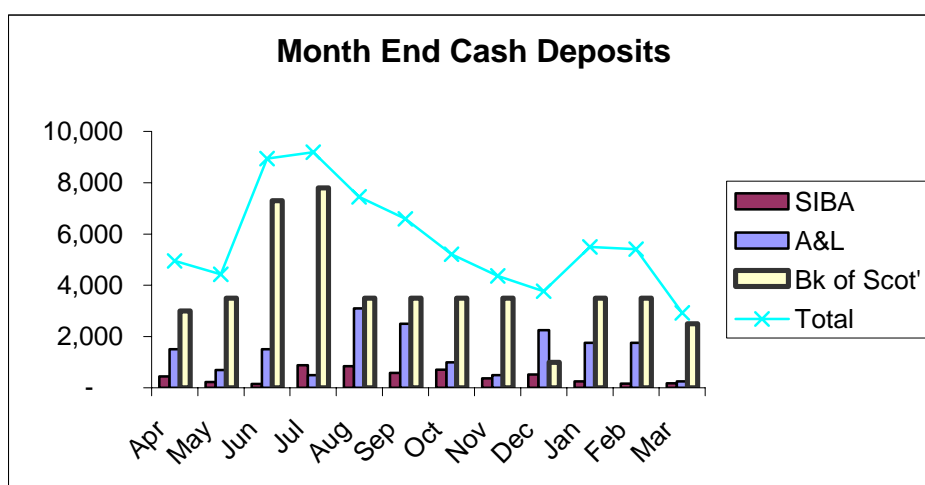
4.5.1 Interest received less capital financing costs compared to budget were as follows:

	Budget 08/09	F'cast 07/08	Variance ( ) = Neg'
Minimum Revenue Prov'n	(88)	(88)	0
Interest Paid	(5)	(6)	(1)
Interest Received	237	271	34
Total	145	178	33

4.5.2 The above table shows a current and prudent favourable variance on capital financing of £33k (compared to £20k reported last month). In the main this is due to interests rates on deposits being received approximately 0.4% above base rates and stronger than anticipated cash flows (the budget was based on 5% base rates).

4.5.3 At this stage we are not forecasting any change to the Minimum Revenue Position, however, this will be ultimately be determined by the availability of Useable Capital Receipts and the use of internal borrowing requirements.

4.5.4 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 31<sup>st</sup> July was £9,188k – the banks would refer to this as available cleared balances. The graph below shows our month end cleared balances over the 12 months.



4.5.5 The above graph shows the available cleared balances in each of the investment accounts, both historical and forecast. July is unusually higher than the month on June due to the final receipt of LABGIS year end debtors.

4.5.6 Cash flow over the medium term is expected to be strong. As previously reported officers have therefore placed a total of £2.5M on 3 months deposit terms with Bank of Scotland at 6.10 & 6.15% - maturing the end of August. The current interest terms for the accounts which the Council regularly uses are:

	AER	% Gross Rate	Interest Paid
<b>SIBA</b>			
£1.5 M +	5.09	5.00	Quarterly
£1M - £1.5 M	5.04	4.95	Quarterly
<b>Alliance &amp; Leisester</b>			
£500 +	5.73	5.60	Monthly
<b>Bank of Scotland</b>			
£1 + (as at 08/08/08)	5.45	5.32	Monthly
<b>Bank of Scotland</b>			
3 month fixed		6.10/6.15	Quarterly

4.5.7 As a result of the above rates Officers transferred the majority of funds, during August, from RBS to A&L.

4.5.8 7<sup>th</sup> August saw as anticipated no change to bank base rates, they remain for the 4<sup>th</sup> month running 5.00% with the Bank of England's Monetary Policy Committee choosing the middle ground as it balances the dilemma of inflation fears and a slowing economy. However, as can be seen below our treasury advisors are anticipating a cut sometime during the last quarter of 2008, though there are other economists forecasting a status quo. Inflation saw a further leap in the August publications. The Consumer Price Index for July rose to 4.4% (June 3.8%), with the Retail Price Index rising to 5.0% (June 4.6%). The largest upward pressure came from food and non-alcoholic beverages where prices rose this year but fell a year ago. Within this division, there were large upward effects from meat, bread, cereals, and vegetables. There were further large upward pressures from, amongst other things, transport, utilities, furniture, clothing and hotels.

4.5.8 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
<b>Base Rate</b>	5.00%	4.75%	4.50%	4.25%	4.25%
<b>25yr PWLB</b>	4.65%	4.55%	4.35%	4.30%	4.35%

as at August 08

4.5.9 Officers continue to focus on sundry debtors, currently standing at £344k for 31<sup>st</sup> July 2008 and compare to £575k (Debtor Days 77) for the same period last year. At the same time the average time taken for debts to be paid has reduced from 79 days in June to 67 days at the end of July.



**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 That a sub-working group be set up to examine the priorities in the capital programme in light of the changing nature of capital funds being received.

**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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<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
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

General Fund Reserve, Earmarked Funding & Long Term Provisions (cash-backed items only)	General Fund Reserve	Earmarked Funding										Long Term Provisions	Total
		Budget Volatility	Change Manag't	IT Reserve	Pension Fund Reserve	Perform' Manage't	Regulatory Services	Econ' Regen'	Single Status	Health & Wellbeing Projects	Total Useable Earmarked Funding	Building Control Trading Provisions	
<b>Balance at 01/04/08</b>	813	372	661	370	396	68	567	847	669	346	4,296	30	5,139
<b>New Funds Received 2008/09</b>													
Planning Delivery Grant (08/09 allocation)							83				83		83
	0	0	0	0	0	0	83	0	0	0	83	0	83
<b>Specific Revenue Budget Commitments</b>													
Communications Regeneration Team			(19)								(19)		(19)
Corporate Subscriptions (PLLACE)			(8)								(8)		(8)
Contaminated Land Consultancy			(10)								(10)		(10)
Pride in Rossendale											0		0
Various Planning Related Expenditure											0		0
<b>2007/08 Budget Savings allowed to c/fwd</b>													
Community & Partnerships	(22)										0		(22)
Street Scene & Livability	(23)										0		(23)
Democratic Services	(5)										0		(5)
Policy & Change Management	(3)										0		(3)
People & Organisational Development	(10)										0		(10)
<b>Further In-Year Utilisation of Reserves</b>													
Job Evaluation									(111)		(111)		(111)
Transfer											0		0
Concessionary Travel											0		0
Contribution to 2007-08 Revenue Budgets											0		0
PCT Health Projects											0		0
Union Involvement in Job Evaluation - back filling of post			(10)								(10)		(10)
Environmental Health - Temp Technical Officer Appoint										(23)	(23)		(23)
Environmental Health Admin Officer Redundancy			(9)								(9)		(9)
Balance of Partnership monies & Henrietta St Admin			(14)								(14)		(14)
Pension Strain Costs			(65)								(65)		(65)
2008/09 Plans (see schedule)							(408)	(146)			(554)		(554)
2009/10 Plans (see schedule)								(120)			(120)		(120)
2010/11 Plans (see schedule)								(163)			(163)		(163)
2011/12 Plans (see schedule)								(154)			(154)		(154)
2012/13 Plans (see schedule)								(13)			(13)		(13)
											0		0
											0		0
<b>Utilisation of Reserves</b>	(63)	0	(135)	0	0	0	(408)	(597)	(111)	(23)	(1,274)	0	(1,337)
<b>Cash-backed Reserve Balances</b>	750	372	526	370	396	68	242	250	558	324	3,106	30	3,886