

Subject: Financial Monitoring for
2008/09

Status: For Publication

Report to: Cabinet

Date: 21st January 2009

Report of: Head of Financial Services

Portfolio

Holder: Finance and Resources

Key Decision: No

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:

- *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 31st December compared to full year expectations were as follows:

Major Receipts:	Original Expectations £000	Received £000	Surplus / (Deficit) £000
Capital Receipts			
Land & Property Sales	1,100	308	(792)
Equity Release		77	77
GVH - RTB	1,438	85	(1,353)
Revenue Receipts			
GVH - Vat Shelter	560	394	(166)
	3,098	864	(2,234)

4.1.2 The above Land & Property budget includes a pre contractual figure of £1M in relation to the Councils assets within and associated with the Valley Centre redevelopment. Monies budgeted in relation to Green Vale Homes (GVH) were based on previous years experience prior to the current decline in the property market.

4.1.3 The current economic and financial climate continues to be challenging and a cause for concern in the raising of capital receipts. The Portfolio Holder for Finance and Resources met with the Head of Finance on 24th November 2008 to review current progress on capital receipts and the affordability of the current medium term capital programme. Although current year funding is in place, the core capital programme may be underfunded by c £250k over the next 3 years.

4.1.4 Actual Capital Expenditure to 31st December 2008 compared to budget is as follows:

SERVICE AREA	2008'9 BUD INCLUDE SLIPPAGE	Period 9 MONITORING		FULL YR FORECAST	% spend
	Total £000	Spend £	Committ £	Forecast £	to date
Place Directorate					
Place Operations	1,429	558	40	1,044	39%
Customer Services and e Government	105	128	3	131	122%
Communities	399	225	8	390	56%
Regeneration	1,079	15	0	1,079	1%
Corporate Support Services					
Finance & Property Services	732	624	1	904	85%
Housing					
	3,036	1,782	11	3,061	59%
	6,780	3,331	63	6,609	49%

4.1.5 The overspend on Customer Services relates to a required upgrade on electronic banking systems. This non budget item is being financed from savings made within Treasury Management (see below, para 4.5)

4.1.6 **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. Current available resources are noted below in the following table:

Section 106 resources	08/09 & Previous £000
Section 106 invoices paid	799
Section 106 monies released (liable) to 3rd parties	506
Section 106 monies available for RBC	293

4.2 Net Revenue Expenditure Forecast

4.2.2 The estimated revenue spend outturn compared to budget for 2008/09 is £186k favourable (Compares to £253k for the month of November). The following table as per the previous report now includes movement on earmarked reserves and is detailed by service area as follows:

General Fund Summary - December 2008 (Period 9)

Service Area	2008/09 Org Budget (adj for JE & org review) £000	2008/09 Forecast £000	2008/09 Variance (Adv)/Fav £000	Variance last reported £000	Change in December (Adv)/Fav £000
Place Directorate					
Place Operations	3,850.2	3,820.3	29.9	30.5	(0.6)
Customer Services and e Government	2,779.1	2,779.8	(0.7)	(8.6)	7.9
Communities	1,266.7	1,167.4	99.2	93.6	5.6
Regeneration	651.8	631.6	20.1	39.9	(19.8)
Business Directorate					
Building Control Services	133.7	122.7	11.0	10.4	0.6
Environmental Services	780.4	737.5	42.9	49.5	(6.6)
Legal & Democratic Services	1,130.5	1,084.8	45.7	42.3	3.4
Planning Services	528.4	621.1	(92.7)	(86.1)	(6.6)
Corporate Support Services					
Finance & Property Services	220.7	352.6	(131.8)	(131.8)	(0.0)
Corporate Management	541.2	542.1	(0.9)	(0.9)	0.0
People and Policy (incl P&P & Comm)	301.3	285.4	15.9	15.9	(0.0)
Non Distributed Costs	481.5	485.5	(4.0)	(4.0)	(0.0)
Capital Financing and Interest	(902.4)	(1,054.7)	152.3	92.3	60.0
Favourable impact on General Fund	11,763.1	11,576.2	186.8	143.0	43.8

4.2.3 The variances are detailed as follows:

4.2.4 Place Directorate (Total forecast gain of £148k, November reported £155k)

4.2.4.1 *Place Operations* (forecast gain of £30k, compares to the previous month of £30k). A mix of minor savings and cost with no change overall.

4.2.4.2 *Customer Services & e-Government* (forecast adverse variance of £1k, compares to an adverse £9k in the previous month) – IT support savings (£18k) less sundry adverse items

4.2.4.3 *Communities* (forecast gain of £99k, previous month £94k) – No significant variances

4.2.4.4 *Regeneration* (forecast gain of £20k previous month £40k) – a mix on minor adverse costs (Car Parks income, recruitment costs, tourism)

4.2.5 Business Directorate (Total forecast favourable £16k compared to November reports of an adverse of £9k)

4.2.5.1 *Building Control* (forecast gain of £11k, previously £10k) – No significant changes

4.2.5.2 *Environmental Services* (forecast gain of £43k previously £50k) – No significant changes

4.2.5.3 *Legal & Democratic Services* (forecast gain of £46k previously £42k) – No significant changes

4.2.5.4 *Planning and Land Charges* (forecast adverse of £93k previously £86k) – Increase in third party support costs. Whilst planning income has held up surprisingly well despite of the current economic climate, December's

income was the second lowest of the year. We continue to forecast budget, though this is an area to watch over the final quarter.

4.2.6 Corporate Support Services (Total forecast adverse variance of £31k previously adverse £28k)

4.2.6.1 *Finance & Property* (forecast adverse of £131k previous month £131k) – No significant changes

4.2.6.2 *Corporate Management* (forecast adverse £1k, previously adverse of £1k) – No significant changes

4.2.6.3 *People & Policy* (forecast favourable £16k previously adverse of £7k) – Number of miscellaneous savings

4.2.6.4 *Non Distributed Costs* (forecast adverse £5k previously adverse of £5k) – No significant changes

4.2.6.5 *Capital Financing* (forecast gain of £152k previously £92k) – being further gains made on Treasury Management Investments. Despite further interest rate cuts, previous investments with fixed returns should see the forecast being over achieved.

4.2.7 **Under spend carry forward rules** – Members will recall that service areas are allowed to carry forward under spends for use on non recurrent budgets. Therefore the following table shows the forecast impact on General Fund reserves at the year end:

	£000
General Reserves Variance forecast	187
Less 50% service under spend	
Place	74
Busines	3
Corporate	0
Favourable Impact on General Reserves	109

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 9 (Dec '08) for total employment costs.

Employment Costs - Period 9 - December 2008	2008/09 YTD Budget £000	2008/09 YTD Actual £000	2008/09 Variance (Adv)/Fav £000	Period 9 Movement (Adv)/Fav £000	Budgeted Staff FTEs	Current Vacant Posts
Place Directorate						
Communities Service	406	371	35	11	3.0	3.0
Customer Services	281	264	17	1	10.8	0.0
Regeneration Service	370	311	59	9	13.0	3.0
Operations Service	1,812	1,755	57	11	114.9	1.0
Business Directorate						
Building Control Services	161	152	9	(0)	6.0	0.0
Environmental Services	360	300	60	7	12.0	1.0
Legal & Democratic Services	413	380	33	3	19.4	1.5
Planning Services	422	398	24	5	17.2	1.0
Corporate Services						
Corporate Management	350	352	(2)	(3)	7.0	0.0
Finance & Property Services	562	555	7	(1)	23.5	1.0
People & Organisational Performance	282	265	17	4	10.0	0.5
Non-Distributed Costs	166	215	(49)	8	0.0	0.0
Total	5,585	5,318	267	55	236.8	12.0

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

4.3.2 The above forecasts do 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.

4.4 Reserves, Provisions & Grants

4.4.1 Appendix 1 illustrates the most significant Reserves, Provisions & Grants available to the Council less amounts already committed. No new requests are made in this report.

4.4.2 *Budget Volatility Reserve* – Following the agreement of a Lancashire wide pooling arrangement the Council now anticipates a further £75k reduction in previous cost forecasts, with any budget overspend coming from the Budget Volatility Reserve. However, this gain is likely to be offset by the cost of changes within Housing Benefits subsidy claim in relation to non-registered housing associations (ie those that are not registered social landlords)

4.5 Treasury Management

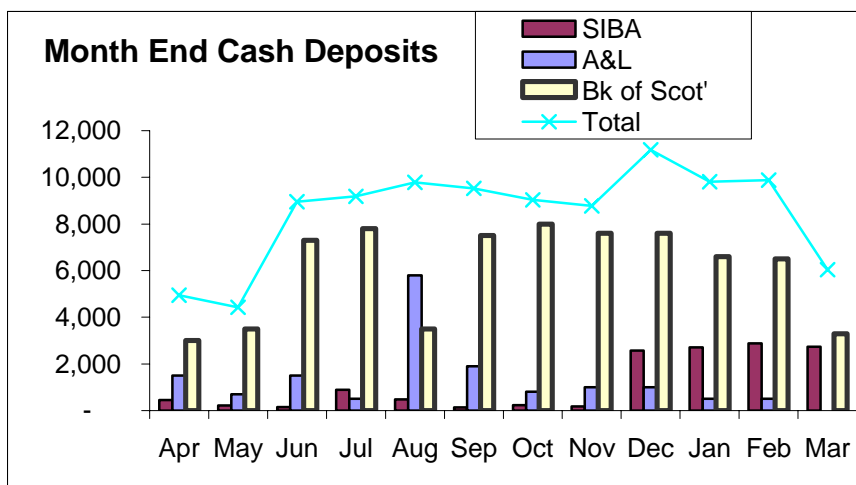
4.5.1 Interest received less capital financing costs compared to budget were as follows:

	Budget 08/09	F'cast 07/08	Variance () = Neg'
Minimum Revenue Prov'n	(88)	(88)	0
Interest Paid	(5)	(6)	(1)
Interest Received	237	391	154
Total	145	298	153

4.5.2 The above table shows a current and prudent favourable variance on capital financing of £153k.

4.5.3 We continue not to forecast any change to the Minimum Revenue Provision; there may be some additional saving also in this area of c. £30k. 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 31st December was £11,175k – 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. October balances continue to be strong and compare to £4.8M cleared cash at 31st December 2007.

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

		AER	% Gross Rate	Interest Paid
SIBA	£1.5 M +	1.51	1.50	Quarterly
	£1M - £1.5 M	1.46	1.45	Quarterly
Alliance & Leisester	£500 +	1.66	1.65	Monthly
Bank of Scotland	£1 +	1.76	1.75	Monthly
Bank of Scotland	2 month fixed		3.09	Maturity
Bank of Scotland	364 days fixed		6.78	Maturity

as at 12/01/09

4.5.7 The Bank of England's Monetary Policy Committee continues to reduce base rates. The 8th January 2009 saw a further 0.5% reduction to 1.5%. On the same day officers locked in a further £1.5M for 364 days at 2.7% this is on the basis that, should we need to do, we are allowed to borrow c. £1.6M from PWLB whose rates are currently 1% for 12 months are on a declining path.

4.5.8 The Inflation figure saw further changes in the December publications. The November Consumer Price Index fell again to 4.1%(Oct 4.5%%), with the Retail Price Index was down to 3.0% (Oct 4.20%). Expectation is of further reductions during 2009

4.5.8 Our treasury advisors, Sector, are now forecasting interest rates as follows:

	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010
Base Rate	0.50%	0.50%	0.50%	0.50%	0.50%
25yr PWLB	4.00%	3.95%	3.95%	3.95%	4.00%

as at January '09

4.5.9 Capital Economics have published a forecast of 0% for the final 3 quarters of 2009 and continuing throughout 2010.

4.5.10 Debtor Days currently stand at 69 (on debt of £409k) for December 2008 and compares to 63 days (on debt of £349k) as at December 2007.

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 POLICY (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 That Members recommend the additional use of the Change Management Reserve and the Health& Wellbeing Projects Reserves as detailed in 4.4.1 above.

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)	Full Council papers – Feb 08
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.	Financial Services

General Fund Reserve, Earmarked Funding & Long Term Provisions (cash-backed items only)	General Fund Reserve	Earmarked Funding										Govt Grants Unapplied		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	Unapplied Grants PDG	Unapplied Grants Health Promo projects	Building Control Trading Provisions	
Balance at 01/04/08	813	372	661	370	396	68	400	847	669	156	3,939	166	190	24	5,132
New Funds Received 2008/09															
Planning Delivery Grant (08/09 allocation)											0	83			83
Total New Funds Received in 2008/09	0	0	0	0	0	0	0	0	0	0	0	83	0	0	83
Specific Revenue Budget Commitments															
Communications			(19)								(19)				(19)
Regeneration Team											0				0
Corporate Subscriptions (PLLACE)			(8)								(8)				(8)
Contaminated Land Consultancy			(10)								(10)				(10)
Pride in Rossendale								(30)			(30)				(30)
Planned use of LABGIS (Regen')								(64)			(64)				(64)
Planned use of LABGIS (Planning)								(18)			(18)				(18)
Job Evaluation									(111)		(111)				(111)
	0	0	(37)	0	0	0	0	(112)	(111)	0	(260)	0	0	0	(260)
2007/08 Budget Savings allowed to c/fwd															
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)
	(63)	0	0	0	0	0	0	0	0	0	0	0	0	0	(63)
Year-to-date Utilisation of Reserves															
Job Evaluation									0		0				0
Facilitation of Job Eval'n process - Union			(10)								(10)				(10)
Facilitation of Job Eval'n process - Consultant			(10)								(10)				(10)
Env Health - Temp Technical Officer Appoint											(23)				(23)
Affordable Warmth Project											(40)				(40)
Env Health - Admin Officer Redundancy			(10)								(10)				(10)
Balance of Partnership monies & Henrietta St Admin			(14)								(14)				(14)
Pension Strain Costs			(65)								(65)				(65)
Land Charges - Redundancy costs			(3)												
Final CPA Audit costs			(14)								(14)				(14)
Senior Management Restructure			(16)								(16)				(16)
Pension Fund Contribution					(350)						(350)				(350)
E-Consultation			(6)								(6)				(6)
Restructure savings			25								25				25
ELeP Refund (via Finance)			26								26				26
Open Spaces supp Planning Document												(21)			(21)
Flood Risk Assessment												(8)			(8)
Housing Land Availability Study												(37)			(37)
DPD, Urban Vision, Critical Friend												(15)			(15)
Sungard buy-out				(271)											(271)
VAT Shelter Receipts (anticipated)					350						350				350
	0	0	(97)	(271)	0	0	0	0	0	(63)	(156)	(80)	0	0	(175)
Potential Further Utilisation of Reserves															
Concessionary Travel		(15)									(15)				(15)
Housing Benefits		(75)													(75)
PCT Health Projects										tbc	0				0
2008/09 Plans (see schedule)							(408)	(34)			(442)				(442)
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	(90)	0	0	0	0	(408)	(485)	0	0	(908)	0	0	0	(908)
Utilisation of Reserves	(63)	(90)	(134)	(271)	0	0	(408)	(597)	(111)	(63)	(1,324)	(80)	0	0	(1,231)
Cash-backed Reserve Balances	750	282	527	99	396	68	(8)	250	558	94	2,615	169	190	24	3,984