

Subject: Financial Monitoring 2010/11:
Month 6 – end September 2010

Status: For Publication

Report to: Cabinet

Date: 17th November 2010

Report of: Finance Manager

Portfolio

Holder: Finance and Resources

Key Decision: No

1. PURPOSE OF REPORT

1.1 The purpose of the report is to update Members on financial matters, including the General Fund budget monitoring for 2010/11, 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:

- *Providing value for money services* - strong financial control 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 have involved risk considerations as set out below:

3.1.1 Financial monitoring of General Fund service departments focuses on the key risk areas of employee costs, income, implementation of agreed budget savings, emerging issues and opportunities and in particular service department net costs.

3.1.2 Budget setting for future years is now treated as an integral part of financial monitoring during the current year. As such, the risks associated with the Council's ability to balance its resources and commitments in future years are resulting in some efficiency savings being implemented during 2010/11.

3.1.3 Risks associated with treasury management practices are managed within the Council's Treasury Management Strategy (included in the Medium Term Financial

Strategy approved in February 2010) and within the new Treasury Management Practices document.

- 3.1.4 The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2010/11 and in the years to come.

4. BACKGROUND AND OPTIONS

- 4.1 Below is an executive summary of the new full monthly financial monitoring report for the end of September 2010, attached at Appendix 1.

4.2 General Fund (revenue) – pages 4 to 23

- 4.2.1 The out-turn favourable impact on General Fund as at the end of September compared to the budget for 2010/11 is £277.7k, a £56k adverse movement in the month. This current forecast would result in the transfer of a further £104k to the Directorate Investment Reserve, leaving the General Fund at £1,172.7k at 31st March 2011.

- 4.2.2 Included within this is an adverse of £63k in relation to Concessionary Travel costs following the receipt of detailed information from the County Council on usage over the summer.

4.3 Earmarked Revenue Reserves – page 24 to 25

- 4.3.1 The capital receipts from Bacup Leisure Hall have been identified for future neighbourhood services within the Bacup area and 'swapped' for revenue resources, creating a new Earmarked Revenue Reserve of £135k.

- 4.3.2 The Leisure Investment Project is anticipated to commence in Q4 of 2010/11 and so £500k of the remaining Leisure Earmarked Reserve has been identified to fund any costs ahead of the bulk of costs in 2011/12.

4.4 Government Grants Unapplied – page 26

- 4.4.1 Following the confirmation of entitlement for Elevate funding, the requirements to apply Housing Capital Pot will be reviewed in October.

4.5 Treasury & Cash Management pages 27 to 29

- 4.5.1 Treasury Management results continued to outperform the Sector model portfolio with an effective interest rate of 1.37% during September compared to 0.92% for the Sector model. This interest performance has resulted in a prediction of a £3.6k favourable movement in interest earned for the year.

- 4.5.2 The legal team continued to achieve success in collecting outstanding debts, with £4.1k interest awarded by the courts in one case from 2007/08. The debtor days performance indicator now stands at 43 days compared to 79 days at the end of September 2009 and a target of 80 days for 2010/11.

4.6 Capital Receipts – page 30 & 32

- 4.6.1 Capital receipts in September include the disposal of Bacup Leisure Hall and some land a Station Road, Whitworth. The list of other disposals in progress has raised the anticipated receipts for the year to £350k.
- 4.6.2 Reclaims for past CPO deposits have again been pursued well by the legal team. Just a few cases remain outstanding, leading to an anticipated one-off income for the year of £90k.
- 4.6.3 Right to Buy Receipts and VAT shelter entitlement for quarter 2 have been calculated at £125.5k and £52k respectively. Whilst this has meant an increase in the total RTB receipts forecast to £150k, the VAT shelter income has been revised down to £400k for the year compared to an original budget of £520k.

4.7 Capital Programme – page 31 & 32

- 4.7.1 The Leisure Investment Project has been included this month, with an anticipated spend of £500k in Q4 of 2010/11 funded from the Leisure Earmarked Reserve. Similarly the application of £70k of Performance Reward Grant Earmarked Reserve has been included for signage works.
- 4.7.2 Elevate grant income has now been confirmed, with a 17.5% reduction to the capital element (a loss of £331k) but no change to the revenue grant entitlement. A revised face-lifting programme has recommenced in October, focussing on domestic properties.
- 4.7.3 Capital activity in September focussed on Disabled Facilities Grants, the completion of payment for the STAN vehicle (Services to a Neighbourhood), cemetery digitisation and an order for £47k of works to Whitworth Pool.

4.8 Medium Term Financial Strategy (MTFS) Update

- 4.8.1 Council has previously identified the need to save c. £2m over the next 3 years. A detailed progress report has recently been circulated to Members during October 2010.
- 4.8.2 As a consequence of the work done to date, officers have identified c. £1m in pure efficiency savings by 2013/14. In addition officers are also working on further potential for savings of c. £1m. Clearly some of the second stage work in progress savings will require Member approval as they may have an impact on the way Rossendale Borough Council delivers its services. The financial impact from all the potential savings and their cumulative effects are summarised as follows:

	2011/12 £000s	2012/13 £000s	2013/14 £000s
Efficiencies	922	1,011	1,031
Work in Progress	811	888	953
Total Potential Savings	1,733	1,899	1,984

4.8.3 However, the announcement of Comprehensive Spending Review (CSR2010) on 20th October 2010 looks set to challenge Rossendale Borough Council in excess of our previous expectations and assumptions. The fundamental change to our assumptions is a 28% real reduction in the Department of Communities & Local Government (CLG) resources over the next 4 years (equivalent to a 19.6% reduction in cash terms over the same 4 years). We had previously assumed that the total of Business Rates collected would continue to be redistributed amongst all Councils.

4.8.4 Though as yet we have no specific details for Rossendale the total local authority core funding from CLG is set to fall by £5.6bn, from £28.5bn in 2010/11 as follows:

Yr	Total (£Bn)	% Fall	Cumulative % Fall
11/12	26.1	8.4	8.4
12/13	24.4	6.5	14.4
13/14	24.2	0.8	15.1
14/15	22.9	5.3	19.6

4.8.5 However, the above represents total funding available to CLG of which we know there are some new dedicated budgets

- £700m in return for a 11/12 Council Tax freeze (value to Rossendale £137k)
- New social care funding of £530m rising to £2bn – likely to go to Upper Tier authorities.
- Some further complications with previous specific grants now forming part of the general settlement (Homelessness £41k, Mortgage Rescue £26k).

4.8.6 This therefore means like for like resource reductions of:

Yr	Total (£Bn)	% Fall	Cumulative % Fall
11/12	24.9	12.7	12.7
12/13	22.7	8.7	20.4
13/14	22.5	0.9	21.1
14/15	20.2	10.2	29.1

4.8.7 If the above, as is likely, were to be replicated in Rossendale, the Council will now have to find a further £670k of cost saving or additional revenue by year 3, rising to £1.2m by the fourth year – this is in addition to the c.£2m savings target it has previously identified. This new target includes the following assumptions:

- A reduction in the Council's general settlement as noted above of 29.1% over 4 years.
- An assumed annual 4 year compensation of £137k pa for a council tax freeze in 11/12, announced as part of the CSR2010 (our last MTFS update did assume a Council Tax freeze).
- An assumed Council Tax increase of 3% thereafter for the following 3 years (2012-15). Our previous MTFS assumed 0%.

- Changes to Concessionary Travel having a negative impact as previously assumed of £400k pa.
- Housing Market Renewal funding having a negative impact as previously assumed of £257k pa.

4.8.8 The next key dates and time lines in relation to the Council's 2011/12 Budget and MTFS preparations are:

- Specific financial impact on Rossendale arising from the CSR 2010 in the form of Rossendale's general settlement to be announced sometime in late November / early December (no specific date as yet given).
- December Member budget evening at which savings identified so far, their implications and impact assessments (where required) and any further work in progress can be considered.
- The special Cabinet meeting 26th January 2011 to consider the full list of options available to Members in preparation for the 2011/12 Budget and MTFS decisions, scheduled for 23rd February 2011.
- Public consultations (26th January to 23rd February 2011)
- Any other Government announcements in relation to: Housing Market Renewal, any other specific revenue funding and capital grants, etc.

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 The General Fund continues to be closely monitored and managed to ensure savings included within the 2010/11 budget are achieved. The report also reflects the early implementation, where possible, of any efficiencies identified during recent months as part of the efforts to balance the Council's resources over the next three years.

8.2 The report shows excellent progress on treasury management, capital receipts and debt recovery.

9. RECOMMENDATIONS

9.1 The Members note the contents of the report.

10. CONSULTATION CARRIED OUT

10.1 Directors, Heads of Services and Budget Holders.

11. COMMUNITY IMPACT ASSESSMENT

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

Is a Community 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
Monthly detailed financial monitoring statements for each service area	Financial Services