

**TITLE:** Financial Monitoring Report – 2005/06

**TO/ON:** The Cabinet, 25<sup>th</sup> January 2006

**BY:** Head of Financial Services / Finance Manager

**PORTFOLIO HOLDER:** Cabinet Member for Finance and Risk Management

**STATUS:** For Publication

**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of the report is to update Members on the General Fund estimates for 2005/06 and progress on capital spend and disposals together with the Housing Revenue Account.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet Members endorse the contents of the report.
- 2.2 That Cabinet approves the use on the Change Management Reserve as per 3.20

**3. REPORT AND REASONS FOR RECOMMENDATIONS AND TIMETABLE FOR IMPLEMENTATION**

- 3.1 **Asset Disposals and Capital Receipts:** In the period to 31<sup>st</sup> December there has been £161k of capital receipts in relation to general fund assets. Rights to Buy (RTB) have generated a retained value of £1,016k. The following table illustrates the trend to date:

Capital Receipts	Comments	Value £1000's
<b>General</b>		
Q1		10
Q2		92
Q3		59
Q4	-	-

Cumulative total	61% above annual target	161
<b>Total Budget 05/06</b>	-	<b>100</b>
<b>Right to Buy</b>		
Q1	Based on 43 RTBs	377
Q2	Based on 33 RTBs	341
Q3	Based on 27 RTBs	298
Q4	-	-
Cumulative total	12% above annual target	1,016
<b>Total Budget 05/06</b>		<b>908</b>
<b>Combined Cumulative total</b>	Trend rate equates to £1,569 over the full year	<b>1,177</b>
<b>Combined Total Budget 05/06</b>		<b>1,008</b>

3.2 The above 05/06 budget receipt targets are in addition to planned expenditure funded from external resources, supported borrowing, insurance receipts and useable capital receipts reserve brought forward. Both general capital receipts and RTB have hit the full year target. Due to the anticipated transfer of Housing Stock, further RTB completions are due to end on 27<sup>th</sup> February. Thereafter, future receipts are subject to negotiation as part of the housing stock transfer. Completion on Haslingden Public Hall is expected in early February.

3.3 Capital spend (excluding Housing) as at 16<sup>th</sup> January 2006 is as follows:

Detail	Actual Spend £000's	Full Year Budget / Approvals £000's	Forecast for 2005/06
IEG / IT	384	375	474
SS & L	227	541	* 446
Leisure	95	1,566	* 1,246
Regeneration	138	852	* 404
Corporate	-	490	739
Accommodation	216	834	832
Private Sector Renewal	1,387	4,105	2,396
<b>Total</b>	<b>2,447</b>	<b>8,763</b>	<b>6,537</b>

\* assumes some slippage in spend

3.4 As in previous reports the forecast includes IEG grant carried over from 04/05 (£150k), The original Regeneration budget included £500k grant contribution from North West Development Agency, this has now been revised down to £202k and will be reflected in future spend. Corporate costs include the cost of

restructuring estimates on a worst case basis (£489k). Private Sector Renewal estimates re Elevate contributions have been reduced from £2,990k to £1,349k.

**3.5 Capital Resources:** Capital receipts have met budget expectations (3.1). The accommodation strategy is being funded from future asset disposals. Earmarked disposals need now to gather momentum following the opening of One Stop Shop and closure of some neighbourhood offices. Agreed capital spend to date, plus the above approvals and allowing for anticipated slippages in the programme gives £131k of head room for the full year. This figure excludes any benefit from the accommodation strategy disposals which may be raised in 2005/06 or any additional receipts from other sources such as housing tenant right to buy. The available capital receipts figure of £131k is also after the original budget allowance for a Housing Stock Transfer “No vote” which was not the case in the recent ballot. The transfer of the Housing stock is currently scheduled for 27<sup>th</sup> March 2006.

**3.6 General Fund:** As part of the 06/07 budget preparation an in depth forecast of 05/06 has been undertaken. The current year forecast is summarised as follows and shows a favourable savings variance of £117k against the original net budget requirement:

Service Area	Full Yr Budget 2005/2005 £000	Full Yr Forecast 2005/2005 £000
Streetscene & Liveability	4,139	3,939
Regeneration & Spatial Develop	1,029	1,621
Customer Services & E-govt	1,590	1,438
Finance	257	230
Policy & Change Management	115	129
Gen Fund Housing	203	203
Legal & Democratic Services	1,306	1,271
Human Resources	253	232
Non-distributed Costs	(310)	(341)
Community & Partnerships	1,074	1,128
Corporate Resources	36	(273)
Transfer to General Reserves	115	115
	<b>9,809</b>	<b>9,692</b>
<b>Forecast Budget saving</b>		117

**3.7** During the course of the year there have been a number of budget transfers as a result of the corporate reorganisation in the latter part of 04/05 and other reorganisations during 05/06. The material underlying changes for each service are as follows:

**3.8 Street Scene & Liveability:** saving due to transfer of property budgets to Regeneration and Spatial Development (£314k), Insurance savings (£37k). Digital mapping costs (funded from Change Management Reserve [CRM] - £55k, see 3.20), CCTV monitoring costs £20k, Car parking costs £10k, refuse

collection (management, staffing and transport costs, less saving on capitalisation of leases) £43k, loss of income in the main as a result of Lancashire County Councils new arrangements (£37k), other miscellaneous net saving items - £14k.

- 3.9 Regeneration and Spatial Development.** Increases in net expenditure resulting from: £150k reduction in development control income, £90k additional maintenance costs (legionella and asbestos audits), and transitional accommodation cost £90k, staff savings of £40k and £314k transfer of cost for properties originally budgeted in Street Scene. £140k of these expenses are funded through the change management reserves (see below 3.20)
- 3.10 Customer Services & e-Government.** £70k additional land charges net income as a result of the Housing Stock Transfer, cost savings as a result of the creation of a one stop shop and closure of neighbourhood offices £30k, salary savings £50k.
- 3.11 Finance.** £28k staff savings resulting from restructure during the year.
- 3.12 Policy and change management.** Additional £10k expenditure for partnership working review, funded from the change management reserve and £6k for the Councils performance monitoring software licences (Covalent).
- 3.13 Legal and Democratic Services.** Net reduced expenditure arising from £30k increased income (re: Rossendale Transport Ltd to partly offset lost dividend see 3.15), reduced consultancy £13k (net of legal fees for constitutional review) and salary savings £21k and a £45k provision for the recruitment of a new Chief Executive.
- 3.14 Human Resources.** Budget transfer to Rossendale Leisure Trust grant for direct HR provision.
- 3.15 Non-distributed costs.** Additional £90k bank interest received less loss of Rossendale Transport Ltd £60k dividend (replaced by service charges from other service areas – see 3.13)
- 3.16 Community and Partnerships.** Increase due to the cost of the grant to Rossendale Leisure Trust of £67k (being human resources budget transfer, and inflation), reduction in Human Resources recharges of £19k (following transfer to Leisure Trust), and an increase in the Local Strategic Partnership budget of £5k.
- 3.17 Corporate Resources.** Represents the transfer in of funding from the change management reserve to finance various one off costs as noted above. This is summarised below in 3.20.
- 3.18** The previous monitoring report (December 05) indicated a net saving of £104k. The key changes are as follows:

<b>Saving as per previous monitoring</b>		<b>104</b>
Add	Land charges income less staffing costs	70
Less	Human Resources software funded from own resources	-26
	Chief Executive Recruitment	-45
	Miscellaneous items (saving)	14
<b>Current savings forecast</b>		<b>117</b>

**3.19** There may be some areas within the current forecast which in due course may prove to be overly prudent. In particular the current trend in building maintenance is below our budget expectation due in the main as a result of Facilities Management Services focus being on office accommodation moves. Final expenditure on maintenance may come under budget in total for the full year.

**3.20 Change Management Reserve (CMR).** At the end of 2004/05 the Council was able to create a reserve for one off expenditure which supported the Councils change programme and its corporate priorities. Changes to the way housing benefits subsidy is calculated has enabled a further £494k from current year budgets and historical balance sheet provisions to be allocated to the CRM as agreed in the medium term financial strategy (see 5.3). The CMR has to date been earmarked as follows:

<b>Balance at 31.3.05</b>		<b>323</b>
1	IT Best Value Review (estimate)	20
2	Revenues & Benefits Partnership Review	25
3	Asset Management Plan - Institute of Public Finance (IPF) data population	17
4	Digital Mapping of Council land assets (net amount not funded from other sources)	55
5	Land Charges: digital software	26
6	Legionella Audit	70
7	Asbestos Audit	20
8	Transitional accomidation costs	50
9	Review of the Councils appraoch to Partnership working	10
		<hr/>
		293
10	Changes to Housing Benefits subsidy	494
<b>Balance available</b>		<b>524</b>

**3.21 Treasury Matters:** the following table illustrates the current treasury position

<b>Detail</b>	<b>Budget 05/06 £000's</b>	<b>Actual As At 30th June £000's</b>	<b>Actual As At 13th Jan £000's</b>
<b>1 –Borrowings</b>			
Long Term	21,512	19,855	19,855
Short Term	3,000	3,000	3,000
<b>2 – Investments</b>			
Long Term	-	-	-
Short Term	1,000	6,213	7,024
<b>3 – Interest</b>			
Paid	1,314	-	-
Received	(58)	(52)	(164)
HRA rechg'd	(1,076)	-	-

**3.22 HRA:** the HRA continues to show the strong position seen in the second quarter with a cumulative budget favourable variance of £179k at the end of Dec 05, compared to a half year budget deficit of £19k. The main gains coming from increased income less a mix of overhead saving. The full year forecast is however more cautious showing a surplus of £41k compared to a full year budget deficit of £43k.

#### **4. CORPORATE IMPROVEMENT PRIORITIES**

##### **4.1 FINANCE AND RISK MANAGEMENT**

4.1.1 See main report

##### **4.2 MEMBER DEVELOPMENT AND POLITICAL ARRANGEMENTS**

4.2.1 Finance is the number one priority for the authority. Members need to develop an understanding of how finance links to service delivery and other corporate priorities.

##### **4.3 HUMAN RESOURCES**

4.3.1 There are no material Human Resource issues.

##### **4.4 ANY OTHER RELEVANT CORPORATE PRIORITIES**

4.4.1 There are no other material corporate priority implications.

#### **5 RISK**

- 5.1 Financial monitoring has previously concentrated on the key risk areas of: Employment costs, Income, agreed budget savings and emerging issues and opportunities. The current monitoring analysis now focuses on service department costs as part of the 06/07 budget exercise.
- 5.2 The councils' investment into new financial systems and the restructure within the Financial Services department has now begun to assist the Council in developing more robust forecasting techniques.
- 5.3 The Executive Director of Resources has previously reported that "any fortuitous income or unallocated under spend generated.... should be taken to earmarked reserves created for
- a) Change Management
  - b) Strategic Risk Management
- These reserves will only be used to support non-recurrent expenditure and will have no effect on underlying expenditure levels, other than potentially to fund investment to generate savings." It is therefore recommended that any net favourable impact is transferred to such funds

## **6. LEGAL IMPLICATIONS ARISING FROM THE REPORT**

- 6.1 There are no material legal implications.

## **7. EQUALITIES ISSUES ARISING FROM THE REPORT**

- 7.1 There are no material equality issues arising.

## **8. WARDS AFFECTED**

- 8.1 All wards are affected

## **9. CONSULTATIONS**

- 9.1 Executive Director of Resources

### **Background documents:**

2005/06 Budget, 2006/07 Budget working papers

### **For further information on the details of this report, please contact:**

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