Rossendalealive
BOROUGH COUNCIL

ITEM NO. E1

Subject:	Financial Monitoring 2013/14 Update		**Status:**	For Publication	
Report to:	Cabinet		**Date:**	27th November 2013	
Report of:	Finance Manager		**Portfolio Holder:**	Finance and Resources	
Key Decision:	☐	Forward Plan ☒	General Exception ☐	Special Urgency ☐	
Community Impact Assessment:		Required:	~~Yes~~/No	Attached:	~~Yes~~/No
Biodiversity Impact Assessment		Required:	~~Yes~~/No	Attached:	~~Yes~~/No
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1.	**RECOMMENDATION(S)**
1.1	The Members note the contents of the report.

2. PURPOSE OF REPORT

2.1 As reported previously to Members, Officers are now publishing the full reporting pack on a quarterly basis. The last report in October covering Quarter 2. The purpose of this report is to update Members on the final financial monitoring position for 2013/14 since that last report.

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Regenerating Rossendale**: This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting sustainable investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
- **Responsive Value for Money Services**: This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
- **Clean Green Rossendale**: This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

Strong financial control ensures the effective management of the Council's resources, which then enables the provision and delivery of value for money services.

4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- 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 expenditure.
- Budget setting for future years is now treated as an integral part of financial monitoring during the current year. Progress in identifying and implementing further savings to meet the challenges in the Medium Term Financial Strategy (MTFS) are

reported as they begin to impact upon the 2013/14 out-turn.

- The previous budget-setting exercise for 2013/14 and beyond has identified a further reduction in resources over the medium term producing a future in year deficit now totalling up to £1.7m. Members, collectively, continue to face some difficult choices in order to balance expenditure with available resources over the medium term.
- Risks associated with treasury management practices are managed within the Council's Treasury Management Strategy and Treasury Management Practices documents (approved in February 2013).
- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2013/14 and in the years to come.

5. BACKGROUND AND OPTIONS

5.1 2013/14 Forecast

The full reporting pack is now being completed on a quarterly basis. However, managers still receive financial position statements on a monthly basis regarding current and forecast positions. Overall as at the end of October the Council still continues to forecast a full year favourable variance of £ 35k, there are no significant changes to Qtr. 2's favourable forecast of £48k.

5.2 NNDR update

Members are aware of the changes this year regarding Business Rates retention and the impact on the Council of risk and reward. We have completed a mid-year estimate for 2013/14 based on current billing. The following table shows:

- NNRD1: the original estimate made to the Dept. for Communities and Local Government (DCLG) for cash flow purposes.
- The current full year forecast
- The baseline used by DCLG for tariff and levy purposes

	NNDR1 2013-14	Forecast 2013-14	Baseline 2013-14
Gross	16,810	16,847	
Net	13,858	13,892	
	82.4%	*82.5%*	
Allowance	101	101	
Loss on Collection	570	570	
Appeals	684	482	
Net	12,503	12,739	12,649

The above indicates that we are forecasting to be marginally ahead of the baseline estimate. Any fall below the baseline incurs a cost of 40%. Any gain above the baseline incurs a reward of 20%. ie £18k based on the above.

5.3 Medium Term Financial Strategy Update

5.3.1 Housing Benefits Administration Grant

The significant information since the October update is notification of the Housing Benefits administration grant for 2014/15. Negotiations with Her Majesty's Treasury at the Spending Review 2013 concluded that for 2014/15, 80% of the total Housing Benefits and Local Council Tax Support administration grant will reside with the Department for Works and Pension (DWP), with the remaining 20% being included in Department for Communities and Local Governments.

DWP have stated the following: *In calculating the 2014/15 HB allocation, the starting point for the efficiency challenge was SR2007, where a 7% efficiency saving was applied. In addition, from the Autumn Statement 2012 and Budget 2013, a further 3% was applied - hence the 10% efficiency savings target - as per the SR2013 settlement for DWP*.

	2013/14 £000	**2014/13 £000**	**% Reduction**
Housing Benefit	402.1	356.4	11.4
Council Tax	100.5	94.1	6.4
Total	502.6	450.5	10.4

Besides this immediate reduction in resources what this does identify is a likely 80% reduction in future resources once Universal Credit is established and responsibility for Housing Benefits resides fully with DWP

5.3.2 Pension Deficit

The provisional results of the 2013 triennial valuation have been announced. Overall the position is one of stand still. The main reason is that the there is an assumption that the recent poor experience of bond rates compared to inflation will continue over the short term and will not see any significant reversal for at least five years. Officers will scrutinise future year end midterm fund values to ensure that signs of the deficit strategy are working.

The comparator for Rossendale Borough Council is as follows

Valuation Date	2010	2013
Deficit	£16m	£16m
Employers rate for future service	12.5%	13.4%
Deficit recovery rate	16.8%	23.9% (£980k)

Though a % has been shown above for comparative purposes for the 2013 deficit rate contribution the pension fund will in future be expecting a cash contribution of £980k, increasing annually by 4.1%.

The adverse cash impact of the above on our MTFS is as follows:

	October MTFS £000's	**Revised MTFT following Actuarial valuation £000's**
2014/15	1,643	550 + 980
2015/16	1,595	555 + 1,020
2016/17	1,420	561 + 1,062
2017/18	1,482	566 + 1,105
Total	**6,399**	**6,140**

The increase in costs over the next 4 years is therefore £259k (equivalent to £65k pa).

The Council in recent years has implemented a strategy of not assuming the saving in pension costs in the event of employment numbers being reduced. The forecast for 2013/14 had therefore assumed an additional year end contribution to the pension fund of £296k. The latest actuarial valuation has not taken account of this additional contribution; therefore we will defer this payment and add to the Pensions Reserve which will now total £711k by March 2014.

Rossendale Leisure Trust – The pensions deficit in the Trust has yet to be calculated however in 2010 it stood at £863k. The deficit has not been reported on the Trust's balance sheet. In order to repay the deficit the employer's contribution rate was 14.6% (12.5% + 2.1%). As the Council acts as guarantor, it is recommended that the Pension Reserve is set aside as a contribution to the Trust's deficit. The Council is also guarantor to two other affiliated member organisations.

5.4 **Treasury Management**

Our Treasury advisors CAPITA Asset Services have recently been recommending Svenska Handelsbanken as deposit facility. Svenska Handelsbanken are of Swedish origin now operating and expanding within the UK and beginning to establish a high street presence.

The bank meets the Council's Treasury Management Strategy criteria of:

- are UK banks; and/or
- are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA
- and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
    - Short term - F1
    - Long term – A

The use of this additional bank enables the Council to broaden its risk profile. We therefore, anticipate the transfer of £1m to Svenska Handelsbanken in early December.

6. SECTION 151 OFFICER

6.1 Financial matters are noted in the report above.

7. MONITORING OFFICER

7.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 Unless specifically commented upon within the report, there are no implications for consideration.

8.2 Consultation carried out with Directors, Heads of Services and Budget Holders

9. CONCLUSION

9.1 Robust monitoring of the General Fund is essential to control risks expressed in section 4.

9.2 Despite a continued cost reduction programme, the challenge remains for Council to continue its efficiency agenda in order to realise its medium term saving target, which given recent consultation is likely to increase. Members, collectively, continue to face difficult choices in order to balance expenditure with available resources over the medium term.

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Background Papers	
Documents	Place of Inspection
Financial monitoring statements for each service area.	Financial Services.
Banking sector credit reports	Financial Services