

Subject:	Financial Monitoring 2013/14 Update and Draft Out-Turn	Status:	For Publication
Report to:	Cabinet	Date:	9 th July 2014
Report of:	Finance Manager	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: 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. Quarter 3 was reported in full in February and this report now updates Members on the final financial monitoring position for 2013/14.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
 - **A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
 - **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of 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.

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) have been reported as they began to impact upon the 2013/14 out-turn.
 - The budget-setting exercise for 2014/15 and beyond 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 (latest approved in February 2014).
- 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 overall favourable variance on the General Fund at the end of the year was £59k, which is the amount required to cover the adjusted levels of retained business rates resources. This was funded from the Earmarked Reserve established with the New Burdens Small Business Rate Relief Grant received during the year. More information on this can be found on page 33 of Appendix 1.

Although this is an adverse movement of £73k during quarter 4, members should note that

- An additional £109k has been used to support capital outlay.
- Almost £158k has been used to support leisure costs now and in the future, including £69k into the Leisure Reserve, £33k to cover the closure costs of Haslingden Pool and £37k contribution towards a sports equipment refresh.
- The Q4 VAT shelter has not delivered the income levels expected and finished the year £124k lower than the original budget.

These costs have been funded through

- Release of provisions no longer required, including £193k relating to the old National Non-domestic Rate Pool and £74k relating to doubtful debts on culvert works.
- Cost savings in Q4 include £13k on building running costs, £15k on staff training and £18k on fuel.
- Increased income – from cemeteries, court costs awarded, recycling and planning income and a contribution from the Children's Trust.
- Additional New Homes Bonus grant of £18k

5.2 Reserves

In line with the Medium Term Financial Strategy the Transitional Reserve is being built up to provide General Fund support in 2015/16 and 2016/17.

New Reserves established during 2013/14 include

- Retained Business Rates £312k – set up with new burden grant to support future volatility in this major source of future funding.
- Bacup Townscape Heritage Initiative £400k – set up with funds transferred from other reserves and provisions to provide the council's matched funding requirement for the scheme over the next 5 years.
- Empty Homes Strategy £158k – which represents the Homes and Communities Agency grant which has been used to bring empty properties back into use and then recovered from rental receipts. This will be recycled to extend the work of the scheme beyond the initial grant period.
- Within Operational Reserves there are a few new minor reserves for
 - Individual Electoral Registration £23k
 - The end of the refuse collection cost share agreement £23k
 - Haslingden Regeneration pump-priming funds £100k
 - Tourism Strategy £78k

The total reserves at the end of the financial year were £7,323k, but this is expected to drop to £6,316k by the end of March 2019.

5.3 Government Grants Unapplied

Rossendale is administering the Homes and Communities Agency Grant from East

Lancashire. By the end of the year £1,144k had been received, and £873k of this had been used to bring 203 properties back into use, of which 50 (25%) have been within Rossendale. Of the grant used to date £158k has been recovered and recycled into a new Empty Homes Strategy Reserve (see above) to extend the work of this scheme beyond the initial HCS-funded phase.

Bacup Town Centre funds have now been transferred to the Bacup Townscape Heritage Initiative Reserve to fund costs over the next five years as noted above.

The only other active grant is the Disabled Facilities Grant and the 2014/15 grant was received in early April, along with an indicative level for 2015/16. Similar funds beyond 2015/16 are not guaranteed, so the balance of housing capital pot grants will be directed to support these works beyond April 2016.

5.4 **Staffing**

Changes to staffing during Q4 have removed a further 1FTE post from the establishment, leaving 171.1FTEs. This represents a drop of over 11% during the year from the original budget of 193.6FTEs. This has produced a net saving for the Council of over £325k during 2013/14, but this should equate to around £500k per annum in future years.

5.5 **Treasury Management**

Year-end bank and deposit balances have dropped in line with the cash flow expectations to £6.5m. The savings and transfers to reserves discussed above have meant that this closing balance is around £2.8m above that originally expected back in February 2013. Despite out-performing the Capita Asset Management model portfolio throughout the year, the council has been unable to realise the sort of interest benefits that these balances would lead members to expect. Interest rates dropped throughout the year, including twice between February and July, producing just £3.8k favourable variance by the year-end. Interest income is likely to be hit even harder during 2014/15 as interest rates from 1st July have dropped to 0.25% on all call and short-term accounts other than the Handelsbanken ones. From Q1 of 2014/15 officers are maximising the use of those funds within the Treasury Management Strategy limits. On a more positive note the Capita expectations for increases in interest rates have come forward slightly to Q4 of 2015. Collection of sundry debts has performed well during 2013/14 and the final balance dropped to £420k with 40% of that being March invoices which were under 30-days old.

5.6 **Capital Receipts and Capital Programme**

Quarter 4 saw the sale of £15k of obsolete equipment to bring asset sales total up to £178k.

There were no new capital projects during Q4, but completed projects included the Stacksteads cycleway funded from Natural England grant and the Veterans inn Communities facility in Haslingden which was funded from MoD grant.

As usual, there were many projects which need to slip over the year-end and these totalled £995k (there is a full list on page 31 of Appendix 1). This left a closing capital programme of £1,446k, funded by £822k of grants and contributions, £267k of capital receipts £276k of revenue resources and reserves and £81k from internal borrowing. Members will note that the revenue resources included an additional contribution of £109k from revenue savings (as mentioned above in paragraph 5.1).

5.7 **Collection Fund – Council Tax and NNDR**

The Council's share of the surplus on council tax collection has dropped to £55k after a late increase in the number of rating appeals being approved by the Valuation Office.

As a consequence of the above, officers have made a prudent provision of £460k for business rates appeals awaiting decision by the Valuation Office. This has contributed to an overall deficit on business rates for the year of £378k, of which the Council's share is

£151k.

Neither of these surpluses are included in the General Fund revenue favourable variance forecast for 2013/14, but will need to be brought into 2015/16 accounts through the Annual budget setting exercise in February 2015.

6. SECTION 151 OFFICER

6.1 Financial matters are noted in the report attached.

7. MONITORING OFFICER

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

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

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

9. CONSULTATION CARRIED OUT

9.1 Directors, Heads of Services and Budget Holders

10. CONCLUSION

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

10.2 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.

Background Papers

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