Rossendalealive BOROUGH COUNCIL

ITEM NO. E1

Subject:	Financial Monitoring 2014/15 Update – Q3 December 2014		**Status:**	For Publication	
Report to:	Cabinet		**Date:**	11th February 2015	
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. This is a brief update report covering changes identified during October.

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 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.

The primary focus of the Council's budget setting is to support its Corporate priorities.

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 being reported as they begin to impact upon the 2014/15 out-turn.
- The budget-setting exercise for 2015/16 and beyond identified a further reduction in resources over the medium term producing a future in-year deficit now totalling up to

£1.4m by 2019/20. 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 (being updated in February 2015).
- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2014/15 and in the years to come.

5. BACKGROUND AND OPTIONS

5.1 **2014/15 Forecast**

The Budget for 2014/15 was set back in February at a net £8,905k. At the end of December officers are now predicting that there will be a net favourable variance of £254k, a £148k favourable change during quarter 3. Further details on the main movements this quarter can be found in the full Financial Monitoring Report at Appendix 1, pages 4 and 5.

5.2 **Reserves**

Officers continue to recommend that the overall favourable variance at the year-end is transferred to the Transitional Reserve to help meet the MTFS pressures in future years. Along with increases in contributions from additional New Homes Bonus and additional Licensing income, this is likely to bring the Transitional Reserve up to £2,231k at the end of the year. This will therefore cover the requirement for £2,027k to support the revenue budgets up to 2019/20, as quoted in paragraph 5.5 of the 2015/16 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy report being presented separately to this Cabinet.

With contributions into the Vehicle Reserve also rising (see page 8/9), the predicted total balance of Reserves at the year-end is now £8,852k.

5.3 **Government Grants Unapplied**

The HCA Empty Homes grant received has increased to £4,021k by the end of quarter 3. The overall project is broadly in line to have received and spent a total of £5,162k by the end of the year, which will have brought around 480 properties back into use (97 of those being within Rossendale).

5.4 **Staffing**

With a further 4 posts being deleted during quarter 3, the Council's establishment has dropped to 158.2 FTEs and this has contributed to cash savings of £161k in the first nine months. This figure is expected to rise to around £182k by the end of the year and these savings have already been reflected in the original budgets for 2015/16 being placed before the Cabinet.

5.5 **Treasury Management**

Interest rates continue to fall and forecast for their improvement have now been delayed until at least the end of 2015, if not early 2016. With that in mind officers have taken the decision to extend investments to 364 days to maximise the interest rates available. Consequently the £2m which matured with Lloyds on the 2nd January was reinvested for 364 days to earn 1% interest and this was supplemented by a further £2m on the 22nd January. This has improved the interest income forecast for 2014/15 by £5k and helped to guarantee 44% of the original budget interest income for 2015/16.

Collection rates for current year debts continues to perform well with 97.7% of all debts raised up to the end of November having been collected by the end of December and a further 0.5% is due to be collected by instalments in quarter. By the end of December the level of debts issued were up 42% on the same time last year, partly due to the invoices being issued now for rental incomes due on properties brought back into use through the HCA scheme.

5.6 **Capital Receipts and Minimum Revenue Provision (MRP)**

By the end of quarter 3 the level of capital receipts from asset sales had increased to £48k. With one medium sized sale anticipated to complete before the year-end officers are confident that the original budget of £100k will be achieved. Also, during quarter 4 the obsolete refuse vehicle fleet is due to be sold at auction and officers are confident in obtaining at least £200k in total which will contribute towards the costs of the new fleet.

5.7 **Capital Programme**

There have been several new capital projects approved during quarter 3, including one property purchase under the Mortgage Rescue Scheme, renewable energy projects at the council's leisure facilities and investment in Ski Rossendale. Details of all these have been reported and approved by Cabinet recently and they bring the total programme up to £4,772k, funded from a mixture of capital grants and other contributions as well as some internal borrowing which will be repaid by increased MRP from 2016/17 onwards once these projects have been completed.

The purchase of the new refuse fleet has now been concluded with delivery on a staggered basis to ensure continuity of service and the best price for obsolete stock at auction over the next three months.

5.8 **Collection Fund – Council Tax and Business Rates**

Collection rate for Council Tax and Business Rates are both down on this time last year, however, there has been some increase in the take-up of 12 monthly instalments instead of 10 and so both are predicting a year-end surplus at this stage.

Council Tax has seen policy changes on empty properties and a slow-down in rating appeals which look set to return a surplus of £150k for the Council.

Business Rates variances are explained in detail on page 32. The in-year surplus on the collection fund for business rates is expected to be around £219k for this council, but these funds cannot be accessed until 2015/16. In terms of Section 31 grants and localism reliefs the council has accrued for £519k, but central government will require £353k of this to be paid back over in March in the form of a levy. All these figures are reflected as transfers in and out of the Business Rates Retention Reserve on page 22.

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. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

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

8.2 Consultation 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