

Subject:	Q3 Financial Monitoring Report	Status:	For Publication
Report to:	Cabinet	Date:	10 th February 2016
Report of:	Finance Manager	Portfolio Holder:	Resources & Performance
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:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	That Members note the contents of the report.

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to update Members on:
- The latest revenue forecast for 2015/16, as at the end of December 2015.

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 reflected in the first-draft 2016/17 budget working papers as they begin to take impact on the 2015/16 year and beyond.
 - The budget-setting exercise back in February identified a further reduction in resources over the medium term producing a future in-year deficit at the time totalling up to £1.4m by 2019/20. Though these figures are continually being

reviewed, Members, collectively, still continue to face some difficult choices in order to balance expenditure with available resources over the medium term.

- Continued austerity planning by Central Government resulting in a further reduction of central government resources.
- The recent intervention of The Secretary of State in relation to the Scout Moor wind turbine expansion.
- At the October Cabinet meeting the Council's risk register score for the alignment of financial resources and expenditure was updated from E3 to C1 (moderate likelihood and catastrophic impact).
- The Chancellor's recent announcement with regard to the 100% retention of local taxation.

5. BACKGROUND AND OPTIONS

5.1 2015/16 Revenue Forecast

Appendix 1 is a financial monitoring update for the 2015/16 year as at the end of December. The last forecast, at the end of September, presented to the October Cabinet, indicated a full year budget surplus of £496k. At the end of December the projected surplus has dropped to £400k, the main factors being:

- Favourable - Fuel, Land Charges S31 Grant, purchase of tools & equipment
- Adverse - Capita contract extension set-up costs, cemeteries income, Business Directorate staffing costs, Empty Homes Scheme revenue recovery costs and internal audit costs relating to the Empty Homes Scheme

More information can be found on pages 4 to 21 of Appendix 1

5.2 Earmarked Reserves

The MTFS update presented to Members at the October Cabinet showed a requirement to take £2,369k from the Transitional Reserve over the next 5 years. The current balance on the Reserve is £2,497k, therefore no further contributions are anticipated at this stage. Instead, any General Fund surplus resources are being directed into the Empty Homes Reserve.

The Change Management Reserve has now been re-designated as the Employment and Transport Reserve (as per Full Council in February) at a required value of £1,500k. The first use of this Reserve has been to finance the initial planning and consultation phase of the Rawtenstall Bus Station project.

To clarify matters contributions into the Empty Homes Reserve have now been split between recycled grants received/anticipated and other internal contributions from the General Fund Surplus. With £338k expected in recycled grant this year (of which £142k had been received up to the end of December), £78k from Change Management and £400k from the General Fund projected surplus. In addition funds have been transferred from other reserves raising £2,027k particularly to fund the required renovation works and future revenue costs. This puts the total resources to fund this recovery at £3.2m.

5.3 Government Grants Unapplied

There has been little movement since the last report, with most of the balance relating to Disabled Facilities Grants.

5.4 Staffing

The re-structure of the People and Policy Team has increased the establishment by 1fte and the creation of a Housing team has added a further 5 FTEs to bring the total establishment at the end of December up to 167.5 FTEs, against which there were 12

vacant posts at the end of December. With temporary increases in staff required in the planning and housing teams, the net favourable change in staffing costs at the end of December was £6k.

5.5 **Treasury and Cash Management**

At the end of December the bank balances had returned to £16.1m from £16.3m at the end of September following the normal annual cash flow patterns. This is above the expected balances, thanks in part to the revenue savings on the General Fund and the level of capital project slippage into 2015/16, though this is set to fall in Q4 with the commencement of the Empty Homes Renovation works. Despite the low interest rates, the higher balances are contributing to an expected favourable variance on the interest income for the year of £21.3k, though this will depend upon the profile of capital spend over the next few months.

Officers are closely monitoring the level of debt, especially in relation to the new housing rent stream. Of the £656k outstanding 30% was under 30 days old. At £187.9k the current doubtful provision is likely to need further top-ups as the anticipated requirement is around £280k, but this will be reviewed again closer to the year-end.

5.6 **Capital Receipts and the Capital Expenditure Programme**

There has been little movement in capital receipts since the last report, but with one Equity Release Loan repayment the original budget of £75k has been exceeded.

The capital programme started the year at £825k, to which £1,901k of slippage was added. New projects during 2015/16 now exceed £4.3m with the quarter 3 addition of a £103k community-led project at Fallbarn play area, and the Empty Homes renovation works at around £2m. This means that the revised capital programme for 2015/16 has risen to £7,032k. The housing renovation works will be funded from internal borrowing, with the MRP charges over a 5 year life being financed from the Empty Homes Reserve on page 15 of the report.

5.7 **Collection Fund - Council Tax and Business Rates**

At the last report the Council Tax Collection projected an overall surplus of £294k of which RBC's share is £48k, which included a prudent view of future banding appeals, with a further £242k being predicted before the year end. We have no reason at present to revise those judgements.

The projected outturn for Business Rates Collection was a cash deficit of £949k of which the RBC share is £380k. A national decision pertaining to the rating of Health Centres has adversely impacted on Business Rates collection at a cost of £450k, however, the 2014/15 appeals provision accounted for this judgement and the refunds being seen at the time of writing this report are in line with those expectations. Further banding appeals in 2015/16 were expected to reduce the collection of business rates income by £400k and again, officers have no more recent evidence to revise those predictions. At the same time the Council will receive an additional £655k in S31 grants but have to pay £266k of this back in extra Levy.

With a favourable adjustment of £256k in the amount to be taken in Precept this means an overall net favourable movement of £265k for the Council.

5.8 Medium Term Financial Strategy (MTFS)

Members are being presented with an updated financial forecast as part of the budget setting process for 2016/17.

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. Staffing issues have been discussed with colleagues in the People & Policy section.

9. CONSULTATION CARRIED OUT

9.1 Directors, Heads of Services and Budget Holders

9.2 Capita Asset Services specialist treasury management advisors

10. CONCLUSION

10.1 Robust monitoring of the General Fund and MTFS 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. Members, collectively, continue to face difficult choices in order to balance expenditure with available resources over the medium term.

Background Papers	
Documents	Place of Inspection
Financial monitoring statements for each service area.	Financial Services.
Capita Asset Services "Citywatch" report for December 2015	Financial Services
2016/17 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy.	RBC website - Cabinet Agenda 10/02/2016