Rossendalealive
BOROUGH COUNCIL

ITEM NO. D1

Subject:	Q1 Financial Monitoring Report 2016/17		**Status:**	For Publication	
Report to:	Cabinet		**Date:**	14th September 2016	
Report of:	Finance Manager		**Portfolio Holder:**	Resources & Performance	
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	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 first financial monitoring report for 2016/17 as at the end of June 2016 and

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 2017/18 budget working papers.

- 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 £600k by 2020/21. 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 and the implications of Brexit
- 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% future retention of local business rates.

5. BACKGROUND AND OPTIONS

5.1 2016/17 Q1 Monitoring Report

Appendix 1 is the first financial monitoring update for 2016/17 covering April to June and for the first time in our regular reporting to Members we are forecasting an adverse variance for the full year of £476k, the main factors being:

- A potential £63k net adverse variance on the housing benefit subsidy
- A potential £82k adverse variance as a result of the new taxi licensing policies
- Operational adverse variance of £590k on the Empty Homes scheme
- Fee incomes are experiencing mixed results at the moment with gains in Cemeteries, Trade Waste and Planning but adverse movements in Markets and Building Control resulting in an overall net forecast of £4.6k adverse
- Officers are also discussing increases in utilities costs of around £15k at the Whittaker Park museum with the management group and will report back in the Q2 monitoring report.

Members will recall that in setting the budget traditional areas of surplus experienced in previous years have been fully budgeted for in 2016/17 (see para 5.10). More information can be found on pages 4 to 21 of Appendix 1.

Most of the adverse variance relates to the Empty Homes Scheme and officers are keeping the costs under constant review, both in terms of the revenue operations of the scheme the renovations works required to bring the remaining homes back into use. There are several measures still on-going to minimise the impacts of the scheme for this Council, including the invitation of tenders to manage the properties on an agency basis, continuous review of renovation proposals and costs to ensure best value and negotiations with partner authorities and property owners to make contributions towards costs. Officers are also still awaiting the outcome of the HCA audit of the scheme. An update will be provided on all these activities at the Q2 report, but until then members are reminded that the Empty Homes Reserve holds £1,252k to support the scheme.

The new Rossendale Housing service has turned around the Empty Homes Programme for Rossendale and across East Lancashire. Key achievements include:-

- Ensuring existing tenanted properties are maintained well and up to standard
- Renovations have been high quality and feedback from tenants, owners and partner agencies has been highly complementary with 50 properties renovated to a high standard in the first half of 2016 and by October another 90 properties are due to be upgraded.
- Demand for the empty homes is buoyant and so far none has been 'hard to let.' This is due in part to the skills of the in house team in matching properties to clients.
- Successful utilisation of existing lettings scheme ie Be with Us to let properties to those in real housing need
- Lets have been sustainable and based on merit and ability to manage a tenancy- in total there are currently 150 properties occupied.
- Reconnected with owners about their properties, instilling confidence back into the project
- Working with local support agencies and Housing Options Teams to meet the greatest housing needs.

5.2 **Earmarked Reserves**

The opening balances on Earmarked Reserves were £8,796k and in the original budget members approved the use of £514k to support the 2016/17 revenue service costs.

To date the net adverse variance above includes £590k on the Empty Homes Scheme, but savings in other areas are reducing the net variance to £450k. Over the next few months officers will consider the best possible combination of funding options for these additional costs and the capital renovation costs, given the balance of the HCA grant still to be applied, the balance of £1,252k on the Empty Homes Reserve, owner contributions and the potential for using internal borrowing, ready to report back to members in the next financial update.

The overall Earmarked Reserve balance is therefore expected to be £7,997k by March 2017, though this is likely to reduce to £2,662k by 2021.

5.3 **Government Grants Unapplied**

For the first time in many years officers did not manage to utilise the full DFG grants received in 2015/16 and so £153k of the Better Care Funding for that year has been carried forward. Confirmations have been received that the Green Vale Homes grant has now ceased, however, Better Care Funding grant for 2016/17 will rise from £424k to £791k, so additional staffing resources have been secured to ensure that the service delivery can meet these expectations.

New grants also carried forward into 2016/17 were the Clean Bus Technology Fund at £486k which began to be utilised in early July to upgrade Rossendale Transport buses over the summer months, and £191k for Homelessness initiatives both in Rossendale and across neighbouring authorities to be paid out as each authority develops their own projects.

Given the high level of DFG grants being received at the moment it is unlikely that the Housing Capital Pot grant will be required to top-up the funds available for the foreseeable future, therefore the level of unapplied grants predicted at March 2017 is £515k.

5.4 **Staffing**

The re-structure of the Finance Team has increased the establishment by 1 FTE and the to bring the total current establishment up to 171.7.5 FTEs, against which there were 13 vacant posts at the end of June. After £145.5k of vacancy savings were used to meet the original budget vacancy savings target, the net favourable change in staffing costs at the end of June was £14k.

5.5 **Treasury and Cash Management**

At the end of June the total balances had returned to £13.2m from £10.1m at beginning of the year, following the normal annual cash flow patterns. The main treasury management concern is the interest rates forecasts. Based on the end of June rates the accounts looked set to return a favourable variance of £13.8k. However, members may be aware of the Bank of England base rate cut to 0.25% in early August. At the time of writing this report none of the Council's variable rate bank accounts have updated their rates, but our Treasury Management advisors are forecasting a further cut to 0.1% before Christmas which could last until 2018.

To date £1,591k of new invoices have been raised, including £791k for the Better Care DFG grant which was received very promptly. Of the £575k of general debt outstanding, 40% was under 30 days old. Where specific concerns have been raised, provision for doubtful debt has already been charged into the General Fund, and the current doubtful debt provision balance is £106k to meet the doubtful debts value of £130k. Officers will monitor the need for additional doubtful debt contributions.

The above debts exclude the rent on Empty Homes Scheme properties, which continue to be a concern with a Q1 arrears balance of £272k (of which £89k was former tenants). Against this there was a £146k doubtful debt provision brought forward and a £77k contribution expected.

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

Capital receipts have started very slowly, but are still expected to achieve the target of £75k.

The capital programme started the year at £955k, to which £4,907k of slippage was added. New projects during 2016/17 now total £354k, including the additional £291k DFG grant to be used. This brings the revised capital programme up to £6,216k.

Activity in Q1 includes 24%of the revised DFG programme, 15%of the Empty Homes renovations and 30% of the Bacup THI works as well as the ongoing Spinning Point planning.

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

Council Tax collection rates at the end of June are marginally ahead of previous years with a current year forecast surplus of £470k with the Council's share being £72k

Meanwhile current collection rates for Business Rates (NNDR) are marginally behind the previous year. There is no strong evidence to explain this albeit there has been a shift for some business to opt for 12 monthly payments rather than historic 10 months. That aside we are still forecasting an overall full year surplus of £721k which is marginally behind our target of £760k. Members should note that this includes the benefit of £342k from the new Lancashire pooling arrangements – this would previously have resulted in a levy payment to DCLG.

5.8 **Medium Term Financial Strategy (MTFS)**

The last MTFS was presented to Members in February 2016. Based on a number of assumptions and risks an underlying future funding gap of c.£600k per annum was forecast Since February 2016 there have been no significant changes in the assumptions.

5.9 One of the biggest risks in the MTFS, outside the control of Council, is the Secretary of State's determination of the Scout Moor wind farm expansion, scheduled to commence October 2016, although a final date for completion is unknown. The Council's latest MTFS assumes a positive determination leading to a development and therefore a future income source to Council (commencing October 2019) of c £600k pa. Should this not be the case the Council's future funding deficit will be in excess of £1.2m pa

5.10 Following the approval of the 2016/17 budget the following savings have been included in the Council's future core budget:

	£000
Increased Taxis Income	100
New Homes Bonus (100%/average)	428
Staff Turnover	150

5.11 The key pressures remaining for Council and its MTFS are:

- The future Rate of Council Tax
- Renewable energy income
- Continuing to optimise the value of New Homes Bonus
- Securing an exit strategy for the Empty Homes programme
- Maximising the returns from local business rates
- Renewing the provision of the Revenues and Benefits service on a similar cost base
- Mitigating the negative impact of the end of "Cost Share"

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 June 2016 and subsequently July 2016	Financial Services
2016/17 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy.	RBC website - Full Council 24/02/2016