

Subject:	Financial Monitoring 2011/12	Status:	For Publication
Report to:	Cabinet	Date:	Cabinet 26 th October 2011
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:	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 The purpose of the report is to update Members on the financial monitoring position for 2011/12 as at the end of September. This report covers the normal monthly budget monitoring for the General Fund and the Capital Programme along with movements on key reserves. It also informs member about the cash position of the Council and any significant Treasury management matters.

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 to identify and implement further savings to meet the challenges in the medium term financial strategy will be reported here as they begin to impact upon the 2011/12 revised forecasts.
 - Risks associated with treasury management practices are managed within the Council's Treasury Management Strategy and Treasury Management Practices

documents (approved in February 2010 and updated in February 2011).

- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2011/12 and in the years to come.

5. BACKGROUND AND OPTIONS

The monthly financial monitoring report for the end of September 2011 is attached at Appendix 1.

5.1 General Fund (revenue) – pages 4 to 23

The forecast for General Fund activity as at the end of September compared to the budget for 2011/12 shows a favourable variance of £133k (£100k favourable in August). A significant proportion of the £33k improvement in September is due to revised projections of costs within Property Services and the Communities teams.

Given the current procedures for carrying forward budget underspend, this could result in £78k being transferred to the Corporate Directorate Investment Reserve, leaving the General Fund Reserve forecast at £1,018k at 31st March 2012.

5.2 As part of the Council's budget plan, £1.6m of savings efficiencies were identified and incorporated into the 2011/12 base budget. At the end of quarter 1 the Council was on track to deliver all but £112k of the planned savings. At the end of quarter 2 the planned savings are forecasting a £128k adverse variance, though this is included in the overall net favourable variance of £133k reported in 5.1 above.

5.3 The Council has been notified of a successful claim in relation to VAT previously overpaid. The claim inclusive of interest, less fees, is £777k.

5.4 Earmarked Revenue Reserves – page 24 to 25

The opening balance of cash-backed Earmarked Reserves was £5,306k.

In September the Council's strategic decision to invest in the Valley Centre included the reclassification of several Earmarked Reserves to create funds to contribute £1,500k to the acquisition and remediation works. This decision is reflected in the reclassification of a number of reserves into the Economic Regeneration Reserve.

At the end of March 2012 the value of useable Earmarked Reserves is now predicted to be £3,351k reducing to £976k by March 2015.

5.5 Government Grants Unapplied – page 26

The balance on the Government Grants Unapplied account at the 1st April was £1,413k.

There have been no changes in September to the anticipated closing balance of £548k.

5.6 Treasury & Cash Management pages 27 to 29

The cash position at the end of September stood at £12,969k. This is significantly higher than originally predicted as a result of the amended cash flow predictions for the Leisure Investment project. The cash flow predictions for the remainder of the year now reflect expected timings of capital spend on the Valley Centre and Leisure projects.

Revenue income expectations have been reduced again following further slow-down in bank rate forecasts and recommendations by our treasury management advisors to keep investments in the coming months down to shorter durations, which unfortunately attract lower interest rates. This advice will be borne in minds when the next investment decision is due in mid October and the interest forecast has been reduced by a further £5.4k in anticipation, reducing the net favourable variance for the year to just £0.2k.

5.7 The collection of current year debts continues to perform well. The debtor days performance has improved to 48 days (68 days in August), which compares favourably with the target of 80 days. The total value outstanding at the end of September was £328k, with 80% of invoices issued since April having now been collected. Given the ongoing collection of many April invoices by monthly direct debit and the reduction in the estimate of doubtful debts to £83k, no further bad debt provision is recommended.

5.8 Capital Receipts – page 30 & 32

The original capital budget forecast £100k income for the Council from asset sales during 2011/12. To the end of August £32k had been received, but officers still await the legal completion and proceeds of 2 property auction sales which will add around £35k to this total. The total sale receipts for the year are still expected to reach the original budget.

The net VAT shelter receipts from Green Vale Homes for Q1 were £77k, and they anticipate the annual total to be above the original budget of £328k. Though not reflected in the monitoring report yet, any favourable variance may be available to support the capital programme.

During September there has been no change to the planned application of Useable Capital Receipts, though the strategic investment decision has increased the amount or Earmarked Reserves being used to support capital spend. Therefore officers still forecast a balance of £163k of capital receipts at the end of March 2012 available to finance future spending.

5.9 Capital Programme – page 31 & 32

The capital programme increased in September with the update of £19k in relation to bins required as a result of the operational decisions regarding refuse collection. This brings the revised capital programme to £8,658k.

Spending on the Leisure projects have now been amended to reflect the Council investment decisions and the Valley Centre has now been included as a separate project.

Around £1,759k of capital works have been completed or ordered by the end of September, including this month £58k on Disabled Facilities Grants, £40k on replacement warm air system at Marl Pits pool, £14k on wheeled bins and £55k on renovations at Clare House.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

- 6.1 Predictions for the General Fund Reserve balance at 31st March 2012 are now marginally above the target £1m recommended in the Medium Term Financial Strategy. However, the Council must maintain tight control on its costs and pursue the delivery of savings planned into the original budget.
- 6.2 Officers must also continue to investigate and implement projects to contribute towards the medium term financial strategy challenges and members will note the full-year effective savings comments within this report as evidence of ongoing progress.

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 successful outcome to 2010/11 both in terms of finance and performance, the challenge remains for Council to continue its efficiency agenda in order to realise its medium term saving target of £1m.

Background Papers	
Document	Place of Inspection
Monthly detailed financial monitoring statements for each service area	Financial Services
Final Accounts working papers	Financial Services