

Subject:	Financial Monitoring 2011/12	Status:	For Publication
Report to:	Cabinet	Date:	1 st December 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:	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 The purpose of the report is to update Members on the financial monitoring position for 2011/12 as at the end of October. This report covers:-
- The normal monthly budget monitoring for the General Fund and the Capital Programme along with movements on key reserves;
 - The cash position of the Council and any significant Treasury management matters; and
 - Interim Balance Sheet and progress on collecting all forms of income and debts.

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 October 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 October compared to the budget for 2011/12 shows a favourable variance of £129k (£133k favourable in September). This minor change includes a significant adverse movement in October within Property Services matched by favourable movements in staffing costs, IT and interest.

Given the current procedures for carrying forward budget underspend, this could result in £66k being transferred to the Corporate Directorate Investment Reserve, leaving the General Fund Reserve forecast at £1,026k at 31st March 2012.

5.4 Earmarked Revenue Reserves – page 24 to 25

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

October saw the inclusion of the Bacup Forum decision to support £100k of works at Stubbylee to facilitate the Accrington & Rossendale College project.

At the end of March 2012 the value of useable Earmarked Reserves is now predicted to be £3,239k reducing to £1,173k 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 changes to the housing capital projects and their funding during October which has raised the anticipated closing balance to £624k and allowed the former housing capital pot grant to support Disabled Facilities works until 2014/15.

5.6 Treasury & Cash Management pages 27 to 29

The cash position at the end of October rose to £13,334k, with investment in the Valley Centre due in early November.

Interest income expectations have been raised by £10k in October as cash balances continue to be high and investments for the coming months look to be marginally better than the Sector model portfolio. With the continued economic uncertainty over the Eurozone staff took treasury advice to keep investments short and during October a £3m deposit was reinvested for 3 months at 1.25%.

By the end of the month similar 3-month rates were creeping back up to 1.3% which could improve the interest position again when the next deposit matures just before Christmas.

5.7 The collection of current year sundry income continues to perform well. With the issue of some large quarter-end bills in October the debtor days performance has slipped back to 68 days (48 days in September), though this still compares favourably with the target of 80 days. The total value outstanding at the end of October was £478k, with 75% of invoices issued since April having now been collected. The comparatively high value of invoices raised in October has pushed the estimate of doubtful debts up from £83k to £96k, but still 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.

Green Vale Homes have notified staff that the VAT shelter entitlement for Q2 will be £114k, which will raise the total for the year so far to £191k, and they anticipate the annual total to be above the original budget of £328k. As a result Council forecasts have now been raised to £350k, with the £22k favourable variance being made available to support the capital programme.

During October there have been changes to the planned application of Useable Capital Receipts which are 'ring-fenced' for housing projects. Reduction in costs of Compulsory Purchase Orders (CPOs) and slippage of the Decent Homes Assistance programme into 2012/13 have raised the anticipated balance of resources at March 2012 to £414k with £229k reserved for housing projects in the future. This leaves unreserved receipts likely to be £185k.

5.9 **Capital Programme – page 31 & 32**

The capital programme saw a net decrease in October with the changes mentioned above to the housing projects. However, a new £100k project has been included to facilitate the college activity at Stubbylee, funded by the Bacup Neighbourhood Reserve. This brings the revised capital programme to £8,406k.

Spending in October focussed on £50k of Disabled Facilities grants, a further £78k of renovation works at Clare House, orders for £132k of works between Whitworth Memorial Gardens and Victoria Park play area.

A further £73k has been spent on the Marl Pits leisure investment project, but spending on the Valley Centre is not expected until early November.

5.10 **Interim Balance Sheet – page 32-34**

An update has been provided on the Council's Balance Sheet as at the end of October. The Notes on page 32 explain where movements tie back to earlier sections of the report.

Page 34 concentrates on the collection of debts not normally included within page 29, the most significant area being Council Tax. Though the total Council Tax debts at the year-end were £3,214k, only 16.8% were attributable to Rossendale Borough Council. Of this £519k there have been £24k of write-offs and £78k collected in cash so far this year.

Current year Council Tax collection rates are marginally up on this time last year with 67.31% of collectable cash having been received by the end of October compared with 67.03% in 2010. If this continues the target collection rate of 97.8% may be achieved by the end of March, compared with 97.6% in 2010/11.

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