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| Subject: | Financial Monitoring 2011/12 | Status: | For Publication |
| Report to: | Cabinet | Date: | 7 th March 2012 |
| 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 January. 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
 - 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

5.1 The monthly financial monitoring report for the end of January 2012 is attached at Appendix 1.

5.2 General Fund (revenue) – pages 4 to 23

The forecast for General Fund activity as at the end of January compared to the budget for 2011/12 shows a favourable variance of £120k (£116k favourable in December). This minor net change includes a favourable £16k on planning fee income and adverse movements in property rentals and running costs.

Given the current procedures for carrying forward budget underspend, this could result in £23k being transferred to the Business Directorate Reserve and £67k being transferred to the Corporate Directorate Investment Reserve, leaving the General Fund Reserve forecast at £993k at 31st March 2012.

5.3 Earmarked Revenue Reserves – page 24 to 25

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

The above planned Directorate Reserve contributions have been included in the forecast, along with the requirement to pay a supplementary £215k to LCC from the Pension Fund Reserve in respect of former housing staff.

At the end of March 2012 the value of useable Earmarked Reserves is now predicted to be £3,228k reducing to £988k by March 2015.

5.4 Government Grants Unapplied – page 26

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

There have been minor changes to the Housing Market Renewal capital and revenue split at the end of the scheme, which will result in £20k being carried forward at the end of March to fund costs early in April. This has raised the anticipated closing balance to £645k reducing to £235k by March 2015.

5.5 Treasury & Cash Management pages 27 to 29

The cash & investments position at the end of January was £12.9m, though within normal cash flow patterns this is expected to reduce to £5.8m by the end of financial year.

This January report includes details of a 364 day investment of £1.5m placed on the 15th February with Lloyds at a rate of 3.1%. Investments during December and January had been carefully timed to ensure that the funds were available to allow officers to take advantage of this special tranche investment which has a fixed maturity date of 13th February 2013. This has resulted in an additional £1.8k interest income in 2011/12 and secures around half of the 2012/13 interest income budget.

5.6 The collection of current year sundry income continues to perform well. Though the total value outstanding at the end of January rose to £508k, a further 3 invoice with a combined value of £208k were received in early February. Invoices raised to date in 2011/12 total £2,206k, of which 90% has now been collected. Excluding those invoices received in early February the estimate of doubtful debts stands at £105k For which there is a provision available of £124k. Officers consider £12k of the outstanding debt to be uncollectable and recommend for write-off. Of that total, one invoice is over the delegated authority limit of £5k and is therefore included in a separate report to this Cabinet meeting requesting write-off approval.

5.7 **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 January £78k had been received, including a deposit of £7k during January.

Green Vale Homes have notified staff that the VAT shelter entitlement for Q3 and Q4 are forecast to bring the total up to £386k, which would be £58k above the original budget of £328k. This favourable variance could then be made available to support the capital programme.

The balance of resources at March 2012 is now anticipated to be £410k with £229k reserved for housing projects in the future. This leaves unreserved receipts likely to be £181k.

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

The capital programme has seen some minor changes to the Clare House renovation costs and the capital/revenue split of Housing Market Renewal works. In addition, £20k of the costs of works at the Mechanics Hall have now been recharge to LCC. The revised capital programme total is now £8,459k.

Spending in January focussed on £67k of Disabled Facilities grants, though on-site works continued at Victoria Park, Edgeside play area and Marl Pits along with preparation works for the demolition of the Valley Centre.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Predictions for the General Fund Reserve balance at 31st March 2012 are now marginally below the target £1m recommended in the Medium Term Financial Strategy. The Council must maintain tight control on its costs and pursue the delivery of savings now planned into the original budget for 2012/13.

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 being forecast for 2011/12 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 £1.5m.

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