

Subject:	Financial Monitoring 2012/13	Status:	For Publication
Report to:	Cabinet	Date:	Cabinet 17 th October 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
Contact Officer:	Janice Crawford	Telephone:	01706 252416
Email:	janicecrawford@rossendalebc.gov.uk		

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 2012/13 as at the end of August. This report covers
- the regular 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
 - 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 are reported here as they begin to impact upon the 2012/13 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 2012).
- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2012/13 and in the years to come.

5. BACKGROUND AND OPTIONS

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

General Fund (revenue) – pages 4 to 23

- 5.1 The forecast for General Fund activity as at the end of August compared to the budget for 2012/13 shows a favourable variance of £269k.

Page 2 of the report attached shows a table breaking this variance down into

- Favourable variances, which have risen from £533k to £561k during August, and
- Adverse cost pressures which have dropped from £305k in July to £293k by August.

Since those variances represent part-year figures, officers are working to understand both the full-year impacts of the changes and their recurring nature. As can be seen in the right hand side of the table on page 2, there are a net £94k of savings which can definitely be carried forward to the 2013/14 budgets, whilst £109k of net savings are still under review. These investigations will now form the starting point for budget savings discussions with departments.

Under the current procedures for carrying forward budget underspend, the amounts potentially transferrable to the Directorate Investment Reserves has risen from £113k to £134k, resulting in a General Fund Reserve forecast of £1,088k at 31st March 2013.

5.4 Earmarked Revenue Reserves – page 24 to 25

The opening balance of cash-backed Earmarked Reserves was £5,152k.

Revision of utilisation plans during August has reduced the amounts required by £3k, thus increasing the estimate of the balance in the Reserves at the end of March 2013 to £3,435k. However, this balance is still expected to reduce to £1,846k by March 2015.

5.5 Government Grants Unapplied – page 26

The balance on the Government Grants Unapplied account at the 1st April was £815k.

Members will recall that the Council has a waiting list of mandatory Disabled Facilities Grant applications (DFGs). The revised programme of £804k for 2012/13 includes the annual £353k grant from central government plus a contribution of up to £200k from Green Vale Homes to support grants at their properties. It also includes the use of £251k from the balance of Housing Capital Pot grants in order to help address the waiting list. This level of spending will leave £242k of Housing Capital Pot grant available at the end of 2012/13 to finance similar top-up contributions in 2013/14 and 2014/15 as shown in the table on page 26.

A one-off grant of £84k has been received to help with any costs of implementing the Localisation of Council Tax. These are expected to include any software upgrade costs necessary to implement the Council's local benefit scheme once a decision has been made following the current consultation.

5.6 Treasury & Cash Management pages 27 to 29

The cash position at the end of August rose to £11,235k from £10,675k at the end of July and an opening balance of £5,545k on the 1st April.

Over £99k of interest income has already been secured by the favourable rates obtained for two 364 day deposits back in February and March and two 3-month deposits entered into in April and July. Given the continued favourable cash positions officers now expect to maintain the level of 3-month deposits at around £2m when the current arrangement matures in mid October. This would increase the expectations for the total interest income by a further £5k to a favourable variable of £28k.

However, officers would urge caution in expecting similar favourable performance on interest income in future years, given that our treasury management advisors are now predicting that the base rate of 0.5% will remain unchanged until the beginning of 2014.

5.7 August receipts included the collection of some of the larger sundry debtor invoices which had been outstanding at the end of July, including over £96k of 2011/12 debts. Hence, the level of outstanding debts has reduced to £322k and the average sundry debtor days performance indicator is now 46 days. The total of prior-year debts outstanding has now reduced to £110k, equal to 34% of the total at the end of August 2012.

As a result of the above collections, the level of doubtful debts has dropped from £133k to £114k at the end of August, against which the Council has a current provision of £109k. At the end of the financial year officers will consider an additional contribution to the bad debt provision to cover debts arising from the 2012/13 invoices.

5.8 Capital Receipts – page 30

The original capital budget forecast £100k income for the Council from asset sales during 2012/13. By the end of August £8k had been received from such general asset sale receipts, but officers were about to conclude the sale of a ransom strip of land which is expected to result in a substantial income during September in order to meet the budget target.

In addition, the Council has received £250k pertaining to a development in Bacup, which is already earmarked to fund the engineering works required to facilitate the eventual transfer of a larger site.

The Q4 VAT shelter entitlement from Green Vale Homes was £77k above that predicted in the 2011/12 accounts. This is being treated as the initial contribution towards to the original budget of £346k for 2012/13. The Q1 entitlement has been confirmed at £38k, bringing the year-to-date figure up to £115k, equivalent to 33% of the budgeted income.

The level of usable receipts brought forward at 1st April was £1,011k, of which £359k was ring-fenced for housing projects. Projects continued from 2011/12 will require £556k of these receipts and new projects in 2012/13 will require £681k, including the application of the £250k noted above. This leads to an expected balance on the capital receipts reserve at March 2013 of £95k, of which £29k would remain ring-fenced for housing projects.

5.9 Capital Programme – page 30 & 31

In August Section 106 contributions have been identified to support the funding of the capital programme. This has resulted in a revised capital programme for 2012/13 of £4,572k.

Works during August included the ongoing ground works at Rawtenstall Town Centre, the maintenance garage building works at Henrietta Street depot to enable the eventual transfer of the wider regeneration site and a further £246k of works at Marl Pits. A further £79k of DFGs were completed and the total value of approved applications for the year has risen to £510k, leaving £294k of funding to applied to the waiting list of mandatory applications over the second half of the year.

5.10 Collection Fund page 32

At the end of August the NNDR collection rates are 1.19%, up on those of the previous year but any additional receipts at year-end will be transferred to central government rather than RBC under the old NNDR scheme.

The council tax collection rates are approximately the same as those achieved by August last year, but the level of single person discounts being claimed still leads officers to predict at deficit on the Collection Fund of around £38k, of which £6k could be the responsibility of Rossendale Borough Council.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Predictions for the General Fund Reserve balance at 31st March 2013 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 2011/12 both in terms of finance and performance, the challenge remains for the Council to continue its efficiency agenda in order to realise its

medium term savings target of over £1m.

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