

**Subject:** Financial Monitoring for  
2008/09

**Status:** For Publication

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**Report to:** Cabinet

**Date:** 18 March 2009

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**Report of:** Head of Finance

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**Portfolio**

**Holder:** Finance and Resources

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**Key Decision:** No

Forward Plan

General Exception

Special Urgency

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**1. PURPOSE OF REPORT**

1.1 The purpose of the report is to update Members on the General Fund estimates monitoring for 2008/09, the Capital Programme and Treasury matters.

**2. CORPORATE PRIORITIES**

2.1 The matters discussed in this report are linked to and support each of the Council's priority areas however in particular they impact on following:

- *A Well Managed Council: strong financial management and the delivery of value for money services (Customers, Community Network, Improvement, Partnerships)* – Effective and strong Financial Management ensures the effective management of the Council's resources which then enables the provision and delivery of value for money services

**3. RISK ASSESSMENT IMPLICATIONS**

3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:

3.1.1 Financial monitoring focuses on the key risk areas of: Employment costs, Income, agreed budget savings, emerging issues and opportunities and in particular service department net costs.

3.1.2 The delivery of capital receipts is now emerging as a prime area of focus for the Council in supporting its corporate priorities.

#### 4. BACKGROUND AND OPTIONS

##### 4.1 Capital

4.1.1 Capital Receipts as at 31<sup>st</sup> January compared to full year expectations were as follows:

<b>Major Receipts:</b>	<b>Original Expectations £000</b>	<b>Received £000</b>	<b>Surplus / (Deficit) £000</b>
<b>Capital Receipts</b>			
Land & Property Sales	1,100	332	(768)
Equity Release		77	77
GVH - RTB	1,438	99	(1,339)
<b>Revenue Receipts</b>			
GVH - Vat Shelter	560	394	(166)
	3,098	902	(2,196)

4.1.2 The above Land & Property original expectations included a pre contractual figure of £1M in relation to the Council's assets within and associated with the Valley Centre redevelopment. Monies budgeted in relation to Green Vale Homes (GVH) were based on previous years experience prior to the current decline in the property market.

4.1.3 The current economic and financial climate continues to be challenging and a cause for concern in the raising of capital receipts. During the recent budget-setting process the Capital Programme for the next three years has been thoroughly reviewed and is potentially facing a deficit of £574K in the next financial year. More details can be found in the Draft Revenue and Capital Budget.

4.1.4 Actual Capital Expenditure to 31<sup>st</sup> January 2009 compared to budget is as follows:

SERVICE AREA	2008'9 BUD INCLUDE SLIPPAGE	Period 10 MONITORING		FULL YR FORECAST	% spend
	Total £000	Spend £	Committ £	Forecast £	to date
<b>Place Directorate</b>					
Place Operations	1,429	662	189	1,044	46%
Customer Services and e Government	105	128	3	131	122%
Communities	399	227	8	390	57%
Regeneration	1,079	15	0	44	1%
<b>Corporate Support Services</b>					
Finance & Property Services	732	667	1	909	91%
<b>Housing</b>					
	3,036	2,064	11	3,061	68%
	<b>6,780</b>	<b>3,762</b>	<b>212</b>	<b>5,579</b>	<b>55%</b>

- 4.1.5 The overspend on Customer Services relates to a required upgrade on electronic banking systems. This non budget item is being financed from savings made within Treasury Management (see below, para 4.5).
- 4.1.6 The major change this month has come from the Sustainable Economic Regeneration Programme, funded by North West Development Agency (NWDA). There have been some delays in obtaining project approvals from the NWDA and the one project currently going ahead is being run through the partnership with Lancashire County Developments Ltd (LCDL). This means that all costs and grants will go direct through LCDL, in accordance with our claims at year-end, rather than being a part of this Council's capital programme, ensuring that the timing difference between spend and grant income does not adversely affect our cash flows.
- 4.1.7 **S.106 (Town & Planning Act 1990)** – Finance, Legal and Planning Officers have recently been working to review the processes and monitoring of S.106 planning monies with a view maximising value. Current available resources are noted below in the following table. The activity in January reflects £37k received in relation to Scout Moor Wind Farm which has been subsequently paid out to partners as per the arrangement.

<b>Section 106 resources</b>	<b>08/09 &amp; Previous £000</b>
<b>Section 106 invoices paid</b>	836
<b>Section 106 monies released (liable) to 3rd parties</b>	543
<b>Section 106 monies available for RBC</b>	293

## 4.2 Net Revenue Expenditure Forecast

4.2.2 The estimated revenue spend outturn compared to budget for 2008/09 is £103k favourable (Compares to £185k for the month of December). The following table as per the previous report now includes movement on earmarked reserves and is detailed by service area as follows:

### General Fund Summary - JANUARY 2009 (Period 10)

Service Area	2008/09 Org Budget (adj for JE & org review) £000	2008/09 Forecast £000	2008/09 Variance (Adv)/Fav £000	Variance last reported £000	Change in January (Adv)/Fav £000
<b>Place Directorate</b>					
Place Operations	3,850.2	3,833.8	16.4	29.9	(13.5)
Customer Services and e Government	2,779.1	2,782.1	(3.0)	(0.7)	(2.3)
Communities	1,266.7	1,162.2	104.4	99.2	5.2
Regeneration	651.8	640.7	11.1	20.1	(9.0)
<b>Business Directorate</b>					
Building Control Services	133.7	122.9	10.9	11.0	(0.1)
Environmental Services	780.4	747.1	33.3	42.9	(9.6)
Legal & Democratic Services	1,131.3	1,081.0	50.3	43.4	6.9
Planning Services	528.4	676.3	(147.9)	(92.7)	(55.2)
<b>Corporate Support Services</b>					
Finance & Property Services	220.7	356.7	(135.9)	(131.8)	(4.1)
Corporate Management	541.2	542.1	(0.9)	(0.9)	0.0
People and Policy (incl P&P & Comm)	301.3	282.6	18.7	15.9	2.8
Non Distributed Costs	481.5	487.9	(6.4)	(4.0)	(2.4)
Capital Financing and Interest	(902.4)	(1,054.7)	152.3	152.3	0.0
<b>Favourable impact on General Fund</b>	<b>11,763.9</b>	<b>11,660.6</b>	<b>103.2</b>	<b>184.6</b>	<b>(81.4)</b>

4.2.3 The variances are detailed as follows:

4.2.4 Place Directorate (Total forecast gain of £128.9k, December reported £148.5k)

4.2.4.1 *Place Operations* (forecast gain of £16k, compares to the previous month of £30k). A mix of staffing and vehicle related costs.

4.2.4.2 *Customer Services & e-Government* (forecast adverse variance of £3k, compares to an adverse £1k in the previous month). Sundry minor adverse items.

4.2.4.3 *Communities* (forecast gain of £104k, previous month £99k) – Includes £5k savings in NEAT Team staffing and £2k adverse on Markets income.

4.2.4.4 *Regeneration* (forecast gain of £11k previous month £20k) – a mix of minor adverse costs (including recruitment costs & tourism)

4.2.5 Business Directorate (Total forecast adverse £53k compared to November reports of an favourable of £5k)

4.2.5.1 *Building Control* (forecast gain of £11k previous month £11k) - No significant changes

- 4.2.5.2 *Environmental Services* (forecast gain of £33k previously £43k ) – No significant changes
- 4.2.5.3 *Legal & Democratic Services* (forecast gain of £50k previously £43k) – £6k favourable on staffing and other minor variances.
- 4.2.5.4 *Planning and Land Charges* (forecast adverse of £148k previously £93k) – Land charges forecast income has dropped a further £5k to £86k adverse overall. This month for the first time Planning income has seen a decline in major applications, resulting in a forecast adverse of £45k for the year.
- 4.2.6 Corporate Support Services (Total forecast adverse variance of £31k previously adverse £28k)
- 4.2.6.1 *Finance & Property* (forecast adverse of £136k previous month £131k ) – Salary savings from Finance mini restructure are set to contribute £20k but the new electricity and gas contracts are now forecast to show adverse £15k by the year-end. External valuation fees contract has now been re-rendered and includes new requirements for International Financial Reporting Standards, resulting in £8.7k extra costs.
- 4.2.6.2 *Corporate Management* (forecast adverse £1k, previously adverse of £1k) – No significant changes
- 4.2.6.3 *People & Policy* (forecast favourable £19k previously adverse of £16k) – Salary savings from mini restructure are set to contribute £12.5k but legal fees in relation employment advice are forecast to be £9k.
- 4.2.6.4 *Non Distributed Costs* (forecast adverse £6k previously adverse of £4k) – No significant changes
- 4.2.6.5 *Capital Financing* (forecast gain of £152k previous month £152k) – no further changes forecast to interest earnings this month.
- 4.2.7 **Under spend carry forward rules** – Members will recall that service areas are allowed to carry forward under spends for use on non recurrent budgets. Therefore the following table shows the forecast impact on General Fund reserves at the year end:

	£000
<b>General Reserves Variance forecast</b>	<b>103</b>
Less 50% service under spend	
Place	64
Business	0
Corporate	0
<b>Favourable Impact on General Reserves</b>	<b>39</b>

### 4.3 Employment Costs

4.3.1 The above outturn includes, amongst other things, some saving on salary costs. To put the above net expenditure in context the following table shows the net salary saving position as at period 10 (January 2009) for total employment costs.

Employment Costs Period 10 - January 2009	2008/09 YTD Budget £000	2008/09 YTD Actual £000	2008/09 Variance (Adv)/Fav £000	Period 10 Movement (Adv)/Fav £000	Budgeted Staff FTEs	Current Vacant Posts
<b>Place Directorate</b>						
Communities Service	452	406	46	11	3.0	3.0
Customer Services	312	306	6	(11)	10.8	0.0
Regeneration Service	411	347	64	5	13.0	3.0
Operations Service	2,013	1,959	54	(3)	114.9	1.0
<b>Business Directorate</b>						
Building Control Services	179	169	10	1	6.0	0.0
Environmental Services	398	331	67	7	12.0	1.0
Legal & Democratic Services	459	421	38	5	19.4	1.5
Planning Services	469	441	28	4	17.2	1.0
<b>Corporate Services</b>						
Corporate Management	389	390	(1)	1	7.0	0.0
Finance & Property Services	624	613	11	4	23.5	1.0
People & Organisational Performance	313	290	23	6	10.0	0.5
Non-Distributed Costs	185	232	(47)	2	0.0	0.0
<b>Total</b>	<b>6,204</b>	<b>5,904</b>	<b>300</b>	<b>33</b>	<b>236.8</b>	<b>12.0</b>

### 4.4 Reserves, Provisions & Grants

4.4.1 Appendix 1 illustrates the most significant Reserves, Provisions & Grants available to the Council less amounts already committed. No new requests are made in this report.

4.4.2 *Health Promotion Grants unapplied* – a further £120k is anticipated during this financial year to fund specific health promotion projects. The Health and Wellbeing Funding Report to Cabinet in December detailed some of the plans for these funds. However, the requirement for a Transitional Fund in regard to the strategic review of Leisure and Recreation now supersedes the December report. Members have therefore agreed to transfer £193k from Health provisions to a Leisure Transitional Fund.

4.4.3 In addition Members have previously agreed to commence building a separate provision in relation to Rossendale Leisure Trust's Balance sheet by way of top-slicing other earmarked Council reserves. The following table details the transfer to a separate Leisure provision:

	<b>£000's</b>
Budget Volatility	28
Change Management	51
IT Reserve	5
Pension Fund Reserve	40
Perform' Management	3
Economic Regeneration	25
Single Status	28
<b>Leisure Reserve</b>	<b>180</b>

## 4.5 Treasury Management

4.5.1 Interest received less capital financing costs compared to budget were as follows:

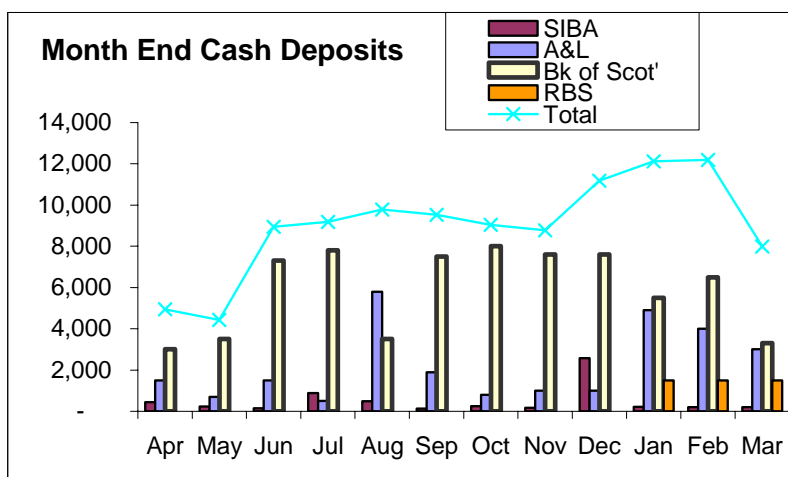
	<b>Budget 08/09</b>	<b>F'cast 08/09</b>	<b>Variance ( ) = Neg'</b>
Minimum Revenue Prov'n	(88)	(88)	0
Interest Paid	(5)	(6)	(1)
Interest Received	237	393	155
<b>Total</b>	<b>145</b>	<b>299</b>	<b>154</b>

4.5.2 The above table shows a current and prudent favourable variance on capital financing of £154k.

4.5.3 We continue not to forecast any change to the Minimum Revenue Provision; there may be some additional saving also in this area of c. £30k. However, this will be ultimately be determined by the availability of Useable Capital Receipts and the use of internal borrowing requirements.

4.5.4 The Council is able not only to earn interest on its book figures but on funds committed but not yet paid out. The total balances on which the council was earning interest continue to be strong and as at 31<sup>st</sup> January were £12,114k (compared to £7.6m cleared cash at 31<sup>st</sup> January 2008). The banks would refer to this as available cleared balances.

4.5.5 The graph below shows our month end cleared balances over the 12 months. This is based on a top-down monthly forecast of expenditure and income and anticipates the yr-end position to be around £7.9m. At the same time a bottom-up weekly approach forecasts the balances at the end of March (excluding pre-payments on the new Council Tax bills) to be more in the region of £6.5m, though this is dependent upon the timings of capital programme spend and the monthly housing benefit grants due out at the very end of year.



4.5.6 In the last week of January the Council's Treasury Management advisers predicted that the rates on the Public Works Loans Board were approaching a level at which it would be prudent to borrow to support the up-coming capital programme. The Council can borrow up to the value of the Capital Financing Requirement and so a decision was made to borrow £1.5m for 364 days at 0.89%. Until they are called on to support spending these funds are held as part of the balances at 4.5.5 above.

4.5.7 The current interest terms for the accounts which the Council regularly uses are:

		AER	% Gross Rate	Interest Paid
<b>SIBA</b>	£1.5 M +	0.51	0.50	Quarterly
	£1M - £1.5 M	1.01	1.00	Quarterly
<b>Alliance &amp; Leicester</b>	£500 +	1.21	1.20	Monthly
<b>Bank of Scotland</b>	£1 +	1.01	1.01	Monthly
<b>Bank of Scotland</b>	2 month fixed		3.09	Maturity
<b>Bank of Scotland</b>	364 days fixed		6.78	Maturity
<b>Royal Bank of Scotland</b>	364 days fixed		2.70	Maturity

4.5.8 The Bank of England's Monetary Policy Committee continues to reduce base rates. The 5<sup>th</sup> February 2009 saw a further 0.5% reduction to 1.0%, with a similar reduction on 5<sup>th</sup> March. The Bank of England base rate therefore now stands at 0.5% the lowest in the Bank's 300 year history.

4.5.9 The Inflation figure saw further changes in the January publications. The Consumer Price Index fell again to 3% for the year to the end January 2009 (down from 3.1% in December) and the Retail Price Index was down to 0.1% (down from 0.9% in December). Expectation is of further reductions during 2009.

4.5.8 Our treasury advisors, Sector, are now forecasting interest rates as follows:



	Q/E1 2009	Q/E2 2009	Q/E3 2009	Q/E4 2009	Q/E1 2010
<b>Base Rate</b>	0.50%	0.50%	0.50%	0.50%	0.50%
<b>25yr PWLB</b>	4.00%	3.95%	3.95%	3.95%	4.00%

*as at end January '09*

4.5.9 Capital Economics have published a forecast of 0% for the final 3 quarters of 2009 and continuing throughout 2010.

4.5.10 Debtor Days currently stand at 69 (on debt of £379k) for January 2009 and compares to 82 days (on debt of £483k) as at January 2008.

## **COMMENTS FROM STATUTORY OFFICERS:**

### **5. SECTION 151 OFFICER**

5.1 Financial matters are dealt with within the report.

### **6. MONITORING OFFICER**

6.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

### **7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)**

7.1 Unless specifically commented upon within the report, there are no implications for consideration.

### **8. CONCLUSION**

8.1 Overall the General Fund revenue forecast remains within the Council's net revenue budget and includes provision for Council's current known risk areas.

### **9. RECOMMENDATIONS**

9.1 The Members note and consider the contents of the report.

### **10. CONSULTATION CARRIED OUT**

10.1 Directors, Heads of Services and Budget Holders.

## 11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required ~~Yes~~ / No  
Is an Equality Impact Assessment attached ~~Yes~~ / No

## 12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required ~~Yes~~ / No  
Is a Biodiversity Impact Assessment attached ~~Yes~~ / No

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<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
2008/09 Budget (revenue and capital)	Full Council papers – Feb 08
Monthly detailed financial monitoring statements for each service area, including gross income and expenditure budget variances	Financial Services

General Fund Reserve, Earmarked Funding & Long Term Provisions (cash-backed items only)	General Fund Reserve	Earmarked Funding											Govt Grants Unapplied		Long Term Provisions		Total
		Budget Volatility	Change Manag't	IT Reserve	Pension Fund Reserve	Perform' Manage't	Regulatory Services	Econ' Regen'	Single Status	Leisure Reserve	Health & Wellbeing Projects	Total Useable Earmarked Funding	Unapplied PDG	Unapplied Health Promo Grants	Building Control Trading Provisions		
<b>Balance at 01/04/08</b>	<b>813</b>	<b>372</b>	<b>661</b>	<b>370</b>	<b>396</b>	<b>68</b>	<b>400</b>	<b>847</b>	<b>669</b>	<b>0</b>	<b>156</b>	<b>3,939</b>	<b>166</b>	<b>190</b>	<b>24</b>	<b>5,132</b>	
<b>New Funds Received 2008/09</b>																	
08-09 grant received												0	83	120		203	
VAT Shelter Receipts (anticipated)					350							350				350	
<b>Total New Funds Received in 2008/09</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>350</b>	<b>83</b>	<b>120</b>	<b>0</b>	<b>553</b>	
<b>Specific Revenue Budget Commitments</b>																	
Communications			(19)									(19)				(19)	
Regeneration Team												0				0	
Corporate Subscriptions (PLACE)			(8)									(8)				(8)	
Contaminated Land Consultancy			(10)									(10)				(10)	
Pride in Rossendale												(30)				(30)	
Planned use of LABGIS (Regen')												(64)				(64)	
Planned use of LABGIS (Planning)												(18)				(18)	
Job Evaluation												(111)				(111)	
	<b>0</b>	<b>0</b>	<b>(37)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(112)</b>	<b>(111)</b>	<b>0</b>	<b>0</b>	<b>(260)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(260)</b>	
<b>2007/08 Budget Savings allowed to c/fwd</b>																	
Community & Partnerships	(22)											0				(22)	
Street Scene & Liveability	(23)											0				(23)	
Democratic Services	(5)											0				(5)	
Policy & Change Management	(3)											0				(3)	
People & Organisational Development	(10)											0				(10)	
	<b>(63)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(63)</b>	
<b>Year-to-date Utilisation of Reserves</b>																	
Job Evaluation												0				0	
Facilitation of Job Eval'n process - Union			(10)									(10)				(10)	
Facilitation of Job Eval'n process - Consultant			(10)									(10)				(10)	
H&S Officer - Dec 2008			(20)									(20)				(20)	
Env Health - Temp Technical Officer Appoint												(23)				(23)	
Affordable Warmth Project												(40)				(40)	
Env Health - Admin Officer Redundancy			(10)									(10)				(10)	
Balance of Partnership monies & Henrietta St Admin			(14)									(14)				(14)	
Pension Strain Costs			(65)									(65)				(65)	
Land Charges - Redundancy costs			(3)									(3)				(3)	
Final CPA Audit costs			(14)									(14)				(14)	
Senior Management Restructure			(16)									(16)				(16)	
Pension Fund Contribution					(350)							(350)				(350)	
E-Consultation			(6)									(6)				(6)	
Restructure savings			25									25				25	
ELeP Refund (via Finance)			26									26				26	
Open Spaces supp Planning Document												0	(21)			(21)	
Flood Risk Assessment												0	(8)			(8)	
Housing Land Availability Study												0	(37)			(37)	
DPD,Urban Vision, Critical Friend												0	(15)			(15)	
Sungard buy-out				(271)								(271)				(271)	
Leisure Transitional Fund												0		(193)		(193)	
Leisure Reserve		(28)	(51)	(5)	(40)	(3)		(25)	(28)	180		0				0	
	<b>0</b>	<b>(28)</b>	<b>(168)</b>	<b>(276)</b>	<b>(390)</b>	<b>(3)</b>	<b>0</b>	<b>(25)</b>	<b>(28)</b>	<b>180</b>	<b>(63)</b>	<b>(800)</b>	<b>(81)</b>	<b>(193)</b>	<b>0</b>	<b>(1,074)</b>	
<b>Potential Further Utilisation of Reserves</b>																	
Concessionary Travel		(15)										(15)				(15)	
Housing Benefits		(75)										(75)				(75)	
PCT Health Projects											<i>tbc</i>	0				0	
2008/09 Plans (see schedule)							(408)	(34)				(442)				(442)	
2009/10 Plans (see schedule)								(120)	(100)			(220)				(220)	
2010/11 Plans (see schedule)								(163)	(70)			(233)				(233)	
2011/12 Plans (see schedule)								(154)	(40)			(194)				(194)	
2012/13 Plans (see schedule)								(13)	(10)			(23)				(23)	
	<b>0</b>	<b>(90)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(408)</b>	<b>(485)</b>	<b>(220)</b>	<b>0</b>	<b>0</b>	<b>(1,203)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,203)</b>	
												0				0	
<b>Utilisation of Reserves</b>	<b>(63)</b>	<b>(118)</b>	<b>(205)</b>	<b>(276)</b>	<b>(390)</b>	<b>(3)</b>	<b>(408)</b>	<b>(622)</b>	<b>(359)</b>	<b>180</b>	<b>(63)</b>	<b>(2,263)</b>	<b>(81)</b>	<b>(193)</b>	<b>0</b>	<b>(2,600)</b>	
<b>Cash-backed Reserve Balances</b>	<b>750</b>	<b>254</b>	<b>456</b>	<b>94</b>	<b>356</b>	<b>65</b>	<b>(8)</b>	<b>225</b>	<b>310</b>	<b>180</b>	<b>94</b>	<b>2,026</b>	<b>168</b>	<b>117</b>	<b>24</b>	<b>3,085</b>	