

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

**Status:** For Publication

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**Report to:** Cabinet

**Date:** 15<sup>th</sup> April 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:

- o *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 20<sup>th</sup> March 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 & Elevate		96	96
GVH - RTB	1,438	286	(1,152)
<b>Revenue Receipts</b>			
GVH - Vat Shelter	560	634	74
	3,098	1,348	(1,750)

4.1.2 The above Land & Property original budget 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 and as indicated above are significantly below expectations for 08/09. The figures received to 20<sup>th</sup> March will rise slightly for quarter 4 in relation to VAT Shelter receipts, but the Right to Buy (RTB) income is not expected to close the year much above the present level. Receipts from general land sales will increase during March 09 as we complete contracts worth £135k.

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 Revenue and Capital Budget for 2009/10.

4.1.4 Actual Capital Expenditure to 28<sup>th</sup> February 2009 compared to budget is as follows:

SERVICE AREA	2008'9 BUD INCLUDE SLIPPAGE	Period 11 MONITORING		FULL YR FORECAST	% spend
	Total £000	Spend £	Committ £	Forecast £	to date
<b>Place Directorate</b>					
Place Operations	1,429	669	228	1,007	47%
Customer Services and e Government	105	128	3	131	122%
Communities	399	225	8	370	56%
Regeneration	1,079	15	0	144	1%
<b>Corporate Support Services</b>					
Finance & Property Services	732	705	10	828	96%
<b>Housing</b>					
	3,036	2,462	11	2,805	81%
	<b>6,780</b>	<b>4,204</b>	<b>260</b>	<b>5,285</b>	<b>62%</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 housing area of the capital programme has been revised downwards. This relates to delays in commencement of the planned decent homes assistance scheme and delays in obtaining central government approval for CPOs.

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

4.2.1 The estimated revenue spend outturn compared to budget for 2008/09 is now £108.4k favourable (Compares to £103.3k for the month of January). This is summarised as follows:

## General Fund Summary - February 2009 (Period 11)

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	3,836.2	14.0	16.4	(2.4)
Customer Services and e Government	2,779.1	2,765.1	14.0	(3.0)	17.0
Communities	1,266.7	1,164.3	102.4	104.4	(2.0)
Regeneration	651.8	642.3	9.4	11.1	(1.7)
<b>Business Directorate</b>					
Building Control Services	133.7	124.4	9.3	10.9	(1.6)
Environmental Services	780.4	741.1	39.2	33.3	5.9
Legal & Democratic Services	1,131.3	1,086.3	45.0	50.3	(5.3)
Planning Services	528.4	679.4	(151.0)	(147.9)	(3.1)
<b>Corporate Support Services</b>					
Finance & Property Services	220.6	362.0	(141.4)	(135.9)	(5.5)
Corporate Management	541.2	542.1	(0.9)	(0.9)	0.0
People and Policy (incl P&P & Comm)	301.3	278.8	22.5	18.7	3.8
Non Distributed Costs	481.5	487.9	(6.4)	(6.4)	(0.0)
Capital Financing and Interest	(902.4)	(1,054.7)	152.3	152.3	0.0
<b>Favourable impact on General Fund</b>	<b>11,763.7</b>	<b>11,655.3</b>	<b>108.4</b>	<b>103.3</b>	<b>5.1</b>

4.2.2 The variances are detailed as follows:

4.2.3 Place Directorate (Total forecast gain of £139.8k, January reported £128.9k)

4.2.3.1 *Place Operations* (forecast gain of £14k, compares to the previous month of £16.4k). A mix of staffing and vehicle related costs.

4.2.3.2 *Customer Services & e-Government* (forecast gain of £14k, compares to an adverse £3k in the previous month). Extra £20k court costs recovered.

4.2.3.3 *Communities* (forecast gain of £102.4k, previous month £104.4k) – the change relates to staffing & recruitment costs.

4.2.3.4 *Regeneration* (forecast gain of £9.4k previous month £11.1k) – a mix of minor adverse costs.

4.2.4 Business Directorate (Total forecast adverse £57.4k compared to January reported adverse of £53.4k)

4.2.4.1 *Building Control* (forecast gain of £9.3k against the previous month gain of £10.9k) - No significant changes this month to costs or to the income forecast which remains at £138k compared to an original budget of £178k.

4.2.4.2 *Environmental Services* (forecast gain of £39.2k, up from January report of £33.3k) – Increased income in Licensing Section is forecast as £109k for the year compared to an original budget of £97k.

4.2.4.3 *Legal & Democratic Services* (forecast gain of £45k, down from previous forecast of £50.3k) – £3k relates to increased costs of members allowances and £2k extra cost on staffing and recruitment.

- 4.2.4.4 *Planning and Land Charges* (forecast adverse of £151.0k, compared to previous adverse forecast of £147.9k) – of which
- Planning forecast adverse £79.9k (compared to £74.8k previously) – the monthly change represents minor adverse variances including legal advice. Planning income forecasts are £255k against an original budget of £301k, having changed little since the reduced forecast in January.
  - Land charges forecast adverse £71k (compared to £73k previously) – fee income has seen a minor favourable swing to a forecast of £66k from an original budget of £150k.

4.2.5 Corporate Support Services (Total forecast favourable variance of £26k previously favourable £27.8k)

4.2.5.1 *Finance & Property* (forecast adverse of £141.4k compared to previous adverse of £135.9k) – Further water rates charges for surface drainage have added £5k to the costs of council property.

4.2.5.2 *Corporate Management* (forecast adverse £1k, previously adverse of £1k) – No significant changes

4.2.5.3 *People & Policy* (forecast favourable £22.5k against previously favourable forecast of £18.7k) – This is as a result of salary and communications savings.

4.2.5.4 *Non Distributed Costs* (forecast adverse £6k previously adverse of £6k) – No significant changes.

4.2.5.5 *Capital Financing* (forecast gain of £152k previous month £152k) – no further changes forecast to interest earnings this month.

4.2.6 **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>108</b>
Less 50% service under spend	
Place	70
Busines	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 11 (February 2009) for total employment costs.

Employment Costs Period 11 - February 2009	2008/09 YTD Budget £000	2008/09 YTD Actual £000	2008/09 Variance (Adv)/Fav £000	Period 11 Movement (Adv)/Fav £000	Budgeted Staff FTEs	Current Vacant Posts
<b>Place Directorate</b>						
Communities Service	497	445	52	6	3.0	3.0
Customer Services	344	349	(5)	(11)	10.8	0.0
Regeneration Service	453	383	70	6	13.0	3.0
Operations Service	2,214	2,157	57	3	114.9	1.0
<b>Business Directorate</b>						
Building Control Services	197	185	12	2	6.0	0.0
Environmental Services	436	365	71	5	12.0	1.0
Legal & Democratic Services	505	460	45	7	19.4	1.5
Planning Services	515	483	32	3	17.2	1.0
<b>Corporate Services</b>						
Corporate Management	428	430	(2)	(1)	7.0	0.0
Finance & Property Services	687	671	16	5	23.5	0.0
People & Organisational Performance	344	314	30	7	10.0	0.0
Non-Distributed Costs	203	265	(62)	(15)	0.0	0.0
<b>Total</b>	<b>6,823</b>	<b>6,508</b>	<b>315</b>	<b>15</b>	<b>236.8</b>	<b>10.5</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.

4.4.2 *Change Management Reserve* – £60k relating to delayed restructure costs within the Regeneration Service implemented earlier in the financial year.

#### 4.5 Treasury Management

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

	Budget 08/09	F'cast 08/09	Variance ( ) = Neg'
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. This forecast has not changed since the January estimates as the fall in base rates (see below) was anticipated.

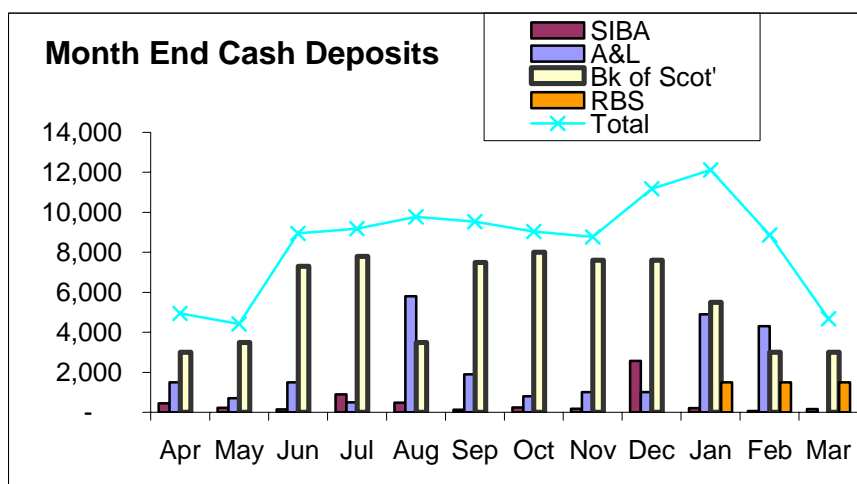
4.5.3 Due to slow down in capital receipts the forecast for use of internal borrowing to support 2008/09 capital spend is currently £20k, this compares to a budget available of £44k. However, this will be ultimately be determined by the

availability of Useable Capital Receipts and the use of internal borrowing requirements at the year-end.

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 28<sup>th</sup> February were £8.9m (compared to £12.1m cash at 31<sup>st</sup> January 2009). The banks would refer to this as available cleared balances. This figure is expected to drop in March (as shown below) before Council Tax and NNDR revenues begin to be received for 2009/10.

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 £4.7m. 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 a similar position of £4.7m, 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 February two short term deposits with the Bank of Scotland matured. These remain with the Bank of Scotland, but in an account requiring only 7-day notice.



4.5.7 In the last week of January the Council's Treasury Management advisers indicated that short term rates on the Public Works Loans Board were approaching a level at which officers considered that it would be prudent to borrow to support the up-coming capital programme. A decision was therefore made to borrow £1.5m for 364 days at 0.89%. Until they are called on to support capital spending these funds are held as part of the balances in 4.5.5 above.

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

		AER	% Gross Rate	Interest Paid
<b>SIBA</b>	£1M +	0.80	0.81	Quarterly
<b>Alliance &amp; Leicester</b>	£500 +	0.71	0.72	Monthly
<b>Bank of Scotland</b>	£1 +	0.51	0.52	Monthly
<b>Bank of Scotland</b>	364 days fixed		6.78	Maturity
<b>Royal Bank of Scotland</b>	364 days fixed		2.70	Maturity

as at 10/03/09

4.5.9 Officers have achieved a further 0.3% above base rate on our SIBA balances (based on average balances of £1m)

4.5.10 The Bank of England's Monetary Policy Committee continues to reduce base rates. The 5<sup>th</sup> March 2009 saw a further 0.5% reduction to 0.5%.

4.5.11 The Inflation figure saw further changes in the results for February. The Consumer Price Index surprisingly rose to 3.2% (up from 3.0% in January). The Retail Price Index was however down to 0.0% (down from 0.1 % in January), being further driven by reducing mortgage costs.

4.5.12 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	Q/E2 2010
<b>Base Rate</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
<b>25yr PWLB</b>	4.00%	3.95%	3.95%	3.95%	4.00%	4.15%

4.5.13 Debtor Days currently stand at 83 (on debt of £476k) for February 2009 and compares to 63 days (on debt of £382k) as at February 2008. This is mainly due to a large quarterly bill issued to LCC in February 2009 rather than January 2008. This bill has been paid in early March.

## **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.

9.2 That the use of the Change Management Reserve as noted in 4.4.2 is approved.

**10. CONSULTATION CARRIED OUT**

10.1 Directors, Heads of Services and Budget Holders.

**11. COMMUNITY IMPACT ASSESSMENT**

Is a Community Impact Assessment required No  
Is a Community Impact Assessment attached No

**12. BIODIVERSITY IMPACT ASSESSMENT**

Is a Biodiversity Impact Assessment required No  
Is a Biodiversity Impact Assessment attached 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	
Balance at 01/04/08	813	372	661	370	396	68	400	847	669		156	3,939	166	190	24	5,132
<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)				(30)
Planned use of LABGIS (Regen')								(64)				(64)				(64)
Planned use of LABGIS (Planning)								(18)				(18)				(18)
Job Evaluation									(111)			(111)				(111)
	0	0	(37)	0	0	0	0	(112)	(111)	0	0	(260)	0	0	0	(260)
<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)
	(63)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(63)
<b>Year-to-date Utilisation of Reserves</b>																
Job Evaluation									0			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)				(23)
Affordable Warmth Project											(40)	(40)				(40)
Env Health - Admin Officer Redundancy			(10)									(10)				(10)
Balance of Partnership monies & Henrietta St Admin												(14)				(14)
Pension Strain Costs												(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)
Restructuring in PSR			(60)									(60)				(60)
Restructuring in Env Health			(4)									(4)				(4)
Leisure Reserve		(28)	(51)	(5)	(40)	(3)		(25)	(28)	180		0				0
	0	(28)	(232)	(276)	(390)	(3)	0	(25)	(28)	180	(63)	(864)	(81)	0	0	(945)
<b>Potential Further Utilisation of Reserves</b>																
Concessionary Travel		(15)										(15)				(15)
Housing Benefits		(75)										(75)				(75)
Leisure Transitional Fund												0	(193)			(193)
PCT Health Projects										<i>tb</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)
	0	(90)	0	0	0	0	(408)	(485)	(220)	0	0	(1,203)	0	(193)	0	(1,396)
												0				0
<b>Utilisation of Reserves</b>	<b>(63)</b>	<b>(118)</b>	<b>(269)</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>(2,327)</b>	<b>(81)</b>	<b>(193)</b>	<b>0</b>	<b>(2,664)</b>
<b>Cash-backed Reserve Balances</b>	<b>750</b>	<b>254</b>	<b>392</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>1,962</b>	<b>168</b>	<b>117</b>	<b>24</b>	<b>3,021</b>