

Subject:	Financial Monitoring 2011/12	Status:	For Publication
Report to:	Cabinet	Date:	31 st August 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:	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 July. This report covers the normal monthly budget monitoring for the General Fund and the Capital Programme along with movements on key reserves. It also informs member about the cash position of the Council and any significant Treasury management matters.

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).

- 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 July 2011 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 July compared to the budget for 2011/12 shows an adverse variance of £3k (£55k favourable in June). Given the current procedures for carrying forward budget underspend this could still result in £53k being transferred to the Corporate Directorate Investment Reserve, leaving the General Fund Reserve forecast at £907k at 31st March 2012. This would mean that the Directorate Investment Reserves will total £405k at 31st March 2012.

5.2 As part of the Council's budget plan, £1.6m of savings efficiencies were identified and incorporated into the 2011/12 base budget. At the end of May 2011 the Council was on track to deliver all but £112k of the planned savings, as reported in full to the last Cabinet. During June and July very little has happened to change this forecast, but a fuller report will be presented to the October Cabinet.

5.3 Earmarked Revenue Reserves – page 24 to 25

The opening balance of cash-backed Earmarked Reserves has risen to £5,306k with the reclassification of two former provisions during the audit of the 2010/11 accounts. The Vehicle Maintenance & Replacement Reserve of £262k and the Corporate Contingency Reserve of £105k have now been added to the list on pages 24 & 25. Due to the number of reserves now, some of the more minor ones have been summarised in the report.

Activity during July included additional use of the Change Management Reserve to support leisure costs and some minor adjustments to the funding profile of the Leisure Investment projects.

At the end of March 2012 the value of useable Earmarked Reserves is now predicted to be of £4,511k.

5.4 Government Grants Unapplied – page 26

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

The application of £70k from the Housing grants to fund works at Clare House has been added in July, leaving the overall closing balance at 31st March 2012 anticipated at £548k.

5.5 Treasury & Cash Management pages 27 to 29

In September staff will review/update the signatories on all bank accounts of the Council. All payments over £5k will continue to require the approval of two signatories. For clarification they are :

- Head of Finance & Property Services
- Finance Manager
- Exchequer Manager
- Accounts Manager
- Accounting Technician

Treasury Management results continue to outperform the Sector model portfolio with an effective interest rate of 1.62% compared to 0.96% for the Sector model.

With the cash position at the end of July standing at £12,640k, significantly higher than originally predicted. The profile of the capital programme has increased the forecast of interest income available to be capitalised by £33.1k to £64.1k. Meanwhile, improvements in revenue cash balances have increased the General Fund interest income forecasts by a further £2.5k to £10.8k.

The collection of current year debts continues to perform well. Following some large quarterly invoices raised in July, the debtor days performance has increased to 78 days (67 days in June), but this still compares favourably with the target of 80 days. Though the July invoices have raised the balance of debts outstanding to £542k and the potential bad debt provision requirement to £108k, the larger invoices do not pose a significant collection risk and no further bad debt provision is recommended.

Of the debts outstanding at the end of 2010/11 a further £14k was collected in July, bringing the total collected to date to 85.5% and leaving £76k still outstanding.

5.6 Capital Receipts – page 30 & 32

Entitlement to capital receipts from Green Vale Homes following Right to Buy sales has now ended. The original capital budget forecast £100k from Council asset sales during 2011/12. Only £3k had been received at the end of July, but officers await the proceeds of 3 property auction sales which will add around £65k to the receipts in August. The total sale receipts for the year are still expected to reach the original budget.

Notification has been received that VAT shelter receipts from Green Vale Homes are expected to be £60k for Q1 and that the annual total is anticipated to be above the original budget of £328k. Though not reflected in the monitoring report yet, any favourable variance may be available to support the capital programme.

Of the balance on useable capital receipts brought forward at the 1st April £719k was identified to fund projects carried over from 2010/11. With revenue contributions expected to reach £760k, the total resources available are estimated as £2,076k against a requirement of £1,913k. This will leave just £163k of capital receipts available to finance future spending.

5.7 Capital Programme – page 31 & 32

Projects carried over at the end of 2010/11 totalled £1,827k and these were combined with the original approved capital programme of £6,203k to create a revised programme of £8,030k. Projects added in July include £420k renovation works to Clare House and £98k playground works at Victoria Park. The revised capital programme now stands at £8,594k.

Capital activity in July included the ordering of a further £39k of the Housing Market Renewal (HMR) works carried over from 2010/11, bringing the total now to 82% of the works carried over from last year.

In addition £74k was incurred on Disabled Facilities Grants, £80k on initial works for the Clare House project, £23k on works related to the Leisure investment project and the commencement of the upgrades to the financial information system.

In the first four months of the year £1,365k has been spent or committed across all projects, representing 16% of the total revised programme.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Predictions for the General Fund Reserve balance at 31st March 2012 remain within the

range recommended in the Medium Term Financial Strategy. However, the net adverse variance forecast for 2011/12 shows how the Council's scarce resources are being stretched and every effort must be maintained to control 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.

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