

**Subject:** Financial Monitoring 2009/10:  
Month 4 – end July 2009

**Status:** For Publication

**Report to:** Cabinet

**Date:** 2<sup>nd</sup> September 2009

**Report of:** Finance Manager

**Portfolio**

**Holder:** Finance and Resources

**Key Decision:**

No

~~NO/YES~~ (Please delete)

Forward Plan  
*Relevant Box*

General Exception

Special Urgency

"X" In

**1. PURPOSE OF REPORT**

1.1 The purpose of the report is to update Members on the General Fund budget monitoring for 2009/10, 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 *Providing value for money 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.

**3. RISK ASSESSMENT IMPLICATIONS**

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

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

3.1.2 The delivery of capital receipts continues to be 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> July compared to full year expectations were as follows:

| Major Receipts:          | Original<br>Expectations<br>£000 | Received<br>£000 | Surplus /<br>(Deficit)<br>£000 |
|--------------------------|----------------------------------|------------------|--------------------------------|
| <b>Capital Receipts</b>  |                                  |                  |                                |
| Land & Property Sales    | 100                              | 1                | (99)                           |
| Equity Release & Elevate | 0                                | 0                | 0                              |
| GVH - RTB                | 200                              | 0                | (200)                          |
| <b>Revenue Receipts</b>  |                                  |                  |                                |
| GVH - Vat Shelter        | 560                              | 11               | (549)                          |
|                          | 860                              | 12               | (848)                          |

4.1.2 The sale of one asset had been arranged with a deposit of £1.2k against a total sale value of £12.5k being received by the end of July. In early August, however, a further sale at auction has produced a future receipt of £258k less auction costs. Therefore capital receipts from the sale of land have been forecast prudently at c. £264k for the full year (see 4.1.11 below).

4.1.3 That said, The Head of Financial Services together with Property Services and Legal Services are proactively pursuing, amongst other things: outline planning permission on a number of small scale development sites, processing covenant change requests and negotiating “ransom” strip values.

4.1.4 The Budget right-to-buy receipts for 2009/10 are £200k, though in the first 4 months no ex-council houses were sold at all. Green Vale Homes (GVH) are forecasting no improvement for the rest of the financial year. This area of the budget continues to pose a significant risk in supporting Council’s capital programme.

4.1.5 *VAT Shelter:* Members will recall that as part of the Housing Stock Agreement, GVH received a fully funded pension fund, with at the time, a £2.8m shortfall remaining with the Council. In addition the Council and GVH agreed a “VAT sharing” arrangement giving a potential benefit to the Council of £4.3M over a 10 year period. Council agreed, amongst other things, to set aside £350k pa over the first 8 years to contribute to the pension deficit identified at the time.

4.1.6 The anticipated VAT receipt for the first quarter is only £89k with a full year forecast from GVH of £218k, compared to Council’s 09/10 budget expectations of £560k. This is therefore less than our anticipated pension payment and puts more pressure on capital funding requirements. The Council as at 31<sup>st</sup> March 2009 has received £2.205M in VAT share, distributed as follows: Pension reserves (£746k), IT reserve (£500k), Budget Volatility reserve (£200), Single Status reserve (£300k), and Capital contributions (£459k). Current estimate for the Councils share of VAT receipts over

the 10 year period total £3.651M compared to original expectations of £4.34M. The difference being the value of VAT recoverable on capital works. The longer term consequences, should our £4.3m target not be met, will mean a shortfall (£603k) in the Council's ability to fund the original pension deficit. The Pension position will become clearer in Autumn 2010 when a revised actuarial valuation is published.

#### 4.1.7 Actual Capital Expenditure to 31<sup>st</sup> July 2009 compared to budget is as follows:

| SERVICE AREA                      | 2009/10<br>Budget<br>including<br>slippage | Period 4<br>MONITORING |              | Full YR<br>Forecast | % spend    | Funding Arrangements |                     |             |                   |               |
|-----------------------------------|--------------------------------------------|------------------------|--------------|---------------------|------------|----------------------|---------------------|-------------|-------------------|---------------|
|                                   | Total<br>£000                              | Spend<br>£             | Committ<br>£ | Forecast<br>£       | to date    | Grants/<br>Insurance | RBC Cap<br>Receipts | RBC<br>RCCO | RBC Int<br>Borrow | MRP<br>Effect |
| <b>Place Directorate</b>          |                                            |                        |              |                     |            |                      |                     |             |                   |               |
| Place Operations                  | 894                                        | 381                    | 3            | 950                 | 43%        | 47                   | 692                 | 211         | 0                 | 0             |
| Customer Services and e Governme  | 0                                          | 3                      | 0            | 3                   | 0%         | 0                    | 0                   | 3           | 0                 | 0             |
| Communities                       | 336                                        | 7                      | 108          | 336                 | 2%         | 284                  | 0                   | 37          | 15                | 0             |
| Regeneration                      | 2,788                                      | 24                     | 0            | 2,788               | 1%         | 2,758                | 0                   | 0           | 30                | 1             |
| <b>Corporate Support Services</b> |                                            |                        |              |                     |            |                      |                     |             |                   |               |
| Finance & Property Services       | 341                                        | 47                     | 0            | 393                 | 14%        | 52                   | 5                   | 0           | 336               | 7             |
| <b>Housing</b>                    |                                            |                        |              |                     |            |                      |                     |             |                   |               |
|                                   | 3,121                                      | 534                    | 2            | 3,121               | 17%        | 2,691                | 430                 | 0           | 0                 | 0             |
|                                   | <b>7,480</b>                               | <b>996</b>             | <b>113</b>   | <b>7,591</b>        | <b>13%</b> | <b>5,832</b>         | <b>1,127</b>        | <b>251</b>  | <b>381</b>        | <b>9</b>      |

4.1.8 The differences between the forecast spend and budget is due to insurance receipts and contributions from service revenue budgets towards expenditure on items such as refuse vehicles.

4.1.9 The capital programme is typically slow to gather pace. Only 13% was completed by the 31<sup>st</sup> July 2009, which compared to 15% by the same time in 2008/09. Tenders for the capital maintenance programme have now been evaluated, with works commencing over the remaining Summer months.

4.1.10 Where the Council does not have sufficient capital receipts or grants to fund all of its capital programme it can use external or internal borrowing, which is then paid back through the Revenue account over the life of the asset (hence this method is better used to fund long-life assets). The revenue payment is known as the Minimum Revenue Provision (MRP) and the original budget for this in 2009/10 was £82.5k. The requirement brought forward from the capital programme in previous years was £60.6k. This means there is a remaining balance of MRP built into the revenue budget of £29.1k which can be applied to help finance the capital programme in 2009/10 and the years ahead. To date the 2009/10 programme is expected to use £9k of this available balance, but this depends very much on capital receipts available in the year.

4.1.11 The useable capital receipts reserve brought forward into 2009/10 to fund the remaining capital projects was £1,138k. With the in-year receipts predicted above and the spending programme requirements, the expected balance of Useable Capital Receipts at 31<sup>st</sup> March 2010 is £314k as shown below. The current consequences of reductions in VAT share, RTBs, etc is likely to result in a £500k total shortfall in funding resources for the capital programme over the next two years 2010/11 and 2011/12.

|                                          | <b>£ 000</b> |
|------------------------------------------|--------------|
| Useable Capital Receipts B'fwd 01/04/09  | 1,138        |
| Capital Receipts expected in 2009/10     | 264          |
| RTB Capital Receipts expected in 2009/10 | 0            |
| VAT Shelter RCCO expected                | 0            |
| RCCO from Operations                     | 39           |
| Useable Capital Receipts Available       | <u>1,441</u> |
| Capital Prog' Capital Receipts used      | 1,127        |
| Capital Prog RCCO required               | <u>251</u>   |
| Useable Capital Receipts C'fwd           | 314          |

*RCCO - Revenue Contribution Capital Outlay*

## 4.2 **S.106 (Town & Planning Act 1990) Agreements**

4.2.1 As the table below shows, the Council was holding £449k at the beginning of 2009/10 in relation to Section 106 agreements, of which £115k is due for Lancashire County Council projects.

| <b>Section 106 Agreements</b>   | <b>Third Party Projects</b> | <b>RBC Revenue Projects</b> | <b>RBC Capital projects</b> | <b>Total Held</b> |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------|
|                                 | <i>£000</i>                 | <i>£000</i>                 | <i>£000</i>                 | <i>£000</i>       |
| Balance b'fwd at 1st April 2009 | 115                         | 217                         | 117                         | <b>449</b>        |
| Deposits received in 2009/10    |                             |                             | 10                          | <b>10</b>         |
| Deposits applied in 2009/10     |                             |                             | -10                         | <b>-10</b>        |
| Current Balance                 | <u>115</u>                  | <u>217</u>                  | <u>117</u>                  | <b>449</b>        |

4.2.2 To date in 2009/10 one new agreement has been concluded to the value of £10k for CCTV works in Rawtenstall, which has already been applied to the capital project.

4.2.3 Discussions are ongoing within the Operations team to apply the funds for revenue projects to schemes such as the Irwell Valley Sculpture Trail and maintenance of landscaped areas. Revenue funds will be allocated during 2009/10 and future years.

4.2.4 There remain several agreements for which the trigger point for payment of a deposit has not yet been reached and so no funds have been received. The planning and building control teams are monitoring progress on these developments closely to ensure these agreements are invoiced to developers as soon as the trigger points occur.

## 4.3 **Net Revenue Expenditure Forecast**

4.3.1 Based upon experience to the 31<sup>st</sup> July 2009, the estimated revenue spend for the full year, compared to the original budget, is £273.7k favourable. We must however state a note of caution in that we have some way to go over the rest of the year. Indeed, the previous year did forecast a significant favourable forecast variance

which was to some degree eroded during the course of the remaining financial period.

4.3.2 The following table shows the main forecast variances to date, compared to the previous month's forecast:

| Service Area                             | 2009/10 Org Budget<br>£000 | 2009/10 Forecast<br>£000 | 2009/10 Variance (Adv)/Fav<br>£000 | Variance last reported<br>£000 | Change in June (Adv)/Fav<br>£000 |
|------------------------------------------|----------------------------|--------------------------|------------------------------------|--------------------------------|----------------------------------|
| <b>Place Directorate</b>                 |                            |                          |                                    |                                |                                  |
| Communities                              | 1,266.0                    | 1,233.2                  | 32.8                               | 34.0                           | (1.2)                            |
| Customer Services and e Government       | 2,842.6                    | 2,665.2                  | 177.5                              | 180.2                          | (2.7)                            |
| Regeneration                             | 585.8                      | 543.6                    | 42.2                               | 41.3                           | 0.9                              |
| Place Operations                         | 3,750.5                    | 3,735.7                  | 14.8                               | 2.9                            | 11.9                             |
| <b>Business Directorate</b>              |                            |                          |                                    |                                |                                  |
| Building Control Services                | 154.8                      | 172.5                    | (17.7)                             | (24.6)                         | 6.9                              |
| Environmental Services                   | 840.8                      | 832.5                    | 8.2                                | 39.1                           | (30.9)                           |
| Legal & Democratic Services              | 1,122.4                    | 1,102.2                  | 20.2                               | 25.5                           | (5.3)                            |
| Planning Services                        | 487.9                      | 561.4                    | (73.6)                             | (130.2)                        | 56.6                             |
| Local Land Charges                       | 72.8                       | 66.3                     | 6.5                                | 6.8                            | (0.3)                            |
| <b>Corporate Support Services</b>        |                            |                          |                                    |                                |                                  |
| Corporate Management                     | 540.5                      | 527.0                    | 13.5                               | (3.9)                          | 17.4                             |
| Finance & Property Services              | 252.7                      | 361.1                    | (108.4)                            | (127.0)                        | 18.6                             |
| People and Policy                        | 253.5                      | 229.0                    | 24.5                               | 30.4                           | (5.9)                            |
| Non Distributed Costs                    | 467.0                      | 346.1                    | 120.9                              | 104.5                          | 16.4                             |
| Capital Financing and Interest           | (812.0)                    | (824.3)                  | 12.3                               | (5.2)                          | 17.5                             |
| <b>Favourable impact on General Fund</b> | <b>11,825.2</b>            | <b>11,551.5</b>          | <b>273.7</b>                       | <b>173.8</b>                   | <b>99.9</b>                      |

4.3.3 The full year variances and explanations are detailed as follows:

4.3.4 Place Directorate - Total forecast gain of £267.2k.

4.3.4.1 *Communities* - forecast gain of £32.8k (£34.0k favourable in June). This includes £28k reduction in staffing costs due to vacant posts and £7k favourable expected on second homes income.

4.3.4.2 *Customer Services & e-Government* forecast gain of £177.5k (£180.2k favourable in June). The significant changes being: savings from the IT contract are expected to reduce the spending by £124.5k and lower inflation should result in a gain of £12k, whilst court costs recovered are also likely to give a favourable variance of £31k. Conversely software licenses are expected to cost £25k more than the original budget and Concessionary Fares usage is now expected to cost £17.7k more than the budget.

4.3.4.3 *Regeneration* - forecast gain of £42.2k (£41.3k favourable in June). The favourable forecast has resulted from staff savings, increased fee incomes and savings related to the end of the off-street parking enforcement arrangements with the County Council.

4.3.4.4 *Place Operations* - forecast gain of £14.8k (£2.9k favourable in June). Gains of £38k are expected from the vehicle leasing budget, recycled paper income of £42k and reduced staffing/agency costs of £15k. This is reduced by adverse

variances expected on tipping fees for glass, cans & plastics of £33k, onward transportation costs of recyclates rising by £31k and cemeteries income £12k lower than budget.

4.3.5 Business Directorate - Total forecast adverse £56.3k (£83.4k adverse in June).

4.3.5.1 *Building Control* - forecast adverse variance of £17.7k (£24.6k adverse in June). The significant news is that the Trading Account of the Building Control function is estimated to end the year in a slightly better position than last reported and is now anticipated at a deficit of £13.9k (£20.9k adverse in June). This compares to a 2008/09 trading deficit of over £60k and is a testament to the efforts of the managers and finance staff to drive out efficiencies in order to move closer toward the requirement to break-even. At the same time, however, the statutory elements of the section's workload are expected to end the year £12.7k over budget. The cost of street signs continues the favourable variances seen in 2008/09 with £9k under spend expected for the full year.

4.3.5.2 *Environmental Services* - forecast gain of £8.2k (£39.1k favourable in June). Vacancy savings have been revised downwards since last month and income from Permitted Process applications have seen a reduction in volume which could equate to a decline of £5k.

4.3.5.3 *Legal & Democratic Services* - forecast gain of £20.2k (£25.5k favourable in June). Variances due to vacant posts in both sections are expected to provide a favourable out-turn of £39k, but agency staff has been sought to cover for some of the roles and legal income predictions have fallen £14k below the budget target.

4.3.5.4 *Planning Services* - adverse forecast to £73.6k for the year (£130.2k adverse in June). The key adverse variance is planning income, which has picked up slightly in July and is now expected to return an adverse of £132k for the year. This is balanced partly by favourable variance of £15k in the forward planning team from vacant posts and reductions in consultancy costs of £34k.

4.3.5.5 *Land charges* - forecast favourable of £6.5k (£6.8k favourable in June). Land Charges income remains fragile and therefore continues to be monitored closely. Current expectations are that full year income will be £1k above the original budget which is on par with the 2008/09 out-turn. The favourable variance is due to reduced search and printing costs.

4.3.6 Corporate Support Services - Total forecast favourable variance of £62.8k (£1.2k adverse in June).

4.3.6.1 *Corporate Management* - forecast favourable £13.5k variance (£3.9k adverse in June). The movement in July reflects savings in the projections for the management team vacancies. The CEO has a contingency fund of £130k (made up of £95k recharged to Team Lancashire and £35k from the anticipated vacancy savings for the year). Of this £60k has either been spent or committed, leaving £70k still available to cover contingencies arising the year. However, the cost

allocations of £38k are being reviewed to confirm that they should not have been allocated to service areas. Any future transfer of costs back to services will reduce the total favourable forecast by an equivalent amount.

- 4.3.6.2 *Finance & Property* - forecast adverse of £108.4k (£127k adverse in June). Adverse variances on gas and electricity are the result of an error in the budget process. Actual costs are being monitored closely and this has resulted in a reduction of the anticipated budget error from £90k to £68k for the full year. In addition income due on industrial units is being reviewed and at present this is anticipated to return an adverse variance of £51k, together with surface water rates costing an additional £13k. However, salary savings in the Finance team through a mini restructure (following a staff resignation) are set to contribute a £26k favourable variance and external audit fees are expected to be reduced by £11.8k as a result of, amongst other things, a reduction in the Councils risk profile.
- 4.3.6.3 *People & Policy* - forecast favourable £24.5k variance (£30.4k favourable in June). Of this £27k relates to staff savings from a mini restructure of the team and £9k costs are anticipated in relation to professional charges in conjunction with equal pay claims.
- 4.3.6.4 *Non Distributed Costs* - forecast gain of £120.9k (£104.5k favourable in June). Around £115k saving has been achieved in the overall insurance premium renewal after a very thorough tendering process. In addition £17.5k was brought forward from 2008/09 to fund the back-pay of inflation entitlement to staff in April. At present it appears departments are unlikely to require this 'provision', so it can be identified as a general fund saving. On the adverse side, pension fund contributions in relation to former Council staff have increased by £19.5k (these costs are the result of previous historical decisions to fund "added year" pension contributions to previous employees as they retired).
- 4.3.6.5 *Capital Financing* - forecast gain of £12.3k (£5.2k adverse in June). Interest income is now predicted to provide £11k more income than the budget. The present interest rates are shown on the following pages and they closely match the predictions used to calculate the original budget interest levels, though actual cash flow remains more buoyant than budget expectations.
- 4.3.7 **Under spend carry forward rules** – Members will recall that service areas are allowed to carry forward under spends for use on non recurrent budgets. At 1<sup>st</sup> April 2009 £58k in the General Fund Reserve was brought forward under this principle to fund one-off projects in 2009/10 for the Place Directorate. The projected surplus above would result in a Reserve of £1.158m at 31<sup>st</sup> March 2010, with a budget carry forward of £134k. The net of this available in 2010/11 would then be £1.024m against a recommended maximum in the Medium Term Financial Strategy of £1m.

|                                                     |              |
|-----------------------------------------------------|--------------|
| <b>General Fund Reserves</b>                        | <b>£000</b>  |
| <b>Total Balance at 1st April 2009</b>              | <b>942</b>   |
| Less 50% service allowance                          |              |
| Communities                                         | (45)         |
| Regeneration                                        | (13)         |
| Plus expected contribution from 2009/20 operations  | 274          |
| <b>Total Balance expected at 31st March 2010</b>    | <b>1,158</b> |
| Less 50% service carry forward allowance to 2010/11 |              |
| Place Directorate                                   | (134)        |
| Business Directorate                                | 0            |
| Corporate Directorate (operational services only)   | 0            |
| <b>Net Balance available in 2010/11</b>             | <b>1,024</b> |

*Place Directorate carry forward is subject to an adjustment to refund resources used from the IT provision in 2008/09.*

#### 4.4 Employment Costs

4.4.1 The above outturn includes, amongst other things, some saving on salary costs.

| Employment Costs<br>Period 4 - July 2009 | 2009/10 YTD<br>Budget<br>£000 | 2009/10<br>YTD Actual<br>£000 | 2009/10<br>Variance<br>(Adv)/Fav<br>£000 | Period 4<br>Movement<br>(Adv)/Fav<br>£000 | Budgeted<br>Staff FTEs | Current<br>Vacant<br>Posts |
|------------------------------------------|-------------------------------|-------------------------------|------------------------------------------|-------------------------------------------|------------------------|----------------------------|
| <b>Place Directorate</b>                 |                               |                               |                                          |                                           |                        |                            |
| Communities Service                      | 181                           | 173                           | 8                                        | (1)                                       | 16.5                   | 0.0                        |
| Customer Services                        | 177                           | 179                           | (2)                                      | (3)                                       | 14.2                   | 0.0                        |
| Regeneration Service                     | 166                           | 165                           | 1                                        | 1                                         | 13.0                   | 0.0                        |
| Operations Service                       | 779                           | 753                           | 26                                       | 10                                        | 87.5                   | 0.0                        |
| <b>Business Directorate</b>              |                               |                               |                                          |                                           |                        |                            |
| Building Control Services                | 65                            | 65                            | (0)                                      | (0)                                       | 5.0                    | 0.0                        |
| Environmental Services                   | 195                           | 196                           | (1)                                      | (17)                                      | 16.8                   | 3.0                        |
| Legal & Democratic Services              | 143                           | 129                           | 14                                       | 7                                         | 13.8                   | 1.5                        |
| Planning Services                        | 166                           | 163                           | 3                                        | 13                                        | 17.7                   | 1.0                        |
| <b>Corporate Services</b>                |                               |                               |                                          |                                           |                        |                            |
| Corporate Management                     | 144                           | 131                           | 13                                       | 2                                         | 7.0                    | 2.0                        |
| Finance & Property Services              | 225                           | 222                           | 3                                        | 2                                         | 21.3                   | 0.0                        |
| People & Organisational Performance      | 114                           | 104                           | 10                                       | 4                                         | 9.5                    | 0.5                        |
| <b>Total</b>                             | <b>2,355</b>                  | <b>2,278</b>                  | <b>77</b>                                | <b>16</b>                                 | <b>222.3</b>           | <b>8.0</b>                 |

#### 4.5 Reserves, Provisions & Grants

4.5.1 Appendix 1 illustrates the most significant Reserves, Provisions & Grants available to the Council, as brought forward on the Balance Sheet at 31<sup>st</sup> March 2009, less amounts already committed.

4.5.2 The Council has recently received a one off revenue gain from Her Majesty's Revenue and Customs (HMRC) of £661k, after costs. The receipt comes after a successful application for VAT wrongly claimed by Customs and Excise, in the early 1990's. The VAT error was in relation to the VAT treatment on certain Council sports income being generated at that time, in particular the swimming pools income. Members are recommended to allocate the funds received into a separate Leisure



Reserve pending the outcome of the current 2009 Leisure Review. The Council is also pursuing 2 other VAT claims in relation to the VAT treatment on coaching income and for any repayments to include compound interest rather than the standard simple interest calculation.

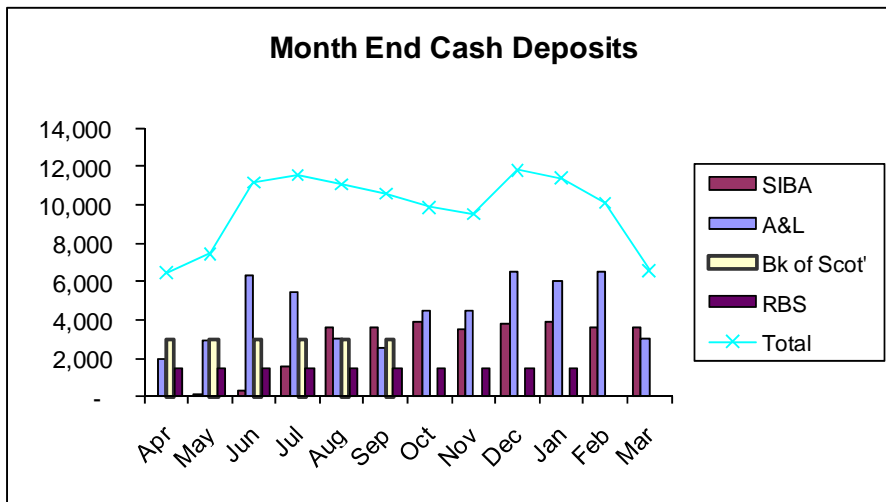
- 4.5.3 Cabinet has previously agreed to halt the test marketing of Rossendale Transport Limited. The cost of this exercise is estimated at £45k. It is recommended that this expense is met from the Change Management Reserve.

## 4.6 Treasury Management

- 4.6.1 Forecasts for interest received less capital financing costs compared to budget are as follows:

|                        | <b>Budget<br/>09/10</b> | <b>F'cast<br/>09/10</b> | <b>Variance<br/>( ) = Neg'</b> |
|------------------------|-------------------------|-------------------------|--------------------------------|
| Minimum Revenue Prov'n | (83)                    | (83)                    | 0                              |
| Interest Paid          | (19)                    | (16)                    | 4                              |
| Interest Received      | 153                     | 164                     | 11                             |
| <b>Total</b>           | <b>37</b>               | <b>66</b>               | <b>14</b>                      |

- 4.6.2 The above table shows the year-end interest income as £164k, a favourable variance of £11k in the year. Work is about to begin to predict cash flows in detail to determine the possibility of entering into 3 to 6 month deposits in order to increase the level of interest income earned. That said, current rates for such deposits are not significantly above those being achieved now on short term call accounts.
- 4.6.3 The Council's Treasury Management activity is currently marginally below the Sector short-term model portfolio as at June 2009. The council is achieving an average rate of 4.12% against the Sector model of 4.13%.
- 4.6.4 The available Minimum Revenue Provision is explained above in paragraph 4.1.10. This budget monitoring exercise has assumed that the full amount will be required to support the 2009/10 capital programme as right to buy capital receipts continue to be depressed.
- 4.6.5 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 earns interest are likely to rise over the coming months up until January 2010 at a peak of £11.8m. Thereafter the rate of Collection Fund receipts slow, whilst capital spending rises in the latter months of the year and the Council repay's £1.5m to the Public Works Loans Board in January 2010. The banks would refer to these cash balances as available cleared balances.
- 4.6.6 As at the end of July our cleared balances totalled £11.5m. The following graph shows our month-end cleared balances to date and forecast over the remaining year:



4.6.7 The interest terms at the end of July for the Council's accounts were as follows:

| As at 4th August 2009           |                |      | AER Gross Rate | %                   | Interest Paid |
|---------------------------------|----------------|------|----------------|---------------------|---------------|
| <b>SIBA</b>                     | £1M +          | 0.80 | 0.81           | Quarterly           |               |
| <b>Alliance &amp; Leicester</b> | £500 +         | 0.81 | 0.82           | Monthly             |               |
| <b>Bank of Scotland</b>         | £1 +           | 0.51 | 0.52           | Monthly             |               |
| <b>Bank of Scotland</b>         | 364 days fixed |      | 6.78           | Maturity - Oct 2009 |               |
| <b>Royal Bank of Scotland</b>   | 364 days fixed |      | 2.70           | Maturity - Jan 2010 |               |

4.6.8 The Bank of England's Monetary Policy Committee continues to hold the base rate at 0.5%.

4.6.9 The national inflation figures for July saw a stable position in the figures, compared to the end of June. The Consumer Price Index remained at the June level of 1.8% (compared to 2.2% in May). The Retail Price Index remains negative for the year ended July 2009 at -1.4% (compared to the -1.6% level in June). Other national statistics saw unemployment rising by 220k in June to 2.4m, taking the jobless rate to 7.8% and the highest claims for unemployment benefit in 12 years during July at 1.6m. The current UK economic outlook remains challenging.

4.6.10 Our treasury advisors, Sector, are now forecasting that the base rate will rise earlier than last predicted as follows:

|                  | Q/E3<br>2009 | Q/E4<br>2009 | Q/E1<br>2010 | Q/E2<br>2010 | Q/E3<br>2010 | Q/E4<br>2010 |
|------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Base Rate</b> | 0.50%        | 0.50%        | 0.50%        | 1.00%        | 1.50%        | 2.00%        |
| <b>25yr PWLB</b> | 4.40%        | 4.40%        | 4.50%        | 4.50%        | 4.55%        | 4.70%        |

as at July 09

4.6.11 In contrast Capital Economics are still forecasting 0.5% continuing throughout the whole of 2010.

4.6.12 The value of sundry debts outstanding at the end of July 2009 was £382k, a rise of over £32k compared to July 2008. The average debtor days at 31<sup>st</sup> July was 66, compared to 62 days in July 2008 and 81 days at the end of June 2009.

4.6.13 The value of the Bad Debt Provision brought forward at the 1<sup>st</sup> April 2009 was £171.7k. Despite the above marginal increase in debtor days we currently forecast the year end provision to be c. £30k above the minimum level required. This potentially favourable outcome has not been reflected in the variances reported in 4.3 above.

## **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 ORGANISATIONAL DEVELOPMENT (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 The General Fund continues to be monitored closely by finance staff and managed very carefully by departments throughout the Council. Despite the effects of the economic downturn, the 2009/10 forecast still looks favourable.

### **9. RECOMMENDATIONS**

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

9.2 That members approve the recommendation in paragraph 4.5.2.

9.3 That members approve the recommendation in paragraph 4.5.3.

**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

| <b>Contact Officer</b> |                                    |
|------------------------|------------------------------------|
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| <b>Background Papers</b>                                               |                              |
|------------------------------------------------------------------------|------------------------------|
| <b>Document</b>                                                        | <b>Place of Inspection</b>   |
| 2009/10 Budget (revenue and capital)                                   | Full Council papers – Feb 09 |
| Monthly detailed financial monitoring statements for each service area | Financial Services           |