

**Subject:** Financial Monitoring 2009/10:  
Month 5 – end August 2009

**Status:** For Publication

---

**Report to:** Cabinet

**Date:** 14<sup>th</sup> October 2009

---

**Report of:** Head of Finance

---

**Portfolio**

**Holder:** Finance and Resources

---

**Key Decision:** No

Forward Plan  General Exception  Special Urgency

---

**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> August 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	100	32	(68)
Equity Release & Elevate	0	0	0
GVH - RTB	200	0	(200)
<b>Revenue Receipts</b>			
GVH - Vat Shelter	560	100	(460)
	860	132	(728)

4.1.2 The sale of several minor assets has been concluded with deposits reaching £32k at the end of August. In August a sale was conducted by auction to the value of £258k (less auction costs), however this was not completed and received until September. Therefore full year capital receipts from the sale of land have been forecast prudently at c. £300k for the full year (see 4.1.8 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 budgeted right-to-buy (RTB) receipts for 2009/10 are £200k, though in the first 5 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, hence a revised forecast in the table at 4.1.8 below of £nil receipts fro RTBs in 2009/10.

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

SERVICE AREA	2009/10 Budget including slippage	Period 5 MONITORING		Full YR Forecast	% spend	Funding Arrangements				
	Total £000	Spend £	Committ £	Forecast £	to date	Grants/ Insurance	RBC Cap Receipts	RBC RCCO	RBC Int Borrow	MRP Effect
<b>Place Directorate</b>										
Place Operations	737	424	1	950	58%	47	692	211	0	0
Customer Services and e Governme	0	3	0	3	0%	0	0	3	0	0
Communities	336	88	27	336	26%	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	9	393	14%	52	5	23	313	11
<b>Housing</b>										
	3,146	821	2	3,289	26%	2,916	347	27	0	0
	<b>7,348</b>	<b>1,407</b>	<b>39</b>	<b>7,759</b>	<b>19%</b>	<b>6,057</b>	<b>1,044</b>	<b>301</b>	<b>358</b>	<b>12</b>

4.1.6 Of the annual capital programme 19% was completed by the 31<sup>st</sup> August, which compared to 18% by the same time in 2008/09. The full year forecast above exceeds the original programme for the following reasons.

- Insurance works £52k, for which reimbursement has been received
- Playgrounds for which an extra grant of £47k has been received
- Disabled Facilities Grants £347k more than originally planned, for which Green Vale Homes have made a contribution of £200k and the Council is applying carried forward capital resources of £147k

4.1.7 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 £21.9k 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 £12.2k of this available balance, but this depends very much on capital receipts available in the year.

4.1.8 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 £139k as shown below. Though this calculation includes a prediction of no RTB receipts, the potential reduction in VAT Share income has not been included. Pessimistically this could produce a deficit on capital receipts at the year-end of £71k, if VAT share receipts were to be £Nil.

	<b>£ 000</b>
Useable Capital Receipts B'fwd 01/04/09	1,138
Capital Receipts expected in 2009/10	300
RTB Capital Receipts expected in 2009/10	0
VAT Shelter RCCO expected	210
RCCO from Operations	39
Capital Resources Available	<u>1,687</u>
Capital Prog Capital Receipts applied	1,274
Capital Prog RCCO applied	<u>274</u>
Capital Resources C'fwd	139

*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><u>Section 106 Agreements</u></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 No further agreements have been concluded since the last report.

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> August 2009, the estimated revenue spend for the full year, compared to the original budget, is £317k favourable. As previously stated we must add a note of caution in that we have some way to go over the rest of the year.

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 £000	2009/10 Forecast £000	2009/10 Variance (Adv)/Fav £000	Variance last reported £000	Change in June (Adv)/Fav £000
<b>Place Directorate</b>					
Communities	1,266.6	1,235.6	31.0	32.6	(1.6)
Customer Services and e Government	2,842.6	2,678.6	164.0	177.4	(13.4)
Regeneration	585.5	542.6	42.9	42.2	0.7
Place Operations	3,750.5	3,730.1	20.4	14.9	5.5
<b>Business Directorate</b>					
Building Control Services	154.8	166.1	(11.4)	(17.7)	6.3
Environmental Services	840.8	834.1	6.6	8.2	(1.6)
Legal & Democratic Services	1,121.7	1,091.8	29.9	19.8	10.1
Planning Services	487.9	543.3	(55.4)	(73.6)	18.2
Local Land Charges	72.8	59.2	13.7	6.5	7.2
<b>Corporate Support Services</b>					
Corporate Management	540.5	515.3	25.3	13.5	11.8
Finance & Property Services	252.7	356.6	(103.9)	(109.5)	5.6
People and Policy	253.6	232.6	20.9	24.5	(3.6)
Non Distributed Costs	466.7	349.0	117.7	120.9	(3.2)
Capital Financing and Interest	(809.0)	(824.3)	15.3	12.3	3.0
<b>Favourable impact on General Fund</b>	<b>11,827.6</b>	<b>11,510.6</b>	<b>317.0</b>	<b>272.0</b>	<b>45.0</b>

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

4.3.4 Place Directorate - Total forecast gain of £258.3k.

4.3.4.1 *Communities* - forecast gain of £31k (£32.6k favourable in July). No major changes to forecast staff vacancy savings predicted previously.

4.3.4.2 *Customer Services & e-Government* forecast gain of £164k (£177.4k favourable in July). The significant changes being: savings from the IT contract which have improved by a further £5k to £129.5k; inflation on the Capita contract has been revised to a £7k; whilst court costs recovered remain likely to give a favourable variance of £32k. Conversely software licenses are expected to cost £25k more than the original budget; IT disaster recovery and Govt Connect upgrade costs to IT are expected to add £4k to expected costs and Concessionary Fares usage is now expected to cost £18.2k more than the budget.

4.3.4.3 *Regeneration* - forecast gain of £42.9k (£42.2k favourable in July). There have been no major changes in August to the favourable forecasts resulting 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 £20.4k (£14.9k favourable in July). Gains expected on the vehicle leasing budget have improved a further £37k to £75.2k for the year; recycled paper income remains at £42k favourable and reduced staffing/agency costs have improved marginally to £16.2k. This balances adverse variances previously reported on tipping fees for glass, cans & plastics of £33k, onward transportation costs of recyclates rising by £31k and cemeteries

income £12k lower than budget. In addition the new fuel levy from September is anticipated to add £20k to costs.

4.3.5 Business Directorate - Total forecast adverse £16.6k (£56.8k adverse in July).

4.3.5.1 *Building Control* - forecast adverse variance of £11.4k (£17.7k adverse in July). In August the Trading Account of the Building Control function saw improved income levels which have reduced the anticipated deficit by £6.1k to £7.8k. 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 £6.6k (£8.2k favourable in July). Vacancy savings are balancing reduced income from Permitted Process applications, these forecasts have not changed materially in August.

4.3.5.3 *Legal & Democratic Services* - forecast gain of £29.9k (£19.8k favourable in July). Variances due to vacant posts in both sections have improved by £7k in August to a favourable out-turn estimate of £48k, but agency staff has been sought to cover for some of the roles and legal income predictions have fallen slightly further in August to £16k below the budget target.

4.3.5.4 *Planning Services* - adverse forecast to £55.4k for the year (£73.6k adverse in July). The key adverse variance is planning income, which has picked up during the summer with a small number of larger applications and is now expected to return an adverse of £107k 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 £13.7k (£6.5k favourable in July). Land Charges income remains fragile and therefore improvements in August continue to be monitored closely. Current expectations are that full year income will be £8k above the original budget, with further favourable variances in LCC search charges and printing costs.

4.3.6 Corporate Support Services - Total forecast favourable variance of £75.3k (£61.7k favourable in July).

4.3.6.1 *Corporate Management* - forecast favourable £25.3k variance (£13.5k favourable in July). Around £10k of the August movement reflects the Exec Team restructure approved by Cabinet in September, bringing total salary savings to £27.4k for the year.

4.3.6.2 *Finance & Property* - forecast adverse of £103.9k (£109.5k adverse in July). Adverse variances on gas and electricity have worsened by £4.3k to £67.3k during August. Losses on industrial units income remains at £53k, together with surface water rates costing an additional £13k. However, salary savings from the Finance team mini restructure have been revised upwards to £32.5k and savings are predicted on East Lancashire e-Partnership (ELeP) support of £5.4k which is

being used to fund increases in IT costs of transferring financial services to the Storage Area Network (SAN). In addition external audit fees are being 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 £20.9k variance (£24.5k favourable in July). The August movement relates mainly to a downward revision of the staff savings prediction to £24.1k. The anticipated costs in relation to professional charges in conjunction with equal pay claims remain at £9k.
- 4.3.6.4 *Non Distributed Costs* - forecast gain of £117.7k (£120.9k favourable in July). Around £115k saving was previously reported regarding Council insurance premiums and a £17.5k provision was brought forward from 2008/09 to fund the back-pay of inflation entitlement to staff in April (departments are still unlikely to require this 'provision', so it can be identified as a 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). August changes are very minor variances.
- 4.3.6.5 *Capital Financing* - forecast gain of £15.3k (£12.3k favourable in July). Interest income increases have been revised upwards in August by a further £4k. 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 £1.201m at 31<sup>st</sup> March 2010, with a budget carry forward of £129k for the Place Directorate, though this is subject to an adjustment to refund resources used from the IT provision during 2008/09. This would result in a net General Fund Reserve in 2010/11 of £1.072m 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 2009/2010	317
<b>Total Balance expected at 31st March 2010</b>	<b>1,201</b>
Less 50% service carry forward allowance to 2010/11	
Place Directorate	(129)
Business Directorate	0
Corporate Directorate (operational services)	0
<b>Net Balance available in 2010/11</b>	<b>1,072</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 Period 5 - August 2009	2009/10 YTD Budget £000	2009/10 YTD Actual £000	2009/10 Variance (Adv)/Fav £000	Period 5 Movement (Adv)/Fav £000	Budgeted Staff FTEs	Current Vacant Posts
<b>Place Directorate</b>						
Communities Service	226	220	6	(3)	16.5	0.0
Customer Services	222	222	0	2	14.2	0.0
Regeneration Service	207	206	1	(1)	13.0	0.0
Operations Service	974	939	35	9	87.5	0.0
<b>Business Directorate</b>						
Building Control Services	81	82	(1)	(0)	5.0	0.0
Environmental Services	236	251	(15)	(14)	16.8	0.0
Legal & Democratic Services	178	159	19	5	13.8	1.5
Planning Services	208	201	7	4	17.7	0.0
<b>Corporate Services</b>						
Corporate Management	180	178	2	(11)	7.0	1.0
Finance & Property Services	281	274	7	3	21.3	0.0
People & Organisational Performance	142	129	13	3	9.5	0.0
<b>Total</b>	<b>2,935</b>	<b>2,861</b>	<b>74</b>	<b>(3)</b>	<b>222.3</b>	<b>2.5</b>

4.4.2 The 09/10 pay settlement is now likely to be settled at a 1% increase. This compares favourably to our budget provision of 2.5%, generating a further saving of around £100k which has yet to be reflected in our forecast.

## 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. As per the decision at Cabinet in September, this has been transferred to a Leisure Facilities Reserve pending the outcome of the current 2009 Leisure Review.

4.5.3 The Council has recently been successful in securing compensation of £26.5k from a national energy supplier. This is a result of disruption to Council services and damage to IT equipment due to the December 2008 gas explosion, when a significant part of Rossendale was without power. It is recommended that amount received is added to the Single Status reserve.

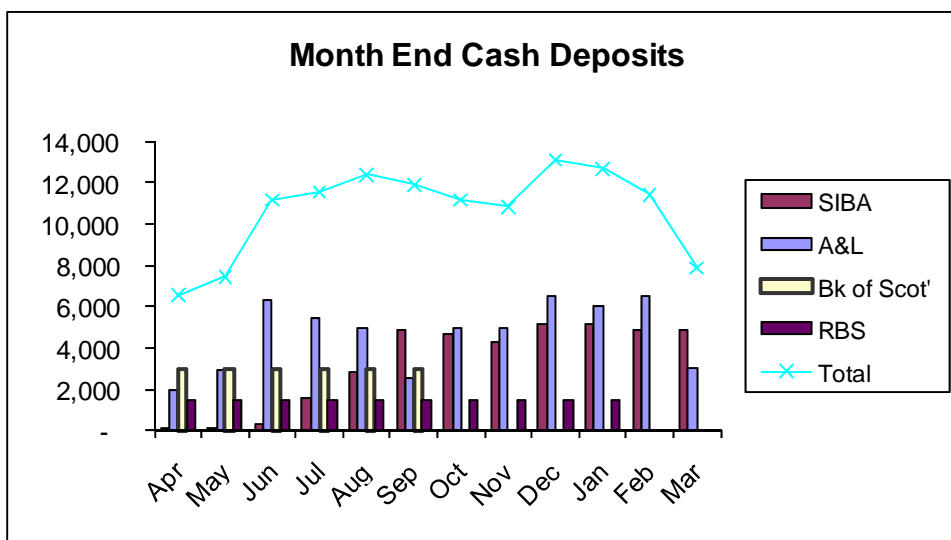
## 4.6 Treasury Management

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



	<b>Budget 09/10</b>	<b>F'cast 09/10</b>	<b>Variance ( ) = Neg'</b>
Minimum Revenue Prov'n	(83)	(83)	0
Interest Payable	(19)	(16)	4
Interest Receivable	153	168	15
<b>Total</b>	<b>37</b>	<b>70</b>	<b>19</b>

- 4.6.2 The above table shows the year-end interest income predicted as £168k, a favourable variance of £15k in the year. However, the Council's Treasury Management activity is currently marginally below the Sector short-term model portfolio as at June 2009. The Council is currently achieving an average rate of 3.1% against the Sector model of 2.16%, though performance will fall in October when a high-earning deposit of £3m at 6.78% matures. Our full year average rate of return is forecast at 1.9%.
- 4.6.3 Work continues 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.
- 4.6.4 The available Minimum Revenue Provision is explained above in paragraph 4.1.7. This budget monitoring exercise has assumed that the full amount will be required to support the 2009/10 capital programme as ex-Housing stock "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 were predicted to rise over the coming months up until December/January 2010 at a peak of c. £12m. 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 refer to these cash balances as available cleared balances.
- 4.6.6 As at the end of August these cleared balances totalled £12.4m. The following graph shows our month-end cleared balances to date and forecast over the remaining months:



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

As at 7th Sept 2009		% Gross Rate	Interest Paid
<b>SIBA</b>	£1M +	0.80	Quarterly
<b>Alliance &amp; Leicester</b>	£500 +	0.80	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 determined on the 10<sup>th</sup> September to continue to hold the base rate at 0.5%.

4.6.9 The national inflation figures for August saw small changes compared to July. The Consumer Price Index fell to 1.6% from 1.8%. The Retail Price Index was -1.3% compared to the previous month of -1.4%. The current UK economic outlook remains challenging.

4.6.10 Our treasury advisors, Sector, maintain their July forecast that the base rate and the PWLB 25-year loan rate will begin to rise in the first two quarters of 2010:

	Q/E3 2009	Q/E4 2009	Q/E1 2010	Q/E2 2010	Q/E3 2010	Q/E4 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% base rate continuing throughout the whole of 2010 and that PWLB rates will fall in early 2010.

4.6.12 The value of sundry debts outstanding at the end of August 2009 was £275k, a reduction of £108k since the end of July and almost £335k lower than August 2008 (though this was due to the large value of S106 invoices issued in August 2008. The

average debtor days at 31<sup>st</sup> August was 55, compared to 99 days in August 2008 and 66 days at the end of July 2009. The target by the year end is 80days.

4.6.13 The value of the Bad Debt Provision at the end of August was almost £148k. The current forecast for the year end minimum provision requirement is £103k, more than £40k below the current balance, which is a further potential gain for the year end.

## **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 The General Fund continues to be monitored closely by finance staff and managed professionally by all 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 agree to the recommendations noted in 4.5.3.

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

10.1 Directors, Heads of Services and Budget Holders.

### **11. COMMUNITY IMPACT ASSESSMENT**

Is a Community Impact Assessment required ~~Yes~~ / No  
Is a Community 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>	
Name	Janice Crawford
Position	Finance Manager
Service / Team	Financial Services
Telephone	01706 252416
Email address	janicecrawford@rossendalebc.gov.uk

<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