

**Subject:** Financial Monitoring 2009/10:  
Month 12 – end March 2010

**Status:** For Publication

**Report to:** Cabinet

**Date:** 3<sup>rd</sup> June 2010

**Report of:** Finance Manager

**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 financial matters, including 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:

- *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 of General Fund service departments 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 Risks associated with treasury management practices are managed within the Council's Treasury Management Strategy included in the Medium Term Financial Strategy approved in February 2010.

3.1.3 The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2009/10 and in the years to come.

#### 4. BACKGROUND AND OPTIONS

4.1 Below is an executive summary of the new full monthly financial monitoring report for the end of March 2010, attached at Appendix A.

4.2 The closure of the accounts for 2009/10 is well under way. The final out-turn and accounts will be presented to the Audit and Accounts Committee on 29<sup>th</sup> June 2010.

#### 4.3 General Fund (revenue) – pages 4 to 23

4.3.1 The out-turn favourable impact on General Fund as at the end of March compared to budget for 2009/10 is £368.2k, a £7.8k favourable movement in the month.

4.3.2 To simplify the arrangements for budget carry-forward a new Directorate Investment Reserve has been created which includes £63k unspent carry-forward from 1<sup>st</sup> April 2009 and the anticipated £196k carry forward from 2009/10. This makes a total reserve of £259k.

4.3.3 Following this transfer, the General Fund Reserve will have an expected balance of £1,051k at 31<sup>st</sup> March 2010.

<b>General Fund Reserves</b>	<b>£000</b>	
<b>Total Balance at 1st April 2009</b>	942.0	
Less 50% service allowance		
Communities	(45.0)	} Transferred to Directorate Investment Reserve
Member Training	(5.0)	
Regeneration	(13.0)	
Plus expected contribution from 2009/20 operations	368.2	
<b>Total Balance estimated at year-end</b>	<b>1,247.2</b>	
Less 50% service carry forward allowance to 2010/11		
Place Directorate	(92.0)	} Transferred to Directorate Investment Reserve
Business Directorate	-	
Corporate Directorate (operational services only)	(104.0)	
<b>Net Balance estimated at 31st March 2010</b>	<b>1,051.2</b>	

#### 4.4 Earmarked Revenue Reserves – page 24

4.4.1 The planned use of Earmarked Reserves is shown on page 24. There have been three corrections of Unapplied Government Grants to Earmarked Reserves in March and the creation of the Directorate Investment Reserve as above. In addition the reserves now include the £478k Performance Reward Grant Reserve, of which £250k has been moved to the Leisure Facilities Reserve for the new pool and £228k carried forward to fund projects as per the report to Cabinet in March.

4.4.2 Total Earmarked Reserves at 31<sup>st</sup> March 2010 are expected to be £4,639k

#### **4.5 Government Grants Unapplied – page 25**

4.5.1 With the transfer of three accounts to Earmarked Reserves, the anticipated balance of Government Grants Unapplied at 31<sup>st</sup> March has dropped to £308k.

#### **4.6 Treasury & Cash Management pages 26 to 28**

4.6.1 Treasury Management results continued to outperform the Sector model portfolio with average returns of 2.2% in 2009/10 compared to 1.16% for the Sector model in mid March. This interest performance has resulted in £69k favourable movement in interest earned for the year (up £10k on February's estimates).

4.6.2 Sector interest rate expectations for the next 18 months have slowed in March with base rates anticipated now at 0.5% until the end of 2010. March saw extensive Treasury Management activity for the Council, including the arrangement of a £4.6m loan from the Public Works Loans Board to fund the Leisure Services Investment. These funds have now been put on deposit for 1 year prior to the need. Performance in collecting sundry debts continues to improve.

#### **4.7 Capital Receipts – page 29 & 31**

4.7.1 Capital receipts were a concern throughout 2009/10. Land sales reached £282k against a £100k original budget, but total right-to-buy receipts brought in only £140k by the end of quarter 4 against an original budget of £200k.

4.7.2 The forecast VAT shelter receipts for quarter 4 show a total of £429k, down £131k on original budget. After the first £350k was transferred to the pensions earmarked reserve and £20k was used to support further Pride in Rossendale revenue costs, the balance of £59k was available to support the capital programme.

4.7.3 Therefore, overall receipts available to fund capital in 2009/10 was £1,883k as shown on page 31 of the attached report. Following the application of funds to the 2009/10 capital programme and future housing projects, the uncommitted balance of useable capital receipts is £486k.

#### **4.8 Capital Programme – page 30 & 31**

4.8.1 To the end of March 78% of the capital programme has been completed with a further £1.4m of slippage being identified as carried forward into 2010/11. Full details of the slippage can be found on page 30.

4.8.2 Capital activity in March focussed mainly on the payment of £1.4m for the first tranche of operational vehicles, £322k on ELEVATE projects and £122k on Disabled Facilities Grants. Following a robust business case, the vehicles have been purchased outright and funded from internal borrowing. The increase in Minimum Revenue Provision chargeable to the General Fund will equate to the leasing charges, and maintenance has now been brought back in-house.

**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 accounts closure will now continue, with final out-turn figures being reported to the Audit and Accounts Committee in late June.

8.2 Despite the effects of the economic downturn, the 2009/10 forecast has remained favourable.

**9. RECOMMENDATIONS**

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

9.2 That Members approve the final schedule of Earmarked Reserves laid out on page 24 of the report, including the new Directorate Investment Reserve, the Performance Reward Grant Reserve and the three transferred accounts – Planning PDG Reserve, Area Based Grant Reserve and Planning for Climate Change Reserve.

**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

<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>
Monthly detailed financial monitoring statements for each service area	Financial Services