

Subject:	Financial Monitoring 2011/12	Status:	For Publication
Report to:	Cabinet	Date:	29 th June 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 May. 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 (included in the Medium Term Financial

Strategy approved in February 2010) and within the new Treasury Management Practices document.

- 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 May 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 May compared to the budget for 2011/12 shows a favourable variance of £54k. Given the current procedures for carrying forward budget underspend this could result in £80k being transferred to the Directorate Investment Reserve, leaving the General Fund Reserve forecast at £937k at 31st March 2012. This would mean that the Directorate Investment Reserve will total £432k 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. As at the end of May 2011 the Council is on track to deliver all but £112k of the planned savings. This variance is included in the overall full year favourable forecast variance of £54k noted in 5.1 above. The £112k variance is summarised in the following table:

		Budget Savings £000	Achieved £000	Current Variance £000
	Place Directorate			
a	700 weekly collections moved onto alternate week	30	24	6
b	Outlying & rural property collections	68	50	18
c	Operations & Communities Restructure	95	64	31
d	Capita Call Centre	20	15	5
e	Disaster Recovery	18	9	9
f	Cancellation of ISDN Lines	13	7	6
g	Computer Circuits / Satellite Installation	11	5	6
h	Software Licenses & Other Computer related costs	53	36	17
i	Weekend Supervision of Leisure Facilities	9	6	3
	Business Directorate			
j	Licensing Income	4	-	4
	Corporate			
k	Cancellation of ISDN Lines	8	-	8
		329	216	112

An explanation for each of the variances is detailed below:

Place Directorate:

- Implementation delayed until August.
- Delay in implementation, together with additional set up costs. Commencement date now 1st August.
- Cost of redundancies and pay protection. These were highlighted as a risk in the original proposal.
- Implementation date now delayed until June.
- Infrastructure issues with the buildings and the deployment of fibre circuits have delayed ICT saving until September.
- As 'e' above
- As 'e' above

- h. As 'e' above
- i. Implementation will now coincide with the start of the new 11/12 football season.

Business Directorate:

- j. Volume reductions compared to original budget expectations on the implementation of the new charging policy.

Corporate Directorate:

- k. The corporate ISDN lines are linked to and part of the same explanation noted at bullet point 'e' in the Place Directorate above.

5.3 Earmarked Revenue Reserves – page 24 to 25

The opening balance of cash-backed Earmarked Reserves was £4,938k.

The table on pages 24 and 25 of the report show three distinct areas of planned utilisation

1. £283k on projects carried over from the end of the previous year,
2. projects planned within the original budget in February which total £331k and
3. £1,018k on new projects proposed so far during 2011/12.

At the end of March 2012 the value of useable Earmarked Reserves is predicted to be of £3,927k.

5.4 Government Grants Unapplied – page 26

The balance on the Government Grants Unapplied account at the 1st April was £1,414k.

Of the opening balance £507k was Housing Market Renewal grant for which the programme is drawing to a close in 2011/12 and £374k has been spent or committed by the end of May.

Members are reminded that the Housing Capital Grant scheme closed as part of the Comprehensive Spending Review last year, therefore no further funds are expected. Current balances are only planned to support housing-related capital works over the next 3 years.

At the end of March 2012 the value of Government Grants Unapplied is expected to have fallen to £618k.

5.5 Treasury & Cash Management pages 27 to 29

Treasury Management results continue to outperform the Sector model portfolio with an effective interest rate of 1.39% compared to 1.04% for the Sector model. This performance is in line with estimates in the original budget so at present there is no variance in interest earned. However, officers are currently considering investment options to improve this position and a further update will be provided next month.

The collection of current year debts continues to perform well, though it is very early days yet. Collection of all 2010/11 invoices now stands at 98%, a further improvement on the 97.3% reported at the end of March.

The opening Bad Debt Provision stood at £124k and given a current estimated requirement of £98k officers do not anticipate any further contribution requirements in 2011/12.

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 one such sale has occurred to the end of May, to the value of £3k, but officers remain confident that the £100k target will be reached.

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 £849k, the total resources available are estimated as £2,165k against a requirement of £1,810k. This will leave just £355k 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 have been combined with the original approved capital programme of £6,203 to create a revised programme of £8,030k.

Capital activity in April and May has focussed on the continuation of culvert works, playground upgrades and the housing market renewal programme, all carried over from 2010/11. In addition the Leisure Investment Project has incurred a further £204k in design and preparation costs. To date £1,128k has been spent or committed across all projects, representing 14% of the total revised programme.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

- 6.1 The predictions for the General Fund Reserve balance at 31st March 2012 remain within the range recommended in the Medium Term Financial Strategy and the favourable variance on the current year shows how the Council is managing within its scarce resources.

However, officers must 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	
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Document	Place of Inspection
Monthly detailed financial monitoring statements for each service area	Financial Services
Final Accounts working papers	Financial Services