

<b>Subject:</b>	Financial Monitoring 2012/13	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	28 <sup>th</sup> November 2012
<b>Report of:</b>	Finance Manager	<b>Portfolio Holder:</b>	Finance and Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Community Impact Assessment:</b>	Required:	<del>Yes</del> /No	Attached: <del>Yes</del> /No
<b>Biodiversity Impact Assessment</b>	Required:	<del>Yes</del> /No	Attached: <del>Yes</del> /No
<b>Contact Officer:</b>	Janice Crawford	<b>Telephone:</b>	01706 252416
<b>Email:</b>	janicecrawford@rossendalebc.gov.uk		

1.	<b>RECOMMENDATION(S)</b>
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 2012/13 as at the end of October. This report covers
- the regular monthly budget monitoring for the General Fund and the Capital Programme along with movements on key reserves
  - the cash position of the Council and any significant Treasury management matters
  - progress on collecting all forms of income and debts.

## 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 are reported here as they begin to impact upon the 2012/13 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 and updated in February 2012).
- The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, both in 2012/13 and in the years to come.

## 5. BACKGROUND AND OPTIONS

The monthly financial monitoring report for the end of May 2012 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 October compared to the budget for 2012/13 shows a favourable variance of £368k. Officers have worked closely with managers and budget holders to ensure that where these variances can be carried forward to future years, it is the full year impact which is applied to 2013/14 and onward.

Given the current procedures for carrying forward budget underspend, the present estimate is that £184k could be transferred to the Corporate Directorate Investment Reserve, leaving the General Fund Reserve forecast at £1,137k at 31<sup>st</sup> March 2013.

Given that the General Fund Reserve target is £1m some of this favourable variance may be required to support potential deficits in the Collection Fund and the Vehicle Replacement Reserve.

- 5.4 **Earmarked Revenue Reserves – page 24 to 25**

The opening balance of cash-backed Earmarked Reserves was £5,152k and it is estimated that there will be £513k of additional contributions during 2012/13.

Utilisation deferred from 2011/12, including the conclusion of the Marl Pits project and the Valley Centre demolition, will require £887k. Though a further £193k was planned to be utilised as part of the 2012/13 original budget, the requirements for those projects has now dropped to £170k.

New utilisation plans total £909k, which leaves an estimated £3,700k at the end of March 2013. Future utilisation plans, now including the contributions required towards the Bacup Town Centre Heritage initiative, could reduce the reserve balances to £2,026k by March 2015.

- 5.5 **Government Grants Unapplied – page 26**

The balance on the Government Grants Unapplied account at the 1<sup>st</sup> April was £815k.

The Disabled Facilities Grant (DFG) for 2012/13 has already been received and this is being topped up by £200k from Green Vale Homes for works to their properties. With the deferred usage of Housing Capital Pot carried over from 2011/12 added to the planned £170k spend, this makes a potential £804k total spend on DFG works in 2012/13.

A one-off grant of £84k has been received to help with any costs of implementing the Localisation of Council Tax. Around £64k has already been committed to support software adjustments and further costs are expected to include consultation and communications.

The Empty Shops Grant and the Town Centre Heritage Initiative funding have now been combined into a Bacup Town Centre grant which, along with revenue reserve contributions shown on page 24 & 25, will be used to support the overall matched funding requirement of this project expected during 2013/14.

## 5.6 Treasury & Cash Management pages 27 to 29

The cash position at the end of October was still generally rising, closing the month at £10,937k. During November the balances are expected to dip slightly as the 4-weekly pattern of benefit payments results in a double burden in the month. This will be followed by December when there are no precept payments to be made, so balances will rise again. During February and March revenue income for Council Tax and NNDR will have slowed whilst costs continue, leading to balances reducing towards the year-end.

The Council's treasury management advisor has again warned caution over the value and length of deposits with Santander UK plc following a credit rating reduction early in October. As a result officers have imposed an unofficial ceiling of £3m on the Santander 7-day notice account and opened accounts with the Royal Bank of Scotland (RBS) to spread the deposits further.

Given the high level of balances between now and February a 30-day notice account with RBS has been used to obtain 0.85% interest on £2m for as long as possible. In addition, the £2.5m 3-month deposit with the Bank of Scotland has been rolled forward until mid January. With these investments over £116k of interest income has already been secured and the total revenue interest income expectations have risen to £125k compared to the original budget of £90k.

Officers would urge caution in expecting similar favourable performance on interest income in future years, given that our treasury management advisors are now predicting that the base rate of 0.5% will remain unchanged until well into 2015.

- 5.7 Of the £443k outstanding at the end of October 24% relates to prior years and 53% is under 30 days old. Of the remaining 23% issued during this financial year at least 11% is being collected under monthly installment plans.

The level of doubtful debts is now £121k against which the Council has a current provision of £109k. At the end of the financial year officers will consider an additional contribution to the bad debt provision to cover debts arising from the 2012/13 invoices.

## 5.8 Capital Receipts – page 30 & 32

The original capital budget forecast £100k income for the Council from asset sales during 2012/13 and at the end of October this has risen to £1,006k. However, of this £533k was immediately earmarked to fund the engineering works and CPO costs required to facilitate the eventual transfer of the larger site. The net retainable capital receipts are therefore expected to be £473k, a favourable variance of £373k.

The Q4 VAT shelter entitlement from Green Vale Homes was £77k above that predicted in the 2011/12 accounts. Along with £38k for the Q1 entitlement this means a current receipt of £115k towards to the original budget of £346k for 2012/13, but we are awaiting notification of the Q2 entitlement.

The level of usable receipts brought forward at 1<sup>st</sup> April was £1,011k, of which £359k was ring-fenced for housing projects. Projects continued from 2011/12 will require £556k of these receipts and new projects in 2012/13 will require £681k, including the works to facilitate the land sale noted above. This leads to an expected balance on the capital receipts reserve at March 2013 of £496k, of which £29k would remain ring-fenced for housing projects.

## 5.9 Capital Programme – page 31 & 32

The original capital programme for 2012/13 was £936k.

Projects brought forward from 2011/12 added a further £2,965 and the funding plans can be seen in the second table on page 31. New projects for 2012/13, including the works required for the land sale noted at 5.8 above, have added £1,107k to this, creating a revised capital programme for 2012/13 of £5,009k.

Spending so far in the year has focussed on the continuing Marl Pits project, which was 92% spent or committed as at the end of October, the Rawtenstall Town Centre project, and a CPO and works to Henrietta Street depot to facilitate the land sale.

In addition, £353k of DFG grants have been paid or ordered against total grants approved of £665k, this represents 83% of the grant and third-party funds available for the year.

## 5.10 Collection Fund – page 33

Though the collection of Council Tax amounts due are only very marginally below this time last year, the value of the Council Tax due is a constantly changing figure. In addition to residents moving in and out of houses, the entitlement to discounts and exemptions changes and new properties are added.

By far the biggest change in 2012/13 so far has been the Council Tax banding changes determined by the Valuation Office. At end of October there had been a net downward revaluation of the annual Council Tax base by £97k. However, many of these revaluations are back-dated, some as far as 1993 when Council Tax first started, and the total impact upon this year's Collection Fund to date is an adverse £494k. Though this is under regular review the Council has no control over the Valuation Office decisions.

At present this could result in a deficit of £290k and given that precept payments are determined annually this Council, as the billing authority, has to finance the initial cash-flow impact. Eventually any deficit is shared amongst all the precepting authorities and Rossendale's liability will be limited to 16.1% or £46k.

- 5.11 NNDR collection rates to the end of October are marginally below this time last year, though any surplus or deficit for the year is payable to central government under the current business rates pooling scheme. These current arrangements will cease as from 31<sup>st</sup> March 2013. New arrangements will commence as part of the new Local Government Finance Act (2012), paving the way for 50% retention of locally generated business rates income.

### COMMENTS FROM STATUTORY OFFICERS:

## 6. SECTION 151 OFFICER

- 6.1 Predictions for the General Fund Reserve balance at 31<sup>st</sup> March 2013 are now marginally above the target £1m recommended in the Medium Term Financial Strategy. However, the Council must maintain tight control on its costs and pursue the delivery of savings planned into the original budget. At the year-end some of this balance may be required to support deficits on the Collection Fund and the Vehicle Replacement Reserve.
- 6.2 Officers must also continue to investigate and implement projects to contribute towards the medium term financial strategy challenges, towards which members and officers have been meeting during November to review future budgets in detail.

**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 2011/12 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 over £1m.

Background Papers	
Document	Place of Inspection
Monthly detailed financial monitoring statements for each service area	Financial Services
Final Accounts working papers	Financial Services