Rossendalealive
BOROUGH COUNCIL

ITEM NO. F1

Subject:	Financial Monitoring 2012/13	**Status:**	For Publication
Report to:	Cabinet	**Date:**	13th February 2013
Report of:	Finance Manager	**Portfolio Holder:**	Finance and Resources
Key Decision: ☐	Forward Plan ☒	General Exception ☐	Special Urgency ☐
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 2012/13 as at the end of December. 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.

- The recent provisional 2013/14 settlement has identified a further reduction in resources over the medium term producing a future in year deficit of c £1.5m. Members, collectively, now have to acknowledge this growing deficit and make some difficult choices in order to balance expenditure with available resources over the medium term.
- 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 December 2012 is attached at Appendix 1.

5.1 General Fund (revenue) – pages 4 to 23

The forecast for General Fund activity as at the end of December compared to the budget for 2012/13 shows a favourable variance of £454k. Officers have worked closely with managers and budget holders to ensure that where these variances can be carried forward to future years the full year impact has been applied to the draft 2013/14 budgets being proposed.

Given the current procedures for carrying forward budget underspend, the present estimate is that £216k could be transferred to the Corporate Directorate Investment Reserve, leaving the General Fund Reserve forecast at £1,168k at 31st 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 (see note on page 23).

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 £749k 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 £527k. A further £193k was planned to be utilised as part of the 2012/13 original budget but the requirements for those projects has now dropped to £159k. New utilisation plans total £1,018k, which leaves an estimated £4,197k at the end of March 2013.

Future utilisation plans, including the use of the Transitional Reserve and contributions required towards the Bacup Town Centre Heritage initiative, could reduce the reserve balances to £2,788k by March 2015.

5.5 Government Grants Unapplied – page 26

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

Additional Disabled Facilities Grant (DFG) of £66k for 2012/13 has now been received which means that the some of the Housing Capital Pot top-up can been deferred into future years. This has been included in the capital programme proposals being placed before members in the 2013/14 budget setting exercise.

The forecast balance at March 2013 is now revised to £703k, which is expected to reduce to £242k by March 2016.

5.6 **Treasury & Cash Management pages 27 to 29**

The cash position at the end of December rose to £13,216k as predicted with the lack of precept payments during the month. During February and March revenue income for Council Tax and NNDR will slow whilst costs continue, leading to balances reducing towards the year-end. At present those year-end cash balances are expected to be around £5.5m

Whilst the interest income for 2012/13 has been well above the original budget, resulting a favourable variance of over £40k for the general fund, officers would urge caution in expecting similar favourable performance on interest income in the coming year.

Since the attached report was completed officers have met with both the Council's bank manager and its treasury management advisor, both of whom predict very gloomy investment potential during 2013/14. The government scheme 'Funding for Lending' has provided banks with cheap access to long-term funds so that banks no longer need to offer attractive interest rates to investors. As a result, the best 12-month deposit rate currently being offered is only 1.10% and the Council's call accounts will struggle to maintain the 0.8% earned during 2012/13. This compares to the 1.3% being earned on 3-month deposits and at least 2.55% being offered on 12-month deposits a year ago.

Looking ahead to 2013/14 officers are preparing to open some additional accounts with the main bank, the NatWest, which will offer slightly better interest rates in exchange for notice periods. Funds previously kept in the on-call accounts will be managed as carefully as possible between these notice accounts to maximise what little interest is available in the coming year.

5.7 In terms of sundry debts, 29% of the £365k outstanding at the end of December related to prior years and 33% was under 30 days old. After the final instalment collections by direct debit in January over 92% of April 2012 invoices will have been collected. The collection rate for invoices raised between May and October is over 97%.

The level of doubtful debts is now £135k 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 December this has risen to £1,007k. In addition the disposal of 4 CPO properties in Haslingden is expected to net a further £30k once the costs of compulsory purchase etc are recouped.

The Q4 VAT shelter entitlement from Green Vale Homes was £77k above that predicted in the 2011/12 accounts and the Q1 and 2 entitlement was £213k. Officers are awaiting news from Green Vale Homes on the Q3 and 4 amounts and may be able to provide a verbal update at the Cabinet meeting.

The forecast balance of housing capital receipts available at the year-end now is now £391k, reflecting the balance of the funds formerly earmarked for the regional Decent Homes Assistance project which has now reached its conclusion.

The estimate of General Fund useable receipts at the year-end has reduced to £321k following the allocation of £160k towards the accommodation strategy costs of moving the One Stop Shop up to the Futures Park Business Centre as per the Council's decision in December.

5.9 **Capital Programme – page 31 & 32**

The original capital programme for 2012/13 was £936k and projects brought forward from 2011/12 added a further £2,965k.

New projects for 2012/13, including the works required for the Henrietta Street land sale, have added £1,310k to this, creating a revised capital programme for 2012/13 of £5,211k.

The changes to the programme during December include the addition of the £160k accommodation project and £162k of land remediation works at Whitworth which have received full funding from DEFRA. Meanwhile two projects have been removed from the 2012/13 programme, namely the funds originally intended for the Decent Homes Assistance project which have been redirected to DFGs in future years and the requirement to support CPO purchases now that the sales of all four properties are expected before the year-end.

Spending in recent months has focussed on the conclusion and opening of the Marl Pits project, works to Henrietta Street depot to facilitate the land sale and the two grant-funded projects at Stacksteads Riverside Park and Sharneyford play area.

To the end of December £511k of mandatory DFG grants have been paid for or ordered against total grants approved of over £700k, this represents 87% of the grant and third-party funds available for the year.

5.10 **Collection Fund – page 33**

The collection of Council Tax amounts due are very marginally above this time last year, but 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 December the pace of these banding changes has slowed and this is under regular review, however, the Council has no control over the Valuation Office decisions.

At present these downward revaluations could result in a deficit of £170k 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 £29k.

5.11 NNDR collection rates to the end of December were also marginally above 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 31st 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 31st 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, as noted on page 23.

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 this forecast of a successful outcome to 2012/13 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 c.£1.5m. Members, collectively, now have to acknowledge this growing deficit and make some difficult choices in order to balance expenditure with available resources over the medium term.

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