

Subject:	Financial Monitoring 2012/13	Status:	For Publication
Report to:	Cabinet	Date:	6 th March 2013
Report of:	Finance Manager	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input 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 2012/13 as at the end of January. 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 is reported here as they begin to impact upon the 2012/13 revised forecasts.

- The recent budget-setting exercise for 2013/14 and beyond has identified a further reduction in resources over the medium term producing a future in year deficit of around £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 2013).
- 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 January 2013 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 January compared to the budget for 2012/13 shows a favourable variance of £488k. 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 2013/14 budgets.

Given the current procedures for carrying forward budget underspend, the present estimate is that £243k could be transferred to the Corporate Directorate Investment Reserve, leaving the General Fund Reserve forecast at £1,198k 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 £776k 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. Utilisation planned within the original budget has now dropped to £159k. New applications total £1,018k, which leaves an estimated £4,224k 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 £2,815k by March 2016.

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 some of the Housing Capital Pot top-up can be deferred into future years. This was included in the capital programme proposals 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 January fell to £11,930k as predicted with the conclusion of the normal installment plans for Council Tax and NNDR income. During February and March income will slow whilst costs such as precept payments and NNDR pooling 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 in 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.

Interest rates have reduced since October and many banks have already notified the Council that their rates will fall again in March and May. As a result, the best 12-month deposit rate currently being offered is only 1.10% and the Council's call accounts will earn only 0.6% compared to the 0.8% applicable during 2012/13. As a result the original budget for interest income in 2013/14 was reduced by £11k compared to the original budget for 2012/13. In cash terms that may equate to a £51k income difference between the two years.

Looking ahead to 2013/14 officers have opened 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 the total outstanding rose to £529k in January when the quarterly waste bills were created. This has pushed the debtor days performance up to 76 days, but this is still an improvement on the 78 days in January 2012 and the target of 80 days.

Collection of current year debts continues to improve with over 98% of invoices raised between May and November being received. Invoices raised in April are generally payable in installments and 93% have been collected to the end of January.

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 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 so the value received by the end of Q2 was £213k. Officers from Green Vale Homes have announced that the Q3 entitlement was £83k, which would leave a balance of £50k in quarter 4 in order to reach the original budget of £346k.

The forecast balance of housing capital receipts available at the year-end now is now £400k, 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 £2,966k.

The table on page 31 shows both the slippage from 2011/12 and the new projects added during the year so far. Some of those new projects will have been concluded by the year-end, but others are likely to become slippage over into 2013/14.

Spending in recent months has focussed on two grant-funded projects at Stacksteads Riverside Park and Sharneyford play area, the continuance of the DFG grants already approved and the commencement of the works to accommodate the One Stop Shop staff at the Business Centre.

The table on page 32 summarising the Section 106 agreement funds has been supplemented this month with a detailed list of the active agreements available within Rossendale, totalling £249k for revenue projects and £258k for capital projects.

5.10 Collection Fund – page 33

The collection performance for the amount of Council Tax due from householders was 95.48% at the end of the normal 10 monthly instalment collection period (95.47% in 2011/12). Based on last year this could lead to a year-end collection rate of around 97.6% compared to the 97.8% target, which would equate to around £50k less in cash terms. However, improvements in the pace of banding decreases means that the total to be collected has risen by the same £50k, leaving the net predicted deficit unchanged at £170k, a burden of £29k for Rossendale.

- 5.11 NNDR collection rates to the end of January were 94.61%, which is above the 94.1% at this time last year and means that the full year target of 98% should be achievable, 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, both to achieve the savings planned within the 2013/14 original budget and to meet the remaining deficit in future years.

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.

Background Papers

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