Rossendalealive
BOROUGH COUNCIL

ITEM NO. E1

Subject:	Financial Monitoring 2012/13		**Status:**	For Publication	
Report to:	Cabinet		**Date:**	Cabinet 12th June 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 being the final Financial Monitoring Report (Period 12) for 2012/13

2. PURPOSE OF REPORT

2.1 The purpose of the report is to update Members on the final financial monitoring position for 2012/13 as at the end of March. 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 out-turn.

- 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 now totalling 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 12 months ending March 2013 is attached at Appendix 1.

5.1 General Fund (revenue) – pages 4 to 23

The March 2013 (Period 12) monitoring report on the General Fund for 2012/13 shows a £525k favourable variance compared to the original budget of £9,829k, a further improvement of £35k in March. This variance is after the contribution of £85k to provisions as proposed in February. This allows for an increase in Director Reserves of £262k and General Fund Reserves of £263k, creating General Fund Reserves of £1.216m.

Given that the MTFS target for the General Fund Reserve is £1m, a balance of £216k will be transferred to the Change Management Reserve during the statutory accounts process (subject to any further final adjustments).

5.4 Earmarked Revenue Reserves – page 24 to 25

The total cash-backed Earmarked Reserves brought forward at 1st April 2012 were £5,152k.

In the February report we anticipated that the March 2013 balance would be £4,163k, but the current forecast has risen to £5,151k. There is a table on page 25 explaining the changes to the Reserves during March and these include £254k of departmental reserves which are to cover future costs which do not meet the current technical definition of a 'provision' – this is therefore simply a reclassification within the Council's balance sheet.

Page 25 also includes changes to the future usage of reserves, in some cases these are delays in usage in 2012/13 as noted above, including some slippage of projects (eg vehicle replacement plans). The estimated level of reserves at 31st March 2016 has now risen to £3,209k.

5.5 Government Grants Unapplied – page 26

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

The main change to the Unapplied Grants at year-end has come from the Disabled Facilities Grants. As noted in the capital programme slippage on page 31, £125k of grants have been approved but not yet commissioned or completed and so the grant funding required in 2012/13 has been accordingly adjusted. Of this £125k slippage, £107k is being funded from Housing Capital Pot, which is shown as an increase in the grant unapplied, and £18k is being funded by Green Vale Homes contributions deferred until 2013/14.

Therefore the anticipated balance of government grants at year end is £744k, though this will drop to £242k by March 2015.

The final accounts process in completing the annual Statement of Accounts for 2012/13 may see some further reclassification of Grants Unapplied.

5.6 **Treasury, Cash & Sundry Debt Management pages 27 to 29**

The Council's cash balances were £6,196k, at the end of March and the revenue interest income closed the year with a favourable variance of £49k. A significant element of this variance is due to higher than expected balances following additional capital receipts, changes to the capital programme and the £1.2m NNDR refund from central government in June 2012.

Interest rates for this year were weak with only one "364 day" investment being entered into; earning 1.1% interest. Whilst performance continues to compare favourably to the Sector model portfolio on page 28, the most that cash deposits will be earning from May 2013 onwards is 0.8%, therefore interest income in 2013/14 is unlikely to result in the same favourable variance as this financial year. In particular we have seen the rate of our primary overnight deposit account (NatWest SIBA) fall from 0.8% to 0.6% (partly as a result of the Bank of England / MH Treasury joint "Funding For Lending" initiative).

5.7 Following the issue of quarterly recycling bills in March the value of outstanding sundry invoices has risen from £240k in February to £584k at the year-end. Of that balance 73% is under 30 days old. The high value of March invoices has pushed the debtor days performance figure up to 78 days (68 days in March 2012), but the average performance throughout 2012/13 has been 2 days lower than the average in 2011/12. This can be verified by the fact that for invoices issued between April and January the collection rate has been 98%.

The anticipated bad debt provision includes £26k which relates to default works ultimately collectable through the Land Charges Register. During March officers wrote off £6k of bad debts (all within officer delegation limits) and made a further bad debt provision of £20k, leaving the net doubtful debt provision at £123k at the year-end.

5.8 **Capital Receipts – page 30 & 32**

The sales of three CPO properties sold at auction in December have been concluded though there are still some costs outstanding relating to the initial CPO which are being accrued for as part of the final accounts process.

With a net £1,162k of capital receipts in 2012/13 and £632k being contributed from revenue operations and reserves, the total resources available were £2,805k. Of this £1,534k is being applied to fund projects, leaving a year-end balance carried forward of £1,271k of which £279k is unreserved.

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

The original capital programme for 2012/13 was £936k and £2,966k was rolled over from 2011/12 for projects in progress. The revised capital programme at the end of March was £5,273k which included £1,387k of new projects added within the year. Additional projects were detailed in full in the Period 11 monitoring report.

At the end of March the programme was 86% complete with an actual expenditure of £4,526k. This leaves £825k of slippage in ongoing projects which will be carried over to 2013/14, along with the respective funding.

5.10 **Collection Fund – page 33**

The collection performance for Council Tax was 97.5% at the end of March compared to 97.6% in 2011/12 and the target of 97.8% for the year. The Collection Fund is showing a net deficit of £273k, of which around £44.8k will be attributable to Rossendale Borough Council. This brings the Council's cumulative deficit up to £70k, which we have now fully provided for.

During 2012/13 there was a net reduction of £562k (£126k in 2011/12) in the total Council Tax chargeable, following banding reductions approved by the Valuation Office. As a result of these reductions the value of refunds rose from £420k in 2011/12 to £692k in 2012/13. This is the primary reason for the Council Tax deficit.

5.11 Business Rates (NNDR) collection rate to the end of March was 96.7%, below the 97.8% at the end of 2011/12 and the 98% target for the year.

Members should note that there have been £520k of banding reductions during the year, leading to £437k of refunds, this is far better than the £1.5m drop experienced in 2011/12.

2012/13 sees the final year where the direct financial implication of NNDR collection lies with The Department for Local Government & Communities. However, NNDR will now be monitored and reported more closely during 2013/14 due to changes in Local Government financing and the direct impact of NNDR generation on the Council's own income resources.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial matters are noted above and in the attached appendix.

6.2 The financial outturn for 2012/13 will now form the basis for the preparation of the annual Statement of Accounts. A draft, subject to external audit, will be presented to the June 2013 Audit & Accounts Committee for their approval. The final audited accounts will then be presented to the same committee for final approval in Sept 2013.

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 for 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