Report to the Finance & Performance Cabinet Committee

Report reference: FPM-015-2013/14
Date of meeting: 14 November 2013

Epping Forest District Council

Portfolio: Finance & Economic Development

Subject: Quarterly Financial Monitoring

Officer contact for further information: Peter Maddock (01992 564602).

Democratic Services: Rebecca Perrin (01992 564532)

Recommendations/Decisions Required:

1. **That the Committee note the revenue and capital financial monitoring report for the second quarter of 2013/14;**

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 September 2013 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the second quarter financial monitoring report for 2013/14.

Other options for action

No other options available.

Report:

1. The Committee has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure. This is the second quarterly report for 2013/14 and covers the period from 1 April 2013 to 30 September 2013. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate.

2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area where historically large under spends have been seen.

Revenue Budgets (Annex 1 – 9)

3. Comments are provided on the monitoring schedules but a few points are highlighted here as they are of particular significance. The salaries schedule (Annex 1) shows an underspend of £44,000 or 0.4%. This compares to 2.7% at this time last year.

4. The Deputy Chief Executive shows a 7.5% overspend, this is because some external funding was secured for a disability awareness officer and the Youth Futures Project after the budget was agreed. Once Housing Services, which is primarily charged to the Housing Revenue Account, and Building Control are removed from the Schedule there is a General Fund overspend of £45,000. This is because the level of vacancies have now

fallen below the 2.5% vacancy allowance for the first time in a number of years. This is not surprising given the deletion of approximately £400,000 of vacant posts from the budget for 2013/14.

5. Investment interest levels in 2013/14 are slightly below expectation at quarter 2, and significantly below the prior year. There is still no sign of rates improving even in the longer term at the moment. Investment returns in the prior year were higher as there were still some longer term deals maturing at better rates than those available now.

6. The Council had received £2.360m of the original £2.5m investment placed with Heritable Bank as at 30 September 2013, this now brings the recovery up to 94.02%. A letter from the administrators was received during September saying there would not be any further dividends until the end of the administration process and related litigation.

7. Development Control income at Month 6 has recovered well since the first quarter though this is due to pre-application charges which are £32,000 higher than the 6 month budget of £3,750. Development Control income too has recovered from a £35,000 shortfall at month 3 to a £13,000 shortfall at month 6. August was a good month and October also looks encouraging.

8. Building Control income though is down by £71,000. There are some expenditure savings but these are not significant enough to offset this deficit. Activity in the building industry is at a low level and fewer applications are coming through and any building control work that is generated by additional development control activity is not necessarily carried out by the Council as there are private companies able to carry out the work. The original estimate predicted a deficit on the account of around £14,000 which together with the on-going surplus of £21,000 meant the balance falling to just £7,000. The account is expected to return a deficit of over £30,000 unless there is a drastic improvement in income and soon. The account operates on a three year cycle so can continue to operate in deficit but there may come a time when this deficit has to be taken to the General Fund.

9. Hackney Carriage and other licensing income are both below expectations by £7,000 and £6,000 respectively, there have been fewer renewals so far this year and it seems unlikely that this shortfall will be made up.

10. Income from MOT's carried out by Fleet Operations is £18,000 below expectations. Expenditure on salaries is down but only by about £4,000. The expected surplus for this work this year was predicted at £11,000, MOT income is now expected to fall short by around £30,000 so unless things improve quite quickly a deficit will be recorded.

11. Local Land Charge income is broadly in line with the prior year and above the original estimate which suggests, as last year, income will exceed budget for the year. There is though still significant uncertainty surrounding the future for charging for these services which may or may not be resolved during the financial year.

12. The Housing Repairs Fund shows an underspend of £364,000. However a larger than average proportion of the expenditure is seasonal falling in the winter months. The budgets will be revised shortly and there may be a saving here.

13. Payments to the Waste Management contractor are again one month behind expectations. The frequency of billing can be a little haphazard at times and whilst budget payments are profiled one month in arrears this is not always what actually happens.

14. Income levels are down on expectations generally although there is time for the shortfall to be made up. Expenditure is also lower in some areas but not as significantly as in the previous year. The budgets are being revisited and where appropriate will be revised in line with expectations.

Business Rates

15. From 1 April 2013 the Council is entitled to a share of business rates collected so monitoring the amount collectable is now more important than ever.

16. There are two aspects to the monitoring, firstly changes in the rating list and secondly the collection of cash. Changes in the rating list are important as with local retention the overall funds available to authorities will increase or decrease as the total value of the list increases or decreases. The NNDR1 form set out the non-domestic rate estimates for the year and started with a gross yield of £40,208,899 which was then reduced by the various reliefs for charities and small businesses and an allowance for appeals to get to a net rate yield of £31,897,379. At the end of September the net rate yield had reduced by £198,841 and as the Council retains 40% of gains and losses this would mean a reduction in funding of £79,536. The position during quarter 2 has worsened a little since the end of quarter 1 though this is not as marked as during the first quarter. Things could improve over the remainder of the year but it is a concern as this district is losing businesses to the Enterprise Zone in a neighbouring district.

17. Cash collection is important as the Council is required to make payments to the Government and other authorities based on their share of the rating list. These payments are fixed and have to be made even if no money is collected. Therefore, effective collection is important as this can generate a cash flow advantage to the Council. If collection rates are low the Council is left to finance these payments from working capital and so has to reduce investment balances. At the end of September the total collected was £20,161,989 and payments out were £15,946,900, meaning the Council was holding £4,215,089 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

18. In summary, at the end of September the reduction in the overall value of the rating list is a cause for concern, but cash collection is going well

Capital Budgets (Annex 10 - 16)

19. Tables for capital expenditure monitoring purposes (annex 10 -15) are included for the six months to 30 September. There is a brief commentary on each item highlighting the scheme progress.

20. The full year budget for comparison purposes is the original budget updated for budgets carried forward from 2012/13 as part of the Provisional Outturn Report considered at the June meeting.

Major Capital Schemes

21. The Council is embarking on a House building programme primarily aimed at the development of difficult to let Garage sites. The first phase is due to commence in Waltham Abbey early in the next calendar year subject to detailed planning approval being obtained. Annex 17 gives more detail.

Conclusion

22. Generally income is a little down on expectations but expenditure is too. At this point it is expected that actual expenditure will be rather closer to the originally budget than in recent years.

23. The Committee is asked to note the position on both revenue and capital budgets as at Month 6.

Consultations Undertaken

This report has also been presented to the Finance Scrutiny Panel. An oral update will be provided to cover any additional comments or information received from the panel.

Resource Implications

There is no real evidence at this stage to suggest that the net budget set will not be met, however the economic climate is somewhat volatile and it is difficult to predict what is going to happen in the short to medium term let alone the longer term.

Legal and Governance Implications

Reporting on variances between budgets and actual spend is recognised as good practice and is a key element of the Council's Governance Framework.

Safer, Cleaner, Greener Implications

The Council's budgets contain spending in relation to this initiative.

Background Papers

Various budget variance working papers held in Accountancy.

Impact Assessments

Risk Management

These reports are a key part in managing the financial risks faced by the Council. In the current climate the level of risk is increasing. Prompt reporting and the subsequent preparation of action plans in Cabinet reports should help mitigate these risks.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?	No
Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?	No

What equality implications were identified through the Equality Impact Assessment process?
None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A