

Report to the Resources Select Committee

Date of meeting: 13 October 2015

Portfolio: Finance

Subject: Quarterly Financial Monitoring

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Recommendations/Decisions Required:

That the Committee note the revenue and capital financial monitoring report for the first quarter of 2015/16;

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 June 2015 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the first quarter financial monitoring report for 2015/16.

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 first quarterly report for 2015/16 and covers the period from 1 April 2015 to 30 June 2015. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate and the budgets themselves are the Original Estimate updated for the District Development Fund items that were brought forward from 2014/15.
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 – 6)

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 £191,000 or 3.6%. This time last year the variance was 2.0%. A vacancy allowance of 1.5% has been allowed for but clearly vacancies are running at a rather higher level at the moment with all directorates (except Chief Executive) showing a degree of underspend.
4. Neighbourhoods and Resources have the largest underspend of £64,000 and £62,000

respectively. The former relates mainly to Grounds Maintenance and Estates and the latter to Revenues, Benefits and to a lesser degree Accountancy.

5. Investment interest levels are slightly below expectations at Month 3. This is likely to continue as the payment to Polofind for land at Langston Road was made in early July and the second half of the financial year should see the start of the construction of the retail park which will deplete cash balances further. There has again been some talk of the need to raise interest rates but whether that will come to fruition any time soon remains to be seen.
6. Development Control income at Month 3 is continuing the recent upward trend. Fees and charges were £71,000 higher than the budget to date and pre-application charges are £15,000 higher, by the end of July Development Control income was £118,000 above expectations.
7. Building Control income was £18,000 higher than the budgeted figure at the end of the first quarter. Also the ring-fenced account is showing an in-year surplus of £34,000 as at Month 3. It was expected that a surplus of £13,000 for the full year would be achieved it already looks as if the position will be substantially better. The surplus on the account brought forward into this financial year was £81,000 due to a very good final quarter in 2014/15.
8. Hackney Carriage income is £4,000 above expectations and other licensing in line with the budget. There is not expected to be any significant variation on the budget.
9. Income from MOT's carried out by Fleet Operations is £3,000 above expectations. The budget has been set to breakeven in 2015/16, however the profiled budget shows that in the first few months the account will be in deficit which is indeed the case. The expectation is that during the second half year a surplus will be achieved to bring the account back to breakeven.
10. Car Parking income was £51,000 below the estimate as at month 3. Pay and display income was being received some 2 weeks in arrears at that time in line with the profiled budget though telephone payments were, and continue to be two months behind and account for about half of that shortfall. By the end of August pay and display income was only a week in arrears. Based on current evidence there may be a shortfall in this area and this needs to be kept under review. The budget will shortly be revisited and further analysis carried out to assess the level of any expected shortfall to be included in the budget.
11. Local Land Charge income is below expectations as there has been a reduction in searches undertaken, there was a shortfall which became apparent toward the end of 2014/15 and this trend has continued.
12. From the start of the new waste management contract recycling credits are paid only on dry recycling. Due to the time lag between achieving the credits and billing for them there is little income expected in the first quarter.
13. In order to cut down on the amount of administration and speed up payment times it was agreed to pay the waste contractor the agreed contract sum monthly by Direct Debit as this is a fixed sum. The payment is made 30 days after the end of the month to which it relates. However there were some initial difficulties setting this up and no payments were made in the first quarter. Payments are now running smoothly.
14. The Housing Repairs Fund shows an underspend of £320,000. The full year budget is likely to be fully spent. There are no other significant variances on the HRA at the end of the first quarter.
15. In most cases income budgets are generally holding up well and Development and

Building Control income is going exceptionally well. The budget is due for revision over the next few months and as part of that we need to assess how much of this income can be treated as ongoing and how much as DDF.

16. With regard to Land Charge and Car Parking income there is some concern that income levels may not be achieved so these areas in particular need to be kept under review.

Business Rates

17. This is the third year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council.
18. 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 £41,552,448 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 £35,883,949. At the end of June the net rate yield had increased by £242,358 and as the Council retains 40% of gains and losses this would mean an increase in funding of £96,943. However given the outstanding appeals and that a number of claims for small business rates and other reliefs are being received this is expected to reverse.
19. 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 June the total collected was £10,334,743 and payments out were £8,538,069, meaning the Council was holding £1,796,674 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.
20. In summary, at the end of June the increase shown whilst positive is only temporary, but cash collection is going well.

Capital Budgets (Annex 7 - 11)

21. Tables for capital expenditure monitoring purposes (annex 7 -11) are included for the three months to 30 June. There is a commentary on each item highlighting the scheme progress.
22. The full year budget for comparison purposes is the budget updated as part of the Capital outturn report.

Major Capital Schemes (Annex 12)

23. There are two projects included on the Major Capital Schemes schedule these relate to the Museum redevelopment and House Building package 1. Annex 12 gives more detail.
24. From the next quarter the Epping Forest Retail Park will also be included here. As at the end of June there had been no expenditure with the payment to purchase the land owned by Polofind not occurring until early July.

Conclusion

25. With regard to revenue, income is generally up on expectations and expenditure down. The increased income levels are very much welcome, in particular Development and Building Control income, though some concern exists over Land Charges and Car Parking income. Expenditure being below budget is not surprising as expenditure is usually heaviest toward the end of the financial year.
26. The Committee is asked to note the position on both revenue and capital budgets as at Month 3.

Consultations Undertaken

This report was considered by the Finance Cabinet Committee in September, and an update will be provided to this Committee to cover any additional comments or information.

Resource Implications

There is little evidence at this stage to suggest that the net budget set will not be met however the budget is due to be revised during the Autumn and Winter and as usual any variances reflected therein.

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.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
03/09/15 Director of Resources	The purpose of the report is to monitor income and expenditure. It does not propose any change to the use of resources and so has no equalities implications.