Report to the Resources Select Committee

Epping Forest District Council

Report reference:
Date of meeting: 14 December 2015

Portfolio: Finance

Subject: Quarterly Financial Monitoring

Officer contact for further information: Peter Maddock (01992 - 56 4602).

Democratic Services Officer: Adrian Hendry (01992 – 56 4532)

Recommendations/Decisions Required:

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

Executive Summary

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

Reasons for proposed decision

To note the second 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 second quarterly report for 2015/16 and covers the period from 1 April 2015 to 30 September 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 £287,000 or 2.7%. This time last year the variance was 1.6%. Whilst the monetary value of the underspend has increased since quarter 1, the level in percentage terms has reduced. 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. Resources and Neighbourhoods have the largest underspend of £114,000 and £98,000 respectively. The former relates mainly to Revenues, Benefits and to a lesser degree Accountancy and the latter to Grounds Maintenance and Estates.

5. Investment interest levels are below expectations at Month 6 by £45,000. This is likely to continue as the second half of the financial year should see the start of the construction of the retail park which will deplete cash balances further.

6. Development Control income at Month 6 is continuing the recent upward trend. Fees and charges were £179,000 higher than the budget to date and pre-application charges are £12,000 higher.

7. Building Control income was £31,000 higher than the budgeted figure at the end of the second quarter. Also the ring-fenced account is showing an in-year surplus of £51,000 as at Month 6. 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. Public Hire licence income is in line with expectations but other licensing is below expectations. A number of reminders have recently been sent out so income should be back on track by quarter 3.

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, on the basis that a saving will be achieved when the service is reviewed. This review is currently being undertaken however the full year saving necessary to achieve a breakeven position may not be seen until 2016/17.

10. Car Parking income was £41,000 below the estimate as at month 6. Pay and display income is being received in line with the profiled budget though telephone payments were, and continue to be, two months behind and account for £12,000 of the shortfall. Season ticket income is £8,000 down but this could be made up later in the year. Penalty Charge Notice income is £22,000 below expectations and given there was a shortfall in 2014/15 the budget will probably need revising downwards.

11. Local Land Charge income is £14,000 below expectations as there has been a reduction in searches undertaken, the budget will need to be revised downwards as this trend has been continuing now for about 9 months.

12. From the start of the new waste management contract recycling credits are paid only on dry recycling. There is a time lag between achieving recycling credits and the income being paid. By the end of month 6 only two months had been invoiced, however billing is now up to the end of August.

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 contract variations are paid as and when invoiced which at the moment are behind expectations. After a period of stability with Leisure Contract payments these have again fallen behind due to late billing.

14. The Housing Repairs Fund shows an underspend of £314,000. The budget is in the process of being reviewed and some savings look likely. There is also a significant variance on HRA Special Services which relate partly to heating and lighting. There are likely to be some savings here also due in part to the work undertaken by Smith Bellerby.

15. In some cases income levels are generally holding up well and Development and Building Control income is going exceptionally well. The budget is currently under revision and as part of that we need to assess how much of the Development Control income can be treated as additional ongoing income 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 and if necessary be revised downwards as part of the budget process.

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 September the net rate yield had reduced by £576,602 and as the Council retains 40% of gains and losses this would mean an reduction in funding of £230,641.

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 September the total collected was £19,093,976 and payments out were £17,076,138, meaning the Council was holding £2,017,838 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 September the decrease shown is only a concern, 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 six months to 30 September. 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 three projects included on the Major Capital Schemes schedule these relate to the Museum redevelopment, House Building package 1 and The Epping Forest Shopping Park. Annex 12 gives more detail. The variance reported is a comparison between the anticipated outturn and approved budget.

Conclusion

24. 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.

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

Consultations Undertaken

This report was presented to the Finance Cabinet Committee in November, and there were no further comments made to bring to the attention of this Committee.

Resource Implications

There is little evidence at this stage to suggest that the net budget set will not be met however the budget is being revised 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.