

Report to the Resources Select Committee

Date of meeting: 12 April 2016

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 third quarter of 2015/16;

Executive Summary

The report provides a comparison between the original estimate for the period ended 31 December 2015 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the third 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 third quarterly report for 2015/16 and covers the period from 1 April 2015 to 31 December 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 Revised Estimate.

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 £284,000 or 1.8%. This time last year the variance was 1.1%. The vacancy allowance is removed from the budget when it is revised and allocated to the areas where vacancies have actually occurred though even after that there is still an underspend showing.

4. Communities is showing the largest underspend of £124,000 this relates in the main

to the Housing works Unit. The other three directorates are all showing an underspend though less significant.

5. Investment interest levels are below expectations at Month 9 by £6,000. Whilst cash balances available for investment have reduced income from the loan to Biffa have offset this to a degree.

6. Development Control income at Month 9 is continuing the recent upward trend. Fees and charges were £34,000 higher than the revised budget to date and pre-application charges are £13,000 higher. At Month 10 total income was £62,000 above expectations.

7. Building Control income was £6,000 higher than the budgeted figure at the end of the third quarter. Also the ring-fenced account is showing an in-year surplus of £53,000 as at Month 9. The expected surplus of £13,000 has been revised upwards to £47,000 for the full year.

8. Public Hire licence income and other licensing is now above expectations. A number of reminders were sent out during November and December which has led to this increase.

9. Income from MOT's carried out by Fleet Operations is £4,000 below expectations. The revised budget shows a deficit of £6,000 for the year though this may now be slightly optimistic.

10. Car Parking income was £31,000 below the estimate as at month 9. Pay and display income was in line with the profiled budget until month 9 but some income relating to December was not received until January probably due to the Christmas break. Season ticket income is £2,000 up on expectations. At one stage it did look as if Penalty Charge Notice income would fall short of expectations but this is now in line with the budget.

11. Local Land Charge income is £8,000 above the revised expectation. There have been significantly fewer searches undertaken this year compared to the same period last year.

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. The income is billed once confirmation from the County Council is received. Billing was up to September at the end of December and now up to the end of November.

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 £366,000. The budget has been reviewed and some savings have been identified. 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. Income from Development Control, Building Control and Land Charges should exceed the revised budget though in the case of land charges this was reduced by some £39,000 from the original due to the fall in searches undertaken.

16. Car Parking income is quite difficult to profile accurately and at month 6 it looked like a shortfall might occur. At month 9 income did look a lot better and the budget was revised upwards as a result, month 10 saw a further improvement and it looks as if the budget for the year may well be met.

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.

19. The resources available from Business Rates for funding purposes is set in the January preceding the financial year in question. Once these estimates are set the funding available for the year is fixed. Any variation arising from changes to the rating list or provision for appeals, whilst affecting funding do not do so until future years. For 2015/16 the funding retained by the authority after allowing for the Collection Fund deficit from 2014/15 is £3,363,000. This exceeded the government baseline of £3,022,000 by some £341,000. The actual position for 2015/16 will not be determined until May 2016.

20. 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 December the total collected was £28,006,359 and payments out were £25,614,207, meaning the Council was holding £2,392,155 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

Capital Budgets (Annex 7 - 11)

21. Tables for capital expenditure monitoring purposes (annex 7 -11) are included for the nine months to 31 December. 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 review report that went to Cabinet in December.

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. 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 9.

Consultations Undertaken

This report was also presented to the Finance and Performance Management Committee in

March.

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
23/02/16 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.