

Report to the Finance & Performance Management Cabinet Committee



**Epping Forest
District Council**

**Report reference: FPM-010-2016/17
Date of meeting: 15 September 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 first quarter of 2016/17;

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 June 2016 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the first quarter financial monitoring report for 2016/17.

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 2016/17 and covers the period from 1 April 2016 to 30 June 2016. 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.
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 £202,000 or 3.6%. This is the same in percentage terms as this time last year.
4. Resources is showing the largest underspend of £78,000, this relates to Revenues and Housing Benefits. Neighbourhoods and Communities are both showing underspends of £53,000. The former relates to Forward Planning and Grounds Maintenance and the latter to the Housing Works Unit. Variances on Governance and the Office of the Chief

Executive are less significant.

5. The investment interest figure is lower than the budget as it is distorted by previous year adjustments. Having said that interest rates have fallen slightly and the expected significant capital spend over the next year will have an impact on returns. It is felt unlikely that returns will reach the budgeted level.
6. Development Control income at Month 3 is continuing the recent upward trend. Fees and charges were £51,000 higher than the budget to date and pre-application charges are £1,000 higher. At Month 4 total income was £59,000 above expectations.
7. Building Control income was £38,000 higher than the budgeted figure at the end of the first quarter. Also the ring-fenced account is showing an in-year surplus of around £38,000 as at Month 3. By the end of month 4 the surplus was only £2,000 short of the full year budgeted figure of £47,000.
8. Public Hire licence income and other licensing are above expectations. Within the Public Hire figures shown is £8,500 relating to future years.
9. Income from MOT's carried out by Fleet Operations is £11,000 below expectations. Income has been affected by the uncertainty around the relocation to Oakwood Hill. The move has now happened and a new Fleet Operations manager appointed. It is proposed to publicise the service in an effort to improve income.
10. Car parking income was £30,000 below the estimate as at month 3. There were some delays receiving income which has happened from time to time over the last few years. By late August income had reached and indeed exceeded expected levels.
11. Local Land Charge income is £3,000 below expectations. There have been fewer searches undertaken in recent months so the position will need to be monitored over the next few months to see whether this shortfall appears to be on going.
12. Expenditure and income relating to Bed and Breakfast placements is on the increase. Most are eligible for Housing Benefit and although some will be re-imbursed by the Department for Work and Pensions it is only around 50%, leaving a similar amount to be funded from the General Fund. Some growth has been allowed for within the 2016/17 budget but it looks unlikely that this will be sufficient.
13. The actual for Recycling income shows as a negative figure as at month 3. This is because the income expected for April Credits and the first quarter service enhancement payment from the County Council did not happen until month 4 and 5 respectively.
14. An overspend is showing on both Refuse Collection and Recycling. This is due in part to collections from additional properties and payments made to the contractor to compensate for the fall in income from the sale of recyclable materials.
15. The Housing Repairs Fund shows an underspend of £340,000. There are underspends showing on both Planned Maintenance and Voids work. There is also a variance on HRA Special Services which relate partly to grounds maintenance and sheltered units.
16. Income from Development Control, Building Control and probably Car Parking look likely to exceed the budget. Others are less certain. The intention to publicise the MOT service should hopefully improve the income situation there but it will probably take a few months for this to have much of an effect.

Business Rates

17. This is the fourth 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 2016/17 the funding retained by the authority after allowing for the Collection Fund deficit from 2015/16 is £3,435,000. This exceeded the government baseline of £3,050,000 by some £385,000. The actual position for 2016/17 will not be determined until May 2017.
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 June the total collected was £10,206,011 and payments out were £8,636,746, meaning the Council was holding £1,569,265 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 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 Original Budget updated for amounts brought forward from 2015/16 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 House Building packages 1 and 2 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 3.

Consultations Undertaken

This report is due to be presented to the Resources Select Committee in October, and an update will be provided to that Committee to cover any additional comments or information from 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
02/09/16 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.