Report to the Resources Select Committee

Date of meeting: 4 December 2018

SCRUTINY

Epping Forest District Council

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 second quarter of 2018/19;**

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 September 2018 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the second quarter financial monitoring report for 2018/19.

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 2018/19 and covers the period from 1 April 2018 to 30 September 2018. The reports are presented based on the directorate responsible for delivering the services to which the budgets relate and the budgets themselves are the original estimate. The reports are presented in the new directorate structure.

2. Salaries monitoring data is presented as well as it represents a large proportion of the authority's expenditure and is an area where historically large under spends have been seen. However due to its complexity this is still in the previous format, if possible a revised version will be issued in the new structure prior to meeting.

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 £140,000 or 1.1%. At the second quarter last year the underspend was 1.3%. There has been a reduction in the percentage underspend since quarter 1 which also occurred last year.

4. Resources is showing the largest underspend of £90,000, relating to the deletion of the post of Director of Resources and underspends on both Revenues and Housing Benefits. Neighbourhoods is showing an underspend of £32,000 partly because the Acting Chief Executive is allocated in part to Neighbourhoods as the postholder is effectively carrying

out both roles, there are also underspends in Grounds Maintenance, Planning Policy, Environmental Admin and Licensing. Governance shows an underspend of £23,000 due to the deletion of the post of Director of Governance and underspends on Legal and Elections. The Office of the Chief Executive is showing a saving of £8,000 also related to the split allocation of the Acting Chief Executive. Communities is showing an overspend of £13,000 as there are few vacancies there.

5. The investment interest is slightly above the target due mainly to the Council holding more cash than was expected. The increase in Interest rates will also have a positive effect going forward though not that significant.

6. Development Control income at Month 6 is well above expectations. Fees and charges were £139,000 higher than the budget to date and other pre-assessment charges are £23,000 higher than expected. There have been a number of larger schemes come through so far this year, and by month 7 income was just short of the level expected at month 9.

7. Building Control income was £13,000 higher than the budgeted figure at the end of the second quarter the issues experienced toward the end of the first quarter having been resolved. By the end of month 7 income had exceeded budget by £30,000. The opening position on the ring-fenced account is a surplus of £111,000 after a £4,000 deficit last year. The account is budgeted to show an in-year deficit of £87,000. This deficit will now be lower than expected and will be adjusted during the budget process.

8. Licencing income is below expectations. A significant number of renewals are due during month 7 and 8 which should bring licensing income back into line with the budget.

9. Income from MOT's carried out by Fleet Operations is below expectations by around £17,000. Overall the account is budgeted to show a deficit of around £33,000 which is around half the original deficit for the previous year.

10. Car Parking income is £6,000 above target at month 6, though there will be some income relating to the second quarter that was received in month 7, so in reality is slightly further above target than reported.

11. Local Land Charge income is £9,000 below expectations. The position has improved marginally by the end of month 7 so it is possible that the original budget might be met but this will be addressed when the budget is revised.

12. Having commented last time the Bed and Breakfast Income and expenditure had been relatively static, expenditure has begun to increase again and is now above expectation reflecting an increase in caseload. The actual numbers in such accommodation is still relatively low, currently around 21. There are a number of initiatives in place to stem the increase in bed and breakfast usage and these may well be having a positive effect in keeping the increase down but it is always difficult to measure the actual effect the initiatives are having.

13. Recycling credit income is still very slow and it has been difficult to get the County Council to agree the figures. Income was well behind expectation at month 6 and there is an adjustment necessary to 2017/18 figures also to be accounted for in 2018/19.

14. The waste contract expenditure has now fallen behind due to late invoicing and the leisure management contract shows a reduction in income due to some unexpected pension related expenditure. The full expected saving will now be achieved later than expected.

15. The main underspend on the HRA relates to special services and is a combination of late Biffa invoicing, reduced utility costs and caretaking and cleaning. Housing Repairs Fund

expenditure is surprisingly close to the profiled budget at £29,000 under.

16. Income from Development Control, Building Control and probably Car Parking look likely to exceed the budget. Others are less certain.

Business Rates

17. This is the Seventh year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council. The proposals are that 75% of Business Rates be retained within the local government sector and we have now been told that this will take effect from the financial year 2020/21. In any event the proportions retained by each local government tier is likely to change and if additional resources are made available they will no doubt be accompanied by additional responsibilities. A bid was submitted to Central Government by all Essex authorities except Thurrock to become a 75% retention pilot for 2019/20 the outcome is expected as part of the Local Government settlement due on 6 December.

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 2018/19 the funding retained by the authority after allowing for the Collection Fund deficit from 2017/18 and the estimated various grants given to compensate the authority for the various reliefs is £4,350,000. This exceeds the government baseline of £3,210,000 by some £1,140,000. The actual position for 2018/19 will not be determined until May 2019.

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 September the total collected was £18,353,775 and payments out were £16,562,559, meaning the Council was holding £1,791,216 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates. This is an improvement on this point last year.

Capital Budgets (Annex 10 - 16)

21. Tables for capital expenditure monitoring purposes (annex 10 -17) 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 Original Budget updated for carry forwards, due to 2017/18 slippage.

Major Capital Schemes (Annex 17)

23. There are four projects included on the Major Capital Schemes schedule these relate to the House Building packages 2 and 3, The new Hillhouse Leisure Centre and refurbishment works at Loughton Leisure Centre. Annex 18 gives more detail. The variance reported is a comparison between the anticipated outturn and approved budget.

Conclusion

24. With regard to revenue, Development Control income is going extremely well though

Land Charges and Fleet operations income are down currently though not significantly. Other income streams are broadly on track and expenditure is below budget which is often the case at this stage in the 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 and Performance Management Committee during November, and an update will be provided to this committee to cover any comments made by that Committee.

Resource Implications

There is little evidence to suggest that the net budget will not be met.

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
02/11/18	The purpose of the report is to monitor income and expenditure. It does not propose

Assistant Director of Resources	any change to the use of resources and so has no equalities implications.