Report to the Finance & Performance Management Scrutiny Panel

Date of meeting: 17 September 2013

SCRUTINY

Epping Forest District Council

Portfolio: Finance & Economic Development

Subject: Quarterly Financial Monitoring

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

Democratic Services Officer: Adrian Hendry (01992 – 56 4246)

Recommendations/Decisions Required:

That the Panel note the revenue and capital financial monitoring report for the first quarter of 2013/14;

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 June 2013 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the first quarter financial monitoring report for 2013/14.

Other options for action

No other options available.

Report:

1. The Panel 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 2013/14 and covers the period from 1 April 2013 to 30 June 2013. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate.

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 – 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 £99,000 or 2.0%. This compares to 3.4% at this time last year.

4. The Deputy Chief Executive shows a 4.8% overspend, this is because some external funding was secured for a disability awareness officer and the Youth Futures Project after the budget was agreed. Expenditure in Building Control is underspent by 13.8% or £9,000. As in previous years the salaries budget is managed in such a way that resources are employed in a flexible manner to meet peaks and troughs in workload.

5. Investment interest levels in 2013/14 are slightly below expectation at quarter1, and

significantly below the prior year. There is still no sign of rates improving even in the longer term at the moment. Investment returns in the prior year were higher as there were still some longer term deals maturing at better rates than those available now.

6. The Council had received £1.940m of the original £2.5m investment placed with Heritable Bank as at 30 June 2013, this now brings the recovery up to 77.28%. A further payment was due in July but was not received until late August, however a sum of £420,161 was received which now exceeds expectations and brings recovery to 94.4%. A further updated is expected this month but whether another dividend will be received remains to be seen. An oral update will be given if there is anything further to report.

7. Development Control income at Month 3 is £19,000 below expectations, Generally applications so far this year have been quite small, though pre-application income has exceeded the full year budget already which may indicate that some larger applications are on the way. The income estimate for 2013/14 will be reassessed during the 2014/15 budget process to see whether or not there is a need to adjust the budget.

8. Building Control income is also down, but by £35,000. Activity in the building industry at a low level and fewer applications are coming through. Expenditure is down by around £20,000. The original estimate predicted a deficit on the account of around £14,000 which together with the on-going surplus of £21,000 meant the balance falling to just £7,000. It is looking increasingly likely that the account will fall into overall deficit during the financial year unless some remedial action is taken.

9. Hackney Carriage and other licensing income is below expectations, there have been fewer renewals particularly on other licensing. This appears to be related to the recession.

10. Income from MOT's carried out by Fleet Operations is below expectations and income at month 3 is £8,000 below target. Expenditure on salaries is down but only by about £3,000. The expected surplus for this work this year was predicted at £11,000, unless things improve quite quickly this will not be achieved.

11. Local Land Charge income is broadly in line with the prior year and above the original estimate which suggests, as last year, income will exceed budget for the year. There is though still significant uncertainty surrounding the future for charging for these services which may or may not be resolved during the financial year.

12. The Housing Repairs Fund shows an underspend of £323,000. However a larger than average proportion of the expenditure is seasonal falling in the winter months. The budgets will be revised shortly and there may be a saving here.

13. Payments to the Waste Management contractor have been in line with expectations and variances are minimal. The payments represent one months charges and tend to go through about a month and a half after the end of the month to which they relate.

14. It is too early in the financial year to be certain, but income levels are down on expectations generally although there is time for the shortfall to be made up. The budgets will be revisited over the next few months and where appropriate be revised in line with expectations.

Business Rates

15. From 1 April 2013 the Council is entitled to a share of business rates collected so monitoring the amount collectable is now more important than ever.

16. 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 £40,208,899 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 £31,897,379. At the end of June the net rate yield had reduced by £157,824 and as the Council retains 40% of gains and losses this would mean a reduction in funding of £63,130. This position could improve over the rest of the year but it is a concern as this district is losing businesses to the Enterprise Zone in a neighbouring district.

17. 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 £10,846,362 and payments out were £10,435,861, meaning the Council was holding £410,501 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

18. In summary, at the end of June the collection of cash is not a concern but the reduction in the overall value of the rating list is.

Capital Budgets (Annex 10 - 15)

19. Tables for capital expenditure monitoring purposes (annex 10 -15) are included for the three months to 30 June. There is a brief commentary on each item highlighting the scheme progress.

20. The full year budget for comparison purposes is the original budget updated for budgets carried forward from 2012/13 as part of the Provisional Outturn Report considered at the June meeting.

Major Capital Schemes

21. The Council is embarking on a House building programme primarily aimed at the development of difficult to let Garage sites. The first phase is due to commence in Waltham Abbey early in the next calendar year subject to detailed planning approval being obtained. This was considered in some detail by the Housebuilding Cabinet Committee on 10 July 2013 however at this stage expenditure has been limited to some initial fees. The current Capital Programme shows an allocation of around £11.7m for the various schemes but this is being revised in line with latest cost estimates and cashflow forecasts provided by the development agent, East Thames. From quarter 2 this programme will be included in the major schemes schedules provided with this report.

Conclusion

22. Generally income is a little down on expectations but expenditure is too. It is a little early to draw any firm conclusions from this other than to note that this is the case.

23. The panel is asked to note the position on both revenue and capital budgets as at Month 3.

Consultations Undertaken

This report will also be presented to the Finance Cabinet Committee and therefore Portfolio-holders will have had sight of the report as part of that agenda. An oral update will be provided to cover any additional comments or information received from Portfolio-holders.

Resource Implications

There is no real evidence at this stage to suggest that the net budget set will not be met, however the economic climate is somewhat volatile and it is difficult to predict what is going to happen in the short to medium term let alone the longer term.

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.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?	No
Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?	No

What equality implications were identified through the Equality Impact Assessment process?
None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A