

Report to the Resources Select Committee

Date of meeting: 1 March 2018

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 2017/18;

Executive Summary

The report provides a comparison between the revised estimate for the period ended 31 December 2017 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the third quarter financial monitoring report for 2017/18.

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 2017/18 and covers the period from 1 April 2017 to 31 December 2017. 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 £233,000 or 1.4%. At the end of the third quarter last year the underspend was 0.9%.
4. Resources is showing the largest underspend of £123,000, this relates mainly to Housing Benefits, Facilities Management and Revenues. Neighbourhoods shows an underspend of £52,000 but it has been assumed that money from the Local Plan DDF budget will be required to prevent the salaries budget from becoming overspent. Other directorates are

showing an underspend of around £20,000 each.

5. The investment interest is broadly in line with the revised position. Surplus cash balances are being held short term as it is possible that some borrowing will be required next financial year as a result interest earnings are noticeably lower than the prior year.
6. Development Control income at Month 9 is down on expectations. Fees and charges were £42,000 lower than the budget to date and pre-application charges and other income are £4,000 above expectations. Increases to Development Control fees can only be set by central government and indeed from 17th January a general increase of 20% was brought in. It is therefore expected that the lower budget of £977,000 will be met.
7. Building Control income was revised upwards from £450,000 to £530,000 and indications suggest that this might now be exceeded as income is £28,000 higher than the budgeted figure at the end of the third quarter. The ring-fenced account had assumed a deficit of £129,000 for this year due to the amount of scanning work required, however this was revised to a small surplus of £6,000 which also now looks likely to be exceeded.
8. Although Public Hire licence income and other licensing is above expectations, the Public Hire figures shown include some income relating to 2018/19 so actual income is close to expectations.
9. Income from MOT's carried out by Fleet Operations was left unchanged when the budget was revised and at the moment is showing a slightly better position than the budget. The account will still show a deficit in 2017/18 but it is possible that this will be lower than expected.
10. Car Parking income is on track with the revised estimate at month 9, some additional spaces are being provided at Oakwood Hill and Vere Road though there has been a delay in these becoming operational and the budget has been adjusted accordingly.
11. The shopping park is included as the first units are now due to pay rent. Income in 2017/18 will be around £200,000 lower than expected as some units were let later than expected and tenants had not been identified for all units when the budget was set. Having said that there is additional income from Industrial Estates and Commercial lets which should mitigate this to some extent. There is also some additional expenditure mainly related to empty property rates. Once all units are occupied and rent free periods passed rental income is still expected to be around £2.5 million per annum.
12. Local Land Charge income is £3,000 below expectations. The budget was increased from that in the original estimate as income had improved particularly in quarter 2. It does look as if the outturn will be close to expectations.
13. Expenditure and income relating to Bed and Breakfast placements has been 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. After a period where placements had levelled off caseload has again started to increase and expenditure is exceeding expectations. Staff in the Communities directorate are keeping such placements to an absolute minimum and use of the Zinc arts and other similar schemes should help keep expenditure down.
14. The waste and leisure management contracts are both pretty much on track.
15. The Housing Repairs Fund shows an underspend of £65,000. There are underspends showing on both Planned Maintenance and Responsive work. There is also a variance on HRA Special Services which relate mainly to tree maintenance and utility costs. Some underspend here looks likely.

16. Income from Building Control, Land Charges, Car Parking and maybe MOT Income look likely to exceed the budget. Others are less certain. Development Control is more significantly lower but may be being affected by the impending publication of the Local Plan.

Business Rates

17. This is the sixth year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council. There are proposals that all Business Rates be retained within the local government sector though this actually happening is unlikely to be before the 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.

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 2017/18 the funding retained by the authority after allowing for the Collection Fund deficit from 2016/17 is £3,499,000. This exceeded the government baseline of £3,110,000 by some £389,000. The actual position for 2017/18 will not be determined until May 2018.

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 £25,775,272 and payments out were £25,788,005, meaning the Council had paid out £12,733 more cash than it had received. This has been affected by the appeals that have been settled in recent months but represents a fraction of 1% when compared to the amounts collected overall.

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 Revised Budget which was agreed during December 2017.

Major Capital Schemes (Annex 12)

23. There are four projects included on the Major Capital Schemes schedule these relate to the House Building packages 1, 2 and 3 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, Building Control income is going well though Development control income is down currently. Other income streams are either slightly below or above expectations but not significantly 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 9.

Consultations Undertaken

This report will also be presented to the Finance and Performance Management Cabinet Committee later in March and any comments or observations from this Committee will be reported there.

Resource Implications

There is little evidence to suggest that the net budget will not be met. The variances that were expected have been included in the revised budget.

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
16/02/18 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.