

# **Report to the Resources Select Committee**

**Date of meeting: 17 October 2017**

**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 2017/18;**

## **Executive Summary**

The report provides a comparison between the original estimate for the period ended 30 June 2017 and the actual expenditure or income as applicable.

## **Reasons for proposed decision**

To note the first 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 first quarterly report for 2017/18 and covers the period from 1 April 2017 to 30 June 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 £144,000 or 2.5%. At the first quarter last year the underspend was 3.6%.
4. Resources is showing the largest underspend of £92,000, this relates mainly to Revenues and Housing Benefits. Communities shows an underspend of £37,000 relating to Communities Policy as the Assistant Director – Private Sector Housing post became vacant during the period, and Housing Management.

5. The investment interest is broadly on target with the budget. Interest rates are now only a little over 0.1% and money is primarily being held short term because of the significant capital commitments coming up. There is little prospect of any significant changes in interest rates, even over the medium term.
6. Development Control income at Month 3 is down on expectations. Fees and charges were £49,000 lower than the budget to date and pre-application charges are £7,000 higher than expected. There have been few major schemes come through so far this year and this may be due to developers awaiting the publishing of the Local Plan. Fees have recovered slightly during July but not significantly.
7. Building Control income was £33,000 higher than the budgeted figure at the end of the first quarter. By the end of month 4 income was £47,000 higher. If Building Control income is going to be affected by the Local Plan publication it will be rather later than Development Control. The ring-fenced account has assumed a deficit of £129,000 for this year due to the amount of scanning work required, however based on income levels to date this looks likely to be better than expected.
8. Although Public Hire licence income and other licensing is above expectations, the Public Hire figures shown include £27,000 relating to future years so in reality income relating to 2016/17 is £7,000 down.
9. Income from MOT's carried out by Fleet Operations is in line with expectations. The service has now been located at Oakwood Hill depot for about a year so the uncertainties experienced previously should now have been overcome. The account is budgeted to show a deficit of around £62,000 however this included an estimate for business rates which has proved to be too high and this alone should reduce this deficit to less than £50,000. The report on options for joint occupation of the depot is going to Cabinet on 7 September and the Director of Neighbourhoods is doing a report on the overspend on the construction of the depot for Cabinet on 12 October.
10. Car Parking income appears broadly on target with expectations at month 3, though there will be some income relating to the first quarter that was received in month 4.
11. Local Land Charge income is £3,000 above expectations. The budget had been reduced in the prior year as there have been fewer searches undertaken recently.
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. Growth of £28,000 was allowed for in 2016/17 with a further £12,000 in 2017/18. The 2016/17 actual was nearer the 2017/18 original position than the revised 2016/17 and there are no signs of expenditure levels abating. Some new initiatives are being pursued in an effort to stem the increase and additional government funding in the form of Flexible Homeless Grant is being used to fund programmes such as the Zinc Arts scheme in Ongar.
13. There was no recycling credit income in the first quarter. Income was up to date by early August, though slightly down on expectations.
14. The waste and leisure management contracts show some underspend due to timing. The latter particularly, as payments didn't commence until July.
15. The Housing Repairs Fund shows an underspend of £62,000. 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.
16. Income from Building Control and probably Car Parking look likely to exceed the budget.

Others are less certain. MOT income is in line with expectations and Development Control is 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 June the total collected was £9,995,028 and payments out were £8,596,002, meaning the Council was holding £1,399,026 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 carry forwards, due to 2016/17 slippage.

## **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, 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 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 3.

## Consultations Undertaken

This report was presented to the Finance and Performance Management Cabinet Committee during September. At that meeting some concern was expressed regarding MOT income levels.

## 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
02/10/17  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.