

Report to the Finance and Performance Cabinet Committee



**Epping Forest
District Council**

**Report reference: FPM-016-2017/18
Date of meeting: 16 November 2017**

Portfolio: Finance

Subject: Quarterly Financial Monitoring

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

Democratic Services Officer: Rebecca Perrin (01992 – 56 4532)

Recommendations/Decisions Required:

That the Committee note the revenue and capital financial monitoring report for the second quarter of 2017/18;

Executive Summary

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

Reasons for proposed decision

To note the second 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 second quarterly report for 2017/18 and covers the period from 1 April 2017 to 30 September 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 £153,000 or 1.3%. The underspend in percentage terms has reduced significantly since quarter 1 but in monetary terms has hardly changed. At the second quarter last year the underspend was 3.0%.
4. Resources is showing the largest underspend of £141,000, this relates mainly to Housing Benefits, Facilities Management and Revenues. Communities shows an underspend of

£47,000 relating to Communities Policy, Housing Works unit and Housing Management. However an over spend is showing on both Governance and Neighbourhoods of £19,000 and £15,000 respectively. With respect to Governance some additional costs are being incurred in Land Charges and Development Control, and in Neighbourhoods in Forward Planning and Estates.

5. The investment interest is below 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 has been a small interest rate increase but this will have only a marginal impact.
6. Development Control income at Month 6 is down on expectations. Fees and charges were £55,000 lower than the budget to date and pre-application charges are in line with expectations. 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 are not really showing any signs of recovery yet so it is likely that the budget will need to be revised downwards.
7. Building Control income was £64,000 higher than the budgeted figure at the end of the second quarter. 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 it is possible the account may breakeven.
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 now a little above expectations. The service has 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 so a reduced deficit is now likely.
10. Car Parking income is a little below expectations at month 6, some additional spaces are being provided at Oakwood Hill and Vere Road though there has been a delay in these becoming operational which accounts for some of this income loss.
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. 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 £9,000 above expectations. The budget had been reduced in the prior year as there have been fewer searches undertaken recently however there appears to be an improvement so far this year. Also the turn-around times have begun to improve over the last month or so.
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. Growth of £12,000 has been included in 2017/18 and although expenditure is running ahead of this, it has been less marked since month 4. It is understood that a few cases have been rehoused in the Zinc Arts scheme. It is too early to say whether this reduction in placements is likely to continue so further growth cannot be ruled out.

14. The waste management contract shows some underspend due to timing. The leisure contract payments are now on track.
15. The Housing Repairs Fund shows an underspend of £84,000. 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, Land Charges and maybe MOT Income look likely to exceed the budget. Others are less certain. Car Parking is now a little below expectations and 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 are 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 £17,728,417 and payments out were £17,192,004, meaning the Council was holding £536,413 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 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 2016/17 slippage.

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 6.

Consultations Undertaken

This report is due to be presented to the Resources Select Committee during December.

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
02/11/17 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.