Report to the Finance & Performance Management Cabinet committee

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Epping Forest District Council

Portfolio: Finance & Technology
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 2013/14;

Executive Summary

The report provides a comparison between the original estimate for the period ended 31 December 2013 and the actual expenditure or income as applicable.

Reasons for proposed decision

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

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 2013/14 and covers the period from 1 April 2013 to 31 December 2013. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate. The comparison made is to the Revised Budgets that were updated as part of the 2014/15 budget setting process for revenue and the December Capital Programme update report for Capital expenditure.

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 £174,000 or 1.2%. This compares to 0.8% at this time last year.

4. When compared to the Original budget a 0.2% over spend is showing however when the salaries budget was recast the vacancy allowance was removed and actual vacancies to date included plus an allowance was also included for the filling of some of those vacancies during the last quarter. There were also some additional amounts added into

the budget as external funding has been secured to fund additional staffing within the Deputy Chief Executive's Directorate. Overall the budget has reduced marginally by £52,000 from £14.915m to £14.863m for the period to month 9.

5. Savings occurring within the original salaries budget were used to fund a number of agency staff. When the budget is recast it is usual practice to remove these underspends from the salaries budget and create a budget for the agency staff concerned. In order to maintain a consistent approach the related actual expenditure is removed from the salaries monitoring also. The effect is that salaries are now showing an underspend when compared to the revised position.

6. Investment interest levels in 2013/14 are slightly ahead of the revised expectation at quarter 3, but significantly below the prior year. There has been some talk recently about movements in interest rates but it is still unlikely that rates will improve in the short to medium term. Investment returns in the prior year were higher as there were still some longer term deals maturing at better rates than those available now.

7. Development Control income at Month 9 has recovered to the extent that it now exceeds both the prior year actual and revised position for 2013/14. Income from pre-application charges and development control fees are both doing well. January was by far the best month of the financial year so far which is a little unusual and it would be surprising if the full year revised budget was not now exceeded before the end of February.

8. Building Control income was revised down by £73,000 and there are some expenditure savings to offset this but the predicted deficit for this year has increased from £14,000 to £35,000. Given that income is below even the revised position the account will go into overall deficit this financial year. Expenditure is slightly lower than the revised position too so the final outcome probably won't be significantly different than the latest prediction. If the account goes into overall deficit this will position will need to be addressed over the ensuing three year period to ensure the account does not remain in deficit.

9. Hackney Carriage and other licensing income are both below expectations by £6,000 and £4,000 respectively, both income figures were reduced slightly when the revised budgets were compiled and a further small shortfall looks likely.

10. Income from MOT's carried out by Fleet Operations is in line with the revised expectation but income in January was better than expected. The updated target therefore looks likely to be achieved.

11. Local Land Charge income is higher than in the prior year and above the revised 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 £364,000. 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 are in line with expectations again in that Payments had been made up to the end of November by the end of December.

14. The budget has been revised taking into account latest expectations regarding Expenditure and Income levels. In a number of cases income has been revised downwards and the actual outturn is likely to be generally in line with this though Development Control Income will be better. The Salary estimates have also been recast and now show an underspend due in part at least to filling vacant posts a little later than anticipated.

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 December the net rate yield had reduced by £588,459 and as the Council retains 40% of gains and losses this would mean a reduction in funding of £235,384. The position during quarter 3 has worsened somewhat since the end of quarter 2. Things could improve over the remainder of the year but it is a concern as this district faces a challenge from 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 December the total collected was £29,474,306 and payments out were £23,920,351, meaning the Council was holding £5,553,955 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 December the reduction in the overall value of the rating list is a cause for concern, but cash collection is going well. There are also a large number of appeals outstanding against rate assessments and these could cause a significant reduction in income.

Capital Budgets (Annex 10 - 16)

19. Tables for capital expenditure monitoring purposes (annex 10 -16) are included for the nine months to 31 December. There is a brief commentary on each item highlighting the scheme progress.

20. The full year budget for comparison purposes is the budget updated in the December Capital Programme review.

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 financial year. Annex 17 gives more detail.

Conclusion

22. The budgets have recently been revised and expected expenditure and income levels adjusted as a result. Recent years have seen underspends on the General Fund budget of £601,000 (2011/12) and £456,000 (2012/13) indications are that the outturn should be closer to the original budget than in the previous two years.

23. The Committee is asked to note the position on both revenue and capital budgets as at Month 9.

Consultations Undertaken

This report has also be presented to the Finance Scrutiny Panel. An oral update will be provided on comments made by the Panel.

Resource Implications

The final outturn is expected to be close to the budget set.

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