***Report to the Finance Performance Management Cabinet Committee***

***Report reference: FPM-008-2014/15***
***Date of meeting: 18 September 2014***

Epping Forest District Council

**Portfolio:** **Finance**

**Subject:** **Quarterly Financial Monitoring**

**Responsible Officer:** **Peter Maddock** **(01992 564602).**

**Democratic Services:** **Rebecca Perrin** **(01992 564532).**

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**Recommendations/Decisions Required:**

**That the Committee note the revenue and capital financial monitoring report for the first quarter of 2014/15;**

**Executive Summary:**

The report provides a comparison between the original estimate for the period ended 30 June 2014 and the actual expenditure or income as applicable.

**Reasons for Proposed Decision:**

To note the first quarter financial monitoring report for 2014/15.

**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 2014/15 and covers the period from 1 April 2014 to 30 June 2014. 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 – 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 £103,000 or 2.0%. This is in line with this time last year.

4. All Directorates are either in line with the budget or underspent for example expenditure and budget for Resources is £1,384,000 giving a zero variance. Neighbourhoods is showing the largest underspend and is due to vacancies within Forward Planning,

Communities is showing an underspend which is primarily related to the Housing Revenue Account (HRA) and the underspend on Governance relates to the Estates division.

5. Investment interest levels in 2014/15 are slightly above expectations at quarter 1, due to an increase in surplus cash available for investment. Despite a lot of media coverage there is still no clear indication when rates might improve though an upward movement albeit small seems a possibility during 2015/16.

6. With regard to the return of monies from the Heritable Bank, 94% has been received so far with an indication that the remainder will be repaid during the autumn. There was always a feeling that the actions taken by the Government at the time of the Icelandic bank crisis were overzealous with regard to the Heritable Bank, and the expected outcome supports this.

7. Development Control income at Month 3 is going particularly well fees and charges are £53,000 higher than the budget to date and pre-application charges are £18,000 higher. July was also a good month. As usual the budgets will be revisited during the autumn when an assessment will need to be made of how much of this additional income should be treated as CSB and how much as DDF.

8. Building Control income was on budget at the end of June as was expenditure. The final position at the end of 2013/14 was rather better than expected and in fact the deficit was only £1,000 in the end meaning the account is still in overall surplus to the tune of £20,000. Income in July fell short of the budget so the account will need to be kept under review.

9. Hackney Carriage and other licensing income are both above expectations by £9,000 and £1,000 respectively. There has been some additional income this year due to changes to the Licencing regime.

10. Income from MOT's carried out by Fleet Operations is £4,000 above expectations. Overall a deficit of £29,000 is predicted for 2014/15 and it is a little early to say whether or not this is likely to improve. The future of the service is currently under review and a report is due to be made to Cabinet shortly on the outcome of this.

11. Local Land Charge income is £17,000 above expectations at the end of June with a further improvement in July. There is 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 £240,000. However a larger than average proportion of the expenditure is seasonal, falling in the winter months.

13. Payments to the Waste Management contractor are now back in line with expectations however the payments to the Leisure Management contractor are a month behind. The frequency of billing can be a little haphazard at times and whilst budget payments are profiled one month in arrears this is not always what actually happens.

14. Compared to this time last year income streams are holding up well and in the case of Development Control, positively buoyant. An analysis of income levels and whether any of the increases are expected to be sustained will be carried out during the current budget cycle to see whether some of the additional income can be included in the CSB. One note of caution also needs to be expressed here though as the number of traders using the North Weald Market is still in decline. The Director of Neighbourhoods is liaising with the market operator to consider ways of promoting the market.

15. Expenditure is generally lower in the first quarter than other quarters so it is no surprise that a number of areas are showing underspends. The budgets are being revisited and where appropriate will be revised in line with expectations.

**Business Rates**

16. This is the second year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council.

17. 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 £40,972,136 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 £33,766,634. At the end of June the net rate yield had increased by £101,700 and as the Council retains 40% of gains and losses this would mean an increase in funding of £40,680. However given that a number of claims for small business rates and other reliefs are being received this could easily reverse. Also the government will reimburse the General Fund in part for these losses.

18. 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 £10,466,111 and payments out were £8,101,500 meaning the Council was holding £2,364,611 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

19. In summary, at the end of June the increase in the overall value of the rating list is welcome but may not be sustained, and cash collection is going well.

**Capital Budgets (Annex 7 - 12)**

20. Tables for capital expenditure monitoring purposes (annex 7 -12) are included for the three months to 30 June. There is a commentary on each item highlighting the scheme progress.

21. The full year budget for comparison purposes is the original budget updated for budgets carried forward from 2013/14 as part of the Provisional Outturn Report considered at the July meeting.

**Major Capital Schemes (Annex 13)**

22. There are two projects included on the Major Capital Schemes schedule these relate to the Museum redevelopment and House Building package 1. Annex 13 gives more detail.

## Conclusion

23. With regard to revenue, income is up on expectations and expenditure down. The increased income levels are very much welcome, and appear to provide some evidence of the economic recovery. Expenditure being below budget is not surprising this early in the year, particularly given the ongoing re-organisation of activities.

24. The Committee is asked to note the position on both revenue and capital budgets as at the end of the first quarter of the financial year.

## Resource Implications:

There is no evidence at this stage to suggest that the net budget set will not be met and in fact things look a little more positive than at this stage last year. The budget will be revised over the next few months incorporating increased income levels if they appear to be sustained.

## 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 and Greener Implications:

The Council's budgets contain spending in relation to this initiative.

## Consultation Undertaken:

This report will also be presented to the Finance Scrutiny Panel on 9 September and an oral update will be provided to cover any additional comments or information.

## Background Papers:

Various budget variance working papers held in Accountancy.

## 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.

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| Date / Name | Summary of equality analysis |
|---|---|
| 5/09/14<br><br>Director of Resources | The report is to monitor current trends in spending and income. It does not propose any change to the use of resources and so has no equalities implications. |