Report to the Finance & Performance Management Cabinet Committee

Report reference: FPM-014-2014/15
Date of meeting: 13 November 2014

Epping Forest District Council

Portfolio: **Finance**

Subject: **Quarterly Financial Monitoring**

Officer contact for further information: **Peter Maddock (01992 564602).**

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

Recommendations/Decisions Required:

That the Committee note the revenue and capital financial monitoring report for the second quarter of 2014/15.

Executive Summary

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

Reasons for proposed decision

To note the second 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 second quarterly report for 2014/15 and covers the period from 1 April 2014 to 30 September 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 £163,000 or 1.6%. This time last year the variance was only 0.4% but the pay award had been settled at this point last year whereas this is still outstanding in the current year.

4. All Directorates are currently showing an underspend, the most significant in monetary terms being £73,000 on Neighbourhoods 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 2, 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. Development Control income at Month 6 is going particularly well. Fees and charges are £120,000 higher than the budget to date and pre-application charges are £23,000 higher. As usual the budgets will be revisited during the next couple of months 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.

7. Building Control income was £4,000 higher than the budgeted figure at the end of the second quarter. Also the ring-fenced account is showing an in-year surplus of £7,000 as at Month 6 which is an improvement on expectations as the original budget had predicted a deficit of around £40,000. The surplus on the account brought forward into this financial year was £21,000.

8. Hackney Carriage income is £4,000 above expectations and other licensing £2,000 below expectations. The exact timing of licensing receipts tends to vary a bit from year to year so it is not entirely clear at this stage what the final position will be.

9. 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. Cabinet determined in October that the service would be re-located to a new depot at Oakwood Hill but would scale back its operations.

10. Local Land Charge income is £22,000 above expectations at the end of September so has continued the upward trend of recent months. There is still significant uncertainty surrounding the future for charging for these services which may or may not be resolved during the financial year.

11. It was reported in September that there had been problems with the amount of time it was taking between submitting tonnage information for Recycling Credits and receiving the go ahead from the County Council to raise the invoice. The April credits were not invoiced until August. Since then things have improved and billing is now occurring closer to the two month expected turnaround time. Officers will be raising the issue with the County Council to ensure that unreasonable delays are avoided in future.

12. Income from Car parking has been a little sporadic at times which makes monitoring more difficult. NEPP have recently changed their cash collector and although there have been some initial teething problems it is expected that cash receipts will become more timely. Officers will be monitoring this closely over the next few months.

13. The Housing Repairs Fund shows an underspend of £510,000. However a larger than average proportion of the expenditure is seasonal, falling in the winter months.

14. Payments to the Waste Management contractor were three months behind at the end of September as both July and August were not paid until October. Payments to the Leisure Management contractor are two months behind as expected. The frequency of billing can be a little haphazard at times and whilst budget payments are profiled two months in arrears this is not always what actually happens.

15. 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.

Expenditure is generally lower in the first half year 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 September the net rate yield had reduced by £182,495 and as the Council retains 40% of gains and losses this would mean a decrease in funding of £72,998. Previously this had shown an increase but as expected a number of claims for reliefs have come forward and reduced the yield, however 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 September the total collected was £18,889,598 and payments out were £16,203,000, meaning the Council was holding £2,686,598 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 September the decrease in the overall value of the rating list is a concern, but cash collection is going well.

Capital Budgets (Annex 7 - 12)

20. Tables for capital expenditure monitoring purposes (annex 7 -12) are included for the six months to 30 September. 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 as this tends to be the case every year.

24. The Committee is asked to note the position on both revenue and capital budgets as at Month 6.

Consultations Undertaken

This report will also be presented to the Finance Scrutiny Panel on 11 November and an oral update will be provided to cover any additional comments or information.

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, 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
28/10/14 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.