Report to the Finance & Performance Management Cabinet Committee

Report reference: FPM-026-2014/15
Date of meeting: 19 March 2015

Epping Forest District Council

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 third quarter of 2014/15;

Executive Summary

The report provides a comparison between the revised estimate for the period ended 31 December 2014 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the third 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 third quarterly report for 2014/15 and covers the period from 1 April 2014 to 31 December 2014. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate and the budgets themselves are now those revised as part of the 2015/16 budget cycle.

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 £164,000 or 1.1%. This time last year the variance was 1.2%. The pay award has now been agreed and implemented from 1 January 2015 so the underspend will probably reduce going forward.

4. Three of the five directorates are currently showing an underspend, the most significant in monetary terms being £77,000 on Governance which relates mainly to the Estates

Division, Resources shows an underspend of £75,000 which relates to a number of areas the most significant being Revenues. The remaining variances are relatively insignificant.

5. Investment interest levels in 2014/15 are slightly above expectations at quarter 3, 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 9 is going particularly well. Fees and charges are £82,000 higher than the budget to date and pre-application charges are £16,000 higher. Income during January and February has remained buoyant and has now exceeded the updated full year budget.

7. Building Control income was £18,000 higher than the budgeted figure at the end of the third quarter. Also the ring-fenced account is showing an in-year surplus of £18,000 as at Month 9. The full year revised expectation shows a surplus of around £30,000 which is a significant improvement on the original budget, which 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 £2,000 above expectations and other licensing in line with the budget. It is unlikely this position will vary much by the year end.

9. Income from MOT's carried out by Fleet Operations is in line with the revised position. Overall a deficit of £29,000 is predicted for 2014/15 and there is no evidence to suggest that this position is likely to change. Cabinet determined in October that the service would be re-located to a new depot at Oakwood Hill but would scale back its operations with the service breaking even.

10. Local Land Charge income is in line with revised expectations at the end of December so has continued the upward trend of recent months, though income in January fell slightly short. 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. From the start of the new waste management contract recycling credits are paid only on dry recycling. At the end of December credits for November had been invoiced which was a marked improvement on the situation earlier in the year.

12. In November it was reported that there had been some difficulties with the timing of income receipts. Since then things have improved somewhat as the teething problems experienced with the new cash collector are being overcome. Income is in fact now slightly above the revised budget.

13. The Housing Repairs Fund shows an underspend of £79,000. The full year budget is likely to be fully spent.

14. The final payment to the previous Waste Management contractor is still under negotiation as there were some issues with vehicle damage at the end of the contract. Payments to the new contractor are in line with expectations. 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. In most cases income budgets were revised upwards and generally these are being achieved. January and February tend to be lower months for income but both Development and Building Control in particular have fared well.

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 December the net rate yield had reduced by £214,252 and as the Council retains 40% of gains and losses this would mean a decrease in funding of £85,701. Funding has reduced by a further £13,000 since September due to the number of claims for reliefs that have come forward which have 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 December the total collected was £27,551,925 and payments out were £24,304,499, meaning the Council was holding £3,247,426 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 December 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 nine months to 31 December. There is a commentary on each item highlighting the scheme progress.

21. The full year budget for comparison purposes is the budget updated as part of the December capital review.

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 expenditure is usually heaviest in the final quarter and we have experienced revenue underspends consistently over the last few years.

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

Consultations Undertaken

This report was also presented to the Finance Scrutiny Panel on 10 March 2015. An oral update will be provided to cover any additional comments or information from the panel.

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. It would be somewhat surprising if we did not report an underspend on the Continuing Services Budget (CSB) at the end of the financial year.

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 **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**
04 March 2015 Peter Maddock Assistant Director of Resources	The report deals with the Monitoring of actual income and expenditure against the budget and as such has no greater impact on one group of people to another.