

# **Report to the Resources Select Committee**

**Date of meeting: 28 March 2017**

**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 2016/17**

## **Executive Summary**

The report provides a comparison between the revised estimate for the period ended 31 December 2016 and the actual expenditure or income as applicable.

## **Reasons for proposed decision**

To note the third quarter financial monitoring report for 2016/17.

## **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 2016/17 and covers the period from 1 April 2016 to 31 December 2016. 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 Revised 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 £148,000 or 0.9%. At the third quarter last year the underspend was 1.8%.
4. Neighbourhoods is showing the largest underspend of £64,000, this relates mainly to Forward Planning and Grounds Maintenance. Resources shows an underspend of £59,000 relating to Revenues and Housing Benefits.
5. The investment interest is a little lower than the budget partly due to a delay in the

payment from Biffa for the loan. There is little speculation now about when rates might go up more about whether they will go lower still or even negative.

6. Development Control income at Month 9 is continuing the recent upward trend. Fees and charges were £59,000 higher than the budget to date and pre-application charges are in line with the updated position. By the end of Month 11 fees overall were £35,000 higher than expectations so it does look likely that the full year budget will be exceeded.
7. Building Control income was £6,000 lower than the budgeted figure at the end of the third quarter. By the end of month 11 income was only £1,000 down. The revised position on the ring-fenced account was a lower in year deficit than originally predicted but there is a surplus from previous years to draw upon. There is a lot of scanning work required to Building Control files and it is proposed to use some of the accumulated surplus to finance this work over the next few years.
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 £9,000 below expectations. Income has been affected by the uncertainty around the relocation to Oakwood Hill. Income levels have recovered slightly since the autumn. The account itself is budgeted to be in deficit by £40,000. This is due to the additional security costs at Oakwood Hill which are a temporary measure. Going forward these cost won't be required and the deficit should reduce accordingly.
10. Car Parking income was £14,000 below the estimate as at month 9. However there was some income relating to this period that was not received until February.
11. Local Land Charge income is £1,000 above expectations. The budget has been reduced as there have been fewer searches undertaken recently.
12. Expenditure and income relating to Bed and Breakfast placements is 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 £28,000 has been included in 2016/17 for the additional costs though this does now look insufficient.
13. The actual for Recycling income is low when compared to expectations. The October credits expected in month 9 were not received until January.
14. December Cabinet agreed some additional funding for the Waste Management contract. Expenditure is below the profiled budget as some of this expenditure is still due to be invoiced.
15. The Housing Repairs Fund shows an underspend of £510,000. There are underspends showing on both Planned Maintenance and Voids work. There is also a variance on HRA Special Services which relate partly to grounds maintenance and sheltered units.
16. Income from Development Control, Building Control and probably Car Parking look likely to exceed the budget. Others are less certain. MOT income is below expectations and whilst a slight recovery has been seen in recent weeks it is unlikely to reach the budgeted level.

## **Business Rates**

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

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 2016/17 the funding retained by the authority after allowing for the Collection Fund deficit from 2015/16 is £3,435,000. This exceeded the government baseline of £3,050,000 by some £385,000. The actual position for 2016/17 will not be determined until May 2017.
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 December the total collected was £27,901,642 and payments out were £25,910,238, meaning the Council was holding £1,991,404 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 nine months to 31 December. There is a commentary on each item highlighting the scheme progress.
22. The full year budget for comparison purposes is the Budget set when the Capital Programme was reviewed at Cabinet in December.

### **Major Capital Schemes (Annex 12)**

23. There are three projects included on the Major Capital Schemes schedule these relate to the House Building packages 1 and 2 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, income is generally up on expectations and expenditure down. The increased income levels are very much welcome, in particular Development Control income. Expenditure being below budget is not surprising as expenditure is usually heaviest in the last quarter.
25. The Committee is asked to note the position on both revenue and capital budgets as at Month 9.

### **Consultations Undertaken**

This report will be presented to the Finance and Performance Management Cabinet Committee on Thursday, and an update will be provided to that committee to cover any comments made by this Committee.

### **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.

<b>Date / Name</b>	<b>Summary of equality analysis</b>
07/03/17  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.