

# **Report to the Resources Select Committee**

**Date of Meeting: 02 April 2019**



**Epping Forest  
District Council**

**Portfolio: Business Support Services**

**Subject: Quarterly Financial Monitoring**

**Officer contact for further information: Peter Maddock (01992 - 56 4602).**

**Democratic Services Officer: Adrian Hendry (01992 – 56 4246)**

---

## **Recommendations/Decisions Required:**

**That the Committee note the revenue and capital financial monitoring report for the third quarter of 2018/19.**

## **Executive Summary**

The report provides a comparison between the original estimate for the period ended 31 December 2018 and the actual expenditure or income as applicable.

## **Reasons for proposed decision**

To note the third quarter financial monitoring report for 2018/19.

## **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 2018/19 and covers the period from 1 April 2018 to 31 December 2018. The reports are presented based on the directorate responsible for delivering the services to which the budgets relate and the budgets themselves are the revised estimate. The reports are presented in the new directorate structure.
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 £202,000 or 1.2%. At the third quarter last year the underspend was 1.3%. There is a mixture of under and overspends showing though nothing particularly significant.
4. Housing and Property is showing the largest underspend of 2.2% or £98,000. Most of this relates to the Housing Options Group, who deal with homelessness, as there are a significant number of vacancies at present. About half of this is an underspend to the

Housing Revenue Account. No directorate is showing an overspend but both Commercial and Regulatory and Contract and Technical are exactly on budget.

5. The investment interest is slightly above the target due mainly to the Council holding more cash than was expected. The increase in Interest rates will also have a positive effect going forward though not that significant.
6. Development Control income at Month 9 is well above expectations. Fees and charges were £41,000 higher than the budget to date and other pre-assessment charges are £13,000 higher than expected. With a week and a half of the financial year to go we were £29,000 short of the full year target which means the target should be met.
7. Building Control income was £4,000 lower than the budgeted figure at the end of the third quarter by the end of January the position had improved slightly and the revised budget will probably now be met. The opening position on the ring-fenced account is a surplus of £111,000 and a surplus is likely this year.
8. Licencing income is now broadly in line with expectations. There were as expected a significant number of renewals within quarter 3. The budget for income should be achieved.
9. Income from MOT's carried out by Fleet Operations is below expectations by around £8,000. The account is expected to show a surplus this year as overall income exceeds direct operating costs. It is unlikely that the budget will be achieved.
10. Car Parking income is £10,000 below target at month 9, though there will be some income relating to the third quarter that was received in month 10. The new fee regime came into effect from 4<sup>th</sup> March so some additional income will be received because of this as the 2019/20 budget assumed a 1<sup>st</sup> April start. It is expected that the budget will be achieved.
11. Local Land Charge income is £4,000 below expectations. The position had deteriorated slightly by the end of month 10 and with a week and a half to go was still £15,000 short so the budget will not now be met.
12. Bed and Breakfast Income and expenditure has been a little volatile at times this year. There has been a period where expenditure has been a little more stable and indeed the position at month 9 shows only a small overspend on the profiled budget. However during January and February we have seen a sharp increase in expenditure as more people have been presenting themselves as homeless. The Pod's at Norway House will be available for occupation in the next couple of weeks but as regards this financial year we will now be overspent. The actual numbers in such accommodation is still relatively low currently around 21 as at the end of December the figure was 16. The cost per case particularly if they are in Bed and Breakfast accommodation some time can be quite significant.
13. Recycling credit income is still very slow coming through and it has been difficult to get the County Council to agree the figures. Things have improved and indeed credits for December were billed in early March which is more in line with the expected timescales.
14. The waste contract expenditure is still behind due to late invoicing and the leisure management contract shows a reduction in income due to some unexpected pension related expenditure. The full expected saving will now be achieved later than expected.
15. Expenditure on Disabled Facilities Grants at quarter 3 is still significantly below the budget although less so than at quarter 2. However the underspend has again increased since December. There have been some issues with staffing and referrals have been slow to come through from the County Council taking this into account the budget is expected to show a degree of underspend though there are a significant number of

adaptations underway.

16. The underspend on the HRA relates to all three areas though special services is the most significant and is a combination of late Biffa invoicing, reduced utility costs and caretaking and cleaning. Housing Repairs Fund expenditure is quite close to the profiled budget at £62,000 under or 3%.
17. Income from Development Control and probably Car Parking look likely to exceed the budget. Others are less certain but the variance from the budget is not expected to be significant.

### **Corporate Fraud**

18. At the last meeting an update was requested in relation to the activities of the Corporate Fraud team.
19. The team carry out work in a number of areas within the Council and some is of a proactive nature whilst other work is more re-active.
20. The main area of proactive work relates to Right to buy application whereby all applications are vetted by the team prior to sale. In 2017/18 for example around 26 applications did not proceed and whilst this is an increase on levels seen prior to the fraud teams work we do not know for certain the reasons behind the withdrawals as clearly other factors contribute to this. It is good practice to carry out this work as the assets in question are of significant value to the Authority and there has previously been evidence of people attempting to acquire Council properties by deception.
21. The team also do work on Business Rates fraud and Council Tax exemptions. This commenced during the financial year and around £45,000 of additional income has been recovered. Having said that the main beneficiaries of the additional income are either Essex County Council or the Treasury.
22. There is also some reactive work carried out including referrals from the 'know a cheat in your street' campaign as well as work on the National Fraud Initiative (NFI).
23. The fraud team also work with Brentwood District Council where an investigator works two days a week as well as more informal working with both Chelmsford City and Harlow District councils.

### **Business Rates**

24. This is the Seventh year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council. The proposals are that 75% of Business Rates be retained within the local government sector and we have now been told that this will take effect from the financial year 2020/21. In any event the proportions retained by each local government tier is likely to change and if additional resources are made available they will no doubt be accompanied by additional responsibilities. The bid submitted to Central Government by all Essex authorities except Thurrock to become a 75% retention pilot for 2019/20 though unsuccessful in truth wasn't entirely unexpected.
25. There are two aspects to the monitoring, firstly changes in the rating list and secondly the collection of cash.
26. 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 2018/19 the funding retained by the authority after allowing for the Collection Fund deficit from 2017/18 and the estimated various grants given to compensate the authority for the

various reliefs is £4,350,000. This exceeds the government baseline of £3,210,000 by some £1,140,000. The actual position for 2018/19 will not be determined until May 2019.

27. 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 £26,376,351 and payments out were £24,843,839, meaning the Council was holding £1,532,512 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates. This is an improvement on this point last year.

### **Capital Budgets (Annex 10 - 15)**

28. Tables for capital expenditure monitoring purposes (annex 10 -15) are included for the nine months to 31 December. There is a commentary on each item highlighting the scheme progress.
29. The full year budget for comparison purposes is the Revised Budget updated during December as part of the annual Capital expenditure review.

### **Major Capital Schemes (Annex 16)**

30. There are four projects included on the Major Capital Schemes schedule these relate to the House Building packages 2 and 3, The new Hillhouse Leisure Centre and refurbishment works at Loughton Leisure Centre. Annex 16 gives more detail. The variance reported is a comparison between the anticipated outturn and approved budget.

### **Conclusion**

31. With regard to revenue, Development Control income is going extremely well though Land Charges and Fleet operations income are down currently though not significantly. Other income streams are broadly on track and expenditure is below budget which is often the case at the end of December however there is often a surge in expenditure during February and March and this year is no exception.
32. The Committee is asked to note the position on both revenue and capital budgets as at Month 9.

### **Consultations Undertaken**

Due to lack of business the Finance and Performance Cabinet Committee was cancelled so this report has not been considered by that 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.