

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	30 August 2017
Subject:	Financial Update – Quarter One Performance Report
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Three

Executive Summary:

The budget for 2017/18 was approved by Council in February 2017 with the reserves being approved at Executive Committee in June 2017. This report is the first quarterly monitoring report of the Council's financial performance for the year.

The report highlights a quarter 1 surplus of £225,836 on the revenue budget and details the expenditure to date against both the capital programme and the approved reserves.

Recommendation:

Executive Committee is asked to consider the financial performance information for the first quarter 2017/18.

Reasons for Recommendation:

The Executive Committee is responsible for recommending the budget to Council and for the management and delivery of the approved budget during the financial year.

The quarterly financial report is to notify Members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform Members of any corrective action to be taken if required.

Resource Implications:

As detailed within the report.

If the budget is in deficit at year end, the Council will have to use reserves to fund the overspend; meaning that these resources are not available to fund other activities or future financial management of the Council's projected medium term budgets. The Council currently has a £450,000 general fund balance, £330,000 to cover shortfalls in the medium term financial plan and a £250,000 retained business rates reserve.

Legal Implications:

None associated with the report.

Risk Management Implications:

A financial deficit will result in the utilisation of the limited reserves available to the Council. The financial performance of the Council is monitored on a monthly basis and reported to Members

quarterly. Active management of the budget takes place to reduce the projected deficit whilst maintain delivery of services.

Performance Management Follow-up:

Budgets will continue to be monitored on a regular basis by budget holders supported by finance. Quarterly monitoring reports will be presented to Members with the outturn position reported to the Committee in June 2018.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 This report provides the Quarter 1 (Q1) monitoring position statement for the financial year 2017/18. The purpose of this report is to notify Members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform Members of any action to be taken if required.

2.0 REVENUE BUDGET POSITION

2.1 The financial budget summary for Q1 shows a £225,836 surplus against the profiled budget. Below is a summary of the expenditure position for the Council split out between the main expenditure types.

2.2 Services expenditure	Full Year Budget £	Budget £	Actual £	Underspend/ (overspend) £
Employees	8,563,502	1,994,232	1,927,082	67,150
Premises	518,412	261,264	263,289	(2,025)
Transport	169,250	41,896	26,833	15,063
Supplies & Services	1,886,616	412,568	400,608	11,959
Payments to Third Parties	4,981,682	1,428,891	1,411,082	17,809
Transfer Payments - Benefits Service	19,627,180	5,756,863	5,756,863	0
Income	(25,883,278)	(1,508,601)	(1,556,183)	47,582
Support Services	(17,954)	0	0	0
Capital Charges	992,592	0	0	0
	10,838,002	8,387,113	8,229,575	157,537

Corporate Codes

Investment Properties	(1,194,467)	(298,546)	(284,845)	(13,701)
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Corporate Savings Targets	(60,000)	(15,000)	0	(15,000)
New Homes Bonus	47,300	0	0	0
Business Rates	0	0	97,000	97,000
	9,630,835	7,073,567	7,944,731	225,836

Note: With regards to savings and deficits, items in brackets and red are overspends

- 2.3** The budget position in relation to the Heads of Service responsibility shows an underspend of £157,537 as at the end of June. As can be seen there are three main areas of savings - employees of £67,150, payments to contractors of £17,809 and income of £47,582.

Employee costs savings are generated mainly through staff vacancies and maternity leave. Services have managed vacancies in the short term with limited use of agency staff and help from current staff to cover work.

The underspend on payments to contractors is generated from small savings across all services, with the most significant saving being on the current MRF recycling contract as a result of a lower than anticipated gate fee per tonne. This is a new contract from April 2017 and will be monitored closely over the next quarter to see if the underspend is carried forward as the market price of recyclable materials fluctuates.

Planning income continues to be providing a significant income for the Council in line with the budget. Car parking and licensing are performing well so far this financial year. However garden waste is struggling to hit budget which appears to be as a result of the changes to the charging structure whereby customers are making pro rata payments for this financial year. There is not an indication that the number of users has dipped, but will need monitoring over the next quarter to confirm if it is a result of this one off move to a single renewal date.

- 2.4** In terms of overspends being reported at the first quarter there are no significant overspends which need to be reported to Members at this stage.
- 2.5** Attached at Appendix A is a summary of the position for each Head of Service, which shows the current variance against their budget. Where the main types of expenditure headings within the Heads of Service responsibility have a variance over £10,000, a short explanation for the reason for the variance has been provided.
- 2.6** Although the Heads of Service position is underspent, the budget report also recognises the need to achieve savings from the base budget in terms of salaries and procurement savings. These savings targets are currently held on the corporate budget codes on the ledger. No savings are recognised against these plans as they accumulate through the year within service groupings.
- 2.7** Also detailed under corporate budgets is the retained income from the business rates scheme. This is showing a surplus of £97,000. This is a prudent prediction of the year end position although it should be noted that there has been so far very little activity with regards to processing appeals either from past appeal listings or ones against the new 2017 list. The Council has set aside a significant provision to cover additional appeals which is hoped to be sufficient in meeting successful appeals, therefore allowing the Council to benefit from wider increases in business rates income.
- 2.8** The Council also has a target for the acquisition of additional investment property. The Council has bid on a property but was unfortunately unsuccessful on this occasion. Lambert Smith Hampton has been appointed to assist the Council in sourcing new property and they

will continue to bring properties to our attention through the next quarter.

- 2.9** Taking into account the deficits on the corporate accounts, the overall position of the Council at the end of Q1 is a surplus of £225,836.

3.0 CAPITAL BUDGET POSITION

- 3.1** Appendix B shows the capital budget position as at Q1. This is currently showing a significant underspend against the profiled budget.
- 3.2** The underspend is as a result of certain projects such as purchase of new waste vehicles not being completed in the expected timescales. There is also consistent underspend against expectations on disabled facilities grants.

4.0 RESERVES POSITION

- 4.1** Appendix C provides a summary of the current usage of available reserves.
- 4.2** Reserves have been set aside from previous years to fund known future costs and the strategic planning of the authorities operation. The information in the appendix does not take account of reserves which have been committed, but not yet paid.
- 4.3** Whilst the Q1 position shows that there remains a significant balance on the reserves, the expectation is that the balances will be spent in the future. Finance has asked for updates from all departments about their plans to ensure that earmarked reserves are either used for their intended purpose, or released back to the general fund.

5.0 CONSULTATION

- 5.1** Budget holders have been consulted about the budget outturn for their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 6.1** Budget monitoring is on the approved budget for 2017/18 which has been prepared in line with the Medium Term Financial Strategy.

7.0 RELEVANT GOVERNMENT POLICIES

- 7.1** None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

- 8.1** None.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

- 9.1** None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

- 10.1** None.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: None.

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Appendices: Appendix A – Quarter 3 Revenue Position by Service.
Appendix B – Quarter 3 Capital Position.
Appendix C – Quarter 3 Earmarked Reserves Update.