

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	31 January 2018
Subject:	Financial Update – Quarter Three 2017/18 Performance Report
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Rob 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 third quarterly monitoring report of the Council's financial performance for the year.

The report highlights a quarter 3 surplus of £590,640 on the revenue budget and details the expenditure to date against both the capital programme and the approved reserves.

Recommendation:

- 1. To consider the financial performance information to Quarter 3 in 2017/18.**
- 2. To approve a set aside of £100,000 from accumulated surpluses to support the development of the A40 infrastructure business case.**

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 then 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 3 (Q3) 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 Q3 shows a £590,640 surplus (£315,331–Q2) 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	8,644,124	6,299,959	6,214,358	85,601
Premises	521,412	404,908	388,593	16,316
Transport	169,250	125,228	100,833	24,395
Supplies & Services	1,819,164	1,406,805	1,342,324	64,481
Payments to Third Parties	4,957,832	3,853,638	3,769,577	84,061
Transfer Payments - Benefits	19,627,180	0	(86,981)	86,981
Income	(25,890,598)	(3,772,545)	(3,590,462)	(182,083)
Support Services	(17,954)	0	0	0
Capital Charges	992,592	0	0	0
	10,823,002	8,317,993	8,138,241	179,753
Corporate Codes				
Interest costs	57,086	42,815	(74,153)	116,968
Investment Properties	(1,179,467)	(926,317)	(1,025,237)	98,920
Corporate Savings Targets	(60,000)	(45,000)	0	(45,000)
New Homes Bonus	47,300	0	0	0
Business rates income	0	0	(240,000)	240,000
	9,687,921	7,389,491	6,798,851	590,640

- 2.3** The budget position in relation to the Heads of Service responsibility shows an underspend of £179,753 as at the end of December (£115,464 – Q2). As can be seen there are three main areas of savings - employees of £85,601, payments to contractors of £84,061 and the Housing Benefit service of £86,981.

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. The Benefits service performance in ensuring that the Council keeps up-to-date on processing claims and changes as well as targeting overpayments means that the Council is recovering more subsidy on its expenditure than was budgeted.

- 2.4** In terms of overspends being reported at the half year stage there are two significant overspends which need to be reported to Members at this stage. Planning income has been consistently below target during Q3 leading to a deficit of £255,662 against budget on the Development service. Garden Waste is also below budget and is as a result of the changes to the charging structure whereby customers are making pro rata payments for this financial year. This was expected and is a one off issue relating to the change to a single renewal date for all customers and the introduction of a sticker system for bin collections.
- 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 Head of Service's responsibility have a variance over £10,000, a short explanation for the reason for the variance has been provided.
- 2.6** Although the Head of Service's 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. This has the effect of reducing the underspend on services by £45,000.
- 2.7** Also detailed under corporate budgets is the retained income from the Business Rates Scheme. This is showing a surplus of £240,000. This is a 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 against the new 2017 list. A number of outstanding appeals against the 2017 list have been processed or withdrawn. The Council has set aside a significant provision to cover 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 properties in 2017 and has completed the purchase of three additional properties at a cost of £13.6m. These new properties will generate nearly £820,000 of gross income per year and, given the low interest rates currently being enjoyed, it is envisaged that they will make a contribution of £291,000 in excess of budget in the current year. It is suggested within the Commercial Investment Strategy that these monies are set aside to pump prime a sinking fund for the management of void costs.
- 2.9** Treasury Management activity has produced a positive variance of £116,968 against budget. Access to low borrowing rates, and the use of more lucrative funds for our cash investments, has resulted in our treasury management activity providing a much better return than expected.
- 2.10** Taking into account the positive position on the corporate accounts, the overall position of the Council at the end of Q3 is a surplus of £590,640.

2.11 The Council has successfully bid for £4.53 million from the growth deal fund via the LEP to improve the existing Longford roundabout and to add a new roundabout east along the A40 to access the new development site at Innsworth. In order to access the funds, a business case needs to be put forward to the LEP Board for approval. The business case will need to include modelling, designs, financial justification, risks etc. all of which are revenue activities. This work will be contracted to transport consultants to undertake with a delivery timescale of Autumn 2018. The LEP Board will be presented with the business case in early 2019 which upon acceptance will allow the drawdown of the grant monies.

2.12 It is anticipated that it will cost £100,000 to produce the business case with the work commencing in February 2018. The LEP Board will not finance the development of the business case but the money invested can be recovered from the overall grant once awarded. It is therefore necessary for the Council to forward fund the development of the business case with a 'loan' of £100,000 available from accumulated in-year surpluses.

3.0 CAPITAL BUDGET POSITION

3.1 Appendix B shows the capital budget position as at Q3. This is currently showing a significant underspend against the profiled budget.

3.2 The underspend is as a result of not utilising all of the agreed funding on the purchase of commercial investment properties. There is also slippage in timescales on certain projects such as the refurbishment of the council offices and also consistent underspends 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 decisions on the authority's future operation. The information in the appendix does not take account of reserves which have been committed, but not yet paid.

4.3 Whilst the Q3 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: A – Quarter 3 Revenue Position by Service.
B – Quarter 3 Capital Position.
C – Quarter 3 Earmarked Reserves Update.