

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Executive Committee
<b>Date of Meeting:</b>	29 August 2018
<b>Subject:</b>	Financial Update – Quarter One 2018/19
<b>Report of:</b>	Head of Finance and Asset Management
<b>Corporate Lead:</b>	Deputy Chief Executive
<b>Lead Member:</b>	Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	Three

## **Executive Summary:**

The budget for 2018/19 was approved by Council in February 2018 with the reserves being approved at Executive Committee in June 2018. 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 £81,867 on the revenue budget and details the expenditure to date against both the capital programme and the approved reserves.

## **Recommendation:**

**To CONSIDER the financial performance information for the first quarter of 2018/19**

## **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 advise 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 £550,000 General Fund balance, £850,000 to cover shortfalls in the Medium Term Financial Plan and a £415,000 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 2019.

**Environmental Implications:**

None

**1.0 INTRODUCTION/BACKGROUND**

1.1 This report provides the quarter 1 (Q1) monitoring position statement for the financial year 2018/19. 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 advise of any action to be taken, if required.

**2.0 REVENUE BUDGET POSITION**

2.1 The financial budget summary for Q1 shows a £81,867 surplus against the profiled budget. Below is a summary of the expenditure position for the Council split out between the main expenditure types:

<b>Services expenditure</b>	<b>Budget £</b>	<b>Budget Q1 £</b>	<b>Actual Q1 £</b>	<b>Variance £</b>
Employees	9,319,411	2,282,692	2,206,362	76,330
Premises	610,297	272,010	272,174	(164)
Transport	165,777	40,958	26,124	14,834
Supplies & Services	1,913,446	460,816	453,061	7,755
Payments to Third Parties	5,358,570	1,510,975	1,510,164	811
Transfer Payments - Benefits Service	20,276,485	0	58,754	(58,754)
Income	(27,082,098)	(2,174,536)	(2,194,476)	19,940
	<b>10,561,888</b>	<b>2,392,915</b>	<b>2,332,162</b>	<b>60,753</b>

## Corporate Codes

Treasury activity	117,260	29,315	11,715	17,600
Investment Properties	(1,928,859)	(512,567)	(513,929)	1,362
Corporate Savings Targets	(67,500)	(16,875)	0	(16,875)
New Homes Bonus	50,000	0	0	0
Business rates	(2,694,620)	0	(19,027)	19,027
	<b>6,038,169</b>	<b>1,892,788</b>	<b>1,810,921</b>	<b>81,867</b>

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

- 2.2** The budget position in relation to the Heads of Service responsibility shows an underspend of £60,753 as at the end of June. As can be seen there are two main areas of savings - employees of £79,330 and income of £19,940.
- 2.3** Employee costs savings are generated mainly through staff vacancies, particularly in Property and Development Services, although the saving in Development Services is being offset by a deficit on the income budget for that service in Q1. Services have managed vacancies during the recruitment period with limited use of agency staff and help from current staff to cover work. Democratic Services have a vacant post which is maintained to offset overtime and other pressures during elections. Savings are being made against this post as there has been no significant elections so far this year.
- 2.4** In relation to the surplus on overall income for the Council, there is a £70,289 surplus on the Community Services income budget. This is mostly in relation to the new Garden Waste service bringing in income above target as a result of the implementation of the new sticker system and the fixed renewal date of 1 April. There is also additional income showing in Corporate Services. This relates to additional grant income for the Benefits Team, received from central government, which had not been budgeted for. This money is to help with any cost of transition of claimants to Universal Credit. One area of concern remains the planning application income budget. This is a significant income stream for the Council but is currently in a deficit of £87,092 against target for Q1. This is a continuing trend over the last 12 months where actual planning income has been below levels expected and trends seen in previous periods. Pre-application income is slightly ahead of budget, which is expected to then generate further application income during the next half of year to close the budget deficit.
- 2.5** In terms of deficits being reported at the first quarter there is an overspend being shown against benefit claimant payments. Q1 monitoring has identified that the Housing Benefits Team has processed higher than predicted level of overpayments going back over several years. Claimants not informing the Council of changes in their circumstances cause these overpayments. This reduces the amount of subsidy that the Council can claim for operating this service. This will be monitored during the coming months to see if this is a trend. Team resources have been realigned with specific officer resource allocated to the recovery of overpaid housing benefit. Whilst we cannot always avoid the overpayment from occurring, we are focussing efforts to make sure we recover the overpayment from the recipient. In addition, the first quarter outturn position for the Ubico contract has indicated a forecast full year deficit of £84,000. A pro rata sum has been included within the Q1 figures.

**2.6** 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.

**2.7** Below the service expenditure lines are detailed the other sources of financing which are needed to balance the budget. Currently business rates income, the returns we are receiving from our investment portfolio and treasury management activities are all positive, delivering a surplus of £37,989 against budget and helping deliver the overall reported surplus of £81,867.

### **3.0 CAPITAL BUDGET POSITION**

**3.1** Appendix 2 shows the capital budget position as at Q1. This is currently showing a small underspend against the profiled budget.

**3.2** The underspend is because of the refurbishment of the Council Offices being slightly behind the budget profile; however, it should be noted that work was delayed, and the overall costs increased due to issues such as the discovery of asbestos. This will put pressure on the overall budget as it moves to completion in Q2 although additional contributions have been identified from partners to offset this.

### **4.0 RESERVES POSITION**

**4.1** Appendix 3 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 authority's 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 2018/19 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

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**Background Papers:** None

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**Appendices:** Appendix A – Quarter 1 revenue position by service  
Appendix B – Quarter 1 capital position  
Appendix C – Quarter 1 earmarked reserves update