

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Executive Committee
<b>Date of Meeting:</b>	1 February 2017
<b>Subject:</b>	Financial Update – Quarter Three Performance Report
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Robert Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Councillor D J Waters
<b>Number of Appendices:</b>	Three

## **Executive Summary:**

The budget for 2016/17 was approved by Council in February 2016 with the reserves being approved at Executive Committee in July 2016. This report is the third quarterly monitoring report of the Council's financial performance for the year.

The report highlights a Quarter 3 deficit of £163,749 on the revenue budget and details the expenditure to date against both the capital programme and the approved reserves.

## **Recommendation:**

**To scrutinise the financial performance information for the third quarter 2016/17.**

## **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 £150,000 budget contingency reserve approved 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. The outturn position is reported to the Committee in July 2017.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

1.1 This report provides the Quarter 3 (Q3) monitoring position statement for the financial year 2016/17. 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 £163,749 deficit (£186,421 surplus at 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 <b>Service Summary</b>	<b>Full Year Budget</b>	<b>Budget</b>	<b>Actual</b>	<b>Underspend / (overspend)</b>	<b>Budget Variance %</b>
Employees	8,205,051	6,044,651	5,867,388	177,263	2.9
Premises	533,016	410,974	382,514	28,460	6.9
Transport	145,429	108,057	100,262	7,795	7.2
Supplies & Services	2,031,861	1,401,603	1,481,792	(80,189)	(5.7)
Payments to Third Parties	4,868,880	3,828,332	3,888,511	(60,179)	(1.6)
Transfer Payments - Benefits Service	18,989,000	14,598,744	14,523,528	75,216	0.5
Income	(25,154,349)	(17,899,782)	(17,969,406)	69,423	(0.4)
Support Services	0	0	0	0	0.0
Capital Charges	470,506	0	0	0	0.0
	<b>10,089,394</b>	<b>8,492,579</b>	<b>8,274,789</b>	<b>217,791</b>	<b>2.6</b>
<b>Corporate Codes</b>					
Corporate Savings Targets	(80,500)	(40,264)	0	(40,264)	
New Homes Bonus	47,407	23,712	0	23,712	
Business Rates Income	(260,000)	(173,333)	191,654	(364,987)	
	<b>9,796,301</b>	<b>8,302,694</b>	<b>8,466,442</b>	<b>(163,749)</b>	

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

- 2.3** The budget position in relation to the Heads of Service responsibility shows an underspend of £217,791 (£311,000 in Q2) as at the end of December. As can be seen there are three main areas of savings, employees of £177,000, Housing Benefits of £75,000 and income of £69,000.

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 Environmental Health service is the one service which has seen a significant overspend on staff costs, due to use of agency staff and other external contractors to undertake work for the Council. It has provided cover for staff sickness, vacancies and gaps in current staff knowledge. Some of the use of agency staff has overlapped with staff returning from sickness and new starters joining. In Development Services, agency staff has been funded from government grants as work is carried out on large scale development projects in the Borough.

Underspends from recovery of benefits expenditure is also contributing to a positive position against the budget. A prudent budget was set in 2016/17 for this; given a significant overspend in 2015/16 which was reported to Members. Reductions in the level of overpayments being created due to changes in the way benefit claims are being assessed, has meant that the recovery is higher than the previous year.

Licencing income is ahead of budget, additional grants have been received which had not been budgeted for, and there has been a good return on recycling credits. Planning income continues to be higher than budgeted for in the year to date but was significantly under budget during the third quarter and therefore contributing to the loss in quarter. Current projections from the Development Manager are that the budgeted income will be received.

- 2.4** In terms of overspends being reported at the third quarter, the building control service, which is a joint service with Cheltenham Borough Council, reported an in-quarter deficit of (£27,355). In addition the contract with Ubico Ltd sees an increase in the overspend and now totals (£52,000) at the third quarter. Planned savings targets in relation to a property investment and the letting of the top floor have not materialised as envisaged in the third quarter.
- 2.5** Attached at Appendix 1 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 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 deficit of £365,000. This is a prediction of the year-end position and has been recognised in full at the Q3 stage. The budget projection was that a surplus of £260,000 above the business rates income target. The projection of business rates income for the year still continues to be affected by the high level of appeals being granted on properties within the Borough. The level of success of the appeals resolved, and the amount of reduction in rateable value, is far in excess of historical levels and provisions made.

This is the biggest single factor which has affected the change between a reported surplus at quarter 2 and the deficit now being reported. On this budget line alone there is an in-quarter movement of £212,000.

**2.8** Taking into account the deficits on the corporate accounts, the overall position of the Council at the end of Q3 is a deficit of £163,749. If this position does not improve before the end of the financial year, the Council will have to use its reserves to cover the deficit. The management team has been briefed on the financial position of the Council and is seeking to limit expenditure in the final quarter in order to reduce the deficit.

### **3.0 CAPITAL BUDGET POSITION**

**3.1** Appendix 2 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 certain projects such as purchase of capital investments not being completed in the expected timescales. There is also some slippage in spend in relation to capital grants and disabled facilities grants. Plans are in place and being implemented to spend this before the year-end.

As reported in Q2 the overspend on Council owned buildings is showing as being overspent in relation to the leisure centre. However this is planned as the additional funding is coming from revenue resources.

### **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 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 Q3 position shows that there remains a significant balance on the reserves, the expectation is that the remaining balance 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, to help fund a potential deficit at year-end or provide finance for future year budgets.

### **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 2016/17 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 1 – Quarter 3 Revenue Position by Group.  
Appendix 2 – Quarter 3 Capital Position.  
Appendix 3 – Quarter 3 Earmarked Reserves Update.