

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	4 September 2019
Subject:	Financial Update – Quarter One Performance Report
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Three

Executive Summary:

The budget for 2019/20 was approved by Council in February 2019 with the reserves being approved at Executive Committee in June 2019. This report is the first quarterly monitoring report of the Council's financial performance for the year.

The report highlights a quarter 1 deficit of £71,190 on the revenue budget and details the expenditure to date against both the capital programme and the approved reserves.

Recommendation:

The Executive Committee is asked to consider the financial performance information for the first quarter 2019/20.

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 £850,000 General Fund balance.

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 2020.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 This report provides the Quarter 1 (Q1) monitoring position statement for the financial year 2019/20. 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 £71,190 deficit against the profiled budget. Below is a summary of the expenditure position for the Council split out between the main expenditure types.

Services expenditure	Budget	Budget Q1	Actual Q1	Variance
	£	£	£	£
Employees	9,822,531	2,314,616	2,246,650	67,966
Premises	640,349	298,046	302,496	(4,450)
Transport	157,779	35,535	29,696	5,839
Supplies & Services	1,985,608	388,247	422,243	(33,995)
Payments to Third Parties	5,539,444	1,619,759	1,672,122	(52,363)
Transfer Payments - Benefits Service	13,611,266	4,188,186	4,217,743	(29,557)
Income	(20,478,721)	(2,326,328)	(2,320,647)	(5,681)
	11,278,256	6,518,060	6,570,303	(52,242)
Corporate Codes				
Interest costs	255,678	63,920	17,574	46,346
Investment Properties	(2,753,605)	(874,018)	(803,121)	(70,897)
Corporate Savings Targets	(7,500)	0	0	0
RSG and other grant funding	(36,565)	(5,700)	(6,152)	452
New Homes Bonus	(3,273,399)	(818,350)	(818,350)	0
Business rates	(2,497,557)	0	(5,152)	5,152
	2,965,308	4,883,912	4,955,102	(71,190)

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

2.3 Surplus on service expenditure

The budget position in relation to Service expenditure shows an overall budget deficit of £52,242 as at the end of June 2019.

Whilst an overall deficit position is reported, there are two areas that report a surplus. As can be seen from the table the majority of the savings, £67,966, are related to employee cost. These savings are being generated mainly through staff vacancies, across most services, with Community Services generating the most savings at £13,000. Services have managed vacancies during the period by utilising current staff to cover work in the short term and limiting, where possible, use of agency staff.

Initial savings are also being delivered through the car pool pilot. This is encouraging given the Council is only three months into the pilot and a full review of the success of the pilot is due to take place after six months.

2.4 Deficit on service expenditure

Deficits reported on supplies and services, and to a large extent on payments to third parties, are in relation to expenditure incurred on delivering the European elections. The Council receives grant income to cover the cost of the elections and therefore an income surplus within Democratic Services matches off this expenditure. The Borough election expenditure is also contained within Democratic Services and this is matched off through one off funding from reserves and New Homes Bonus. Overall, Democratic Services is in a cost neutral position.

In terms of other areas contributing to the deficit reported for payments to third parties, Community Services is reporting a first quarter deficit of £12,817. Whilst savings have been accumulated on the disposal of recyclate collected, the Ubico contract sum is showing an increase in resources consumed of circa £24,000 at the first quarter. Additional resources have been deployed on the grounds maintenance rounds to ensure issues with grass cutting are minimised during the growing season and a contingency reserve exists to cover these costs should the contract be in deficit at year-end.

In addition, the allocation of depot related costs has been reviewed following changes of use at Swindon Road depot, most pertinently Tewkesbury's increased usage following its delivery review in 2017 which saw the food waste collection service being delivered through separate vehicles. As a result, the cost apportionment to Tewkesbury has increased by £50,000 on an annual basis. Officers have reviewed the cost apportionment basis and agreed it reflects current use of the site. The apportionment basis will now be reviewed annually in the Autumn so that any variations can be incorporated within the budget.

The overspend on transfer payments relates to Housing Benefit claimant payments and recovery of expenditure from the government. The Q1 monitoring reported that the Housing Benefits team have identified two significant overpayments as a result of claimant error, which go back over several years, one of which is for over £20,000 and included a fraud investigation. The Council only receives government subsidy of 40% where claimant error is identified and, as a result, we are predicting a loss on the budgeted provision of £29,000. However, the Council is entitled to 100% of the debt if it can be reclaimed from the claimant and therefore in the long run the deficit on the Housing Benefit claim could be eradicated.

Income is showing a small deficit at the end of Q1, although this is the net position for all services. Per the analysis above, Democratic Services has received an additional £86,000 of grant to cover the cost of the European elections. Also, in Community Services the Garden Waste service is £12,000 up on the annual target of income of £842,000. However, this is being offset by a current deficit on planning income of £80,000. The Development Team has predicted that it will recover this current deficit and achieve the budgeted level of income by the end of the financial year.

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 Corporate codes

The Corporate codes include the other sources of financing which are needed to balance the budget.

There is a significant budget deficit being shown on investment properties, which is due to not being able to secure another commercial opportunity as expected at the end of the current year. Paragraphs 3.2 and 3.3 provide more information on this. This has meant that the income expected to be received in rent has not been achieved. However, this loss has been mitigated to an extent as treasury management costs have been reduced through reduced borrowing and no minimum revenue provision being made. The net result is a £25,000 deficit.

2.7 The reported deficit at the end of the first quarter is disappointing but with service areas still expecting to deliver full year income levels, no corrective action is suggested at this stage. This position will be kept under scrutiny and, should the position deteriorate, or the expectations of income be downgraded, the Management Team of the Council will need to consider what action it takes to correct the position. Having just benefited from a year of significant surplus, the revenue budget for the current year cannot be allowed to return a deficit and utilise the reserves now set aside for specific projects and future financial sustainability.

3.0 CAPITAL BUDGET POSITION

3.1 Appendix B shows the capital budget position as at Q1. This is currently showing a deficit against the profiled budget of £6.14m.

3.2 This deficit is as a result of the Council being unable to secure a commercial investment acquisition in the first few months of the financial year. Although the Council has reviewed several potential acquisitions in the last few months, it has not proceeded to bid on these. Only in the last month of the quarter has a property passed the due diligence tests and the Council entered into negotiations for its purchase. At the time of writing, this acquisition is still being progressed.

3.3 The market for investment properties, specifically in the industrial or alternative sector which the Council requires for a balanced portfolio, has become increasingly competitive with less high quality investments coming to the market. The Council continues to work with its advisors to source and secure new property and hopes to conclude a suitable investment within the calendar year.

3.4 Other capital schemes are progressing in line with budgets.

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 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 2019/20 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 1 revenue position by service.
Appendix B – Quarter 1 capital position.
Appendix C – Quarter 1 earmarked reserves update.