

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	6 September 2023
Subject:	Financial Update – Quarter One 2023/24
Report of:	Associate Director: Finance
Head of Service/Director:	Executive Director: Resources
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Six

Executive Summary:

The budget for 2023/24 was approved by Council in February 2023 with the reserves being approved at Executive Committee in July 2023. This report is the first quarterly monitoring report of the Council's financial performance for the year.

The report highlights a projected outturn deficit, based on the quarter one position, of £54,595 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 2023/24.

Financial 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 £1m General Fund balance but significant earmarked reserves.

Legal Implications:

The authority is required to set a balance budget having given regard to the advice of its Chief Finance Officer (Section 151 Officer). Section 25 of the 2003 Local Government Act requires the Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.

Environmental and Sustainability Implications:

None arising from this report.

Resource Implications (including impact on equalities):

None associated with the report

Safeguarding Implications:

None associated with the report.

Impact on the Customer:

None associated with the report.

1.0 INTRODUCTION

1.1 This report provides the quarter one (Q1) monitoring position statement for the financial year 2023/24. 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 them of any action to be taken if required.

1.2 The report is prepared based on expectations as at the end of quarter one; however, the current economic conditions and financial climate are extremely volatile and have already had an impact on our financial forecasts. Further negative impacts within the financial year cannot be ruled out at this stage.

2.0 REVENUE BUDGET POSITION

2.1 The financial budget summary for Q1 shows a projected deficit of £54,595 for the full year against the approved budget. The following table highlights the forecast outturn position for service provision, the net position on corporate income and expenditure and the resulting deficit.

	Budget	Full Year Projection	Full Year Variance
<u>Services expenditure</u>			
Employees	£12,782,225	£12,256,606	£525,619
Premises	£697,810	£716,677	-£18,867
Transport	£71,479	£53,394	£18,085
Supplies & Services	£2,498,577	£2,512,188	-£13,611
Payments to Third Parties	£7,653,391	£7,558,947	£94,444
Transfer Payments - Benefits	£11,608,229	£11,608,539	-£310
Central Recharges	-£3,738	-£3,738	£0
Projects Funded Externally	£220,000	£220,234	-£234
Income	-£20,264,923	-£19,879,352	-£385,571
Services Sub Total	£15,263,050	£15,043,495	£219,555
<u>Corporate expenditure</u>			
Treasury – Interest Received	-£1,000,000	-£1,000,000	£0
Treasury – Borrowing Costs	£633,641	£633,641	£0
Investment Properties	-£3,330,500	-£3,395,723	£65,233
Corporate Savings Targets	-£208,522	£0	-£208,522
Core Government funding	-£2,022,525	-£2,022,525	£0
New Homes Bonus	-£1,240,366	-£1,240,366	£0
Business Rates	-£4,498,258	-£4,492,671	-£5,587
Council Tax Surplus	-£160,899	-£160,899	£0
Parish precept	£2,600,442	£2,600,442	£0
Use of reserves & MRP	£1,690,229	£1,690,229	£0

Corporate Sub Total	-£7,536,758	-£7,387,872	-£148,886
Transfer to reserves (externally ringfenced funding)			-£125,264
Surplus / (deficit)			-£54,595

Service Expenditure

- 2.2** The quarter one full year projection highlights a full year cost of service provision totalling £15.04m, resulting in a surplus against the approved budget of £219,555. The following paragraphs highlight the main reasons for this projected surplus. In addition, Appendix A provides detail at a service level with notes on variances over £10,000.
- 2.3** The full year projection for employees highlights a potential gross surplus of £525,619. It should, however, be noted that within the Council's corporate expenditure is a target to save £209k from employment costs across the Council. The net position is therefore a surplus against target of £317k. The majority of the overall surplus is being accrued by One Legal. This is matched off by a reduction in third party income. The national pay award has not yet been agreed for the majority of Officers, therefore we have forecast an increase of 4% for all employees which matches our budget allocation. Ubico has also forecast a pay award matching budget (5%). Any settlement in excess of these forecasts will result in an overspend but the Council has an approved reserve to cover the risk.
- 2.4** There is a projected overspend of £18,867 for premises costs. The main reason for this is due to maintenance work to be carried out at the homeless properties, some of these costs will be recovered through the rental charges.
- 2.5** A saving of £18k is expected within Transport costs which is due to reduced travel across the Council and only four pool cars being used when five were budgeted.
- 2.6** The projected outturn for Supplies & Services highlights a potential overspend of £14k. This is across stationery, postage and PDQ terminal bank charges for the car parking machines.
- 2.7** Payments to third parties highlights a projected surplus of £94,444.
- The Ubico contract is forecast to be underspent by £45k due to expected savings in employment and diesel costs of £119k, although this saving is reduced by the rental increase of Swindon Road depot of £76k.
- Emergency homeless accommodation is anticipated to be £60k over budget due to the increased demand in temporary housing, 85% of these costs will be recovered from housing benefit which is included within income.
- The Materials Recovery Facility (MRF) gate fee is expected to be £100k over budget which is due to a significant increase in the gate fee per tonne being paid, increasing from £38 per tonne to £67 per tonne.
- The third-party payment saving from the cessation of the trade waste service is estimated to be approximately £146k for 2023/24. This is supplemented by further direct employee savings at the Council but is offset by reductions in expected income. The cessation of the trade waste service is predicted to save over £100k annually in net terms from 2024/25, assuming savings from Ubico's corporate support and support services recharge. There will be no saving this year due to Ubico's budget for indirect costs already being set.

Swindon Road Depot running costs are estimated to be £115k less than budget based upon quarter 1 actual expenditure. These costs, previously borne by Cheltenham Borough Council, are in relation to the day-to-day running costs and maintenance requirements for the depot.

- 2.8** Income is expected to be below budget by £386k. This is mainly due to the cessation of the trade waste service where income is estimated to be £190k below target. Income from Tewkesbury Leisure Centre will be £78k lower than budget as a reduced management fee has been agreed. Due to vacant space in the Council Offices, rental income is predicted to be £37k down on budget. In addition, One Legal income is significantly below target, although this is offset against savings within employee. Planning fees are expected to exceed budget by £100k and recovery of emergency accommodation is estimated to be £60k greater than budget.

Corporate Expenditure

- 2.9** The expenditure associated with corporate activities as well as the financing of the Council is shown in the second section and highlights an estimated deficit of £148,886 for the financial year.
- 2.10** Treasury activities are currently in-line with budget expectations. Interest rates are continuing to rise but this will not impact our borrowing costs as the interest rate was fixed and no additional borrowing is expected. The Council may see a small gain in investment activity given current forecasts and this will be monitored and reported as the year moves forward.
- 2.11** The favourable variance within investment properties is due to a reduction in costs associated with managing our portfolio.
- 2.12** The overall projected position on retained business rates is currently in line with expectations. The valuation list was reset in 2023/24 financial year, making it more difficult to predict the level income and reliefs for businesses.
- 2.13** The Q1 report has now separately identified the external grant funding that is unlikely to be spent by year end and must be ringfenced to a particular project or service. This is estimated at £126k and, whilst it will increase our year end reserves, we do not have discretion as to where it can be spent. It is therefore excluded from our reported position.
- 2.14** Bringing together both the surplus on net service expenditure and surplus on net corporate expenditure results in an overall budget deficit projection of £55k for the year. Whilst it is disappointing to project a small deficit at the end of the first quarter, no corrective action is recommended at this stage given the small size of the deficit and the lack of certainty in our projections. The budget will continue to be monitored, with the Q2 forecast being reported in November.

3.0 CAPITAL BUDGET POSITION

- 3.1** Appendix B shows the capital budget position as at Q1. This is currently showing an underspend of £174k against the profiled budget of £419k. The capital programme estimates total expenditure for the year to be circa £1.65m. The main elements of this year's forecast include:
- Vehicle replacement programme
 - High Street Heritage Action Zone (HSHAZ)
 - Disabled Facilities Grants (DFG)

- 3.2** The Council has purchased various equipment for the office refurbishment and new tablets and mobiles for new Members, which is in-line with the capital programme.
- 3.3** The capital budget for vehicles is currently underspent due to no vehicles being purchased this quarter. It is planned that new vehicles will be acquired by the end of this financial year.

4.0 RESERVES POSITION

4.1 Appendix D provides a summary of the current usage of available reserves and supporting notes are provided for reserves where expenditure is high. As at 1 April 2023, these reserves stood at £17.54m which is a decrease of £587k on the previous year. The decrease reflects the fact that expenditure of reserves in 2022/23 exceeded the transfer to reserves at outturn.

4.2 Reserves have been set aside from previous years to fund known future costs, Council priorities and the strategic planning of the authority's operation. The information in the Appendix reflects only expenditure incurred to date and does not take account of reserves which have been committed but not yet paid or are awaiting capital financing at year end. Such expenditure will include:

- Place Programme Reserve – to support the development of the place planning approach
- Temporary staff support for Revenues & Benefits
- Policy and Performance Support – to provide temporary capacity to develop the Council's approach to performance management and ensure the Council is responding to and planning for changes in government policy
- Upgrade of the income management system

4.3 Actual expenditure of £337,738 has been made against reserves at Q1. This mostly consists of expenditure relating to the digitalisation team, temporary posts in Revenue and Benefits and the first quarter costs of the garden town team. The full breakdown is provided in Appendix D.

5.0 KEY PERFORMANCE INDICATORS (KPIs)

5.1 As part of the financial management code, approved by the Audit and Governance Committee, this report now includes a number of KPI's. The reason for their inclusion is to ensure frequent and meaningful data is reported regularly and therefore allows for further scrutiny of our financial performance. This is part of a range of actions to comply with the CIPFA Financial Management Code which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

5.2 An area that we closely monitor is the Council's aged sundry debt. Service areas receive monthly reports to make them aware of aged debt and focus their attention on collecting those debts where possible. Each service area is responsible for creating their own bad debt policy and updating Finance quarterly with a progress update. Finance review and analyse aged debt annually for the year-end financial statements which allows finance to determine specific and general bad debt provisions.

5.3 The table in Appendix E shows the level of bad debt for each service area and the percentage that is greater than one year.

5.4 The final KPI shows the number of vacancies in each service area. This is also being reported to Leadership team on a monthly basis. Although vacant posts result in a saving against budget, they can in some circumstances have a negative impact on service delivery. The total number of vacant full time equivalents (fte) at Q1 is 42.9 out of a total workforce of 222.2fte. There are various reasons for these vacancies and management team will be working with HR and Heads of Service to help with recruitment to ensure there is minimal impact on services.

6.0 PRUDENTIAL INDICATORS

6.1 In December 2021, CIPFA published its revised Prudential Code and Treasury Management Code of Practice following concerns around the commercial activity undertaken by several local authorities and the affordability of borrowing plans.

6.2 The Code required the Prudential Indicators (which are approved as part of the Council's Treasury Management Strategy) to be reported quarterly (from semi-annually) as part of the financial updates. The Code permitted this reporting to be implemented by the 2023/24 financial year so Appendices C and F will be a recurring addition to the quarterly financial reports.

6.3 The indicators in the appendices are used to monitor our performance against the prudential indicators approved by Council prior to the start of the financial year.

7.0 CONSULTATION

7.1 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.

8.0 ASSOCIATED RISKS

8.1 None

9.0 MONITORING

9.1 Budget monitoring occurs on a monthly basis and is formally reported quarterly.

10.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

10.1 Budget monitoring is on the approved annual revenue and capital budget for 2023/24 which has been prepared in line with the Medium-Term Financial Strategy

Background Papers: Treasury and Capital Management – Executive 4 January 2023
Budget 2023/24 – Executive 1 February 2023

Contact Officer: Associate Director: Finance
01684 272006 Emma.Harley@tewkesbury.gov.uk

Appendices: Appendix A – Revenue position by service
Appendix B – Capital position
Appendix C – Capital Prudential Indicators
Appendix D – Earmarked reserves update
Appendix E – KPIs
Appendix F – Treasury Management Indicator