

Gloucester City Council

Meeting:	Cabinet Briefing	Date:	1st June 2016
	Overview and Scrutiny		13th June 2016
	Cabinet		22nd June 2016
Subject:	2015-16 Financial Outturn report		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping , Head of Finance		
	Jon.topping@gloucester.gov.uk		Tel: 396242
Appendices:	1. Savings Performance		
	2. Capital Programme		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 This report is to inform members of the final Council position against agreed budgets for the 2015/16 financial year. This includes a summary of how the Council has progressed against key savings targets for the year. It also highlights some key performance indicators.
- 1.2 It is best practice for members to approve any transfers of Council funds into, or out of, earmarked reserves. This report includes details of all reserves movements.

2.0 Recommendations

2.1 **Overview and Scrutiny Committee** is asked, subject to any recommendations it wishes to make to Cabinet, to **RESOLVE** that the report be noted.

2.2 **Cabinet** is asked to **RESOLVE** that:

(1) It be NOTED that:

- (i) The savings achieved in year total £1.174m
- (ii) The year-end position for the financial year 2014/15 is to decrease the Council's General Fund balance by £246k
- (iii) The General Fund balance has decreased from £1.881m to £1.635m at the end of 2015/16

- (iv) That the business rates pool has returned a surplus of £173k to the City Council.

(2) The transfers to and from earmarked reserves as below and detailed in section 8 of this report be **APPROVED**

- £710k to adopted land reserve
- £291k to VAT Shelter reserve
- £200k to Business Rates reserve
- £5k from Members Allocation Reserve
- £13k to Portfolio Reserve
- £197k to Regeneration Reserve
- £50k to Trading Development Reserve

3.0 Background

- 3.1 This report is intended to give Members a clear and concise view of the 2015/16 outturn of the Council. The financial position for the services is presented in a summary table.
- 3.2 The reported position in Quarter 3 was to decrease the general fund by £244k. The final outturn position is to decrease the general fund by £246k, a change of just £2k from the Qtr3 forecast. The closing General Fund is now £1.635m. This is in an improvement of £32k over the forecast starting position of the Money Plan approved by Council in February 2016.
- 3.3 In previous years The Council had reached a point where earmarked reserves were almost exhausted. The Council now seeks to place funds into earmarked reserves, where appropriate, as part of a prudent long term financial strategy. This report includes details of proposed reserve transfers to bring the year-end balance on earmarked reserves to £3.577 million.
- 3.4 The savings target for 2015/16 was £1.27 million. A further £470k of savings unachieved in 2014/15 was added to that target to give an overall savings target of £1.74 million. Savings actually achieved total £1.174 million. Where savings targets have not been achieved these will be delivered in 2016/17. Section 10 and Appendix 1 provide further details.

4.0 Council Summary

- 4.1 A summary table below shows the outturn position for each service area. To ensure consistency with budget monitoring from throughout 2015/16 this is subdivided as per the pre-existing Council structure.

Council Total	2015/16 Budget	Year End Forecast	Variance	Change since Q3
Corporate Director 1	3,383	3,466	83	62
Corporate Director 2	6,187	7,077	890	153
Regen and Economic Development	(508)	(652)	(144)	(183)
Finance and Business Improvement	3,196	2,689	(507)	(124)
Funding and Corporate Items	(12,226)	(12,334)	(108)	94
Total	32	246	214	2

- 4.2 The increased cost within the funding and corporate items line relates to the final cost of historic items relating to the Councils impairment of Icelandic bank debt. Although this has generated an additional cost this year these items have been creating a revenue cost for a number of years. Their write off therefore creates a saving which can form part of the achievement of savings in 2016/17.
- 4.3 The Council successfully delivered the Rugby World Cup 2015, with the expectation to remain within the approved budget of £350k.

5.0 Corporate Director 1

Corporate Director 1	2015/16 Budget £000	Year End Actual £000	Variance £000	Change since Q3 £000	Q3 Variance £000
Planning	454	486	32	47	(15)
Legal and Democratic Services	1,100	1,027	(73)	36	(109)
Communications	125	119	(6)	(1)	(5)
Housing Services	761	734	(27)	4	(31)
HR	346	184	(162)	(64)	(98)
Guildhall and Museums	422	711	289	26	263
Catering Review and Cultural Services Strategy	0	33	33	14	19
Internal Audit	175	172	(3)	0	(3)
Total	3,383	3,466	83	62	21

- 5.1 The directorate as a whole was overspent against budgets by £83k, a change of £62k from the third quarter. There were a number of savings targets within the directorate, the majority of which have been achieved.
- 5.2 The significant variance relates to the Guildhall and Museums which had a combined total savings target of £282k. The Guildhall has achieved an in year saving of £88k against its target of £150k by targeting areas for increased visitor numbers and income generation. The Museums Service has not achieved any savings in 2015/16 and the

target will roll forward to the following financial years. The future operation of both the Guildhall and the Museum will be influenced by the cultural strategy and a number of further savings options are being considered to help reach the target.

- 5.3 The increased cost within the planning service relates to additional year end costs relating to the shared working arrangement with Stroud District Council for Building Control as well as additional Joint Core Strategy costs. However, planning income was higher than budgeted in year and as a result the service overspent by only £20k while delivering against a £100k savings target.
- 5.4 The additional saving from Human Resources is a result of the fact that the shared service arrangement for the County Council was delivered midway through the financial year and the Council also did not employ the level of apprentices that it originally budgeted for. The savings from the new shared service will deliver the targets in the money plan 2016/17.

6. Corporate Director 2

	2015/16 Budget £000	Year End Actual £000	Variance £000	Change since Q3 £000	Q3 Variance £000
Corporate Director					
Neighbourhood Services	4,523	5,335	812	42	770
Environmental Planning and the Countryside	427	473	46	55	(9)
Voluntary Sector	381	368	(13)	(6)	(7)
Shopmobility	4	56	52	(2)	54
Cem and Crem	(857)	(960)	(103)	11	(114)
Markets	(212)	(109)	103	34	69
Contact Centre	753	697	(56)	4	(60)
TIC	151	208	57	26	31
Public Protection	1,017	1,009	(8)	(11)	3
Total	6,187	7,077	890	153	737

- 6.1 The directorate as a whole was overspent by £890k. The reasons for this variance have previously been reported to members but primarily relate to delays in achieving the Amey savings target, the payment required to Amey for a shortfall in recycling income and a delay in achieving the £100k saving from the restructuring of the Neighbourhood Services team.
- 6.2 The final recycle payment due to Amey was £323k which was in line with previous estimates. The Council budget for 2016/17 includes a budget of £300k for recycle top up payments.
- 6.3 The increased cost in environmental planning primarily relates to redundancy costs. This was part of the restructuring of the team which took place towards the end of the financial year and contributes to the saving target in the directorate.

- 6.4 The change in forecast in the markets service from Quarter 3 is a combination of final lettings income being lower than forecast and some additional costs being incurred. These costs include additional repairs costs and higher charges relating to waste collection. The markets service has also not yet achieved the £50k savings target and additional models of delivery continue to be explored.
- 6.5 The commercial performance of the Tourist Information Centre (TIC) was lower than anticipated at quarter 3. This is a result of the significant portion of shop space taken up by Rugby World Cup merchandise, which contributed to the world cup budget, during the year. Performance is expected to be in line with budget in 2016/17.

7.0 Regeneration and Asset Management

	2015/16 Budget £000	Year End Actual £000	Variance £000	Change since Q3 £000
Regeneration and Economic Development				
Asset Management	(487)	(592)	(105)	(122)
Economic Development	367	356	(11)	9
Parking	(856)	(902)	(46)	(86)
Marketing Gloucester	468	486	18	16
Total	(508)	(652)	(144)	(183)

- 7.1 The Directorate is now under budget for the year as a result of higher than previously expected income from the Council's asset portfolio and from parking income. This additional income has offset a high level of repair costs incurred in year. This high level of repair costs is expected to continue into 2016/17 and will be closely monitored and controlled.

8.0 Financial Services

	2015/16 Budget £000	Year End Actual £000	Variance £000	Change since Q3 £000
Finance and Business Improvement				
Financial Services	752	678	(74)	(51)
Revenues and Benefits	81	(306)	(387)	(113)
Business Improvement	960	816	(144)	(66)
IT	1,403	1,501	98	106
Total	3,196	2,689	(507)	(124)

8.1 Significant savings have been generated in the service over the year resulting in a £507k net underspend. The major savings have resulted from the Revenues and Benefits service with an increase in the level of overpayments of Housing Benefit which have been recovered. This level of income has increased by over £100k from the forecast at Quarter 3.

9.0 Business Rates and Business Rates Pooling

9.1 The City Council is able to retain the rates levied upon business within Gloucester. This forms part of the funding for the Council's revenue budget.

9.2 The Council has retained more business rates in 2015/16 than expected. This caused by a lower "levy" payment to Central Government. The levy is a 50% share of the business rate growth in the city. Business rate growth has been below target due to the increased number of successful appeals made by businesses against their valuations. The successful appeals benefit the Council in year, through the lower levy payment, but have the adverse effect of reducing the ratebase providing Council funding in future years which will impact on future year's budgets. As a result it is prudent for the Council to begin building a business rates reserve to be used to supplement the General Fund in any future year where rates are not able to provide the required funding.

9.3 In addition to the impact on the Council's own budget the Council is a member of the Gloucestershire Business Rates Pool (GBRP). The pooling mechanism shares the risk of fluctuating rates around the County and also allows an overall reduction in the combined levy payment which is made to Central Government. That reduction increases the amount of business rates retained within Gloucestershire and is shared amongst the member authorities.

9.4 The position for 2015/16 is expected that the pool will declare a surplus and additional funding of approximately £800k which will be retained in Gloucestershire and returned to the member authorities. This is a contrast to the 2014/15 situation where the large deficit at Tewkesbury Borough Council had the impacted of all pool authorities making additional payments from the General Fund. The surplus returned to Gloucester City Council is provisionally standing at £173k and is to be included in the sums being transferred to the Business rates reserve (See 9.2 and 10.7). As stated in the outturn report for 2014/15 any surplus from pooling going forward would in the first instance repay the General Fund against the deficit payment made of £345k.

9.5 The pool is to continue in 2016/17 with a different membership. Tewkesbury have withdrawn from the pool as their risk profile, after the reduction in their largest ratepayer, means that not only do they not currently benefit from pool membership but they expose the remaining pool members to additional risk and reduce the pool surplus.

10.0 Reserve Movement

10.1 The table below shows the proposed transfers to and from reserves along with balances on all other reserves.

	Reserve	Opening Balance £'000	Proposed Transfer £'000	Closing Balance £'000
1	3 Choirs Reserve	5	0	5
2	Historic Buildings Reserve	53	0	53
3	Portfolio Reserve(Housing Survey)	23	13	36
4	Members Allocation Reserve	14	(5)	9
5	Shopmobility Reserve	29	0	29
6	Regeneration Reserve	313	197	510
7	Insurance reserve	10	0	10
8	Land Adoptions Reserve	0	710	710
9	VAT Shelter Reserve	0	291	291
10	Business Rates Reserve	0	200	200
11	Trading Development Reserve	0	50	50
12	Environment Reserve (Stock transfer)	1,000	0	1,000
13	Pension Liability Reserve (Stock Transfer)	275	0	275
14	Major Repairs Reserve	400	0	400
	Total Earmarked Reserves	2,122	1,455	3,577

10.2 In previous years the Council took ownership of a number of assets previously held by the South West Regional Development Agency (SWRDA). A number of these assets generate income. Where the asset portfolio generates a surplus it is to be transferred in an earmarked reserve for use only on local regeneration purposes. This year the reserve has been partly used to finance legal costs relating to unlocking the regeneration at Bakers Quay. However, the asset portfolio generated a greater surplus in 2016/17 and after the legal costs it is proposed to transfer £197k to the reserve.

10.3 The legal arrangements around the housing stock transfer created a future revenue stream for the Council from the "VAT Shelter" arrangement. This is a procedure agreed with Her Majesty's Revenues and Customs to ensure that following a housing stock transfer there is no impact on taxation. Had the Council retained the housing stock and carried out the necessary works on the properties the VAT would have been reclaimed by the Council, however private registered providers are unable to recover the VAT. The VAT shelter arrangement allows the VAT to be recovered by GCH and shared between the council and GCH. The income to the Council from the VAT shelter in 2015/16 was £291k. It is recommended to move this money to a reserve in its entirety and earmark it for future regeneration and housing projects.

- 10.4 The Council has received money from developers when it adopts land on new housing developments, such as those in Kingsway. The money received upon adoption is intended to cover the future ground maintenance costs of such land. It is therefore good practice to place such sums in a reserve and only use them when they are needed for maintenance works. It is proposed that £710k is placed into an adopted land reserve to reflect the money that the Council has received and intends to use in future years.
- 10.5 The members' allocation reserve is for those grant projects which had been agreed by members but where the money had not been spent by the end of the financial year. The reserve holds the money needed to pay those allocations at the start of the new financial year. At the end of the 2015/16 year approximately £9k was needed to be held in a reserve for that purpose.
- 10.6 The Housing Survey reserve is topped up annually to fund the cost of a housing survey within the city which takes place every three or four years. There was no expenditure in 2015/16 and an additional £12.5k was placed into the reserve.
- 10.7 It is proposed to add £200k to the Business Rates Reserve. This reserve will be drawn down upon in future years should the level of business rates raised be less than expected in the Money Plan.
- 10.8 The Council may have opportunities in future years to pursue trading development options. It is proposed to transfer £50k into a reserve to provide funding for exploring opportunities as they arise in future.
- 10.9 There are no proposed movements on any other reserves and they remain available for future years. The Environmental Reserve and Pension Liability Reserve relate to the housing stock transfer are held to cover potential future liabilities arising from that arrangement.

11.0 Savings

- 11.1 Appendix 1 shows that £1.174m of savings have been successfully implemented in 2015/16. These include savings related to the Amey contract, reductions in SLAs to the voluntary sector, and a reduction in the Aspire management fee.
- 11.2 Savings not achieved in 2015/16 will be added to the 2016/17 savings target. These total £566k and are detailed in the following paragraphs.
- 11.3 The total savings achieved on the Amey contract this year will have a full year budgetary impact of £138k. These savings have been found by achieving efficiencies in existing models of service delivery. The unachieved savings target of £232k will be rolled forward into 2016/7. During the upcoming year the service will be looking to move to a new vehicle procurement and service delivery model which are estimated to achieve the majority of the savings target

- 11.4 The markets service has yet to achieve any of the £50k saving allocated in 2014/15. The service continues to explore alternative models of service delivery and this saving remains in the budget for 2016/17.
- 11.5 The Shopmobility service did not generate any savings against the target in 2015/16. It has now been contracted out to an external partner and will begin to deliver savings over the course of the upcoming Money Plan. These savings will take a number of years to reach the £50k target and the next Money Plan will be updated to reflect the profiled savings achievement.
- 11.6 The Cultural Strategy will assist in framing the future savings options and service delivery models at the museums. Also, a rebranding exercise has been carried out which is predicted to increase visitor numbers. There were no additional savings found in year and the service overspent by £182k (including the £132k remaining savings target). The museums team will look to implement a number of changes to bring the museums in line with the Council budget available.
- 11.7 The planning department has carried out a staffing restructure but the £100k saving is not yet fully achieved as the costs of the joint Building Control service with Stroud are higher than originally anticipated. This increased cost will be met by income from the planning fees in 2015/16.

12.0 Capital Programme

- 12.1 The Capital Programme budget for the year was £9.320m. Expenditure for the year was £4.242m. The areas of major capital expenditure were £1.081m on ICT projects, this included the server and hardware refresh programme increasing resilience to Council systems and progress towards PSN compliance, servers have been upgraded and replaced meeting current standards, computer hardware has been refreshed during the migration to Windows 7. £0.695m has been spent on Kings Quarter, 15/16 expenditure is largely towards the Bus Station as the demolition of the old station gets underway. £0.527m was spent on the City Centre CCTV project which has seen CCTV in the City updated and improved.
- 12.2 The nature of capital projects means that many of them span a number of financial years, budgets are set per project any unspent budgets at the end of any one financial year may be carried forward into the next.
- 12.3 A summarised table for the Capital Programme is shown as Appendix 2.

13.0 Supplier Payments

13.1 The Council is committed to paying invoices within terms. In 2015/16 95% of invoices were paid within 10 days and the average number of days to pay was 8. This was an improvement on 2014/15 where the figures were 94% and 9 days. A full breakdown of the statistics is shown in the table below. During Quarter 4 and in 2014/15 as a whole, the actual achievement was 94% within 30 days. The details on prompt payment are:

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		TOTAL 2015/16	
Number paid within 10 days	1808	77%	1863	79%	1981	85%	2024	85%	7676	82%
Number paid within 30 days	2156	92%	2222	95%	2232	96%	2333	98%	8943	95%
Number paid over 30 days	188	8%	123	5%	102	4%	54	2%	467	5%
Total Invoices paid	2344		2345		2334		2387		9410	
Average Days to Pay	10		8		6		6		8	

14.0 Asset Based Community Development (ABCD) Considerations

14.1 There are no ABCD implications as a result of this report.

15.0 Alternative Options Considered

15.1 The Council's accounts in prepared in line with its accounting policies. Alternative options for the breakdown of funds to be allocated to reserves have been considered but the options proposed in this document are believed to be the most prudent.

16.0 Reasons for Recommendations

16.1 It is a good practice for members to be informed of the change to the Council's financial position across the financial year. This should include details of the general fund balance and the reserves position.

16.2 The Council has made a decision to continue to be a part of the Gloucestershire Business Rates Pool. As part of this process members must be aware of the current financial position of the pool and the financial implications for the City Council.

17.0 Future Work and Conclusions

17.1 In the 2016/17 financial year there is a new savings target of £607k which is an addition to targets rolled forward from 2015/16. Officers will be working on the implementation of those targets and progress will be reported to members in the quarterly financial monitoring reports.

18.0 Financial Implications

18.1 All financial implications are contained within the report which is of a wholly financial nature.

19.0 Legal Implications

19.1 There are no legal implications from this report

(One Legal have been consulted in the preparation this report.)

20.0 Risk & Opportunity Management Implications

20.1 There are no specific risks or opportunities as a result of this report. The delivery of the savings programme is a key corporate risk and this report forms part of the management and mitigation of that risk.

21.0 People Impact Assessment (PIA):

21.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

22.0 Other Corporate Implications

Community Safety

22.1 None

Sustainability

22.2 None

Staffing & Trade Union

22.3 None