

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date: 12 th June 2017 21 st June 2017
Subject:	Financial Outturn 2016/17	
Report Of:	Cabinet Member for Performance and Resources	
Wards Affected:	All	
Key Decision:	No	Budget/Policy Framework: No
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Appendices:	1. Progress against savings targets 2. Capital Outturn	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform members of the final Council position against agreed budgets for the 2016/17 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 For Cabinet to note the final outturn position and to approve movement to and from earmarked revenue reserves.

2.0 Recommendations

- 2.1 Overview & Scrutiny Committee is asked to, subject to any recommendations it wishes to make to Cabinet, to **note** the contents of the report.
- 2.2 Cabinet is asked to **RESOLVE** that
 1. it be noted that:
 - i. The savings achieved in year total £590k
 - ii. The year-end position for the financial year 2016/17 is to increase the Council's General Fund balance by £20k
 - iii. The General Fund balance has increased from £1.635m to £1.655m at the end of 2016/17.
 - iv. That this change in the General Fund balance is after a transfer to earmarked reserves of £692k
 - v. That the business rates pool has returned a surplus of £329k to the City Council.

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

3.0 Background and Key Issues

- 3.1 This report is intended to give Members a clear and concise view of the 2016/17 outturn of the Council. The financial position for each portfolio is presented in a summary table.
- 3.2 The reported position in Quarter 3 was to decrease the general fund by £109k and increase earmarked reserves by £100k. The final outturn position is to increase the general fund by £20k and increase earmarked reserves by £692k. This is a significant improvement from Quarter 3 and relates to an increase in retained business rates (See Section 11). The closing General Fund is now £1.655 million.
- 3.3 The Council has a financial strategy to place funds into earmarked reserves where appropriate. This report includes details of proposed reserve transfers to bring the year-end balance on earmarked reserves to £4.269 million.
- 3.4 The savings target for 2016/17 was £607k. A further £566k of savings unachieved in 2015/16 was added to that target to give an overall savings target of £1.173 million. Savings actually achieved total £590k. Where savings targets have not been achieved these will be delivered in 2017/18, with the exception of the £50k savings targets for Shopmobility and the Markets which were removed in the 2017/18 Money Plan. Section 13 and Appendix 1 provide further details.

4.0 Whole Council Summary

- 4.1 A summary table below shows the outturn position for each service area. As with all budget monitoring from 2016/17 this is reported by Cabinet Portfolio.

Council Summary	16/17 Budget	Final Actual	Final Variance
	£000	£000	£000
Regeneration and Economy	(906)	(718)	188
Communities and Neighbourhoods	1,147	1,009	(138)
Performance and Resources	5,128	5,338	210
Culture	1,486	1,655	169
Planning and Housing	1,705	2,045	340
Environment	4,200	4,188	(12)
Corporate and Funding	(12,759)	(13,957)	(1,198)
Transfer to Business Rates Reserve	0	420	420
Total	0	(20)	(20)

- 4.2 The large saving in Corporate and Funding relates to retained Business Rates. This is due to a reduction in the levy paid to Central Government as a result of overall falling income levels which need to be recovered from the revenue budget in future years. This saving is to be placed in a reserve to protect the General Fund from fluctuations in rates in future years.

- 4.3 The slight increase in General Fund along with the increased balance of earmarked reserves is a significant achievement against a background of significant saving targets. The increase in reserves will help to mitigate the impact of further reductions in funding in future years.

5.0 Regeneration and Economy

Regen	16/17 Budget £000	Final Actual £000	Final Variance £000
Economic Development	402	335	(67)
Asset Management	1,021	1,138	117
Commercial Property	(1,630)	(1,541)	89
Parking	(825)	(936)	(111)
Senior Management	375	347	(28)
Markets and Street Trading	(249)	(61)	188
Total	(906)	(718)	188

- 5.1 This portfolio has a year end deficit of £188k. This is a change from Quarter 3 when a slight underspend was predicted.
- 5.2 Throughout the year it has been forecast that Markets and Street Trading Service would create a budgetary pressure as a result of falling income and a £50k savings target. In Quarter 4 the income fell even further than expected and increased the level of the budget shortfall at the end of the year. In 2017/18 the Markets will fall under the new Cultural and Trading Services team which will look at ways to increase income achieved. In addition the 2017/18 Money Plan removes the savings target to ease the budget pressure in the upcoming financial year.
- 5.3 The overall income from Commercial Property was lower than budgeted. This is partly due to a reduced number of units generating income around the Bus Station Development as was anticipated at this stage. However, the Council continues to generate returns from Commercial Property and where necessary will explore new opportunities to build on the property portfolio to deliver both commercial returns and regeneration outcomes.
- 5.4 Within the Asset Management service, budgets for repairs and maintenance and property service charges were exceeded overall. However, these costs can be met from resources within the overall revenue outturn and it is not proposed to draw on the repairs reserve. That reserve can therefore be left in place at the full £400k to fund major repairs works in future years.
- 5.5 The budget surplus achieved within parking for the year was a result of a backdated appeal on business rates for Castlemeads car park being received. This was a significant source of income in year but was primarily a one-off item.

6.0 Communities and Neighbourhoods

Communities and Neighbourhoods	16/17 Budget	Final Actual	Final Variance
	£000	£000	£000
Voluntary Sector Grants	315	290	(25)
Community Strategy and Other Projects	320	259	(61)
Licensing	(89)	(103)	(14)
Environmental Health	408	362	(46)
Health and Safety	187	144	(43)
Shopmobility	6	57	51
Total	1,147	1,009	(138)

- 6.1 This portfolio has generated a saving of £138k for the 2016/17 year. This is an increase on the underspend forecast at Quarter 3. Where future agreed commitments have been made these sums have been placed in reserves. Further details on these reserves is provided in Section 12.
- 6.2 The Shopmobility Service was over budget for the year by £51k. This is a direct result of no suitable third party partners being able to operate the service and deliver the budgeted saving of £50k. As it has been decided to continue operating the service on an in house basis, at least in the short term, this savings target has been removed from 2017/18 and the service should operate on budget.
- 6.3 All other parts of the portfolio have delivered a number of savings against the budget. This was previously predicted and reported and is the direct result of a significant number of vacancies being held across the portfolio as a result of staff departures throughout the year. Each service area, with the exception of Shopmobility, held at least one vacancy during the year.

7.0 Performance and Resources

Performance and Resources	16/17 Budget	Final Actual	Final Variance
	£000	£000	£000
Internal Audit	177	202	25
Housing Subsidy	(479)	(556)	(77)
Revenues and Benefits Admin	663	611	(52)
Financial and Corporate	1,091	1,229	138
IT	1,418	1,621	203
Human Resources	314	325	11
Communications	125	96	(29)
Legal Services	370	360	(10)
Contact Centre and Customer Services	691	683	(8)
Democratic Services	758	767	9
Total	5,128	5,338	210

- 7.1 This portfolio recorded an overspend of £210k. The cause of this is a provision that the Council has had to put in place for a potential IT cost of £175k. These costs are shown against the IT service area. Within the rest of the portfolio there were some service areas which recorded adverse variances but these were balanced out other savings.
- 7.2 The biggest change was additional cost incurred in the area of financial services and corporate expenditure. This resulted from adjustments which became apparent as part of year-end procedures. The first is that the Council made a contribution to the Insurance provision of £40k more than budgeted. The Council sets aside money each year end in order to meet the cost of insurance claims against the authority. It is good accounting practice to review the provision at least annually and this has led to this additional charge. Also, a creditor has come to light relating to costs incurred when the Council still had ownership of housing stock. This debt has been settled but as the Council no longer operates a housing revenue account the cost must be met from the General Fund.
- 7.3 With the exception of the provision noted at 7.1, IT revenue expenditure has been largely contained within budget for the 2016/17 year. Significant work has taken place in the year to correctly account for and monitor expenditure in this area. The final outturn position has been assisted by identifying a credit to be claimed at the end of the current Council photocopying contract.
- 7.4 The final cost of providing Housing Benefit was slightly more than had been predicted at Quarter 3. It has been previously reported that small changes in this area can have a significant impact on the Council budget. In spite of this change the service still produced an underspend of £77k.

8.0 Culture and Leisure

Culture and Leisure	16/17 Budget £000	Final Actual £000	Final Variance £000
Museums	192	303	111
Guildhall	239	300	61
TIC	163	173	10
Aspire Client	428	427	(1)
Marketing Gloucester	464	452	(12)
Total	1,486	1,655	169

- 8.1 Previous monitoring reports had highlighted that an overspend was expected within this area and this can be confirmed at year end with an outturn variance of £169k being the final position.
- 8.2 The Museums service was able to achieve only approximately £21k of the budgeted £132k of savings which remains a target for the Service. However, it should be recognised that there has been a significant improvement in the financial performance during year. During 2015/16 the service incurred an overspend of

approximately £50k on top of budgeted savings. This year therefore represents an improvement of over £70k. The majority of this relates to the success of the “Robots” exhibition in Summer 2016. Lessons have been learnt from this exhibition about how to turn increased football into increased income and this will lead to a greater contribution towards financial targets from future exhibitions.

- 8.3 The Guildhall again made in-year progress against the savings target of £150k which the service was set in previous years. This year has not seen the same increase in income as previous years but further opportunities will be explored in 2017/18 to deliver even more of the savings.
- 8.4 Budgets at the Tourist Information Centre have largely been met with only a small overspend reported at the end of the year.
- 8.5 These three areas are expected to benefit in 2017/18 from the introduction of a new Cultural and Trading Services team as part of the Together Gloucester restructure. This will allow staff to work across sites, generate efficiencies and more effectively co-ordinate the promotion of exhibitions and events. This is likely to have a significant positive impact on the financial position once the new team is operating effectively.
- 8.6 A small underspend was recorded against Marketing Gloucester as the Council received a credit for grant funding already paid to Marketing Gloucester in 2015/16 which was to be met from the 2016/17 allocation. All other items of expenditure in relation to Marketing Gloucester remained within budget.

9.0 Planning and Housing

Planning and Housing	16/17 Budget	Final Actual	Final Variance
	£000	£000	£000
Housing Strategy	147	145	(2)
Private Sector Housing	339	295	(44)
Planning	474	638	164
Homelessness	745	967	222
Total	1,705	2,045	340

- 9.1 This portfolio saw an overspend in year of £340k which is the impact of the significant increase in the demand for temporary accommodation and overspends within Planning. All other services within the Portfolio were delivered on or under budget.
- 9.2 It has previously been reported at Quarter 3 that increased costs had been incurred in Planning as a result of a Planning Appeal. These totalled £84k at the end of the financial year. In addition to these costs the Joint Core Strategy and City Plan work exceeded budgets during the year as a result of expenditure on external experts. These costs were over budget by £36k.

- 9.3 Income from planning fees fell short not only of the predictions at Quarter 2 and 3 but also of the budget for the year creating an additional pressure of £23k on the service. There was a significant downturn in income received during the fourth quarter. Income will be closely monitored during 2017/18 to determine if this quarter was part of a consistent downward trend which would place further pressure on the Service.
- 9.4 The Homelessness Service saw a significant increase in the cost of temporary accommodation during the financial year. This has caused a budgetary pressure as the Council is limited in the amount of expenditure it is able to reclaim through the Housing Subsidy system. The use of temporary accommodation therefore largely falls against Council budgets and has caused this overspend. The level of budgetary gap is higher than predicted at Quarter 3 as the costs continued to increase during the final quarter.

10.0 Environment

Environment	16/17 Budget £000	Final Actual £000	Final Variance £000
Waste and Streetcare	4,794	5,052	258
Neighbourhood Management	49	42	(7)
Countryside and Allotments	117	103	(14)
Cemetery and Crematorium	(964)	(1,210)	(246)
Flooding and emergency planning	133	132	(1)
Head of Service	71	69	(2)
Total	4,200	4,188	(12)

- 10.1 The final position on this portfolio is that a breakeven was achieved, even generating a small surplus of £12k. As has been reported previously the position in the portfolio is one of contrasts with significant overspends being matched elsewhere in the portfolio by large underspends.
- 10.2 The successful launch of the revised Recycling Service in January 2017 is likely to lead delivering the savings targets in future years. The savings from the new system come from the sale of the additional recycling material collected. As the service was introduced towards the end of the financial year, and as a result of the lead times for the sale of material, there has been no impact on the savings target in 2016/17. Any additional income which has been created has largely offset implementation costs incurred. However, savings identified elsewhere within Waste and Streetcare have helped to mitigate the impact and a final overspend of £258k was recorded.
- 10.3 The Cemetery and Crematorium service significantly overachieved the income targets for the year resulting in a final surplus of £246k. This is likely to be a result of the new charging structure introduced during the year. This surplus has offset the overspend in Waste and Streetcare. An additional income target of £150k was added to this service for 2017/18 to build these higher levels of income into the Council's base budget.

11.0 Business Rates and Business Rates Pooling

- 11.1 The retention of Non-Domestic Rates continues to form a key component of the Councils' financial position.
- 11.2 The level of Business Rates collected has been less than expected during 2016/17. This is largely due to the impact of successful appeals by Businesses against their rating valuation assign by the Valuation Office Agency. This shortfall of rates creates a deficit in the Council's Collection Fund which effectively records the running balance between rates collected and rates received. This deficit must be charged against the Council's revenue budget in future years and will form part of the Council's long term forecast of Business Rates within the Money Plan.
- 11.3 A portion of rates collected is paid over to Central Government in the form of a levy. The reduction in rates collected this year creates a one off saving in year. This saving is proposed to be placed into the Business Rates Reserve. It can then be used to offset the reduction in Business Rates retention created by the Collection Fund deficit.
- 11.4 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.
- 11.5 The pool has declared a surplus in 2016/17 and the share due back to Gloucester City is £329k. This is divided into two portions. The first is a repayment to the Council of £172k for the amount it paid to cover the deficit at Tewkesbury in 2014/15. This is returned to the General Fund which was used to pay that deficit at the time. The remainder of £157k is included in the £420k transfer proposed to the Business Rates Reserve to be drawn down upon to support the revenue budget in future years.

12.0 Reserve Movement

- 12.1 The table below shows the proposed transfers to and from reserves along with balances on all other reserves. In the 2016/17 year there are proposed transfers to and from a number of existing reserves as well as the proposed establishment of six additional earmarked reserves. Details of the major movements, and the new reserves are below.

No	Reserve	Opening Balance £'000	Proposed Transfer £'000	Closing Balance £'000
1	3 Choirs Reserve	5	(5)	0
2	Historic Buildings Reserve	53	0	53
3	Portfolio Reserve(Housing Survey)	36	13	49
4	Members Allocation Reserve	9	(5)	4
5	Shopmobility Reserve	29	0	29
6	Regeneration Reserve	510	42	552
7	Insurance reserve	10	0	10

8	Land Adoptions Reserve	710	171	881
9	VAT Shelter Reserve	291	222	513
10	Business Rates Reserve	200	420	620
11	Trading Development Reserve	50	0	50
12	Environment Reserve (Stock transfer)	1,000	0	1,000
13	Pension Liability Reserve (Stock Transfer)	275	(275)	0
14	Repairs Reserve	400	0	400
15	Community Builder Reserve	0	30	30
16	Planning Grant Reserve	0	30	30
17	Economic Development Reserve	0	20	20
18	Flooding Works Reserve	0	10	10
19	Meet and Greet Reserve	0	4	4
20	Police Contribution Reserve	0	15	15
Total Earmarked Reserves		3,577	692	4,269

- 12.2 The Regeneration reserve holds the surplus of income generated by the former South West Regional Development Agency (SWRDA) assets and is used to fund regeneration projects within the City. There has been expenditure funded from the income generated during the year but it is still possible to transfer an additional £42k to the opening balance.
- 12.3 There has been no expenditure incurred against the VAT Shelter Reserve. A further £222k of income has been received and it is proposed to transfer this balance in its entirety for use in future projects. A majority of the funds available have been earmarked for the project at Black Dog Way.
- 12.4 The Pension liability created as a result of the stock transfer has now been settled and the Reserve of £275k can now be released to fund that settlement.
- 12.5 Two additional sums have been received from developers upon the Council adopting land during the financial year. That is transferred in full to the Land Adoptions Reserve. Funding which has been received in prior years has been partly drawn down to meet associated ground maintenance costs. The net position is a transfer to the reserve of £171k.
- 12.6 It is proposed to add £420k 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. This is likely as a result of the 2016/17 NNDR collected being below budgeted levels.
- 12.7 The new reserves created all represent surplus funds, either grant funded or from Council budgets, which have been earmarked for expenditure in future years. The Community Builder Reserve is an unspent budget which will be used to fund the cost of a Community Builder post with partners. The Planning Grant Reserve relates to Government grants to fund specific planning projects where additional costs may be incurred at a later date. The reserve is held to meet that expenditure. The Economic Development Reserve is established to help fund the provision of Economic Development grants in future periods. The Police Contribution reserve represent specific funding which the Council has earmarked to share with the Police on a study into the impact of participatory budgeting. The Flooding Works Reserve is to help finance flooding capital projects which may arise in the future. Finally, the

Meet and Greet reserve is the remaining funding available to fund the Coach Meet and Greet Service provided by the Tourist Information Centre.

- 12.8 There are no proposed movements on any other reserves and they remain available for future years. The Environmental Reserve relates to the housing stock transfer and is to cover potential future liabilities arising from that arrangement.

13.0 Savings

- 13.1 Appendix 1 shows that £590k of savings have been successfully implemented in 2016/17. These include savings related to the Amey contract, increased income at the Crematorium and an adjustment to the Minimum Revenue Provision.
- 13.2 Savings not achieved in 2016/17 will be added to the 2017/18 savings target. These total £483k and are detailed in the following paragraphs.
- 13.3 A further £241k of savings are required from the Amey Contract. It is hoped that increases in the volume of material collected along with a general upturn in Commodity prices received will produce the majority, if not all, of that saving. Additional options to explore savings continue to be explored and a number of proposals are being considered.
- 13.4 The Museums and Guildhall are part of the combined Cultural and Trading Service for 2017/18. Those savings which have been carried forward into 2017/18 will form part of the financial planning for this new service.

14.0 Capital Programme

- 14.1 The outturn position for the Capital Programme is £7.821m against the budget for the year of £15.532m. Expenditure for 2016/17 has included £2.374m on the Kings Quarter Development as work starts on the Infrastructure and Highways elements of the Transport Hub project and the upgrades to Eastgate car park roof (£0.714m) ensuring the asset remains operational in accordance with the Councils contractual duty. 2016/17 saw the Council purchase 14 recycling vehicles and new sorting equipment totalling £2.655m facilitating the Councils new kerb side recycling programme, increasing the types of recycling the Council is able to collect.
- 14.2 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
- 14.3 A summarised table for the Capital Programme is shown as Appendix 2.

15.0 Prompt payment performance

- 15.1 The Council aims to make payments to all suppliers promptly and in accordance with contract terms. The performance on invoice payments during the year is summarised in a table below Overall, 93% of invoices received in the year were paid within 30 days of receipt.

	Q 1		Q 2		Q 3		Q 4		TOTAL	
Paid within 5 days	1,479	67%	1,131	56%	1,377	61%	1,342	65%	5,329	62%
Paid within 10 days	1,797	82%	1,555	77%	1,764	79%	1,643	79%	6,759	79%
Paid within 30 days	2,063	94%	1,924	95%	2,058	92%	1,907	92%	7,952	93%
Paid over 30 days	133	6%	104	5%	186	8%	163	8%	586	7%
Total Invoices paid	2,196		2,028		2,244		2,070		8,538	
Average Days to Pay	8		9		11		9		9	

16.0 Asset Based Community Development (ABCD) Considerations

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

17.0 Alternative Options Considered

17.1 When consider how to reduce budgetary pressure or make savings officers explore a wide range of options.

18.0 Reasons for Recommendations

18.1 It is a good practice for members to be regularly informed of the current financial position of the Council. This report is intended to make members any of any significant issues in relation to financial standing and any actions that officers are taking in response to identified variances.

19.0 Future Work and Conclusions

19.1 Work will continue to reach savings targets or limit in year budget pressures. A further financial monitoring report will be produced for members at the end of the second quarter.

20.0 Financial Implications

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

21.0 Legal Implications

21.1 There are no legal implications from this report

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

22.0 Risk & Opportunity Management Implications

22.1 There are no specific risks or opportunities as a result of this report

23.0 People Impact Assessment (PIA):

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

24.0 Other Corporate Implications

Community Safety

24.1 None

Sustainability

24.2 None

Staffing & Trade Union

24.3 None