

Gloucester City Council

| | | | |
|-------------------------|---|--|---------------------|
| Meeting: | Cabinet | Date: | 13 June 2018 |
| Subject: | Financial Outturn 2017/18 | | |
| Report Of: | Cabinet Member for Performance and Resources | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | No |
| Contact Officer: | Andrew Cummings, Accountancy Manager | | |
| | Email: | Andrew.cummings@gloucester.gov.uk | Tel: 396231 |
| Appendices: | 1. Detailed Performance by Portfolio | | |
| | 2. Capital Outturn | | |
| | 3. Savings Performance | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform members of the final Council position against agreed budgets for the 2017/18 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 Cabinet is asked to **RESOLVE** that:

(1) it be noted that:

- i. The savings achieved in year total £1.849m
- ii. The year-end position for the financial year 2017/18 is a decrease of the General Fund balance by £19k
- iii. The General Fund balance has decreased from £1.655m to £1.636m at the end of 2017/18.
- iv. That the level of earmarked reserves has reduced by £64k to £4.205m.

(2) The transfers to and from earmarked reserves as detailed in the table in section 6 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 2017/18 outturn of the Council. The report focuses on the major changes which have occurred since Quarter 3 reporting, as the majority of savings/pressures had already been reported at that stage.
- 3.2 The reported position at Quarter 3 was to decrease the general fund by £38k, which has improved by £19k to just £19k at year end.
- 3.4 The savings target for 2017/18 was £1.649 million. A further £483k of savings unachieved in 2016/17 was added to that target to give an overall savings target of £2.132 million. Savings actually achieved total £1.849m, representing over 10% of the net revenue budget for the previous year. Where savings targets have not been achieved these will be delivered in 2018/19. Appendix 3 provides further details.
- 3.5 The small decrease in General Fund is a strong achievement against the background of such a large savings target and reduction in funding from the previous financial year.

4.0 Whole Council Summary

- 4.1 A summary table below shows the outturn position for the Council by cabinet portfolio. Appendix 1 provides the breakdown of the totals within each portfolio.

| Council Summary | 17/18 | | Final | | |
|--------------------------------|------------|-----------|-----------|-----------|-------------|
| | Budget | Forecast | Variance | Q3 | Change |
| Regeneration and Economy | (2,036) | (1,836) | 200 | 197 | 3 |
| Communities and Neighbourhoods | 705 | 619 | (86) | (15) | (71) |
| Performance and Resources | 4,997 | 5,157 | 160 | (19) | 179 |
| Culture | 1,093 | 1,449 | 357 | 262 | 95 |
| Planning and Housing | 1,146 | 1,426 | 280 | 246 | 34 |
| Environment | 3,515 | 3,613 | 98 | (36) | 135 |
| Corporate and Funding | (9,419) | (10,409) | (990) | (597) | (393) |
| Total | (0) | 19 | 19 | 38 | (19) |

- 4.2 The small decrease in General Fund is a strong achievement against the background of such a large savings target and reduction in funding from the previous financial year. The General Fund and earmarked reserves balance continue to put the Council in a strong financial position in the uncertain climate of Local Authority funding.
- 4.3 All staff are changed in full to the service area they predominantly work within. There is no internal recharging within the Council.

5.0 Significant Changes from Areas previously reported

- 5.1 The spending on waste and streetcare has changed as a result of difference in the actual income received from the sale of recyclable material and the previously expected amounts. The forecasts for Quarter 3 were based upon on a jointly agreed, with Amey, worst case scenario for income of £699k. Amey's performance in the final quarter did not deliver this outcome and instead income received was only £446k. This has delivered an additional cost to the Environment portfolio of over £200k, pushing it from a previously expected surplus to a deficit. The authority is taking steps to recover this money from Amey and any sums recovered will be a benefit to the Council in 2018/19.
- 5.2 The Kings Walk property deal entered into by the Council earlier in the year involves a lease arrangement where the Council has a commitment to pay future rentals for the centre. The Council received some funds on completion as part of this arrangement. It has always been the intention to put the vast majority of these funds to one side to protect the Council from risk in future years. There has been extensive discussion with the external auditors to determine the best way of doing this. The current position is that the Council has put an additional £400k to one side than was anticipated at Quarter 3. As a key regeneration project the impact of this on the General Fund has been offset by the Business Rates Pool income. There remains a possibility that the exact technical nature of the accounting for the deal may change during the audit of accounts process but no adverse impact on the General Fund is anticipated.
- 5.3 There has been a considerable increase in the cost of providing Housing Subsidy during the year. This has resulted in an increase in the over spend of £252k in the final quarter. This cost is out of the Council's control and is likely to change in the future with the continued implementation of Universal Credit. In recognition of this pressure some additional money has been built into the 2018/19 Money Plan and more is likely to be considered in future years.
- 5.4 The cost of IT provision has fallen significantly in the quarter. This is a result of the identification of costs which can correctly be charged to the capital budget and also those license costs where a portion relates to 2018/19. This service remains an area of significant spend for the Council and will be closely monitored during the upcoming financial year.
- 5.5 The increase in costs in financial and corporate is a result of the corporate bad debt provision. At each financial year end the Council puts money aside to cover outstanding debtors where it may not be possible to recover the full amount. This is standard and good financial practice. The level of provision has increased by £100k in this financial year and this is reflected in the year end outturn.
- 5.6 The forecasts for spend on temporary accommodation have been reported as a pressure for all of the 2017/18 year. This has remained the case at outturn and the overspend has increased. This is a result of additional backlog invoices being received from providers of temporary accommodation. The Council's grant for prevention of homelessness has been used in full to offset the pressures around temporary accommodation spend in this year.

- 5.7 Grant money relating to the Social Impact Bond and the entrenched rough sleepers programme has been received in 2017/18 and this has resulted in a reduction in expenditure within the wider area of Housing Strategy and Social Impact Bond.
- 5.8 Planning income has fallen below the previously forecast levels. At Quarter 3 income for the service, excluding grants, was expected to be £609k. The final position was £526k. This fall of £83k is reflected in the final outturn of the service. Significant restructuring has taken place which should allow the maximisation of income generation abilities in 2018/19.
- 5.9 Parking performance has improved considerably in the final quarter and has recorded an overall surplus against budget. The improvement is a result of the tariff adjustment bringing income up to budgeted levels. The overall surplus is a result of the Kings Walk deal removing the Council's rent liability on that car park.
- 5.10 The profit targets for a number of areas of Commercial activity at the Guildhall were not met during the year. As an issue this had previously been reported but the final profit was not at the performance level anticipated at Quarter 3. The primary areas of budget pressure are live events and room lettings. A review of the programme is underway to ensure that profits can be maximised.
- 5.11 It had previously been reported that the profit at the Tourist Information Centre shop would reach budgeted levels. The position at the final quarter was a profit of £17k against a budget of £74k. This is a significant swing against forecast and the performance is currently being reviewed to ensure the situation is resolved in 2018/19.
- 5.12 The increase in the cost of the Aspire Client is predominantly due to repair costs for equipment in GL1, most particularly the Combined Heat and Power unit. The Council has the responsibility for repairs at GL1 and these costs are not recoverable from Aspire.
- 5.13 The increased income within the Corporate and Funding line is largely attributable to income from the Business Rates pool.

6.0 Movement in Earmarked Reserves

- 6.1 Earmarked reserves play a key part of the year end process. The Council has drawn down previously reserved funds to pay for their intended usage during 2017/18 and in a number of cases has been able to increase balances to pay for services in future years. The Council continues to hold an earmarked reserve balance of over £4.2m. The balances and in year movement are summarised in the following table.

| Reserve Name | Opening Balance | In-Year Movement | Closing Balance |
|--------------------|-----------------|------------------|-----------------|
| Insurance | 10 | 0 | 10 |
| Shopmobility | 28 | 0 | 28 |
| Historic Buildings | 53 | 0 | 53 |
| Lottery | 0 | 19 | 19 |
| Stock Transfer | 1,000 | 0 | 1,000 |
| Other Leisure | 4 | 0 | 4 |

| | | | |
|-----------------------|--------------|-------------|--------------|
| Members Allocation | 4 | (3) | 1 |
| Repairs | 400 | 0 | 400 |
| Regeneration | 553 | (117) | 436 |
| Pension Contingency | 0 | 0 | 0 |
| VAT Shelter | 513 | 223 | 736 |
| Housing Survey | 48 | 13 | 61 |
| Trading | 50 | 0 | 50 |
| Commuted Sums | 882 | (80) | 802 |
| Planning Grant | 30 | 35 | 65 |
| Participatory Budget | 15 | 0 | 15 |
| Community Builder | 30 | 55 | 85 |
| Economic Development | 20 | 0 | 20 |
| Flooding Works | 10 | 0 | 10 |
| Business Rates | 620 | (302) | 318 |
| Great Place | 0 | 93 | 93 |
| Reserves Total | 4,270 | (64) | 4,206 |

- 6.2 There has been a net draw down from the regeneration reserve in the year. The net surplus from the SWRDA assets generated £266k to contribute to the reserve. Major expenditure in the year included £259k on Kings Quarter regeneration, £63k support towards project pilgrim and money for both Llanthony Priory and work on creating the Digital High Street. This has resulted in an overall net usage of the reserve of £117k. This was anticipated in forecasts for the reserve and the balance will continue to be used to support future regeneration work, most particularly Kings Quarter.
- 6.3 The authority continues to receive funding relating to the arrangement for a “VAT shelter” relating to the Housing Stock transfer of 2015. In 2017/18 funding of £273k was received. £50k of this was allocated to the Council’s repairs reserve with the remainder being transferred to the VAT shelter reserve for use in future years
- 6.4 The repairs reserve began the year with a balance of £400k. In year there has been £50k used on repair works. There was a £20k transfer to pay for works on Properties within the Cultural and Trading portfolio, particularly the Life Museum, and £30k used to support general repair works on other buildings. The £50k top up from VAT shelter receipts ensures the year-end balance remains at £400k.
- 6.5 Historic unused grant balances relating to Community Wellbeing have been pooled and transferred into the Community Builder Reserve. The balance of this reserve now stands at £85k and can be used to fund future Community Building work.
- 6.6 The Lottery Reserve holds the balance of sums raised by the lottery for distribution to charitable organisations in the future. There is £19k for distribution. This is in addition to funds raised through the lottery directly for the support of participating charities.
- 6.7 The Commuted Sums reserve holds sums received from developers to pay for grounds maintenance and environmental works in future years. There have been no new sums received in 2017/18 and a portion of the reserve has been used, as intended, to pay for in-year work.

6.8 The Great Place reserve holds the currently unused balance of grant funding for the Great Place project administered by the Culture Trust. This money will be transferred to the Culture Trust during 2018/19.

7.0 Capital Programme

7.1 The outturn position for the Capital Programme is £7.763m against the budget for the year of £11.492m (including Kings Walk enhancements). Expenditure for 2017/18 has included £4.4m on the Kings Quarter Development of which over £3.5m has been on the two main contracts the highways and construction works on the new bus station.

7.2 In addition to capital spend, this year the authority recognised an asset on the balance sheet at the inception of the Kings Walk deal to reflect the future lease payments it will make. This asset acquisition had a cost of £51m and represents an estimate of the current value of 45 years of lease payments. It will be funded by the rentals received from the retail units at the centre.

7.3 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

7.4 A summarised table for the Capital Programme is shown as Appendix 2.

8.0 Prompt payment performance

8.1 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, 95% of invoices received in the year were paid within 30 days of receipt (93% in 2016/17) and the average number of days to pay an invoice was 6 (9 in 2016/17).

| | Q 1 | | Q 2 | | Q 3 | | Q 4 | | TOTAL | |
|---------------------|-------|-----|-------|-----|-------|-----|-------|-----|--------------|------------|
| Paid within 5 days | 1,526 | 82% | 1,282 | 79% | 1,338 | 80% | 1,342 | 71% | 5,488 | 78% |
| Paid within 10 days | 1,665 | 89% | 1,438 | 88% | 1,461 | 88% | 1,472 | 78% | 6,036 | 86% |
| Paid within 30 days | 1,805 | 97% | 1,569 | 96% | 1,604 | 96% | 1,727 | 92% | 6,705 | 95% |
| Paid over 30 days | 65 | 3% | 58 | 4% | 63 | 4% | 156 | 8% | 342 | 5% |
| Total Invoices paid | 1,870 | | 1,627 | | 1,666 | | 1,883 | | 7,047 | |
| Average Days to Pay | 5 | | 5 | | 6 | | 9 | | 6 | |

9.0 Asset Based Community Development (ABCD) Considerations

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

10.0 Alternative Options Considered

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

11.0 Reasons for Recommendations

11.1 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.

12.0 Future Work and Conclusions

12.1 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.

13.0 Financial Implications

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

14.0 Legal Implications

14.1 There are no legal implications from this report
(One Legal have been consulted in the preparation this report.)

15.0 Risk & Opportunity Management Implications

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

16.0 People Impact Assessment (PIA):

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

17.0 Other Corporate Implications

Community Safety

17.1 None

Sustainability

17.2 None

Staffing & Trade Union

17.3 None

Background Documents: None