

Gloucester City Council

Meeting:	Cabinet	Date:	10 July 2019
Subject:	Financial Outturn 2018/19		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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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 2018/19 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 year-end position for the financial year 2018/19 is an increase to the General Fund balance of £37k.
 - ii. The General Fund balance has increased from £1.636m to £1.673m at the end of 2018/19.
 - iii. The savings achieved in year total £150k.
 - iv. That the level of earmarked reserves has reduced by £152k to £4.567m.
- (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 2018/19 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 increase the general fund by £95k, which has weakened slightly by £58k to an increase of £37k at year end.
- 3.3 The savings target for 2018/19 was £200k. A further £147k of savings unachieved in 2017/18 was added to that target to give an overall savings target of £347k. Savings actually achieved in the year total £150k. Where savings targets have not been achieved these will be delivered in 2019/20, or have been addressed through amendments to the 2019/20 budget. Appendix 3 provides further details.
- 3.4 The small increase in the General Fund has been achieved against the background of continued savings targets and reductions in funding from prior years.

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	18/19	Actual	Final	Q3	Change
	Budget		Variance		
Regeneration and Economy	(2,824)	(2,402)	422	75	347
Communities and Neighbourhoods	1,378	1,702	325	235	90
Performance and Resources	5,325	5,516	192	(136)	328
Culture	770	1,180	410	382	28
Planning and Housing	167	113	(53)	(52)	(1)
Environment	4,005	3,562	(443)	(132)	(311)
Corporate and Funding	(8,983)	(9,709)	(726)	(304)	(422)
Total	(163)	(37)	126	68	58

- 4.2 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.

5.0 Significant Changes from Areas previously reported

Regeneration and Economy

- 5.1 The Asset Management service returned an adverse position of £210k; primarily as a result of reduced income from the Grosvenor House and Kings House properties as tenants move out. A continued reduced income level is to be expected in the short term whilst the project to regenerate Kings Square and Kings Walk progresses. There was a significant level of one-off repair costs incurred during the year of which £297k have been met from the Repairs Reserve.
- 5.2 The performance of the Markets and Street Trading area improved during the final quarter such that the deficit to budget for the year held steady at the £136k flagged in earlier quarterly reports.

Communities and Neighbourhoods

- 5.3 The forecasts for spend on temporary accommodation have been reported as a pressure throughout the 2018/19 year. As noted at Q3, the Council continues to experience significant costs in relation to the placing of homeless families in temporary accommodation; many of whom have complex needs. This is largely due to a general shortage of social rented housing or affordable rented housing. This has remained the case at outturn and the overspend increased to £310k, of which £250k was met from the VAT shelter reserve.
- 5.4 These increased costs are partly recoverable through the housing benefit system and positive steps have been taken during the year to ensure that the amounts recovered are being maximised.
- 5.5 A Flexible Homelessness Prevention Grant was received from Government and much of this was used to fund the in-year costs, as well as to develop alternative sources of temporary accommodation provision to reduce pressures in the longer term. Officers are currently identifying and evaluating a variety of potential projects with the aim of reducing expenditure and budget pressures in this area.

Performance and Resources

- 5.6 There has been a significant increase in the cost of providing Housing Subsidy during the year. As noted in the Q3 reporting the Council manage more than £42m of housing subsidy and benefit payments and the smallest percentage change can have a significant impact on the final outturn. The final quarter saw an adverse movement to this balance of £307k which has resulted in a final overspend position of £262k. This cost is out of the Council's control and has continued change across 2018/19 with the continued implementation of Universal Credit.
- 5.7 The increase to 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 £87k in this financial year and this is reflected in the year end outturn.

Culture

- 5.8 The Culture and Trading area has been reported throughout the year as experiencing significant budget pressures in the achievement of its income targets. The final outturn for this portfolio was adverse to budget by £410k.
- 5.9 These continued into the final quarter but to a lesser extent because of the actions taken to improve performance and some projects approaching their conclusion. These included works on the Life Museum in preparation for its transfer to Gloucester Historic Buildings in early 2019/20 and preparation for the relocation of the Tourist Information Service from its office on Southgate to the Museum of Gloucester from 1 April 2019.

- 5.10 During the year the activities of this portfolio have continued to be reviewed and it should be noted that the net spend has decreased by £268k in comparison to the outturn position for 2017/18, with the service managers looking to improve this further. Positive steps were also taken in the 2019/20 budget setting process to reduce the budget pressures on this portfolio.

Planning and Housing

- 5.11 This portfolio exceeded its income targets by £53k during the year. Income from Planning Fees was the main source of funding for the service.

Environment

- 5.12 The Crematorium during 2018/19, benefitted from the operational difficulties encountered at Cheltenham crematorium meaning a higher than usual level of activity at Gloucester. This has led to it exceeding its income budget by £247k, an additional £66k over the forecast outturn at Q3.
- 5.17 The spending on waste and streetcare has improved because of improved income from the provision of additional services to show an under spend of £109k. However, the outturn position on the Amey contract is reliant upon the level of income achieved from the sale of recyclable material and, based on information received from Amey, similar to last year there is a shortfall in this income. The Council is continuing to take robust actions to improve the position in relation to this income source and to improve the performance of Amey.

Corporate and Funding

- 5.18 The increased income within the Corporate and Funding line is largely attributable to income from the Business Rates pool. The Council along with all Gloucestershire Councils was a member of an 100% business rates retention pilot during 2018/19. The benefit of this pilot to the Council was £909k which in accordance with the Council's Money Plan has been transferred to reserves.

6.0 Movement in Earmarked Reserves

- 6.1 The Council has drawn down previously reserved funds to pay for their intended usage during 2018/19 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 £4.5m. The balances and in year movement are summarised in the following table.

Reserve Name	Opening Balance	Transfers Out	Transfers in	Closing Balance
Insurance	10	-	-	10
Shopmobility	29	-	-	29
Historic Buildings	53	-	-	53
Lottery	19	-	-	19
Environmental Insurance	1,000	-	-	1,000
Other Leisure	4	-	-	4
Members Allocation	1	-	-	1
Repairs	400	297	-	103
Regeneration	435	563	329	201
VAT Shelter	736	250	230	716
Housing Survey	60	-	-	60
Trading	50	-	-	50
Commuted Sums	801	33	-	768
Planning Grant	65	30	-	35
Participatory Budget	15	-	-	15
Community Builder	85	-	-	85
Economic Dev Grant	20	-	-	20
Flooding Works	10	-	-	10
Business Rates	834	769	909	974
Great Place	93	-	-	93
Museum Bequest	-	-	305	305
EU Exit Reserve	-	-	17	17
Reserves Total	4,720	1,942	1,790	4,568

- 6.2 There has been a net draw down from the regeneration reserve in the year. The net surplus from the SWRDA assets generated £329k to contribute to the reserve. The reserve was earmarked to contribute towards the Councils regeneration projects in 18/19, £564k was spent in year towards this project leaving an overall net usage of the reserve of £234k. This was anticipated in forecasts for the reserve and the balance will continue to be used to support future regeneration work.
- 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 2018/19 funding of £230k was received. £250k was allocated from the reserve to contribute towards costs associated with homelessness within the Housing Service. The reserve retains £715k for use in future years. £400k of this reserve has been earmarked for the development of Black Dog Way.

- 6.4 The repairs reserve began the year with a balance of £400k. In year there has been £297k used on repair works, the year end balance stands at £103k for future years.
- 6.5 The authority utilised £768k from the Business Rates Reserve to fund transformation projects as reported to Cabinet in September 2018. A further £909k was allocated to the reserve in 18/19 meaning the Council retains £973k, this allocation to the reserve is the benefit of the 100% Business Rates pilot.
- 6.6 The Museum Bequest reserve reflects funds bequeathed to the Council for use within the Museums service.
- 6.7 The Commuted Sums reserve holds sums received from developers to pay for grounds maintenance and environmental works in future years. The Council received £49k in 2018/19. £83k of the reserve has been used, as intended, to pay for in-year work.
- 6.8 Planning Grant Reserve holds sums to meet the costs of self build and brownfield registers, £30k was utilised in 2018/19.
- 6.9 EU Exit Reserve holds sums provided from Central Government towards future costs associated with the United Kingdom's managed withdrawal from the European Union.

7.0 Capital Programme

- 7.1 The outturn position for the Capital Programme is £7.955m against the budget for the year of £7.402m. The overspend was the result of expenditure on projects within the approved five year capital programme which were brought forward into 2018/19.
- 7.2 Expenditure for 2018/19 includes £4.4m on the Kings Quarter Development which includes funds earmarked under the regeneration reserves to deliver this project. Expenditure on ICT projects providing technology and equipment to enable the Council to move forward and become more agile as part of the wider transformation project was £1.4m. The £0.338m spend on Building Improvements includes costs associated with the relocation project at 92-94 Westgate Street funded via reserves under the transformation project. Expenditure on Kings Walk is funded via the initial transfer agreement which enables the Council to drawdown funds to meet expenditure.
- 7.2 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
- 7.3 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, 93% of invoices received in the year were paid within 30 days of receipt (95% in 2017/18) and the average number of days to pay an invoice was 7 (6 in 2017/18).

	Q 1		Q 2		Q 3		Q 4		TOTAL	
Paid within 5 days	1,458	76%	1,328	69%	1,514	72%	1,568	78%	5,868	74%
Paid within 10 days	1,679	88%	1,538	80%	1,709	82%	1,788	89%	6,714	85%
Paid within 30 days	1,847	97%	1,704	89%	1,909	91%	1,920	96%	7,380	93%
Paid over 30 days	65	3%	214	11%	181	9%	80	4%	540	7%
Total Invoices paid	1,912		1,918		2,090		2,000		7,920	
Average Days to Pay	6		9		8		6		7	

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