

STRATEGY AND RESOURCES COMMITTEE

24 MAY 2018

6b

Report Title	GENERAL FUND REVENUE OUTTURN REPORT 2017/18
Purpose of Report	To present to the Strategy and Resources Committee the final outturn position against the General Fund revenue budgets for 2017/18
Decision(s)	<p>The Committee RESOLVES</p> <p>a) to note the General Fund Revenue Outturn for 2017/18, as shown in Table 1 and Table 2.</p> <p>b) to approve the transfers to and from earmarked reserves for the year, as set out in table 6.</p> <p>c) to approve the budgets to be carried forward to 2018/19, as set out in Table 3.</p>
Consultation and Feedback	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.
Financial Implications & Risk Assessment	<p>The report sets out the outturn position on the General Fund. There are a number of variations between General Fund revenue budgets and the final outturn. Overall, the General Fund outturn position has improved since the last budget monitor report to the committee in April 2018.</p> <p>Additional income from Business Rates, a significant level of additional income from The Pulse, and a number of other areas have contributed to an overall underspend position this year.</p> <p>As members will recall, there are still significant unfunded budget pressures facing the General Fund in 2018/19, and the level of funding the Council will have beyond 2019/20 is extremely uncertain.</p> <p>Therefore, this report proposes to transfer the underspend to specific earmarked reserves to mitigate budget pressures and provide risk mitigation for the 100% Business Rate Pilot.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>

Legal Implications	This report is part of the final annual accounting process for 2017/18; the Council being under a legal duty to review its budget in line with anticipated and approved budgets through the year. Karen Trickey, Head of Legal Services (rcd11.5c14.5d10.5)
Report Author	David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.staney@stroud.gov.uk
Options	None.
Performance Management Follow Up	The outturn position will be taken into account when the budget for 2019/20 is prepared later in the year. The change to balances and reserve levels will be incorporated into an updated Medium Term Financial Plan that will be presented as part of the Budget Strategy report to the committee in October.

Background

1. This report sets out the final outturn position for the 2017/18 financial year and considers changes to balances and reserves. This report is to provide members with a more detailed view of the performance against the General Fund revenue budget for 2017/18.
2. **Due to the complexity of some of the issues dealt with within the report and the volume of information, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.**

General Fund Revenue Budget outturn position

3. The revised General Fund Revenue budget for 2017/18, as approved by Council in January 2018 was £15.061m. The final outturn position for the year is £15.995m.
4. The April 2018 budget monitoring report to Strategy and Resources committee anticipated that there would be an underspend of (£416k) on service revenue expenditure before carry forwards. The final outturn position is £16.858m resulting in a net underspend of (£355k). After taking into account non-service revenue expenditure and funding, there is a variation of (£7k). Table 1 shows a summary of the outturn position and the revised General Fund balances position.

Table 1 – General Fund Outturn Summary

GENERAL FUND	Para Refs	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Actual Outturn (£'000)	2017/18 Outturn Variance (£'000)
Community Services Committee	6-12	3,701	3,809	3,299	(510)
Housing Committee	13	562	573	512	(62)
Environment Committee	14-19	5,124	5,093	4,942	(151)
Strategy & Resources Committee	20-30	6,104	5,936	6,030	94
Accounting Adjustments		565	1,801	1,802	0
Less: Carry forwards		0	0	274	274
Net Service Revenue Expenditure		16,056	17,213	16,858	(355)
Other Operating Income & Expenditure			(2,152)	(863)	1,288
Funding from Govt Grants/Council Tax		0	(15,072)	(16,012)	(941)
TOTAL General Fund		16,056	(10)	(17)	(7)

(Table contains roundings which can affect the arithmetic accuracy of the figures.)

Note: In effect, the outturn variance of £7k will be transferred to the MTFP Equalisation Reserve, but is presented as a variation in this report

Table 2 – General Fund Outturn Detail

Community Services Committee	Para Refs	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Actual Outturn (£'000)	2017/18 Outturn Variance (£'000)
Community Safety	6	382	371	288	(83)
Youth Services	7	99	99	64	(35)
Grants to Voluntary Organisations		337	337	336	(2)
Licensing		(69)	(69)	(71)	(2)
Director (Customer Services)	8	132	132	168	36
Customer Services		386	386	372	(13)
Cultural Svcs - Arts and Culture	9	787	792	788	(4)
Cultural Svcs - Sport & Health Dev.	10	153	177	115	(62)
Cultural Svcs - Sports Centres	11	172	233	(25)	(257)
Public Spaces		1,037	1,067	1,052	(14)
Revenues and Benefits	12	284	284	211	(73)
Community Services TOTAL		3,701	3,809	3,299	(510)

Housing Committee	Para Refs	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Actual Outturn (£'000)	2017/18 Outturn Variance (£'000)
Housing (General Fund)	13	562	573	512	(62)

Reconciliation of CS&L / Housing Budget		4,263	4,382	3,810	(572)
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Environment Committee	Para Refs	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Actual Outturn (£'000)	2017/18 Outturn Variance (£'000)
Canal	14	7	7	139	132
Director (Development Services)		115	115	110	(5)
Head of Health and Wellbeing		69	69	71	2
Environmental Health	15	837	870	632	(238)
Statutory Building Control	16	168	168	3	(165)
Planning Strategy/Local Plan		319	304	297	(6)
Development Control	17	182	182	111	(71)
Economic Development	18	187	160	101	(59)
Carbon Management		93	71	34	(37)
Waste and Recycling	19	2,546	2,546	2,819	273
Street Cleansing	19	601	601	624	23
Environment TOTAL		5,124	5,093	4,942	(151)

Strategy & Resources Committee	Para Refs	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Actual Outturn (£'000)	2017/18 Outturn Variance (£'000)
Investment Assets	20	(19)	(13)	58	71
Other Assets		14	46	39	(6)
Car Parks	21	(422)	(416)	(527)	(111)
Head of Property Services		82	82	66	(16)
Property Services Team	22	337	326	305	(21)
Facilities Management	23	801	799	745	(54)
Democratic Representation and Management	24	440	418	380	(38)
Resources and Finance - Direct Spend	25	1,604	1,589	1,630	41
Chief Executive		189	189	196	7
Marketing		53	53	55	2
Director (Corporate Services)		46	46	53	7
Corporate Services (HR & BS)	26	577	538	580	42
Corporate Services (Legal)	27	616	585	517	(67)
Head of Finance		111	0	14	14
Financial Services	28	722	742	795	53
ICT & Business Projects	29	953	953	1,125	172
Strategy & Resources TOTAL		6,104	5,936	6,030	94

(Table contains roundings which can affect the arithmetic accuracy of the figures)

5. The outturn position is attributable to the items outlined in Table 2. The report headlines and more significant variations are summarised in themes below:

Additional Grant/External Funding

- Additional grant and external funding Flood prevention funding from Gloucestershire County Council and Environment Agency

Salary variations

- In year salary variations in relation to Community Safety, Subscription Rooms, Environmental Health, Building Control, Asset Management Team and Corporate Services. As previously reported to the committee, salary costs in relation to the Canal project were charged to revenue and funded from the overall net variation on salaries.

Additional Income

- Income surplus(es) have been achieved in relation to Dursley Pool Recycling Credits, income from Car Park charges, Building Control and Development Control

Carry Forwards

- Table 3 provides details of the carry forwards of £273k that have been requested. These are mainly concerned with the carry forward of matched funding from the council, or the continued roll-forward of a reduced balance of previous external funding.

Table 3 – Summary of Carry Forwards

Committee	Committee Subheading	Amount (£'000)
Revenue Budgets		
Community Services	Museum in the Park	2
Community Services	Youth Services	10
Community Services	Sports & Health Development	61
Environment	Environmental Health (Land Drainage)	141
GF Provisional Carry Forwards		214
Housing Committee		
Housing	Housing - General Fund	60
Total Provisional Carry Forwards		273

Table contains roundings which can affect the arithmetic accuracy of the figures.

Transfers to Reserves

- Table 4 provides a summary detail of the transfer to reserves (for budgets included in service revenue expenditure). The outturn figures in tables 1 and 2 are shown net of these transfers.

Table 4– Summary of Reserve Transfers

Committee	Committee Subheading	Amount (£'000)
Environment	Building Control	38
Environment	Planning Strategy	36
Environment	Community Infrastructure Levy	(65)
Strategy & Resources	Merrywalks car park	205
Strategy & Resources	Pension WFP	120
GF Transfer to Reserves		334
Housing Committee		
Housing - General Fund	Homelessness	65
Total Transfer to Reserves		399

COMMUNITY SERVICES AND LICENSING COMMITTEE

6. Community Safety – (£83k) underspend

(Mike Hammond 4447, mike.hammond@stroud.gov.uk)

This underspend is made up of several variances across the service.

Careline services – (£22k) underspend

The Careline service is currently run by 1.5 FTE staff. The service also had a maintenance contract with Tunstall that was costing in excess of £30k pa. An analysis was undertaken which proved it was more cost effective to renew faulty units with new machines if required. Officers now deal with all queries in house with the assistance of the on-call officer for facilities and the Neighbourhood Wardens. Following the Community Services review any permanent saving will be looked at as part of the revised budget setting process.

Neighbourhood Warden Service – (£30k) underspend

This variation is due to an in year salary saving for a Warden's post. The post has now been recruited to but with a delayed start date.

Car Park Enforcement – (£33k) underspend

The outturn variance includes an underspend within the salaries budget. It has been difficult to recruit to the team during the year despite an extensive recruitment campaign.. Due to the vacancy level in year, enforcement had reduced, resulting in a decrease in the number PCNs. Issued. Neighbourhood Wardens have provided interim support by incorporating an element of the workload into their normal shift patterns. The Car parking staffing team is now well established, with an increase in PCNs issued through enforcement.

There is an additional (£5k) saving on the Hardwicke Youth project which is proposed to be carried forward to 2018/19 to support the programme.

A small overspend has also arisen within Abandoned Vehicles, this is a reflection of the salary costs in dealing with the service for the authority. Costs for collection and disposal are recovered from the County Council.

7. Youth Services – (£35k) underspend

(Mike Hammond 4447, mike.hammond@stroud.gov.uk)

The youth participation support service contract was extended to the incumbent contractor to September 2017 with a procurement process to be undertaken for a 2.5 year contract, thereafter. This process took place throughout Q1 and Q2 of 2017/18 but the outcome was unsuccessful with no bids received. From October 2017 to March 2018, minimal delivery was carried out by two part-time project staff on a case by case basis.

8. Director (Customer Services) – £36k overspend

(Joanne Jordan 4005, joanne.jordan@[stroud.gov.uk](mailto:joanne.jordan@stroud.gov.uk))

This overspend is directly related to the project management support and associated costs of the Subscription Rooms review.

9. Cultural Svcs - Arts & Culture – (£4k) underspend

(Joanne Jordan 4005, joanne.jordan@[stroud.gov.uk](mailto:joanne.jordan@stroud.gov.uk))

Subscription Rooms – £45k overspend

The final outturn position is an overspend of £45k – a deterioration in the financial performance of the Subscription Rooms and a move from a projected underspend position to an overspend.

Clearly, this level of change in the forecast is not satisfactory, with the explanation being that the previous forecast overstated the potential income and did not fully take into account the costs associated with booking/running the arts and entertainment programme. The forecasting of the financial performance of the Sub Rooms will need to be improved over the 2018/19 financial year, with additional support from service management to the Sub Rooms team.

The narrative below explains the outturn variance in more detail.

A net overspend on events of £57k (event income has increased by £50k, however expenditure has overspent by £107k), building maintenance is overspent by £7k and there are general overspends of £7k. Salaries have underspent by (£26k).

The TIC have underspent by (£16k), which means that the net overspend on the whole Sub Rooms and TIC operation was £29k.

Tourism – (£13k) underspend

This variance is due to cumulative underspends across the Tourism budgets. Savings have been made due to a reduction in requests for contributions to support tourism initiatives, organisers have been encouraged to ensure that events are sustainable and self-sufficient.

Museum in the Park – (£20k) underspend/additional income

Additional income has been achieved across both commercial activities, and public programmes along with small collective underspends across all areas. A carry forward of £2k (external funding of an archaeological deposit) is proposed.

10. Cultural Svcs - Sport & Health Dev – (£62k) underspend

(Jane Bullows xtn 4322, jane.bullows@[stroud.gov.uk](mailto:jane.bullows@stroud.gov.uk))

(Jon Beckett xtn 4443, jon.beckett@[stroud.gov.uk](mailto:jon.beckett@stroud.gov.uk))

There are a number of variances that make up this underspend, mostly external funds that will support on-going projects in 2017/18. (£62k) of this underspend is proposed to be carried forward as all external funding.

(£11.5k) of external funding for the 'On Target' weight management and development connected to county weight management services.

(£1.5k) external funding is requested to be carried forward. For the Cycling4Health scheme for continued cycling development across the district.

(£2.4k) of external funding from Badminton England. This is funding for Stroud Community Badminton Development Plan.

(£2.5k) of External funding from GCC for Health Inequalities Project towards a grants scheme for local health & wellbeing projects.

(£43k) External funding from Gloucestershire County Council for the 'Strengthening Local Communities' project which will be spent over the next two years.

11. Cultural Svcs – (£257k) additional income

The Pulse Dursley – (£270k) additional income

(Angela Gillingham 01453 540995, angela.gillingham@stroud.gov.uk)

2017/18 has been a fantastic year of business for The Pulse. Targets have been exceeded in all areas and we would look to continue this direction going forward by adopting a structured and reactive approach to trends and community needs.

Looking to the future we plan to increase our social media awareness and improve aspects of our website to make it as accessible and interactive as it can be for present and future customers.

The forecast for the budget was based on the original business plan and income targets for this financial year have been continually updated at each quarter to reflect the current performance. Going forward there will be historic data and trends to predict forecasts more accurately.

The additional income variation is directly attributable to the continued growth in the take up of both swimming lessons and gym memberships in 2017/18.

This has been achieved due to a planned approach to marketing of memberships and fitness classes, along with looking at 'up and coming' trends and staple favourites to reach a wider audience.

A 50 week programme has also been introduced for lessons and on line access for parents to top up lessons and view their children's progress.

An increase in demand for children's holiday activities has also realised additional income.

Continued staff development in swimming teaching and fitness enables the very best service to be offered to our cliental.

Stratford Park Leisure Centre - £21k overspend

(Mike Hammond 4447, mike.hammond@stroud.gov.uk)

This overspend relates to the feasibility study costs of £10k for the Stratford Park Lido project. These costs are not eligible to be treated as capital expenditure and have been charged to the revenue budget.

The remaining variance is to fund ongoing improvements to the centre identified in the PPMP (Planned, preventative maintenance plan).

12. Revenues and Benefits – (£73) underspend

(Simon Killen xtn 4013, simon.killen@stroud.gov.uk)

The outturn has identified salary savings within Revenue and Benefits. This is due to a number of vacancies arising within the team through retirement, general staff turnover and reduction of hours. Posts have not been filled permanently due to the work being absorbed within existing teams as well as utilising the CIVICA on-demand service, for off-site processing within Benefits.

Income surplus relates to the work undertaken around in-house enforcement (bailiffs) for Council Tax, Business Rates and Car Parking debts. This service was bought back in-house with estimated net income of £50k from this work for 2017/18.

The future remains uncertain within benefits, particularly as Universal Credit was rolled out in October 2017, the impact on demand and workload will be hard to capture in its infancy. The potential risk around workload is that there may be a decrease in the number of cases processed directly by the Revenues and Benefits team. However, the introduction of Universal Credit across the district may mean recipients move in/out of eligibility frequently during the year so the 'churn' within the system increases both in volume and complexity.

The subsidy system estimates are prepared using the actual data at a specific point in time, e.g. Initial forecast due in on 1st March will be prepared using figures April to January. Due to the large sums involved any variation will be a big figure, even if it is a small percentage. The estimate for this year 2017/18 was complicated by the fact that we knew Universal Credit (UC) full service was due to start on 04/10/2017, and there would be a gradual downward turn in Housing Benefit (HB) claims as people moved from HB to UC due to changes in their individual circumstances. Trying to estimate the rates of change has proved very difficult; we have no prior year data to use to try and estimate a trend. Coupled with the decrease in caseload is the fact that private rent thresholds have been frozen since 2016, and social housing rents are subject to a -1% decrease in core rents year on year 2016-2020. It is also worth noting that legislative changes to the way in which Homeless Housing Benefit claims are funded through the subsidy system, there is an increased cost to authority in the current year of around £57k as the subsidy no longer covers all of the Council's expenditure.

Housing Committee – (£62k) underspend

13. Housing Strategy – (£60k) underspend

(Pippa Stroud extn 4099, pippa.stroud@stroud.gov.uk)

£45k of the underspend is directly related to DCLG funding for the promotion of self build opportunities in line with the Self-build and Custom Housebuilding Act 2015. This will be allocated when there is site specific self build opportunities in the future. An additional grant of £14.6k has been received on behalf of the Stroud Beresford group. This amount is proposed to be carried forward to 2018/19.

Environment Committee

14. Canal - £132k overspend

(Dave Marshall xtn 4646, dave.marshall@stroud.gov.uk)

Additional expenditure on the Canal project relates to salaries of the Canal Project Team. Whilst an element of the staffing costs relates to volunteer-led work on the Stroudwater Connected phase, the outturn position on the General Fund suggested it was more prudent to charge these costs to revenue for 2017/18.

Work between Stonehouse and Brimscombe is virtually complete and the canal fully navigable to Bowbridge. Maintenance continues on some towpath work to improve access. The Heritage Lottery Fund has approved funding for the Development Stage of the community-led project to restore the canal between Stonehouse and Saul Junction. This development work is underway and will be complete by the end of 2019.

15. Environmental Health – (£238k) underspend/additional income

(Jon Beckett xtn 4443, jon.beckett@stroud.gov.uk)

There are a number of variations that make up this underspend.

Land Drainage – An (£81k) underspend is partly due to monies carried forward from previous years external funding from the County Council to fund land drainage enforcement work. It was intended to use the fund as matched funding for a bid for European funding for the Stroud valleys initiative, however the bid was not successful. This is proposed to be carried forward for future match funding projects.

The income surplus of (£60k) is a combination of funding from the Environment Agency for flood prevention projects and S.106 monies for flood prevention work. For various reasons outside the control of the council, the projects will not be ready for delivery this year. This is requested to be carried forward to 2018/19.

Contaminated Land – There has been a (£12k) saving due to fewer contaminated land samples requiring analysis this year and specialist consultancy services not being required.

Additional savings have been achieved generally across the service, the most significant being in relation to professional training and seminars which although not required this year, will be required in future years due to staff being recently employed in career development posts.

16. Statutory Building Control – (£165k) underspend/additional income

(Bowley xtn 4250, paul.bowley@stroud.gov.uk)

Gloucestershire Building Control Partnership is a shared service with Gloucester City Council and hosted by Stroud. The service is provided under the auspices of the Building Act 1984, an element of the service is in competition with the private sector. The shared service was established

on the 1st July 2015 and has resulted in an increase in income due to receiving applications from both Stroud and Gloucester areas.

There are in year salary savings of (£160k) as a result of 3 vacancies (Building Control Technician, Building Control Surveyor and a Principal post). Two of these posts have recently been filled. The Building Control Surveyor post will be reviewed against workload midway through 18/19. Any surplus/deficit will be transferred in to the trading account to re invest in the building control service.

17. Development Control – (£71k) underspend / additional income
(Geraldine LeCointe xtn 4233, geraldine.lecointe@stroud.gov.uk)

There are a number of reasons for the net variation on this budget which are outlined below.

Application Fees have achieved a healthy surplus of (£230k). 2018/19 will also include the full-year effect of the 20% increase in all planning application fees introduced through legislation in January 2018.

Salaries are overspent by £79k. This variance is a year on year cost to cover additional staff directly employed to manage the planning application workload, which shows no signs of decreasing. This overspend is offset against the income surplus referred to above.

The Council's existing pre-application fee charges are significantly less than neighbouring districts and do not reflect the actual cost to the Council of providing this service to the public. The intention is to increase fees, principally for larger scale developments. Pre-application fees were increased in April 2018. We intend to offer a high quality, efficient service, it is not anticipated that the fee increase will impact on the numbers of pre-application enquiries made, which is also increasing year on year.

Planning Appeal costs are £45k over budget. It is common for complex applications which do not accord with the local plan to go to appeal. Such appeals need to be defended robustly, which is expensive because of legal costs and specialist input. If appeal cases are not properly defended, this leaves the Council open to an award of costs, which will have to borne by the Council.

18. Economic Development – (£59k– underspend)
(Mark Russell, xtn 4305, mark.russell@stroud.gov.uk)

This variance is mainly due to cumulative underspends within Economic Development and Regeneration. In addition there is reserve funding to cover overheads within CIL that are not accounted for within the actual costs of this report.

19. Waste & Recycling – £273k overspend

Street Cleansing – £23k overspend

(Mike Hammond, xtn 4447, mike.hammond@stroud.gov.uk)

Section 151 Officer narrative

The overall financial position on the Multi Service contract continues to put pressure on the Council's finances in the current financial year and over the medium term. Members will recall that £1.15m of additional funding was allocated in 2016/17 to support the increased costs of the Multi-Service Contract with Ubico and mitigate risk on a number of income streams.

The 2017/18 outturn position shown in this report is a slightly improved from the previous forecast, but still represents a significant pull on the Council's resources. The net overspend on the Multi Service Contract is explained by the 2017/18 gross cost of the Ubico contract (£5.452m) which exceeds the available budget by around £820k. An additional £60k overspend has been forecast by Ubico (although we are still awaiting final confirmation), taking into account the additional income from Recycling Credits and the JWP Incentive Payment, there is a total projected net overspend on Multi-Service budgets of £295k. Members will recall that additional budget of £400k was approved for 2017/18.

The position for 2018/19 is likely to be worse for a number of reasons. The draft Ubico budget for 2018/19 shows an increase of £187k from £5.452m to £5.639m. This is, in part, offset by an improved level of income from incentive payments and recycling credits. Taking into account the planned reduction in the contingency budget of £200k (from £400k in 2017/18 to £200k in 2018/19), it was initially forecast that the Multi Service Contract will be overspent by £595k. However, with reduced expenditure and service provision in a number of areas (e.g. Building Cleaning, Grounds Maintenance), it is forecast that the gross expenditure through the Ubico contract will stabilise to around £5.4m in 2018/19.

Managers are currently in detailed discussions with Ubico around a range of options so that decisions can be made around the service provision that seeks to mitigate inflationary pressures in future years. It is likely that the MTFP will need to reflect a higher base budget and will be included in the Budget Strategy report to Strategy and Resources committee in October 2018.

Therefore, it is considered prudent to set aside funding in an earmarked reserve to provide some mitigating budgetary support whilst service provision options to reduce costs are reviewed and implemented. A transfer of £600k is proposed.

Budget holder narrative

A more favourable outturn variance compared to the Q3 forecast has been achieved. There are a number of factors which contribute towards this. Increased income than previously predicted from the 'Joint Waste Partnership (JWP) Incentive payment' which supports the reduction in landfill waste through incentive payments; this reduction in overall waste,

diversion of recycling materials, food waste and garden waste all contribute towards the desired aim. The forecast income demonstrates the success of the service as a whole. Whilst not to the same degree, additional income has also been generated through recycling credits. In addition to this Ubico forecast for expenditure was lower than originally expected due to the continued efforts of both SDC and Ubico to reduce costs. With the combined efforts of the Task & Finish group greater savings and efficiencies are being worked on for the 18/19 financial year.

STRATEGY AND RESOURCES COMMITTEE

20. Investment Asset – £71k overspend

(Alison Fisk xtn 4430) alison.fisk@stroud.gov.uk)

This variance is attributable to Phase 4 Oldends Lane Industrial Estate. There are currently two vacant units which are on the market, as a result there is a shortfall in income. The units are proving more difficult to let than usual because the Councils head lease expires in 2 years so only short term leases can be offered. In addition there is some non-recoverable expenditure that the Council has to fund because of the two vacant units.

21. Car Parks – (£111k) additional income

(Mike Hammond xtn 4447) mike.hammond@stroud.gov.uk)

The additional revenue is due to an increase in tariffs which were introduced in October 2017. As part of the budget setting process the budgets were adjusted to reflect additional proposed income for 2018/19, with any additional income in 2017/18 treated as 'windfall'.

22. Property Services Team – (£21k) underspend

(Alison Fisk), xtn 4430 alison.fisk@stroud.gov.uk)

The underspend of (£16k) is directly related to salaries within Property Services. This is an in year salary saving due to vacancies arising for a Business Support Officer post. The service has recently undertaken a review of its establishment and a new approved structure has been implemented. Any permanent savings were dealt with within phase 1 of the workforce plan. The remaining variation is additional income received from the S106 Coopers Edge agreement for SDC's Officers' professional fees.

23. Facilities Management – (£54k) underspend/additional income

(Mike Hammond xtn 4447) mike.hammond@stroud.gov.uk)

There is a (£24k) saving within salaries due to a number of in-year vacancies. The structure formed part of the review of the workforce plan.

The remaining variance is attributable to an improved level of income from the letting BB3 than was originally anticipated in 2017/18.

24. Democratic Representation and Management - (£38k) underspend

(Karen Trickey, xtn 4369, karen.trickey@stroud.gov.uk)

(Hannah Emery, xtn 4383), hannah.emery@stroud.gov.uk)

Members Expenses – (£31k) underspend

There is a general underspend on a range of costs within the service. The two main areas are around 'other course & seminars' and 'internal catering'. A reduction to these budgets has been reflected in the 2018/19 budget setting process.

The remaining variance is due to cumulative small underspends within Elections and Democratic Representation and Management.

25. Resources & Finance – Direct Spend - £41k overspend

(David Stanley xtn 4100), david.stanley@stroud.gov.uk)

The variation on the direct spend budgets largely relates to a minor overspend on pension costs in year and an associated past service cost adjustment. The council has an ongoing liability to pay discretionary payments from the pension fund for historic workforce planning decisions.

26. Corporate Services – £42k overspend

(HR (52k) underspend – (Lucy Powell xtn 4286) lucy.powell@stroud.gov.uk)

(Business Services £181k overspend – Tim Power xtn 4155, tim.power@stroud.gov.uk)

There are a number of larger offsetting variances that need to be considered.

Within HR there are two main areas of underspend, (£32k) of the variance is related to vacant corporate apprentice posts and (£17k) on Skills for Stroud budget, which includes the cost of delivering the Ambitions career event.

The remaining variance are costs associated with the staffing resource of the Change Team of £180k, with a proportion of this being offset from the previous Policy & Review team budget of (£89k). For 2018/19, the costs associated with the Change Team must be met from the delivery of the savings target (£100k).

27. Corporate Services – Legal (£67k) underspend

(Karen Trickey, xtn 4369, karen.trickey@stroud.gov.uk)

The salary variation of (£40k) is in relation to two career graded posts and a third post that is currently on phased retirement. There have been additional savings from backfilling maternity leave by an increase in grade of an existing post.

There is a general underspend within Democratic Services of (£27k) over a cumulative range of costs. These areas of savings have been reflected in the 2018/19 budget setting process.

28. Financial Services – £53k overspend

(David Stanley xtn 4100), david.stanley@stroud.gov.uk)

The variation is attributable to ongoing support from an external 3rd party consultant prior to the major system upgrade of the Council's Agresso financial system including an improved business continuity position through a 'cloud-hosted' system. Considerable work has been required during the year to ensure that the current version of Agresso remains stable and functional.

The remaining element of the variation relates to additional staffing and recruitment costs for the Principal Accountant role, and transitional support for the 2016/17 Statement of Accounts.

29. ICT – £172k additional expenditure

(Mark Fisher xtn 4258, mark.fisher@stroud.gov.uk)

(Sean Ditchburn xtn 4256. sean.ditchburn@stroud.gov.uk)

This overspend is made up of two major variances.

ICT - £233k overspend

£122k is directly related to salaries. There has been an exceptionally high turnover of staff over the last year and recruitment of new staff has been particularly difficult in the current market. In order to run a 'business as usual' service, contractors have been employed to cover these vacancies. The two contractor posts currently cover two vacant STR6 posts, Principal Network Security Officer and a Principal Infrastructure Officer. There are also unbudgeted salary costs relating to the Head of ICT and Development Projects.

The additional overspend of £111k is due to the MS Office Licence annual maintenance costs that have increased sharply over the last few years and the ICON cloud based software solution. Members will recall that these budgets have been increased as part of the budget setting process for 2018/19 to ensure IT software is fit for purpose to deliver efficient and effective services in the future.

Whilst it does not directly impact on the outturn position for ICT, the Statement of Accounts will reflect a contingent liability of £120k in relation to a licensing issue with Microsoft. No direct provision will be made for this in the accounts due to the adequate level of balances and reserves.

(A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. A contingent liability is recorded in the accounting records if the contingency is probable and the amount of the liability can be reasonably estimated)

Business Projects – (£61k) underspend

This underspend is the vacant Business Development Officer post. This saving will offset the unbudgeted salary costs within ICT.

30. Corporate Income and Expenditure

(David Stanley xtn 4100, david.stanley@stroud.gov.uk)

The variation reported on this line refers to the additional £400k of budget provision that was made to support the Multi-Service contract. Rather than allocate directly to the service budget, it has been held as a contingency to ensure members are aware of the underlying budget variation against the contract.

When taken against the variations reported within Environment committee's budgets, it could be seen that the Multi-Service contract is

working within the increased level of resource. However, members should also note that this additional resource has reduced from £400k in 2017/18 to £200k in 2018/19. As such, further action will be required from the budget holder to ensure the contract can remain close to or within its revised budget allocation next financial year.

To mitigate against this unbudgeted cost pressure, it is proposed that £600k is transferred to the Waste Management reserve to provide additional funding over the next 18 months whilst corrective management action is put in place to put the contract on a more sustainable financial footing.

As indicated in the last budget monitoring report to Strategy and Resources committee in April 2018, a further £250k is to be transferred to the Workforce Planning reserve to provide further resources to fund costs associated with the Workforce plan. These costs are likely to be significant over the medium term, and a further review of the level of resource required to implement the workforce plan will be undertaken in the first half of the financial year and reported to members as part of the Budget Strategy in October 2018.

Business Rates

Funding

There are two significant funding variations concerning business rates – Stroud's financial performance as the billing authority and the pool position.

Firstly, the financial performance on business rates has remained robust during the year, with the level of business rates income holding-up well. Members may recall that the government introduced a number of additional business rates reliefs in the March 2017 budget. As a result, the level of Section 31 grant received as compensation for the loss of business rates income is significantly greater. Whilst it was expected to be relatively cash neutral (i.e. reduced business rates income, increased s31 compensation), the overall position on business rates is a net surplus of £355k.

Gloucestershire Business Rates Pool

Based on the NNDR3 returns, the GBRP is reporting a surplus of £3.993m. This is predominantly due to an improved position across the majority pool members (in particular Gloucester and Stroud) and the consequential impact of the lower pool levy rate as a result of Tewkesbury leaving the pool in April 2016 **

In accordance with the Pool Governance agreement, the pool benefit has been distributed as follows:

- 20% to the Strategic Economic Development Fund
- Remaining balance split: 20% to County, 80% to Districts

Therefore, Stroud has received £561k of pool benefit in 2017/18 which was not budgeted for. A significant proportion (£500k) has been transferred to the Business Rates reserve to provide safety-net funding to smooth out any fluctuations in funding in future years.

Members will be aware that Gloucestershire is a 100% Business Rates Pilot for 2018/19 which provides the opportunity for £10m+ of additional business rates income to be retained across the County. However, there is additional risk associated with 100% rates retention, and the ongoing legal proceedings instigated by NHS Trusts remains a concern.

**** Note on Levy Rate**

The levy rate determines the amount of business rate growth that is payable back to Government. Outside of the business rates pool, Stroud would ordinarily pay a levy rate of 50%. However, the pool levy rate is reduced to 3.73% (as the levy is calculated at the pool level which includes all Gloucestershire councils with the exception of Tewkesbury).

Earmarked Reserves

The Council periodically reviews its reserves. With the changing nature of local government finance, a comprehensive review was undertaken as part of the budget setting process to realign general fund balance and reserve levels to reflect the financial pressures, risks and priorities of the Council.

As part of the budget setting process and review of the MTFP, together with statutory assessment by the S151 Officer, the need to hold a minimum level of general fund balances of £2m was advised as part of a risk based approach.

Earmarked reserves were also reviewed as set out in the report to Council on the 2018/19 Budget and Medium Term Financial Plan. The level of reserves have been reviewed as part of the General Fund outturn with a number of transfers made to specific earmarked reserves to mitigate cost and risk pressures identified in the Medium Term Financial Plan and the Capital Programme.

Table 6 sets out the final reserve balances, with table 5 below summarising the transfers to and from reserves proposed in this report.

Table 5

	Balance 01/04/2017 (£'000)	2017/18 Financing (£'000)	2017/18 Review (£'000)	Est. Balance 31/03/2018 (£'000)
Balance and Reserves				
GF Balances	(2,169)	0	0	(2,169)
Earmarked Reserves				
Capital	(5,835)	497	(700)	(6,038)
Revenue budget support	(6,000)	0	0	(6,000)
Risk	(281)	(500)	0	(781)
Equalisation	(138)	(316)	0	(454)
Other earmarked reserves	(2,386)	(1,303)	700	(2,989)
	(14,640)	(1,622)	0	(16,262)
TOTAL	(16,809)	(1,622)	0	(18,431)

For completeness, the transfers to/from the reserves are set out below:

- £600k to Waste Management reserve
- £500k to BRR Safety Net reserve
- £250k to Workforce Planning reserve
- £250k to MRP/Vol MRP Equalisation reserve
- £273k to Carry Forwards reserve (as set out in Table 4)
- £400k to other earmarked reserves (as set out in Table 4)

Note: A further transfer will be made in relation to the budgeted transfer to the MTFP equalisation reserve of £17k (as noted at the foot of Table 1). This hasn't been included in the table above for presentation purposes.

The remaining earmarked reserves have been identified and held for a series of specific purposes as set out in the Appendix. Clearly, should these funds not be required for the purposes currently set out, they could become available in future years to support the general fund position.

Table 6

Reserve Type	Earmarked Reserve	Purpose	Balance 01/04/2017 (£'000)	2017/18 Financing/ Outturn (£'000)	2017/18 Review (£'000)	Est. Balance 31/03/2018 (£'000)
Capital	Capital Reserve	Funding to support Capital Programme	(5,835)	497	(700)	(6,038)
Committments	The Pulse	Revenue surplus to fund Capital	(130)	0	0	(130)
Risk	Merrywalks	To provide mitigation against risk of commercial loan default	0	0	0	0
Equalisation	MRP/Vol MRP Equalisation	To provide additional funding for the revenue impact of the capital programme	0	(250)	0	(250)
Equalisation	Legal Counsel	To fund the cost of legal counsel advice within services	(50)	0	0	(50)
Equalisation	Pension Fund	To provide funding for pension fund deficit	0	(120)	0	(120)
Equalisation	Planning Appeals	To provide adequate resource to fund any planning appeals or tribunals	(100)	0	0	(100)
Equalisation	Local Plan	To provide adequate resource to fund the Local Plan review	0	(36)	0	(36)
Risk	BRR Safety Net	Amount set aside for any potential business rates income shortfall under the Business Rates Retention Scheme	(281)	(500)	0	(781)
Equalisation	Welfare Reform	To provide resource for the revolving loan fund used by the Homelessness Prevention team - transferred from revenue balances	(30)	0	0	(30)
Equalisation	CIL	Smoothing reserve for CIL Administration costs	42	90	0	132
Other	CIL	Funding to support the provision of district-wide infrastructure	0	(25)	0	(25)
MTFP	MTFP Equalisation	To provide support to the MTFP	(6,000)	0	0	(6,000)

Reserve Type	Earmarked Reserve	Purpose	Balance 01/04/2017 (£'000)	2017/18 Financing/Outturn (£'000)	2017/18 Review (£'000)	Est. Balance 31/03/2018 (£'000)
Other	Homelessness Prevention	Funding for ongoing support to Homeslessness	0	(65)	0	(65)
Other	Opportunity Land Purchase	To fund land acquisitions	(250)	0	0	(250)
Other	Workforce Planning	To fund any costs arising from delivering the Workforce Plan in future years	(400)	(250)	0	(650)
Other	Invest to Save	Upfront investment funding for Capital or Revenue projects that generate an income stream or reduce costs in future years	0	0	(150)	(150)
Other	Climate Change	To Fund the Carbon Management Programme	(671)	153	350	(167)
Other	Littlecombe	Transferred to the Capital Reserve	(50)	0	50	0
Other	Waste Management	To provide additional funding to support service provision over the medium term	0	(600)	0	(600)
Other	Neighbourhood Planning	Funding received to support development of Neighbourhood Plans	(71)	0	0	(71)
Other	Jobs and Growth	Supporting the Capital Programme	(450)	0	450	0
Other	Carry Forwards	Budgets carried forward into following financial year	0	(273)	0	(273)
Partnership	Building Control	Building Control Partnership surplus/(deficit)	(142)	(38)	0	(180)
Partnership	Merrywalks	Net income held prior to distribution as per Management agreement	(222)	(205)	0	(427)
			(14,640)	(1,622)	(0)	(16,262)
GF Balances	GF Balance	Risk-based balance - minimum level to be held	(2,169)	0	0	(2,169)