

STRATEGY AND RESOURCES COMMITTEE

13 JUNE 2017

9b

Report Title	GENERAL FUND REVENUE OUTTURN REPORT 2016/17
Purpose of Report	To present to the Strategy and Resources Committee the final outturn position against the General Fund revenue budgets for 2016/17
Decision(s)	<p>The Committee RESOLVES</p> <p>a) to note the General Fund Revenue Outturn for 2016/17, 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 Appendix A.</p> <p>c) to approve the budgets to be carried forward to 2017/18, 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>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 2017. Overall, the net level of funding required to finance General Fund expenditure is lower than anticipated. As a result, £356k is transferred from balances.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Legal Implications	<p>This report sets out the expenditure and funding / income of the Council for 2016/17 in line with the duties of the Council and in particular its S151 Officer. There are no significant legal implications to report in view of the reported outturn position. (Ref:d30.06rc08.07)</p> <p>Karen Trickey, Legal Services Manager and Monitoring Officer Tel: 01453 754369 Email: karen.trickey@stroud.gov.uk</p>
Report Author	<p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Options	None.

Performance Management Follow Up	The outturn position will be taken into account when the budget for 2018/19 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.
Appendix	Appendix A – Earmarked reserves

Background

1. This report sets out the final outturn position for the 2016/17 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 2016/17.
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 2016/17, as approved by Council in January 2017 was £16.424m. The final outturn position for the year is £16.181m.
4. The April 2017 budget monitor report to Strategy and Resources committee anticipated that there would be an underspend of (£350k) on service revenue expenditure before carry forwards. The final outturn position is £16.058m resulting in a net underspend of (£293k). After taking into account non-service revenue expenditure and funding, there is a variation of (£675k). 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	2016/17 Original Budget (£'000)	2016/17 Revised Budget (£'000)	2016/17 Actual Outturn (£'000)	2016/17 Outturn Variance (£'000)
Community Services Committee	7- 13	5,791	5,758	5,361	(397)
Environment Committee	14-20	6,219	6,771	6,932	161
Strategy & Resources Committee	21-29	8,837	8,648	8,965	318
Housing Committee		744	721	648	(73)
Accounting Adjustments		(5,487)	(5,547)	(5,849)	(302)
Net Service Revenue Expenditure		16,103	16,350	16,058	(293)
Other Operating Income & Expenditure	30	(575)	73	123	50
Funding from Govt Grants/Council Tax		(14,351)	(15,223)	(15,825)	(602)
TOTAL General Fund		1,176	1,201	356	(845)
Net transfer to balances (before c/fs)					(845)
Less: c/fs					169
Net transfer to balances (after c/fs)					(675)

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

Table 2 – General Fund Outturn Detail

	Para Refs	2016/17 Original Budget (£'000)	2016/17 Latest Budget (£'000)	2016/17 Actual Outturn (£'000)	2016/17 Outturn Variance (£'000)
General Fund Revenue Outturn					
Community Services Committee					
Head of Community Safety		0	0	0	0
Community Safety	7	662	729	678	(51)
Youth Services		89	102	100	(2)
Grants to Voluntary Organisations	8	340	340	311	(28)
Licensing	9	(30)	(18)	(44)	(25)
Strategic Head (Customer Services)		195	201	183	(18)
Customer Services		504	505	516	11
Head of Cultural Services		0	0	0	0
Cultural Svcs - Arts and Culture	10	966	981	906	(75)
Cultural Svcs - Sports and Health Development	11	182	204	176	(28)
Cultural Svcs - Sports Centres	12	542	536	409	(128)
Public Spaces		1,520	1,527	1,516	(11)
Revenues and Benefits	13	821	652	609	(42)
Subtotal Community Services Committee		5,791	5,758	5,361	(397)
Housing (General Fund)		744	721	648	(73)
Reconciliation of CS&L / Housing Budget		6,534	6,479	6,009	(469)

	Para Refs	2016/17 Original Budget (£'000)	2016/17 Latest Budget (£'000)	2016/17 Actual Outturn (£'000)	2016/17 Outturn Variance (£'000)
General Fund Revenue Outturn - Housing Committee					
Environment Committee					
Canal	14	85	86	211	125
Strategic Head (Development Services)		127	127	126	(1)
Head of Environmental Health		73	73	75	2
Environmental Health	15	1,257	1,328	1,095	(233)
Statutory Building Control	16	422	444	224	(220)
Strategic Planning of Local Plan	17	336	332	381	50
Development Control	18	628	631	634	3
Economic Development	19	210	212	234	22
Carbon Management		121	104	81	(24)
Waste and Recycling	20	2,301	2,770	3,167	398
Street Cleansing	20	661	664	702	38
Subtotal Environment Committee		6,219	6,771	6,932	161

	Para Refs	2016/17 Original Budget (£'000)	2016/17 Latest Budget (£'000)	2016/17 Actual Outturn (£'000)	2016/17 Outturn Variance (£'000)
General Fund Revenue Outturn					
Strategy & Resources Committee					
Investment Assets	21	197	268	355	87
Other Assets		194	187	201	15
Car Parks	22	(273)	(303)	(488)	(185)
Head of Asset Management		88	89	97	8
Asset Management Team	23	524	531	502	(29)
Facilities Management		941	931	942	11
Democratic Representation and Management	24	979	1,004	1,055	52
Resources and Finance - Direct Spend	25	2,144	2,041	2,196	155
Chief Executive		195	189	207	18
Strategic Head (Corporate Services)		59	56	56	1
Corporate Services (HR etc)	26	717	714	680	(34)
Corporate Services (Legal)	27	729	714	682	(32)
Strategic Head (Finance and Business Services)	28	133	134	185	51
Finance & Business Services	29	2,211	2,095	2,295	200
Subtotal Strategy & Resources Committee		8,837	8,648	8,965	318
Accounting Adjustments		(5,487)	(5,547)	(5,849)	(302)
Subtotal SERVICE REVENUE EXPENDITURE		16,103	16,350	16,058	(293)
Service Expenditure adjustments					
Transfers to/from Earmarked Reserves		1,715	1,715	1,841	126
Contingency		50	450	16	(434)
Subtotal Service Expenditure adjustments		1,765	2,165	1,857	(308)
Other Operating Income & Expenditure					
Drainage Board	30	125	125	131	6
Interest & Investment Income		(19)	(85)	(77)	8
Feed-in-tariff income		(27)	(27)	(46)	(19)
Other accounting adjustments		(2,419)	(2,104)	(1,740)	364
Subtotal Other Operating Income & Expenditure		(2,340)	(2,092)	(1,733)	359
Subtotal CENTRAL ITEMS		(575)	73	123	50
NET GENERAL FUND EXPENDITURE		15,528	16,424	16,181	(243)
FUNDING					
Precept on Collection Fund		(7,476)	(8,036)	(8,036)	(0)
Retained Business Rates		(2,840)	(3,098)	(3,670)	(573)
Government Revenue Support Grant		(1,866)	(1,053)	(1,053)	0
Collection Fund surplus/deficit		251	277	277	(0)
Council Tax Freeze Grant/New Homes Bonus		(2,420)	(3,313)	(3,343)	(30)
Subtotal FUNDING		(14,351)	(15,223)	(15,825)	(602)
GENERAL FUND OUTTURN (Surplus)/Deficit		1,176	1,201	356	(845)
Less: Budgets c/f					169
GENERAL FUND (Surplus)/Deficit after c/f					(675)

(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 Expenditure (funded from Reserve)

- Expenditure incurred in Neighbourhood Development Plan, Great British High Street project, Elections, and essential ICT infrastructure costs have been funded from appropriate earmarked reserves.

Additional Income

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

6. Carry Forwards

Table 3 provides details of the carry forwards of £169k 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	Youth Services	5
Community Services	Sports & Health Development	25
Community Services	Community Safety	12
Community Services	Community Safety	6
Environment	Environmental Health (Land Drainage)	102
GF Provisional Carry Forwards		148
Housing Committee		
Housing	Housing - General Fund	21
Total Provisional Carry Forwards		169

Table contains roundings (see note at the end of the report) which can affect the arithmetic accuracy of the figures.

COMMUNITY SERVICES AND LICENSING COMMITTEE

7. Community Safety – (£51k) underspend

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

(£24k) of this variation is an in year salary saving regarding the Civil Enforcements Officer posts. There has been a particular issue with recruiting and retaining staff, hence a more substantial variance than reported at P3. In addition the Str5 post associated with the car parks was replaced in December with a Str4. Recruitment is now underway to fill these positions.

There are also salary savings within Neighbourhood Wardens of (£15k) due to in year vacancies.

The additional (£12k) is requested to be carried forward to 2017/18. This is directly related to Hardwicke Youth Project and the Solon project (run in co-ordination with the HRA).

8. Grants to Voluntary Organisations – (£28k) Saving/Underspend

(Joanne Jordan xtn 4005, joanne.jordan@stroud.gov.uk)

As previously reported in P3 budget monitoring report, the Community Investment Grant (CIG) scheme helps to support voluntary and community sector organisations with their core costs e.g. salaries, volunteer costs, rent, utilities etc. The underspend relates to funding previously set aside for 'Volunteer and Community Action – Stroud District' which has subsequently gone into liquidation and will cease to exist.

9. Licensing – (£25k) additional income

(Rachel Andrew xtn 4401, rachel.andrew@stroud.gov.uk)

(£10k) of this variance relates to taxi and private hire licences where a considerable number of drivers have taken up the 3 year licence option.

The additional (£15k) is attributable to the Premises Licences Annual Fee. These are based on Non Domestic Rateable Value of premises. In 2016 a review of the NDRV of all our current licensed premises concluded that a number of properties were re-evaluated and allocated into the higher band so increasing their fees. In addition, the number of premises has also increased over this period.

10. Cultural Services – Arts and Culture – (£75k) underspend

(Joanne Jordan xtn 4005, joanne.jordan@stroud.gov.uk)

There are two large variances within this area.

Subscription Rooms – (£28k) underspend

As previously reported in P3 a salary saving of (£28k) was predicted following a member of contracted staff leaving post in January 2016 and not being replaced. Further to this a second member of staff left on a STR5 salary at the end of April and was replaced at the beginning of June with a part time STR3 role.

Phase 2 of the Subscription Rooms review is currently underway.

Tourism/Tourist Information Centre - (£43k) underspend

This variation is due to a salary saving of (£12k) for a TIC & Box Office assistant post that was filled part way through the year. It has also been identified that there is additional income of (£12K).

The remaining variance of (£19k) is made up of small underspends across the service.

11. Cultural Services - Sport & Health Dev – (£28k) underspend

Jane Bullows xtn 01453 757322, jane.bullows@[stroud.gov.uk](mailto:jane.bullows@stroud.gov.uk)

There are a number of small variances that make up this underspend, mostly external funds that will support on-going projects in 2017/18. (£25k) of this underspend is proposed to be carried forward.

(£8.5k) of external funding for the 'On Target' weight management that ended in August 2016. Since then there has been a change in county-wide weight management services/strategy creation and in readiness to commit to/consider the way forward for Stroud district project options 17/18 and beyond it is requested to carry this over to 2017/18.

(£5.5k) external funding is requested to be carried forward. There has been a slow take up to the start to the Cycling4Health scheme mainly due to a delayed implementation date and seasonal variations in the weather. For 2017/18 a marketing campaign including 'e' marketing and the creation of our own webpage will target a wider audience and re-launch the project in the New Year.

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

(£2.3k) of external Funding from Street Games for delivery of inclusive sessions in 2017/18

(£4.5k) of External funding from GCC for Health Inequalities Project towards a grants scheme for local health & wellbeing projects and the Active for life project which runs until August 2017

(£2.2k) to support Healthy Lifestyles projects across the district and Kapers Summer Play-Scheme to enable more opportunities for participants.

The remaining variance of (£3k) is due to collective small underspends across the service.

12. Cultural Services – Sports Centres – (£128k) underspend/additional income

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

The Pulse – Dursley

The material variances are listed below. The original forecast had been based on historical data (previous 3 years performance) membership targets outlined in the original business plan and predicted increase in prices.

Salary saving (£60k) – The saving is due to Sports centre staff no longer contracted from July 2016 due to reduced opening hours to reflect the current programme and at 'The Pulse' where a number of vacancies have not been filled while considering the options to evaluate what staff are needed once the centre has been up and running for 6 months. Vacancies are currently being filled by casual members on an adhoc basis with only a small number of regular hours going forward

The Pulse was only open for 9 months in the 2016/17 financial year. The original prediction was that we would not achieve our budgeted targets. The end of year variance shows additional income of (£81k) this is mainly due to memberships exceeding the original target of 1000 members in the first year, closing its year with 1400. Swimming lessons continued to do well and despite having a 6 week closure, we changed to a 50 week programme which enabled us to recoup any monies lost through this period. There is also a small overspend of £22k attributable to increase in rates and additional IT upgrading. A small underspend of (£9k) within the Joint Use Sports Centres has also been identified.

13. Revenues and Benefits – (£42k) underspend
(Simon Killen xtn 4013, simon.killen@stroud.gov.uk)

This underspend is directly related to salaries and due to a number of vacancies arising within the team through retirement and general staff turnover. Salary budgets were reviewed as part of the budget setting process and savings indentified from 2017/18 onwards.

ENVIRONMENT COMMITTEE

14. Canal - £125k overspend
(Dave Marshall xtn 4646, dave.marshall@stroud.gov.uk)

Additional expenditure on the Canal project relates to salaries of the Canal Project Team. A decision was taken in 2015 not to capitalise the salaries as the project will be drawing to a close. This cost will be funded by salary savings across the General Fund. Currently the project is finalising restoration of the Cotswold Canals between Stonehouse and Brimscombe. Work is now complete at Cheapside, whilst remaining work at Bowbridge is led by Gloucestershire County Council. This leaves the focus on work at Wallbridge and lesser tasks such as towpath work and signage.

15. Environmental Health – (£233k) underspend
(Jon Beckett xtn 4443, jon.beckett@stroud.gov.uk)

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

A (£80k) saving within salaries. There have been a number of in year vacancies which have now been filled or in the process of being recruited to. There is also a saving around the Principal Environmental Protection Officer post. This variation will continue into 17/18 to allow for career progression within the role.

The underspend of (£106k) within Land drainage is due to an ongoing rolling programme of flood alleviation projects that will span several financial years. This funding is external and is requested to be carried forward to 2017/18.

The remaining variance is attributable to an income surplus of (£10k) along with additional small underspends across the service of (£37k).

16. Statutory Building Control – (£220k) underspend/income surplus

(Paul 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 of (£61k) for 2016/17 due to receiving applications from both Stroud and Gloucester areas. At the last GBCP board meeting it was agreed that the building control split should be revised retrospectively for 2016/17 along with the charge to GCC. This has resulted in an overpayment of £18k which will be repaid in 2017/18 to Gloucester.

There are in year salary savings of (£129k) as a result of 3 vacancies (Building Control Technician, Principal Building Control Surveyor post) Both posts were reviewed as part of the Shared Service Board meeting in April 2017, and it was subsequently agreed to recruit to the Building Control Technician post. The Surveyor role is to be reviewed at future board meetings. The third vacancy is for a Senior Business Support Officer.

The remaining (£30k) is a result of small cumulative underspends across the service.

The surplus arising from the partnership of (£83k) will be allocated to reserves to support the ongoing service.

17. Strategic Planning of Local Plan – £50k overspend

(Mark Russell xtn 4305, mark.russell@stroud.gov.uk)

Costs of £71k have been identified regarding the Neighbourhood Development Plan. The NDP gives local community groups the power to produce planning policies to guide the determination of planning applications within their area, and/or the power to grant planning permission for specific schemes i.e. a new community shop, sport pavilions, affordable housing, allotments etc. The Council has a duty to guide and assist communities through the neighbourhood planning process. The Council is also responsible for publicising and submitting neighbourhood plans and proposals through an independent examination and referendum as well as taking decisions at key stages.

Up until March 2016, Central Government provided up to £30k in grant money to cover the costs imposed by the duties described above. The Council was entitled to apply to receive specific sums leading up to the £30k at different stages of the process. However, from March 2016 onwards, the amount of funding the Council is able to claim was reduced to £20k and the Council only becomes eligible for that sum at the end of the process, i.e. once a referendum date has been set. Whilst the amount of funding the Council gets to support neighbourhood planning is capped, our duty to support communities is not. The net overspend of the NDP will be funded from reserves.

An additional underspend of (£21k) has been identified within Planning Strategy which is an in year salary saving.

18. Development Control – £3k overspend

(Geraldine LeCointe xtn 4233, geraldine.lecointe@stroud.gov.uk)

Although the net variation is insignificant, there are a number of larger offsetting variances within the service, which are outlined below.

Application Fees have achieved a surplus of (£210k). This figure exceeds the forecast as a result of a number of larger applications, attracting substantial fees, being submitted in March before the end of the financial year. Overall, income in 16/17 was slightly higher than that received in 15/16 and this was also reflected in the number of planning and other applications received in this period. Anticipating income year on year continues to be difficult because this is beyond the control of the service, but for the last three years income surplus has paid for the greater share of salary overspend. The Government propose to allow LPA's the opportunity to raise planning fees by 20% in July 2017 (general election permitting), which will reduce, and possibly eliminate the historic salary/income gap in 17/18.

A Salary overspend of £33k has also been identified – This variance is currently made up of two Case Management Assistant roles and casual staff. They are employed directly to manage the additional application fee workload, this overspend is offset against the income surplus above. The service also includes a number of statutory functions, such as dealing with tree and listed building applications, which do not generate any fee income.

There is a £66k overspend on consultants fees. These services are required for essential expert advice which is not available in-house. This is has reduced significantly from last year due in part to the recruitment of our own Biodiversity Officer. The remaining (£19k) is made up of small over and under spends across the service.

Planning Appeal costs are £133k 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.

19. Economic Development - £22k overspend

(Mark Russell xtn 4305, mark.russell@stroud.gov.uk)

This overspend is attributed to spend on the Great Gloucestershire High Street project and is funded from the Jobs & Growth Reserve. A 12 month pilot scheme for a national campaign is being run by external consultants and managed by gfirstLEP. The overall aim is to support businesses within the Gloucestershire town centres of Stroud, Cheltenham and Gloucester to improve their online and digital presence, for example by connecting retailers to customers via social media and increased website usage. The project includes a number of marketing, press and digital skills training activities and has so far boosted Stroud town centre's online profile ranking. The project is being rolled out across the country later this year.

20. Waste & Recycling – £398k overspend

(Carlos Novoth xtn 4406, carlos.novoth@stroud.gov.uk)

2016/17 has been a very unsettled year with several major changes having taken place; they have included a change of contractor, the implementation of new waste services, the construction of a new depot facility and the physical move from the two previously occupied depots to a single new council depot.

Implementation of the new services was delayed by up to four months from the original planned date. This resulted in additional overall contracted costs in addition to other one off costs associated with the service transition.

The variation on the Waste and Recycling services is attributable to the following:

- **Refuse Collection - £312k overspend**

The overspend includes the unplanned cost of £74k associated with the purchase of refuse sacks, the balance of £238k is the variation between the original contracted budget and subsequent revised budgets from the contractor, across all the waste recycling services.

- **Recycling and Environmental Initiatives – (£189k) underspend**

The new garden waste service, introduced in February 2016, shows an overspend of **£192k**. This mainly reflects the shortfall in income in addition to one off first year additional costs. The original level of income anticipated was based on the new service being fully established in year 1 (customer base of 12,500). Subscriptions in 2016/17 reached 6,350; it is expected this will increase to over 9,000 during 2017/18 – as of the 29th May 2017, there were 8,822 subscriptions.

The food waste collection service has shown an overall underspend of **(£169k)**. This relates to contracted service costs due to the delay in service implementation. This under-spend covers a proportion of the increase in refuse collection costs incurred as a result of the delay.

An underspend of **(£206k)** is being reported against the kerbside recycling service. **(£64k)** relates to the contract service costs. Significant additional costs totaling £73k were incurred as a result of the delay in moving to the new depot facility and the purchase of additional recycling containers resulting from increased participation in the new recycling services. The success of these new services has however driven increased income totaling **(£215k)**, through waste incentive payments, recycling credit payments, bulky waste service income and improved income material

There are additional small variances across the services of **(£5k)**

- **Contracted overspend - £275k overspend**

This reflects the updated additional actual costs on the revised budget for 2016/17 as instructed by Ubico for the whole of the Multi Service Contract.

STRATEGY AND RESOURCES COMMITTEE

21. Investment Asset – £87k overspend

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

£40k of this variance is attributable to the dilapidation costs associated with Phase 3 of the Industrial Units. The remaining £47k is related to additional works carried out by the Council in order to substantially reduce the settlement figure with the Head Landlord. The original dilapidation provision was outlined at £200k, so the final figure represents a substantial saving on this.

22. Car Parks - (£185k) Income surplus

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

This variance is attributable to the operation of Merrywalks multi-storey car park. In accordance with Management Agreement with Streetlands, any surplus will be transferred to reserves until the accounts have been finalised.

23. Asset Management Team – (£29k) underspend

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

This underspend is an in year salary saving due to vacancies arising for a Business Support role due to a member of staff retiring, and an Estates Surveyor which has now been successfully recruited to. The service has undertaken a review of its establishment and new approved structure has been put in place.

24. Democratic Representation and Management - £52k overspend

(Hannah Emery, xtn 4383, hannah.emery@stroud.gov.uk
Karen Trickey xtn 4369, karen.trickey@stroud.gov.uk)

There are several large offsetting variances that feed into the net variation.

An overspend of **£39k** within Elections relates directly to the cost to the council of the recent high profile PCC and District Elections in May 2016 and the EU Referendum in June 2016. The outturn forecast has been calculated against an estimate of the likely level of funding claimable for the Election. Overall there has been a significant increase in costs to administer whole Council elections, in particular the high demand of registration and postal votes ahead of the EU Referendum. For example, the number of postal votes for May 2016 was already the highest to date and this was further increased by 3,500 postal voters and 6,000 people who registered to vote between May 2016 and June 2016. This overspend will be funded from reserves.

A **£26k** overspend in Electoral Registration has been identified. This is predominately associated with all aspects of registration and the application of postal/proxy votes which includes printing and posting all of the numerous documentation, along with the continued impact of Individual Electoral Registration. This year also saw the first Neighbourhood planning Referendums in August 2016 for nearly 20,000 electors and a Town council by-election in December 2016 meaning that 2016/17 had the highest number of elections held in 10 years contributing to the registration overspend.

There is an in year salary saving of (£29k) within Members expenses, primarily due to vacant posts. The structure has been addressed as part of the budget setting process for 2017/18.

The remaining £16k variance is the result of small accumulated overspends across the service.

25. Resources and Finance – Direct Spend - £155k overspend

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

Phil Skill xtn 4250, phil.skill@stroud.gov.uk)

There are two main variances that make up this overspend.

A £70k overspend within Corporate Management has been identified. £54k is due to the replacement of the software the council uses to make and receive BACS payments. The previous system became obsolete at short notice at the start of 2016, with the new software allowing for a decentralized approach to the collection of income. An element of the cost of the change in software is funded from the ICT reserve. The additional £16k is concerned with consultants fees for Treasury Consultancy.

The remaining variance of £43k is an under achievement of income within Land Charges. 2016 saw two significant influences on the housing market: the introduction of stamp duty changes on second homes and buy-to-lets, and the EU referendum result. This economic uncertainty has clearly affected buyer confidence and caused a reduction in property sales and therefore the conveyance process which directly impacts on Land Charges service provision.

26. Corporate Services (HR,Marketing) – (£34k) underspend

Lucy Powell xtn 4286, lucy.powell@stroud.gov.uk

This variance is due to in year salary savings in the following services: Human Resources (£12k), Marketing (£12k). Within Policy and Review there is non-pay underspend of (£10k).

27. Corporate Services (Democratic Services) – (£32k) underspend

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

A (£32k) variance is in relation to a Democratic Officer post that has been vacant for the whole financial year. This was created as part of the restructure in 2015/16 from taking out an Advanced Apprentice post and the part Elections Officer post that was previously funded from 1207 – the post has never been filled.

28. Strategic Head (Finance and Business Services) - £51k overspend

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

The variation on this budget results from the interim arrangements put in place from June 2016 to provide cover for the long-term absence of the Council's Section 151 Officer.

29. Finance and Business Services - £200k additional expenditure

(Phil Skill xtn 4250, phil.skill@stroud.gov.uk)

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

This overspend is split into two main variances:

ICT – 150K

This overspend is additional expenditure due to the purchase of Office 2013 and subsequent rollout, investment within key areas regarding Business Continuity and mitigation against ever evolving cyber threats to the Council and the computer network. The ICT investment project agreed recently will formalise this necessary expenditure and give increased oversight of the projects.

Financial Services - £50k overspend

The overspend on the Financial Services budget relates to the additional cost of agency staff covering the Principal Accountant role within the team, largely supporting the HRA. The cost of this support has in part been covered through in-year salary savings on the substantive post. Additional expenditure of £7k was incurred through the recruitment of a permanent member of the team.

30. Other Operating income/expenditure and funding

David Stanley xtn 4100 david.stanley@stroud.gov.uk

The variation on the non-service budgets largely relate to the following variations:

- **£434k underspends on contingency budget** – There is a general £50k budget provision made each year to cover one-off or unexpected financial pressures. In addition, the revised budget, as set by Council in February 2017, allocated an additional £400k towards the Multi-Service contract. This allocation was held in the contingency budget and therefore offsets the overspend on Waste and Recycling reported in paragraph 31.
- **£125k net variation on transfers to earmarked reserves** – a net additional transfer to reserves will be made at year end due to the council acting as lead partner (£83k Building Control Partnership, £215k Merrywalks Car Park), or where funding is being allocated from earmarked reserves to support expenditure incurred (£29k Economic Development in support of the Great Gloucestershire High Street, £74k ICT Reserve to fund software upgrades, £35k transfer from the Elections reserve)

Appendix A shows the final position on the Earmarked Reserves. This largely reflects the Balances and Reserves Strategy that was set out in the Medium Term Financial Plan.

- **Extraordinary items £313k** – As reported to Strategy and Resources committee in April, Expenditure of £313k has been incurred in relation to the cost of ill-health retirements. These are not discretionary and not within the gift of an employer. The employer has no control over whether an individual is awarded an ill health pension or any augmentation of service which may arise.

- **Capital accounting, Minimum Revenue Provision (MRP), Pension accounting adjustments £51k** – Accounting entries around Depreciation, MRP and IAS19 Pension accounting requirements give rise to a variation of £51k. This offsets equal and opposite variations included with service revenue expenditure.

A voluntary MRP transfer of £559k has been undertaken in respect of the Waste and Recycling vehicles. Whilst MRP is not usually charged until the year after acquisition, it is prudent to undertake a voluntary transfer given the relatively short asset-life expectation. The council's MRP policy is set out in the Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2017-18.

Performance on Business Rates

Owing to the way in which income from Business Rates is accounted for, the net position on business rates is largely in-line with the budgeted position, as shown in Table 4 below.

However, the underlying performance on business rates is much healthier than the outturn suggests. Stroud has, in recent years, seen growth in business rates income, in part due to the opening of the M5 services between J11a and J12. And additional industrial unit space in Stonehouse.

Stroud also benefits from Business Rates collected in respect of renewable energy schemes, as this sits outside the Business Rates Retention Scheme. An additional £108k of business rates income was generated from renewable energy schemes.

However, the level of outstanding backdated business rate appeals is still high, with the NHS Mandatory relief claim remaining unresolved. Therefore, additional income from business rates over and above that included within the MTFP is still subject to a high degree of uncertainty.

Table 4 – Income from Business Rates

	2016/17 Estimate (£'000)	2016/17 Outturn (£'000)	2016/17 Variance (£'000)
Derivation of MTFP figures			
Non-Domestic rating income from Business Rates Retention scheme (NNDR1 Estimate)	(10,990)	(10,990)	0
Less: 2015/16 Deficit c/f	0	(351)	(351)
Less: Tariff Payment to Government	7,702	7,702	(0)
Less: Levy Payment to Government	781	722	(59)
Section 31 Grant Payable	(590)	(662)	(71)
Renewable Energy 2016/17	0	(110)	(110)
SDC share of 2016/17 surplus/deficit	0	22	22
TOTAL Funding from Business Rates	(3,097)	(3,667)	(570)
Accounting entries			
Reversal of Renewable Energy 2016/17	0	109	109
Renewable Energy 2015/16	0	(108)	(108)
Reversal: 2015/16 Deficit c/f	0	351	351
Reversal of SDC share of 2016/17 surplus/deficit	0	(22)	(22)
Subtotal Accounting entries	0	330	330
Gloucestershire BRP	0	(333)	(333)
TOTAL All Business Rates	(3,097)	(3,670)	(573)

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

*** Note on Accounting entries**

Statute requires local authorities to record only the (estimated) amounts they received from the collection fund during the year in the General Fund, so an adjustment is needed to adjust the amounts recorded in the General Fund in order to meet this requirement.

In the table above, the additional income received from Renewable Energy schemes is reversed out of 2016/17 (but will be credited back to the General Fund in future years). The Collection Fund deficit charged to the General Fund is also reversed out (as this will be partially accounted for in the 2017/18 budget with a further adjustment in 2018/19)

Gloucestershire Business Rates Pool

Based on the NNDR3 returns, the GBRP is reporting a surplus of £2.1m. This is predominantly due to an improved position across the majority pool members (in particular Stroud, Gloucester and Cotswold) and the consequential impact of the lower pool levy rate as a result of Tewkesbury leaving the pool in April 2016 **

Following a partial repayment of 2014/15 losses to pool members at the end of 2015/16, the remaining balance of £0.934m was distributed back to pool members in accordance to the governance arrangements. The pool benefit balance of £1.205m has also been distributed back to pool members. This means that Stroud received £333k from the pool surplus, which was not budgeted for, and this has been

transferred to the Business Rates reserve to provide safety-net funding to smooth out any fluctuations in funding in future years.

**** 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 8.47% (as the levy is calculated at the pool level which includes all Gloucestershire councils with the exception of Tewkesbury).