

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date: 5 September 2016 14 September 2016
Subject:	Financial Monitoring Quarter 1	
Report Of:	Cabinet Member for Performance and Resources	
Wards Affected:	All	
Key Decision:	No	Budget/Policy Framework: No
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Appendices:	1. Progress against savings targets 2. Capital monitoring 3. Income Targets	

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 For Cabinet to note the financial monitoring report details including budget variances, year-end forecasts, and progress made against agreed savings targets for the 1st quarter ended 30th June 2016.

2.0 Recommendations

2.1 Overview & Scrutiny Committee is asked to, subject to any recommendations it wishes to make to Cabinet, to **note** the contents of the report.

2.2 Cabinet is asked to **RESOLVE** that it be noted that:

- (1) The savings achieved in year to date total £288k with a further £341k in progress.
- (2) The forecast year end position is currently for a reduction to the Council's General Fund balance of £257k.
- (3) The deficit position includes a proposed transfer to the Business Rates Reserve of £120k
- (4) The actual and expected levels of income for the Council shown at Appendix 3.
- (5) The details of specific budgetary issues identified by officers and the actions being taken to address those issues
- (6) The current level of Capital expenditure as shown on Appendix 2.

3.0 Background and Key Issues

- 3.1 The figures contained within this report forecast the year end position. This is based on the actual expenditure to the end of quarter 1 which is then forecast forwards based on budget monitoring meetings between service managers and financial services staff. The year-end forecast is the best estimate at the current time of the year-end position on the Council's General Fund.
- 3.2 A summary table below shows the projected position for each portfolio with each portfolio having a further detailed table analysing the variances in more detail. Reporting the performance in portfolios is a new approach for 2016/17 and it is hoped that this will give elected members, and other readers of the report, a better understanding of the Council's financial position.

4.0 Whole Council Summary

- 4.1 The forecast position at this early of the year is a reduction of the Council's General Fund by £257k as shown in the table below.

Council Summary	16/17 Budget	Current Forecast	Variance
Regeneration and Economy	(907)	(807)	100
Communities and Neighbourhoods	1,148	1,097	(51)
Performance and Resources	5,063	5,003	(60)
Culture	1,486	1,660	174
Planning and Housing	1,705	1,778	73
Environment	4,200	4,414	214
Corporate and Funding	(12,695)	(13,008)	(313)
Transfer to Business Rates Reserve	0	120	120
Total	0	257	257

- 4.2 This estimate includes the current level of progress against the saving targets included within the Council budget as well as any new cost pressures or savings identified within year. The estimated position would take the Council to below its minimum General Fund position and as a result officers are taking steps to identify further savings and identify cost reduction actions which would prevent that situation materialising.
- 4.3 At this early stage of the financial year forecasting many of the in-year expenses and income streams is difficult to do with complete accuracy. Forecasts are made based upon service manager's analysis of their service area along with analysis of both current trends and prior year performance. Where the financial situation becomes clearer as the year progresses this will be reported to members as part of future quarterly updates.
- 4.4 A portion of the surplus within Corporate and Funding is a result of a forecast decreasing in the level of business rates to be paid to Central Government this year. Although this is an in year saving it does reduce the level of business rates

income available to the General Fund in future years and should therefore be placed in a reserve to be used to reduce the impact in subsequent years.

5.0 Regeneration and Economy

	16/17 Budget	Current Forecast	Variance
Economic Development	402	378	(24)
Asset Management	1,021	1,071	50
Commercial Property	(1,631)	(1,663)	(32)
Parking	(825)	(828)	(3)
Senior Management	375	336	(39)
Markets and Street Trading	(249)	(101)	148
Total	(907)	(807)	100

- 5.1 This portfolio is currently forecast to be overspent by £100k at the end of the financial year. This is primarily a result of pressures to the budget within the area of markets and street trading.
- 5.2 There are a number of factors contributing to the overspend in that area, mainly within the Eastgate market. It is in part the result of the fact that the level of vacant units has risen in 2016/17. This has a twofold effect on the financial position of the market. Firstly, the level of income from rents and service charges falls and secondly the Council becomes liable for the business rates on the empty units. Officers are taking steps to try and bring in new businesses to the market which would help alleviate both of those issues. Another factor is that repair costs continue to rise in relation to the building itself. If these reach the same high levels as seen in 2015/16 some use of the repairs reserve may be considered to reduce the impact on the General Fund.
- 5.3 The markets have a £50k savings target and none of this has been achieved to date with no saving expected in 2016/17 either. To resolve this issue a savings plan will have to be put in place or the Council will have to choose to remove the savings target by means of a base budget pressure in the next money plan.
- 5.4 The Asset management and Economic development service is currently anticipated to be on budget for the year. There are some additional costs arising within Asset Management, again largely through spending on repairs, but these should be offset by savings on Commercial Property and Economic Development spending.

6.0 Communities and Neighbourhoods

	16/17 Budget	Current Forecast	Variance
Voluntary Sector Grants	316	302	(14)
Community Strategy and Other Projects	320	293	(27)
Licensing	(89)	(72)	17
Environmental Health	408	361	(47)
Health and Safety	187	155	(32)
Shopmobility	6	58	52
Total	1,148	1,097	(51)

- 6.1 This portfolio is expected to be underspent for the year by £51k as savings and vacancies have been identified to compensate for areas of budgetary pressure.
- 6.2 The main budgetary pressure within this portfolio is the Shopmobility service. The process of transferring this service to a new operator is still ongoing. The detail of the new arrangement would mean the saving to the Council would be delivered over a number of years rather than at the start of the contract. In this financial year there is not expected to be any reduction in the cost to the Council of running the service, irrespective of when the transfer occurs. The revised savings profile will form part of the Money Plan for 2017/18.
- 6.3 The other area which has a budget pressure is Licensing. This is primarily a result of the taxi marshalling scheme. This scheme has continued after the external funding to support it has stopped. As the scheme has no funding built into the Council budget this creates a budgetary pressure within the service and this is expected to be £10k in 16/17. Other licensing income is likely to pick up during the year and the overspend is expected to eventually be limited to be the marshalling service.

7.0 Performance and Resources

	16/17 Budget	Current Forecast	Variance
Internal Audit	177	182	5
Housing Subsidy	(479)	(418)	61
Revenues and Benefits Admin	663	710	47
Financial Services	1,026	876	(150)
IT	1,418	1,455	37
Human Resources	314	314	0
Communications	125	116	(9)
Legal Services	370	360	(10)
Contact Centre and Customer Services	691	704	13
Democratic Services	758	704	(54)
Total	5,063	5,003	(60)

- 7.1 The overall anticipated position for this portfolio is to be underspent by £80k.
- 7.2 Financial Services is currently expected to show an underspend of £150k. This largely reflects the saving generated by disbanding the business improvement team. Roles have been consolidated into existing service areas and a saving of approximately £128k has been generated. This saving will be incorporated into the 2017/18 money plan as an ongoing future saving. The balance of the financial services saving is created by a number of vacancies in the team which are being held to support the new investment in the new financial systems shared service which will also generate ongoing savings for the Council.
- 7.3 The administration of housing subsidy and the rest of the revenues and benefits service are currently forecasting to be over budget for the year. At this early stage of the year it can be difficult to forecast the final costs of this service and it is hoped that it will be within budget by the year end.
- 7.4 A saving in Democratic services is expected as a result of some additional grant funding being received towards the cost of Individual Electoral Registration and also from a vacancy earlier in the year which is now filled.
- 7.5 The pressure within the area of the Contact Centre is as a result of uncertainty around the level of income to be received from the two new funding sources within the budget for the area. These are advertising on the Council website and charging for street naming and numbering. At the time of writing it is not expected that these income streams will reach budgeted levels but this will be kept closely under review during the year.

8.0 Culture

	16/17 Budget	Current Forecast	Variance
Museums	192	304	112
Guildhall	239	279	40
TIC	163	182	19
Aspire Client	428	428	0
Marketing Gloucester	464	467	3
Total	1,486	1,660	174

- 8.1 This portfolio has a number of budgetary pressures and is overall expected to be overspent by £174k at the end of the year.
- 8.2 The Museums service has seen some financial improvement, with higher visitor numbers from the “Robots” exhibition, but it is uncertain at this stage what the final impact on the savings target will be. Options are being explored to reduce the level of overspend in this year but at the time of writing it is forecast to be £112k. A process is underway to consider alternative models of delivering the café function at the Museum of Gloucester. It is hoped that this will prevent the café from running at a loss in year.

8.3 The Guildhall continues to make progress in reducing the level of Council subsidy required. The currently forecast outturn position is for an overspend of £40k. This represents the achievement of the majority of the savings target of £150k in place at the start of the previous financial year. The Guildhall management are continuing to explore new income generating ideas and cost savings as a means of bringing the Council in line with the budget set.

8.4 The pressure at the TIC represents a shortfall of forecast income against commercial targets for shop and ticket sales. It is hoped that the summer period will go some way to offsetting that forecast shortfall. This will be further reviewed in the Quarter 2 monitoring report.

9.0 Planning and Housing

	16/17 Budget	Current Forecast	Variance
Housing Strategy	147	151	4
Private Sector Housing	339	341	2
Planning	474	553	79
Homelessness	745	733	(12)
Total	1,705	1,778	73

9.1 The planning service has significant additional costs expected in year as a result of the longer Joint Core Strategy Process and therefore the preparation of the City Plan now running concurrently. This is only partially offset by the income from planning applications being expected to be higher than budgeted. The service is still expected to be over budget by £79k during the year and further options to deliver savings are being identified.

10.0 Environment

	16/17 Budget	Current Forecast	Variance
Waste and Streetcare	4,794	5,207	413
Neighbourhood Management	49	51	2
Countryside and Allotments	117	106	(11)
Cemetery and Crematorium	(964)	(1,125)	(161)
Flooding and emergency planning	133	104	(29)
Head of Service	71	71	0
Total	4,200	4,414	214

10.1 The primary variance in this portfolio is the savings target against the Amey contract. The target is £432k in this financial year. A new model of recycling collection has been developed, including Council procurement of assets, and will partly achieve the saving in 2017/18. The model will, however, only be implemented late in 2016/17 and therefore no saving is currently expected against this year's target. An away day has been scheduled with Amey to explore in year savings options but the outcomes are not known at the time of writing. The

pressure that this creates in Waste and Streetcare is partly offset by an increased level of income created by the Garden Waste Scheme.

- 10.2 The 2016/17 budget includes an allowance of £300k for the payment to Amey for the shortfall of recycle income achieved against the target. At the present time this is anticipated to be sufficient for the actual cost incurred.
- 10.3 The revised charging structure at the Crematorium is anticipated to increase income by more than the budgeted savings level. The current forecast is to generate an additional £161k saving for the Council. If this continues then additional income can be fed into the Council's budget for 2017/18.
- 10.4 A vacancy within flooding and emergency planning is creating a saving within the service. This is expected to continue and partially offsets the increased cost elsewhere in the portfolio

11.0 Progress against savings targets

- 11.1 Full details of the Council's progress against its savings targets are shown at Appendix 1. Where savings are dependent on increased income, such as at the Crematorium, they are shown as in progress as full achievement will only be certain at year end.
- 11.2 The most significant savings pressures for 2016/17 are the carried forward and new totals for the Amey contract representing £432k of the total of £1.173 million. If the Council can achieve in year savings against (see para 10.1) it will have a very positive impact on the forecast year-end outturn.

12.0 Capital Programme

- 12.1 The Capital Programme budget for the year has increased to £13.101m taking into account budgets brought forward from 2015/16. Forecast outturn at quarter 1 is little over £9m. The Expenditure for quarter 1, including amounts committed, totals £2.009m. The areas of major capital expenditure in quarter 1 include £0.665m on the Kings Quarter development where expenditure is currently concentrated on the Bus Station. £0.541m has been spent on the Eastgate Rooftop Car Park, upgrading the roof ensuring the asset remains operational in accordance with the Council's contractual duty. £0.279m has been spent on ICT projects, continuing the server and hardware refresh programme which includes the migration of computer hardware to Windows 7 as the Council increases resilience with its systems and progresses to PSN compliance.
- 12.2 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
- 12.3 A summarised table for the Capital Programme is shown as Appendix 2.

13.0 Prompt payment performance

13.1 The Council aims to make payments to all suppliers promptly and in accordance with contract terms. The performance on invoice payments during the quarter is below.

	<u>April</u>		<u>May</u>		<u>June</u>		<u>Qtr 1</u>	
Number paid within 30 days	704	92%	559	91%	800	98%	2063	94%
Number paid over 30 days	58	8%	58	9%	17	2%	133	6%
Average Days to Pay (from receipt of invoice to payment date)	8		10		6		8	

14.0 Asset Based Community Development (ABCD) Considerations

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

15.0 Alternative Options Considered

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

16.0 Reasons for Recommendations

16.1 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.

17.0 Future Work and Conclusions

17.1 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.

18.0 Financial Implications

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

19.0 Legal Implications

19.1 There are no legal implications from this report

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

20.0 Risk & Opportunity Management Implications

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

21.0 People Impact Assessment (PIA):

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

22.0 Other Corporate Implications

Community Safety

22.1 None

Sustainability

22.2 None

Staffing & Trade Union

22.3 None