

Gloucester City Council

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| Meeting: | Overview and Scrutiny Cabinet | Date: 28 November 2016 7 December 2016 |
| Subject: | Financial Monitoring Quarter 2 | |
| 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 year-end forecasts, and progress made against agreed savings targets for the 2nd quarter ended 30th September 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 £366k with a further £363k in progress.
- (2) The forecast year end position is currently for a reduction to the Council's General Fund balance of £132k, an improvement of £125k since Quarter 1.
- (3) The deficit position includes a proposed transfer to the Business Rates Reserve of £100k
- (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 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. Quarter 1 figures are also shown for easier comparison with previous reports.

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 £132k as shown in the table below.

| Council Summary | 16/17 Budget | Current Forecast | Variance | Change since Q1 |
|------------------------------------|---------------------|-------------------------|-----------------|------------------------|
| Regeneration and Economy | (928) | (920) | 8 | (92) |
| Communities and Neighbourhoods | 1,148 | 1,110 | (38) | 13 |
| Performance and Resources | 5,068 | 5,051 | (17) | 43 |
| Culture | 1,493 | 1,721 | 228 | 54 |
| Planning and Housing | 1,706 | 1,669 | (37) | (110) |
| Environment | 4,212 | 4,203 | (9) | (223) |
| Corporate and Funding | (12,699) | (12,802) | (103) | 210 |
| Transfer to Business Rates Reserve | 0 | 100 | 100 | (20) |
| Total | 0 | 132 | 132 | (125) |

- 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.
- 4.3 The increased cost with the Corporate and Funding line is a result of early retirement pension costs being incurred for employees who were made redundant during previous restructuring projects. These costs are by their nature one offs and will not cause a recurring pressure.
- 4.4 A portion of the overall surplus within Corporate and Funding is the result of a decrease 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 that impact in subsequent years.

5.0 Regeneration and Economy

| Regen | 16/17 Budget | Current Forecast | Variance | Change |
|----------------------------|-------------------------|-----------------------------|-----------------|---------------|
| Economic Development | 402 | 333 | (69) | (45) |
| Asset Management | 1,001 | 1,025 | 24 | (26) |
| Commercial Property | (1,640) | (1,614) | 26 | 58 |
| Parking | (826) | (864) | (38) | (35) |
| Senior Management | 375 | 341 | (34) | 5 |
| Markets and Street Trading | (240) | (141) | 99 | (49) |
| Total | (928) | (920) | 8 | (92) |

- 5.1 This portfolio is currently forecasting to be nearly on budget for the financial year.
- 5.2 The performance of the markets service has significantly improved since the position was reported at Quarter 1. Lettings and service charge income was up in Quarter 2 as the number of vacant units reduced. This also has the impact of reducing the Council's business rates bill for the building at Eastgate market. It is hoped that the higher level of occupation will continue for the remainder of the year.
- 5.3 The Economic Development service is now expected to deliver a larger saving than had previously been reported. The service still has a number of vacant posts which remain unfilled and this will limit the cost of the service in year.

6.0 Communities and Neighbourhoods

| Communities and Neighbourhoods | 16/17 Budget | Current Forecast | Variance | Change |
|---------------------------------------|-------------------------|-----------------------------|-----------------|---------------|
| Voluntary Sector Grants | 315 | 306 | (9) | 5 |
| Community Strategy and Other Projects | 320 | 295 | (25) | 2 |
| Licensing | (89) | (69) | 20 | 3 |
| Environmental Health | 408 | 357 | (51) | (4) |
| Health and Safety | 187 | 161 | (26) | 6 |
| Shopmobility | 7 | 60 | 53 | 1 |
| Total | 1,148 | 1,110 | (38) | 13 |

- 6.1 There has been little change in this portfolio during the quarter and an overall saving is still expected. The savings being generated by staff are expected to remain in place for the remainder of the year. The proposed transfer of the Shopmobility Service has not taken place but this has no impact on the financial forecast for the current year.

7.0 Performance and Resources

| Performance and Resources | 16/17 Budget | Current Forecast | Variance | Change since Q1 |
|--------------------------------------|--------------|------------------|-------------|-----------------|
| Internal Audit | 177 | 182 | 5 | 0 |
| Housing Subsidy | (479) | (399) | 80 | 19 |
| Revenues and Benefits Admin | 663 | 690 | 27 | (20) |
| Financial Services | 1,031 | 943 | (88) | 62 |
| IT | 1,418 | 1,409 | (9) | (46) |
| Human Resources | 314 | 316 | 2 | 2 |
| Communications | 125 | 116 | (9) | 0 |
| Legal Services | 370 | 365 | (5) | 5 |
| Contact Centre and Customer Services | 691 | 695 | 4 | (9) |
| Democratic Services | 758 | 734 | (24) | 30 |
| Total | 5,068 | 5,051 | (17) | 43 |

7.1 The expected cost of this portfolio has increased by £43k, however an overall saving is still predicted

7.2 The increased cost within financial services is a result of a more detailed estimate of the costs of implementing the new financial system. The service is holding a number of vacancies in allow implementation with no negative budgetary impact and will continue to contribute a saving at the end of financial year.

7.3 Expenditure within the IT budget is now expected to be within allocation for the year. This is predominantly a result of the Council being able to take advantage of a service credit at the end of its current photocopying contract. IT expenditure remains an area of risk for the Council and will be closely monitored, with opportunities to make savings identified where appropriate.

7.4 The increased cost in democratic services is the result of a vacancy being filled which previous monitoring had assumed would remain vacant. The service is still within budget for the year as a whole and this is expected to continue.

8.0 Culture

| Culture | 16/17 Budget | Current Forecast | Variance | Change since Q1 |
|----------------------|--------------|------------------|------------|-----------------|
| Museums | 202 | 338 | 136 | 24 |
| Guildhall | 236 | 309 | 73 | 33 |
| TIC | 163 | 184 | 21 | 2 |
| Aspire Client | 428 | 428 | 0 | 0 |
| Marketing Gloucester | 464 | 462 | (2) | (5) |
| Total | 1,493 | 1,721 | 228 | 54 |

- 8.1 A number of budget pressures remain within this portfolio and an overspend of £228k is expected.
- 8.2 The Museums have had a busy summer holiday period with visitor numbers for the robots exhibition being high. However, the service is still expected to have a significant budget variance for the year and not make any further progress against the current savings target of £132k.
- 8.3 Although the Guildhall has made in-year progress against savings targets there has been a reduction in the forecast level of income during the quarter. This is predominantly a result of the rates of room lettings not reaching their increased income targets. Opportunities to raise further income to mitigate the letting reduction are being explored.

9.0 Planning and Housing

| Planning and Housing | 16/17 Budget | Current Forecast | Variance | Change since Q1 |
|------------------------|--------------|------------------|-------------|-----------------|
| Housing Strategy | 147 | 151 | 4 | 0 |
| Private Sector Housing | 339 | 315 | (24) | (26) |
| Planning | 474 | 435 | (39) | (118) |
| Homelessness | 746 | 768 | 22 | 34 |
| Total | 1,706 | 1,669 | (37) | (110) |

- 9.1 This portfolio has had a significant reduction in costs in the quarter and is now expected to deliver a saving for the year.
- 9.2 The primary driver for this change is a reduction in the level of costs associated with the City Plan in the current year. Work on the City Plan will accelerate once the JCS has been adopted. The recent delays in the latter scheme mean that the majority of the work for the City Plan will now take place in future financial years.

10.0 Environment

| Environment | 16/17 Budget | Current Forecast | Variance | Change since Q1 |
|---------------------------------|--------------|------------------|------------|-----------------|
| Waste and Streetcare | 4,793 | 5,138 | 345 | (68) |
| Neighbourhood Management | 47 | 54 | 7 | 5 |
| Countryside and Allotments | 117 | 108 | (9) | 2 |
| Cemetery and Crematorium | (949) | (1,273) | (324) | (163) |
| Flooding and emergency planning | 133 | 105 | (28) | 1 |
| Head of Service | 71 | 71 | 0 | 0 |
| Total | 4,212 | 4,203 | (9) | (223) |

- 10.1 The savings target against the Amey contract remains the primary pressure in this portfolio. Work has begun to identify further savings options and some may be realised in this financial year. The new recycling service will also contribute additional income and this had led to the improvement in the waste and streetcare year-end forecasts. Where further savings can be implemented this will also improve the year end position.
- 10.2 Income received for the Cemetery and Crematorium continues to be better than expected and has improved significantly during the quarter. The primary reasons for this are the revised charging structure, which was implemented during 2016/17, and an increase in the number of cremations taking place. It is expected that this surplus will continue to the end of the financial year.

11.0 Progress against savings targets

- 11.1 Full details of the Council's progress against its savings targets are shown at Appendix 1.
- 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 further 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 £15.487m, this includes provision for the Green Recycling fleet replacement. Forecast outturn at quarter 2 is £9m. The Expenditure for quarter 2, including amounts committed totals £4.111m. The areas of major capital expenditure in quarter 2 include £1.98m in purchasing the new recycling fleet, following Cabinet approval in June 16, continued work on upgrading Eastgate car park roof (£0.681m) ensuring the asset remains operational in accordance with the Councils contractual duty. The work at Eastgate car park is scheduled to be completed in the current financial year.
- 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>July</u> | | <u>August</u> | | <u>September</u> | | <u>Qtr 2</u> | |
|---|-------------|-----|---------------|-----|------------------|-----|--------------|------------|
| Number paid within 30 days | 811 | 96% | 514 | 93% | 599 | 94% | 1,924 | 95% |
| Number paid over 30 days | 32 | 4% | 37 | 7% | 35 | 6% | 104 | 5% |
| Average Days to Pay (from receipt of invoice to payment date) | 7 | | 10 | | 10 | | 9 | |

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