

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date: 7 th September 2017 13 th September 2017
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	

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 1st quarter ended 30th June 2017.

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 £1.654 million with a further £385k in progress.
 - (2) The forecast year end position is currently for a reduction to the Council's General Fund balance of £361k.
 - (3) The details of specific budgetary issues identified by officers and the actions being taken to address those issues
 - (4) 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 a further detailed table analysing the variances in more detail.

3.3 The first quarter of 2017/18 has seen the introduction of the “Together Gloucester” structure. As part of this process work has been undertaken to align operational budgets with new team structure. The figures contained within this report are presented by portfolio and are therefore largely not impacted by changes to organisational structure. The exception to this is some small variances which can be attributed to employees and budgets moving between teams partway through the year. It is also likely that the names and budget allocations for some teams may change in future reports.

4.0 Whole Council Summary

4.1 The forecast position is a reduction of the Council’s General Fund by £361k as shown in the table below. At this early stage of the financial year most budgets are assumed to be on target and only those areas which are already known to be a budget pressure have been incorporated into this report. Where such variances have been identified officers will work towards ensuring a balanced position at year end, as was achieved in the previous year. Therefore although the forecast is currently for an overspend of £361k, there can be some confidence that this will have been turned into a balanced position by the end of the year.

Council Summary	17/18			Final	
	Budget	Actual	Variance	Forecast	Variance
Regeneration and Economy	(1,364)	(116)	1,248	(1,125)	238
Communities and Neighbourhoods	701	120	(581)	754	53
Performance and Resources	5,109	1,476	(3,633)	5,121	13
Culture and Leisure	1,127	617	(510)	1,339	212
Planning and Housing	1,092	(119)	(1,211)	1,295	202
Environment	3,454	1,113	(2,341)	3,491	37
Corporate and Funding	(10,119)	6,443	16,562	(10,513)	(394)
Total	0	9,534	9,533	361	361

4.2 This position includes a full estimate of the likely impact of the Together Gloucester Savings programme. At this stage it is expected that this will deliver a saving of £1.23 million which is in excess of the original budget target. The Council is currently in the transition period with staff numbers changing. This is therefore still an evolving position and future monitoring reports will include a final position.

4.3 The Together Gloucester programme has led to the Council incurring significant redundancy costs. At this stage the final amount is not known. However, as agreed by Council the costs of redundancy will be met from Capital Receipts under the flexible use of Capital Receipts regulations. The final amount will be reported in a future monitoring report as Capital expenditure but will have no impact upon the General Fund.

4.4 The Council has recently entered into a property deal relating to the Kings Walk Shopping Centre. This is likely to result in some additional income to the General Fund in year but at this stage the amount is not determined and so is not included within this report.

- 4.5 The 2017/18 budget includes a vacancy factor of £246k which is spread across the Council. As the current vacancies within the Council relate to the Together Gloucester reorganisation there are no vacancy savings against the vacancy factor. This is causing a budgetary pressure of the £246k which is part of the £361k forecast overspend and included in each area's forecast.

5.0 Regeneration and Economy

Regeneration and Economy	17/18			Final	
	Budget	Actual	Variance	Forecast	Variance
Economic Development	210	109	(101)	258	48
Asset Management	891	324	(567)	929	38
Commercial Property	(1,598)	(617)	980	(1,546)	52
Parking	(1,006)	39	1,045	(964)	42
Senior Management	463	87	(375)	432	(31)
Markets and Street Trading	(324)	(59)	265	(234)	90
Total	(1,364)	(116)	1,248	(1,125)	238

- 5.1 This portfolio is currently forecasting a deficit of £238k.
- 5.2 The largest contributor to this deficit is Markets and Street Trading. Forecast income levels from rents and service charges remain lower than budgets for both the Eastgate and Hempsted Markets. However, it is hoped that income levels can be increased from the previous year and the final over spend may reduce.
- 5.3 Parking income is likely to be lower than budgeted in the year. At the time of writing the changes as a result of the parking strategy are still at the implementation stage. There has also been a loss of income as a result of the failure of the barrier system at Kings Walk. These two pressures are partly mitigated by a saving on the rent payable for Kings Walk Car Park as a result of the recent deal for the wider shopping centre.
- 5.4 Income from Commercial Properties is currently forecast to not meet budgeted targets. Any income from Kings Walk which is taken to the General Fund in year will improve the position in relation to Commercial Property.
- 5.5 The overspend on Economic Development is a timing issue relating to changes to the structure of the team as part of Together Gloucester. It is not a recurring budget issue which will create pressure in future years.

6.0 Communities and Neighbourhoods

Communities and Neighbourhoods	17/18			Final	
	Budget	Actual	Variance	Forecast	Variance
Voluntary Sector Grants	170	15	(155)	160	(10)
Community Strategy and Other Projects	319	(4)	(323)	325	7
Licensing	(256)	(7)	249	(234)	22
Shopmobility	60	15	(44)	70	10

Health and Safety	22	21	(0)	36	15
Environmental Health	387	80	(307)	397	10
Total	701	120	(581)	754	53

- 6.1 There are currently no major variances expected within this portfolio for the year but the portfolio as a whole is currently forecast to be over budget by £53k. This is largely a result of transitional staff costs moving to the new structure across the portfolio and the impact of the 3% vacancy factor included in the Council budget. It is hoped that the portfolio will be within budget by the end of the year.

7.0 Performance and Resources

Performance and Resources	17/18			Final	
	Budget	Actual	Variance	Forecast	Variance
Internal Audit	182	0	(182)	182	0
Financial and Corporate	1,401	469	(933)	1,241	(161)
Revenues and Benefits Admin	717	173	(544)	719	2
Housing Subsidy	(479)	(255)	224	(479)	0
IT	1,418	640	(777)	1,508	91
Human Resources	271	12	(259)	321	50
Communications	86	(12)	(98)	86	0
Legal Services	385	(2)	(387)	385	0
Contact Centre and Customer Services	401	141	(260)	457	56
Democratic Services	726	309	(417)	700	(26)
Total	5,109	1,476	(3,633)	5,121	13

- 7.1 The portfolio is expected to currently forecast to have a small overall overspend of £13k. Within this figure, however, there are a number of significant variances contributing to that overall position.
- 7.2 A large saving is expected within the area of finance and corporate costs. This area includes the new Business Support Team. The saving is created as a result of officers joining the team, from other parts of the Council, part way through the year rather than the start of the year as budgeted. As the team reaches full capacity over the coming months it will begin to spend closer to budget.
- 7.3 The contact centre and customer services are forecast to overspend by £56k. This situation is created by a reverse of the one in Business Support. This team has seen a significant reduction in numbers but later than the budget anticipated, resulting in an overspend during the opening months. This overspend is likely to remain at year end but will not create a budget pressure in future years.
- 7.4 At this early stage in the year forecasting the final spend on IT projects is difficult. However, there are a number of purchases of new systems and software in the pipeline and so at this stage an overspend has been forecast. These budgets are closely monitored and forecasts will be updated as the year progresses. A portion of this spend is likely to be identified as capital and charged to the appropriate capital budget. This will improve the revenue outturn position.

7.5 The budget approved by Council in February included a £50k savings target which was to be achieved through alterations to staff terms and conditions. As a result of the Together Gloucester process these changes have not yet been implemented and as a result the forecast shows that this saving is not expected to be achieved. This may change in the coming months and forecasts will be updated as necessary.

8.0 Culture and Leisure

Culture and Leisure	17/18			Final	
	Budget	Actual	Variance	Forecast	Variance
Museums	379	115	(264)	486	107
Guildhall	178	46	(133)	266	87
Aspire Client	227	88	(139)	227	0
TIC	(24)	74	98	(8)	16
Marketing Gloucester	367	294	(73)	368	1
Total	1,127	617	(510)	1,339	212

8.1 As in previous years this portfolio continues to experience budget pressures as a result of savings targets to be achieved and the challenge to raise income levels.

8.2 The forecast for the Museums service is currently at an overspend of £107k. At the time of writing the summer holiday period is underway and the Dinosaurs exhibition is open. It is hoped that this will have a financial impact at least similar to Robots, and this is what is included in the forecast, but that is not know at this stage. A number of changes are being made to the service, including revising the charging structure, and these are likely to result in an improved position by the end of the year.

8.3 The Guildhall has similar pressures and is also currently reviewing methods of income generation. It is currently forecast to be short of budget by £87k. However, it is hoped that as new income generating opportunities are explored this gap will narrow by the end of the year.

8.4 A small pressure is currently anticipated at the TIC as a result of predicted shortfall in profit in the shop. As this small variance has occurred for a number of years it is likely to be considered for revision in the upcoming Money Plan.

8.5 All of these areas are part of the new Cultural and Trading services team in the new Council structure. By working together under a newly appointed Head of Service it is hoped that benefits can be realised across the service, and the gap between income targets and actual performance will significantly narrow. The impact of this is likely to be limited in 2017/18 but it is still hoped there will be some improvement in performance as the year progresses.

9.0 Planning and Housing

Planning and Housing	17/18			Final	
	Budget	Actual	Variance	Forecast	Variance
Housing Strategy	22	(56)	(78)	45	22
Private Sector Housing	20	12	(8)	42	23
Homelessness	898	(72)	(970)	944	45
Planning	152	(3)	(155)	264	112
Total	1,092	(119)	(1,211)	1,295	202

- 9.1 This portfolio is currently forecast to be overspent by £202k during the year.
- 9.2 The Council is currently experiencing significant increases in costs in placing homeless families in temporary accommodation, in line with national trends. This increase is a result of having to use more expensive accommodation types to house individuals and families. A flexible homelessness prevention grant has been received from central government and much of this will be used to fund these in year costs. There is however, work underway to use some of that money to bring down the costs of accommodation provision and reduce pressures in the longer term.
- 9.3 The pressure within the Planning Service is primarily a result of the use of temporary staff to cover vacancies within the structure. As more posts are filled on a permanent basis it is hoped that these costs will reduce and bring the service closer to planned budgets.
- 9.4 Income from Planning Fess is a significant source of funding for the Service and must therefore be viewed as risk area. Current forecasts are for this income stream to achieve £620k of a £650k target but this will be monitored closely during the year. Any fluctuation in the level of income received may have a large financial impact and will be reported in future monitoring should this situation occur.

10.0 Environment

Environment	17/18			Final	
	Budget	Actual	Variance	Forecast	Variance
Waste and Streetcare	4,514	1,407	(3,107)	4,529	15
Neighbourhood Management	45	(36)	(81)	48	3
Countryside and Allotments	80	3	(77)	88	8
Head of Service	68	18	(50)	63	(4)
Cemetery and Crematorium	(1,359)	(281)	1,078	(1,311)	48
Flooding and emergency planning	106	2	(104)	74	(32)
Total	3,454	1,113	(2,341)	3,491	37

- 10.1 This portfolio is forecast to have a small overall overspend of £37k.
- 10.2 The Amey contract has a savings target remaining of £241k and at this stage it is anticipated that the new recycling service, along with smaller service variations, are likely to lead to the majority of that savings target being reached in year. The major risk factor, as in previous years, is the level of income achieved from the sale of

recyclable material. This is currently being forecast to achieve targeted levels, any shortfall in actual income received will be a cost pressure in year.

- 10.3 At this stage a shortfall against budget is currently being predicted for the Cemetery and Crematorium Service. In recent years this service has enjoyed large budget surpluses but for 2017/18 income targets are set at a higher level. This means they are more challenging to achieve and at this stage the final position is not clear. These levels will be monitored and managed throughout the year. There has also been some overtime costs incurred for staff during the transition to the new structure and these will also be managed throughout the 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 largest savings challenge for 2017/18 was the introduction of a £1m target to be achieved through organisational redesign. As this process is currently forecast to achieve savings of £1.23 million this provides some additional certainty to cover any savings targets which may be, or become to be, at risk during the year.

12.0 Capital Programme

- 12.1 The Capital Programme budget for the year is £8.705 (£9.672m including S106 projects). The expenditure for quarter 1, including amounts committed totals £1.844m. Quarter 1 reports continued progress on the Kings Quarter Development, £1.5m has been spent in quarter 1 with work progressing on the highways element of the project. Quarter 1 has also seen the continuation of the museum roof project.
- 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. The performance in the table below is a major improvement from 2016/17 where the average days to pay an invoice was 9, which in itself was already strong performance.

	<u>April</u>		<u>May</u>		<u>June</u>		<u>Qtr 1</u>	
Number paid within 30 days	544	96%	616	97%	645	96%	1,805	97%
Number paid over 30 days	22	4%	19	3%	24	4%	65	3%
Average Days to Pay (from receipt of invoice to payment date)	5		5		4		5	

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