

Gloucester City Council

Meeting:	Cabinet Briefing Overview and Scrutiny Cabinet	Date:	15th November 2017 27th November 2017 6th December 2017
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		

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 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 £1.694 million with a further £511k in progress.
 - 2) The forecast year end position is currently for a reduction to the Council's General Fund balance of £163k.
 - 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.

4.0 Whole Council Summary

- 4.1 The forecast position is a reduction of the Council's General Fund by £163k as shown in the table below. This is an improvement of £198k since Quarter 1 as forecasts have improved in a number of areas. This report will largely focus on significant changes and risks that have developed or arisen in the second Quarter.

Council Summary	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q1
Regeneration and Economy	(1,364)	(18,896)	(1,097)	266	28
Communities and Neighbourhoods	701	298	724	22	(30)
Performance and Resources	5,109	2,578	5,119	11	(2)
Culture	1,032	1,018	1,239	207	(5)
Planning and Housing	1,092	278	1,358	266	64
Environment	3,549	1,428	3,515	(34)	(71)
Corporate and Funding	(10,119)	12,801	(10,694)	(575)	(181)
Total	0	(495)	164	163	(198)

- 4.2 This position includes a full estimate of the likely impact of the Together Gloucester Savings programme. It is now clear that the restructure has removed the targeted £1m from budgets and an additional £230k. This additional saving is being held within the "Corporate and Funding" line and is contributing to the underspend in that section.
- 4.3 The staff restructuring arising out of the Together Gloucester project is largely complete and the authority has incurred redundancy costs in year. These costs are to be met from capital receipts as agreed in the Council's flexible use of Capital Receipts policy. This means that they will have no final impact upon the General Fund and are not included within the forecasts in this report.
- 4.4 The restructuring of staff structure has had minimal impact on portfolio organisation and therefore the format of reporting in this document remains largely intact with only a few minor changes.
- 4.5 The Kings Walk shopping centre deal has resulted in a significant cash inflow to the Authority which is either earmarked for capital works or to be held in reserve for future repair costs at the centre. Where income from investment properties exceeds the budgeted amounts as a result of the Kings Walk deal any surplus will be added to the sinking fund as a protection against future costs.

5.0 Regeneration and Economy

Regeneration and Economy	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q1
ED and Regeneration	210	159	235	25	(23)
Asset Management	891	675	964	72	35
Commercial Property	(1,598)	(19,580)	(1,591)	7	(45)
Parking	(1,006)	(235)	(1,006)	0	(42)
Senior Management	463	204	471	8	39
Markets and Street Trading	(324)	(119)	(170)	154	64
Total	(1,364)	(18,896)	(1,097)	266	28

- 5.1 This portfolio is currently forecasting a deficit of £266k, a slight increase in the deficit since Quarter 1.
- 5.2 The overall forecast for Economic Development and Regeneration has reduced by £23k in the quarter. Estimated costs have reduced in a number of areas, most particularly advertising and publicity. Overall a small overspend is still expected and this is a result of the transition to the new Together Gloucester Structure.
- 5.3 The improvement in forecast parking income is a result of the introduction of new parking tariffs. The additional income generated by these tariffs is expected to offset the budget pressure earlier in the year from problems with the Kings Walk car park barrier system.
- 5.4 The improvement to the position on Commercial properties relates to an assumption of some income from the Kings Walk property deal being added to the General Fund position. This income has arisen as the rent the Council receives from the centre has increased from the previous lease arrangement.
- 5.5 The anticipated overspend in Asset Management has increased since Quarter 1. This is mostly due to an increase in repair costs. These will be managed through the remainder of the year and if necessary some funds will be transferred from the Repairs Reserve to the General Fund. The forecast for this area does now anticipate receipt of rental sums from the North Warehouse arrangement which has improved the overall position.
- 5.6 Forecasts for markets and street trading worsened in a number of areas. Repair costs of £20k have been incurred for repairs to the surfacing at the Hempsted site which is not covered by that repairs budget. The estimate of income for Eastgate Market has decreased by £25k, partly as a result of more analysis of the data available. However, the opening of new stalls recently may help to increase this figure by the end of the year. The forecast for income from street trading licenses has also decreased by £10k but it is hoped this will improve by the end of the financial year.

6.0 Communities and Neighbourhoods

Communities and Neighbourhoods	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q1
Voluntary Sector Grants	170	57	159	(11)	(1)
Community Wellbeing	319	85	287	(31)	(38)
Licensing	(256)	(122)	(228)	28	6
Shopmobility	60	23	60	0	(10)
Health and Safety	22	49	34	12	(3)
Environmental Health	387	207	411	24	14
Total	701	298	724	22	(30)

- 6.1 This portfolio is expected to be only over budget by £22k as a result of some smaller variances. This is an overall improvement of £30k from Quarter 1.
- 6.2 The largest overspend is in licensing. This is a result of a refund paid for a licensing fee which was overcharged in a prior financial year. This was a one off issue which is now resolved and will not impact on the performance of the service in future.
- 6.3 There has been an improvement in the income forecasts of the Shopmobility Service meaning that it is now hoped that this will be on budget for the year. Shopmobility is now part of the Visitor Experience Team and it is hoped that this will bring benefits to the operational and financial performance of the service.
- 6.4 There has been a reduction in estimated costs in Community Wellbeing (formerly Community Safety in financial monitoring reports) with the biggest contributor to that reduction being a short term vacancy in the Project SOLACE team. The new Community Wellbeing Manager entered the post during Quarter 2 and will be leading this team in future.

7.0 Performance and Resources

Performance and Resources	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q1
Internal Audit	182	47	182	0	0
Financial and Corporate	1,382	624	1,159	(223)	(62)
Revenues and Benefits Admin	717	939	719	2	(0)
Housing Subsidy	(479)	(793)	(385)	93	93
IT	1,418	1,050	1,492	74	(17)
Human Resources	271	29	301	29	(21)
Communications	86	(10)	87	0	0
Legal Services	385	89	384	(1)	(1)
Contact Centre and Customer Services	421	254	486	66	9
Democratic Services	726	348	696	(30)	(4)
Total	5,109	2,578	5,119	11	(2)

- 7.1 The portfolio is expected to currently forecast to have a small overall overspend of £11k, a reduction of £2k from the Quarter 1 position.
- 7.2 There continues to be a large saving expected within the area of finance and corporate costs. This is a result of additional budgets which have not been required as part of the restructure and also the previously reported saving in the Business Support Team.
- 7.3 The contact centre and customer services are currently forecast to overspend by £66k. . This team has seen a significant reduction in numbers but the service as a whole remains above the target structure in the Together Gloucester plan. The new Customer Service and Transformation Manager began work in this Quarter and will be looking at new ways to bring innovation and improvement to this area.
- 7.4 The current level of IT spending on new products and transformation projects suggests there will be an overspend this year, even after allowing for charging some new purchases to capital budgets. The IT budget has seen increases in previous years but is not high enough for the current levels of new investment and transformation. The final level of expenditure is difficult to predict at the current time but it is estimated at £74k over budget.
- 7.5 Within Human Resources, the saving of £50k for changes to staffing terms and conditions has not yet been achieved. However, the number of apprentices employed by the Council during the year has been less than that allowed for by the budget and therefore the anticipated overspend for HR as a whole is only £29k.
- 7.6 The move to the new four year City Council election cycle and the resulting lack of a City election in year has created an underspend in Democratic Services. This is because the costs of staging elections in 2017 have been met by the relevant organisations holding those elections.

8.0 Culture and Leisure

Culture	17/18	Actual	17/18	Variance
	Budget		Forecast	
Museums	379	238	564	186
Food and Drink	(89)	41	(86)	3
Guildhall and Blackfriars	172	19	181	9
Aspire Client	227	196	227	0
TIC	(24)	155	(14)	9
Marketing Gloucester	367	368	367	0
Total	1,032	1,018	1,239	207

- 8.1 This portfolio is expected to overspend by £207k, a small improvement of £4k over the Quarter 1 position. No change figures are included in the table above as the portfolio has been restructured to include the whole food and drink function. This makes like for like comparison to Q1 on the service lines misleading.
- 8.2 Food and Drink is expected to be close to budget for the year. This depends upon the achievement of very challenging savings targets and will be closely monitored.

When reporting on Quarter 1 a deficit was forecast for the Guildhall Bar so this represents an improvement for that position.

- 8.3 With the new structure of the portfolio the majority of the overspend is now shown against the Museums line. This is predominantly a result of the £132k savings target which remains against the service and has not been achieved. In addition, like many service areas, the new structure was implemented only part way through the year resulting in higher costs than budgeted for staffing.
- 8.4 The Dinosaur Exhibition was a success and income targets for the year are likely to be achieved. However, there were costs incurred in creating the exhibition and these have offset the majority of the additional income. A surplus on the scale of the Robots exhibition is not likely to be repeated. However, with the limited planning opportunity created by the restructure timescale the Dinosaur exhibition can still be viewed as a success financially.
- 8.5 Although the Guildhall and Blackfriars are now shown as being close to budget this is dependent upon the achievement of challenging income targets over the winter months. Monitoring will be undertaken throughout the remainder of the year to determine the performance against those targets.
- 8.6 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.
- 8.7 All of these areas are part of the Cultural and Trading services team in the new Council structure and the Head of Service has recently begun work. 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 financial benefits of the more joined up service are likely to be limited in 2017/18 but it is still hoped there will be some improvement in performance as the year progresses.
- 8.8 No variances are expected in the contractual arrangements with either Marketing Gloucester or Aspire.

9.0 Planning and Housing

	17/18		17/18		Change
Planning and Housing	Budget	Actual	Forecast	Variance	from Q1
Housing Strategy	22	(55)	39	16	(6)
Private Sector Housing	20	93	42	22	(0)
Homelessness	898	229	962	63	18
Planning	152	12	316	164	52
Total	1,092	278	1,358	266	64

- 9.1 This portfolio is currently forecast to be overspent by £266k during the year, an increase of £64k from Quarter 1.
- 9.2 The Council continues to experience an increase in cost against budget of the provision of temporary accommodation to prevent homelessness. This level of demand, and a shortage in supply, often means that the Council has to utilise more expensive forms of accommodation. This increase in cost is partly recoverable through the housing subsidy system and steps have been put in to maximise the amount recovered. Current forecasts also include using £150k of the Flexible Homelessness Prevention Grant to support this overspend. The remainder of this grant is anticipated to be used on managing the demand or sourcing alternative accommodation.
- 9.3 There are a number of factors which contribute to the overspend in planning. The principal cause is a total £65k overspend on temporary staff and consultancy. This includes staff covering vacant posts and costs associated with consultancy work involving flood prevention. As the key posts within the service are filled the reliance on, and therefore cost of, temporary staffing should reduce.
- 9.4 The planning overspend also includes a one off refund of Building Control income received by the Council which was owed to the Building Control shared service. This refund of approximately £20k is a one off matter and does not create an on-going budget pressure.
- 9.5 Income from Planning Fees is a significant source of funding for the Service and must therefore be viewed as a risk area. However, the current forecast is for income to be only £15k short of a target of over £600k. This would be a significant achievement. Upcoming legislation will allow for an increase in fee levels although much of this would be reinvested into the service rather than contributing to the income target.

10.0 Environment

Environment	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q1
Waste and Streetcare	4,514	1,908	4,460	(54)	(69)
Neighbourhood Management	45	18	41	(4)	(6)
Countryside and Allotments	80	33	89	9	1
Head of Service	68	28	63	(4)	(0)
Cemetery and Crematorium	(1,264)	(594)	(1,217)	47	(1)
Flooding and emergency planning	106	35	78	(28)	3
Total	3,549	1,428	3,515	(34)	(71)

- 10.1 This portfolio is now forecast to have a small overall underspend of £34k, a significant improvement on the overspend position of £37k reported at Quarter 1.
- 10.2 The Amey contract has a savings target remaining of £241k and forecast continue to suggest 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. Work undertaken by Amey and the Council during Quarter 2 has brought more certainty to the forecasts of recycling income and recycling credits. The position on recycling credits (income received as a reward for diverting waste from landfill) has improved since Quarter 1 and leads to the overall expected underspend on Waste and Streetcare.

- 10.3 A shortfall against budget is still being predicted for the Cemetery and Crematorium Service. 2017/18 income targets are set at a higher level than in previous years meaning that cost overspends are not covered by income surpluses. The primary budget pressure this year is the cost of organists who are not included in the organisational structure. This pressure of approximately £30k is likely to be addressed in the upcoming Money Plan. The second half of the year is likely to contribute a significant proportion of the income target and levels will continue to be monitored closely.

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 £9.225 (£10.193m including S106 projects). The budget increased to include the public realm work at the rear of Commercial Road which is funded from capital receipts. Expenditure for quarter 2, including amounts committed totals £2.8m. Quarter 2 reports continued progress on the Kings Quarter Development with regards the Bus Station, £1.7m has been spent this year, with highways work in Bruton Way largely complete as work continues on preparation for the start of construction in quarter 3. Public realm work at Commercial Road got started within the quarter, £476k has been spent this year on this 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 average number of days to pay in invoice in Quarter 2 has remained at 5 as it was in Quarter 1.

	<u>July</u>		<u>August</u>		<u>September</u>		<u>Qtr 2</u>	
Number paid within 30 days	523	99%	488	96%	558	94%	1,569	96%
Number paid over 30 days	5	1%	18	4%	35	6%	58	4%
Average Days to Pay (from receipt of invoice to payment date)	4		5		6		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