

Gloucester City Council

Meeting:	Cabinet	Date:	7th March 2018
Subject:	Financial Monitoring Quarter 3		
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 3rd quarter ended 31st December 2017.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that it be noted that:

- (1) the savings achieved in year to date total £1.844 million with a further £331k in progress.
- (2) the forecast year end position is currently for a reduction to the Council's General Fund balance of £38k.
- (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 further detailed tables analysing the variances.

4.0 Whole Council Summary

4.1 The forecast position is a reduction of the Council's General Fund by £38k as shown in the table below. This is an improvement of £125k since Quarter 2 as forecasts have become more accurate as the year progresses and performance has improved. This report will largely focus on significant changes and risks that have developed or arisen in the third Quarter. Officers are taking steps to ensure that this budget gap can be closed by the end of the financial year. Improvements seen in the last two quarters suggest this is achievable.

Council Summary	17/18		17/18		Change from Q2
	Budget	Actual	Forecast	Variance	
Regeneration and Economy	(1,336)	(18,004)	(1,139)	197	(70)
Communities and Neighbourhoods	705	597	690	(15)	(37)
Performance and Resources	5,016	5,726	4,997	(19)	(30)
Culture	1,072	1,671	1,334	262	55
Planning and Housing	1,108	843	1,354	246	(20)
Environment	3,552	2,771	3,515	(36)	(3)
Corporate and Funding	(10,116)	17,783	(10,713)	(597)	(22)
Total	(0)	11,388	38	38	(125)

4.2 The impact of Together Gloucester on the position remains as previously reported. Savings achieved totalled more than the £1m target in 2017/18 and this additional saving is shown in the Corporate and Funding line.

5.0 Regeneration and Economy

Regeneration and Economy	17/18		17/18		Change from Q2
	Budget	Actual	Forecast	Variance	
ED and Regeneration	209	236	231	22	(3)
Asset Management	857	974	978	120	48
Commercial Property	(1,537)	(19,067)	(1,629)	(92)	(99)
Parking	(1,004)	(471)	(1,060)	(56)	(56)
Senior Management	468	398	467	(1)	(9)
Markets and Street Trading	(330)	(74)	(126)	203	49
Total	(1,336)	(18,004)	(1,139)	197	(70)

5.1 This portfolio is currently forecasting a deficit of £197k, an improvement of £70k from Quarter 2.

5.2 The cost of the asset management service has increased during the quarter as a result of repair costs and staffing to manage building works. In the fourth quarter expenditure will be reviewed to determine if any relates to capital works or can be funded from the repairs reserve. This reserve is held to provide support for the funding of repair costs and will be used if required. The Money Plan has added to this budget for 2018/19 which should reduce this pressure in future years.

- 5.3 The forecast for parking income has again improved with the impact of the Christmas period and the new tariffs now taking effect. The fourth quarter will be the first full quarter with the new tariffs and income will be continue to be monitored. There are also some savings as a result of business rates bills being lower than expected for car parks.
- 5.4 The forecast income for Eastgate market has reduced in recent weeks. The occupancy of stalls has increased but the overall level of rent is lower than in previous forecasts. Consultancy costs have also been incurred in the markets service to explore opportunities for improvement in the Commercial performance of the markets. This work will bring benefits in the long-term but results in increased costs in the short-term. The draft money plan for 2018/19 includes an allowance of additional budget for the markets which, if approved, will mitigate some of these costs in 2018/19.
- 5.5 The Kings Walk deal will allow at least £100k of additional income to be taken to the General Fund in year. This is achievable even after placing funds in reserve to protect against future risks. This income is included in the commercial property line above.

6.0 Communities and Neighbourhoods

Communities and Neighbourhoods	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q2
Voluntary Sector Grants	170	110	160	(10)	1
Community Wellbeing	320	136	274	(46)	(15)
Licensing	(258)	(158)	(240)	18	(10)
Shopmobility	61	45	61	0	0
Health and Safety	19	110	33	13	1
Environmental Health	392	354	402	11	(14)
Total	705	597	690	(15)	(37)

- 6.1 This portfolio is now expected to be under budget by £15k, an overall improvement of £37k from Quarter 2.
- 6.2 Licensing costs and income have now moved largely into line with expected budgets. The remaining overspend relates to the previously reported refund for historical overcharging.
- 6.3 Forecasts across Environmental Health have improved with slightly reduced costs and increased income. This has improved the position of the service to an anticipated overspend of £11k. This overspend relates to the transitional costs creating when re-organising the team under Together Gloucester.
- 6.4 The increased saving in Community Wellbeing pre-dominantly relates to the vacant position that was held within Project SOLACE and contributions which have been received towards the service.

7.0 Performance and Resources

Performance and Resources	17/18		17/18		Change from Q1
	Budget	Actual	Forecast	Variance	
Internal Audit	180	93	180	0	0
Financial and Corporate	1,331	742	1,040	(291)	(68)
Revenues and Benefits Admin	705	712	666	(39)	(41)
Housing Subsidy	(479)	1,635	(334)	145	51
IT	1,418	1,213	1,541	124	50
Human Resources	261	54	292	31	2
Communications	86	30	86	0	0
Legal Services	382	189	382	(1)	0
Contact Centre and Customer Services	421	425	437	15	(50)
Democratic Services	709	634	706	(3)	27
Total	5,016	5,726	4,997	(19)	(30)

- 7.1 The portfolio is now forecasting a small underspend of £19k, an improvement of £30k from the Quarter 2 position.
- 7.2 The previous reported saving in Finance and Corporate costs has increased during the Quarter. Additional income has been received from asset sales at Gloucestershire Airport and savings have also been achieved in bank charges. The existing saving related to transitional budgets held to cover the cost of Together Gloucester.
- 7.3 The forecast overspend in the contact centre has significantly reduced by £50k. At the time of the last report a large overspend was expected on staffing. In this quarter that forecast has reduced and the service as a whole is now expected to be overspent by just £15k. Staffing costs continue to be the main pressure on the service and will be monitored throughout the next financial year.
- 7.4 The level of IT spending on new products and transformation projects has continued to increase in the quarter, resulting in the increased overspend seen in the table above. An exercise has recently been carried out to allocate items to capital budgets where it is correct to do so. The current revenue forecast is the likely overspend after the re-allocation of those purchases. The Money Plan for 2018/19 has added in an additional £100k to reduce this pressure.
- 7.6 The increased cost in democratic services is a result of finalising the costs of the electoral canvas and confirmation of amounts that can be reclaimed for elections held in 2016. The service is still expected to be delivered on budget for the year.

8.0 Culture and Leisure

Culture	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Quarter 2
Museums	388	518	588	200	14
Food and Drink	(87)	91	(49)	38	35
Guildhall and Blackfriars	172	200	197	25	16
Aspire Client	247	228	244	(3)	(3)
TIC	(15)	242	(14)	1	(8)
Marketing Gloucester	367	392	368	1	1
Total	1,072	1,671	1,334	262	55

- 8.1 This portfolio is expected to overspend by £262k, an increase of £55k over the Quarter 2 position.
- 8.2 The Food and Drink service is now expected to be overspent for the year. It has previously been reported that savings and income targets over the winter months were very challenging and recent monitoring suggests they will not be achieved. The Food and Drink Manager is ensuring that all invoicing is brought up to date and income maximised for the remainder of the year.
- 8.3 The museums service continues to report an overspend as a result of the savings target not being achieved. The level of overspend has increased slightly in the quarter to £200k as a result of essential repairs works at the Life Museum. Income forecasts have remained constant, or in some cases higher, but there have been small increases in the forecast costs of utilities and staffing as well additional repairs costs incurred at the Life Museum.
- 8.4 The Guildhall and Blackfriars have also seen a small increase in expected overspend due to a reduction in the levels of income forecast. It is believed that income to be generated in the final three months of the year may help to offset this position.
- 8.5 The current forecast is for the Tourist information centre to be on budget for the year. The small pressure on income targets remains but this has been offset by savings made to a number of operational budgets.
- 8.6 Many of the budgets in this service area have been pooled across the Visitor Experience Team for 2018/19 to help the new management team realise the benefits of joint working. It is believed that this will aid the financial position in the new year.

9.0 Planning and Housing

Planning and Housing	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q2
Housing Strategy	21	(109)	13	(8)	(24)
Private Sector Housing	17	95	39	23	0
Homelessness	910	629	972	62	(1)
Planning	161	228	330	169	5
Total	1,108	843	1,354	246	(20)

- 9.1 This portfolio is currently forecast to be overspent by £246k during the year, a decrease of £20k from Quarter 2.
- 9.2 There has been little change in the overall forecast for the Homelessness Service. Costs have continued to rise but to offset this cost it has been assumed that £200k of the flexible homelessness prevention grant will be used in year. The exact amount of the grant to be used in-year, with the remainder being carried forward to future years, will be determined at the end of the financial year.
- 9.3 Planning continues to be overspent with the final variance now forecast at £169k. The area of significant risk remains planning fee income and although forecasts have been lowered in the current quarter there remains a risk that these revised forecasts may not be achieved. There are, however, a number of developments where planning fees are expected and these will help contribute to the target.

10.0 Environment

Environment	17/18 Budget	Actual	17/18 Forecast	Variance	Change from Q2
Waste and Streetcare	4,514	3,370	4,488	(26)	28
Neighbourhood Management	45	(3)	(8)	(53)	(49)
Countryside and Allotments	85	44	92	7	(2)
Head of Service	68	49	64	(5)	(0)
Cemetery and Crematorium	(1,265)	(727)	(1,179)	86	39
Flooding and emergency planning	105	38	58	(47)	(18)
Total	3,552	2,771	3,515	(36)	(3)

- 10.1 This portfolio is again forecast to have a small underspend with the current figure being £36k.
- 10.2 Neighbourhood management has seen a significant saving in the quarter. This is the result of a Business Rates refund for the closed public toilets in the Bus Station. An additional saving is also being generated by the stray dog service which is exceeding the savings target set when the service was transferred to the current provider.

10.3 The Cemeteries and Crematorium service has seen forecast costs increase during the quarter largely as a result of the number of cremations being less than previously forecast. In previous years the final quarter has seen significant income generated and this is likely to help this position before the end of this year.

10.4 The major pressure in this portfolio is always the level of income generated from the sale of recyclable material. To mitigate these risks the forecasts is based on the lowest estimate provided by Amey. There are, however, remaining risks. The most obvious of these is the impact upon the market of China’s restriction of imports on recyclable material. The full impact of this is not quantifiable until year-end.

11.0 Progress against savings targets

11.1 Full details of the Council’s progress against its savings targets are shown at Appendix 1.

12.0 Capital Programme

12.1 The Capital Programme budget for the year is £9.942m of which £3.6m has been spent by the end of Quarter 3. The most significant item on the capital programme is the construction work on the new bus station with additional expenditure of £2.326m being expected in the fourth quarter. Highways works are now complete and work has moved onto the main construction of the station. In addition, the public realm works in front of the Commercial Road properties is now complete with expenditure to date totalling £555k.

12.2 The nature of capital projects means that many of them span a number of financial year’s, 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 3 was 6, a slight increase from the 5 at Quarter 2 as a result of the reduced frequency of payments over Christmas. This remains well below the Council target of 10.

	<u>October</u>		<u>November</u>		<u>December</u>		<u>Qtr 3</u>	
Number paid within 30 days	572	95%	674	98%	358	96%	1,604	96%
Number paid over 30 days	32	5%	16	2%	15	4%	63	4%
Average Days to Pay (from receipt of invoice to payment date)	6		4		6		6	

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) and Safeguarding:

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