

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date:	3rd December 2018 5th December 2018
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 2018.

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 £150k with a further £197k in progress.
 - (2) The forecast year end position is currently for a reduction to the Council's General Fund balance of £28k against a budgeted increase 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.

3.3 The figures contained within this report are presented by portfolio and are therefore largely not impacted by changes to organisational structure.

4.0 Whole Council Summary

4.1 The forecast position is a small reduction of the Council's General Fund by £28k as shown in the table below. This is a deterioration of £75k since Quarter 1 as shown in the table below.

Council Summary	18/19 Budget	Q2 Actual	18/19 Forecast	Variance	Change from Q1
Regeneration and Economy	(2,823)	1,334	(2,750)	73	42
Communities and Neighbourhoods	1,379	776	1,398	19	29
Performance and Resources	5,315	2,734	5,448	133	(33)
Culture	778	495	1,041	263	80
Planning and Housing	170	(130)	104	(66)	(25)
Environment	4,002	2,499	3,930	(72)	(46)
Corporate and Funding	(8,983)	1,762	(9,143)	(160)	28
Total	(163)	9,469	28	191	75

4.2 This report will primarily focus on the significant changes and risks that have developed or arisen in the Second Quarter. 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 overspend of £191k; there can be some confidence that this will have been turned into a balanced position by the end of the year.

4.3 The budget monitoring undertaken during 2018/19 will inform if any pressures or opportunities can be included in Money Plan to be presented to Council in February 2019. Both Cabinet and Overview & Scrutiny Committee have previously noted the ongoing pressures in Markets and Cultural services. Officers are working to deliver both income and savings targets; however the plan may need to incorporate these pressures.

4.4 The 2018/19 budget includes a vacancy factor of £260k which is spread across the Council. This saving is met by the period of time to recruit to vacant posts as staff turnover, the Council currently only has minimal vacancies which may cause an in year pressure against this target.

5.0 Regeneration and Economy

Regen	18/19 Budget	Q2 Actual	18/19 Forecast	Variance	Change from Q1
Economic Development	213	327	187	(26)	0
Asset Management	899	406	942	43	29
Commercial Property	(3,018)	924	(3,082)	(64)	(10)
Parking	(1,128)	(556)	(1,180)	(52)	4
Senior Management	471	280	469	(2)	(7)
Markets and Street Trading	(261)	(47)	(86)	174	26
Total	(2,823)	1,334	(2,750)	73	42

- 5.1 This portfolio is currently forecasting a deficit against budget of £81k.
- 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. Ongoing work is being undertaken to maximise occupancy and to seek to increase revenue. A full procurement exercise has commenced with the view to the new contract commencing in the new financial year which is expected to deliver ongoing savings.
- 5.3 The Parking service is forecast to generate a surplus. The contract for the provision of parking management and enforcement has been retendered. The new contract commenced in September and will deliver estimated savings of £25k in 2018/19; and in a full year expected savings will be £50k. Based upon current forecasts income from off street car parks is also expected to deliver a surplus.
- 5.4 Income from Commercial Properties is currently forecast to meet budgeted targets and generate a surplus of £64k in year. The income from Kings Walk which is taken to the General Fund in year has improved the position in relation to Commercial Property.
- 5.5 The anticipated overspend in Asset Management has increased since Quarter 1. This is mostly due to an increase in one-off 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.

6.0 Communities and Neighbourhoods

Communities and Neighbourhoods	18/19 Budget	Q2 Actual	18/19 Forecast	Variance	Change from Q1
Voluntary Sector Grants	115	59	115	0	(0)
Community Strategy and Other Projects	149	89	151	2	6
Homelessness	1,035	668	1,100	65	64
Shopmobility	61	20	59	(2)	9
Health and Safety	3	4	3	0	(4)
Private Sector Housing	15	(63)	(30)	(46)	(46)
Total	1,379	776	1,398	20	29

- 6.1 This portfolio is currently forecasting a slight overspend of £20k.
- 6.2 In line with national trends, the Council continues to experience significant increases in the costs of placing homeless families in temporary accommodation; many of whom have complex needs. This increase is a result of having to place more people, allied with an increase in the cost of securing the accommodation types required to house large families and individuals with complex needs. This is largely due to a general shortage of social rented housing or affordable rented housing. These increased costs are partly recoverable through the housing benefit system and steps are being taken to ensure that the amounts recovered are maximised.
- 6.3 A flexible homelessness prevention grant has been received from Central Government and much of this will be used to fund the in-year costs, as well as to develop alternative sources of temporary accommodation provision to reduce pressures in the longer term. As at the end of Quarter 2 an overspend of £65k is forecast for the year.
- 6.4 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.

7.0 Performance and Resources

Performance and Resources	18/19 Budget	Q2 Actual	18/19 Forecast	Variance	Change from Q1
Internal Audit	190	37	179	(11)	0
Financial and Corporate	1,243	920	1,248	5	(1)
Revenues and Benefits Admin	880	1,196	844	(36)	(3)
Housing Subsidy	(427)	(1,255)	(320)	108	(13)
IT	1,530	1,069	1,587	57	4
Human Resources	275	75	275	(0)	(0)
Communications	88	46	91	3	9
Legal Services	390	95	374	(16)	(16)
Contact Centre and Customer Services	412	248	481	69	8
Democratic Services	735	303	688	(47)	(21)
Total	5,315	2,734	5,448	133	(33)

- 7.1 The portfolio is currently forecasting overspend of £133k. Within this figure, however, there are a number of significant variances contributing to that overall position.
- 7.2 The largest forecast variance is against housing subsidy and benefits. The current forecast is to overspend by £108k, however it must be noted that the Council manage in excess of £42m of benefit payments and the smallest percentage change can have a significant impact on this forecast in either direction.
- 7.3 The contact centre and customer services are forecast to overspend by £69k. This is consistent with the Q1 position and is a result of the current increased staffing within this service area.

- 7.4 The current level of IT spending on new products and transformation projects suggests there will be overspend this year due to a number of planned purchases of new systems and software. 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 is expected to improve the revenue outturn position. The final level of expenditure is difficult to predict at the current time but it is estimated at £57k over budget.
- 7.5 Similar to 2017 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.

8.0 Culture and Leisure

Culture	18/19 Budget	Q2 Actual	18/19 Forecast	Variance	Change from Q1
Museums	208	157	357	149	52
Food and Drink	(90)	(14)	(46)	44	26
Guildhall	303	214	348	45	(10)
Aspire Client	(30)	(80)	(30)	(0)	(0)
TIC	98	44	123	25	12
Great Place	20	(83)	20	0	0
Marketing Gloucester	269	257	269	0	0
Total	778	495	1,041	263	80

- 8.1 This portfolio continues to experience budget pressures.
- 8.2 The most significant contributor to the budget deficit is the Museums service which is currently forecast to overspend by £149k. Summer footfall has been down due to the good weather and the absence of a major exhibition. The Cultural & Trading Services team is developing plans for an improved offer at the Museum of Gloucester and these include actions for improving income generation.
- 8.3 The proposed transfer of the Life Museum is now expected to take place in early 2019 so any savings are expected to be delivered during 2019/20. The increase in the expected overspend from the Q1 position is largely a result of additional spend of £30k on repairs to the roof of this museum that are required as part of the transfer process.
- 8.4 The Guildhall has similar pressures and is also reviewing methods of income generation. It is currently forecast to be short of budget by £45k. This is partly due to summer hire levels for Blackfriars being down, especially for use for weddings, as a result of the building works on the nearby student accommodation. It is anticipated that improvements made to the Guildhall website will improve ticket sales, an improved cinema offering and the investment in balcony seating will help narrow this gap by the end of the year. An element of the investment in improvements is likely to be identified as capital expenditure and recharged to an appropriate capital budget.

- 8.5 Food and Drink is currently behind its income target for the year. Plans are being developed to improve the facilities offered at the Guildhall and the self-service offering at the Museum of Gloucester. These changes are expected to have a positive impact on the income levels and will be closely monitored. The Arbor is on target and seeing a consistent level of activity with 2017/18.
- 8.6 All of these areas are part of the new Cultural and Trading Services team in the revised Council structure. It can be seen that financial performance has improved in comparison to the outturn position for 2017/18 and service managers are looking to improve this further.
- 8.7 No variances are expected in the contractual arrangements with Marketing Gloucester and Aspire.

9.0 Planning and Housing

Planning and Housing	18/19 Budget	Q2 Actual	18/19 Forecast	Variance	Change from Q1
Housing Strategy and SIB	0	(20)	(20)	(20)	(6)
Planning	170	(109)	124	(46)	(19)
Total	170	(130)	104	(66)	(25)

- 9.1 This portfolio is currently forecast to be underspent by £66k during the year.
- 9.2 Income from Planning Fees provides a significant source of funding for the Service and is currently performing ahead of budget. This is currently expected to be maintained leading to a forecast underspend of £46k. Any fluctuation in the level of income received may have a large financial impact and accordingly this income source will continue be monitored closely during the year.

10.0 Environment

Environment	18/19 Budget	Q2 Actual	18/19 Forecast	Variance	Change from Q1
Waste and Streetcare	4,575	2,839	4,617	42	(11)
Neighbourhood Management	44	19	50	6	18
Countryside and Allotments	81	67	109	28	14
Environmental Health	606	254	538	(69)	(33)
Flooding and emergency planning	105	86	104	(1)	1
Head of Service	69	31	62	(7)	(0)
Cemetery and Crematorium	(1,226)	(664)	(1,276)	(50)	(32)
Licensing	(253)	(133)	(274)	(21)	(4)
Total	4,002	2,499	3,930	(72)	(46)

- 10.1 This portfolio is forecast to be underspent by £72k.
- 10.2 As in previous years, the final outturn position on the Amey contract continues to be reliant upon the level of income achieved from the sale of recyclable material.

Based on information received from Amey for sales up to the end of July, there is a shortfall in income up to then of £16k. However, the shortfalls have been decreasing month on month as the Council has been seen to take robust actions to improve the position. Any shortfall in actual income received will be a cost pressure in year; this will be closely monitored during the financial year.

- 10.3 The saving within Environmental Health is largely a result of increased income generation and the securing of a Thriving Communities Grant of £40k.
- 10.4 Income at the Crematorium is forecast to be ahead of target as a result of the operational difficulties currently being encountered at Cheltenham crematorium meaning a higher than usual level of activity at Gloucester.
- 10.5 The overspend within the Countryside and Allotments sector is a result of increased water usage costs resulting from this summer's lengthy dry spell.

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 £8m. The expenditure for the period to Quarter 2, including amounts committed totals £4.5m. Quarter 2 reports continued progress on the Bus Station as part of the Kings Quarter development, with the majority of the works completed by the end of September; followed by a successful opening in October.
- 12.2 Quarter 2 has seen the continued investment in the Councils information technology and the relocation of customer services to 92-94 Westgate Street.
- 12.3 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
- 12.4 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 shows the strong performance in supplier payments is being maintained.

	<u>July</u>		<u>August</u>		<u>Sept</u>		<u>Qtr 2</u>	
Number paid within 30 days	603	90%	620	84%	481	95%	1,704	89%
Number paid over 30 days	67	20%	120	16%	27	5%	214	11%
Average Days to Pay (from receipt of invoice to payment date)	8		12		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 considering 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 third 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