

Gloucester City Council

Meeting:	Cabinet	Date:	6 March 2019
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 2018.

2.0 Recommendations

2.1 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 an increase to the Council's General Fund balance of £95k 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.

4.0 Whole Council Summary

4.1 The forecast position is an increase in the Council's General Fund by £95k as shown in the table below. This is an improvement of £122k since Quarter 2 as forecasts have become more accurate as the year progresses and performance has improved.

Council Summary	18/19 Budget	Q3 Actual	18/19 Forecast	Variance	Change from Q2
Regeneration and Economy	(2,823)	2,191	(2,748)	76	3
Communities and Neighbourhoods	1,379	1,309	1,613	235	216
Performance and Resources	5,315	7,500	5,179	(136)	(268)
Culture	778	488	1,159	381	117
Planning and Housing	170	(22)	118	(52)	14
Environment	4,002	2,346	3,870	(132)	(60)
Corporate and Funding	(8,983)	1,996	(9,287)	(304)	(144)
Total	(163)	15,808	(95)	68	(122)

4.2 This report will primarily focus on the significant changes and risks that have developed or arisen in the Third Quarter. Where such variances have been identified officers will work towards ensuring the budgeted position is achieved at year end, as was achieved in the previous year.

4.3 The budget monitoring undertaken during 2018/19 has informed the amendments made to the 2019/20 Budget and Money Plan to take account of identified financial pressures and opportunities. 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; the proposed plan has incorporated these pressures.

5.0 Regeneration and Economy

Regen	18/19 Budget	Q3 Actual	18/19 Forecast	Variance	Change from Q2
Economic Development	213	730	177	(36)	(10)
Asset Management	899	1,041	943	43	0
Commercial Property	(3,018)	490	(2,988)	30	94
Parking	(1,128)	(418)	(1,214)	(86)	(34)
Senior Management	471	414	460	(11)	(9)
Markets and Street Trading	(261)	(64)	(126)	135	(39)
Total	(2,823)	2,191	(2,748)	76	3

5.1 This portfolio is currently forecasting a deficit against budget of £76k.

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 ensure maximum occupancy and additional tenants have been found during Q3 leading to the improved forecast position, albeit still a shortfall in income of £135k. Options for

the future of the market continue to be explored and a procurement exercise has commenced with the view to the new contract commencing in the new financial year, which is expected to deliver the necessary ongoing savings.

- 5.3 The forecast for the parking service has improved further as a result of the impact of the Christmas period and the commencement of the new parking management and enforcement contract. New ticket machines were also installed during Q3 improving consistency of their operation. Overall parking is forecast to generate additional income of £52k and cost savings from the new contract of £34k.
- 5.4 Income from Commercial Properties has moved to an adverse forecast position of £30k, a change of £94k from Q2, as a result of reduced income from the Grosvenor House and Kings House properties as tenants move out. This is to be expected in the short term as steps are taken to regenerate Kings Square.
- 5.5 The anticipated overspend in Asset Management remains at £43k. This is mostly due to one-off repair costs across the properties. 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	Q3 Actual	18/19 Forecast	Variance	Change from Q2
Voluntary Sector Grants	115	83	123	8	8
Community Strategy and Other Projects	149	113	153	4	2
Homelessness	1,035	1,171	1,310	275	210
Shopmobility	61	33	58	(3)	(1)
Health and Safety	3	3	2	(1)	(1)
Private Sector Housing	15	(94)	(33)	(48)	(2)
Total	1,379	1,309	1,613	235	216

- 6.1 This portfolio is currently forecasting overspend of £235k.
- 6.2 As noted at Q2, the Council continues to experience significant costs in relation to the placing of homeless families in temporary accommodation; many of whom have 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 positive steps have been taken to ensure that the amounts recovered are being maximised.
- 6.3 A flexible homelessness prevention grant has been received from 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. Officers are currently identifying and evaluating a variety of potential projects with the aim of reducing expenditure and budget pressures in this area. As at the end of Quarter 3 overspend of £275k is forecast for the year.
- 6.4 Towards the end of 2018 the Council took on the lead role, budget and employment of the County Homelessness Co-ordinator from Cotswold District Council. The

amounts brought over are expected to have no impact on the Council budget position.

- 6.5 The other areas in this portfolio are all forecast to meet their budget targets for the year.

7.0 Performance and Resources

Performance and Resources	18/19 Budget	Q3 Actual	18/19 Forecast	Variance	Change from Q2
Internal Audit	190	85	190	0	11
Financial and Corporate	1,243	1,348	1,310	67	62
Revenues and Benefits Admin	880	1,240	737	(143)	(107)
Housing Subsidy	(427)	2,591	(473)	(45)	(153)
IT	1,530	1,205	1,545	15	(42)
Human Resources	275	112	272	(3)	(3)
Communications	88	46	88	0	(3)
Legal Services	390	153	353	(37)	(21)
Contact Centre and Customer Services	412	331	446	34	(35)
Democratic Services	735	390	712	(24)	23
Total	5,315	7,500	5,179	(136)	(268)

- 7.1 The portfolio is currently forecast to be favourable to budget by £136k. Within this figure, however, there are a number of significant variances contributing to that overall position.
- 7.2 The forecast for housing subsidy and benefits has improved since Q2 and is currently forecast to be favourable to budget by £205k; 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 £34k. This is consistent with the Q2 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 £15k 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	Q3 Actual	18/19 Forecast	Variance	Change from Q2
Museums	209	(10)	413	204	55
Food and Drink	(40)	26	7	48	4
Guildhall	253	317	356	103	58
Aspire Client	(30)	(137)	(30)	(0)	(0)
TIC	98	97	124	27	2
Great Place	20	(81)	20	0	0
Marketing Gloucester	269	277	269	0	0
Total	778	488	1,159	381	118

- 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 £204k. Summer footfall was 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 spring 2019 so any savings are expected to be delivered during 2019/20. The increase in the expected overspend from the Q2 position is largely a result of additional spend of £60k of repairs to this museum that are required as part of the transfer process.
- 8.4 During December the museum received a generous bequest from Henry Frank Deakin of £305k which has been transferred to an earmarked reserve for use towards the museum.
- 8.5 The Guildhall has similar pressures and is also reviewing methods of income generation. It is currently forecast to be short of budget by £103k. The improvements made to the cinema have seen an increase in income from this area in Q3. Income from events has yet to improve; a review of their performance is underway to identify actions that can be implemented to improve this area.
- 8.6 Food and Drink is currently behind its income target for the year by £48k. The poor income performance of the Guildhall events has an impact on the bar sales there which contributes directly to this shortfall. 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 strong level of activity at the crematorium has ensured that the income performance from the Arbor is ahead of target by £15k.
- 8.7 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.

8.8 No variances are expected in the contractual arrangements with Marketing Gloucester and Aspire.

9.0 Planning and Housing

	18/19	Q3	18/19		Change
Planning and Housing	Budget	Actual	Forecast	Variance	from Q2
Housing Strategy and SIB	0	(17)	(5)	(5)	15
Planning	170	(5)	123	(47)	(1)
Total	170	(22)	118	(52)	14

9.1 This portfolio is currently forecast to be underspent by £52k 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 £47k. Any fluctuation in the level of income received may have a large financial impact and accordingly this income source will continue to be monitored closely during the year.

10.0 Environment

	18/19	Q3	18/19		Change
Environment	Budget	Actual	Forecast	Variance	from Q2
Waste and Streetcare	4,575	2,888	4,687	112	70
Neighbourhood Management	44	33	45	1	(5)
Countryside and Allotments	81	69	117	36	8
Environmental Health	606	407	534	(72)	(3)
Flooding and emergency planning	105	95	104	(1)	(0)
Head of Service	69	45	60	(9)	(2)
Cemetery and Crematorium	(1,226)	(999)	(1,407)	(181)	(131)
Licensing	(253)	(192)	(270)	(18)	3
Total	4,002	2,346	3,870	(132)	(60)

10.1 This portfolio is forecast to be underspent by £132k.

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 the expectation is that there will be a shortfall in this income. The Council is continuing to take robust actions to improve the position and the forecast is intended to be on the prudent side. Any shortfall in actual income received will be a cost pressure in year; this continues to be closely monitored.

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 £181k 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 3, including amounts committed totals £6.1m. Quarter 3 reports continued progress on the Kings Quarter development, with the highlight being the successful opening of the new bus station in October 2018.

12.2 Quarter 3 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>Oct</u>		<u>Nov</u>		<u>Dec</u>		<u>Qtr 3</u>	
Number paid within 30 days	713	84%	649	97%	547	96%	1,909	91%
Number paid over 30 days	139	16%	20	3%	22	4%	181	9%
Average Days to Pay (from receipt of invoice to payment date)	13		5		5		8	

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