

Gloucester City Council

Meeting:	Cabinet	Date:	4 December 2019
Subject:	Financial Monitoring - Quarter 2, 2019/20		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping, Head of Policy & Resources		
	Email: jon.topping@gloucester.gov.uk	Tel: 396242	
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 2019.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** it be noted that:
- (1) the forecast year end position is currently for a decrease to the Council's General Fund balance of £222k against a budgeted decrease of £91k.
 - (2) the details of specific budgetary issues identified by officers and the actions being taken to address those issues
 - (3) the current level of Capital expenditure as shown in 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 decrease of the Council's General Fund by £222k as shown in the table below. This is consistent with the position presented at the end of Quarter 1 albeit the areas of budget pressure have changed over the quarter. Where such budget pressures and variances have been identified officers are taking appropriate steps to work towards ensuring a balanced position at year end. Therefore, although the forecast is currently for a overspend to budget of £131k there can be some confidence that this will have been turned into a neutral position by the end of the year.

Council Summary	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Regeneration and Economy	(3,248)	1,201	(3,426)	(178)
Communities and Neighbourhoods	1,458	359	1,384	(75)
Performance and Resources	5,552	6,564	5,384	(168)
Culture	945	625	1,002	57
Planning and Housing	82	465	558	476
Environment	4,058	3,005	4,144	86
Corporate and Funding	(8,755)	16,431	(8,823)	(68)
Total	91	28,649	222	131

- 4.2 The budget monitoring undertaken during 2019/20 will inform if any pressures or opportunities can be included in Money Plan to be presented to Council in February 2020.

5.0 Regeneration and Economy

Regeneration & Economy	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Economic Development	199	287	174	(26)
Asset Management	741	827	1,019	278
Commercial Property	(3,319)	474	(3,752)	(434)
Parking	(1,238)	(685)	(1,220)	19
Senior Management	473	378	502	29
Markets and Street Trading	(106)	(80)	(149)	(43)
Total	(3,248)	1,201	(3,426)	(178)

- 5.1 This portfolio is currently forecast to be favourable to budget by £178k.
- 5.2 Income from commercial property during 2019/20 is currently forecast to be favourable by £434k; this is predicated upon the completion of several major investment projects which are currently under negotiation. The regeneration of Kings Walk is in progress, but the present forecast is for rent income during 2019/20 to be lower than that budgeted for the year. Some of the Kings Walk rent reduction is mitigated by the rent guarantee sums agreed when the contract was entered into in 2017.
- 5.3 The anticipated overspend in Asset Management has increased since Quarter 1. There are three elements to this forecast overspend:

(a) The disposal of the HKP warehouses is in progress and is unlikely to be completed within this financial year. As such the budgeted savings are not expected to be realised in the year.

(b) 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.

(c) The running costs of the bus station, especially for cleaning, are greater than budgeted. Various revenue generating opportunities are currently being explored with the aim of mitigating these costs.

6.0 Communities and Neighbourhoods

Communities and Neighbourhoods	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Voluntary Sector Grants	135	46	134	(0)
Community Strategy and Other Projects	145	112	168	23
Homelessness	1,174	263	1,088	(86)
Shopmobility	76	32	60	(15)
Health and Safety	3	2	2	(1)
Private Sector Housing	(73)	(95)	(69)	4
Total	1,458	359	1,384	(75)

6.1 This portfolio is currently forecasting to be under budget by £75k.

6.2 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 During Q1 the Council entered into an arrangement to allow the purchase of properties at Potters Place which are subject to nomination rights for the placement and support in the prevention of homelessness. The impact of this arrangement is forecast to come into effect in the latter part of 2019.

6.4 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 further develop alternative sources of temporary accommodation provision to reduce pressures in the longer term.

7.0 Performance and Resources

Performance and Resources	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Internal Audit	190	32	176	(14)
Financial and Corporate	1,238	562	1,262	24
Revenues and Benefits Admin	913	1,236	791	(122)
Housing Subsidy	(377)	2,739	(387)	(10)
IT	1,522	1,191	1,583	61
Human Resources	278	110	277	(0)
Communications	89	0	90	1
Legal Services	394	123	388	(6)
Contact Centre and Customer Services	448	223	423	(26)
Democratic Services	858	348	781	(77)
Total	5,552	6,564	5,384	(168)

- 7.1 The portfolio is currently forecast to be under budget by £168k. However, there are several significant variances contributing to that overall position.
- 7.2 The largest forecast adverse variance is the £61k forecast overspend in relation to IT. This primarily relates to the continued spend on transformation projects. These budgets are being closely monitored. Where expenditure is identified as capital it will be charged to the appropriate capital budget.
- 7.3 The current forecast for housing subsidy and revenues & benefits administration is favourable to budget by £122k, however it must be noted that the Council manage in excess of £42m of benefit payments and the smallest percentage change has a significant impact on this forecast. Accordingly, these items will continue to be monitored closely.
- 7.4 The contact centre and customer services are forecast to underspent by £26k, compared to the forecast overspend of £67k in Quarter 1. This is a result of separating out the costs related to the service transformation project and charging them to reserves as previously agreed.
- 7.5 The underspend of £77k in Democratic Services results from delaying recruiting the Policy and Performance Officer's into post. The Performance and Improvement Officer was recruited during Quarter 2. The Policy and Development role is currently being recruited.

8.0 Culture and Leisure

Culture	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Museums	213	36	179	(34)
Food and Drink	(74)	(3)	(79)	(5)
Guildhall	64	100	109	45
Aspire Client	(30)	(53)	(30)	0
TIC	20	5	82	63
Great Place	0	39	0	0
Marketing Gloucester	261	284	261	0
Visitor Experience	491	218	479	(12)
Total	945	625	1,002	57

- 8.1 This portfolio is currently forecasting to have a overspend against budget of £57k.
- 8.2 The removal of the charges to visit the Museum of Gloucester and the relocation of the Tourist Information service have led to a significant increase in footfall. This increased footfall has led to increases in income from the shop, catering offer and the major exhibitions that have been staged across the summer. It is hoped that these increases will continue for the second half of the year and the exhibitions to be staged during this time will prove as popular.
- 8.3 As noted above the Tourist Information Centre transferred from its Southgate premises from 1st April 2019. This is seeing savings realised in relation to the property rental and upkeep. However, in the short term there will be the cost of dilapidations payable under the terms of the lease to the landlord of the previous Southgate property. This amount is under negotiation and provision of estimated costs have been included in the figures above, these costs are one off in year.
- 8.4 The proposed transfer of the Life Museum is almost complete and some savings arising from this are forecast to be delivered during the year. There are still some ongoing costs in relation to the storage and management of the various exhibits. Income is being generated from the loan of museum exhibits. This is minimal at present but is seen as an area for continued development.

9.0 Planning and Housing

Planning and Housing	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Housing Strategy and SIB	0	189	(0)	(0)
Planning	82	275	558	476
Total	82	465	558	476

- 9.1 This portfolio is currently forecast to be over budget by £476k during the year.
- 9.2 Income from Planning Fees provides a significant source of funding for the Service and is currently forecast to be significantly lower than the budgeted levels. There are two major elements to this forecast variance:

- (a) Delay in the submission of several major applications from developers with a number now expected to be received in 2020/21
- (b) A significant reduction in the income from non-major applications of £114k

Whilst points 1 – 2 above are largely out of the control of City Council officers, any fluctuation in the level of income received may have a large financial impact and accordingly this income source will continue be monitored closely and appropriate actions taken to ensure related costs are managed.

- 9.3 There has also been significant expenditure of circa £100k in relation to the development and compilation of the City Plan that was passed at the Council meeting in October, and a further contribution of £60k to the Joint Core Strategy. The combination of these costs in a single financial year has led to an overspend of £35k against budget.

10.0 Environment

Environment	Year			
	19/20 Budget	Actual	End Forecast	Final Variance
Waste and Streetcare	4,742	3,255	4,903	161
Neighbourhood Management	19	6	46	28
Countryside and Allotments	87	41	109	22
Environmental Health	602	281	572	(30)
Flooding and emergency planning	107	67	113	6
Head of Service	62	32	65	3
Cemetery and Crematorium	(1,303)	(520)	(1,352)	(49)
Licensing	(257)	(158)	(312)	(55)
Total	4,058	3,005	4,144	86

- 10.1 This portfolio is currently forecast to be over budget for the year by £86k.
- 10.2 There is a cost pressure in relation to the Amey contract of £161k that results from the contract indexation being higher than the Council budgeted for. This was out of the Council's control and the Council is working to resolve this position going forward.
- 10.3 The saving within Environmental Health is largely a result of lower than budgeted staff costs.
- 10.4 Income at the Crematorium is forecast to be lower than 2018/19 as a result of Cheltenham crematorium now being back in operation. However, the income for the year is expected to achieve the budgeted target for 2019/20.

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 £6.6m including budgets carried forward from 18/19. The expenditure for the period to Quarter 2, including amounts committed totals £2.3m. The forecast outturn position anticipates an annual spend

at £5.8m. Quarter 2 has seen work on Kings Walk as the programme of work continues with the improvements to the car park.

12.2 The first half of 2019/20 has seen work on the Council's estate including work on the Guildhall and work at 92-94 Westgate Street allowing the Council to open The Gateway as part of the ongoing transformation programme. The transformation programme has also seen continued spend on the council's IT provision to enable the transformation.

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	653	92%	560	93%	548	96%	1,761	94%
Number paid over 30 days	57	8%	40	7%	20	4%	117	6%
Average Days to Pay (from receipt of invoice to payment date)	8		7		6		7	

14.0 Social Value Considerations

14.1 There are no direct social value implications as a result of this report.

15.0 Environmental Implications

15.1 There are no direct social value implications as a result of this report.

16.0 Alternative Options Considered

16.1 When considering how to reduce budgetary pressure or make savings officers explore a wide range of options.

17.0 Reasons for Recommendations

17.1 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.

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.

22.0 People Impact Assessment (PIA) and Safeguarding:

12.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact; therefore, a full PIA was not required.

23.0 Community Safety Implications

13.1 None.

24.0 Staffing & Trade Union Implications

14.1 None.