

Gloucester City Council

Meeting:	Cabinet	Date:	11 March 2020
Subject:	Financial Monitoring - Quarter 3 2019/20		
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 2019.

2.0 Recommendations

- 2.2 Cabinet is asked to **RESOLVE** to note:

- (1) the forecast year end position is currently for an increase to the Council's General Fund balance of £55k 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 an increase of the Council's General Fund by £51k as shown in the table below. This is an improvement from the position presented at the end of Quarter 2 primarily as a result of the unbudgeted income from the Property Investment Strategy during Quarter 3. The portfolios that were facing budget pressures in the Quarter 2 report continue to face similar pressures and the officers responsible for those portfolios are continuing to develop and implement plans to improve their positions.

Council Summary	Year			
	19/20 Budget	Actual	End Forecast	Final Variance
Regeneration and Economy	(3,248)	1,592	(3,682)	(434)
Communities and Neighbourhoods	1,458	794	1,469	11
Performance and Resources	5,552	9,195	5,420	(132)
Culture	981	823	1,042	61
Planning and Housing	82	408	609	527
Environment	4,022	3,847	4,386	364
Corporate and Funding	(8,755)	22,193	(9,299)	(544)
Total	91	38,852	(55)	(146)

- 4.2 This report will primarily focus on the significant changes and risks that have developed or arisen in Quarter 3. Where such variances have been identified officers, where possible 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 2019/20 has informed the amendments made to the 2020/21 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 Planning, Environment and Culture. Officers are working to deliver both income and expenditure efficiencies; the proposed plan for 2020/21 has incorporated these pressures.

5.0 Regeneration and Economy

Regeneration & Economy	Year			
	19/20 Budget	Actual	End Forecast	Final Variance
Economic Development	199	337	175	(24)
Asset Management	741	1,288	885	144
Commercial Property	(3,319)	709	(3,774)	(455)
Parking	(1,238)	(1,151)	(1,354)	(116)
Senior Management	473	524	507	34
Markets and Street Trading	(106)	(114)	(122)	(16)
Total	(3,248)	1,592	(3,682)	(434)

- 5.1 This portfolio is currently forecast to be favourable to budget by £434k.
- 5.2 Income from commercial property during 2019/20 is currently forecast to be favourable by £455k as a result of the purchases of St Oswald's Retail Park and the

freehold to the Eastgate Shopping Centre during Quarter 3. Both of these properties provide the Council with exciting opportunities for the continued regeneration of the City and the potential for future housing provision, supported by ongoing revenue streams from their tenants. As noted at Quarter 2 the regeneration of Kings Walk is progressing well with work having commenced on the refitting of the old BHS store ready for a new tenant in 2021.

- 5.3 The forecast for the parking service has improved further as a result of the impact of the Christmas period. Overall parking is forecast to generate additional income of £116k.
- 5.4 As noted at Quarter 2 there is an anticipated overspend in Asset Management. This position has improved during Quarter 3 as a result of increased income at the transport hub. This is a result of ensuring all charges have been correctly raised for bus and coach movements.
- 5.5 There continues to be an overspend in one-off property repair costs which will be managed through the remainder of the year; if necessary some funds will be transferred from the Repairs Reserve to the General Fund at the year end.
- 5.6 The disposal of the HKP warehouses is ongoing and is unlikely to be completed within this financial year. As such the budgeted savings are not expected to be realised in the year.

6.0 Communities and Neighbourhoods

Communities and Neighbourhoods	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Voluntary Sector Grants	135	75	138	3
Community Strategy and Other Projects	145	132	168	23
Homelessness	1,174	636	1,134	(40)
Shopmobility	76	51	66	(10)
Health and Safety	3	1	1	(1)
Private Sector Housing	(73)	(101)	(39)	35
Total	1,458	794	1,469	11

- 6.1 This portfolio is currently forecasting to be slightly overspent by £11k.
- 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. However, the actions taken by the Council during the year as noted at Quarter 2, in relation to Potters Place and other initiatives, plus the continued support from Government by way of the Flexible Homelessness Prevention grant have allowed the Council to contain these budget pressures during the year.
- 6.3 It should be noted that the actions undertaken at paragraph 6.2 above have improved homelessness expenditure significantly in comparison to 2018/19, with an expected reduction of over £350k in expenditure.
- 6.4 The forecast overspend on Private Sector Housing this year is due to investment in temporary resources to increase enforcement capacity for complex HMO cases and implementation of new legislation.

7.0 Performance and Resources

Performance and Resources	Year			
	19/20 Budget	Actual	End Forecast	Final Variance
Internal Audit	190	32	176	(14)
Financial and Corporate	1,238	835	1,196	(42)
Revenues and Benefits Admin	913	1,190	793	(120)
Housing Subsidy	(377)	4,373	(341)	36
IT	1,522	1,489	1,682	160
Human Resources	278	255	280	2
Communications	89	0	90	1
Legal Services	394	230	388	(6)
Contact Centre and Customer Services	448	319	429	(19)
Democratic Services	858	472	728	(130)
Total	5,552	9,195	5,420	(132)

- 7.1 The portfolio is currently forecast to be favourable to budget by £132k. However, there are several significant variances contributing to that overall position.
- 7.2 The largest forecast adverse variance is the £160k 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 Transformation project is reaching its conclusion with the spend during 2019/20 to be either drawn from the flexible use of capital receipts, or earmarked reserves. This is in line with the original decision at the outset of the programme.
- 7.4 The current forecast for housing subsidy and revenues & benefits administration is favourable to budget by £120k, 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.
- 7.5 As noted at Quarter 2, the underspend of £130k in Democratic Services results mainly from delays in the recruitment of the Policy and Performance Officer's into post. The Performance and Improvement Officer was recruited during Quarter 2 and the Policy and Development Officer in Quarter 3.

8.0 Culture and Leisure

Culture	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Museums	213	127	213	(0)
Food and Drink	(38)	4	(29)	9
Guildhall	64	107	144	80
Aspire Client	(30)	(81)	(30)	0
TIC	20	(7)	(2)	(21)
Great Place	0	45	0	0
Marketing Gloucester	261	292	271	10
Visitor Experience	491	336	475	(16)
Total	981	823	1,042	61

- 8.1 This portfolio is currently forecasting to have a overspend against budget of £61k.
- 8.2 As noted at Quarter 2 the removal of the entrance charges to the Museum of Gloucester and the relocation of the Tourist Information Centre to the same premises have had a significant positive impact on the performance of the museum. The dilapidations costs in relation to the ending of the lease for the Southgate premises are still being finalised with the landlord. However, these costs are expected to be met from an amount set-aside in the City Centre Investment Fund for this purpose.
- 8.3 The proposed transfer of the Life Museum to Gloucester Historic Buildings is still ongoing with current year savings being applied to meet the ongoing costs in relation to the storage and management of the various exhibits.
- 8.4 The adverse variance of £80k in relation to the Guildhall is a result of:
- (a) lower than budgeted income being achieved at Blackfriars, primarily in relation to wedding bookings being lower than expected; and
 - (b) reduced income at the Guildhall café facility which the cultural services team are taking steps to address.

9.0 Planning and Housing

Planning and Housing	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Housing Strategy and SIB	0	(85)	(0)	(0)
Planning	82	492	609	527
Total	82	408	609	527

- 9.1 This portfolio is currently forecast to be over budget by £527k during the year.
- 9.2 As indicated at Quarter 2, income from Planning Fees provides a significant source of funding for the Service and has proved to be significantly lower than the budgeted levels for the year. 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.

Whilst points 1 – 2 above are largely out of the control of City Council officers, any fluctuation in the level of income received has a large financial impact. Action to reduce some of these pressures has been taken in the Money Plan for 2020/21 and the officers will continue to monitor the position closely and take actions to ensure related costs are managed.

- 9.3 As noted at Quarter 2 there was significant in year expenditure for the development and compilation of the City Plan and a further contribution 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	19/20		Year	
	Budget	Actual	End Forecast	Final Variance
Waste and Streetcare	4,742	4,375	5,091	349
Neighbourhood Management	19	7	(6)	(24)
Countryside and Allotments	87	27	76	(11)
Environmental Health	602	419	581	(21)
Flooding and emergency planning	107	73	112	5
Head of Service	62	49	63	1
Cemetery and Crematorium	(1,339)	(894)	(1,248)	91
Licensing	(257)	(208)	(283)	(26)
Total	4,022	3,847	4,386	364

- 10.1 This portfolio is currently forecast to be over budget for the year by £364k.
- 10.2 As noted at Quarter 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. The Council has continued to work with Amey to resolve the recycling income issue and hopes to see an improvement in this area in 2020/21. The demand for garden waste services has also seen the need to add an additional vehicle and crew to the contract over the costs budgeted. These pressures have been addressed in the 2020/21 Money Plan.
- 10.3 Income at the Crematorium is forecast to be lower than 2018/19 partly as a result of Cheltenham crematorium now being back in operation and reduced demand for services. The Bereavement Services Manager has already identified a number of new services and opportunities to address this in 2020/21. As a result, the income for the year is expected to be £91k less than 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 including projects approved by the Property Investment Strategy is £76m. Total expenditure as at Quarter 3, including amounts committed totals £73m. The forecast outturn position anticipates an annual spend at £75m.

- 12.2 Quarter 3 has seen some significant capital additions through the Property Investment Board. The purchase of St Oswald's retail park and the Eastgate shopping centre form part of the Council's long-term regeneration and housing plans. St Oswald's as a well-established retail park will provide an income stream into the Council, but it also provides additional land for development, the new site together with existing Council owned land has created nine acres of development land. Eastgate shopping centre is a strategically important site in the centre of the city, bringing this site into Council ownership gives greater control to the council and fits with the wider regeneration of the centre.
- 12.3 Regeneration works have increased in the quarter, work at Kings Square has seen the demolition of the two kiosks as the square improvements gets underway. The old BHS site has been secured as work starts on the refurbishment of the store as part of our planned Kings Walk developments.
- 12.4 Continued improvement to the property estate includes the works on the Guildhall Roof, scheduled for completion in quarter 4.
- 12.4 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
- 12.5 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.
- 13.2 Performance in December was reduced for two reasons. Firstly, the council successfully paid a number of disputed invoices, in paying these invoices the statistic uses the originally received date which reduces our performance in month. Secondly, there were a number of invoices sent electronically to the Council which were not received. On receipt these were promptly paid.

	<u>Oct</u>		<u>Nov</u>		<u>Dec</u>		<u>Qtr 3</u>	
Number paid within 30 days	624	95%	566	97%	568	87%	1,758	93%
Number paid over 30 days	34	5%	19	3%	83	13%	136	7%
Average Days to Pay (from receipt of invoice to payment date)	6		6		10		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.