

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date:	14 September 2015 16 September 2015
Subject:	Financial Monitoring Quarter 1		
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 3. Income Targets		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 For Cabinet to note the financial monitoring report details including budget variances, year-end forecasts, and progress made against agreed savings targets for the 1st quarter ended 30th June 2015.

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:
- (1) The savings achieved in year to date total £851k and a further £584k of savings are in progress.
 - (2) The forecast year end position is currently for a reduction to the Council's General Fund balance of £554k.
 - (3) The actual and expected levels of income for the Council shown at Appendix 3.
 - (4) The details of specific budgetary issues identified by Officers and the actions being taken to address these issues.

3.0 Background and Key Issues

- 3.1 The figures contained within this report forecast the year end position. This is based on the actual expenditure to the end of quarter 1 and forecast forwards based on budget monitoring meetings between service managers and financial services staff.
- 3.2 A summary table below shows the projected position for each service area.

4.0 Whole Council Summary

- 4.1 The forecast position for the end of the year is a reduction of the Council's General Fund by £554k. This is indicative of a high proportion of the in year savings targets having already been achieved. Progress is being made in delivering further savings which are likely to have an additional beneficial impact on the year-end outturn position. Overall, it should be considered that Q1 is very early in the financial year to make spending predictions and close management of the position throughout the year should also lead to a gradual improvement of the estimated outturn.

	2015/16 Budget £000	Year End Forecast £000	Variance £000
Council Total			
Corporate Director - Martin	3,388	3,441	53
Corporate Director - Ross	6,206	6,688	482
Regen and Economic Development	(307)	(358)	(51)
Finance and Business Improvement	3,082	3,127	45
Funding and Corporate Adjustments	(12,339)	(12,344)	(5)
Total	30	554	524

- 4.2 This position reflects the current level of at risk savings targets, as well as new financial pressures identified during 2015/16, and any areas which are expected to be under their budget for the year.
- 4.3 This forecast represents a significant financial challenge to the Council and is indicative of the scale of the financial pressures and the ambitious savings targets set as part of the Money Plan. Officers continue to look for areas where costs can be restricted or additional income generated. This process is not limited to services with established savings targets but all services are under this obligation to identify savings. Where new savings proposals are identified they will, where necessary, be reported back to members for further discussion and appropriate decisions to be made.
- 4.4 The forecasts made at Quarter 1 include an assumption that the in-progress savings shown at Appendix 1 will be achieved. If these savings are not achieved this will obviously have a detrimental impact on the final budget position.

5.0 Corporate Director – Martin Shields

Corporate Director 1	2015/16 Budget £000	Year End Forecast £000	Variance £000
Planning and Development	374	333	(41)
Legal and Democratic Services	1,174	1,177	3
Communications	125	116	(9)
Housing Services	763	756	(7)
HR	345	294	(51)
Guildhall and Museums	429	589	160
Internal Audit	178	176	(2)
Total	3,388	3,441	53

- 5.1 The position for the directorate as a whole is forecast to be overspent by 53k. This is a result of the budgetary pressure created by the savings targets at the Guildhall and Museums which is partly offset by savings elsewhere in the directorate. This includes Planning and Development services which are currently expected to be under budget by £41k even after consideration of their savings targets. This is a result of the savings generated by the outsourcing of the Building Control Service to Stroud and positive forecasts on the level of planning income expected.
- 5.2 The Guildhall has a savings target of £150k and strong progress has been made to achieving that. Targeting of specific revenue streams and cost limitations mean that the service is expected to be over its budget for the year by £60k. This would be effectively achieving £90k in year against the savings target. The process of delivering further savings is now looking at the staffing structure. It is hoped that staffing changes will both deliver savings in terms of staff costs and in opportunities to generate further commercial income. However, an additional pressure is the bar and cafe where income is significantly down against budget targets and a shortfall of £42k for the year is expected against the budgeted surplus of £60k. Action is being taken to try and increase profitability at the bar but this is still expected to be a budget pressure at year end. Progress in narrowing the gap will be reported to members as the year progresses
- 5.3 The Museums also have a savings target of £150,000 and, like the Guildhall, has made a number of steps to ensure that is achieved. The closure of the Folk Museum Cafe in 2014/15 achieved £18k of that target. A number of proposals are in place to achieve savings in the current year including focusing on particular income streams, a change in the pricing structure for museums and standardisation of working arrangements. These reforms are targeting savings delivery in year of £74k. This will lead to the service as a whole being £58k over budget. The service continues to explore additional options to deliver this saving in year.
- 5.4 The HR Service is forecasting a significant saving of £51k for the year. This relates partly to the service now having two vacancies and partly a result of the service moving into a shared service with the County Council. The shared service is forecast to deliver a minimum of £30k savings on an annual basis and some of this will be apportionable to 15/16.

- 5.5 The transferring of Legal Services into a partnership with One Legal will bring savings to the Council on an ongoing annual basis. These are in excess of £50k per annum. At this point in the financial year it is estimated that the costs of the restructure, along with the additional cost of One Legal providing the Monitoring Officer Role, will offset the in-year saving and create a neutral budget position.

6.0 Corporate Director – Ross Cook

Corporate Director 2	2015/16 Budget	Year End Forecast	Variance
Neighbourhood Services	4,532	4,893	361
Environmental Planning and the Countryside Unit	429	428	(1)
Voluntary Sector	381	397	16
Shopmobility	4	35	31
Cem and Crem	(853)	(878)	(25)
Markets	(207)	(179)	28
Contact Centre	756	723	(33)
TIC	143	162	19
Public Protection	1,021	1,107	86
Total	6,206	6,688	482

- 6.1 A number of savings have been achieved in this directorate, including above budget income forecasts at the Cem and Crem, but the directorate as whole is forecast to overspend. The significant savings target within the directorate is the Amey contract and a large proportion of the budget pressure is created by that contract.
- 6.2 The savings target on the Amey contract is £70k rolled forward from 2014/15 and an additional £300k from 15/16. A number of meetings have been held recently with both members and Officers working with representatives of Amey to identify efficiencies to be gained within the service, both in the immediate short term and the longer term future. Savings have already been identified in excess of £180k and significant further work is planned to identify additional savings. The savings identified to date are efficiencies and should be achieved without any impact on the level of service provided. Any failure to deliver in year impact of achieved savings will be an end of year budget pressure on the Council.
- 6.3 In addition to the savings target there is a significant additional pressure relating to the level of income that the Council receives from the sale of recyclable material. The Council's contract with Amey assumes that Amey will generate a set sum in each financial year from the sale of collected materials. Where this figure is not achieved then the financial risk lies with the Council. There has been significant disruption in the UK recycle market including a major recycler of paper going into administration. Current estimates suggest that the Council will be faced with a shortfall of approximately £200k in this financial year. Amey are closely monitoring

the income achieved from sales of material and discussions are ongoing as to the level of the Council's liability.

- 6.4 The markets service has two significant financial pressures in 2015/16. The first is the savings target of £50k agreed as part of the 2013/14 budget setting process. No long-term change has taken place to achieve the saving but there has been some short term budget improvement in the Eastgate market service which means it is expected to only be over budget by £30,000.
- 6.5 The shopmobility service has a savings target rolled forward from the previous year of £50k. Options for the future of the service continue to be explored and until a conclusion is reached the full achievement of the savings target will not be possible. Excluding the savings the service is performing slightly better than budgeted. This brings the expected variance in year to £31k over budget including the savings target. It is hoped that continued strong performance in year can continue to offset the delay in achieving a more permanent solution.
- 6.6 The Contact Centre is showing an expected positive variance for the end of the year of £33k. In part this is because the Council has started to receive income relating to the introduction of charging for street naming and numbering. As this is the first year that the charge has been introduced the year end position is difficult to quantify but it will certainly deliver an unbudgeted saving to the Council.

7.0 Regeneration and Economic Development

Head of Regeneration and Economic Development	2015/16 Budget	Year End Forecast	Variance
Asset Management	(262)	(241)	21
Economic Development	367	327	(40)
Parking	(854)	(891)	(37)
Marketing Gloucester	442	447	5
Total	(307)	(358)	(51)

- 7.1 The overall position for this area is to be underspent against budget by £51k.
- 7.2 Car parking income is currently above the level it was at the end of Quarter 1 in 2014/15. Financial Services have undertaken a significant level of work to improve the financial analysis and forecasting of income from car parking and this has resulted in an increased ability to forecast the levels of parking income in year.
- 7.3 The Economic Development service is currently predicting an underspend of £40k. This is as a result of this service having a number of vacancies which are expected to be filled later in the year. Once these posts are filled the future costs of this area are expected to be in line with budgeted levels.

8.0 Head of Financial Services

Head of Finance	2015/16	Year	Variance
	Budget	End Forecast	
Financial Services	738	731	(7)
Revenues and Benefits	81	85	4
Business Improvement	860	902	42
IT	1,403	1,409	6
Total	3,082	3,127	45

- 8.1 IT budgets are currently predicted to be on target for the year. This is an improvement on previous years. The Business Improvement Team have undertaken a substantial amount of work to fully identify the expected costs of the Council's IT services and reduce the cost of both hardware and software. This has been an area of significant budget pressure for the Council in previous years so this position will be continually monitored and reported throughout the year.
- 8.2 The Revenues and Benefits section handles housing benefit payments across the City which is partly funded by Central Government subsidy. At the end of Quarter 1 the net position for this area is expected to be in line with budget. However, as the total spend is expected to be in excess of £40m small percentage changes can lead to significant budget fluctuations.
- 8.3 The Service area of Business Improvement fulfils the client role of a number of Council partnerships. These included the relationships with Aspire and Civica. Savings of £300k across these partnerships have already been achieved in year. A small budget pressure remains in relation to achieving the correct level of income through these partnerships but it is hoped that this will be resolved by year end without impacting on the final Council outturn.

9.0 Progress against savings targets

- 9.1 Full details of the Council's progress against its savings targets is shown at Appendix 1.
- 9.2 A number of the savings targets for the Council have been achieved early in the year which means that a full year impact of the saving is received in 15/16. If savings are delivered later in the year this clearly has a limitation on the level of saving that will be attributable in this financial year.
- 9.3 Where at risk savings create a budgetary pressure on the Council they are covered elsewhere within this report.

10.0 Capital Programme

- 10.1 The Capital Programme agreed at Council in February included £5.17m of capital projects. The capital programme has now increased as some budgets have rolled forward when unspent at the end of the 2014/15 year taking the budget to £7.9m.

- 10.2 One new capital project has been added to the Capital Budget during the first quarter. This is a £21k project for works to be carried out in conjunction with Abbeydale Rovers. This project is entirely funded by an external grant.
- 10.3 The Officer led Capital Project Steering Group has approved two new capital projects. The first is installation of LED lighting in car parks and the second is a replacement of the Flex system used for shop and ticket sales at the TIC, Museums, Guildhall and Crematorium. Both of these projects are at an early stage so the budget figures are not included within the capital programme. They will both generate savings which will meet the initial capital investment costs.
- 10.4 At the end of Quarter 1 there has been little capital expenditure so far, £260k in total. It is expected that expenditure will increase as projects get underway during the year. At this stage no overspends are expected. Areas with major overspends or projected slippage will be reported in the next financial monitoring report.

11.0 Asset Based Community Development (ABCD) Considerations

- 11.1 This report notes the financial performance of the Council against budgets. Where Council services are undertaken using an ABCD approach, and this impacts on either service expenditure or income, this is reflected in the figures projected.

12.0 Alternative Options Considered

- 12.1 When consider how to reduce budgetary pressure or make savings Officers explore a wide range of options.

13.0 Reasons for Recommendations

- 13.1 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.

14.0 Future Work and Conclusions

- 14.1 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.

15.0 Financial Implications

- 15.1 All financial implications are contained within the report which is of a wholly financial nature.

(Financial Services have been consulted in the preparation this report.)

16.0 Legal Implications

- 16.1 There are no legal implications from this report

(One Legal have been consulted in the preparation this report.)

17.0 Risk & Opportunity Management Implications

17.1 There are no specific risks or opportunities as a result of this report

18.0 People Impact Assessment (PIA):

18.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

19.0 Other Corporate Implications

Community Safety

19.1 None

Sustainability

19.2 None

Staffing & Trade Union

19.3 None

Press Release drafted/approved

19.4 Not applicable.

Background Documents: None