

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date:	9 November 2015 11 November 2015
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 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 2nd quarter ended 30th September 2015.

2.0 Recommendations

- 2.1 **Overview and Scrutiny Committee** is asked, 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 £945k.
 - (2) The forecast year end position is currently for a reduction to the Council's General Fund balance of £278k. This is an improvement of the Quarter 1 position 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 those issues
 - (5) 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 year end position. This is based on the actual expenditure to the end of quarter 2 and forecast forwards based on budget monitoring meetings between service managers and financial services staff. The year-end forecast is the best estimate at the current time of the year-end position on the Council's General Fund.
- 3.2 The estimated reduction in the General Fund balance would still ensure that the general fund balance remains above the Council's stated minimum of position of £1.6m.
- 3.2 A summary table below shows the projected position for each service area as well as the change in projected variances since the Quarter 1 position.

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 £278k. This is a significant improvement from the forecast performance at the Quarter 1 of £554k. During Quarter 2 additional savings have been achieved of £94k and forecasts have improved in a number of other areas.

	2015/16 Budget	Year End Forecast	Variance	Change since Q1
Council Total				
Corporate Director - Martin	3,399	3,479	80	27
Corporate Director - Ross	6,204	6,910	706	224
Regen and Economic Development	(486)	(526)	(40)	(24)
Finance and Business Improvement	3,141	2,873	(268)	(313)
Funding and Corporate Adjustments	(12,226)	(12,458)	(232)	(192)
Total	32	278	246	(278)

- 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.

5.0 Corporate Director – Martin Shields

	2015/16 Budget	Year End Forecast	Variance	Change since Q1
Corporate Director - Martin				
Planning	454	453	(1)	40
Legal and Democratic Services	1,103	1,102	(1)	(4)
Communications	125	119	(6)	3
Housing Services	761	722	(39)	(32)

HR	351	249	(102)	(51)
Guildhall and Museums	428	662	234	74
Internal Audit	177	172	(5)	(3)
Total	3,399	3,479	80	27

- 5.1 The position for the directorate as a whole is forecast to be overspent by 80k. The majority of service areas within the directorate are forecast to be within their budget allocations but the savings targets at the Guildhall and the Museums are creating a pressure on the year end position.
- 5.2 The team at the Guildhall have continued to primarily target income generation as a means of reaching the savings target. This has seen particular success with the cinema and room lettings. Appendix 3 shows that the Guildhall is expected to generate £80k more income than budgeted. There have been some offsetting costs as part of this process, in particular increased expenditure on advertising and publicity.
- 5.3 The performance at the bar and cafe at the Guildhall continues to fall short of the budgeted surplus. This shortfall for the year is expected to be £43k below the level required in the budget, diminishing the impact of budget savings achieved elsewhere within the Guildhall.
- 5.4 Current estimates suggest that savings at the Museums are unlikely to be delivered in year. An over spend of £134k is currently expected. It is within expectations for the service pending implementation of the recommendations from the Cultural Services Review. These include; major building works including opening up the wall between the library and the café; the installation of new display cases; the resubmission of the HLF Bid; restructuring, including annualised hours and a review of the opening times, and; allowing time for the joint museums card with the Soldiers of Gloucester and the Waterways Museums to impact on visitor numbers. In addition, rebranding and marketing of both Museums will be undertaken during the winter months ready to re-launch both Museums for the spring 2016.
- 5.5 The HR Service is forecasting a significant saving of £102k for the year, an increase of £50k since the first quarter position. The slight delays to the implementation of the shared service mean the City Council continues to make savings from the high level of vacancies within the team. The transfer of the service to the County Council will deliver annual savings of approximately £56k from the 2016/17 year onwards.
- 5.6 There is some pressure in year on the budget for the registration of electors. The new system of Individual Electoral Registration (IER) is resulting in higher administrative costs which are only partly met by central government funding. The cost of the service is partly dependant on the response rate from households and this is currently lower than anticipated. A clearer picture on final costs will develop as the process continues. For the Legal and Democratic service as a whole these additional election costs are currently predicted to be offset by the savings made by the transfer of legal services to One Legal.
- 5.7 Within planning and development there are extra costs in year relating to the review of the Joint Core Strategy and carrying out the City plan. At this stage these costs

are expected to be £67k higher than anticipated. The service as a whole is expected to be on budget as planning income is also higher than budget and effectively offsets these additional costs.

6.0 Corporate Director – Ross Cook

Corporate Director - Ross	2015/16 Budget	Year End Forecast	Variance	Change since Q1
Neighbourhood Services	4,530	5,144	614	253
Environmental Planning and the Countryside Unit	429	423	(6)	(5)
Voluntary Sector	381	371	(10)	(26)
Shopmobility	4	55	51	20
Cem and Crem	(852)	(877)	(25)	0
Markets	(208)	(144)	64	36
Contact Centre	760	714	(46)	(13)
TIC	144	179	35	16
Public Protection	1,016	1,045	29	(57)
Total	6,204	6,910	706	224

- 6.1 A significant overspend is still expected on this directorate and the overall position has deteriorated since the Quarter 1 variance of £482k.
- 6.2 The savings target on the Amey contract is £70k rolled forward from 2014/15 and an additional £300k from 15/16. The savings achieved in year now total £136k with no implications for the level of service provision. Further savings have been identified and are being negotiated with Amey but at this stage it is not expected that the Council will achieve the full £300k of savings in this financial year.
- 6.3 It has previously been reported to Cabinet that the Council is exposed to risk from any fall in the value of recyclable material that Amey is able to achieve on the open market. At Quarter 1 this was estimated at £200k but current estimates from Amey suggest a shortfall of approximately £330k which the Council will be required to pay to Amey at year end. This issue means that, after consideration of the achieved savings, an overspend of £564k is expected on this contract at this time. The Cabinet Member for the environment has recently met with Amey to reiterate the importance of the savings programme and further savings proposals are expected from Amey in the very near future.
- 6.4 The markets service expected overspend has increased to £64k. This is a result of no significant savings projects having yet been completed towards the £50k savings target as well as forecast shortfalls against the income budgets for both the Eastgate Market and Hempsted market. The shortfall at Eastgate market is partly caused by a number of vacant units at the market. However, a number of the vacant units have recently been filled and there is interest in some of the others. A higher level of occupancy will help to improve the financial position of the service. For the longer term a soft market testing exercise is underway which will inform the decisions to achieve the savings.

- 6.5 A procurement exercise is currently under way to determine the future of the Shopmobility Service so it is unlikely that the savings will be delivered in year. The service has however saved some money in year as a result of staff vacancies.
- 6.6 The Contact Centre and Customer Services continues to deliver savings against budget for the year. A saving of £15k against the postage budget is currently forecast alongside income from street naming and numbering charges of £11k. The income from the street naming is difficult to predict in the first year of operation and any significant changes will be reported back to cabinet.

7.0 Regeneration and Economic Development

Regeneration and Economic Development	2015/16 Budget	Year End Forecast	Variance	Change since Q1
Asset Management	(466)	(478)	(12)	(33)
Economic Development	367	366	(1)	39
Parking	(854)	(880)	(26)	11
Marketing Gloucester	467	466	(1)	(41)
Total	(486)	(526)	(40)	(24)

- 7.1 The overall position for this area is to be underspent against budgets by £40k.
- 7.2 Car parking continues to be forecast at a slightly higher level of surplus than anticipated in the budget. Income is currently forecast to be £86k above the budget (Appendix 3) but this is slightly offset by higher costs in some areas such as a higher level of enforcement in the car parks.
- 7.3 The Economic Development service is currently predicting to spend as budgeted in the current financial year. The service has had a significant number of vacancies during the year which have delivered a saving but this saving is offset by redundancy costs and unbudgeted consultancy work.

8.0 Head of Financial Services

Finance and Business Improvement	2015/16 Budget	Year End Forecast	Variance	Change since Q1
Financial Services	738	681	(57)	(50)
Revenues and Benefits	81	(126)	(207)	(211)
Business Improvement	919	904	(15)	(57)
IT	1,403	1,414	11	5
Total	3,141	2,873	(268)	(313)

- 8.1 There has been a reduction in the expected cost to the Council of providing housing benefit in the year. This has arisen from work undertaken to improve the forecasting of both the expenditure on housing benefit and the subsidy received from Central Government. The expected position now is that the net cost to the Council will be £207k less than budgeted. It should be noted that small percentage

variations in either income or expenditure would affect this but the forecasting now in place will ensure that any changes can be captured and reported.

9.0 Progress against savings targets

- 9.1 Full details of the Council's progress against its savings targets are shown at Appendix 1.
- 9.2 The savings achieved to date from the Amey contract relate to savings which have not had any impact on Service provision. These are a change in the staffing of the yard at the depot (£17k), a removal from Amey of the responsibilities around education and communications for waste and recycling carried out by Council staff (£30k) and a reduction in the number of loaders working on the recycling vehicles (£89k). The Amey savings target now has £154k identified as being at risk. There are a number of savings options still available, both for this year and the next but it is unclear how much financial impact they will have on the 15/16 year.
- 9.3 Restructurings within both Neighbourhood Services and Planning have not yet taken place which again reduces the financial impact in 15/16. Therefore, a proportion of the savings targets in both of these areas have now been identified as being at risk.

10.0 Capital Programme

- 10.1 The Capital Programme budget currently stands at £8.91m. At the end of quarter 2 capital expenditure stands at £1.026m in total. It is expected that expenditure will increase as projects progress during the year.
- 10.2 Four new capital projects have been added to the Capital Programme during the second quarter. Public open space at Barton and Tredworth has received s106 funding of £182k, additional work at the crematorium has been identified on the cremators of £35k, Cherry & White Gazebos at the Kings Square Market are included at £11k and LED lighting installation for car parks is now included at £11k. New capital projects must be approved by the officer led Capital Projects Steering Group.

11.0 Prompt payment performance

- 11.1 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.

	<u>July</u>		<u>August</u>		<u>September</u>		<u>Qtr 2</u>	
Number paid within 30 days	701	96%	749	94%	772	95%	2222	95%
Number paid over 30 days	30	4%	52	6%	41	5%	123	5%
Average Days to Pay (from receipt of invoice to payment date)	9		10		7		8	

12.0 Asset Based Community Development (ABCD) Considerations

- 12.1 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.

13.0 Alternative Options Considered

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

14.0 Reasons for Recommendations

- 14.1 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.

15.0 Future Work and Conclusions

- 15.1 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.

16.0 Financial Implications

- 16.1 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.)

17.0 Legal Implications

- 17.1 There are no legal implications from this report

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

18.0 Risk & Opportunity Management Implications

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

19.0 People Impact Assessment (PIA):

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

20.0 Other Corporate Implications

Community Safety

20.1 None

Sustainability

20.2 None

Staffing & Trade Union

20.3 None