

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date: 7 March 2016 9 March 2016
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 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 3rd quarter ended 31st December 2015.

2.0 Recommendations

2.1 Overview & 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

- (1) The savings achieved in year to date total £1.002m be noted.
- (2) The forecast year end position which is currently for a reduction to the Council's General Fund balance of £244k be noted. This is an improvement of the Quarter 2 position of £278k.
- (3) The actual and expected levels of income for the Council shown at Appendix 3 be noted.
- (4) The details of specific budgetary issues identified by officers and the actions being taken to address those issues be noted.
- (5) The current level of Capital expenditure as shown on Appendix 2 be noted.

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 3 which is then 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.
- 3.3 A summary table below shows the projected position for each service area as well as the change in projected variances since the Quarter 2 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 £244k. This is an improvement from the forecast performance at Quarter 2 of £278k.

Council Total	2015/16 Budget	Year End Forecast	Variance	Change since Q2
Corporate Director - Vacant	3,383	3,404	21	(59)
Corporate Director - Ross	6,187	6,924	737	31
Regen and Economic Development	(508)	(469)	39	79
Finance and Business Improvement	3,196	2,813	(383)	(115)
Funding and Corporate Adjustments	(12,226)	(12,428)	(202)	30
Total	32	244	212	(34)

- 4.2 This position reflects the current level of savings achieved, as well as new financial pressures identified during 2015/16, and any areas which are expected to be under their budget for the year. At this stage of the financial year it is considered to be unlikely that any new savings with a significant in year financial impact will be discovered. Where service managers have identified opportunities to limit expenditure against budgets in the upcoming quarter this has been included within the year-end forecast.

5.0 Corporate Director 1

Corporate Director 1	2015/16 Budget	Year End Forecast	Variance	Change since Q2
Planning	454	439	(15)	-14
Legal and Democratic Services	1,100	991	(109)	-108
Communications	125	120	(5)	1
Housing Services	761	730	(31)	8
HR	346	248	(98)	4
Guildhall and Museums	422	685	263	29
Catering Review and Cultural Strategy	0	19	19	19
Internal Audit	175	172	(3)	2
Total	3,383	3,404	21	(59)

- 5.1 The position for the directorate as a whole is forecast to now be overspent by only 21k. The majority of service areas within the directorate are forecast to be underspent or within their budget. These savings, however, have both offset by the budgetary pressure created by the Guildhall and Museums savings targets.
- 5.2 The significant improvement in the Legal and Democratic Service relates to income received from Central Government. In 2014/15 the Council made a provision for costs, of over £100k, incurred in reimbursement of previously collected fees for land searches. This was the result of a legal ruling which impacted Councils nationally. The Council has now received grant funding from Government to help fund this cost. As a full provision was made in 2014/15 the grant funding in 2015/16 can be taken to the General Fund to compensate for the loss incurred last year. The land searches service has now been transferred to the planning service but is reported here against legal services to ensure full consistency with the monitoring early in the year.
- 5.3 The Guildhall has been using income generation as the primary means of achieving the savings target of £150k in year. There has been some success in this approach as many of the Guildhall functions have seen a significant increase in income generated. For example revenue generated from ticket sales for the Cinema and live events is currently forecast to be approximately 10% up on 2014/15. Another notable success is the income generated by Blackfriars Priory which has currently generated £15k more than in 2014/15. The current position at the Guildhall is a forecast overspend of £71k which would represent £79k of savings achieved against the target.
- 5.4 The Guildhall Bar and Cafe is performing significantly better than in 2014/15. A surplus of £20k is currently forecast when last year's position was to only break even. However, the Bar is budgeted to make a surplus of £58k so this improvement still represents a budget pressure for the Council. It is hoped that recommendations from the Catering Review will alleviate this pressure in 2016/17.
- 5.5 The Museums have been able to make little progress in achieving the savings target of £132k for the year. There has been an increase in income for the year but this has been offset by the increased costs of advertising and publicity incurred to generate the income. The expected year end position for the Museum is an

overspend of £159k (including the savings target). As the recommendations of the Commercial Services Review and the ongoing Cultural Strategy are implemented these will form a key factor in delivering the savings target for 2016/17.

- 5.6 Two significant pieces of external work have been undertaken in 2015/16. The first is the Catering Review intended to advise the Council of possible actions to improve the performance of catering services and the second is the, still ongoing, Cultural Strategy. These are shown separately on this report at their estimated cost for the year as they do not directly relate to only one service. Their costs were not known when the Quarter 2 monitoring report was produced.
- 5.5 The HR Service is still forecasting a significant saving of £98k for the year. This is as a result of the high level of vacancies carried within the team before the transfer of the service due to the County Council. This shared service will deliver annual savings of approximately £56k from the 2016/17 year onwards which have been included in the recent Council Money Plan.
- 5.7 Within planning and development there are has been a significant increase in income received as a result of planning applications. The current forecast is that this income may be as much as £150k in excess of the budget for the year. This money is currently being used to fund extra costs in year relating to the review of the Joint Core Strategy, carrying out the City plan and the use of Temporary Staff in management positions. The service as a whole is therefore expected to be underspent by only £15k, in spite of this income increase.

6.0 Corporate Director 2

Corporate Director 2	2015/16 Budget	Year End Forecast	Variance	Change since Q1
Neighbourhood Services	4,523	5,293	770	156
Environmental Planning and the Countryside Unit	427	418	(9)	(3)
Voluntary Sector	381	374	(7)	3
Shopmobility	4	58	54	3
Cem and Crem	(857)	(971)	(114)	(89)
Markets	(212)	(143)	69	5
Contact Centre	753	693	(60)	(14)
TIC	151	182	31	(4)
Public Protection	1,017	1,020	3	(26)
Total	6,187	6,924	737	31

- 6.1 A significant overspend is still expected on this directorate but the overall position has changed only slightly since the Quarter 2 forecast.
- 6.2 The significant change since Quarter 2 relates to Neighbourhood Services. This is as a result of the final years savings from the Amey contract, and staff restructuring being known for the year. No further savings are expected from the Amey contract for 2015/16 but significant savings are expected in 2016/17 and are currently being explored with Amey. In the time since the Quarter 2 report a number of workshops have been held between Members, Council Officers and Amey Senior Management

to continue to work towards delivering the savings targets required of the partnership. In addition to this, the restructuring of the Neighbourhood Services team has now been completed and although generating only a small saving this year will deliver the full £100k savings target in the next financial year.

- 6.3 Within the Neighbourhood Services line is the previously reported issue where the Council has to compensate Amey for a loss in income suffered from the sale of recyclable materials. The estimated shortfall at this time is £320k. This is in line with the estimates made at Quarter 2. Amey are providing regular updates on the income received and these are being scrutinised by Officers. Work will be undertaken with Amey at the year end to agree the final amounts payable. .
- 6.4 The markets service expected overspend has increased slightly to £69k. This remains the 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. Income achieved at Eastgate market is expected to be higher than forecast at Quarter 2 but there have also been a number of repairs which have had to be carried out at the market which, at this stage, are expected to use the extra income generated.
- 6.5 The Cem and Crem income forecasts have been increased since Quarter 2. This is as a result of forecasting winter income to occur in the same pattern as 2014/15, which delivered a significant saving. Officers are continuing to monitor this closely and work with the Service manager on updating forecasts.
- 6.6 The Contact Centre and Customer Services has seen an increased in the expected savings resulting from lower than budgeted use of postal services. The level of this saving has now increased to £35k in the current financial year. To reflect the fact that much of this reduction is expected to be an ongoing saving this budget has been reduced in the Money Plan for 2016/17.

7.0 Regeneration and Economic Development

Regeneration and Economic Development	2015/16 Budget	Year End Forecast	Variance	Change since Q2
Asset Management	(487)	(470)	17	29
Economic Development	367	347	(20)	(19)
Parking	(856)	(816)	40	66
Marketing Gloucester	468	470	2	3
Total	(508)	(469)	39	79

- 7.1 The overall position for this area is to be overspent against General Fund budgets by £39k.
- 7.2 The primary cause of this change is the separation of income from the Barbican car park from the other car parks. The car park at Barbican is an asset arising from the SWRDA transfer and therefore cannot be included as income for the General Fund and will be placed in the Regeneration Reserve. The income from this car park is expected to be about £70k for its first full year of operation and its removal from the year-end forecast is the reason for the reduction in car parking surplus shown in the table above.

7.3 Where the portfolio of SWRDA assets generates income in excess of costs this is transferred into the regeneration reserve. This transfer was £154k in 2014/15. The year end position is not clear at that stage but it is expected that this transfer will be more in 2015/16 and there should be a minimum of £200k transferred into the reserve at the end of the financial year. This is then available for spend on regeneration projects.

7.4 The increase in costs for asset management relates to the budgets for repairs and maintenance which are expected to be overspent for the year. The Council has seen a significant increase in the costs and repairs required over the previous quarter. To minimise the impact of this increase only those repairs which are essential will be completed in the last quarter of the financial year.

8.0 Head of Financial Services

Finance and Business Improvement	2015/16 Budget	Year End Forecast	Variance	Change since Q2
Financial Services	752	729	(23)	34
Revenues and Benefits	81	(193)	(274)	(67)
Business Improvement	960	882	(78)	(63)
IT	1,403	1,395	(8)	(19)
Total	3,196	2,813	(383)	(115)

8.1 There has been a further reduction in the expected cost to the Council of providing housing benefit in the year. This is a result of the identification of overpayments of benefit where the Council is seeking the recovery of sums overpaid. The use of real time information has seen an improved ability to identify overpayments. 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.

8.2 The Business Improvement Service has not recruited to a number of vacancies throughout the year and this has led to a reduction in the forecast level of expenditure. The service is now expected to deliver a saving of £78k in year.

8.3 The forecast cost of financial services has increased since the Quarter 2 report as the year end outturn now includes the implementation costs for the new shared service financial system with Malvern Hills District Council. The service as a whole is still expected to be underspent for the year, having already achieved its savings target, as two vacancies have not been recruited to in order to provide the budget for the implementation costs.

9.0 Progress against savings targets

9.1 Full details of the Council's progress against its savings targets are shown at Appendix 1. The Appendix shows the expected in-year impact of savings. Where savings are identified as not achieved work is continuing to achieve those savings but no impact is expected in 2016/17.

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).

9.3 A restructuring in Neighbourhood Services has recently taken place which will deliver some savings in 2015/16 but a full year impact in 2016/17. The restructuring in Planning was not complete at the time of writing and this is expected to deliver minimal savings in 2015/16. However, the move to a Building Control Shared Service has saved in excess of the target by £38k.

10.0 Capital Programme

10.1 The Capital Programme budget currently stands at £8.94m. At the end of quarter 3 capital expenditure stands at £1.861m in total. It is expected that expenditure will increase as projects progress during the year, the forecast outturn position is £4.058m.

10.2 Expenditure in quarter 3 totalled £836k, the majority of this expenditure was across four projects; ICT projects, Kings Quarter, City Centre CCTV and Housing projects which include Disabled Facilities Grant Scheme and the Housing Market Partnership Grant.

10.3 The forecast outturn includes projects which are expected to now be undertaken in the following financial year. These include the Eastgate rooftop carpark project, City Centre Investment Fund projects and Floodworks which is a programme of work in 2015/16 and future years. Projects carried forward into 16/17 will be included in the 16/17 Capital Programme; all new capital projects must be approved by the officer led Capital Projects Steering Group once the Capital Programme has been approved.

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>October</u>		<u>November</u>		<u>December</u>		<u>Qtr 3</u>	
Number paid within 30 days	768	92%	793	97%	671	98%	2232	96%
Number paid over 30 days	63	8%	27	3%	12	2%	102	6%
Average Days to Pay (from receipt of invoice to payment date)	9		6		4		6	

12.0 Asset Based Community Development (ABCD) Considerations

12.1 There are no ABCD implications as a result of this report.

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 aware 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.

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