

# Gloucester City Council

<b>Meeting:</b>	<b>Audit &amp; Governance Committee</b>	<b>Date:</b>	<b>17 March 2014</b>
	<b>Cabinet</b>		<b>2 April 2014</b>
<b>Subject:</b>	<b>Budget Monitoring at end of Month 9 2013/14</b>		
<b>Report Of:</b>	<b>Corporate Director of Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>Yes</b>
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<b>Appendices:</b>	<b>Appendix 1 – Capital Monitoring December 2013</b>		

## **1.0 Purpose of Report**

- 1.1 This report summarises the expected year end position, for the period April 2013 to March 2014, for the Council against budgeted income and expenditure as a result of analysis of the position at the end of December 2013.

## **2.0 Introduction and Summary**

- 2.1 This report is intended to give both Members and Senior Managers a clear and concise view of the current financial position of the Council and accompany this with explanations for any expected variances and, where applicable, details of any corrective action being taken to resolve differences.
- 2.2 The financial position for each directorate is presented in a summary table showing the budget for the year as well as a forecast final position against budget for the end of the 2013/14 year.
- 2.3 Financial Services have produced this report in consultation with Service Managers, whose knowledge has been combined with current financial data to produce the prediction for the year end position. Where significant issues have been identified, follow up contact and discussions will take place between the service manager and financial services.
- 2.4 Service expenditure includes only those items which impact on the Council's bottom line position and not charges which are removed as part of statutory accounting adjustments at the end of the financial year. It therefore contains a true view of the Council's likely surplus or deficit against the general fund for revenue expenditure.

### 3.0 Council Summary

	<b>2013/14 Budget £000</b>	<b>Year End Forecast £000</b>	<b>Forecast Variance £000</b>
<b>Chief Exec and Regen</b>	2,051	1,913	(138)
<b>Services</b>	8,125	8,500	375
<b>Resources</b>	(10,176)	(10,389)	(213)
<b>GCC</b>	<b>0</b>	<b>24</b>	<b>24</b>

- 3.1 The current year end estimate for the Council as a whole is to be overspent against budgets by £24k. If this position is realised at the end of the financial year then it will result in a reduction of the Council's General Fund balance of this amount.
- 3.2 In the Services and Neighbourhoods Directorate the savings on the Amey contract were achieved only part way through the year and Guildhall events are not expected to reach their budgeted level of surplus. The Services and Neighbourhoods Directorate is therefore predicted to be overspent by £4375k. Further analysis and explanation is contained on the Services and Neighbourhoods page.
- 3.3 The Resources Directorate is predicted to be underspent for the year by £213k. Again, further details are included on the page for Resources.
- 3.4 An underspend of £138k is predicted for the Chief Executive and Regeneration directorate.
- 3.5 The forecast year end variances and outturn position contained within this report are based upon best estimates at the time of production. Where unfavourable variances are predicted service managers are working to mitigate the impact and reduce the variance where possible.

### 4.0 Chief Executive and Regeneration

	<b>2013/14 Budget £000</b>	<b>Year End Forecast £000</b>	<b>Forecast Variance £000</b>
Chief Exec	160	217	57
Regeneration and Economic Development	560	823	263
Development Services	(1)	(539)	(538)
Legal and Democratic Services	1,122	1,174	52
Marketing Gloucester	210	238	28
<b>Total</b>	<b>2,051</b>	<b>1,913</b>	<b>(138)</b>

- 4.1 The Directorate of Chief Executive and Regeneration is currently forecasting to spend under its budgeted total by £138k.
- 4.2 Development Services are forecasting positive variances in the area of parking, details of which are explained below. Also within this area a saving of £100k is expected on building control due to lower than budgeted employee costs whilst maintaining income levels on target with budgets. Overall, this has resulted in a saving against budget this year of £538k.
- 4.3 Off Street Parking is predicted to overachieve against budget for the year. Income levels are predicted to be approximately on target but third party payments and premises related costs are currently projected to be below budget by £156k and £143k respectively. These variances will be monitored closely over the coming months with the Asset Manager in order to determine the true level of savings at the end of the year.
- 4.4 Regeneration and Economic Development is predicted to over spend by £263k. This includes the cost of utilities for Council buildings which have a forecast overspend of £106k. The projections for utilities incorporate an allowance for the estimated additional cost of utilities over the winter months. Utilities will be monitored closely in the coming months and the position updated in future reports. Investment Properties are currently predicted to be under their targeted income level by approximately £143k. This is a similar position to last year.
- 4.5 The figure of £57k on the Chief Executive's Line relates to costs incurred as part of the Senior Management restructuring process.

## 5.0 Services and Neighbourhoods

	<b>2013/14 Budget £000</b>	<b>Year End Forecast £000</b>	<b>Forecast Variance £000</b>
Director (includes Rugby World Cup)	276	284	8
Public Protection	(396)	(511)	(115)
Neighbourhood Services	5,744	6,028	284
Housing Services	967	916	(51)
Commercial Services	878	1,078	200
Contact Centre and Customer Services	656	705	49
<b>Total</b>	<b>8,125</b>	<b>8,500</b>	<b>375</b>

- 5.1 The Directorate is currently predicted to be overspent by a total of £375k.
- 5.2 The Amey contract for Neighbourhood Services achieved its budgeted savings part way through the year. The result of this is that the full year impact of the savings is not realised in 2013/14. This was the expected outcome but it allows there to be a full

year's impact in 2014/15. The impact in 2013/14 is a forecast overspend against budgets for this contract of £214k.

- 5.3 The income target for Bulky Waste collections is not going to be met this year. Predications for the end of the year indicate an income shortfall of approximately £95k. Analysis of the financial position in previous years suggests that this shortfall is historic and is therefore indicative of a possible future budget pressure.
- 5.4 The events programme at the Guildhall, within Commercial Services, remains a significant budget pressure. The original budget for 2013/14 budgeted the Guildhall to achieve a surplus of £240k in the events sector. The current projection as at the end of Month 9 is that the events will indeed achieve a surplus but of £20k, a shortfall of £220k. The Guildhall manager is looking to improve the programming of events to go some way to stabilising this situation in the future. A new events programmer, who has recently begun work at the Guildhall, will help to better co-ordinate events planning and improve the financial results. Financial Services have been working with staff at the Guildhall and are improving the monitoring of financial performance and looking to work towards challenging but achievable income budgets.
- 5.5 The Contact Centre has expanded in the year as a result of a review of the service and this has resulted in a small projected overspend on employee costs. The current prediction is for this to be approximately £49k.

## 6.0 Resources

	<b>2013/14 Budget £000</b>	<b>Year End Forecast £000</b>	<b>Forecast Variance £000</b>
Audit	161	167	6
Business Improvement	1,846	1,901	55
BT & T	1,111	1,149	38
Director	107	124	17
HR and OD	299	326	27
Finance and Corporate Expenditure	(13,700)	(14,056)	(356)
<b>Resources</b>	<b>(10,176)</b>	<b>(10,389)</b>	<b>(213)</b>

- 6.1 An underspend of £213k is currently forecast for the directorate.
- 6.2 Finance and Corporate Expenditure includes expenditure on the finance function as well as expenditure and income not attributable to service areas, including Central Government Funding. Indications suggest that income from the business rates retention scheme will be higher than originally anticipated. This increased income means that this area is expected to under spend by £356k. This will be used to offset other budgetary pressures across the Council. In this particular area the most significant budgetary pressure is the reduction in investment interest earned by the council given the current challenging economic conditions. The current Treasury

management strategy is to redeem investments when they have matured and repay external borrowing. This will create a saving for the Council as the repaid borrowing will have been at higher interest rates than those that would have been achieved had the matured sums been reinvested. It does, however, inevitably contribute to a decline in investment income. This is predicted to fall short of targets by approximately £180k in the current year. The budget setting process for 2014/15 has taken account of this issue so this will not recur as a budget pressure in future years.

- 6.3 The Council has received permission from the Department for Communities and Local Government to charge some restructuring costs to capital funding sources. This relieves the pressure on budgets by £55k in the area of corporate expenditure.
- 6.4 Financial Services has incurred additional costs of the necessary interim staff who have been helping to deliver the Financial Services Improvement Plan during the restructuring of the department. The future use of interim staff in this area is expected to be more limited so the position is not expected to recur.
- 6.5 The Human Resources and Organisational Development have incurred additional costs as a result of tribunals which have occurred during the year. This has resulted in a predicted overspend of £27k. These costs are not going to continue at their current rate and will not therefore create an ongoing pressure.
- 6.6 Within Business Transformation and Technology the cost of computer software maintenance is expected to exceed budgets by £85k over the course of the year but savings are predicted in other areas to compensate. One area of saving is the purchase of computer hardware which is under the threshold for capitalisation. That is expected to generate a saving of approximately £25k. The forecast for the whole section for the year is an overspend of £38k.

## **7.0 Capital Programme**

- 7.1 The Capital Programme has a budget for the year, including Housing Expenditure, of £14.02 million. At the end of December £4.56 million of this had been spent. The areas of major capital expenditure are £2.2 million on Housing (both General Fund and HRA) and £294k to date on the Kings Square project.
- 7.2 Capital projects that do not spend their allocated budgets during 2013/14 are likely to continue into 2014/15. The long term nature of capital projects mean that spending often spans different financial years.
- 7.3 Full details of the capital expenditure to the end of December can be found in Appendix 1.

## **8.0 Financial Implications**

- 8.1 Contained in the report

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

## **9.0 Legal Implications**

9.1 There are no legal implications from this report

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

## **10.0 Risk & Opportunity Management Implications**

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

## **11.0 People Impact Assessment (PIA):**

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

## **12.0 Other Corporate Implications**

### Community Safety

12.1 None

### Sustainability

12.2 None

### Staffing & Trade Union

12.3 None