

Gloucester City Council

Meeting:	Overview and Scrutiny Cabinet	Date: 15 th September 2014 17 th September 2014
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:	Appendix 1 – Progress Against Savings Targets Appendix 2 – Capital Programme	

1. 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 2014 (Q1). It also highlights some key performance indicators.

2. 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 **NOTE** that:
- (1) In year savings already achieved total £663k.
 - (2) A further £467k of savings are currently in the process of implementation.
 - (3) The forecast year end position for 14/15 is currently an overspend against budgets of £44k.

3. Background

- 3.1 The figures contained within this report forecast the year end position. This is based on the actual expenditure to the end of Month 3 and forecast forwards based on budget monitoring meetings between service managers and financial services staff.
- 3.2 The financial position for each directorate is presented in a summary table showing the budget for the year as well as final position against budget for the end of the 2014/15 financial year.

- 3.3 At this early stage in the year the figures contained within the tables and analysis assume that all agreed savings will be met. Appendix 1 shows the current progress in achieving those savings. As the year progresses if it becomes apparent that savings will not be met they will be added in as a budgetary pressure.
- 3.4 The 2014/15 budget approved by Council in February 2014 includes agreed savings of £1.38 million. All of the agreed savings have been removed from the budgets of the relevant service area in 2014/15. The savings targets set were front loaded to enable a stronger financial position over the life of the Council's Money Plan. Therefore, if the Council achieves its budgeted position there will be a transfer to the General Fund in 14/15 of £637k. The current forecast overspend of £44k would therefore see an increase in the General Fund of £593k.

4. Council Summary

	2014/15 Budget	Forecast Outturn	Forecast Variance
Services	7,653	7,814	161
Resources	3,794	3,900	106
Funding and Corporate Adjustments	(12,084)	(12,307)	(223)
GCC	(637)	(593)	44

- 4.1 Forecasting a year end position at Q1 is difficult to do with a sufficient degree of accuracy. However, the actual performance at Q1 is basically in line with budget. The current forecast position represents just 0.3% of the net revenue budget for the year of £15.782m. This position will result in an increase in the Council's General Fund balance from £1.869m to £2.462m.
- 4.2 The figures contained within the report assume that all budgeted savings will be made. Appendix 1 indicates that £467k of savings are in progress whilst £250k are at risk. If the savings at risk are not achieved in year the forecast outturn position will deteriorate by the level of savings not made and any expected transfer to the general fund would be reduced accordingly.
- 4.3 The increase of £223k currently forecast in the Funding and Corporate Adjustments area is due to a projected saving on budgeted levels of interest paid on external borrowings. This is as result of the Council's recent treasury management policy of

5. Services and Neighbourhoods

	2014/15 Budget £000	Forecast Outturn £000	Forecast Variance £000
Director	187	201	14
Public Protection	(449)	(391)	58
Neighbourhood Services	5,551	5,464	(87)
Development Services	300	328	28
Housing Services	689	662	(27)
Cultural Services and Tourism	571	733	162
Contact Centre and Customer Services	804	817	13
Total	7,653	7,814	161

- 5.1 A number of budgetary pressures have been identified in the early monitoring of the directorate and at this stage an overspend of £161k is anticipated.
- 5.2 The significant pressure remains the events at the Guildhall. As in previous years the events are not anticipated to reach the surplus which is required by the budget, historically the budget set was at an unrealistic level. The current prediction for this shortfall is £144k. This makes up the majority of the anticipated shortfall within the area of cultural services and tourism. This shortfall is, however, an improvement on the shortfall experienced in previous years. A service review of this area is currently being carried out which has the reduction of the budget deficit as one of its areas of review. As the year continues the progress against targets for the Guildhall will be closely monitored.
- 5.3 A small overspend of £28k is anticipated on Development Services. This area currently has a number of temporary staff filling posts which is creating a cost pressure within the service. It is hoped to offset this against savings due to staff vacancies to balance the position by the end of the year.
- 5.4 The Green Garden Waste Scheme income projections currently show that income is likely to be £57k under the budget against the approved income budget of £630k. Options are currently being explored to bring in additional income during 2014/15 and managers are currently producing financial analysis to try and quantify the impact of those options.

- 5.5 Within the Service Area of Public Protection a budgeted saving of £50k within the markets budget is not anticipated to be made in 2014/15. This creates a potential overspend at this stage of the year but it is hoped that other savings within the service will be sufficient to compensate.
- 5.6 Variances in other service areas remain small and within acceptable tolerance limits for this early stage of the year.

6. Resources

	2014/15 Budget £000	Forecast Outturn £000	Forecast Variance £000
Audit	121	128	7
Business Improvement	1,761	1,809	48
Finance	146	86	(60)
BT & T	648	832	184
Director	90	107	17
Parking	(875)	(905)	(30)
Regeneration and Economic Development	426	398	(28)
HR	323	336	13
Legal, Democratic and Communications	1,154	1,109	(45)
Resources	3,794	3,900	106

- 6.1 A cost pressure is anticipated within the budgets relating to hardware and software purchase and maintenance for BT&T. This is not related to the recent changeover of the BT&T provision to Civica but rather to existing cost pressures within these budgets. The Council is exploring options to procure these items in a more cost efficient manner to keep the future costs within budgeted levels.
- 6.2 Within Business Improvement an overspend is currently predicted of £48k. The Council is making significant investment (circa £100k) to improve systems security being partly offset by other predicted savings within Business Improvement.
- 6.3 A restructuring within Asset Management is predicted to deliver budgeted savings of £100k per annum. The restructuring will take place part way through during 14/15 so only partial savings are anticipated in 2014/15.

- 6.4 Financial Services has reported overspends against budget in previous years due to the use of temporary staff to help with the necessary reorganisation of the department. There are no longer any temporary staff within the department so staffing costs are expected to be on budget with a £60k underspend for the department as a whole.
- 6.5 All other services have the small variances to be expected at this time of year. The combined position for the directorate is an anticipated overspend of £106k.

7. Savings

- 7.1 Appendix 1 shows that £663k of savings have already been successfully implemented in 2014/15. This includes £100k from the Senior Management Restructure, a £100k reduction in the management fee to Aspire and £100k of savings from the new Civica IT contract.
- 7.2 An additional £467k of savings are in progress with managers actively working through plans or seeking proposals to implement the agreed savings. Within the Amey contract there is a likely to be a saving of around £100k due to agreement that has been reached with Amey about changes to the mechanism for the annual inflationary contract price increase. Additional savings of £400k are being identified in discussions between Council officers and Amey. Within Cultural Services the Council is currently using the services of a consultant to review the services provided and seek to provide options for reducing the running costs to the Council. The Head of Regeneration and Economic Development is putting together restructure plans which will achieve that area the required savings of £100k per annum.
- 7.3 Appendix 1 highlights the levels of savings that are considered to be at risk. Budget holders continuously strive to achieve further efficiencies and budget surpluses, as they know that in future years, the Council will have less money than it has currently. Management action will be taken in areas where savings plans are at risk of not being achieved or deficit budgets are being forecast.

8. Capital Programme

- 8.1 The Capital Programme budget for the year, including Housing Expenditure, is £16.001m expenditure year to date is £456k. It must be noted that this is early in the financial year and forecast year end expenditure is £9.25m. Capital Programme projects may run over a number of financial years, which will cause in year variances.
- 8.2 Appendix 2 provides summarised details by area.

9. Supplier Payments

- 9.1 The Council is committed to paying invoices within terms. At the end of Quarter 1, the actual achievement was 93% within 30 days. The details on prompt payment (30 days performance) are:

	<u>TOTAL QUARTER 1</u>	
Number paid within 30 days	2619	93%
Number paid over 30 days	183	7%
Total Invoices paid	2802	
Average Days to Pay (from receipt of invoice to payment date)	9	

10. Financial Implications

- 10.1 Contained in the report

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

11. Legal Implications

- 11.1 There are no legal implications from this report

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

12.0 Risk & Opportunity Management Implications

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

13. People Impact Assessment (PIA):

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

14. Other Corporate Implications

<u>Community Safety</u>	None
<u>Sustainability</u>	None
<u>Staffing & Trade Union</u>	None