

# Gloucester City Council

<b>Meeting:</b>	<b>Overview and Scrutiny Cabinet</b>	<b>Date:</b>	<b>10<sup>th</sup> November 2014 12<sup>th</sup> November 2014</b>
<b>Subject:</b>	<b>Financial Monitoring Quarter 2</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Andrew Cummings – Management Accountant</b>		
	<b>andrew.cummings@gloucester.gov.uk</b>	<b>Tel:</b>	<b>396231</b>
<b>Appendices:</b>	<b>Appendix 1 – Progress Against Savings Targets Appendix 2 – Capital Programme Appendix 3 – Council Income</b>		

## FOR GENERAL RELEASE

### 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 2<sup>nd</sup> quarter ended 30<sup>th</sup> September 2014. 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 £833k. This is an improvement on the previous position at Quarter 1 of £663k, meaning that savings of £170k have been achieved in Quarter 2.
- (2) the forecast year end position for 14/15 is to increase the Council's general fund balance by £320k.

### 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 6 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 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 were to achieve its budgeted position there will be a transfer to the General Fund in 14/15 of £637k. The current forecast overspend of £317k would therefore see an increase in the General Fund of £320k.

### 4. Council Summary

	<b>2014/15 Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Forecast Variance £000</b>
<b>Services</b>	7,653	8,318	665
<b>Resources</b>	3,794	4,115	321
<b>Funding and Corporate Adjustments</b>	(12,084)	(12,753)	(669)
<b>GCC</b>	<b>(637)</b>	<b>(320)</b>	<b>317</b>

- 4.1 The forecast position for the Council is that the general fund will be increased this year by £320k. The Council's challenging budget was set to achieved a surplus of £637k but the current position is that budgets will be exceeded by £317k.
- 4.2 In Quarter 2 there has been a net improvement in the position, outside of the savings targets, by £387k.
- 4.3 The improvement of £669k currently forecast in the Funding and Corporate Adjustments area is predominantly 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 using investments to repay borrowings to ensure the best possible interest position.

## 5. Services and Neighbourhoods

	<b>2014/15 Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Forecast Variance £000</b>
Director	187	177	(10)
Public Protection	(449)	(315)	134
Neighbourhood Services	5,551	5,818	267
Development Services	300	303	3
Housing Services	689	673	(16)
Cultural Services and Tourism	571	851	280
Contact Centre and Customer Services	804	811	7
<b>Total</b>	<b>7,653</b>	<b>8,318</b>	<b>665</b>

- 5.1 A number of budgetary pressures have been identified in the monitoring of this directorate. The majority of these relate to historic budget issues or challenging savings targets.
- 5.2 A significant historic pressure remains the funding of events at the Guildhall. As in previous years, the events are not anticipated to reach the surplus which is required by the budget. The current prediction for this shortfall is £190k. The costs at the Guildhall are within budgeted levels but the projected income for both events and associated catering remain short of the level at which the budget has been set. This shortfall is, however, an improvement on the shortfall experienced in previous years. A service review of Cultural Services, which includes the Guildhall, 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 and the budget for 2015/16 will reflect a more realistic target.
- 5.3 The cultural services review will also consider operation of the Museums service. The prediction for this service is currently that it will be £58k over budget for the year. The service review has a £50k savings target and the income from catering at the city museum is also anticipated to be approximately £10k down from prior years.
- 5.4 Within Neighbourhood Services officers have already achieved £270k of the budgeted savings from the contract with Amey for neighbourhood management. Amey have been tasked with producing a schedule of savings to achieve the additional budgeted £230k within the year. For reason of prudence the £230k is currently being recorded as “at risk”, and therefore creating a budgetary pressure, until Amey have produced the actions which will result in the savings.

- 5.5 Also within Neighbourhood Services, the Green Garden Waste Scheme income projections currently show that income is likely to be £60k lower than 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.
- 5.6 Within the service Area of Public Protection savings targets of £50k within both the markets budget and the Shopmobility budget are not anticipated to be made in 2014/15. A review of the Shopmobility service is underway which should deliver the appropriate savings in 2015/16.

## 6. Resources

	<b>2014/15 Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Forecast Variance £000</b>
Audit	121	127	6
Business Improvement	1,968	2,324	356
Finance	146	270	124
BT & T	648	681	33
Director	90	70	(20)
Parking	(875)	(965)	(90)
Regeneration and Economic Development	219	287	68
HR	323	271	(52)
Legal, Democratic and Communications	1,154	1,050	(104)
<b>Resources</b>	<b>3,794</b>	<b>4,115</b>	<b>321</b>

- 6.1 The Business Improvement Service area is where the budgets for some of the Council's major external relationships are administered. Within this area an overspend is currently predicted of £356k. The Council is making significant investments to improve IT systems and network security and this is generating additional costs. In addition, a historic budget issue has been identified in relation to the level of recharges to partners. The Council invoices partners for work it has carried out their behalf and a potential issue has been highlighted which suggests that actual income may not reach the historic budgeted levels. Work is underway to determine the correct level of income to be received and resolve the issue.
- 6.2 There has been an improvement in the performance of the Council's off street parking service. Income levels are currently in excess of those anticipated and costs remain within budgeted levels. The impact of this performance is that the service is expected to make an additional £90k contribution to the Council at the year end.

- 6.3 Regeneration and Economic Development (which includes the asset management service) has a savings target for the financial year of £100k. This is to be achieved through a staff restructuring. The restructuring is currently in the phase of staff consultation. In its current form the restructure will deliver a budget saving of £100k per annum. The saving in 2014/15 will be more limited as the new structure will not be implemented until significantly into the financial year. The current estimate is a net saving in 2014/15 of £20k. This creates a budgetary pressure of £80k. It is anticipated that underspends in the rest of the department may compensate for some of this pressure.
- 6.4 The Finance Department is currently predicting an overspend of £124k. This relates to the costs and income relation to the provision of housing benefits and the receipt of subsidy from the government towards the costs. The levels of budgeted income and expenditure are in excess of £30m so small fluctuations can have a disproportionate effect on the budget of the service. Housing benefit levels will be continue to be monitored closely throughout the year.

## **7. Savings**

- 7.1 Appendix 1 shows that £833k of savings have already been successfully implemented in 2014/15. The most recent saving achieved relates to the Amey Contract. Discussions have been finalised in relation to reducing the contract fee as a result of recalculating the annual indexation fee on the contract. This exercise has resulted in savings to the Council of £200k annually.
- 7.2 An additional £367k of savings are in progress with managers actively working through plans or seeking proposals to implement the agreed savings. Within this figure £330k of savings are currently considered to be at some risk of not being achieved. This means that although plans to identify savings are underway they are unlikely to have a significant budgetary impact in 2014/15. This includes the proportion of the Amey savings target where Amey are currently producing a schedule of suggested actions to deliver the savings. Also included within this category is the £100k of savings within Cultural Services that it is hoped the service review will deliver.
- 7.3 It is currently believed that £280k of savings will not be delivered in 2014/15. The savings targets in the most recent money plan were front loaded to deliver a surplus budget in 2014/15 meaning that the delay in achieving these savings can be absorbed without creating a deficit position this year

## **8. Capital Programme**

- 8.1 The Capital Programme budget for the year, including Housing Expenditure, is £21.117m with expenditure year to date of £5.242m. The nature of capital projects means that many of them span a number of financial years and any unspent budgets at the end of any one financial year may be carried forward into the next.
- 8.2 Appendix 2 provides summarised details by area.

## 9. Supplier Payments

9.1 The Council is committed to paying invoices within terms. During Quarter 1, the actual achievement was 94% within 30 days. The details on prompt payment (30 days performance) are:

-	<u>TOTAL QUARTER 1</u>		<u>TOTAL QUARTER 2</u>	
Number paid within 30 days	<b>2619</b>	<b>93%</b>	<b>2496</b>	<b>94%</b>
Number paid over 30 days	<b>183</b>	<b>7%</b>	<b>173</b>	<b>6%</b>
Total Invoices paid	<b>2802</b>		<b>2669</b>	
Average Days to Pay (from receipt of invoice to payment date)	<b>9</b>		<b>9</b>	

## 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

### Community Safety

14.1 None

Sustainability

14.2 None

Staffing & Trade Union

14.3 None