

Gloucester City Council

Meeting:	Overview and Scrutiny Committee Cabinet	Date:	10 th November 2014 12 th November 2014
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:	Appendix 1 – Progress Against Savings Targets Appendix 2 – Capital Programme Appendix 3 – Council Income		

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 2nd quarter ended 30th 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

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

- 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

	2014/15 Budget £000	Forecast Outturn £000	Forecast Variance £000
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
Total	7,653	8,318	665

- 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

	2014/15 Budget £000	Forecast Outturn £000	Forecast Variance £000
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)
Resources	3,794	4,115	321

- 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	2619	93%	2496	94%
Number paid over 30 days	183	7%	173	6%
Total Invoices paid	2802		2669	
Average Days to Pay (from receipt of invoice to payment date)	9		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

Community Safety

14.1 None

Sustainability

14.2 None

Staffing & Trade Union

14.3 None

Budget Savings Programmes - 2014/15

Appendix 1

Service	Details: aim of the project	2014/15 £000	Achieved £000	In Progress £000	At Risk £000	Not Achieved	Comments
Neighbourhood Services	Amey contract review, ongoing project from 2013/14 with requirement to identify further savings	(500)	(270)	0	(230)		£270k saving achieved. Continuing discussions with Amey are near conclusion to deliver further savings.
Neighbourhood Services	Environmental Team Review	(100)				(100)	A review of the operations of the Environmental Planning Team is to be carried out to identify potential savings and these should be achieved within 2015/16.
Business Improvement	Aspire, ongoing project from 2013/14 with requirement to identify further savings	(100)	(100)				Contract price changed to achieve saving 14/15
Business Improvement	Accommodation Saving	(90)	(90)				Achieved
Business Improvement	Grants to VCS	(100)	(100)				Achieved
Public Protection	Shopmobility	(50)				(50)	Work ongoing to review the service and deliver savings in 2015/16
GLT	Senior Management Restructure		(100)				Early achievement of Senior Management Restructure, saving achieved 14/15 rather than 15/16
Guildhall	Events grant	(10)	(10)				
Public Protection	Market Service	(50)				(50)	No saving expected in 14/15
Development Services	Building Control savings to be gained from Shared Services	(30)	(30)				Will be achieved in year. Long term saving not yet achieved.
Cultural Services	Museums Operational Review	(50)			(50)		Consultant Appointed
Cultural Services	Guildhall Operational review	(50)			(50)		Consultant Appointed
Regeneration	Asset Management Service Review	(100)		(20)		(80)	Proposed Review in place to deliver £100k savings. This will be achieved part way through the year.
Business Improvement	CIVICA, review further savings on contract	(50)	(33)	(17)			Contract price changed to achieve saving 14/15
ICT	BT & T Outsourcing	(100)	(100)				Contract price changed to achieve saving 14/15
		(1,380)	(833)	(37)	(330)	(280)	

Capital Programme 2014/15**Appendix 2**

Directorate	Revised budget 2014/15	Actual Spend to date	Variance to date	Forecast	Year End Variance
Regeneration	10,295,628	663,651	4,631,977	7,181,260	3,120,177
The Regeneration capital programme includes the City Centre Fund projects, Kings Quarter, repairs to the Eastgate rooftop car park, Commuted Funds for social housing and various building works projects					
Service and Neighbourhoods	2,594,692	302,956	2,291,736	555,829	2,057,771
The Services and Neighbourhoods capital programme includes agreed Section 106 funded projects, the Lottery funded Southgate Street Townscape Heritage Initiative project, the Herbert Reception upgrade, improvements at the Depot, Crematorium and public spaces					
Resources	331,310	9,805	321,505	15,420	322,810
The Resources capital programme covers various IT projects					
Housing General Fund	795,860	265,023	530,837	714,000	81,860
The Housing General Fund capital programme covers various grant funded housing projects, including Disabled Facilities improvements					
HRA	7,100,000	4,000,300	3,099,700	7,125,040	0
The HRA capital programme funds improvements to the GCH managed housing stock					
TOTAL	21,117,490	5,241,735	10,875,755	15,591,549	5,582,618

Position on Budgeted Income at the end of Quarter 2
Appendix 3

Service Area	Income to end of Month 6	Budgeted Income 2014/15	Forecast Income	Forecast Variance
Internal Audit	54	112	107	(5)
Financial Services	52	65	60	(5)
Parking	1,088	2,172	2,176	4
Asset Management	845	1,564	1,640	76
Business Improvement	206	827	701	(126)
Legal and Democratic	245	343	349	6
Human Resources	(4)	85	62	(23)
Total Resources Directorate	2,486	5,168	5,095	(73)
Development Services	370	806	695	(111)
Shopmobility	9	24	15	(9)
Private Sector Housing	51	56	59	3
Cem and Crem	938	1,638	1,743	105
Food Safety and Licensing	151	271	251	(20)
Markets	524	981	936	(45)
Public Health and Flooding	74	15	62	47
Waste Management	672	1,110	1,055	(55)
Countryside and Environment	60	86	110	24
Tourist Information Centre	210	422	405	(17)
Museums	64	152	121	(31)
Guildhall	286	690	586	(104)
Total Services and Neighbourhoods	3,409	6,251	6,038	(213)
Overall Council Position	5,895	11,419	11,133	(286)