

Gloucester City Council

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| Meeting: | Overview and Scrutiny Cabinet | Date: 23 rd February 2015 25 th February 2015 |
| 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: | 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 3rd quarter ended 31st December 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) The savings achieved in year total £833k.

(2) The forecast year end position for 14/15 is to increase the Council's General Fund balance by £264k.

(3) In addition to the general fund increase it is currently estimated that £150k will be transferred to an earmarked reserve for Regeneration as a result of surpluses generated by assets transferred to council ownership from the South West Regional Development Agency.

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 quarter 3 and forecast forwards based on budget monitoring meetings between service managers and financial services staff.

3.2 A summary table below shows the projected position for each service area. Explanation of significant changes since last reported to members is detailed in the main paragraphs of the report.

4. Council Summary

| Service Area | 2014/15 Budget £000 | Forecast Outturn £000 | Forecast Variance £000 |
|--|---------------------------|-----------------------------|------------------------------|
| Services | 7,803 | 8,264 | 461 |
| Resources | 3,724 | 4,367 | 643 |
| Funding and Corporate Adjustments | (12,164) | (12,895) | (731) |
| GCC | (637) | (264) | 373 |

4.1 The forecast position for the Council is that the general fund will be increased this year by £264k. The Council's challenging budget was set to achieve a surplus of £637k but the current position is that budgets will be exceeded by £373k.

4.2 The tables show the forecast outturn and variance for Quarter 3 as well as the forecast outturn from Quarter 2 for comparison. To further aid the readability of the report both the variance and the change have been classified as favourable or unfavourable.

5. Services and Neighbourhoods

| Service Area | 2014/15 Budget £000 | Forecast Outturn at Qtr 2 £000 | Forecast Outturn at Qtr3 £000 | Movement between Quarters £000 |
|---|---------------------------|---|--|---|
| Director | 187 | 177 | 169 | Fav (8) |
| Public Protection | (363) | (315) | (436) | Fav (121) |
| Neighbourhood Services | 5,568 | 5,818 | 5,929 | Unfav 111 |
| Development Services | 300 | 303 | 280 | Fav (23) |
| Housing Services | 689 | 673 | 601 | Fav (72) |
| Cultural Services and Tourism | 618 | 851 | 956 | Unfav 105 |
| Contact Centre and Customer Services | 804 | 811 | 764 | Fav (47) |
| Directorate Total | 7,803 | 8,318 | 8,263 | Fav 55 |

5.1 The largest single area of variance for the Services and Neighbourhoods Directorate is Neighbourhood Services which has seen an increase in forecast outturn by £111k. This overspend principally relates to the Amey savings which will not be achieved in

year. Discussions with Amey are ongoing about further delivery of savings and any savings not achieved this year will form part of the package of savings to be delivered in future years.

- 5.2 The other significant variance relates to Cultural Services. Income levels at the Guildhall when compared to budget have previously been reported to members. Live events, cinema and the bar and cafe are not reaching budgeted levels. The Cultural Services review has been received and contains within it options for saving in this area.
- 5.3 The improvement in the forecast outturn for Public Protection results from an additional surplus being expected at the Cemeteries and Crematorium. The quarter 2 report included an assumption that these facilities would generate a surplus in line with budget expectations. Monitoring indicates that an additional surplus of approximately £80k may be achieved. It is unclear whether this increase will continue in future years.
- 5.4 Development Services have previously reported that budgeted income will not be achieved. However, income is now expected to be in line with the budget.

6. Resources

| Service Area | 2014/15 Budget £000 | Forecast Outturn at Qtr 2 £000 | Forecast Outturn at Qtr3 £000 | Movement between Quarters £000 | |
|--|------------------------------------|---|--|---|------------|
| Director | 90 | 70 | 70 | Fav | (0) |
| Audit | 121 | 127 | 119 | Fav | (8) |
| Business Improvement | 1,968 | 2,324 | 2,382 | Unfav | 58 |
| Finance | 146 | 270 | 194 | Fav | (76) |
| BT & T | 648 | 681 | 739 | Unfav | 58 |
| Parking | (846) | (965) | (812) | Unfav | 153 |
| Regeneration and Economic Development | 120 | 287 | 278 | Fav | (9) |
| HR | 323 | 271 | 267 | Fav | (4) |
| Legal, Democratic and Communications | 1,154 | 1,050 | 1,129 | Unfav | 79 |
| Directorate Total | 3,724 | 4,115 | 4,366 | Unfav | 251 |

- 6.1 Within the group of budgets sitting with the Business Improvement area there are two budget issues currently being highlighted. The first of which is the Council's IT contract with Civica. This includes the cost of remedial works being undertaken to the Council's network infrastructure. It is possible that some of these works may be charged to capital budgets which would reduce the impact on the general fund. In addition the level of budgeted income that the Council recovers from partners for work done on their behalf is not achievable. The impact of these two issues has previously been reported to members and has remained stable throughout the year.
- 6.2 Until September the Council enforced both off street and on street parking and a proportion of costs, including of Council staff, were recharged to the County Council. This arrangement has now ended and the Council enforces off street only. This means that a lower level of staff costs have been recharged to the County. The number of parking administration staff has recently reduced so this will not create an ongoing pressure.
- 6.3 Hardware and software budgets are recorded under the heading of BT&T. It is expected that these areas will overspend to a total of £91k. The level of this overspend is higher than had been anticipated. The Council has recruited a new Business Analyst to focus on IT who will look to better plan and control this expenditure.
- 6.4 The change in forecast within the legal and democratic team is a result of redundancies which have taken place. These redundancies are a one off cost and create budget savings in future years so are not a continuing pressure upon the base budget.
- 6.5 Work has been carried out to improve the monitoring of housing benefit income and expenditure as even small variations in this area can have a large impact on the Council's bottom line. This involves tracking areas of expenditure which do not receive full subsidy from central government and working with Civica to monitor the impact of the recovery of housing benefit overpayments. This process had identified significant sums of reclaimed housing benefit income which can be credited to the General Fund to offset the cost of housing benefit payments.

7. Reserve Movement

- 7.1 In previous years the Council took ownership of a number of assets previously held by the South West Regional Development Agency. A number of these assets generate income. Where the asset portfolio generates a surplus it is to be transferred in an earmarked reserve for use only on local regeneration purposes. The latest analysis suggests that this reserve may now be established and it is estimated that a minimum of £150k is likely to be transferred at the end of the 2014/15 year.

7.2 In line with best financial practice any transfers to or from reserves at year end will be brought before members for approval. Transfers between reserves will be included in the recommendations of the year end outturn report.

8. Savings

8.1 Appendix 1 shows that £833k of savings have been successfully implemented in 2014/15. These include savings related to the Amey contract, reductions in grants to the voluntary sector, and a reduction in the Aspire management fee.

8.2 At this late stage in the financial year it is prudent to assume that no further savings will impact upon 2014/15. Although actions might be taken to reduce costs, such the restructuring within regeneration and economic development, the impact of these actions will not affect budgets until 2015/16.

8.3 It is therefore expected that £630k of savings will not be achieved in 2014/15. The Council budget was for a surplus of £637k so without these savings a broadly break even position could be expected. The true position as discussed earlier in this report is that a surplus of £264k is still predicted.

9. Capital Programme

9.1 The Capital Programme budget for the year, including Housing Expenditure, is £21.416m with expenditure year to date of £13.449m. Quarter 3 includes significant expenditure towards the Kings Quarter project, the Council has purchased a number of sites aiding the future development of the project.

9.2 The Capital programme forecast for quarter 4 is £3.162m, the majority of the forecast relates to Regeneration and Housing projects. It is anticipated the HRA budget will be fully utilised in quarter 4.

9.3 The nature of capital projects means that many of them span a number of financial years, budgets are set per project any unspent budgets at the end of any one financial year may be carried forward into the next.

9.4 A summarised table for the Capital Programme is shown as Appendix 2.

10. Supplier Payments

10.1 The Council is committed to paying invoices within terms. During Quarter 3, the actual achievement was 94% within 30 days. The details on prompt payment (30 days performance) are

| - | <u>TOTAL</u> <u>QUARTER 1</u> | | <u>TOTAL</u> <u>QUARTER 2</u> | | <u>TOTAL</u> <u>QUARTER 3</u> | |
|---|----------------------------------|------------|----------------------------------|------------|----------------------------------|------------|
| Number paid within 30 days | 2619 | 93% | 2496 | 94% | 2683 | 94% |
| Number paid over 30 days | 183 | 7% | 173 | 6% | 167 | 6% |
| Total Invoices paid | 2802 | | 2669 | | 2850 | |
| Average Days to Pay (from receipt of invoice to payment date) | 9 | | 9 | | 9 | |

11. Financial Implications

11.1 Contained in the report

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

12. Legal Implications

12.1 There are no legal implications from this report

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

13.0 Risk & Opportunity Management Implications

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

14. People Impact Assessment (PIA):

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

15. Other Corporate Implications

Community Safety

15.1 None

Sustainability

15.2 None

Staffing & Trade Union

15.3 None