

Gloucester City Council

Meeting:	Cabinet Overview & Scrutiny Committee	Date:	17 June 2020 6 July 2020
Subject:	Financial Outturn 2019/20		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Detailed Performance by Portfolio 2. Capital Outturn 3. Savings Performance		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform members of the final Council position against agreed budgets for the 2019/20 financial year. This includes a summary of how the Council has progressed against key savings targets for the year. It also highlights some key performance indicators.
- 1.2 For Cabinet to note the final outturn position and to approve movement to and from earmarked revenue reserves.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that:

(1) It be noted that:

- i. The year-end position for the financial year 2019/20 is a decrease to the General Fund balance of £172k against a budgeted decrease of £90k.
- ii. The General Fund balance has decreased from £1.673m to £1.501m at the end of 2019/20.
- iii. The savings achieved in year total £170k.
- iv. That the level of earmarked reserves has reduced by £535k to £4.031m.
- v. The impact of COVID19 pandemic on the Council year end position

(2) The transfers to and from earmarked reserves as detailed in the table in section 6 of this report be **APPROVED**

- 2.2 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to the Cabinet.

3.0 Background and Key Issues

- 3.1 This report is intended to give members a clear and concise view of the 2019/20 outturn of the Council. The report focuses on the major changes which have occurred since Quarter 3 reporting, as the majority of savings/pressures had already been reported at that stage.
- 3.2 The reported position at Quarter 3 was to increase the general fund by £51k, which has weakened by £221k to a decrease of £172k at year end.
- 3.3 The savings target for 2019/20 was £250k. A further £70k of savings unachieved in 2018/19 was added to that target to give an overall savings target of £320k. Savings actually achieved in the year total £170k. Where savings targets have not been achieved these will be delivered in 2020/21. Appendix 3 provides further details.
- 3.4 The decrease in the General Fund has been achieved against the background of continued savings targets and reductions in funding from prior years.
- 3.5 The impact of COVID19 on the financial outturn for 2019/20 cannot be underestimated and has had a significant effect on the expected outturn against budget.

4.0 Whole Council Summary

- 4.1 A summary table below shows the outturn position for the Council by cabinet portfolio. Appendix 1 provides the breakdown of the totals within each portfolio.

Council Summary	19/20	Year	Final
	Budget	End	Variance
Regeneration and Economy	(3,248)	(4,124)	(876)
Communities and Neighbourhoods	1,458	1,545	87
Performance and Resources	5,552	5,912	360
Culture	981	1,384	403
Planning and Housing	82	656	574
Environment	4,022	4,521	499
Corporate and Funding	(8,755)	(9,720)	(965)
Total	91	172	81

- 4.2 The General Fund and earmarked reserves balance continue to put the Council in a strong financial position in the uncertain climate of Local Authority funding.
- 4.3 The table above highlights some significant variances on budget in year, however these have either been managed in the 2020/21 budget approved in February 2020 such as planning income or were non-recurring pressure going forward including Amey and Transformation costs.

5.0 Significant Changes from Areas previously reported

COVID19

5.1 The COVID19 pandemic during March 2020 had an impact on a number of areas within the Council attracting significant additional costs or lost income prior to the end of the financial year and the estimated impacts are detailed below:

- Car Parking - lost income £100k
- Homelessness – additional costs 120k
- Cultural Services - lost income £100k

Additional costs were also incurred in IT, Revenues & Benefits plus lost income from areas such as the Arbor.

The Council did receive its first tranche of funding prior to year end of £65k which offset some of these additional pressures.

5.2 Without the unforeseen impact of COVID19 the Council's in year financial outturn would have been significantly within budget set by Council for 2019/20.

Transformation

5.3 The transformation programme saw the Council vacate the HKP warehouses and move to Shire Hall, as well as the full refurbishment and occupation of the Gateway. The transformation programme also included the digital transformation and significant upgrade to the Council's IT infrastructure. This enabled agile and remote working while also changing processes to improve the customer interaction with the Council including the new contact centre and customer portal. The in-year cost of this programme was £683k plus an additional £160k revenue in IT, as highlighted at Quarter 3.

5.4 In line with the Cabinet decision in September 2018, £550k of these costs have been met from reserves with remainder managed in the final outturn position. The benefits of this significant investment by the Council have been seen during the current pandemic.

Regeneration & Economy

5.5 As highlighted at Quarter 3 expenditure on one off property costs was greater than budgeted during the year of which £103k have been met from the Repairs Reserve.

5.6 The significant change in the quarter was the unbudgeted benefit of the investments at St Oswald's and Eastgate. Alongside the treasury management team taking advantage of favourable short-term borrowing rates this has given a significant favourable position to the Council that has offset previously reported adverse variances in other portfolios.

Communities and Neighbourhoods

5.7 The outturn for this portfolio are generally in line with the quarter 3 estimates with the biggest change being a change in spend on temporary accommodation as a result of COVID19. The position has moved from a forecast underspend following initiatives undertaken by the Council and the support of the Flexible Homelessness Prevention Grant to a small overspend.

Performance and Resources

- 5.8 There has been a significant increase in the cost of providing Housing Subsidy during the year. As noted in the Q3 reporting the Council manage more than £37m of housing subsidy and benefit payments and the smallest percentage change can have a significant impact on the final outturn. The final quarter saw an adverse movement to this balance of £407k which has resulted in a final overspend position of £443k. This cost is out of the Council's control and has continued to change across 2019/20.
- 5.9 The decrease to costs in Financial and Corporate is a result of the corporate bad debt provision. At each financial year end the Council puts money aside to cover outstanding debtors where it may not be possible to recover the full amount. This is standard and good financial practice. During the current financial year we have been proactively pursuing aged debt as a result of this the required level of provision has decreased by £213k in this financial year and this is reflected in the year end outturn.

Culture & Leisure

- 5.10 The Culture and Trading area has been affected as a result of COVID19 with income being significantly impacted across the service effecting the Guildhall in particular, but also impacting the Museums and Food & Drink.
- 5.11 The portfolio was also impacted by the placing of MGL into administration and all the outstanding debt from the company has been provided for in 2019/20 outturn.

Planning and Housing

- 5.12 As indicated at Quarter 2, income from Planning Fees provides a significant source of funding for the Service and has proved to be significantly lower than the budgeted levels for the year. There are two major elements to this forecast variance:
- a. Delay in the submission of several major applications from developers.
 - b. A significant reduction in the income from non-major applications.

Environment

- 5.13 As noted at Quarter 3, there is a cost pressure in relation to the Amey contract that results from the contract indexation being higher than the Council budgeted for. The Council has continued to work with Amey to resolve the recycling income issue and hopes to see an improvement in this area in 2020/21. The demand for garden waste services has also seen the need to add an additional vehicle and crew to the contract over the costs budgeted. These pressures have been addressed in the 2020/21 Money Plan.
- 5.14 Income at the Crematorium is forecast to be lower than 2018/19 partly as a result of Cheltenham crematorium now being back in operation and reduced demand for services. As a result, the income for the year is £125k less than the budgeted target for 2019/20. The Bereavement Services Manager has already identified a number of new services and opportunities to address this in 2020/21.

Corporate and Funding

- 5.15 The increased income within the Corporate and Funding line is largely attributable to income from the Business Rates pool and retained business rates in year.

6.0 Movement in Earmarked Reserves

6.1 The Council has drawn down previously reserved funds to pay for their intended usage during 2019/20 and in a number of cases has been able to increase balances to pay for services in future years. The Council continues to hold an earmarked reserve balance of over £4.0m. The balances and in year movement are summarised in the following table.

Reserve Name	Opening Balance	Transfers Out	Transfers in	Closing Balance
Insurance	10	-	-	10
Shopmobility	29	-	-	29
Historic Buildings	53	-	-	53
Lottery	19	-	1	20
Environmental Insurance	1000	-	-	1,000
Other Leisure	4	-	-	4
Members Allocation	1	-	-	1
Repairs	103	103	-	-
Regeneration	201	375	197	23
VAT Shelter	716	550	252	418
Housing Survey	60	-	-	60
Trading	50	50	-	-
Commuted Sums	768	-	59	827
Planning Grant	35	-	-	35
Participatory Budget	15	15	-	-
Community Builder	85	31	-	54
Economic Dev Grant	20	20	-	-
Flooding Works	10	-	-	10
Business Rates	974	-	-	974
Great Place	93	-	-	93
Museum Bequest	305	-	-	305
Recovery Reserve	-	-	100	100
EU Exit Reserve	17	-	-	17
Reserves Total	4,568	947	412	4,033

6.2 There has been a net draw down from the regeneration reserve in the year. The net surplus from the SWRDA assets generated £197k to contribute to the reserve. The reserve was earmarked to contribute towards the Council's regeneration projects in 19/20, £375k was spent in year towards this project leaving an overall net usage of the reserve of £178k. This was anticipated in forecasts for the reserve and the balance will continue to be used to support future regeneration work.

6.3 The authority continues to receive funding relating to the arrangement for a "VAT shelter" relating to the Housing Stock transfer of 2015. In 2019/20 funding of £252k was received. £550k was allocated from the reserve to fund transformation projects as reported to Cabinet in September 2018. The current balance of this reserve has been earmarked for the development at Black Dog Way, this funding will be paid early in 2020/21.

- 6.4 The repairs reserve began the year with a balance of £103k. In year there has been £103k used on repair works.
- 6.5 The Commuted Sums reserve holds sums received from developers to pay for grounds maintenance and environmental works in future years. The Council received £59k in 2019/2019.
- 6.6 The Recovery Reserve has been put in place to assist in covering costs incurred in supporting the recovery from the impacts of COVID19.

7.0 Capital Programme

- 7.1 The outturn position for the Capital Programme is £75.209m against the budget for the year of £76.429m. The underspend was the result of expenditure on projects within the approved five-year capital programme which where expenditure expected in 2019/20 has moved into subsequent years.
- 7.2 Expenditure for 2019/20 includes £1.2m on the Kings Square Development which includes funds earmarked under the regeneration reserves to deliver this project. Expenditure on ICT projects providing technology and equipment enabled the Council to move forward and become more agile as part of the wider transformation project. The £0.141m spend on Building Improvements includes costs associated with the relocation project at 92-94 Westgate Street. The expenditure on St Oswald's and Eastgate Shopping Centre were the purchase of these sites to enable future regeneration and housing projects for the City.
- 7.2 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
- 7.3 A summarised table for the Capital Programme is shown as Appendix 2.

8.0 Prompt payment performance

- 8.1 The Council aims to make payments to all suppliers promptly and in accordance with contract terms. The performance on invoice payments during the year is summarised in a table below. Overall, 93% of invoices received in the year were paid within 30 days of receipt (93% in 2018/19) and the average number of days to pay an invoice was 7 (7 in 2018/19).

	Q 1		Q 2		Q 3		Q 4		TOTAL	
Paid within 5 days	1,458	76%	1,328	69%	1,514	72%	1,568	78%	5,868	74%
Paid within 10 days	1,679	88%	1,538	80%	1,709	82%	1,788	89%	6,714	85%
Paid within 30 days	1,847	97%	1,704	89%	1,909	91%	1,920	96%	7,380	93%
Paid over 30 days	65	3%	214	11%	181	9%	80	4%	540	7%
Total Invoices paid	1,912		1,918		2,090		2,000		7,920	
Average Days to Pay	6		9		8		6		7	

9.0 Social Value Considerations

9.1 There are no social value implications as a result of this report.

10.0 Alternative Options Considered

10.1 When consider how to reduce budgetary pressure or make savings officers explore a wide range of options.

11.0 Reasons for Recommendations

11.1 It is a good practice for members to be regularly informed of the current financial position of the Council. This report is intended to make members any of any significant issues in relation to financial standing and any actions that officers are taking in response to identified variances.

12.0 Future Work and Conclusions

12.1 Work will continue to reach savings targets or limit in year budget pressures.

13.0 Financial Implications

13.1 All financial implications are contained within the report which is of a wholly financial nature.

14.0 Legal Implications

14.1 There are no legal implications from this report.

(One Legal have been consulted in the preparation this report)

15.0 Risk & Opportunity Management Implications

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

16.0 People Impact Assessment (PIA):

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

17.0 Other Corporate Implications

Community Safety

17.1 None

Sustainability

17.2 None

Staffing & Trade Union

17.3 None