

# Gloucester City Council

<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>16 September 2020</b>
<b>Subject:</b>	<b>Financial Monitoring - Quarter 1, 2020/21</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>Jon Topping, Head of Policy &amp; Resources</b>		
	<b>Email: jon.topping@gloucester.gov.uk</b>	<b>Tel:</b>	<b>396242</b>
<b>Appendices:</b>	<b>1. Capital Monitoring</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 For Cabinet to note year-end forecasts, and the financial pressures on the Council during the 1<sup>st</sup> Quarter ended 30<sup>th</sup> June 2020.

### 2.0 Recommendations

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

- (1) the forecast year end position is currently for a decrease to the Council's General Fund balance of £523k against a budgeted decrease of £49k be noted
- (2) the uncertainty surrounding the exact levels of grant income to be received from Government will affect the eventual financial outcome for the year be noted
- (3) the details of specific budgetary issues identified by officers and the actions being taken to address those issues be noted
- (4) the current level of Capital expenditure as shown in Appendix 1 be noted.

### 3.0 Background and Key Issues

- 3.1 The figures contained within this report forecast the best estimate at the current time of the year-end position on the Council's General Fund.
- 3.2 A summary table below shows the projected position for each portfolio with a further detailed table analysing the variances in more detail.

## 4.0 Whole Council Summary

Council Summary	20/21	Q1	Year	
	Budget	Actual	End	Final
			Final	Variance
Economic Recovery & Growth	(61)	85	169	230
Communities & Neighbourhoods	1,553	68	1,670	118
Performance & Resources	765	2,157	1,124	360
Culture & Leisure	1,117	398	1,341	224
Planning & Housing	421	41	492	71
Environment & Leader	4,609	1,628	5,261	652
Corporate & Funding	(8,354)	(4,121)	(9,534)	(1,180)
<b>Total</b>	<b>49</b>	<b>256</b>	<b>523</b>	<b>475</b>

- 4.1 The forecast position is a decrease in the Council's General Fund by £523k as shown in the table above.
- 4.2 The financial year to date has been dominated by COVID-19 and its impact on the activities and finances of the Council. The virus has led to significant financial challenge to the Council and has created a number of additional unexpected activities with their associated costs. Government has committed to support local authorities fully to alleviate the budget pressures caused by the pandemic. Government has to date provided financial support grants in relation to COVID-19 to the Council totalling £1.59 million, of which £1.52 million has been received in 2020/21. The grants received are included in Corporate & Funding.
- 4.3 There have also been significant demands on the Council from the Government for the distribution of emergency and economic grants to the local population and businesses. This has led to increasing demands on all Council services and all services and partners should be commended for their dedication in ensuring that the Council has supported all residents and businesses in the City.
- 4.4 The income of the Council has been significantly impacted by COVID-19 during the first quarter of the year. There is also great uncertainty as to what the new normal will look like; and if and how quickly some of the income generating areas will return to the historic activity levels budgeted for.
- 4.5 The Government is proposing to support lost Fees & Charges income. Although we do not exactly how this will be done we expect 75p in the pound of lost income to be paid after a 5% deduction against our overall income budget. The Government have stated they will not support lost commercial income. The forecast figures above include a claim of circa £1 million that is to be submitted for the first Quarter based on an estimate of lost Fees & Charges income calculated on this basis. Accordingly, the achievement of the current forecast outturn position for 2020/21 is dependent on the receipt of this support to cover the lost income from areas such as parking, culture, markets, etc. Any variation in this will have a significant impact on the outturn.
- 4.6 This report will primarily focus on the key changes and risks that have been identified in Quarter 1. The officers of the Council are managing their plans to meet the needs of the City in these extraordinary times within the financial constraints caused by COVID-19.
- 4.7 The budget monitoring undertaken during 2020/21 will inform further of the changes to the finances resulting from the pandemic and identify the pressures or opportunities that need to be included in the Money Plan to be presented to Council in February 2021.

## 5.0 Economic Recovery and Growth

	20/21	Q1	Year	Final
<b>Economic Recovery &amp; Growth</b>	<b>Budget</b>	<b>Actual</b>	<b>End</b>	<b>Variance</b>
			<b>Final</b>	
Economic Development	208	53	222	14
Licensing	(140)	(13)	(58)	82
Markets and Street Trading	(129)	45	5	134
<b>Total</b>	<b>(61)</b>	<b>85</b>	<b>169</b>	<b>230</b>

- 5.1 This portfolio is currently forecast to be adverse to budget by £230k.
- 5.2 The lockdown as a result of COVID-19 has impacted the income received from the licencing of the commercial activities that take place within the City. The streets and market halls were closed for several weeks and the absence of travel and footfall in the City led to less demand for hackney cabs and other licensable activities such as environmental health certificates.
- 5.3 As noted in the summary, a claim will be submitted to Government that is expected recover a proportion of this lost budgeted income. The costs of which have increased as actions needed to be taken to make the City safe for the re-opening of activity within its bounds.

## 6.0 Communities and Neighbourhoods

	20/21	Q1	Year	Final
<b>Communities and Neighbourhoods</b>	<b>Budget</b>	<b>Actual</b>	<b>End</b>	<b>Variance</b>
			<b>Final</b>	
Voluntary Sector Grants	135	44	148	14
Community Strategy and Other Projects	241	59	237	(4)
Homelessness	1,194	6	1,266	72
Shopmobility	54	15	58	4
Health and Safety	3	0	0	(2)
Private Sector Housing	(73)	(56)	(40)	33
<b>Total</b>	<b>1,553</b>	<b>68</b>	<b>1,670</b>	<b>118</b>

- 6.1 This portfolio is currently forecasting to be overspend by £118k.
- 6.2 The financial performance in this area reflects the important work that the Communities and Neighbourhoods teams have been undertaking over the past few months to ensure that the demands of the pandemic have been appropriately addressed.
- 6.3 The Council was required to rapidly provide safe accommodation for all identified homeless people in the initial weeks of the pandemic. This was achieved by a mixture of utilising the Council's existing emergency accommodation providers and entering into agreements with several other city-based accommodation services to utilise their rooms in a period of low demand.
- 6.4 The overall homelessness budget for the year is being forecast to be overspent by £72k as a result of the emergency spend noted above. This figure has to some extent been mitigated by grants received from Government. However, there is still a significant level of uncertainty surrounding what may happen in the remaining months of the financial year, especially as we head into the winter months. The officers of the Council are constantly monitoring the situation and are in the process of developing plans to ensure spend is kept under control.

6.5 The Community focused areas of the Council have been working in collaboration with County and the neighbouring districts to ensure a co-ordinated response to the pandemic and have shared the costs of the response. This has enabled spend to be maintained within the budgeted levels.

## 7.0 Performance and Resources

Performance and Resources	20/21		Year	Final
	Budget	Actual	End	Variance
Internal Audit	194	35	163	(31)
Financial and Corporate	1,264	326	1,140	(124)
Revenues and Benefits Admin	913	256	865	(48)
Housing Subsidy	(377)	(78)	(376)	1
Parking	(1,276)	639	(231)	1,045
Asset Management	965	627	851	(113)
Commercial Property	(4,521)	(918)	(4,934)	(413)
IT	1,556	812	1,625	69
Human Resources	262	32	283	21
Communications	90	23	90	0
Legal Services	399	120	445	47
Contact Centre and Customer Services	464	109	440	(24)
Democratic Services	833	174	763	(70)
<b>Total</b>	<b>765</b>	<b>2,157</b>	<b>1,124</b>	<b>360</b>

7.1 This portfolio is currently forecast to be adverse to budget by £360k. However, due to the mix of areas within it there are several significant variances contributing to that overall position.

7.2 The most significant variance is that for the parking service which is only forecast to achieve a fraction of the budgeted net income in the year as a result of the impact of COVID-19 on travel into the city and the absence of charges at the car parks. The speed at which this income recovers is still highly uncertain due to the unknown continued impact of the pandemic on people's lifestyles and how they choose to act in the future.

7.3 Despite the pandemic, income from commercial property is currently forecast to be favourable by £413k. The future of some of the tenants is still uncertain and provision has been made for lost income from those known to be in financial difficulties. Where possible the Council has continued to progress its plans for the development and regeneration of these sites

7.4 The Asset Management and has the opportunity for some disruptive works to be undertaken during lockdown. In the current uncertain climate the officers will continue to monitor and control spend. The disposal of the HKP warehouses is ongoing; and the Council has received a business rates rebate for the charges that contributes to the underspend of £113k.

7.5 The IT budget is forecast to be adverse by £60k. This primarily relates to unbudgeted additional spend in relation to software costs arising from the transformation project and accelerated spend on items to ensure the Council staff could effectively operate from home during and subsequent to the lockdown period.

- 7.6 The current forecast for housing subsidy and revenues & benefits administration is for it to be on budget, however it must be noted that the Council manage in excess of £34m of benefit payments and the smallest percentage change has a significant impact on this forecast. Accordingly, these items will continue to be monitored closely.
- 7.7 There is an underspend of £70k in Democratic Services as a result of the delay to the local elections that were expected to take place in May 2020.

## 8.0 Culture and Leisure

Culture & Leisure	20/21		Year	Final
	Budget	Actual	End	Variance
Museums	572	125	498	(74)
Food and Drink	(36)	18	65	101
Guildhall	416	175	586	169
Aspire Client	(30)	73	(0)	30
Destination Marketing	195	8	192	(3)
<b>Total</b>	<b>1,117</b>	<b>398</b>	<b>1,341</b>	<b>224</b>

- 8.1 This portfolio is currently forecasting to be adverse to budget by £224k.
- 8.2 Similar to Parking this is one of the most significantly affected areas in relation to lost income arising from the COVID-19 pandemic. All of the venues have been closed since the beginning of the financial year and as such have not been in a position to generate income. As noted in the summary above, a claim will be submitted to the Government to recover a proportion of this lost income.
- 8.3 The Culture & Leisure team are busy formulating plans for the gradual re-opening of venues in accordance with Government guidelines but the historic nature of the venues and their capacity significantly restricts the financial viability of the re-opening. This and the continued uncertainty as to when indoor events will be given the green light have led to no income being included in the current forecasts.

## 9.0 Planning and Housing

Planning and Housing Strategy	20/21		Year	Final
	Budget	Actual	End	Variance
Planning	421	41	492	71
<b>Total</b>	<b>421</b>	<b>41</b>	<b>492</b>	<b>71</b>

- 9.1 This portfolio is currently forecast to be over budget by £71k during the year.
- 9.2 Income from planning applications is currently forecast to be on budget. However, this will need to be kept under review given the recent planning changes being introduced by the UK Government relating to use classes and plan making. The shortfall is caused by a fall in land searches income which is another of the incomes that is included in the lost income claim mentioned in the summary.

## 10.0 Environment and Leader

Environment	20/21		Year	Final
	Budget	Actual	End	Variance
Waste and Streetcare	4,567	1,604	5,305	738
Neighbourhood Management	77	20	93	16
Countryside and Allotments	262	63	219	(44)
Environmental Health	624	119	504	(121)
Flooding and emergency planning	107	17	111	4
Cemetery and Crematorium	(1,464)	(342)	(1,475)	(12)
Senior Management	435	147	506	70
<b>Total</b>	<b>4,609</b>	<b>1,628</b>	<b>5,261</b>	<b>652</b>

- 10.1 This portfolio is currently forecast to be over budget for the year by £652k.
- 10.2 The significant contributor to this adverse variance is the Waste and Streetcare contract. Once again, this is primarily caused by the impacts of COVID-19. The key items of note are:
- (a) Additional expenditure arising from ensuring the safe continuance of the service throughout the lockdown period and beyond.
  - (b) A lengthening of the garden waste charging period by 5 months.
- 10.3 Income at the Crematorium is forecast to be on budget given the current sad circumstances, although income from the Arbor is forecast to be down due to the restrictions around the holding of wakes.
- 10.4 Environmental Health has an underspend as a result of staff vacancies.

## 11.0 Capital Programme

- 11.1 The Capital Programme budget for the year is £9.949m including budgets carried forward from 2019/20. The expenditure for the period to Quarter 1, including amounts committed totals £0.989m. It has been a slow start to 2020/21 with some projects impacted with the Covid 19 pandemic. Although spend in Q1 was 10% of the budget, we are forecasting the majority of the programme will be completed.
- 11.2 Quarter 1 has seen continue progress on the Kings Quarter, with the demolition of Bruton Way multi story car park and Bentinck House. Work has continued on the Kings Walk centre, primarily on the outside of the centre with the redevelopment of the old British Homes Store unit. Once completed this unit facing onto Eastgate Street will lead the transformation of Kings Walk creating a new external look for the Centre.
- 11.3 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.
- 11.4 A summarised table for the Capital Programme is shown as Appendix 1.

## 12.0 Prompt payment performance

- 12.1 The Council aims to make payments to all suppliers promptly and in accordance with contract terms. The performance on invoice payments during the quarter is below. The performance in the table shows the strong performance in supplier payments was maintained during the first quarter of 2020 despite the disruption to working practices caused by COVID-19.

	<u>Apr</u>		<u>May</u>		<u>Jun</u>		<u>Qtr 1</u>	
Number paid within 30 days	464	97%	351	96%	467	97%	1,282	97%
Number paid over 30 days	16	3%	15	4%	12	3%	43	3%
Average Days to Pay (from receipt of invoice to payment date)	8		6		5		7	

### 13.0 Social Value Considerations

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

### 14.0 Environmental Implications

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

### 15.0 Alternative Options Considered

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

### 16.0 Reasons for Recommendations

16.1 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.

### 17.0 Financial Implications

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

### 18.0 Legal Implications

18.1 There are no legal implications from this report.

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

### 19.0 Risk & Opportunity Management Implications

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

### 20.0 People Impact Assessment (PIA) and Safeguarding:

20.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact; therefore, a full PIA was not required.

### 21.0 Community Safety Implications

21.1 None.

### 22.0 Staffing & Trade Union Implications

22.1 None.