

Gloucester City Council

Meeting:	Cabinet	Date	9 December 2020
Subject:	Financial Monitoring - Quarter 2, 2020/21		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Capital Monitoring		

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 2nd Quarter ended 30th September 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 £99k against a budgeted decrease of £49k.
- (2) the uncertainty surrounding the exact levels of grant income to be received from Government will affect the eventual financial outcome for the year
- (3) the details of specific budgetary issues identified by officers and the actions being taken to address those issues
- (4) the current level of Capital expenditure as shown in Appendix 2.

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 Budget	Q2 Actual	Year End Final	Final Variance
Economic Recovery & Growth	(61)	47	110	172
Communities and Neighbourhoods	1,553	528	1,754	201
Performance and Resources	765	3,413	2,111	1,346
Culture & Leisure	1,117	847	1,739	622
Planning and Housing	421	90	431	11
Environment & Leader	4,609	2,810	5,214	605
Corporate and Funding	(8,354)	(4,740)	(7,546)	808
Covid-19 Specific Government Funding	0	(2,377)	(3,715)	(3,715)
Total	49	617	99	50

- 4.1 The forecast position is a decrease in the Council's General Fund by £99k 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 pandemic has created significant financial challenges for the Council with additional unexpected activities and their associated costs. The Government has committed to support local authorities fully to alleviate the budget pressures caused by the pandemic. To date the Government has provided COVID-19 related financial support grants to the Council totalling £2.44 million, of which £2.37 million has been received in 2020/21. A further £0.59 million has been allocated to the Council for receipt during October. The grants received are included separately in the table above and the forecast figure also includes the estimated grant to cover lost Fees & Charges referenced below.
- 4.3 The significant demands on the Council from the Government for the distribution of emergency and economic grants to the local population and businesses noted in Quarter 1 have continued and are expected to continue for the remainder of this financial year. This has led to increasing demands on all Council services and all services and partners should continue to be commended for their dedication in ensuring that the Council has supported all residents and businesses in the City.
- 4.4 As noted at Quarter 1, the income of the Council continues to be significantly impacted by COVID-19. There is also still 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 has launched its scheme to support lost Fees & Charges income, which is based on reimbursement of 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 £850k that has been submitted for April to July 2020 based on an estimate of lost Fees & Charges income in that period. The forecast also includes estimated claims of £750k for the remainder of the financial year. The achievement of the current forecast outturn position for 2020/21 is dependent on the receipt of this additional support.
- 4.6 This report will primarily focus on the key changes and risks that have been identified in Quarter 2. 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	Q2	Year	Final
Economic Recovery & Growth	Budget	Actual	End	Variance
			Final	
Economic Development	208	63	185	(23)
Licensing	(140)	(40)	(68)	72
Markets and Street Trading	(129)	24	(7)	122
Total	(61)	47	110	172

- 5.1 This portfolio is currently forecast to be adverse to budget by £172k.
- 5.2 The lockdown as a result of COVID-19 has impacted the income received from the licencing activities. As a result of the pandemic and lockdown the income of street trading and markets has also been significantly affected.
- 5.3 As noted in the summary, a claim has been submitted to Government that is expected recover a proportion of this lost budgeted income. The costs have also increased as actions were needed to be taken to make the City safe for re-opening.

6.0 Communities and Neighbourhoods

	20/21	Q2	Year	Final
Communities and Neighbourhoods	Budget	Actual	End	Variance
			Final	
Voluntary Sector Grants	135	61	138	3
Community Strategy and Other Projects	241	120	234	(7)
Homelessness	1,194	303	1,324	130
Shopmobility	54	32	56	2
Health and Safety	3	1	2	(0)
Private Sector Housing	(73)	11	0	74
Total	1,553	528	1,754	201

- 6.1 This portfolio is currently forecasting to be overspend by £201k.
- 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 overall homelessness budget for the year is being forecast to be overspent by £130k 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. Officers are constantly monitoring the situation and are developing plans to ensure spend is monitored and controlled.

6.4 The Communities teams have been working in collaboration with the County Council and the neighbouring districts to ensure a co-ordinated response to the pandemic and where appropriate costs have been shared. This has enabled spend to be maintained within the budgeted levels.

7.0 Performance and Resources

Performance and Resources	20/21 Budget	Q2 Actual	Year End Final	Final Variance
Internal Audit	194	65	164	(30)
Financial and Corporate	1,264	556	1,207	(57)
Revenues and Benefits Admin	913	555	824	(89)
Housing Subsidy	(377)	339	(117)	260
Parking	(1,276)	539	(274)	1,002
Asset Management	965	439	925	(39)
Commercial Property	(4,521)	(1,239)	(4,474)	47
IT	1,556	1,196	1,852	296
Human Resources	262	116	284	22
Communications	90	45	90	0
Legal Services	399	208	408	10
Contact Centre and Customer Services	464	224	458	(6)
Democratic Services	833	367	763	(70)
Total	765	3,413	2,111	1,346

7.1 This portfolio is currently forecast to be adverse to budget by £1,346k. 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 lost income from parking 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.

7.3 The Asset Management team has taken the opportunity for some disruptive works to be completed during lockdown. 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 £39k.

7.4 The IT budget is forecast to be adverse by £296k. This relates to the costs incurred to enable the move from HKP to the new secure data centre, Further additional spend is in relation to software costs arising from the transformation project and this has been addressed in the proposed 2021/22 Money Plan. In addition, costs with regard to COVID19 to ensure the Council responded effectively to the pandemic.

7.5 The current forecast for Housing Benefit subsidy is for it to be adverse to budget by £260k, which is offset in part by a saving in Revenues and Benefits administration. However it must be noted that the Council manage in excess of £36m of benefit payments and the smallest percentage change has a significant impact on this forecast. Accordingly, these items will continue to be monitored closely.

7.6 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	274	562	(10)
Food and Drink	(36)	33	65	101
Guildhall	416	269	564	148
Aspire Client	(30)	159	315	345
Destination Marketing	195	111	234	39
Total	1,117	847	1,739	622

- 8.1 This portfolio is currently forecasting to be adverse to budget by £622k.
- 8.2 This is one of the most significantly affected portfolio areas in relation to lost income arising from the COVID-19 pandemic. All 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 has been 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 ability to generate income in line with the budget. The current year end forecast assumes no significant recovery of income.
- 8.4 The Council continues to support the leisure trust as a result of the impact of the pandemic. The current forecast is an impact of £345k in relation our budget, the Council continues to lobby for support of the leisure trust, should government support be forthcoming the forecast will be updated accordingly.

9.0 Planning and Housing

Planning and Housing Strategy	20/21		Year	Final
	Budget	Actual	End	Variance
Planning	421	90	431	11
Total	421	90	431	11

- 9.1 This portfolio is currently forecast to be over budget by £11k 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.

10.0 Environment and Leader

Environment	20/21		Year	Final
	Budget	Actual	End	Variance
Waste and Streetcare	4,567	2,662	5,082	515
Neighbourhood Management	77	40	93	16
Countryside and Allotments	262	136	244	(19)
Environmental Health	624	202	494	(130)
Flooding and emergency planning	107	37	114	7
Cemetery and Crematorium	(1,464)	(550)	(1,362)	102
Senior Management	435	282	548	113
Total	4,609	2,810	5,214	605

- 10.1 This portfolio is currently forecast to be over budget for the year by £605k.
- 10.2 One element of this variance is the Waste and Streetcare contract. As highlighted at quarter 1, 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.
 - (c) Additional costs in delivery of the garden waste service with the addition of new vehicle and crew.
- Where these variances are ongoing the revised Money Plan to be approved in February will be updated.
- 10.3 A further challenge as a result of COVID is income from the Arbor as the venue was closed during lockdown and although now reopened ongoing government guidelines and restrictions have seen a significant loss of income.
- 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 £8.704m including budgets carried forward from 2019/20. The expenditure for the period to Quarter 2, including amounts committed totals £2.741m. Projects have continued since the initial Covid 19 restrictions with forecast expenditure just under budget at £7.430m.
- 11.2 Work to date has seen a change to the City landscape with the demolition of Bruton Way multi story car park and Bentinck House as work continues on Kings Quarter, while the redevelopment of the old British Homes Store unit continues to progress as part of the transformation of Kings Walk to create a new external look for the Centre and bring in a new anchor tenant.
- 11.3 The Council continues to support our partners in the delivery of projects to improve the City, work with Gloucestershire Wildlife Trust will see the completion of new barns to support our Rangers. Work with Great Western Railway will see improvements to the railway station, complementing our new Transport Hub.
- 11.4 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
- 11.5 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>Jul</u>		<u>Aug</u>		<u>Sep</u>		<u>Qtr 2</u>	
Number paid within 30 days	451	98%	412	96%	504	97%	1367	97%
Number paid over 30 days	11	2	15	4%	18	3%	40	3%
Average Days to Pay (from receipt of invoice to payment date)		5		5		4		5

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.