

Gloucester City Council

Meeting:	Overview & Scrutiny Cabinet	Date:	1 March 2021 10 March 2021
Subject:	Financial Monitoring - Quarter 3, 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 3rd Quarter ended 31st December 2021.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to the Cabinet.
- 2.2 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 £222k 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	Q3 Actual	Year End Forecast	Final Variance
Economic Recovery & Growth	(70)	93	197	267
Communities and Neighbourhoods	2,149	1,022	1,850	(299)
Performance and Resources	2,553	4,695	4,633	2,080
Culture & Leisure	1,117	1,344	1,749	632
Planning and Housing	306	87	465	160
Environment & Leader	4,139	4,053	5,238	1,098
Corporate and Funding	(10,146)	(7,984)	(9,465)	681
Covid-19 Specific Government Funding	0	(3,043)	(4,445)	(4,445)
Total	48	268	222	174

- 4.1 The forecast position is a decrease in the Council's General Fund by £222k as shown in the table above.
- 4.2 The financial year 2020/21 continues to be 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 to alleviate the budget pressures caused by the pandemic. To date the Government has provided unrestricted Covid-19 related financial support grants to the Council totalling over £3 million to help cover the additional costs being incurred in the provision of services. The grants received are included separately in the table above.
- 4.3 The Covid-19 Specific Government Funding figure above also includes £0.85 million received following the Council's first claim to the Government's Sales, Fees & Charges Lost Income scheme for the period from April to July 2020. A second claim for a further £0.6 million has been submitted for the period from August to November 2020 based on an estimate of lost Fees & Charges income in that period. The forecast figures above include a claim of £0.85 million that has been submitted for April to July 2020. The forecast also includes a final estimated claim of £0.8 million for the remainder of the financial year because of the continuing lockdown. The achievement of the current forecast outturn position for 2020/21 is dependent on the receipt of this additional support.
- 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 the first half of 2020/21 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 partners who 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 2, 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.
- 4.6 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 continue to inform further of the changes to the Council's finances resulting from the pandemic. The pressures or opportunities that have been identified to date have been included in the Money Plan to be presented to Council in February 2021.

5.0 Economic Recovery and Growth

Economic Recovery & Growth	20/21 Budget	Q3 Actual	Year End Forecast	Final Variance
Economic Development	199	147	203	4
Licensing	(140)	(70)	(83)	56
Markets and Street Trading	(129)	16	77	207
Total	(70)	93	197	267

- 5.1 This portfolio is currently forecast to be adverse to budget by £197k.
- 5.2 The lockdowns have been implemented across the year to control the transmission of the Covid-19 virus have negatively impacted on the income received from the licencing activities, street trading and markets. The opportunity for these economic activities to occur during 2020/21 have been limited and with the current lockdown still in place, limited income is forecast for the final quarter.
- 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

Communities and Neighbourhoods	20/21 Budget	Q3 Actual	Year End Forecast	Final Variance
Voluntary Sector Grants	135	108	135	1
Community Strategy and Other Projects	854	438	674	(180)
Homelessness	1,194	462	1,026	(168)
Shopmobility	54	44	57	3
Health and Safety	3	0	0	(2)
Private Sector Housing	(90)	(31)	(43)	47
Total	2,149	1,022	1,850	(299)

- 6.1 This portfolio is currently forecasting to be favourable to budget by £299k.
- 6.2 Throughout the pandemic the Communities teams have been working in collaboration with the County Council and the neighbouring districts to ensure a co-ordinated response and where appropriate costs have been shared. This along with a variety of targeted Government grants has enabled spend to be maintained within the budgeted levels.
- 6.3 The overall homelessness budget for the year is being forecast to be favourable to budget by £168k despite all the additional activity during the year. This results from a combination of the positive steps taken by the Council over the past two years to increase the temporary accommodation capacity available to it and the actions taken to ensure all Government grant and benefit funding is being promptly claimed.

6.4 These figures have to some extent been mitigated by grants received from Government. However, there is still a significant level of uncertainty surrounding what may happen during the remaining winter months of the financial year. Officers are constantly monitoring the situation and are developing plans to ensure spend is monitored and controlled.

7.0 Performance and Resources

Performance and Resources	20/21 Budget	Q3 Actual	Year End Forecast	Final Variance
Internal Audit	194	118	168	(26)
Financial and Corporate	834	437	795	(39)
Business Support	430	288	371	(59)
Revenues and Benefits Admin	913	989	964	52
Housing Subsidy	(377)	72	(75)	302
Parking	(1,276)	305	253	1,529
Asset Management	962	701	993	31
Commercial Property	(2,729)	(1,378)	(2,732)	(2)
IT	1,556	1,711	1,885	329
Human Resources	262	216	299	37
Communications	90	68	92	2
Legal Services	399	308	408	9
Contact Centre and Customer Services	464	333	445	(19)
Democratic Services	833	528	768	(64)
Total	2,553	4,695	4,633	2,080

7.1 This portfolio is currently forecast to be adverse to budget by £2,080k. 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 continues to be lost income from parking which as a result of the various periods of lockdown is only forecast to achieve a fraction of the budgeted net income in the year as a result of the impact of Covid-19. As noted in the summary above claims have been submitted to the Government under the Sales Fees and Charges compensation for a significant element of this lost income.

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 £31k.

7.4 As noted at Quarter 2, the IT budget is forecast to be adverse by £329k. 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 associated with Covid-19 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 £302k, 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 £64k in Democratic Services because 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 Budget	Q3 Actual	Year End Forecast	Final Variance
Museums	528	343	479	(50)
Food and Drink	356	446	550	193
Guildhall	67	138	174	106
Aspire Client	(30)	252	322	352
Destination Marketing	195	165	224	29
Total	1,117	1,344	1,749	632

- 8.1 This portfolio is currently forecasting to be adverse to budget by £632k, primarily due to the loss of income as a result of the Covid-19 pandemic.
- 8.2 This is one of the most significantly affected portfolio areas in terms of lost income. All the venues have been closed for most 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 significant proportion of the lost income under the lost Sales, Fees & Charges compensation scheme.
- 8.3 During the year the Culture team have also been exploring other funding opportunities and have been successful in grant applications to the following bodies:
- the Cultural Recovery Fund (administered by Arts Council England) - £100k;
 - the British Film Institute - £41k;
 - and several other minor funding sources.
- 8.4 Throughout the year the Culture & Leisure team have been busy formulating plans for the future 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. As a result of the current lockdown the current year end forecast assumes no significant recovery of income.
- 8.5 The Council continues to support the leisure trust as a result of the impact of the pandemic. The current forecast is an impact of £352k 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.
- 8.6 The Destination Marketing team have been heavily involved in ensuring the dissemination of the Covid-19 messages across the city, as well as managing the development of the Visit Gloucester website ready for the promotion of the city once life returns to normal.

9.0 Planning and Housing

Planning and Housing Strategy	20/21 Budget	Q3 Actual	Year End Forecast	Final Variance
Planning	406	156	553	147
Community Infrastructure Levy	0	0	0	0
Land Charges	(101)	(68)	(88)	13
Total	306	87	465	160

- 9.1 This portfolio is currently forecast to be over budget by £160k during the year.

- 9.2 The lengthy lockdown periods during the year have inevitably led to several development projects being subject to delays. This has led to the current income from planning applications to be forecast as adverse to budget by £147k.
- 9.3 Since this shortfall in income is a result of delays rather than cancelled projects it is hoped that the income will be received in 2021/22. However, the future income position 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.
- 9.4 There is also a shortfall in the income received from land searches; with the year end forecast position being £13k under the budget figure.

10.0 Environment and Leader

Environment	20/21 Budget	Q3 Actual	Year End Forecast	Final Variance
Waste and Streetcare	4,244	3,514	4,659	414
Neighbourhood and Parks Management	401	472	574	174
Countryside	111	68	105	(7)
Climate Change and Environment	252	184	259	7
Environmental Health	45	40	76	31
Cemetery and Crematorium	(1,464)	(761)	(1,130)	334
Heritage	115	93	119	4
Senior Management	435	443	576	141
Total	4,139	4,053	5,238	1,098

- 10.1 This portfolio is currently forecast to be over budget for the year by £1,098k.
- 10.2 One element of this variance is the Waste and Streetcare contract. As highlighted at quarter 2, 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 has been updated.
- 10.3 A further challenge arising from Covid-19 is income from the Arbor at the Crematorium, as the venue has been closed for the majority of the year. As noted in the summary above, this is one of the items of lost income that has been included in the Sales, Fees and Charges grant claims. Due to the high activity levels the Crematorium has also seen one of the cremators closed for cyclical maintenance during January which is a further factor in the forecast adverse variance of £334k.
- 10.4 The overspends shown for the Environmental Health and Neighbourhood & Parks Management services are primarily a result of the various pandemic related activities that have been necessary during the year and are covered either by specific grant funding or the general Government support grants referenced in the summary above.

11.0 Capital Programme

- 11.1 The Capital Programme budget for the year is £8.858m including budgets carried forward from 2019/20. The expenditure for the period to Quarter 3 is £4.567m. Projects have continued during Covid 19 restrictions and forecast expenditure is just under budget at £7.032m.
- 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 and the redevelopment of Kings Square. The redevelopment of the old British Homes Store unit is ongoing 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 work with partners to deliver projects, this now includes the Cathedral Quarter as part of the Heritage Action Zones with The Historic Buildings and Monuments Commission. While work with Great Western Railway and the LEP 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 third quarter of 2020/21 despite the disruption to working practices caused by COVID-19.

	<u>Oct</u>		<u>Nov</u>		<u>Dec</u>		<u>Qtr 3</u>	
Number paid within 30 days	473	95%	457	97%	422	98%	1,352	97%
Number paid over 30 days	26	5%	13	3%	8	2%	47	3%
Average Days to Pay (from receipt of invoice to payment date)		6		5		5		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 aware 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 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.