

Gloucester City Council

Meeting:	Overview and Scrutiny Committee	Date:	5 July 2021
	Cabinet		14 July 2021
Subject:	Financial Outturn 2020/21		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Jon Topping, Head of Policy & Resources		
	Email: jon.topping@gloucester.gov.uk	Tel:	396242
Appendices:	1. Detailed Performance by Portfolio		
	2. Capital Outturn		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present to members the Council's final general fund revenue, and capital outturn positions against agreed budgets for the 2020/21 financial year, and report on the performance of the Council against certain key financial performance indicators.
- 1.2 For Cabinet to note the final outturn position and to approve the movements to and from earmarked revenue reserves.

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) It be noted that:
 - i. The year-end position for the financial year 2020/21 is a decrease to the General Fund balance of £122k against a budgeted decrease of £48k.
 - ii. The General Fund balance has decreased from £1.501m to £1.379m at the end of 2020/21.
 - iii. That the level of earmarked reserves has increased by £9.738m to £13.771m, including the creation of an £8.929m Section 31 Grant Repayment Reserve.
 - iv. The impact of Covid-19 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**

3.0 Background and Key Issues

- 3.1 This report is intended to give Members a clear and concise view of the 2020/21 outturn of the Council. The report focuses on the major changes which have occurred since Quarter 3 reporting, as most of the key financial pressures had already been reported at that stage.
- 3.2 The reported position at Quarter 3 was a decrease to the general fund by £222k, due to the impact of the Covid-19 pandemic on the Council's income streams. The Council's expenditure has been managed in accordance with the restricted funds available and has been supported by several additional funding grants from the Government. At the year end the financial outturn had improved by £100k to a decrease to the General Fund for the year of £122k.
- 3.3 There were no additional savings targets budgeted for 2020/21. However, savings targets of £150k were carried forward from 2019/20 in relation to the installation of photovoltaic panels on the roof of the Guildhall (estimated at £50k) and cost reductions from the disposal of the HKP warehouses (estimated at £100k). The PV panels were installed on the Guildhall during 2020/21 and the benefits of this should be seen in the form of reduced power costs going forward. The sale of the HKP warehouses is still in progress; the warehouses were fully vacated during 2020/21 allowing the savings to be achieved by way of reduced business rates costs.
- 3.5 The financial year 2020/21 was dominated by Covid-19 and its impact on the activities and finances of the Council. The pandemic created significant financial challenges for the Council with additional unexpected activities and their associated costs. These challenges remain into 2021/22 with the focus being on ensuring the Council has sufficient financial resources to continue its service delivery obligations.
- 3.6 The Government has committed to support local authorities to alleviate the budget pressures caused by the pandemic. During the year to March 2021, the Government provided unrestricted Covid-19 related financial support grants to the Council totalling over £4.5 million to help cover the additional costs being incurred in the provision of services. The grants received are included separately in the table below.
- 3.7 The Covid-19 Specific Government Funding figure above includes £1.45 million received following the Council's first two claims to the Government's Sales, Fees & Charges Lost Income scheme for the periods from April to July 2020 and from August to November 2020, based on an estimate of lost Fees & Charges income in those periods. The outturn figures include a final claim in respect of the period from December 2020 to March 2021 of £0.86 million that was submitted in May 2021. Due to the continuing lockdowns the Government has extended this scheme into the first Quarter of 2021/22.
- 3.8 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 nine months to December 2020 have continued, and as a result of the continuing lockdowns in the first Quarter of 2021/22. 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.
- 3.9 As noted at Quarter 3, 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. Much of this uncertainty was reflected in the Money Plan presented to Council in February 2021. There is, however, a continued requirement for the Council to continue to closely monitor plans to meet

the needs of the City in these extraordinary times within the financial constraints caused by the Covid-19 pandemic.

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	Year		
	20/21 Budget	End Final	Final Variance
Economic Recovery & Growth	(70)	137	207
Communities and Neighbourhoods	2,149	1,864	(286)
Performance and Resources	2,553	6,580	4,027
Culture & Leisure	1,117	1,875	758
Planning and Housing	306	233	(73)
Environment & Leader	4,139	5,521	1,382
Corporate and Funding	(10,146)	(11,582)	(1,436)
Covid-19 Specific Government Funding	0	(4,505)	(4,505)
Total	48	122	74

4.2 The General Fund and earmarked reserves balance continue to place the Council in a strong financial position in the uncertain climate of Local Authority funding and the recovery from the pandemic.

4.3 The table above highlights the overall outturn position on the General Fund for the Council. There are several significant variances arising due to the year long impact of the Covid-19 pandemic. These are explained below. The additional funding received from the Government during the year has enabled the Council to maintain control of its financial position.

5.0 Significant items of note

Covid-19

5.1 The Covid-19 pandemic that spanned the whole of the financial year 2020/21 has had an impact on most of the Council's service areas causing significant additional costs or lost income, causing numerous budget variances. The most significant items of lost income were:

- Car Parking - £1.706 million
- Cultural and Leisure Services - £0.901 million
- Other (Planning, Licensing, Markets, Garden Waste) - £0.764 million

The most significant additional costs were:

- Housing & Homelessness – £0.931m
- Environment & Regulatory - £0.263m
- IT (Remote Working / Revenues & Benefits) - £0.363m
- Cultural & Related activities - £0.936m
- Other (PPE / Lockdown management) - £0.318m

Economic Recovery & Growth

5.2 As highlighted at Quarter 3, 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 severely limited. The final quarter of the year did see a reduction in the actual deficit to £207k from the £267k forecast at Quarter 3, because of an improvement in licensing income received and good cost control.

- 5.3 As noted in the summary, claims have been submitted to Government to recover a proportion of the lost budgeted income. The additional costs incurred by this area taken to make the City safe for re-opening, and to enforce the additional restrictions resulting from the pandemic, were in part recovered through the various Covid-19 grants received from the Government.

Communities and Neighbourhoods

- 5.4 The outturn for this portfolio is generally in line with the Quarter 3 estimate. 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 original budgeted levels.
- 5.5 The overall homelessness budget for the year was favourable to budget by £178k 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.

Performance and Resources

- 5.6 This portfolio includes many of the income generating activities of the Council that have been significantly impacted by the Covid-19 pandemic, including Parking, Commercial Properties, and Revenues & Benefits. With the continuation of the lockdown through the whole of the final quarter and into 2021/22 the actual net budget deficit for the year increased to £4,027k from the Quarter 3 forecast of £2,080k. As noted in the summary, claims have been submitted to Government to recover a proportion of the lost budgeted income via the Sales, Fees & Charges Compensation Scheme.
- 5.7 The most significant variance continues to be the lost income from parking which as noted in 5.1 above totalled £1.706 million. Costs were reduced where contracts allowed giving a net deficit for this service of £1.301 million.
- 5.8 As noted at Quarter 3, the IT budget has been overspent by £348k. 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.
- 5.9 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 £36m 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 £598k which has resulted in a final overspend position of £900k. This cost is out of the Council's control and is another item that has been impacted by the Covid-19 pandemic during 2020/21 and the move to Universal Credit.

- 5.10 The Commercial Property portfolio is adverse to budget by £1.013 million. This is a result of the historic investment property portfolio which has seen many of the tenants affected by the pandemic with rent holidays or deferments being granted. The budget for these properties also included buildings that after the budget setting process for 2020/21 have been demolished or vacated as part of the ongoing Kings Quarter (Forum) regeneration project. The 2021/22 budget has taken account of these changes.
- 5.11 The Kings Walk rent top-up guarantee came to an end in July 2020, and the impact of the pandemic has led to delays in the filling of vacant units with new tenants causing lower income levels and additional service charge costs for the Council. This situation is expected to improve during 2021/22 as the Kings Square redevelopment is completed and Primark take up tenancy in the old BHS unit. Income from the St Oswald's site has remained strong and favourable to budget, balancing out the shortfall to budget from Kings Walk.
- 5.12 The outturn for the Financial and Corporate area has moved to an adverse position because of the need to increase the corporate bad debt provisions by £371k. 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. The levels of debtors have increased as a result of the pandemic and restrictions regarding debt recovery during the past year.
- 5.13 Similar to the Financial and Corporate area, the Revenues and Benefits team have been limited in their ability to follow-up bad and doubtful debtors through the courts, as they have been closed for the majority of 2020/21, and hence this service has finished with an adverse budget position of £229k. Once the courts are fully open, every effort will be made to recover the unpaid debtors.
- 5.14 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 £28k.
- 5.15 There is an underspend of £75k in Democratic Services because of the delay to the local elections that were expected to take place in May 2020 to May 2021.

Culture & Leisure

- 5.16 This portfolio was another portfolio significantly affected by a loss of income due to the Covid-19 pandemic. 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 the lockdown did not ease in the final quarter of the year the final adverse budget position increased to £758k. 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.
- 5.17 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.
- 5.18 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. Some of the proceeds of the aforementioned

grants have been used to give the Guildhall a make-over ready to welcome audiences in 2021/22.

- 5.19 The Council continues to support the leisure trust as a result of the impact of the pandemic. This led to an additional cost to the Council of £314k for the year. Some of this additional cost has been recovered through applications for sports and leisure specific Government grants.
- 5.20 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.

Planning and Housing

- 5.21 The lengthy lockdown periods during the year have inevitably led to several development projects being subject to delays. This led to the income from planning applications being lower than budgeted by £150k.
- 5.22 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.
- 5.23 The overall financial position in relation to planning is favourable because of delays to the City Plan review process and its associated costs. As noted at the February 2021 Budget Meeting, the unspent budget of £213k has been placed into an earmarked planning reserve for spend during 2021/22.

Environment

- 5.24 This portfolio includes several key services of the Council that have been significantly impacted by additional costs and lost income due to the lockdowns and the additional costs required to ensure Covid safe environments for both staff and residents. The continued lockdown during the final Quarter of 2020/21 has led to a further increase in the adverse variance from £1,098k at Quarter 3 to £1,382k at the year end.
- 5.25 This increase in the budget deficit is mainly caused by the reduced income generated by 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 also saw one of the cremators temporarily closed for cyclical maintenance during January which is a further factor in the adverse variance; along with the enforced reductions to service times and therefore funeral charges across the year.
- 5.26 The other major element of the adverse variance arises from the Waste and Streetcare contract. As highlighted at quarter 3, 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.

The lost garden waste income has been claimed through the lost Sales, Fees & Charges Income Scheme. There has also been good news in the fact that the work

and shop from home culture that has occurred due to the various lockdowns across the year has increased the quantities of materials being offered for recycling, which has accordingly increased the income to the Council from the sale of the recyclates.

- 5.27 The overspends for the other services within this portfolio 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.

Corporate and Funding

- 5.28 The Government has supported the Council's cash requirements during the year through the early payment of s.31 Grants to match the reduced income from Business Rates and Council Tax, that was caused by the various reliefs granted to businesses and individuals by the Government.

6.0 Movement in Earmarked Reserves

- 6.1 The Council continues to hold an earmarked reserve balance of over £16.1m as shown below:

Reserve Name	Opening Balance	Transfers In	Transfers Out	Closing Balance
Historic Buildings	53	-	-	53
Housing Survey	60	-	-	60
Members	1	-	(1)	-
Shopmobility	29	-	-	29
Regeneration	23	250	(191)	82
Insurance	10	-	-	10
Land Adoption	827	46	-	873
VAT Shelter	418	242	(500)	160
Business Rates	974	50	-	1,024
Environmental Insurance	1,000	-	(100)	900
Repairs	-	23	-	23
Community Builder	54	8	-	62
Planning Strategy	35	213	-	248
Flooding Works	10	-	-	10
Other Leisure	4	-	(4)	-
Lottery	20	5	(3)	22
Great Place	93	-	(71)	22
Museum Bequest	305	-	-	305
EU Exit Reserve	17	-	(17)	-
Recovery Reserve	100	-	-	100
MTFP Reserve	-	21	-	21
Destination Marketing	-	200	-	200
Homelessness	-	100	-	100
Planning Appeals	-	50	-	50
Communities	-	30	-	30
Climate Change	-	100	-	100
Neighbourhood Spaces	-	100	-	100
Defibrillator	-	6	-	6
Property Sinking Fund	-	300	-	300
Collection Fund Timing	-	8,930	-	8,930

Reserves Total	4,033	10,674	(887)	13,820
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- 6.2 The Council has drawn down previously reserved funds to pay for their intended usage during 2020/21 and where applicable carried forward amounts for future use.
- 6.3 There has been a net transfer to the Regeneration reserve in the year. The net surplus from the SWRDA assets generated £250k to contribute to the reserve. The reserve was earmarked to contribute towards the Council's regeneration projects in 2020/21, £191k was spent in year towards this project leaving an overall net transfer to the reserve of £49k. The balance will continue to be used to support future regeneration work.
- 6.4 The authority continues to receive funding relating to the arrangement for a "VAT shelter" relating to the Housing Stock transfer of 2015. In 2020/21 funding of £242k was received. £500k was allocated from the reserve as part of the agreed contribution for the development of Black Dog Way.
- 6.5 The Government pays Section 31 grants to the Council to compensate for changes to the increases in business rates that it implements centrally that reduce the amount of business rates collectable. Due to the Covid-19 pandemic the Government increased the levels of additional retail and hospitality reliefs available to businesses. Since the Council precepts (the payments to the County Council and Central Government) were set in January 2020 for the financial year 2020/21, to maintain the Council's cashflow the Government made an up-front payment of these grants; which would usually be received in the subsequent financial year. As a consequence these "overpaid" grants will be repaid to the Government during 2021/22. The Collection Fund Timing Reserve has been created for this repayment.
- 6.6 The Land Adoption reserve holds commuted sums received from developers to pay for grounds maintenance and environmental works in future years. The Council received £46k in 2020/21.
- 6.7 A number of new reserves have been created in year from the additional new homes bonus funding received. These reserves as agreed at the budget can be seen in the table above and will support projects such as Climate Change, Homelessness and Neighbourhood Spaces.

7.0 Capital Programme

- 7.1 The outturn position for the Capital Programme £6.749m. against the budget for the year of £9.382m. The underspend was the result of expenditure on projects within the approved five-year capital programme where expenditure expected in 2020/21 has moved into subsequent years.
- 7.2 Expenditure for 2020/21 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.
- 7.3 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.

- 7.4 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
- 7.5 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 below. The table shows that the strong performance in supplier payments was maintained during 2020/21 despite the disruption to working practices caused by COVID-19.
- 8.2 Overall, 97% of invoices received in the year were paid within 30 days of receipt (93% in 2019/20) and the average number of days to pay an invoice was 6 (7 in 2019/20).

	Q 1		Q 2		Q 3		Q 4		TOTAL	
Number paid within 30 days of receipt of invoice	1,282	97%	1,367	97%	1,352	97%	1,603	97%	5,604	97%
Number paid over 30 days from receipt of invoice	43	3%	40	3%	47	3%	55	3%	185	3%
Average Days to Pay (from receipt of invoice to payment date)	7		5		5		5		6	

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 A wide range of options are explored by officers in order to reduce budgetary pressure, to achieve savings targets, and to ensure value for money.

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 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 / Sustainability / Staffing & Trade Union

- 17.1 None