

Gloucester City Council

Meeting:	Overview & Scrutiny Cabinet	Date: 6 th September 2021 15 th September 2021
Subject:	Financial Monitoring - Quarter 1, 2021/22	
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 Progress	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present to members the Council's current financial position against the agreed budgets for the 2021/22 financial year, and report on the performance of the Council against certain key financial performance indicators.
- 1.2 For Cabinet to note year-end forecasts, and the financial pressures on the Council during the 1st Quarter ended 30th June 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 requested to **note** that:
 - (1) The forecast year-end position for the financial year is currently an increase to the General Fund balance of £173k against a budgeted increase of £123k.
 - (2) The details of specific budgetary issues identified by officers and the actions being taken to address those issues.
 - (3) The current level of Capital expenditure as shown in **Appendix 2**.
 - (4) The financial implications of Covid-19 and the level of economic recovery from the effects of the pandemic will continue to be monitored and reported alongside any grant funding provided to mitigate the spend or lost income.

3.0 Background and Key Issues

- 3.1 The Council approved the 2021/22 Budget in February 2021. This report sets out the financial position as at the end of June 2021 and is based on actual costs and income for the Quarter 1 of 2021/22 and forecast for the remainder of the financial year. Financial performance is a key element within the assessment of the Council's overall performance framework and is essential to achievement of the objectives within the Council's Policy Agenda and Plan.
- 3.2 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 have continued into 2021/22 with the focus continuing to be on ensuring the Council has sufficient financial resources to achieve its service delivery obligations.
- 3.3 The forecast outturn at the end of Quarter 1 is to deliver a surplus of £50k against budget for the financial year 2021/22.
- 3.4 In response to the continuing implications of the COVID19 pandemic in 2021/22, the Council was allocated £743k grant by central government. In addition, the Sales, Fees and Charges (SFC) compensation scheme was extended to the end of Quarter 1. The current forecast additional spending and income loss for 2021/22 is matched by the in-year funding awarded and the estimated income from the SFC compensation scheme. This report includes an estimated SFC claim for Quarter 1 of £220k.
- 3.5 As noted in the 2020/21 Outturn Report, the income of the Council continues to be significantly impacted by Covid-19. There is still uncertainty on the recovery of some of the income generating areas in the Council's budget. We will continue to closely monitor both income and expenditure pressures because of the pandemic and report these to central government.
- 3.6 In year budget monitoring will identify any potential changes to the council's 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 2022.

4.0 Whole Council Summary

- 4.1 The summary table below shows the forecast outturn position for the Council by Cabinet portfolio. **Appendix 1** provides the breakdown of the totals within each portfolio.

Council Summary	21/22		Year End Forecast	
	Budget	Actual	Forecast	Variance
Communities & Neighbourhoods	983	119	888	(95)
Performance & Resources	1,119	1,733	2,679	1,560
Culture & Leisure	1,332	337	1,303	(29)
Planning & Housing	1,331	(357)	1,090	(240)
Environment & Leader	5,969	1,370	5,859	(110)
Corporate & Funding	(10,857)	(5,598)	(11,992)	(1,135)
Total	(123)	(2,395)	(173)	(50)

- 4.2 At this early stage in the financial year the forecast position is for the Council to achieve the budget target set in February 2021 with a forecast net increase to the General Fund of £173k, a position slightly better than the budgeted increase of £123k.

However, as noted in section 3 above there is still uncertainty surrounding how income streams will recover.

- 4.3 The variances currently noted from the budget monitoring process are explained by portfolio below.

5.0 Items of note by Portfolio

Communities and Neighbourhoods

Communities & Neighbourhoods	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
	£k	£k	£k	£k
Community Strategy & Other Projects	798	192	719	(79)
Community Grants	125	(85)	122	(3)
Shopmobility	60	12	47	(13)
Total	983	119	888	(95)

- 5.1 This portfolio is currently forecast to be favourable to budget by £95k. This is primarily a result of staff vacancies in the environmental health area which are currently being recruited.
- 5.2 The Communities teams has continued its collaborative working 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 along with a variety of targeted Government grants is enabling spend to be maintained within the budgeted levels.

Performance and Resources

Performance & Resources	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
	£k	£k	£k	£k
Financial & Corporate	811	306	746	(65)
Revenues & Benefits	915	(417)	744	(171)
IT	1,898	1,039	1,834	(64)
Parking	(1,583)	(51)	(973)	610
Business Support	361	95	357	(4)
Democratic Services	824	178	710	(114)
Asset Management	1,001	279	977	(24)
Commercial Property	(2,617)	(133)	(2,046)	571
SWRDA	(75)	(19)	(97)	(22)
Cemeteries & Crematorium	(1,514)	(238)	(1,032)	482
Internal Audit	198	38	186	(11)
Transformation/Commercialisation	118	14	131	13
HR & Communications	369	121	474	105
Legal Services	407	114	450	43
Housing Subsidy	(377)	301	(194)	183
Customer Services	384	109	412	28
Total	1,119	1,733	2,679	1,560

- 5.3 This portfolio includes many of the income generating activities of the Council that have been impacted by the Covid-19 pandemic, including Parking, Commercial Properties, and Revenues & Benefits.

- 5.4 The most significant variance in Quarter 1 is reduced income from parking. The current forecast is a shortfall of £610k at year end. This will be closely monitored during the year and is expected to improve as recovery from the pandemic continues.
- 5.5 The Council manages more than £30m of Housing Subsidy and benefit payments, and the smallest percentage change can have a significant impact on the final outturn. There is a forecast budgetary pressure of £183k arising from the cost of providing Housing Subsidy. This cost is out of the Council's control. This pressure is balanced out by the forecast underspend of £171k in the Revenues & Benefits service as a result of increased recovery of historic housing benefit overpayments.
- 5.6 The Commercial Property portfolio is forecast to be adverse to budget by £571k for the year. It should be noted that the St Oswalds and Eastgate properties are performing despite the pandemic and its impact on retailers. There has been an impact on the progress made with the redevelopment of Kings Walk and the consequential 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 later in 2021/22 as the Kings Square redevelopment is completed and Primark take up tenancy in the old BHS unit.
- 5.7 As at Quarter 1 there is a forecast budget pressure in the Cemeteries & Crematorium service of £482k. This budget deficit is mainly caused by the reduced income generated by the Arbor at the Crematorium, as the venue has not been able to open significantly during the Quarter 1. As noted in the summary above, this is another of the items of lost income that will be included in the Sales, Fees and Charges grant claim to be submitted for this Quarter.
- 5.8 Due to the high activity levels the Crematorium has seen increased costs in relation to cremator maintenance, and sanitisation costs in relation to the chapel. The current full year forecast is cautious and the impact of the easing of lockdown will be closely monitored and reflected in future monitoring reports.
- 5.9 The overspend highlighted within the Human Resources area is as a result of expected income for apprentice salaries not being met since the introduction of the levy in 2016/17. This is an historic budgetary pressure that will be addressed in the 2022/23 Money Plan.

Culture & Leisure

Culture & Leisure	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
	£k	£k	£k	£k
Museums	578	136	547	(31)
Guildhall & Blackfriars	410	102	389	(21)
Events	285	33	222	(63)
Destination Marketing	176	50	190	14
Aspire	(30)	48	18	48
Markets & Street Trading	(87)	(33)	(63)	23
Total	1,332	337	1,303	(29)

- 5.10 This portfolio is another portfolio that has been significantly affected by the loss of income due to the Covid-19 pandemic. Despite this the net expenditure for the year is forecast to be £29k favourable to budget. This outcome is dependent on the continued easing of the restrictions.

- 5.11 After being closed for most of 2020/21 the Council's cultural venues are starting to re-open to the public once more with a programme of events being created for the remainder of 2021/22. As noted in the above, a claim will be submitted to the Government to recover a proportion of the lost income from the 1st Quarter from the Government under the lost Sales, Fees & Charges compensation scheme.
- 5.12 The Council continues to support the leisure trust in the wake of the pandemic. This has led to an additional cost pressure to the Council in the 1st Quarter of 2021/22 of £48k. Since May 2021 the costs incurred by the Council in relation to Aspire are expected to be recoverable in full.

Planning and Housing

Planning & Housing Strategy	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
	£k	£k	£k	£k
Planning	(43)	30	(33)	11
Planning Policy	225	41	223	(3)
Community Infrastructure Levy	-	(132)	(0)	(0)
Land Charges	(71)	(31)	(84)	(13)
Private Sector Housing	200	24	156	(43)
Housing Strategy	114	28	107	(6)
Homelessness & Housing	906	(316)	720	(185)
County Homelessness Partnerships	0	(1)	(0)	(0)
Total	1,331	(357)	1,090	(240)

- 5.13 This portfolio is currently forecast to be favourable to budget by £240k. This is primarily a result of a forecast reduction in spend on temporary accommodation.
- 5.14 At present planning income is forecast to be on target as the development projects delayed during the pandemic recommence. The future income position will continue to be kept under review.
- 5.15 The City Plan review process and its associated costs are being incurred during 2021/22 but as noted at the February 2021 Budget Meeting, any costs incurred in year are being met by earmarked reserves specifically put in place for this purpose.
- 5.16 The overall homelessness budget for the year is forecast to be favourable to budget by £185k as a result of 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. This position will continue to be closely monitored during the remainder of 2021/22.

Environment

Environment & Leader	21/22 Budget	Actual	Year End Forecast	Forecast Variance
	£k	£k	£k	£k
Waste & Recycling	4,554	1,004	4,345	(209)
Streetcare & City Centre	373	106	396	23
Environmental Health	188	17	214	26
Licensing	(140)	(12)	(141)	(1)
Parks & Countryside	183	56	210	27
Economic Development	259	63	283	24
Heritage	115	18	170	56
Climate Change & Environment	64	9	52	(13)
Senior Management	373	108	330	(42)
Total	5,969	1,370	5,859	(110)

- 5.17 This portfolio is currently forecast to be favourable to budget by £110k.
- 5.18 The primary cause of the favourable budget variance is increased income from recyclable materials. This is a combination of price increases for recyclable materials and improved recycling quantities has led to a significant increase in the income raised by the Council from the sale of the recyclates. This has created a forecast favourable variance on the Waste contract of £209k for the year.
- 5.19 There are potential future budget pressures in relation to the Waste and Streetcare contract that have been identified and will continue to be monitored during the year. These include the national shortage of HGV drivers creating upward pressures on salary costs and potential issues with the fulfilment of waste collections.
- 5.20 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

- 5.21 Government support as a result of COVID19 has continued during the Quarter 1 with the payment of Covid Emergency Funding Grant of £743k and Tax Income Guarantee Grant of £272k. As noted above there will be the opportunity to submit a claim for lost SFC income which has been estimated at £220k.
- 5.22 The report above is currently forecasting income from Business Rates and Council Tax at the levels included in the 2021/22 Budget papers; these levels will be monitored and assessed throughout the year.

6.0 Capital Programme

- 6.1 The Capital Programme budget for the year is £24.969m including budgets carried forward from 2020/21. The expenditure for the period to Quarter 1, including amounts committed totals £7.6m. The Council has a number of significant projects within the Capital Programme and at Quarter 1, forecast expenditure is in line with budget.
- 6.2 Major regeneration projects include Kings Square and The Forum. Work on Kings Square continues with the project scheduled for completion in early 2022. The first phase of Kings Quarter - The Forum is now starting, and it is anticipated phase one will be 70% complete by March 2022
- 6.3 The Council agreed to join the Ubico waste service earlier in 2021; mobilisation of this contract has started, and the Council has commenced purchasing new waste vehicles for the future provision of this service.
- 6.4 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.
- 6.5 The capital programme is funded from grants, capital receipts and borrowing. The current programme includes £7m grant funded projects. Significant projects including The Forum and Kings Square will be funding from borrowing with costs met from revenue generated from these projects.
- 6.6 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
- 6.7 A summarised table for the Capital Programme is shown as **Appendix 2** to this report.

7.0 Prompt payment performance

- 7.1 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 2021/22 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	489	96%	500	98%	478	96%	1,467	97%
Number paid over 30 days	20	4%	11	2%	21	4%	52	3%
Average Days to Pay (from receipt of invoice to payment date)		5		4		6		5

8.0 Progress against savings targets

- 8.1 The Council's 2021/22 budget was approved by Council in February 2021, and in setting the budget members agreed to the delivery of £160k savings during the year. Full details of the Council's progress against its savings targets are shown at **Appendix 3**. Budget savings have been annotated as 'green' (saving is achievable in the year), 'amber' (slippage on saving and the saving is at risk of not being delivered in 2021/22) and 'red' (the saving will not be achieved in 2021/22).

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