

Gloucester City Council

Meeting:	Cabinet	Date:	8 December 2021
Subject:	Financial Monitoring - Quarter 2, 2021/22		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Hadrian Walters, Accountancy Manager		
	Email:	hadrian.walters@gloucester.gov.uk	Tel: 396231
Appendices:	1. Detailed Performance by Portfolio 2. Capital Monitoring 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 2nd Quarter ended 30th September 2021.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** it be noted 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 September 2021 and is based on actual costs and income for the Quarter 2 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 2 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 government has ended this compensation scheme as at the end of June 2021. 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 accrual for the recently submitted SFC claim for Quarter 1 of £400k.
- 3.5 As noted in the Quarter 1 Budget Monitoring Report, the income of the Council has continued to be significantly impacted by Covid-19 during the first half of the financial year 2021/22. The second quarter has seen some of the income generating areas gradually improve. However, this recovery is slow and there is still uncertainty surrounding the long term impact of the pandemic on some of the income sources in the Council 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	Final
	Budget	Actual	Final	Variance
Communities & Neighbourhoods	983	328	929	(54)
Performance & Resources	1,113	2,446	2,652	1,539
Culture & Leisure	1,332	659	1,312	(20)
Planning & Housing Strategy	1,331	(141)	1,432	101
Environment & Leader	5,969	2,927	6,075	106
Corporate & Funding	(10,857)	(6,438)	(12,580)	(1,723)
Total	(129)	(218)	(180)	(51)

4.2 At the halfway point 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 £180k, a position slightly better than the budgeted increase of £123k. However, as noted in section 3 above there still remains uncertainty around the speed that the Council's various income streams will recover as we emerge from the effects of the Covid pandemic.

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

	21/22		Year End	Forecast
Communities & Neighbourhoods	Budget	Actual	Forecast	Variance
Community Strategy & Other Projects	798	371	768	(30)
Community Grants	125	(63)	125	(0)
Shopmobility	60	20	37	(24)
Total	983	328	929	(54)

5.1 This portfolio is currently forecast to be favourable to budget by £54k. This is primarily a result of staff vacancies in the environmental health area and at Shopmobility in the early part of the current financial year.

5.2 As noted in the Quarter 1 report, 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

	21/22		Year End	Forecast
Performance & Resources	Budget	Actual	Forecast	Variance
Financial & Corporate	805	425	734	(71)
Revenues & Benefits	915	20	775	(140)
IT	1,898	934	1,927	29
Parking	(1,583)	(370)	(1,083)	500
Business Support	361	171	329	(32)
Democratic Services	824	424	813	(11)
Asset Management	1,001	532	1,023	22
Commercial Property	(2,617)	(337)	(2,263)	354
SWRDA	(75)	(40)	(79)	(4)
Cemeteries & Crematorium	(1,514)	(477)	(1,188)	326
Internal Audit	198	87	186	(11)
Transformation/Commercialisation	118	57	140	22
HR & Communications	369	245	470	101
Legal Services	407	230	454	47
Housing Subsidy	(377)	333	2	380
Customer Services	384	212	411	28
Total	1,113	2,446	2,652	1,539

- 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 numbers of people parking in the city centre have slowly been increasing since the end of the lockdown in May 2021 which has led to the year end forecast outcome improving to a shortfall of £500k. There is still significant uncertainty surrounding how quickly and to what extent this income will recover; as such this will continue to be monitored and forecasts adjusted for the remainder of the year. The lost income from parking has been included in the Sales, Fees & Charges claim that has been submitted to the Government.
- 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 £380k arising from the cost of providing Housing Subsidy. This cost is out of the Council's control. This pressure is mitigated by the forecast underspend of £140k in the Revenues & Benefits service as a result of increased recovery of historic housing benefit overpayments.
- 5.6 The forecast for the Commercial Property portfolio is still for the full year to be adverse to budget by £354k. However, several new tenants have taken up occupancy at the various sites during Quarter 2 improving this forecast, and it should be noted that the St Oswald's and Eastgate properties are continuing to perform well despite the impact of the pandemic on retailers. As noted in Quarter 1, the pandemic has slowed the progress made with the redevelopment of Kings Walk leading to delays in the filling of vacant units with and an increase in costs to the Council. This situation is slowly improving as the Kings Square redevelopment approaches completion and Primark take up tenancy in the old BHS unit.
- 5.7 As at Quarter 1, there continues to be a forecast budget pressure in the Cemeteries & Crematorium service. This is currently forecast at £326k. Quarter 2 has seen an improvement in this forecast as the Arbor has been able to open and cater for wakes; albeit still on a more limited scale than pre-Covid. As noted in the summary above, this is lost income that has been included in the Sales, Fees and Charges grant claim.
- 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 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
Museums	578	268	508	(70)
Guildhall & Blackfriars	410	230	411	1
Events	285	69	257	(28)
Destination Marketing	176	107	190	14
Aspire	(30)	34	20	50
Markets & Street Trading	(87)	(48)	(74)	13
Total	1,332	659	1,312	(20)

- 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 £20k 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. The Culture & Leisure team have run a successful summer events programme and are hoping for similar success with their winter events programme. As noted in the summary above, the lost income from this service has been included in the Sales, Fees and Charges grant claim. The Culture & Leisure team have also been very active in applying for grants from various sources to support their work and hope to bring further good news in future monitoring reports.
- 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 £50k. Since May 2021 the costs incurred by the Council in relation to Aspire are being recovered in full.

Planning and Housing

Planning & Housing Strategy	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
Planning	(43)	123	209	252
Planning Policy	225	90	365	140
Community Infrastructure Levy	-	(147)	0	0
Land Charges	(71)	(54)	(87)	(16)
Private Sector Housing	200	40	131	(69)
Housing Strategy	114	54	107	(7)
Homelessness & Housing	906	(248)	707	(199)
County Homelessness Partnerships	0	(0)	-	(0)
Total	1,331	(141)	1,432	101

- 5.13 This portfolio is currently forecast to be adverse to budget by £101k.
- 5.14 The planning service is currently forecast to be £252k adverse to budget. This position is common with many planning councils around the country due to a surge in small scale planning applications from householders who have spent more time at home due to the pandemic. The statutory nature of the fees that can be charged prevents the full costs of providing the service from being recouped. It is hoped that some of the major development projects planned within the city will boost this income in the next year. This position will continue to be kept under review by the officers in the service.
- 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, the costs incurred in relation to this process are being met by earmarked reserves specifically put in place for this purpose in the 2020/21 financial outturn. Accordingly, the £140k forecast excess spend for Planning Policy is being met by a release of the earmarked reserve in the Corporate and Funding line in the Council Summary position.
- 5.16 The overall homelessness budget for the year is forecast to be favourable to budget by £199k 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		Year End	Forecast
	Budget	Actual	Forecast	Variance
Waste & Recycling	4,554	2,092	4,370	(184)
Streetcare & City Centre	373	304	471	98
Environmental Health	188	229	214	25
Licensing	(140)	(191)	(111)	29
Parks & Countryside	183	127	226	43
Economic Development	259	134	334	76
Heritage	115	5	144	29
Climate Change & Environment	64	23	70	6
Senior Management	373	205	357	(15)
Total	5,969	2,927	6,075	106

- 5.17 This portfolio is currently forecast to be adverse to budget by £106k.
- 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 £184k 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 Economic Development excess spend of £76k includes the additional cost of the Major Projects Officer who has been appointed to oversee the various capital ongoing projects in the Kings Quarter area of the city. This role is being funded by the Regeneration Reserve; this is included in the Corporate and Funding line in the Council Summary position.
- 5.21 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

- 5.22 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 a claim for lost SFC income during Quarter 1 has been submitted for a total of £400k.
- 5.23 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.
- 5.24 As noted in 5.15 and 5.20 above, there is a release of earmarked reserves (the Planning Reserve and the Regeneration Reserve) to fund previously agreed specific items of expenditure in relation to the City Plan and the Major Projects officer role respectively.

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 2, including amounts committed totals £12.570m. The Council has a number of significant projects within the capital programme and at quarter 2, 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 has started, it is anticipated phase one will be 70% complete by March 2022. Within Kings Walk, Primark have taken control of their new store to complete their refit prior to opening. Once open, the Council will take control of the existing store to continue the centre redevelopment.
- 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 second quarter of 2021/22.

	<u>July</u>		<u>Aug</u>		<u>Sept</u>		<u>Qtr 2</u>	
Number paid within 30 days	530	98%	500	93%	582	97%	1,612	96%
Number paid over 30 days	11	2%	39	7%	17	3%	67	4%
Average Days to Pay (from receipt of invoice to payment date)		5		7		6		6

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

Gloucester City Council
Monitoring Position
Month 6: September 2021

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Scheme	Budget 2020/21	Actual Spend to date	Commitments	Variance	Forecast
Kings Quarter - The Forum	6,000,000	1,679,600	337,201	3,983,199	6,200,000
ICT Projects	50,000	-	-	50,000	50,000
Kings Square	4,719,236	2,006,218	2,722,766	(9,748)	4,716,000
Domestic Waste Vehicles	5,007,717	71,995	3,031,197	1,904,525	5,007,717
Food Dock	1,700,000	100,000	-	1,600,000	1,000,000
GWR - Railway Improvements	2,500,000	(12,454)	359,851	2,152,603	2,500,000
Housing projects	736,607	340,831	-	395,776	536,353
GCC Building Improvements	2,337,000	552,767	658,896	1,125,337	2,337,000
Grant Funded Projects	1,035,440	229,132	50,024	756,284	837,300
Drainage and Flood Protection Works	100,000	8,744	-	91,257	75,000
Horsbere Brook Local Nature Reserve works	60,000	30	-	59,970	10,000
Play Area Improvement Programme	60,000	17,703	5,952	36,346	75,000
S106 Projects	663,003	188,989	49,784	424,230	244,653
TOTAL CAPITAL PROGRAMME	24,969,003	5,183,553	7,215,670	12,569,779	23,589,023

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Savings Monitoring 2021/22

Appendix 3

Savings Target 2021/22

Portfolio	Service	Details: aim of the project	Target £000	Achieved £000	In Progress £000	At Risk £000	Comments	
Communities and Neighbourhoods	Community Wellbeing	Reduce Member Grant allocation	(9)	(9)	0	0	Agreed at Budget Council (Feb 2021)	😊
Leader & Environment	Environmental Services	Stop sea-gulls management program	(10)	(10)	0	0	Contract not renewed	😊
	Neighbourhoods	Increase Garden Waste charges	(40)	0	(40)	0	Charges increased following the February 2021 Budget Council. The February 2022 billing cycle for 2022/23 will include the increase	😐
Police and Resources	Financial Services	Reduce number of Pool Vehicles	(7)	0	(7)	0	Current and forecast usage being assessed. Discussions with Enterprise in progress	😊
	Human Resources	Reduce Human Resources shared service agreement with Gloucestershire County Council	(35)	0	(35)	0	Reductions agreed and to be implemented	😐
	Communications	Stop Printing City Life, go digital	(4)	(4)	0	0	City Life printing has ceased. Digital information services implemented	😊
	Asset Management	Castlemeads Car Park	(25)	0	(25)	0	Castlemeads car park now has a Parking Order and is available for public use all week	😊
	Corporate Management	Review of the City's Corporate Management function	(30)	0	(20)	(10)	Review in progress. Part-time staff member leaving and not being replaced	😐
Total			(160)	(23)	(127)	(10)		