

Gloucester City Council

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| Meeting: | Cabinet | Date: | 3 May 2023 |
| Subject: | Financial Monitoring Report – February 2023 | | |
| 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 Outturn | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present to members the Council's forecast General Fund Revenue, and Capital outturn positions against agreed budgets for the 2022-23 financial year, and report on the performance of the Council against certain key financial performance indicators.
- 1.2 For Cabinet to note the year-end forecasts, and the financial pressures on the Council during the 11 months ended 28th February 2023.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that it be noted that the:
 - (1) forecast year-end position for the financial year is currently a decrease to the General Fund balance of £287k against a budgeted net zero position;
 - (2) details of specific budgetary issues identified by officers and the actions being taken to address those issues;
 - (3) current level of Capital expenditure as shown in Appendix 1;
 - (4) work to reconstitute the large volume of data from the manual transactions processed following the cyber incident in December 2021 into the system is in progress. The volume of manual data being analysed and reconciled means that there will be movements between the outturns forecast for the detailed categories, and that the figures provided are the best estimates based on current analyses.

3.0 Background and Key Issues

- 3.1 The Council approved the 2022-23 Budget in February 2022. This report sets out the forecast financial position at 28th February 2023. It is based on an analysis of the manual payment and income records that have been maintained whilst the finance systems were being recovered, along with the items processed through the new cloud-based systems.
- 3.2 The financial year 2022-23 was dominated by higher than budgeted cost inflation resulting from the impact of the war in Ukraine on energy costs, and its wider economic impacts. This has seen further financial challenges for the Council with higher than expected increases to costs, leading to further budgetary pressures on the Council that are being managed to ensure that the Council has sufficient financial resources to achieve its ongoing service delivery obligations and continue its wider regeneration activities.

4.0 Whole Council Summary

- 4.1 The summary table below shows the forecast outturn position for the Council by Cabinet portfolio.

| Council Summary | 22/23 Budget | Year End Forecast | Grant or Reserve Funded | Forecast Outturn | Final Variance |
|------------------------------|-------------------------|------------------------------|--|-----------------------------|---------------------------|
| Communities & Neighbourhoods | 995 | 991 | - | 991 | (5) |
| Performance & Resources | 196 | 1,754 | (152) | 1,602 | 1,406 |
| Culture & Leisure | 1,361 | 1,874 | (65) | 1,809 | 448 |
| Planning & Housing Strategy | 1,226 | 1,388 | (64) | 1,324 | 98 |
| Environment & Leader | 6,578 | 6,634 | (45) | 6,589 | 11 |
| Corporate & Funding | (10,356) | (11,299) | (728) | (12,027) | (1,671) |
| Total | 0 | 1,341 | (1,053) | 287 | 287 |

- 4.2 The General Fund and Earmarked Reserves balances continue to place the Council in a stable financial position in the current uncertain climate of Local Authority funding and inflationary cost pressures. However, robust budgetary management and control will be necessary during 2023-24 to maintain the stability of the Council's finances.
- 4.3 The table above highlights the forecast outturn position on the General Fund for the Council at February 2023. The figures included are based off an initial analysis by the finance team of the over 11,000 manual records maintained as a result of the systems implemented following the cyber incident in December 2021.
- 4.4 The financial systems are now operational and have been moved into the Cloud. The process of reviewing, analysing, and reconciling the vast quantum of manual data for upload into the system is in progress. The volume of data concerned means that there will be movements between the detailed categories and that the figures provided are the best estimates based on our current analyses.

5.0 Significant items of note

Communities and Neighbourhoods

| | 22/23 | Year End | Grant or | Forecast | Final |
|-------------------------------------|------------|------------|----------|------------|------------|
| Communities & Neighbourhoods | Budget | Forecast | Reserve | Outturn | Variance |
| Community Strategy & Other Projects | 807 | 829 | | 829 | 22 |
| Community Grants | 125 | 106 | | 106 | (19) |
| Shopmobility | 64 | 56 | | 56 | (7) |
| Total | 995 | 991 | - | 991 | (5) |

- 5.1 The forecast outturn for this portfolio is a minor underspend as a result of the performance of Shopmobility. Similar to 2021-22 the Communities teams have continued to work collaboratively with the County Council and the neighbouring districts to ensure a co-ordinated response to a series of community and social wellbeing projects; where appropriate costs have been shared to ensure the efficient use of funds. This along with a variety of targeted Government grants has enabled spend to be maintained within the budgeted levels.
- 5.2 During the year the Communities team has received grants and shared service funding for which it has managed the spend on a variety of projects from the provision of community protection officers, food safety inspections, and various community school holiday and meal projects. The Communities team has managed the distribution of Household Support Fund grants of £0.371m received from the County Council to support households in the most need with food, energy and water bills and other essential items; £0.12m having been received in March 2022.
- 5.3 The Communities team has also commenced work on the Health Inequalities Project and has received a further £260k of grant funding from the NHS towards this project during 2022-23. These grants have been placed in an earmarked reserve to match to the spend in 2023-24.

Performance and Resources

| | 22/23 | Year End | Grant or | Forecast | Final |
|----------------------------------|------------|--------------|--------------|--------------|--------------|
| Performance & Resources | Budget | Forecast | Reserve | Outturn | Variance |
| Financial & Corporate | 901 | 745 | 178 | 923 | 22 |
| Revenues & Benefits | 766 | 496 | | 496 | (269) |
| IT | 1,916 | 2,281 | (380) | 1,901 | (15) |
| Parking | (1,566) | (1,318) | | (1,318) | 249 |
| Business Support | 335 | 371 | | 371 | 35 |
| Democratic Services | 791 | 757 | | 757 | (34) |
| Asset Management | 807 | 1,093 | | 1,093 | 286 |
| Commercial Property | (3,402) | (2,569) | | (2,569) | 832 |
| SWRDA | (153) | (388) | 50 | (338) | (185) |
| Cemeteries & Crematorium | (1,481) | (1,257) | | (1,257) | 224 |
| Internal Audit | 194 | 187 | | 187 | (6) |
| Transformation/Commercialisation | 145 | 131 | | 131 | (14) |
| HR & Communications | 448 | 469 | | 469 | 21 |
| Legal Services | 465 | 508 | | 508 | 43 |
| Housing Subsidy | (377) | (177) | | (177) | 201 |
| Customer Services | 407 | 424 | | 424 | 17 |
| Total | 196 | 1,754 | (152) | 1,602 | 1,406 |

- 5.4 This portfolio includes many of the income generating activities of the Council that were disrupted by the Covid pandemic, the cyber incident, and which have also been impacted by the high rates of inflation and energy costs during 2022-23.
- 5.5 The number of people parking in the city centre has continued to increase across the financial year and is now at normal pre-Covid levels. The inflationary pressures noted above have led to an increase in the costs of providing the service (addressed by the tariff increases agreed in the 2023-24 Budget), along with the slower than expected return to normal parking levels in the early months of 2022-23, has led to a forecast adverse position of £249k.
- 5.6 The cyber incident has led to significant IT spend during 2022-23 as projects have been undertaken to restore services, replace hardware, and make the IT provision more robust for the future by moving software packages into cloud-based services. The reserve of £380k set aside at the end of 2021-22 has been utilised in full to cover the additional revenue costs of the systems restoration, and where appropriate hardware spend has been capitalised. The bringing back in-house of the IT Service provision has also contributed towards an initial cost-saving.
- 5.7 From June 2022 the Revenues and Benefits service were brought back in-house. This has led to cost savings that along with various new burdens grants from the Government, to cover the administrative costs of the additional work that has been required of the Council to distribute a variety of new grants (including Homes For Ukraine and Energy Subsidy) to the population of Gloucester, has led to this area being favourable to budget by £269k. Following the removal of statutory restrictions as the pandemic eased, the Council has also been able to commence the follow-up bad and doubtful debtors through the courts, enabling greater levels of recovery of outstanding debts.
- 5.8 As noted in previous monitoring reports, 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. The forecast outturn for 2022-23 is an overspend of £201k. This cost is out of the Council's control. This pressure is mitigated by the favourable variance from Revenues & Benefits, new burdens funding from the Government and the recovery of historic housing benefit overpayments by the Revenues & Benefits service.
- 5.9 The Commercial Property portfolio is adverse to budget by £0.8m but has still contributed a net income to the Council of £2.57m. The Council has purposefully invested in city centre real estate as part of its regeneration agenda. Given its location, much of this estate is retail based. Gloucester, along with the majority of towns and cities across the country, has experienced significant downward trends in centre based retail for well understood reasons (e.g. COVID, Cost of Living etc). This along with the delays that were caused to the regeneration of the Kings Walk Shopping Centre by the pandemic (works which are now to take place during the first half of 2023-24), has led to a short term budget pressure. Discussions are ongoing with various prospective tenants at the various locations, and the position is improving in relation to Kings Walk following the Kings Square redevelopment and is expected to do so as The Forum and University of Gloucestershire developments approach completion later in 2023-24. The historic investment property portfolio is slowly recovering as new arrangements are reached with tenants. The delayed disposal of the HKP warehouses has also meant that the Council has faced an unforeseen business rates charge of £234k in year.
- 5.10 The Cemeteries & Crematorium service has performed well in the year and the Arbor has seen an increase in demand for wakes. The costs of the Crematorium have seen

unexpected increases in the year because of the increasing cost of energy, increases to the costs of regular cremator maintenance, and the continued need for good sanitisation of the chapel following the pandemic. This has led to an adverse forecast year end position of £224k.

- 5.11 The overspends in the various shared services areas (Human Resources, Communications, Legal Services) are a result of the increased staff costs following the annual local government NJC salary settlement.

Culture & Leisure

| | 22/23 | Year End | Grant or | Forecast | Final |
|------------------------------|---------------|-----------------|----------------|----------------|-----------------|
| Culture & Leisure | Budget | Forecast | Reserve | Outturn | Variance |
| Museums | 598 | 590 | | 590 | (7) |
| Guildhall & Blackfriars | 445 | 550 | | 550 | 105 |
| Events | 285 | 280 | | 280 | (5) |
| Destination Marketing | 143 | 208 | (65) | 143 | - |
| Aspire | (30) | 360 | - | 360 | 390 |
| Markets & Street Trading | (79) | (113) | | (113) | (34) |
| Total | 1,361 | 1,874 | (65) | 1,809 | 448 |

- 5.12 The Culture & Leisure team have had a busy year managing improvement works to their venues as a result of their successful grant applications during 2021-22. The venue improvement works at the Guildhall took place during the summer of 2022-23 using the ACE Guildhall Galvanised grant funding, and the planning of the works at the Museum to utilise the MEND grant funding in 2023-24 is in progress. The Guildhall team have also been successful in their application for ACE National Portfolio Organisation funding for the next 3 years that will allow it to continue to develop and expand its exciting programme.
- 5.13 Inevitably, there is an impact of the summer closure of the Guildhall on the forecast outturn as it was not included in the original budget, and so for 2022-23 the outturn is forecast to be £104k adverse to budget. However, the positive results from the works on the venue and the implementation of a new EPOS system are already being seen.
- 5.14 The Council has continued to support the leisure trust in the wake of the effects of the pandemic and the increased energy costs on its business. This has led to the Council contributing an additional £360k to assist it with the additional energy cost pressures during the year, leading to an overspend of £390k.

Planning and Housing

| | 22/23 | Year End | Grant or | Forecast | Final |
|--|---------------|-----------------|----------------|----------------|-----------------|
| Planning & Housing Strategy | Budget | Forecast | Reserve | Outturn | Variance |
| Planning | (17) | 62 | | 62 | 79 |
| Planning Policy | 242 | 306 | (64) | 242 | - |
| Community Infrastructure Levy | - | - | | - | - |
| Land Charges | (73) | (72) | | (72) | 1 |
| Private Sector Housing | 209 | 256 | | 256 | 47 |
| Housing Strategy | 122 | 103 | | 103 | (19) |
| Homelessness & Housing | 743 | 734 | | 734 | (9) |
| County Homelessness Partnerships | 0 | (0) | | (0) | (0) |
| Total | 1,226 | 1,388 | (64) | 1,324 | 98 |

- 5.15 This portfolio was adverse to budget by £98k. The initial months of 2022-23 continued to be affected by the cyber incident and the need to utilise manual processes to allow the continued provision of the service at a basic level.
- 5.16 Accordingly the planning service was £79k adverse to budget. The Planning Service also faces issues that are common within planning councils around the country because the statutory nature of the fees that can be charged in many cases prevents the full costs of the service provision from being recouped. There is a Government consultation currently underway to review planning processes and costs, this will hopefully lead to a more equitable position for the Council. The Council has also received a grant from the Government to work on a project in co-ordination with other Councils towards transforming and digitising planning processes.
- 5.17 The City Plan review process finally reached its conclusion during 2022-23 and the Council successfully adopted the City Plan (its first in 30 years), the costs incurred in relation to this process have been met by the earmarked reserves specifically put in place for this purpose in the 2020-21 financial outturn.
- 5.18 The overall homelessness budget for the year is forecast to be favourable as a result of a combination of the positive steps taken by the Council over the past few years to increase the temporary accommodation capacity available to it, and the positive actions taken to ensure all Government grant and benefit funding is being promptly claimed. The increase in the cost of living presents a potential risk to this and work continues within the Housing team to identify further properties to alleviate future pressures.

Environment

| | 22/23 | Year End | Grant or | Forecast | Final |
|---------------------------------|---------------|-----------------|----------------|----------------|-----------------|
| Environment & Leader | Budget | Forecast | Reserve | Outturn | Variance |
| Waste & Recycling | 4,857 | 5,037 | | 5,037 | 180 |
| Streetcare & City Centre | 751 | 710 | | 710 | (42) |
| Environmental Health | 194 | 89 | | 89 | (105) |
| Licensing | (137) | (147) | | (147) | (10) |
| Parks & Countryside | 204 | 239 | (45) | 194 | (10) |
| Economic Development | 326 | 283 | | 283 | (43) |
| Heritage | 121 | 120 | | 120 | (0) |
| Climate Change & Environment | 73 | 73 | | 73 | - |
| Senior Management | 188 | 229 | | 229 | 41 |
| Total | 6,578 | 6,634 | (45) | 6,589 | 11 |

- 5.19 This portfolio is forecast to be adverse to budget by £11k. The unexpected high inflation rates causing increases to fuel and labour costs impacted on the costs of the waste and recycling contract. These increased costs have been mitigated by the continued high prices being obtained for the sale of recyclable materials. The net position is an adverse favourable variance on the waste contract of £180k for the year.
- 5.20 Some of the overspend in waste and recycling is mitigated by the favourable positions in Streetcare & City Centre and Environmental Health, both of which utilise elements of the waste service. The cyber incident and the manual processes being applied have prevented a thorough analysis and allocation of the spend.
- 5.21 The final position for the Economic Development service is a favourable variance of £43k, after taking into account the Regeneration Reserve funding of staff working on the Forum Project, and the Levelling Up funded works. The Economic Development team have also been busy working on developing criteria, assessing grant

applications and managing the distribution of the UK Shared Prosperity Fund received from the Government during the year to assist local projects and businesses.

- 5.22 During the year the Heritage team have continued to successfully manage the spend of the High Street Heritage Action Zone grants towards the development and improvement work occurring within the Cathedral Quarter and Westgate areas of the City.
- 5.23 The Council has opted to contract-in the services of a Monitoring Officer to cover this statutory role following the retirement of the individual who held that role leading to the additional costs shown.

6.0 Movement in Earmarked Reserves

- 6.1 The Council continues to hold an earmarked reserve balance of over £4.2m as shown below:

| Reserve Name | Opening Balance | Transfers In | Transfers Out | Closing Balance |
|-------------------------|-----------------|--------------|----------------|-----------------|
| Historic Buildings | 53 | - | - | 53 |
| Housing Survey | 60 | - | - | 60 |
| Shopmobility | 29 | - | - | 29 |
| Regeneration | 145 | 412 | (337) | 220 |
| Insurance | 10 | - | - | 10 |
| Land Adoption | 873 | - | - | 873 |
| VAT Shelter | 167 | 228 | (228) | 167 |
| Business Rates | 1,023 | - | (290) | 733 |
| Environmental Insurance | 900 | - | - | 900 |
| Repairs | 23 | - | - | 23 |
| Community Builder | 29 | - | (29) | - |
| Planning Strategy | 165 | 25 | (64) | 126 |
| Flooding Works | 10 | - | - | 10 |
| Lottery | 20 | - | - | 20 |
| Museum Bequest | 305 | - | - | 305 |
| Transformation | 100 | - | (75) | 25 |
| Budget Equalisation | 243 | - | (210) | 33 |
| Destination Marketing | 150 | - | (65) | 85 |
| Homelessness | 100 | - | - | 100 |
| Planning Appeals | 50 | - | - | 50 |
| Communities | 18 | - | - | 18 |
| Climate Change | 66 | - | - | 66 |
| Neighbourhood Spaces | 57 | - | (45) | 12 |
| Defibrillator | 6 | - | - | 6 |
| Cyber Recovery | - | 380 | (380) | - |
| Monuments | - | 10 | (10) | - |
| Health Inequalities | 60 | 260 | - | 320 |
| Collection Fund Timing | 2,811 | - | (2,811) | - |
| Reserves Total | 7,473 | 1,315 | (4,544) | 4,244 |

- 6.2 The Council has drawn down previously reserved funds to pay for their intended usage during 2022-23 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 £412k to contribute to the reserve. The reserve was earmarked to contribute towards the Council's regeneration projects in 2022-23, £337k was spent in year towards this project leaving an overall net transfer to the reserve of £75k. 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 2022-23 funding of £228k was received. £228k was allocated from the reserve to contribute to the borrowing costs for the redevelopment of Kings Square and Kings Quarter – the Forum.
- 6.5 As forecast in the Money Plan and Budget, amounts have been drawn down against various of the earmarked reserves for use against expenditure included in the 2022-23 budget papers.
- 6.6 During 2022-23 an amount of £260k has been received from the NHS in relation to the joint Health Inequalities programme. This work for this programme is being planned and the amount has been earmarked for spend during 2023-24.
- 6.7 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. In 2020-21 and 2022-23 due to the significant nature of this timing differences amounts were included in the Collection Fund Timing Reserve was created to account for the repayment in the following years of the grants received early. During 2022-23 the amount repaid of £2,811k was released from the reserve. Similar early payment of the section 31 grants are not expected in relation to 2023-24.

7.0 Capital Programme

- 7.1 The current position for the Capital Programme £30.11m against the budget for the year of £27.3m.
- 7.2 Expenditure for 2022-23 has seen continued progress with The Forum development, including the completion of White Friar apartments. Budget on this project has been brought forward from 2023-24 as the development continues at pace.
- 7.3 The Council continues to work with partners to deliver projects, such as Cathedral Quarter as part of the Heritage Action Zones with The Historic Buildings and Monuments Commission. The agreement to join Ubico for waste services has seen the Council purchase new domestic waste vehicles in year for this partnership.
- 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 1.

8.0 Prompt payment performance

- 8.1 The Council aims to make payments to all suppliers promptly and in accordance with contract terms. Due to the cyber incident that occurred in December 2021 we do not have access to sufficient data to provide these statistics. Following the cyber incident processes have been put in place to ensure the continued payment of the Council's creditors as promptly as is feasible in the circumstances.

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 review, analyse, and reconcile the vast quantum of manual data for upload into the system. Steps will continue to be taken to limit in year and future 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.