

Gloucester City Council

Meeting:	Cabinet	Date:	11 October 2023
Subject:	Financial Monitoring: Quarter 1 2023-24		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Capital Monitoring		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 For Cabinet to note year-end forecasts, and the financial pressures on the Council during the Quarter ended 30 June 2023 and report on the performance of the Council against certain key financial performance indicators.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that:

- (1) it be noted that the forecast year end position is currently for a decrease to the Council's General Fund balance of £1,504k against a budgeted decrease of £104k
- (2) the details of specific budgetary issues identified by officers and the actions being taken to address those issues be noted
- (3) the current level of Capital expenditure as shown in Appendix 2 be noted.

3.0 Background and Key Issues

- 3.1 The Council approved the 2023-24 Budget in February 2023. This report sets out the financial position as at the end of June 2023. It is based on actual costs and income for the Quarter 1 of 2023-24 and the current 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 As noted in the 2022-23 Outturn Report, the high levels of inflation and the war in Ukraine have continued into the 2023-24 financial year. The consequences of the wider economic impacts on interest rates and energy prices have led to the Council

being faced with further financial challenges from the continuation of significant cost increases, higher levels of homelessness, and increased funding costs.

- 3.3 Given the current operating environment and the significant increases experienced in both service demand and the ongoing unavoidable inflationary cost pressures noted above, the achievement of the budget position will be an incredibly difficult ambition to achieve in 2023-24. This report summarises the current forecast position at this early stage of the financial year and highlights the need to take decisive action to ensure that the Council has sufficient financial resources to achieve its ongoing service delivery obligations and continue its wider regeneration activities.
- 3.4 This report will focus on providing some detail and commentary of the financial variances at a portfolio level that are currently forecast for 2023-24. It should be noted that these estimates have been based on the best information we currently have available and have also been calculated at a very early stage of the financial year.

4.0 Whole Council Summary

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

Council Summary	23/24	Actual	Year End	Final
	Budget		Forecast	Variance
Communities & Neighbourhoods	1,020	272	961	(59)
Performance & Resources	123	568	(132)	(255)
Culture & Leisure	1,948	695	2,330	382
Planning & Housing Strategy	1,435	790	2,543	1,108
Environment & Leader	7,216	1,574	7,078	(138)
Corporate & Funding	(11,639)	(2,427)	(11,276)	362
Total	104	1,472	1,504	1,400

- 4.2 At this early stage in the financial year the forecast position is for the Council to face a decrease in the Council's General Fund by £1,504k. A position that requires use of both General Fund and Earmarked reserves, leaving both reserves significantly depleted. Action is and will continue to be taken during the remainder of 2023-24 to further mitigate this potential overspend. The total projected overspend currently stands at around 3.7% of the Council's gross expenditure budget.
- 4.3 The key pressures facing the council are listed below:
- Temporary accommodation costs for the homeless [Q1 overspend of £451k, forecast to be £1,233k by the year end] – these costs have escalated as an increasing number of people are finding themselves unable to meet the cost of keeping a roof over their heads.
 - The spike in energy costs and the cost of living crisis have led to the leisure provision from Aspire becoming increasingly expensive to operate [an overspend in Q1 of £292k, forecast to be £675k by the year end].
 - A decline in planning income as development costs increase and the boost of small planning applications caused by Covid home-working fall away [income for Q1 was only 26% of that budgeted causing a budget pressure of £86k at Q1, forecast to be £287k by the year end].
 - Increased interest costs in relation to ongoing and future projects; currently forecast to cause a £362k pressure on the Council's budget.

- 4.4 The Council's Officers and Members are reviewing the options available to mitigate the overspend and have identified several headline actions for consideration and implementation. These include the following:
- (a) Property purchases to increase the availability of temporary accommodation for those presenting as homeless, reducing the reliance on expensive hotel accommodation. Any purchase will be subject to a thorough financial cost vs benefit analysis.
 - (b) A grant submission has recently been submitted to the Government in relation to the enhanced energy costs of the swimming pool at GL1.
 - (c) Earlier purchase of more energy efficient cremators as part of the cyclical maintenance and replacement plan.

5.0 Significant items of note

Communities and Neighbourhoods

	23/24		Year End	Forecast
Communities & Neighbourhoods	Budget	Actual	Forecast	Variance
Community Strategy & Other Projects	828	231	813	(15)
Community Grants	125	28	97	(28)
Shopmobility	68	12	52	(16)
Total	1,020	272	961	(59)

- 5.1 The outturn for this portfolio is favourable to budget by £59k. Similar to prior years the Communities teams 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 are shared to ensure the efficient use of funds.
- 5.2 The Government is continuing to provide targeted grants for distribution by the County and District councils to alleviate household living cost pressures and help with the accommodation of Ukrainian refugees. However, the demands on the service's resources continue to increase as more households face increased financial pressures. In the Quarter, 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.
- 5.3 The Communities team has also continued its work on the Health Inequalities Project using the grant funding from the NHS received towards this project during 2022-23. Amounts have been forecast to be released from the earmarked reserve to match to the spend in 2023-24.

Performance and Resources

Performance & Resources	23/24		Year End	Forecast
	Budget	Actual	Forecast	Variance
Financial & Corporate	991	586	923	(68)
Revenues & Benefits	441	133	402	(39)
IT	1,966	600	1,944	(22)
Parking	(1,678)	(383)	(1,715)	(37)
Business Support	374	84	334	(39)
Democratic Services	801	207	774	(27)
Asset Management	872	286	782	(90)
Commercial Property	(3,487)	(719)	(3,275)	212
SWRDA	(185)	(123)	(427)	(242)
Cemeteries & Crematorium	(1,464)	(301)	(1,341)	123
Internal Audit	205	33	187	(18)
Transformation/Commercialisation	158	20	135	(23)
HR & Communications	496	129	514	18
Legal Services	575	144	575	0
Housing Subsidy	(377)	(236)	(372)	5
Customer Services	438	107	428	(9)
Total	123	568	(132)	(255)

- 5.4 This portfolio is currently forecast to be favourable to budget by £255k. A significant element of this results from staff vacancies resulting from the retirement of the previous s.151 Officer and the inevitable time taken to recruit into the new staffing structure following his departure.
- 5.5 The number of people parking in the city centre has returned to at or above normal pre-Covid levels. This combined with the tariff increases agreed in the 2023-24 Budget, have led to a forecast favourable position of £37k.
- 5.6 The estimated income from the SWRDA properties and the VAT Shelter for 2023-24 have been utilised to cover the increased costs arising from the funding of the regeneration projects and causing the budget pressure reported in the Corporate & Funding section.
- 5.7 The Revenues and Benefits service is currently estimated to be favourable to budget by £39k as a result of staff vacancies and the receipt of various new burdens grants from the Government, to cover the administrative costs of the additional work that continues to be required of the Council to distribute a variety of new grants (including Homes For Ukraine and Energy Subsidy) to the population of Gloucester.
- 5.8 The Commercial Property portfolio is adverse to budget by £212k but is forecast to contribute a net income to the Council of over £3m. 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. The regeneration of the Kings Walk Shopping Centre is underway, and progress is being made towards filling the vacant units with tenants. Overall the position is continuing to improve 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.

- 5.9 The Cemeteries & Crematorium service is performing well and the Arbor has seen continued strong demand for wakes. The adverse forecast variance of £123k is due to the continued high levels of inflation impacting the costs of the Crematorium e.g. high energy costs, increases to the costs of regular cremator maintenance, and the continued need for good sanitisation of the chapel following the pandemic.

Culture & Leisure

	23/24		Year End	Forecast
Culture & Leisure	Budget	Actual	Forecast	Variance
Museums	657	157	582	(75)
Guildhall & Blackfriars	559	82	415	(144)
Events	296	66	272	(25)
Destination Marketing	159	34	135	(24)
Aspire	330	374	1,005	675
Markets & Street Trading	(54)	(18)	(78)	(24)
Total	1,948	695	2,330	382

- 5.10 The Culture & Leisure team continue to be successful in their grant applications. The commencement of the works at the Museum to utilise the MEND grant funding in progress, and there have been successful Heritage Lottery and ACE grant applications to assist with the funding of various archaeological and archiving work respectively. The Guildhall team were successful in their application for ACE National Portfolio Organisation funding for the next 3 years and have commenced work on the development and expansion of their programme.
- 5.11 The venue development works at the Guildhall and the new EPOS system are now starting to show positive benefits through increased income levels, especially in relation to catering and bar income.
- 5.12 The Council continues to support the leisure trust in the wake of the effects of the pandemic and the increased energy costs on its business. This is estimated to lead to an increased cost pressure to the Council of £675k. A grant submission has recently been submitted to the Government in relation to the enhanced energy costs of the swimming pool which if successful will reduce the budgetary pressure by half.

Planning and Housing

	23/24		Year End	Forecast
Planning & Housing Strategy	Budget	Actual	Forecast	Variance
Planning	29	94	316	287
Planning Policy	376	65	318	(59)
Community Infrastructure Levy	-	(29)	(0)	(0)
Land Charges	(76)	(20)	(76)	0
Private Sector Housing	228	162	228	0
Housing Strategy	138	(119)	153	15
Homelessness & Housing	740	636	1,604	865
County Homelessness Partnerships	-	0	0	0
Total	1,435	790	2,543	1,108

- 5.13 This portfolio is adverse to budget by £1,108k. The initial months of 2023-24 have seen a significant reduction in the income received by the Planning Service and a significant increase in the demand for (and hence the costs of) temporary

accommodation as more and more residents of Gloucester struggle with their financial resources and end up homeless.

- 5.14 The reduced income in the planning service is currently forecast to be £287k adverse to budget. There is some good news in that the recent Government consultation, to review planning processes and costs, has led to a proposed future increase in the statutory planning charges. The Council also continues to utilise the RIPA/BOPS grant from the Government to work on a project in co-ordination with other Councils towards transforming and digitising planning processes.
- 5.15 The impact of the cost of living crisis and the high inflation rates over the past year has led to a significant increase in the demand for temporary accommodation. This increased demand has significantly exceeded the accommodation that the Council has available to it and the overall annual budget for 2023-24 was exceeded in the 1st Quarter. The current forecast overspend for the year is £865k, after a release of £100k from the Homelessness earmarked reserve. The officers of the Council are working to explore various alternatives and approaches to alleviate this financial burden on the Council and will continue to monitor the position carefully for the remainder of the financial year.

Environment

	23/24		Year End	Forecast
Environment & Leader	Budget	Actual	Forecast	Variance
Waste & Recycling	5,265	1,404	5,296	32
Streetcare & City Centre	784	250	803	19
Environmental Health	205	(264)	150	(54)
Licensing	(124)	(26)	(107)	17
Parks & Countryside	248	63	238	(10)
Economic Development	347	55	198	(149)
Heritage	136	34	130	(6)
Climate Change & Environment	88	10	88	0
Senior Management	266	48	280	14
Total	7,216	1,574	7,078	(138)

- 5.16 This portfolio is favourable to budget by £138k. The continued high inflation rates have impacted on the costs of the waste and recycling contract. These increased costs are mitigated by the sale of recyclable materials. Unfortunately, the commodity prices for recycling materials are falling from the high levels experienced in the past few years; at present the budgeted income is still expected to be achieved.
- 5.17 The final position for the Economic Development service is a favourable variance of £149k, 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 managing the distribution of the UK Shared Prosperity Fund received from the Government to assist local projects and businesses.
- 5.18 During the quarter 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.

6.0 Movement in Earmarked Reserves

6.1 The Council continues to hold an earmarked reserve balance of over £4m 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	220	465	(465)	220
Insurance	10	-	-	10
Land Adoption	873	-	-	873
VAT Shelter	167	240	(240)	167
Business Rates	733	-	-	733
Environmental Insurance	900	-	-	900
Repairs	23	-	-	23
Planning Strategy	126	-	-	126
Flooding Works	10	-	-	10
Lottery	20	-	-	20
Museum Bequest	305	-	-	305
Transformation	25	-	-	25
Budget Equalisation	33	-	-	33
Destination Marketing	85	-	-	85
Homelessness	100	-	(100)	-
Planning Appeals	50	-	-	50
Communities	18	-	-	18
Climate Change	66	-	-	66
Neighbourhood Spaces	12	-	-	12
Defibrillator	6	-	-	6
Health Inequalities	340	-	(100)	240
Reserves Total	4,264	705	(905)	4,064

6.2 The Council has drawn down previously reserved funds to pay for their intended usage during 2023-24 and where applicable carried forward amounts for future use.

6.3 The forecast net surplus from the SWRDA assets is an estimated £465k contribution to the reserve. The reserve was earmarked to contribute towards the Council's regeneration projects in 2023-24, £465k is forecast to be spent in year towards this project leaving an overall net transfer to the reserve of £nil. The remaining 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 2023-24 the forecast contribution to funding is £240k was received. The whole of this amount is expected to be allocated from the reserve to contribute to the costs for the redevelopment of Kings Square and Kings Quarter – the Forum.

6.5 During 2022-23 an amount of £280k was received from the NHS in relation to the joint Health Inequalities programme. This work for this programme is being planned and an amount of £100k is forecast to be utilised during 2023-24.

7.0 Capital Programme

- 7.1 The current position for the Capital Programme £10.19m against the budget for the year of £64.76m. The majority of the budget (£52m) is set on the Forum project, forecast expenditure on the capital programme at Q1 is £55m.
- 7.2 Expenditure for 2023-24 has seen continued progress with The Forum development, this significant regeneration in the City is starting to take shape.
- 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 Food Dock is progressing with completion expected Autumn 2023.
- 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 quarter is below.

	<u>Apr</u>		<u>May</u>		<u>Jun</u>		<u>Qtr 1</u>	
Number paid within 30 days	549	96%	629	98%	760	96%	1,938	96%
Number paid over 30 days	23	4%	29	4%	34	4%	86	4%
Average Days to Pay (from receipt of invoice to payment date)		7		7		7		7

9.0 Social Value Considerations

- 9.1 There are no social value implications arising from this report.

10.0 Alternative Options Considered

- 10.1 A wide range of options are being 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.