

Gloucester City Council

Meeting:	Overview & Scrutiny Committee Cabinet	Date:	27 November 2023 6 December 2023
Subject:	Financial Monitoring: Quarter 2 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 September 2023 and report on the performance of the Council against certain key financial performance indicators.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to Cabinet.
- 2.2 Cabinet is requested to **note** that:
- (1) The forecast year end position is currently for a decrease to the Council's General Fund balance of £1,078k 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.
 - (3) The current level of Capital expenditure as shown in **Appendix 1**.

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 September 2023. It is based on actual costs and income for the Quarter 2 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 forecast position at the halfway point in the financial year and highlights the continued need for the Council to manage its limited financial resources to ensure the achievement of its ongoing service delivery obligations, and to 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 at this 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		Year End	Final
	Budget	Actual	Forecast	Variance
Communities & Neighbourhoods	1,020	617	991	(29)
Performance & Resources	123	1,866	501	378
Culture & Leisure	1,948	1,147	2,482	534
Planning & Housing Strategy	1,435	1,334	2,393	957
Environment & Leader	7,216	3,471	7,056	(160)
Corporate & Funding	(11,639)	(6,025)	(12,344)	(706)
Total	104	2,411	1,078	974

- 4.2 The half year forecast position is for the Council to face a decrease in the Council's General Fund by £1,078k at the year end; an improvement on the Q1 forecast of £430k. However, this is still a position that requires use of both General Fund and Earmarked reserves, leaving both reserves significantly depleted. The Officers will continue to review activities and take the necessary actions during the remainder of 2023-24 to further mitigate this potential overspend. The total projected overspend currently stands at around 2.6% of the Council's gross expenditure budget.
- 4.3 The key pressures facing the council continue to be:
- Temporary accommodation costs for the homeless [an overspend of £456k against the half year budget, but due to the actions being taken and additional grant receipts the full year forecast has improved by £280k to being an estimated overspend of £953k].
 - The spike in energy costs and the cost-of-living crisis have led to the leisure provision becoming increasingly expensive to operate [an overspend against the half year budget of £373k, forecast to be £773k 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 38% of that budgeted causing a budget pressure of £176k at half year, forecast to be £350k by the year end].
 - Asset repairs and maintenance works leading to the closure of Longsmith Car Park with potential lost income from the second half of the year of £180k.
 - Increased interest costs in relation to ongoing and future projects; currently forecast to cause a £246k 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. Several potential purchases have been identified and are undergoing a thorough due diligence analysis prior to being progressed and purchases completed.
 - (b) A grant submission has recently been submitted to Sports England in relation to energy saving capital investment measures.
 - (c) Earlier purchase of energy efficient cremators as part of the cyclical maintenance and replacement plan.
 - (d) Expediting of the works in relation to the car park to ensure it is re-opened as soon as possible.

5.0 Significant items of note

Communities and Neighbourhoods

Communities & Neighbourhoods	23/24		Year End	Forecast
	Budget	Actual	Forecast	Variance
Community Strategy & Other Projects	828	540	836	9
Community Grants	125	53	103	(22)
Shopmobility	68	24	52	(16)
Total	1,020	617	991	(29)

- 5.1 The outturn for this portfolio is favourable to budget by £29k. 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 first half of 2023-24, 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	662	979	(11)
Revenues & Benefits	441	323	489	49
IT	1,966	1,505	1,946	(20)
Parking	(1,678)	(772)	(1,562)	116
Business Support	374	182	384	10
Democratic Services	801	389	773	(29)
Asset Management	872	571	1,013	141
Commercial Property	(3,487)	(1,355)	(3,281)	206
SWRDA	(185)	(250)	(471)	(286)
Cemeteries & Crematorium	(1,464)	(465)	(1,339)	125
Internal Audit	205	84	183	(22)
Transformation/Commercialisation	158	40	116	(41)
HR & Communications	496	258	518	22
Legal Services	575	300	600	25
Housing Subsidy	(377)	177	(304)	73
Customer Services	438	216	457	20
Total	123	1,866	501	378

- 5.4 This portfolio is now forecast to be adverse to budget by £378k. The unfavourable movement from the position forecast at Quarter 1 is primarily a result of:
- The closure of Longsmith Street Car Park - a reduction in expected income of circa £180k, based on the car park not being re-opened prior to the end of the Financial Year.
 - Additional spend in relation to buildings reviews, repairs and maintenance that have been or are now expected to be required across the Council's asset portfolio during the remainder of the financial year.
 - A higher than budgeted salary settlement for the NJC Green Book staff at the Council.
- 5.5 As noted at Quarter 1, 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.
- 5.6 The Revenues and Benefits service is currently estimated to be adverse to budget by £49k as a result of 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, and additional costs of following up Council Tax arrears.
- 5.7 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 2023-24 is an overspend of £73k. This cost is out of the Council's control. Across the year this pressure is mitigated by potential new burdens funding from the Government and the recovery of historic housing benefit overpayments by the Revenues & Benefits service.

- 5.8 The Commercial Property portfolio is adverse to budget by £206k 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 in 2024. The historic investment property portfolio is slowly recovering as new arrangements are reached with tenants.
- 5.9 The Cemeteries and Crematorium service is performing well and the Arbor has seen continued strong demand for wakes. The adverse forecast variance of £125k is due to the continued high levels of inflation impacting the costs of the Crematorium e.g. high energy costs, and increases to the costs of regular cremator maintenance.

Culture & Leisure

Culture & Leisure	23/24		Year End	Forecast
	Budget	Actual	Forecast	Variance
Museums	657	267	610	(47)
Guildhall & Blackfriars	559	105	379	(181)
Events	296	203	297	1
Destination Marketing	159	71	159	(0)
Leisure Service	330	538	1,103	773
Markets & Street Trading	(54)	(37)	(66)	(12)
Total	1,948	1,147	2,482	534

- 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 Museum Estate and Development Fund grant funding in progress, and there have been successful Heritage Lottery and Arts Council England grant applications to assist with the funding of various archaeological and archiving work respectively.
- 5.11 The Guildhall team have continued to develop and expand their programme following the successful application for Arts Council England National Portfolio Organisation funding for the next 3 years. Across the summer months Blackfriars has proved to be a popular venue for weddings and events and is forecast to be favourable to budget for the year by £104k.
- 5.12 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. A new ticketing system is being implemented during Quarter 3 that will lead to an improvement for customers as they purchase tickets.
- 5.13 The Council continues to support the leisure service in the wake of the effects of the pandemic and the increased energy costs on its business. The service provision contract with Aspire Sports Cultural & Leisure Trust (the Trust) came to an abrupt conclusion at the end of September, due to the Trust's financial position, leading to the temporary closure of the GL1 and Oxstalls facilities. The Council has subsequently engaged a national leisure service operator, Freedom Leisure, to re-open the facilities subject to their being able to do so within the financial constraints of the Council.

- 5.14 The estimated cost pressure faced by the Council during 2023-24 of operating the leisure service is £773k. The grant submission to Sports England in Quarter 1 for funds to cover the enhanced energy costs was unsuccessful; however a further grant application has recently been submitted to cover the capital costs of implementing energy saving measures at the leisure centre.

Planning and Housing

Planning & Housing Strategy	23/24		Year End	Forecast
	Budget	Actual	Forecast	Variance
Planning	29	190	379	350
Planning Policy	376	191	332	(45)
Community Infrastructure Levy	-	(19)	3	3
Land Charges	(76)	(42)	(86)	(10)
Private Sector Housing	228	179	275	47
Housing Strategy	138	63	133	(5)
Homelessness & Housing	740	772	1,356	617
County Homelessness Partnerships	-	(0)	(0)	(0)
Total	1,435	1,334	2,393	957

- 5.15 This portfolio has seen a slight improvement from the Quarter 1 position following additional grant receipts in relation to homelessness and temporary accommodation provision. However, the portfolio is still forecast to be significantly adverse to budget by £957k during 2023-24. As noted at Quarter 1, the significant reduction in income received by the Planning Service, and the increase in the demand for (and hence the costs of) temporary accommodation have continued during Quarter 2.
- 5.16 The reduced income in the planning service has worsened and is now forecast to be £350k adverse to budget. There is some good news for the future 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 Reducing Invalid Planning Applications (RIPA) and Back Office Planning System (BOPS) grants from the Government to work on a project in co-ordination with other Councils towards transforming and digitising planning processes.
- 5.17 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 £617k, after a release of £100k from the Homelessness earmarked reserve. The officers of the Council have been exploring various alternatives and approaches to alleviate this financial burden on the Council, including the purchase of several properties, and will continue to monitor the position carefully for the remainder of the financial year.

Environment

Environment & Leader	23/24	Actual	Year End	Forecast
	Budget		Forecast	Variance
Waste & Recycling	5,265	2,855	5,229	(35)
Streetcare & City Centre	784	472	839	55
Environmental Health	205	57	159	(46)
Licensing	(124)	(50)	(111)	13
Parks & Countryside	248	128	260	12
Economic Development	347	(203)	191	(156)
Heritage	136	71	138	2
Climate Change & Environment	88	16	61	(28)
Senior Management	266	126	290	24
Total	7,216	3,471	7,056	(160)

- 5.18 This portfolio is favourable to budget by £160k. 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.
- 5.19 The final position for the Economic Development service is a favourable variance of £156k, 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.
- 5.20 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	500	(500)	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	740	(940)	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, £500k 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 Council 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 £23.7m against the budget for the year of £62.3m. The majority of the budget (£52m) is set on the Forum project, forecast expenditure on the capital programme at Q2 is £61.1m.
- 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 in Q3.
- 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>July</u>		<u>Aug</u>		<u>Sept</u>		<u>Qtr 2</u>	
Number paid within 30 days	757	95%	705	96%	680	93%	2,142	95%
Number paid over 30 days	41	5%	28	4%	49	7%	118	5%
Average Days to Pay (from receipt of invoice to payment date)		9		7		9		8

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.