

Gloucester City Council

Meeting:	Overview & Scrutiny Committee Cabinet	Date:	26 February 2024 6 March 2024
Subject:	Financial Monitoring: Quarter 3 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 period ending 31 December 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 the 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 £683k 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 December 2023. It is based on actual costs and income up to the end of Quarter 3 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 is proving to be an incredibly difficult ambition to achieve in 2023-24. This report summarises the forecast position at the end of December and highlights an improvement in the financial position from that reported at the end of Quarter 2. However, the Council still needs to continue the careful management of its limited financial resources to ensure the achievement of its ongoing service delivery obligations, and the successful continuation of 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	736	996	(25)
Performance & Resources	123	3,388	472	348
Culture & Leisure	1,948	2,027	2,519	571
Planning & Housing Strategy	1,435	1,688	2,200	764
Environment & Leader	7,216	5,172	7,256	41
Corporate & Funding	(11,639)	(8,836)	(12,759)	(1,120)
Total	104	4,175	683	579

- 4.2 The current forecast position is for the Council to face a decrease in the Council's General Fund by £683k at the year-end; an improvement of £395k from the Q2 forecast deficit of £1,078k. However, this is still a position that requires use of both General Fund and Earmarked reserves, leaving both reserves significantly depleted. 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 1.6% of the Council's gross expenditure budget.
- 4.4 The key pressures facing the council continue to be:
- Temporary accommodation costs for the homeless [an overspend of £610k against the 9 month budget, but due to the actions being taken and additional grant receipts the full year forecast has improved by £103k to being an estimated year-end overspend of £850k].
 - 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 9 month budget of £576k, forecast to be £630k by the year end]. This position has improved by £143k from the Quarter 2 forecast as a result of the appointment of an interim operator working to a fixed budget.
 - A decline in planning income as development costs increase and the boost of small planning applications caused by Covid home-working fall away [income during the first 9 months has only been 66% of that budgeted causing a budget pressure of £149k at Quarter 3, forecast to be £186k 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 £130k; and additional asset survey costs and repairs of £80k.
- Increased interest costs in relation to ongoing and future projects; currently forecast to cause a £276k pressure on the Council's budget.

4.5 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:

- Property purchases to increase the supply 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.
- The procurement of an interim leisure service provider to ensure the continuation of the leisure service whilst a full procurement exercise is performed, limiting the costs of holding dormant buildings.
- The Council has also benefited from the conclusion of the Valuation Office's review of the application of business rates to museums; this has led to a refund of business rates paid from 2011 to 2023 of £400k.

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	630	847	20
Community Grants	125	65	94	(31)
Shopmobility	68	41	54	(13)
Total	1,020	736	996	(25)

- The forecast outturn for this portfolio is favourable to budget by £25k. Similar to prior years the Communities teams continue 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.
- 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.
- 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	442	681	(310)
Revenues & Benefits	441	365	499	59
IT	1,966	1,570	1,977	11
Parking	(1,678)	(1,185)	(1,541)	138
Business Support	374	301	397	23
Democratic Services	801	628	806	5
Asset Management	872	916	1,119	247
Commercial Property	(3,487)	(2,025)	(3,154)	334
SWRDA	(185)	(401)	(510)	(325)
Cemeteries & Crematorium	(1,464)	(701)	(1,164)	300
Internal Audit	205	130	180	(25)
Transformation/Commercialisation	158	80	117	(41)
HR & Communications	496	401	524	27
Legal Services	575	425	575	(0)
Housing Subsidy	(377)	2,106	(478)	(100)
Customer Services	438	337	445	7
Total	123	3,388	472	348

- 5.4 This portfolio is now forecast to be adverse to budget by £348k. The overall position for the portfolio has improved from that at Quarter 2 by £30k. The key items of note are:
- The continued closure of Longsmith Street Car Park – leading to a reduction in expected income of circa £130k with the car park not expected to be re-opened prior to the end of the financial year. There have also been additional survey and advisory costs incurred in relation to reports commissioned.
 - Additional spend in relation to buildings reviews, repairs and maintenance that have been incurred across the Council's asset portfolio.
 - A higher than budgeted salary settlement for the NJC Green Book staff at the Council.
 - A positive outcome for the Council with regard to the long outstanding business rates challenge to the Valuation Office in relation to the charging of business rates on museums. This has led to a £400k windfall of business rates refunds covering the period from 2011 to 2023. This has been recorded as a corporate receipt in the Financial & Corporate service above.
- 5.5 As noted at Quarter 2, the estimated income from the SWRDA properties and the VAT Shelter for 2023-24 will be 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 £59k 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 for this to be favourable to budget by £100k. 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 As noted in 5.4 above, the closure of Longsmith Car Park has impacted the income being received and forecast to be received for the year. The table below highlights the year on year change in October to December (Q3) visitor numbers by car park. It shows a fall in the overall total visitors to the Council's car parks of 9,602 as a result of the closure, but also that many visitors sought parking in alternate city centre car parks.

Car Park Visitors	Q3 2023-24	Q3 2022-23	Change
Castlemeads	7,119	6,332	787
Eastgate Street	58,608	51,732	6,876
GL1	1,087	3,693	(2,606)
Great Western Road	5,814	4,687	1,127
Hampden Way	24,886	24,980	(94)
Hare Lane North	7,373	7,423	(50)
Hare Lane South	33,074	32,316	758
Kings Walk	42,416	33,446	8,970
Ladybellegate Street	5,394	5,664	(270)
Longsmith	-	29,930	(29,930)
North Warehouse	4,238	3,133	1,105
St Michaels Sq	20,317	18,880	1,437
Station Road	18,529	17,235	1,294
Westgate Street	17,868	16,874	994
	246,723	256,325	(9,602)

5.9 The Commercial Property portfolio is adverse to budget by £334k 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.

5.10 The Cemeteries and Crematorium service is performing well and the Arbor has seen continued strong demand for wakes. The adverse forecast variance of £300k 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. Several new cremation options have recently been added, including the facility for direct cremations, and proposals are being taken to Budget Council to increase the charges in line with inflation to mitigate the cost increases.

Culture & Leisure

Culture & Leisure	23/24	Actual	Year End	Forecast
	Budget		Forecast	Variance
Museums	657	431	627	(30)
Guildhall & Blackfriars	559	419	489	(71)
Events	296	257	310	13
Destination Marketing	159	130	165	6
Leisure Service	330	825	960	630
Markets & Street Trading	(54)	(35)	(33)	21
Total	1,948	2,027	2,519	571

- 5.11 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.
- 5.12 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 £82k.
- 5.13 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 was implemented during Quarter 3 that has led to improvements in the ticket purchasing experience of our customers.
- 5.14 As noted at Quarter 2, 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. Following the demise of the previous operator, Aspire Sports Cultural & Leisure Trust, the Council engaged Freedom Leisure to re-open the facilities subject to their being able to do so within the financial constraints of the Council. They have re-opened the vast majority of the leisure services previously provided and are forecast to keep within the financial parameters set by the Council. This has reduced the forecast overspend on this service to £630k from the £773k reported at Quarter 2.

Planning and Housing

Planning & Housing Strategy	23/24	Actual	Year End	Forecast
	Budget		Forecast	Variance
Planning	29	155	215	186
Planning Policy	376	289	331	(46)
Community Infrastructure Levy	-	0	4	4
Land Charges	(76)	(64)	(81)	(5)
Private Sector Housing	228	208	239	11
Housing Strategy	138	102	136	(3)
Homelessness & Housing	740	999	1,356	616
County Homelessness Partnerships	-	0	(0)	(0)
Total	1,435	1,688	2,200	764

- 5.15 This portfolio has seen an improvement from the Quarter 2 position following an increase in planning income. However, the portfolio is still forecast to be significantly adverse to budget by £764k during 2023-24. As noted at Quarter 2, the key causes of this budget pressure are a 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 3.
- 5.16 As noted above the income from the planning service has improved in the past quarter and the forecast is now for the service to be £186k adverse to budget (an improvement of £164k on the Quarter 2 position). Hopefully, this trend will continue following the recent Government changes to planning processes and costs. 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 £616k, 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		Year End	Forecast
	Budget	Actual	Forecast	Variance
Waste & Recycling	5,265	3,706	5,319	55
Streetcare & City Centre	784	679	874	90
Environmental Health	205	67	148	(57)
Licensing	(124)	(55)	(95)	29
Parks & Countryside	248	202	266	19
Economic Development	347	167	220	(127)
Heritage	136	123	138	2
Climate Change & Environment	88	70	92	4
Senior Management	266	212	292	26
Total	7,216	5,172	7,256	41

- 5.18 This portfolio is adverse to budget by £41k, a change of £201k from the Quarter 2 position. The continued high inflation rates have impacted on the costs of the waste and recycling contract. The increased cost arises as a result of:
- The final salary settlement that saw increases of 9% (a figure greater than the 5% budgeted) in relation to the lower paid workers that make up a large proportion of the waste service workforce; and
 - The inflationary increase in the cost of replacement bins, boxes and bags.

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; but at present the budgeted income is still

expected to be achieved. The officers of the Council are taking steps in conjunction with the service provider to realise service changes and improvements.

- 5.19 The final position for the Economic Development service is a favourable variance of £127k, 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 £500k 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 £37.4m 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 £46.7m.
- 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 completed in Q3 with the majority of its units now populated; the development loan from the Council was repaid and it took ownership of the head lease which will generate future income for the Council.
- 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>Oct</u>		<u>Nov</u>		<u>Dec</u>		<u>Qtr 3</u>	
Number paid within 30 days	552	94%	710	94%	574	93%	1,836	94%
Number paid over 30 days	34	6%	47	6%	44	7%	125	6%
Average Days to Pay (from receipt of invoice to payment date)		7		8		11		9

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 N/a

17.0 Other Corporate Implications

Community Safety / Sustainability / Staffing & Trade Union

17.1 None.