

Gloucester City Council

Meeting:	Cabinet	Date:	11 September 2024
Subject:	Financial Monitoring: Quarter 1 2024-25		
Report Of:	Cabinet Member for 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 2024 and report on the performance of the Council against certain key financial performance indicators.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** it be noted that:
- (1) the forecast year end position is currently for a decrease to the Council's General Fund balance of £67k against a budgeted increase of £12k;
 - (2) the details of specific budgetary issues identified by officers and the actions being taken to address those issues;
 - (3) the current level of Capital expenditure as shown in Appendix 2.

3.0 Background and Key Issues

- 3.1 The Council approved the 2024-25 Budget in February 2024. This report sets out the financial position as at the end of June 2024. It is based on actual costs and income for the Quarter 1 of 2024-25 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 2023-24 Outturn Report, the Council's financial position continues to be impacted by the higher level of inflation and the wider impacts of world events on general economic conditions and prices during 2024-25 financial year. These are primarily increased interest rates, continued high energy prices, and a general increase level of costs across the Council. The changes to the Local Government funding landscape following the change in Government after the general election in July 2024 are still to be understood; though the general expectation is that the

financial challenges currently faced by the Council will continue in the short to medium term.

3.3 This report summarises the forecast position at the end of the first quarter of 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 2024-25. 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.

	24-25 Budget £000	Actual £000	Year End Forecast £000	Final Variance £000
Council Summary				
Regeneration & Leader	1,669	385	1,504	(165)
Resources	(1,068)	310	(631)	438
Housing	1,363	145	1,217	(146)
Community Engagement	1,496	330	1,455	(41)
Environment	6,512	1,617	6,696	185
Planning	525	166	697	171
Culture & Leisure	2,160	578	2,266	107
Corporate & Funding	(12,668)	(3,301)	(13,138)	(470)
Total	(12)	229	67	79

4.2 The half year forecast position is for the Council to face a decrease in the Council's General Fund by £67k at the year end. The Officers will continue to review activities and take the necessary actions during the remainder of 2024-25 to further mitigate this potential overspend.

5.0 Significant items of note

Regeneration and Leader

	24-25 Budget £000	Actual £000	Year End Forecast £000	Forecast Variance £000
Regeneration & Leader				
Economic Development	343	43	184	(160)
Democratic Services	920	278	914	(6)
Communications	116	27	110	(6)
Senior Management	290	36	298	8
Total	1,669	385	1,504	(165)

5.1 The outturn for this portfolio is favourable to budget by £165k.

- 5.2 The favourable variance in the Economic Development service area primarily arises from current staff vacancies and the application of Regeneration Reserve amounts to cover staff costs related to The Forum development. This team also continues to manage the distribution of the Government funded UK Shared Prosperity Fund for projects in the City.
- 5.3 During the first Quarter of 2024 the Democratic Services team have been busy organising and managing both the Local and the General Elections. The costs of these have come in on budget and the costs of the General Election are covered by grant funding from the Government.

Resources

Resources	24-25	Actual	Year End	Forecast
	Budget		Forecast	Variance
	£000	£000	£000	£000
Financial & Corporate	1,184	489	1,097	(87)
Revenues & Benefits	572	(189)	452	(120)
IT	2,017	560	1,977	(40)
Parking	(1,853)	(318)	(1,678)	175
Business Support	307	79	303	(4)
Asset Management	842	298	846	3
Commercial Property	(3,480)	(457)	(3,034)	446
SWRDA	(385)	(160)	(386)	(1)
Cemeteries & Crematorium	(1,413)	(205)	(1,256)	158
Internal Audit	208	51	204	(4)
Transformation	298	37	228	(70)
HR & Apprentices	451	81	413	(39)
Legal Services	620	159	649	29
Housing Subsidy	(377)	(131)	(395)	(18)
Markets & Street Trading	(58)	15	(51)	8
Total	(1,068)	310	(631)	438

- 5.4 This portfolio is forecast to be adverse to budget by £438k.
- 5.5 Many of the service areas are favourable to budget because of staff vacancies following retirements and leavers during the recruitment freeze period that was implemented during 2023-24 and the subsequent time taken to fill vacant roles. The favourable variances in Finance & Corporate, Revenues & Benefits, IT, Transformation, and HR & Apprentices are all primarily a result of vacancies.
- 5.6 The Revenues and Benefits service is continuing to undertake the additional work of managing the distribution of central Government grants such as that for Homes For Ukraine; a total of £94k distributed in Quarter 1. The service is facing cost pressures arising from the cost of living crisis specifically in the areas of increased postage costs and the 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 2024-25 is favourable to budget by £18k. This cost is out of the Council's control. Across the year it 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 Parking is adverse to budget as a result of the continued partial closure of Longsmith Street car park along with various additional survey and repair costs. It has also been noted the level of quarterly permit income being received has also declined following the switch by many organisations to home working for all or part of the week. The budget for this will be adjusted in the 2024-25 budgeting process.
- 5.9 The Commercial Property portfolio is forecast to be adverse to budget by £446k 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 Quarter area of Gloucester City Centre is progressing well and is expected to reach completion by the end of 2024-25. The historic investment property portfolio is slowly recovering as new arrangements are reached with tenants. Once these are finalised and the Forum development complete the Council will see an increase in its net income.
- 5.10 The Cemeteries and Crematorium service is adverse to budget by £158k and is one that is tricky to forecast and tends to see slightly lower demand in the spring/summer periods. The demand for wakes at the Arbor is strongly linked to the level of funerals at the Crematorium and so is also slightly down on budget at present. The forecast included in this report is aimed to be prudent due to the difficulty of predicting future deaths and the upcoming cremator replacement works that will inevitably lead to some down time.
- 5.11 As was the case in 2023-24, the estimated income from the ex-SWRDA properties and the VAT Shelter for 2024-25 is being utilised to cover the increased funding costs of the Council.

Housing

	24-25		Year End	Forecast
	Budget	Actual	Forecast	Variance
Housing	£000	£000	£000	£000
Private Sector Housing	32	(57)	37	4
Housing Strategy	159	(40)	152	(6)
Homelessness & Housing	1,172	242	1,028	(144)
County Homelessness Partnerships	-	(0)	(0)	(0)
Total	1,363	145	1,217	(146)

- 5.12 This portfolio is currently favourable to budget by £146k.
- 5.13 The significant increase in the demand for temporary accommodation experienced in 2023-24 has continued into the current year. As noted in the 2023-24 Outturn Report the officers of the Council have taken steps to alleviate this financial burden on the Council including the purchase of several properties. Many of these purchases have now been concluded and the works to convert to ensure that they are fit for use as temporary accommodation is in progress. Several of these properties will be available for use in the latter half of Quarter 2 of 2024-25. This leads to the current forecast of an underspend against budget of £144k.

Community Engagement

	24-25 Budget £000	Actual £000	Year End Forecast £000	Forecast Variance £000
Community Engagement				
Community Strategy, Projects & Grants	1,071	245	1,061	(10)
Customer Services	472	101	432	(40)
Licensing	(117)	(28)	(79)	38
Shopmobility	70	13	40	(29)
Total	1,496	330	1,455	(41)

- 5.14 The outturn for this portfolio is favourable to budget by £41k. 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.
- 5.15 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.
- 5.16 The Customer Services team and Shopmobility are both favourable to budget due to staff vacancies arising from staff secondments and leavers, the recruitment freeze towards the end of 2023-24, and the subsequent time taken to fill vacant roles.
- 5.17 Licensing is currently forecast to be adverse to budget by £38k. This is primarily a result of many of the licence fees being statutory and not having been increased for several years whilst the costs of administering them have continued to increase with inflation.

Environment

	24-25 Budget £000	Actual £000	Year End Forecast £000	Forecast Variance £000
Environment				
Waste & Recycling	5,218	1,242	5,430	212
Streetcare & City Centre	766	238	753	(13)
Environmental Health	211	47	195	(15)
Parks & Countryside	254	72	254	0
Climate Change & Environment	64	17	64	1
Total	6,512	1,617	6,696	185

- 5.18 This portfolio is adverse to budget by £185k.
- 5.19 There continues to be inflationary pressures on the costs of the waste and recycling contract. These costs are partly mitigated by the sale of recyclable materials. The best prices are achieved from baled materials and unfortunately the baler has required a major overhaul in the first few months of 2024-25 meaning that the overall income levels were reduced. The forecast for the contract for the remainder of the year is prudent and it is hoped that the work done on the baler will lead to improved returns over the coming months.

Planning

	24-25		Year End	Forecast
	Budget	Actual	Forecast	Variance
Planning	£000	£000	£000	£000
Planning	73	41	220	147
Planning Policy	390	99	386	(4)
Community Infrastructure Levy	-	-	-	-
Land Charges	(83)	(22)	(84)	(1)
Heritage	145	48	175	30
Total	525	166	697	171

- 5.20 This portfolio is forecast to be adverse to budget by £171k.
- 5.21 Despite the planning income budget being reduced for 2024-25 following the reduction in income noted in 2023-24 and the increase in the amounts that can be charged following the Government legislative changes, the income forecast from planning applications is still below that budgeted. As with all variable income sources it is difficult to forecast what may happen in the next few months and the forecast has been kept prudent. The impact of any changes arising from the new Government regarding planning are still to be understood and once known will be built into future forecasts.
- 5.22 The Development Management team also has a number of staff vacancies that are being covered by more expensive agency staff to ensure that applications are reviewed and processed in a timely fashion. Some of the agency staff cost is being offset against grants from the Government for work they are doing on a project in co-ordination with other Councils towards transforming and digitising planning processes - the Reducing Invalid Planning Applications (RIPA) and Back Office Planning System (BOPS) project.

Culture & Leisure

	24-25		Year End	Forecast
	Budget	Actual	Forecast	Variance
Culture & Leisure	£000	£000	£000	£000
Museums	730	171	693	(38)
Guildhall	365	47	371	6
Blackfriars	153	(49)	139	(14)
Events	330	221	427	96
Destination Marketing	167	37	163	(5)
Leisure Service	413	151	474	60
Total	2,160	578	2,266	107

- 5.23 This portfolio is forecast to be adverse to budget by £107k.
- 5.24 The Culture & Leisure team continue to be successful in their grant applications. The works at the Museum to utilise the Museum Estate and Development Fund grant funding are in progress with match funding coming from the Museum Bequest earmarked reserve. Similar to many areas, the favourable position on the Museum service is a result of staff vacancies.

- 5.25 The Guildhall team have continued to develop and expand their programme utilising their Arts Council England National Portfolio Organisation funding. Some of the new activities are proving more successful than others, the net forecast deficit is £6k.
- 5.26 Blackfriars continues to prove to be a popular venue for weddings and events with a strong flow of bookings across this year and into the summer of 2025. As a result it is forecast to be favourable to budget for the year by £14k.
- 5.27 The Events budget is adverse to budget as a result of the losses made from the Tall Ships Festival, which despite good feedback around the festival itself is currently estimated to have cost the Council £100k more than originally budgeted. The remaining festivals and events planned for 2024-25 will be carefully managed by officers to remain within the budgeted figures.
- 5.28 The Council's Leisure service continues to be provided by the interim operator, Freedom Leisure, whilst the procurement of a longer term operator is progressed. They are continuing to operate within the financial constraints of the Council. The overspend of £60k is a result of the legal and other procurement costs incurred. The officers of the Council are in the process of improving the energy saving measures at the leisure centre utilising the Sports England capital grant received earlier this year.

6.0 Movement in Earmarked Reserves

- 6.1 The Council continues to hold an earmarked reserve balance of over £3.9m 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	175	(175)	220
Insurance	10	-	-	10
Land Adoption	873	-	-	873
VAT Shelter	167	55	(55)	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	205	-	-	205
Transformation	25	-	-	25
Budget Equalisation	33	-	-	33
Destination Marketing	69	-	(17)	52
Planning Appeals	50	-	-	50
Communities	18	-	-	18
Climate Change	66	-	(4)	62
Neighbourhood Spaces	12	-	-	12
Legal Reserve	-	50	-	50
Health Inequalities	240	-	(25)	215
Reserves Total	3,942	280	(276)	3,946

- 6.2 The Council has drawn down previously reserved funds to pay for their intended usage during Quarter 1 of 2024-25 and where applicable carried forward amounts for future use.
- 6.3 The forecast net surplus from the ex-SWRDA assets is an estimated £175k contribution to the Regeneration Reserve in Quarter 1. As for 2023-24, this reserve was earmarked to contribute towards the Council's continuing regeneration projects in 2024-25, so all of the estimated receipts have been released in the Quarter towards these projects 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 Quarter 1 of 2024-25 the forecast contribution to funding is £55k. As per the approved budget for 2024-25 the whole of this amount is to be allocated from the reserve to contribute to the costs for the redevelopment of Kings Square and Kings Quarter – the Forum.
- 6.5 The releases from the Destination Marketing, Climate Change, and Health Inequalities reserves reflect the budgeted release of these reserves for Quarter 1 of the financial year; future quarters will see an equivalent release to the Revenue Account.
- 6.6 The Council received an amount of £50k of reserves back from One Legal in respect of unspent amounts from prior years. This amount is being held in a Legal Reserve to cover any potential future legal costs.

7.0 Capital Programme

- 7.1 The current position for the Capital Programme is a spend of £11.6m against the budget for the year of £37.7m. The current forecast of the total expenditure on the capital programme for 2024-25 is £36.3m.
- 7.2 The majority of the 2024-25 capital budget relates to the Kings Quarter project. This project has seen continued significant progress with The Forum development; this significant regeneration in the City is now a visible landmark and elements of the project are expected to be completed in the next few months.
- 7.3 The 2024/25 capital budget includes a new line for temporary housing, this is being used to purchase and carry out initial works on several residential properties to for use as temporary accommodation for homeless people. Since the start of 2024 offers have been made and accepted for a number of properties with the additional support of Local Authority Housing Fund grants. The acquisition of these properties are starting to complete and the works commenced to bring them into operation.
- 7.4 The Council continues to work with partners to deliver projects, such as the railway works with GWR and museum works via the Museum, Estate and Development Fund (MEND).
- 7.5 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
- 7.6 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. The performance on invoice payments during the quarter is below.

	<u>April</u>		<u>May</u>		<u>June</u>		<u>Qtr 1</u>	
Number paid within 30 days	628	95%	868	94%	711	93%	2,207	94%
Number paid over 30 days	31	5%	51	6%	51	7%	133	6%
Average Days to Pay (from receipt of invoice to payment date)		10		7		9		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.