



Wednesday, 10 December 2025

TO EACH MEMBER OF GLOUCESTER CITY COUNCIL

Dear Councillor

You are hereby summoned to attend a **SPECIAL MEETING OF THE COUNCIL** of the **CITY OF GLOUCESTER** to be held at the Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP on **Thursday, 18th December** at **6.30 pm** for the purpose of transacting the following business:

AGENDA

1. APOLOGIES

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.

3. PUBLIC QUESTION TIME (15 MINUTES)

The opportunity is given to members of the public to put questions to Cabinet Members on matters relating to the substantive business of the Special Meeting only, provided that questions do not contravene the provisions set out in Council Procedure Rule 10.01.

To ask a question at this meeting, please submit it to democratic.services@gloucester.gov.uk by 12 noon on Friday 12 December 2025 or telephone 01452 396203 for support.

4. PETITIONS AND DEPUTATIONS (15 MINUTES)

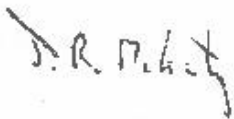
The opportunity is given to members of the public to present a petition or deputation on matters relating to the substantive business of the Special Meeting only, provided that any such petition does not contravene the provisions set out in Council Procedure Rule 11.01.

To present a petition or deputation at this meeting, please provide the subject matter democratic.services@gloucester.gov.uk by 12 noon on Friday 12 December 2025 or telephone 01452 396203 for support.

5. UPDATED FINANCIAL POSITION (Pages 6-33)

To consider the report of the Cabinet Member for Resources outlining the Council's updated financial position, following reports to Cabinet in September and December 2025.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'J. R. McGinty', is positioned above the printed name.

Jon McGinty
Managing Director

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NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

- ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

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- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.

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Gloucester City Council

Meeting:	Special Council	Date:	18 December 2025
Subject:	Updated Financial Position		
Report Of:	Cabinet Member for Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Alison Turner, Head of Finance and Resources		
	Email:	alison.turner@gloucester.go.uk	Tel: 39-6091
Appendices:	1. Cabinet report of 10 December 2025		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To support Members' request to convene a Special Council meeting to consider the Council's updated financial position, following reports to Cabinet in September and December 2025.

2.0 Recommendations

- 2.2 Council is asked to **RESOLVE** that the report to and decisions taken by Cabinet on 10 December 2025 be noted.

3.0 Background and Key Issues

- 3.1 As detailed in the report to Cabinet, the Council has struggled to meet the statutory deadlines for publishing its Annual Statement of Accounts since the cyber-attack in December 2021. This backlog has created a situation where financial information was delayed and incomplete over a number of years.
- 3.2 Based on the previous Value for Money review and the Council repeatedly missing the statutory deadline for publishing accounts, the auditors issued a Statutory Recommendations notice on 30th October; these, along with the Council's response, were approved by Members unanimously at Council on 25th November. The actions approved by Members will assist in getting back to regular financial reporting, robust budget monitoring and trustworthy financial information and improving the capacity and capability within the finance service ensuring it is fit for purpose in the future.
- 3.3 The 2024-25 accounts are transactionally closed, and are showing a variance against the budget of a significant overspend of £4.3m, higher than the estimated outturn reported in July this year of £262k. This level of overspend takes the general fund reserves into a negative position. The main variances from the previous estimate for 2024-25 are set out in the December report to Cabinet.

- 3.5 The half year position for the current year highlights an estimated forecast of £2.5 million net overspend, which will increase the negative reserves position. The main reasons for the overspends are ongoing budgetary challenges for the Council's commercial properties' income, bereavement services income, IT spending, waste spending, and housing subsidy budgets.
- 3.6 It is now clear that some key service budgets have been set at unrealistic levels for a number of years through a combination of lack of financial data, limited oversight of and engagement with budget officers and limited budget monitoring. This has, and would otherwise continue to, lead to overspends at year end and therefore needs to be fundamentally addressed to more accurately reflect likely activity and performance. Therefore a number of the 2025-26 budgets need to be reset, adding additional pressure on the net budget requirement and this will be brought forward to January's Council meeting.
- 3.7 The scale of the accumulated negative balances position means that the only way in which a Section 114 notice for the Council can be avoided is if an exceptional financial support (EFS) application is made to, and granted by, Government. The current estimate is that an EFS application in the range of between £12.5m and £17.5m will be required to build up the Council's reserves sufficiently to deliver a balanced budget. This may need to be reviewed further for future years. Initial discussions have already taken place with Government officials to begin the process of an application and these will continue during December and January.
- 3.9 If EFS funding is granted, Government will expect a robust recovery plan detailing how the net budget will be reduced and the borrowing repaid. When applying for EFS the Council must indicate the total amount of borrowing; however, borrowing is only undertaken at each year-end, based upon what is required at that time. Therefore asset disposals concluded in-year could reduce the amount of EFS required.
- 3.10 Officers recommended to Cabinet that the Recovery Plan has four main themes:
1. Financial recovery and taking early actions to deliver savings.
 2. Ensuring sufficient capacity, capability and resilience in key areas such as Finance and Asset Management to deliver the recovery plan and provide sustainable sound governance and stewardship of resources.
 3. Improved budget monitoring, reporting and accountabilities.
 4. Appropriate governance and communications to manage the plan.
- 3.11 The Council's overriding financial strategy for the next few years or up to LGR needs to be to:
- (a) rebuild its revenue reserves to sufficient levels.
 - (b) reduce the extent of its borrowing position and scale of debt repayments.
 - (c) reset budgets to realistic levels and reduce running costs/increase income to meet those revised budgets and,
 - (d) to improve its in year budget monitoring accuracy and timeliness.
- 3.12 The key elements of this strategy are set out in the December report to Cabinet and include:

1. Asset disposal plan.
2. Reviewing the Council's discretionary spend.
3. Reviewing Fees and Charges
4. Reducing employee costs.

3.13 CIPFA advisors have highlighted that to be successful, an EFS application will need to be accompanied by robust governance arrangements that will satisfy Government scrutiny and confidence that the recovery plan will actually be delivered. This is particularly the case for a Council that is in no overall political control, as Government will want reassurance that tough, unpalatable and undesirable decisions will be made in a timely fashion and implemented with minimal scope for political backtracking. If Government does not have confidence in the Council's governance arrangements, there is a risk they will send in Commissioners to take charge of the Council's decision-making (and at additional cost to the Council). Further details of proposals to meet these requirements are set out in the December report to Cabinet.

3.14 To progress the matters outlined in this report, on 10 December 2025 Cabinet was asked to:

- (1) Note the revised 2024-25 outturn and the significant impact this has had on the reserves position as detailed in section 7. (This is subject to on-going work by CIPFA and the Finance Team).
- (2) Note the six month financial monitoring position for 2025/26 as detailed in Section 5 and Appendix A.
- (3) Note the independent ARA/Lighthouse report in Appendix B as requested by Cabinet which investigated the problems the Council has faced in producing timely accounts since the cyber-attack.
- (4) Recommend to Council approval of a revised budget for 2025-26 increasing the net budget requirement by £2.8m as detailed in Table 3 noting the impact this will have on reserves and the Money Plan projections.
- (5) Approve that an application for Exceptional Financial Support (EFS) is submitted to the Ministry of Housing, Communities and Local Government (MHCLG) as set out in this report. The details of the EFS application to be finalised by the Section 151 Officer in consultation with the Cabinet Member for Performance & Resources.
- (6) To note the outline recovery plan shown in section 10 and the governance arrangements that will need to be set around this.
- (7) To approve the following changes to fees and charges from 1 January 2026:
 - Increase the Green Waste Bin Charge to £60 and remove concessions.
 - Increase the charge for Bulky Waste Collections to £30 for up to 3 items and £10 for each additional item and remove concessions.
 - To increase Fly Tipping Fixed Penalty Notices as detailed in section 9 of this report.

4.0 Social Value Considerations

4.1 There are no social value implications arising from this report.

5.0 Environmental Implications

5.1 There are no environmental implications arising from this report.

6.0 Alternative Options Considered

- 6.1 There are no alternative options as the purpose of the report is to note the decisions already taken by Cabinet.

7.0 Reasons for Recommendations

- 7.1 This report is intended to make Members aware of any significant issues in relation to financial standing and any actions that officers are taking in response to reduced reserves. The EFS application is essential to avoid a Section 114 notice being issued.

8.0 Future Work and Conclusions

- 8.1 It is recommended that a revised budget for 2025-26 is brought to January Council for Members' approval. The revised budget is expected to add an additional £2.8m to the net budget requirement which will impact further on reserves.
- 8.2 The drawing up and delivery of the Council's Recovery Plan will to be led by a sub-group of the Council's Senior Management Team, acting as a recovery leadership team. Lead accountabilities for delivery of each strand of the Recovery Plan will be assigned to individual officers. This team would also benefit from independent external advisors such as CIPFA and a property expert as asset management is a key element for the Recovery Plan.
- 8.3 Regular reports on the delivery of the recovery plan will come exclusively to a cross-party Member task and finish Recovery Board, to be chaired by the Leader of the Council, with Terms of Reference to be developed with the assistance of CIPFA advisors. Additionally, where necessary, reports seeking executive decisions will be brought to Cabinet and those can be scrutinised by Overview & Scrutiny Committee. Audit and Governance Committee should retain its primacy of role of ensuring that the External Auditors' Statutory Recommendations are implemented but neither it, nor Overview & Scrutiny, will be responsible for overseeing the Recovery Plan or duplicating the role of the Recovery Board.
- 8.4 The tough and challenging decisions that need to be made to stabilise the Council's financial position will be of great importance and concern to the public, Councillors, external stakeholders and staff. It is also important to ensure transparency of information about those decisions and to that end, it will be critical that effective communications are delivered around the Council's Recovery Plan and a Communications Plan will be drawn up and implemented throughout this process as part of the Recovery Plan.

9.0 Financial Implications

- 9.1 All financial implications are contained within the main body of this report, reports to Cabinet on 10 September 2025 and 10 December 2025 and the report to Council on 25 November 2025.

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

- 10.1 There are no legal implications from this report as its purpose is to note the decisions already taken by Cabinet.

(One Legal have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

- 11.1 Risks associated with the decisions taken by Cabinet are set out in the December report.

12.0 People Impact Assessment (PIA) and Safeguarding:

- 12.1 A PIA is not required as the purpose of this report is to note the decisions already taken by Cabinet. As explained in the report to Cabinet, an individual PIA will be provided for any relevant recovery plan proposals.

13.0 Community Safety Implications

- 13.1 There are no community safety implications arising from this report.

14.0 Staffing & Trade Union Implications

- 14.1 There are no staffing and trade union implications arising from this report; however, details of proposed staff reductions and the introduction of a Mutually Agreed Resignation Scheme are set out in the report to Cabinet on 10 December 2025.

Background Documents: None



Meeting:	Cabinet	10 December 2025
Subject:	Updated Financial Position	
Report Of:	Cabinet Member for Resources	
Wards Affected:	All	
Key Decision:	No	Budget/Policy Framework: Yes
Contact Officer:	Alison Turner, Head of Finance & Resources	
	Email: alison.turner@gloucester.gov.uk	Tel: 396091
Appendices:	A. Financial Monitoring Report Q2 B. Independent ARA/Lighthouse report	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present an updated financial position following on from the Finance report in September and to consider the consequences arising from this.

2.0 Recommendations

- 2.1 Cabinet is asked to:

- (1) Note the revised 2024-25 outturn and the significant impact this has had on the reserves position as detailed in section 7. (This is subject to on-going work by CIPFA and the Finance Team.
- (2) Note the six month financial monitoring position for 2025/26 as detailed in Section 5 and Appendix A.
- (3) Note the independent ARA/Lighthouse report in Appendix B as requested by Cabinet which investigated the problems the Council has faced in producing timely accounts since the cyber-attack.
- (4) Recommend to Council approval of a revised budget for 2025-26 increasing the net budget requirement by £2.8m as detailed in Table 3 noting the impact this will have on reserves and the Money Plan projections.
- (5) Approve that an application for Exceptional Financial Support (EFS) is submitted to the Ministry of Housing, Communities and Local Government (MHCLG) as set out in this report. The details of the EFS application to be finalised by the Section 151 Officer in consultation with the Cabinet Member for Performance & Resources.

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- (6) To note the outline recovery plan shown in section 10 and the governance arrangements that will need to be set around this
- (7) To approve the following changes to fees and charges from 1 January 2026:
 - Increase the Green Waste Bin Charge to £60 and remove concessions.
 - Increase the charge for Bulky Waste Collections to £30 for up to 3 items and £10 for each additional item and remove concessions.
 - To increase Fly Tipping Fixed Penalty Notices as detailed in section 9 of this report.

3.0 Background

- 3.1 This Council has struggled to meet the statutory deadlines for publishing its Annual Statement of Accounts since the cyber attack in December 2021. This backlog has created a situation where financial information was delayed and incomplete over a number of years. The accounts for 2021-22 were published in late 2024 with a standard disclaimed external Auditor option (a shortcut directed by Government in an attempt to deal with a national backlog of accounts) by Deloitte's (the Council's then external auditors) on 13 December 2024 and likewise for the 2022-23 accounts on 27th January 2025.
- 3.2 The accounts for 2023-24 were published 8th September 2025 and are currently being audited by the Council's new auditors Ernst & Young. Based on the previous VFM review and the Council repeatedly missing the statutory deadline for publishing accounts, the auditors issued a Statutory Recommendations notice on 30th October; these, along with the Council's response, were approved by Members unanimously at Council on 25th November. The actions approved by Members will assist in getting back to regular financial reporting, robust budget monitoring and trustworthy financial information and improving the capacity and capability within the finance service ensuring it is fit for purpose in the future. They are consistent with emerging findings from the work currently being undertaken by CIPFA which will be reported to the Authority shortly.
- 3.3 The 2024-25 Accounts are transactionally closed but have not been published. The estimated overspend for that year is £4.3m which puts general fund reserves into a negative balance. The Council has engaged the Chartered Institute of Public Finance Accountants (CIPFA) advisors to assist with a discovery exercise to review the Council's financial policies and ensure that this base position is accurate before the accounts are published.

4.0 Final Outturn Position 2024-25 (Pre Audit)

- 4.1 The 2024-25 Financial year is transactionally closed, the variance against the budget is a significant overspend of £4.3m, higher than the estimated outturn reported in July this year of £262k. This level of overspend takes the general fund reserves into a negative position. This effectively means the authority is in a Section 114 position and as such CIPFA advisors have been engaged to work with the finance team. The internal finance team have already over the past six months carried out a full review of the budgets and financial controls which has led to the findings in the September report and this report. The work by CIPFA is a discovery phase where the historical transactions are reviewed along with accounting policies for Minimum Revenue Provision (MRP), capitalisation, borrowing, valuations to ensure that the Council's

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baseline going forward is on the correct basis, initial work has not highlighted any further issues at this stage. But it is not complete therefore Members need to be aware that this figure could change.

Table 1 - 2024-25 Outturn Compared with Budget and Estimated Outturn (Jul 25)

Council Summary	2024-25 Budget £000	2024-25 Estimate £000	2024-25 Actual £000	Variance (Estimated v Actual) £'000
Regeneration & Leader	1,669	1,511	1,477	(34)
Resources	(1,068)	486	2,787	2,301
Housing	1,363	1,371	592	(779)
Community Engagement	1,496	1,407	1,591	184
Environment	6,512	6,810	6,846	36
Planning	525	609	631	22
Culture & Leisure	2,160	2,415	2,235	(180)
Corporate & Funding	(12,668)	(14,347)	(11,875)	2,471
Total	(12)	262	4,284	4,023

4.2 **Main Variances from the previous estimate**

The figures in the estimated outturn report in July were presented before the year was transactionally closed. This led to estimates being used for some areas which still had a number of transactions to go through eg Commercial Property, Interest payments and Housing. The work carried out by the finance team over the past six months highlighted issues for example with the accountancy treatment for Commercial Properties income. A number of the issues identified by the team led to the change in the figures and these are being reviewed along with the policies by CIPFA to get the base financial picture accurate.

Resources

Commercial Property Budget included initial income expectations for the Forum, Hotel & Car Park. Completion delays have impacted on the income received against budget in this year. Also, higher than estimated costs were incurred in relation to the property voids that have occurred in the city centre retail areas leading to the Council as landlord picking up significantly greater service charges, business rates and other costs– the timing of the invoicing and recognition of these is affected by the time taken to legally complete leases and lease contract extensions.

IT: Additional costs of the continued rebuild of the IT infrastructure and moving software into the “Cloud”; along with additional costs of new digital service provision and cyber security.

Revenues and Benefits: Additional administrative costs continued to be required of the Council to distribute a variety of new grants to the population of Gloucester. Also additional costs arose from pursuing increased levels of Council Tax and Business Rates arrears following Covid and the cyber incident.

Housing Subsidy: The final position in relation to the amounts that were reclaimable in relation to the actual housing benefits provided was greater by £150k.

Housing

Housing Services: This is an area where the actions taken by the Council and budget changes made for the 2024-25 budget following the 2023-24 sharp increases in temporary accommodation costs have proved more beneficial than expected. Additional grant income was identified from 2024-25 that could be released to cover the costs of this service provision.

Community Engagement

Community Strategy, Projects & Grants: Lower than estimated recovery of shared service costs and less grant income than estimated.

Culture & Leisure

Museum: a further review identified amounts that could be capitalised as part of the MEND grant capital works programme. The Business Rates position for the museum was also finalised leading to a credit for previously paid rates.

Corporate & Funding

Interest Costs: Less of the interest costs faced by the Council in 2024-25 were able to be capitalised into The Forum project.

Pension Costs: The actuarial figures for pension costs for the year were slightly higher than estimated.

Reserves transfers: The result of the reduction in the reserves following the finalisation of the 2023-24 accounts has meant that less reserves were available for utilisation than previously estimated.

5.0 Current Year – Q2 2025/26 Financial Monitoring Position

- 5.1** The half year financial position is presented in detail in Appendix A: this table summarises the main spending lines in line with the outturn table in section 4. This highlights an estimated forecast of £2.5 million net overspend which will increase the negative reserves position. The main reasons for the overspends are ongoing budgetary challenges for the Council's commercial properties income, bereavement services income, IT spending, waste spending, and housing subsidy budgets.

Table 2 Financial Monitoring Position Apr-Sept 2025-26

Council Summary	2025-26 Budget £000	Actual Apr-Sept £000	Year End Estimate £000	Final Variance £'000
Regeneration & Leader	1,592	359	1,426	(167)
Resources	(941)	2,766	2,301	3,421
Housing	1,232	(794)	751	(481)
Community Engagement	1,413	798	1,451	38
Environment	6,967	3,018	7,038	72
Planning	573	242	666	93
Culture & Leisure	1,604	950	1,633	28
Corporate & Funding	(12,567)	(5,748)	(12,746)	(180)
Total	(126)	1,590	2,519	2,645

6.0 2025-26 Revised Budget

- 6.1** It is clear from the overspends in previous years and the mid-year financial monitoring report detailed in Appendix A that some key service budgets have been set at unrealistic levels for a number of years through a combination of lack of financial data, lack of engagement with budget officers and limited budget monitoring. This has, and would otherwise continue to, lead to overspends at year end and therefore needs to be fundamentally addressed to more accurately reflect likely activity and performance. It is recommended that a revised budget for 2025-26 is brought to January Council for Members' approval, focusing on amendments as set out in Table 3 below. The revised budget is expected to add an additional £2.8m to the net budget requirement which will impact further on reserves.

Table 3 – Revised Budgets for 2025-26

Summary	Approved Budget £000	Recommended revised budget £000	Variance £000 Increase/(reduction)
RESOURCES			
Commercial Property	(3,317)	(1,540)	1,777
Asset Management	741	1,130	389
Housing Subsidy	(377)	(10)	367
IT	2,132	2,430	298
Cemeteries/Crematorium	(1,406)	(910)	496
HOUSING			
Housing & Homelessness	1,232	750	(482)
Total increase in Net Budget Requirement/impact on reserves			2,845

- 6.2** The reset of the budgets detailed above are based on the figures presented in sections 4 and 5 of this report and Appendix A which show that these budgets have not reflected a realistic position and require revision for the reasons explained.

7.0 Money Plan 2026-31 with adjusted Reserves

- 7.1** The table below details the updated general fund reserves position based on the 2024-25 Outturn (Section 4), the 2025-26 revised budget reset (Section 6) and updated Money Plan high level projections. The table shows that this Council is in a negative General Fund reserves position (effectively in a S114 position) due to overspends in previous years with reserves not being replenished and various unrealistic budgets that don't reflect the current activity. This table below clearly demonstrates that without Exceptional Financial Support (EFS) from Government, the Section 151 officer will be in a position where a Section 114 notice would need to be issued as the Council would not be able to set a balanced budget for 2026-27. It is only due to the fact that the council is in discussions with MHCLG that means the Section 151 Officer doesn't need to consider a section 114 notice.

Table 4 Money Plan 2026-31 update with Adjusted Reserves

Money Plan 2025-30	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000	2030-31 £'000
Opening Balance	394	(3,890)	(5,127)	(12,483)	(17,331)	(19,454)	(21,736)
Contribution to/(from) General Fund	(4,290)	(1,237)	(7,356)	(4,848)	(2,123)	(2,282)	(2,403)
Closing Balance	(3,890)	(5,127)	(12,483)	(17,331)	(19,454)	(21,736)	(24,139)

7.2 The figures presented in Table 4 are based on the high level update of the 2026-31 Money Plan. The figures have been increased for the pay award, inflation on contracts and income from fees and charges all at 3%. Additional provision has been built in for interest on borrowing, Local Government Reorganisation implementation costs and additional capacity needed in Finance and Property teams to deliver the improvements required as part of the recovery plan. The figures also include projected savings/increased income of £1m in 2026-27 and a further £1m in 2027-28. Revenue Support Grant and Business Rates figures have been increased back to the current year's level based on projections following the recent local government finance policy statement and Government's Budget announcements. This will be adjusted again when the provisional settlement is issued week beginning 15th December.

8.0 Current position

8.1 If confirmed following this discovery exercise, the 2024-25 Outturn position has taken the Council into negative reserves. Additionally, the latest Q2 financial monitor is highlighting that budget issues still exist across a number of areas of the Council's finances, and therefore a number of the 2025-26 budgets need to be reset, adding additional pressure on the net budget requirement.

8.2 The scale of the accumulated negative balances position means that the only way in which a Section 114 notice for the Council can be avoided is if an exceptional financial support (EFS) application is made to, and granted by, Government. The current estimate is that an EFS application in the range of between £12.5m and £17.5m will be required to build up the Council's reserves sufficiently to deliver a balanced budget. This may need to be reviewed further for future years. Initial discussions have already taken place with Government officials to begin the process of an application and these will continue during December and January.

8.3 The internal Finance team have over the past six months worked on improving the financial controls, budget monitoring and financial reporting. This has led to the findings detailed in the September financial update report and this report. CIPFA Advisors have been engaged to assist with the discovery phase ensuring the work the internal finance team have completed ensures base position is correct. They are also providing advice on the EFS process, recovery plan and the governance

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arrangements required to ensure the Council meets Government and public expectations.

- 8.4 Officers are working on plans to reduce spending and increase income as part of the Council's financial recovery, including focussed work on culture and property. It will be essential to demonstrate to Government that the Council can deliver savings, extra income and realise capital receipts. The money plan assumes a reduction in the net budget requirement of £1m in 2026-27 and a further £1m in 2027-28.

9.0 Exceptional Financial Support (EFS)

- 9.1 The Council has approached Government officials to find out if it would be eligible for EFS based on the financial situation presented. The informal discussions have been positive which means a s114 notice is not required at this stage which is supported by Kings Counsel advice. Based on the updated general fund reserves detailed in Table 4 the EFS application would be a minimum of £12.5m to ensure the Council could set a balanced budget for 2026-27, however there would still be significant challenges in 2027-28 to set a balanced budget therefore the range for EFS is expected to be between £12.5m and £17.5m.
- 9.2 The Government's EFS arrangement provides councils with exceptional permission to capitalise annual revenue costs and then fund them through long term borrowing which can be paid off with capital receipts from asset disposals and other savings plans. EFS provides permission to borrow and does not provide grant funding. If Government approves EFS, it is agreeing to the Council borrowing on an exceptional basis to fund annual, recurring, revenue expenditure e.g. staffing, utilities, rather than capital expenditure.
- 9.3 EFS will enable budget funding gaps to be met temporarily in order to deliver balanced budgets, while providing time for the Council to deliver reductions and generate increased income to set balanced budgets and increase general fund reserves to ensure the Council is financially sustainable over the medium term.
- 9.4 If EFS funding is granted, Government will expect a robust recovery plan detailing how the net budget will be reduced and the borrowing repaid. When applying for EFS the Council must indicate the total amount of borrowing; however, borrowing is only undertaken at each year-end, based upon what is required at that time. Therefore asset disposals concluded in-year could reduce the amount of EFS required.
- 9.5 The Application Process requires completion of a EFS form with a range of supporting information requested by Government during December. A "Provisional" EFS approval may then be granted by Ministers in February which should be in time to be used to set the 2026-27 budget. If EFS is not granted the Section 151 officer will have to issue a s114 notice as the 2026-27 budget cannot be balanced due to prior year negative general fund reserves and the pressures on the net budget requirement without external assistance. This would have significant implications for the council.

10.0 Outline Recovery Plan

- 10.1 Government will require a recovery plan alongside the EFS application. This document will show how the Council intends to manage the process to get back to a

stable financial position. It will outline immediate and long term actions to achieve stabilisation.

Officers recommend that the Recovery Plan has four main themes:

- 1 Financial recovery and taking early actions to deliver savings
- 2 Ensuring sufficient capacity, capability and resilience in key areas such as Finance and Asset Management to deliver the recovery plan and provide sustainable sound governance and stewardship of resources.
- 3 Improved budget monitoring, reporting and accountabilities
- 4 Appropriate governance and communications to manage the plan.

10.2 The Council's overriding financial strategy for the next few years or up to LGR needs to be to

- (a) rebuild its revenue reserves to sufficient levels,
- (b) reduce the extent of its borrowing position and scale of debt repayments,
- (c) reset budgets to realistic levels and reduce running costs/increase income to meet those revised budgets and:
- (d) to improve its in year budget monitoring accuracy and timeliness.

10.3 Key elements to address this will be:

Asset Management

The recovery plan will set out an Asset Disposal Plan, generating sufficient capital receipts which, if EFS is granted, may be used to temporarily support the cost of revenue spending and pay off borrowing to reduce costs. It will also set out a more proactive approach to asset and portfolio management, increasing the income from key retained commercial property assets. A review of the Council's Car Parks Service and how these can best support the Council's financial strategy will also be a priority.

Review Council's discretionary spend

Officers have reviewed spending options for cultural services and have concluded the following changes need to be made in that area:

- Cease to operate Blackfriars Priory from May 2026
- Keep the Museum of Gloucester Open but reduce its opening hours from April 2026
- Reductions in the Council's financial support for Festivals and Events programme.

Officers have reviewed the Council's Community Engagement service area and have concluded the following changes need to be made:

- Change in Community Safety Management
- Reduction in Staffing and replacing members grants with a different method of awarding grants.
- Review arrangements for the Solace partnership

Additionally, the Council is also reviewing the management of its Countryside Unit

Fees and Charges

These will be comprehensively reviewed as part of the usual budget setting process in February. However, the following are recommended for approval by Cabinet as part of this report, with immediate implementation from 1st January 2026.

- Green Waste optional collection service: increase charge to £60 and remove concessions
- Bulky waste: Increase fee to £30 for up to 3 items and then £10 for each additional item and remove concessions
- Fly-tipping Fixed Penalty Notices: Increase from £400 (statutory minimum) to scaled approach as set out in the table below:

Incident	FPN level	Discount	Notes
1-4 bags of waste or equivalent.	£600	25% within 14 days	First offence only.
More than 4 bags of waste or equivalent	£800	25% within 14 days	First offence only.
Any amount of waste	£1000	None	2 or more offences within 24 months with FPNs or prosecution, or, First offence and the offender meets any 1 or more the above high or medium aggravating factors.

Employee Costs

The Council is introducing a Mutually Agreed Resignation Scheme (MARS)

Recruitment – Officers are reviewing all current Temp/Interim appointments and seeking to regularise these into permanent positions if essential, or releasing those staff if not. It is also more rigorously reviewing all vacant posts, and is suspending the Apprenticeship Programme for a year.

Other actions

The Council is continuing to review all non-essential spend, including spend currently planned but not yet commissioned

Officers are exploring further restructuring options and other operational efficiencies (including the scope of the Ubico contract and further actions to reduce housing temporary accommodation revenue spend) and further income generation opportunities.

- 10.4 The reserves position in section 7 includes revenue savings of £1m in 2026-27 and a further £1m for 2027-28. The actions in the recovery plan will deliver these reductions to the net budget requirement. Further work will be required to provide meaningful savings estimates in the area highlighted above with appropriate plans to ensure the capacity and capability to deliver.

11.0 Governance and Communication

- 11.1 CIPFA advisors have highlighted that to be successful, an EFS application will need to be accompanied by robust governance arrangements that will satisfy Government scrutiny and confidence that the recovery plan will actually be delivered. This is particularly the case for a Council that is in no overall political control, as Government will want reassurance that tough, unpalatable and undesirable decisions will be made in a timely fashion and implemented with minimal scope for political backtracking. If Government does not have confidence in the Council's governance arrangements, there is a risk they will send in Commissioners to take charge of the Council's decision-making (and at additional cost to the Council).

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- 11.2 CIPFA advisors have likened this to a 'Command and Control' Gold/Silver/Bronze emergency planning approach, where officers will be taking immediate decisions whilst keeping Members informed, and seeking Member endorsement of recovery plans drawn up by officers rather than seeking Member approval. Effectively, the Council should treat the delivery of its recovery plan as if the Council were in a Section 114 scenario, where the Council's Chief Financial Officer along with the other Statutory Officers would effectively take over decision-making responsibility for all expenditure.
- 11.3 However, the drawing up and delivery of the Council's Recovery Plan needs to be led by a sub-group of the Council's Senior Management Team, acting as a recovery leadership team. This Team will assign lead accountabilities for delivery of each strand of the Recovery Plan to individual officers. This team would also benefit from independent external advisors such as CIPFA and a property expert as asset Management is a key priority for the Recovery Plan.
- 11.4 It will be critical to ensure that there is no confusion of accountabilities and duplication of effort with regards to Member oversight of the Recovery Plan activity. It is therefore recommended that regular reports on the delivery of this Plan will come exclusively to a cross-party Member task and finish Recovery Board, to be chaired by the Leader of the Council, with Terms of Reference to be developed with the assistance of CIPFA advisors. Additionally, where necessary, reports seeking executive decisions will be brought to Cabinet and those can be scrutinised by Overview & Scrutiny Committee. Audit and Governance Committee should retain its primacy of role of ensuring that the External Auditors' Statutory Recommendations are implemented but neither it, nor Overview & Scrutiny, will be responsible for overseeing the Recovery Plan or duplicating the role of the Recovery Board.
- 11.5 The tough and challenging decisions that need to be made to stabilise the Council's financial position will be of great importance and concern to the public, Councillors, external stakeholders and staff. It is also important to ensure transparency of information about those decisions and to that end, it will be critical that effective communications are delivered around the Council's Recovery Plan and a Communications Plan will be drawn up and implemented throughout this process as part of the Recovery Plan.

12.0 Social Value Considerations

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

13.0 Reasons for Recommendations

- 13.1 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 aware of any significant issues in relation to financial standing and any actions that officers are taking in response to reduced reserves. The EFS application is essential to avoid a Section 114 notice being issued.

14.0 Financial Implications

- 14.1 All financial implications are within the report, which is of a wholly financial nature.

15.0 Legal Implications

15.1 There are no legal implications from this report.

(One Legal have been consulted in the preparation this report)

16.0 Risk & Opportunity Management Implications

16.1 There is a risk of financial sustainability as general fund reserves are in negative balance and the 2026-27 budget can only be delivered with EFS. The figures presented have a level of risk because they are based on a number of assumptions with the best information available. External factors such as payaward, inflation, interest rates increases will impact on the figures presented. Its also important to note that a essential part of the recovery plan is asset management and disposal, if this can not be delivered it will have a significant impact on the estimates presented.

16.2 This Council may need to consider an EFS application for future years but this will depend on the recovery plan delivery and external factors.

17.0 People Impact Assessment (PIA):

17.1 An individual PIA will be provided for any relevant recovery plan proposals.

18.0 Other Corporate Implications

Community Safety / Sustainability / Staffing & Trade Union

18.1 None.

Financial Monitoring Report Q2 – April – September 2025**1.0 Purpose of Report**

- 1.1 For Members to note the current and year-end forecasts for the General Fund Revenue position against the agreed budgets for the 2025-26 financial year.

2.0 Recommendations

- 2.1 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 £2,519k against a budgeted increase of £126k.
 - (2) The details of specific budgetary issues identified by officers and the actions being taken to address those issues.

3.0 Background and Key Issues

- 3.1 The Council approved the 2025-26 Budget in February 2025. This report sets out the financial position as at the end of September 2025. It is based on actual costs and income mid-way through the year, with the current forecast for the remainder of the financial year. The forecast is based on the 6 months of this year and historical trends, therefore needs to be considered in this context. 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 detailed in the updated 2023-24 Outturn and consequent impact on Money Plan report presented to members in September, the financial challenges have increased due to the impact the overspends have had on the level of reserves. The Financial Statements for 2024-25 are nearing completion and are showing a further reduction in the General Fund reserves of £4.3 million which takes the Council into negative reserves. Inevitably, the current budget is being monitored robustly, and discussions are underway with the MHCLG and CIPFA to bring the funding position under control by applying for Exceptional Financial Support (EFS).
- 3.3 On the 20th November the Government issued an outline policy statement following the Fair Funding Review consultation that has provided indications of their plans, which appear to retain a significant linkage to delivering a greater level of funding to those areas with the highest levels of deprivation according to the Government's indices. Our advisors are currently updating their models for the potential impact of these announcements. The Government will not announce the full detail of the provisional settlement until week beginning 15th December; although it is currently expected to be a multi-year settlement which will assist with medium term planning. The money plan has been updated to take the external funding back to current year level and this will be updated when the provisional settlement is issued.
- 3.4 This report summarises the estimated position at the end 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. It is important that the current year budget is managed robustly to minimise the eventual level of overspend faced by the Council, with plans being put in place to revise the 2025-26 budget and to build the necessary savings into the 2026-27 budget processes.

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- 3.5 This report will focus on providing some detail and commentary of the financial variances at a portfolio level for 2025-26. 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.

	25-26 Budget £000	Actual £000	Year End Estimate £000	Final Variance £000
Council Summary				
Regeneration & Leader	1,592	359	1,426	(167)
Resources	(941)	2,766	2,301	3,241
Housing	1,232	(794)	751	(481)
Community Engagement	1,413	798	1,451	38
Environment	6,967	3,018	7,038	72
Planning	573	242	666	93
Culture & Leisure	1,604	950	1,633	28
Corporate & Funding	(12,567)	(5,748)	(12,746)	(180)
Total	(126)	1,590	2,519	2,645

- 4.2 The current year end forecast position is for the Council to have a budget shortfall of £2.645 million. This will add to the negative reserves position, urgent actions are required to be taken to further address this difficult financial situation. As noted in paragraph 3.2 discussions are underway with the Government and CIPFA to develop plans to address the financial situation of the Council going forwards.

5.0 Significant items of note

Regeneration and Leader

	25-26 Budget £000	Actual £000	Year End Estimate £000	Forecast Variance £000
Regeneration & Leader				
Economic Development	337	(250)	238	(100)
Democratic Services	888	434	808	(80)
Communications	116	64	113	(3)
Senior Management	251	111	267	16
Total	1,592	359	1,426	(167)

- 5.1 The outturn for this portfolio is favourable to budget by £167k.
- 5.2 The favourable variance in the Economic Development service area primarily arises from the application of Regeneration Reserve amounts to cover staff costs related to The Forum development whilst this project continues to its conclusion. This team also continues to manage the distribution of the Government funded UK Shared Prosperity Fund for projects in the City.
- 5.3 The underspend in the Democratic Services team is mainly due to staff vacancies.

Resources

	25-26		Year End	Forecast
Resources	Budget	Actual	Estimate	Variance
	£000	£000	£000	£000
Financial & Corporate	1,241	458	1,220	(21)
Revenues & Benefits	523	330	424	(99)
IT	2,132	1,972	2,427	295
Parking	(1,919)	(822)	(1,875)	44
Business Support	320	211	350	30
Asset Management	741	750	1,127	386
Commercial Property	(3,317)	(214)	(1,536)	1,781
SWRDA	(445)	(227)	(435)	11
Cemeteries & Crematorium	(1,406)	(485)	(907)	499
Internal Audit	213	51	205	(8)
Transformation	308	141	275	(33)
HR & Apprentices	476	212	388	(89)
Legal Services	630	338	697	67
Housing Subsidy	(377)	16	(11)	367
Markets & Street Trading	(60)	37	(48)	12
Total	(941)	2,766	2,301	3,241

- 5.4 This portfolio is forecast to be adverse to budget by £3.241k.
- 5.5 The Cemeteries and Crematorium service is adverse to budget by £499k. The current trend seems to be for more direct cremations to be taking place which is leading to a resultant reduction in the demand for full cremations. The number of wakes at the Arbor is strongly linked to the level of full funerals that occur at the Crematorium and is therefore also seeing lower income levels. The forecast included in this report attempts to reflect the trends, and going forwards proposals will be made to adjust this income budget in light of the trends being observed.
- 5.6 The Commercial Property portfolio is adverse to budget by £1.78 million. Overall, the portfolio is forecast to contribute a net income to the Council of over £1.5m. As mentioned in prior monitoring reports, 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. The regeneration of the Kings Quarter area of Gloucester City Centre is approaching completion with several key tenants signed up and starting to take occupation of the office, hotel, and car park elements of the project as it reaches completion in the second half of 2025-26. The historic investment property portfolio is slowly recovering as new arrangements are reached with tenants. A review of the budget for this portfolio is being undertaken and a revised position is being presented as part of the overall restatement of the 2025-26 budget.
- 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 an impact on the final outturn. The forecast outturn for 2024-25 is adverse to budget by £367k. Across the year it is partly 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 forecast for Parking is slightly adverse to budget by £44k. The Council continues to face significant ongoing survey, repairs, and maintenance works costs at the various car parks; along with increased security costs to ensure customer safety

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within the car parks. Officers are continuing to manage these costs and take actions to mitigate them as appropriate. Fees were also increased from November this year.

- 5.9 The Asset Management spend is currently forecast to be £386k adverse to budget. This is primarily a result of the costs of the ongoing work being undertaken to ensure the latest regulatory requirements for buildings are being met and that necessary emergency works are addressed as identified. Officers are acting to ensure that the works undertaken are required and are in the process of developing a longer term asset management plan. The costs incurred will be reviewed to ensure spend is capitalised where possible.
- 5.10 The adverse position to budget for IT reflects the changes to the Council's operations over the past few years as more services have been made accessible through digitalisation. Some of this additional cost is mitigated by the savings noted in other service areas.
- 5.11 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 £193k being distributed in the first four months of 2025-26.
- 5.12 As was the case in 2024-25, the estimated income from the ex-South West Regional Development Agency owned properties, and the VAT Shelter, for 2025-26 is being utilised to cover some of the interest charges in relation to the regeneration projects.

Housing

	25-26 Budget £000	Actual £000	Year End Estimate £000	Forecast Variance £000
Housing				
Private Sector Housing	37	(400)	(1)	(38)
Housing Strategy	168	32	164	(4)
Housing & Homelessness	1,027	(426)	588	(439)
County Homelessness Partnerships	-	(0)	(0)	(0)
Total	1,232	(794)	751	(481)

- 5.13 This portfolio is currently forecast to be favourable to budget by £481k.
- 5.14 The level of grants received into this area increased in the year and officers are taking actions to ensure that the grants are used appropriately to mitigate and reduce long term costs where appropriate.
- 5.15 The various properties that the Council has purchased over the past 18 months to reduce the reliance on hotel rooms as temporary accommodation have started to be occupied by individuals and families and as such are forecast to alleviate some of the financial burden on the Council. As with many items in the Council budget, the levels of homelessness and other individuals requiring support are hard to forecast, especially across the forthcoming winter period, along with the costs of any of any further preventative actions required. The budget officer is proactively monitoring this budget to ensure action is taken to mitigate overspends.

Community Engagement

	25-26 Budget	Actual	Year End Estimate	Forecast Variance
Community Engagement	£000	£000	£000	£000
Community Strategy, Projects & Grants	1,043	649	1,140	98
Customer Services	410	214	438	28
Licensing	(114)	(97)	(184)	(70)
Shopmobility	73	32	56	(17)
Total	1,413	798	1,451	38

- 5.16 The outturn for this portfolio is currently forecast to be slightly adverse to budget by £38k. 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.
- 5.17 The Communities team is continuing its work on the Health Inequalities Project using the grant funding from the NHS received towards this project.

Environment

	25-26 Budget	Actual	Year End Estimate	Forecast Variance
Environment	£000	£000	£000	£000
Waste & Recycling	5,511	2,320	5,750	239
Streetcare & City Centre	882	570	909	27
Environmental Health	215	(111)	(30)	(245)
Parks & Countryside	272	192	295	23
Climate Change & Environment	85	47	113	28
Total	6,967	3,018	7,038	72

- 5.18 This portfolio is currently forecast to be adverse to budget by £72k.
- 5.19 There continue to be inflationary pressures on the costs of the waste, recycling and street care services contract. These costs are partly mitigated by the sale of recyclable materials, and other grants and income from various contracts with Gloucestershire County for highways grounds maintenance; the income from which remains on target for the year. The Council has continued to work with Ubico to invest capital towards the purchase of additional vehicles and machinery to reduce hire costs and the overall costs of the service provision.

Planning

	25-26 Budget	Actual	Year End Estimate	Forecast Variance
Planning	£000	£000	£000	£000
Planning	60	47	241	181
Planning Policy	394	140	304	(91)
Community Infrastructure Levy	-	0	0	0
Land Charges	(85)	(40)	(77)	8
Heritage	203	94	198	(6)
Total	573	242	666	93

- 5.20 This portfolio is currently forecast to be adverse to budget by £93k.

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- 5.21 The net cost of the Planning service is currently forecast to be adverse to budget by £181k as a result of lower income from planning applications and government grant funding. The cost of the Building Control shared service has also increased significantly in the year.
- 5.22 The Planning Policy service manager has been seconded into the Strategic Local Plan team and their salary recharged to this Tewkesbury based project. This has led to the forecast underspend in this area as there is no back-fill.

Culture & Leisure

	25-26 Budget	Actual	Year End Estimate	Forecast Variance
Culture & Leisure	£000	£000	£000	£000
Museums	769	481	750	(19)
Guildhall	432	195	426	(6)
Blackfriars	77	(41)	91	14
Events	309	166	268	(40)
Destination Marketing	172	122	234	62
Leisure Service	(155)	28	(137)	18
Total	1,604	950	1,633	28

- 5.23 This portfolio is currently forecast to be adverse to budget by £28k.
- 5.24 The Museum service is currently reviewing its business strategy and developing a plan with the Asset Management team for the works required on the current museum building. During the summer and beyond they have been working with the Council's archaeology team to work through the huge amount of potentially important historical artefacts discovered at development sites, and have been showcasing this work at a Discovery Centre unit in the Eastgate shopping centre. This work has been funded by a National Heritage Lottery Fund grant.
- 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 current forecast position is one of £6k favourable to budget.
- 5.26 The Council's leisure operator, Freedom Leisure, are continuing to improve the services provided at both GL1 and Oxstalls, and this area is currently forecast to be adverse to budget by £18k due to repairs costs, but will still see the Council receive an income rather than face a cost for the service by the end of the year. These developments include capital improvements to the buildings and infrastructure at both sites, many of which are in progress or currently being procured. Any delay in these projects could have an impact on revenue but this will be managed between the Council and operator.



Management Advice & Action Memo

To: Jon McGinty – Managing Director
Alison Turner – Head of Finance and Resources and Section 151 Officer
Jane Cryer – Monitoring Officer

From: Chris Harris Associate Auditor, Lighthouse Consulting working for ARA

Issue Date: 01/12/2025

Audit Title: Audit Advisory Work – Management and Oversight of the Financial Position at Gloucester City Council

1. Introduction

1.1 The purpose of the review was to provide independent advice on the Financial Position of Gloucester City Council following the cyberattack in December 2021.

1.2 This was an advisory piece of work focusing on the financial issues including monitoring and reporting arrangements from December 2021 to September 2025 and how they have been managed.

1.3 Internal Audit advice is given without prejudice. We reserve the right to review and provide further advice or make recommendations on relevant policies, procedures, risks, controls, and operations at a later date.

1.4 This management advisory memo will be submitted to the relevant head of the service that was subject to this work. This memo does not constitute a formal Internal Audit report.

2. Objectives

2.1 This was a review into the financial issues referred to within the Cabinet report 10th September 2024, 'Updated 2023-24 outturn report and the consequent impact on the Money Plan,' it included:

- i. identification of the root causes of the changing understanding of the Council's financial position over the period referred to in this report;
- ii. an assessment of decision-making, governance, and oversight arrangements in place during that period including the extent to which Members were informed of the uncertainty of the figures in a timely manner;
- iii. recommendations to prevent recurrence and restore public and stakeholder confidence.

3. Root Causes and Remedial Actions

3.1 Root Cause Issue / Critical Event:

Loss of Financial Systems.

The root cause/critical event leading to the loss of financial systems was the deployment of ransomware following a spear-phishing attack via a compromised supplier email. This encrypted on-premise servers hosting Civica Financials, forcing reliance on manual workarounds and creating fragmented financial data streams. The incident exposed vulnerabilities in supplier email security, system hosting arrangements, and business continuity planning. The ransomware attack disabled electronic financial systems, including accounting software and digital records.

3.1.1 Remedial Action(s) Taken:

The Council undertook a series of remedial actions to stabilise operations and finances. Core IT systems were rebuilt from scratch, with Civica Financials and other critical applications gradually restored to service. To maintain business continuity during the outage, staff relied on manual workarounds and later reconciled these records into the restored systems. Financially, urgent measures were introduced to offset reserve erosion once this was known, including car park fee increases, pausing staff recruitment, and asset reviews. The Council also strengthened its cyber security posture by working with the National Cyber Security Centre, enhancing monitoring, and updating disaster recovery arrangements to reduce future vulnerability.

3.1.2 Further Actions Required.

No further action required

3.2 Root Cause Issue / Critical Event:

Manual Workarounds and Data Fragmentation; Delayed and Incomplete Financial Reporting.

Servers were encrypted and access to Civica Financials and other core financial systems was blocked. With these systems and services unavailable for months, staff were forced to develop and rely on manual workarounds. Provisional spreadsheets were created, paper based records introduced and ad-hoc reports to try to keep essential services running.

When systems were eventually rebuilt and restored, these manually recorded transactions had to be re-entered into Civica Financials, creating multiple overlapping data streams (backups, manual records, restored entries). This reconciliation process took time and introduced duplication and inconsistencies, resulting in data fragmentation across financial records.

3.2.1 Remedial Action(s) Taken:

The Council rebuilt the core IT infrastructure and gradually restored Civica Financials and other critical systems. Manual workarounds used during the outage were reconciled into the restored systems. Urgent financial measures such as car park fee increases, a pause on recruitment of staff, and asset reviews were also introduced to stabilise reserves. The Council also worked with national cyber security partners to strengthen monitoring, enhance disaster recovery arrangements, and embed improved business continuity planning. These actions provided a level of stabilisation but highlighted the need for longer-term resilience measures to protect financial integrity and governance assurance in the event of future disruption.

3.2.2 Further Actions Required:

- Embed reconciliation protocols for manual workarounds, with dual sign-off and audit trails by Q2 2026.
- Record “data fragmentation” as a corporate risk linked to continuity and ITDR planning by Q1 2026.
- Commission independent assurance of post-attack reconciliation accuracy by Q3 2026
- Test manual workaround reconciliation in annual continuity exercises.

3.3 Root Cause Issue / Critical Event:

Forecasting Based on Incomplete or Provisional Data

Financial forecasting during the prolonged outage of Civica Financials was based on incomplete or provisional data. Reliance on manual estimates and fragmented records created gaps and inconsistencies, meaning forecasts were based on partial datasets rather than assured and verified financial information. This highlighted a control weakness in business continuity planning, where forecasting processes lacked structured protocols to preserve accuracy and integrity during system outages.

3.3.1 Remedial Action(s) Taken:

These focused on manual continuity, system rebuilds, and eventual account publication. Also embedding stronger forecasting, governance oversight, and cyber resilience to restore financial credibility and ensure future budget plans are robust.

3.3.2 Further Actions Required:

No further actions required.

3.4 Root Cause Issue / Critical Event:

Governance and Oversight Gaps

The root cause/critical event was insufficient oversight of phishing resilience and legacy IT vulnerabilities and the ransomware encryption of core systems.

3.4.1 Remedial Action(s) Taken

The Council undertook a full forensic review to understand the attack’s scope. Remedial actions included working with national agencies to investigate and contain the breach, rebuilding legacy IT systems, enhancing monitoring over the network infrastructure and segmentation of the IT network, revising business continuity arrangements. Staff also received additional cyber awareness and phishing training to help embed staff phishing awareness. These measures demonstrated the importance of treating cyber threat as a core governance domain risk. Governance frameworks were updated so that cyber risk is now embedded more firmly into assurance reporting and oversight and reporting was updated to ensure cyber assurance is embedded within risk frameworks with oversight committees receiving clear assurance that resilience is managed with the same rigor as financial and operational risks.

3.4.2 Further Actions Required:

No further actions required.

3.5 Root Cause Issue / Critical Event:

Political and Leadership Transitions

The critical event was the encryption of core systems that disrupted essential services and tested leadership accountability during a period of political change.

3.5.1 Remedial Action(s) Taken:

The Council worked closely with the National Crime Agency and National Cyber Security Centre to investigate and contain the breach. The IT infrastructure was rebuilt and modernised to replace vulnerable legacy systems and enhanced infrastructure monitoring to detect intrusions more quickly was also introduced. Network segmentation was also established to provide increased resilience. Secure backups were used to recover data and business continuity arrangements were revised to ensure faster restoration in future scenarios.

3.5.2 Further Actions Required:

No further actions required.

3.6 Root Cause Issue / Critical Event:

Operational and Service-Level Shocks

The root cause/critical events were as follows:

- Commercial Property: Income shortfalls from delayed Forum, Hotel, shopping centre void units and Car Park completion.
- Leisure Services Collapse: Aspire Trust's financial demise led to the emergency procurement of Freedom Leisure.
- Housing Pressures: Inflation and cost-of-living spikes drove up temporary accommodation costs.
- Bereavement Services: Underperformance in income and unexpected crematorium maintenance costs added financial pressure.

3.6.1 Remedial Action(s) Taken:

Income streams were stabilised, emergency procurement measures introduced and essential services maintained. Prioritisation was given to maintaining waste, recycling, street cleaning, housing and grounds maintenance as essential services.

3.6.2 Further Actions Required:

No further actions required.

3.7 Root Cause Issue / Critical Event:

Audit Bottlenecks and National Backlog

The auditors were prevented from accessing financial records due to the Council's financial records being incomplete, delayed, and affected by governance weaknesses. This resulted in disclaimed opinions for both the 2021–22 and 2022–23 accounts, mirroring the wider local government audit backlog. Caused by a combination of structural problems in the audit system, shortages of qualified auditors, and increasing complexity in local authority accounts.

3.7.1 Remedial Action(s) Taken:

The council worked with its appointed auditors to provide missing information and respond to queries, though the national backlog meant progress was slower than desired.

3.7.2 Further Actions Required:

No further actions required.

3.8 Root Cause Issue / Critical Event:

Asset and Infrastructure Challenges

The Council was heavily reliant on outdated servers and applications, which were more vulnerable to exploitation and harder to restore, post-attack. Financial pressures and competing

priorities meant cyber resilience and IT modernisation were not adequately resourced. Core services were concentrated on centralised infrastructure without sufficient redundancy or segmentation, amplifying the impact of the breach. Asset management and infrastructure resilience were not embedded into risk oversight, leaving vulnerabilities unaddressed.

3.8.1 Remedial Action(s) Taken:

These focused on maintaining service continuity, managing income shortfalls, and funding unplanned ICT rebuild costs.

3.8.2 Further Actions Required:

No further actions required.

3.9 Root Cause Issue / Critical Event:

Consequences for Financial Planning

The root cause/ critical event was the erosion of reserves from £8.6m in March 2022 to a projected £2.8m by March 2026. The Council is also predicting a 2026–27 General Fund deficit of £241k.

3.9.1 Remedial Action(s) Taken:

Remedial actions focused on freezing discretionary spending, tightening financial controls, using reserves to cover overspends, and reassessing housing and leisure costs. These steps were taken to stabilise finances after the discovery of accounting discrepancies (systemic misreporting of overspends and reserve movements) and repeated budget pressures.

3.9.2 Further Actions Required:

- Establish a ring-fenced cyber resilience reserve to protect general balances by Q3 2026
- Develop contingency plans for the projected 2026–27 General Fund deficit by Q2 2026.
- Undertake service transformation reviews to identify sustainable efficiency savings by Q4 2026.

4. Assessment of Governance, Oversight and Decision Making

4.1 During the period December 2021 to early 2025 there were a lot of staff movements, long-term sickness and retirements including at Section 151 Officer level. In addition, the Malvern / Civica application support services were also brought back in house during that period. The return of planning applications from Malvern Hills District Council and the TUPE transfer of staff from Civica. Both events added strain to already stretched resources, making it harder to stabilise accountancy and deliver services.

4.2 The absence of complete financial data in one place or form led to the outturn reports for the years 2021-22, 2022-23, and 2023-24 being based on the best estimates at the time of compilation. These reports were caveated to make this clear to the reader. The process of loading data into the new financial system, Financials, was lengthy and also meant that the budget setting process in the past few years has been based on best estimates and not on confirmed final positions by service.

4.3 Throughout the period from 9th February 2022 through to the current time, regular reports were presented to Cabinet, Council, the Audit and Governance and the Overview and Scrutiny Committees.

4.4 An example of the reporting can be seen for the 12 July 2023 Cabinet meeting - “That the 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”. “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.”

4.5 Members of the Council were kept informed of the uncertainty surrounding financial figures following the cyberattack through a combination of formal reporting, committee updates, and leadership briefings. This multi-channel approach ensured Members were not only informed of the figures but also were advised of the broader context and constraints affecting financial clarity.

5. Conclusion

Following the Cyberattack, the officers used their best endeavours to maintain budgetary control during a period of unprecedented difficulty and while the new financial systems were being developed and implemented. There were also a number of financial issues that were either already in train or would occur before new systems were in place that made the accounting process and reporting challenging. For instance, the spreadsheets in place would have recorded transactions as they took place and committed sums via the purchase order system, but may have missed unplanned or emergency future commitments, many of which were significant.

The Council’s understanding of its worsening financial position evolved gradually over a four-year period from late 2021 through to September 2025 not due to mismanagement, but from a confluence of systemic shocks, data recovery delays, and shifting external pressures. These were amplified by staff movements plus long-term sickness and retirement including at S151 Officer level. The Head of Finance and Resources’ report sent to Cabinet on the 10th September 2025 reflects a mature reckoning with these realities moving from reactive patchwork to proactive recalibration.