

FINANCIAL MONITORING REPORT: 2018/19

Cabinet Date	30 January 2019
Finance and Change	Cllr Ray Theodoulou
Key Decision	Yes
Other Documents	MTFS Report to 14 th February 2018 County Council, and Financial Monitoring Reports to Cabinet 10 th October 2018, 19 th December 2018
Main Consultees	Corporate Management Team, Senior Officers, Cabinet Members.
Planned Dates	Not applicable
Divisional Councillor	County Wide
Officers	Paul Blacker, Acting Director of Finance (01452) 328999 paul.blacker@gloucestershire.gov.uk Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk
Purpose of Report	To provide an update on the year-end forecast for the 2018/19 County Council's Revenue and Capital Budgets
Key Recommendations	That the Cabinet: <ol style="list-style-type: none"> 1. Notes the forecast revenue year end position as at the end of November 2018 for the 2018/19 financial year of a net £0.957 million overspend. This represents a £1.259 million improvement on the previous position reported to Cabinet. 2. Notes the forecast capital year end position as at the end of November 2018 of £99.147 million against the current budget of £99.909 million, reporting slippage of £0.762 against the year end target. 3. Notes the forecast overspend in the Dedicated Schools Grant (DSG) of £5.7 million in 2018/19, which exceeds the £2.3 million of uncommitted DSG balances brought forward and the £1.35 million additional funds announced in December 2018 to support children with special educational needs and also endorses on going discussions with the Schools Forum to agree actions to bring DSG back into balance. 4. Approves the addition of £0.004 million to the Adults Capital programme funded by an insurance contribution. 5. Approves the addition of £0.214 million to the Highway Capital budget funded from a variety of sources as outlined in the body of the report.

	<p>6. Approves the addition of £0.111 million to the Libraries Capital programme funded by developer contributions.</p> <p>7. Approves the addition of £0.025 million to the Information Management Capital budget funded by transfer from the GDPR reserve.</p>
Resource Implications	These are detailed within the report

Revenue Expenditure 2018/19

A. Revenue Forecast Outturn Position 2018/19

1. The current forecast of the year end revenue position against the revenue budget of £418.081 million, based on actual expenditure at the end of November 2018 and forecasts made in December 2018 is a £0.957 million overspend (0.23% of the budget). This represents a £1.259 million improvement on the position previously reported to Cabinet.
2. Details of the forecast year end position, analysed by service area is provided in the table below and the narrative that follows.

Directorate Breakdown for Cabinet Report - Position as at the end of Nov 2018

Service Area	2018/19 Budget	Additional Budget from BRR Pilot	Revised 2018/19 Budget	Forecast Outturn Position	Forecast Outturn Variance	Variance %	Forecast Variance Previously reported	Change in variance
	£000		£000	£000	£000	£000	%	£000
Adults	144,420	1,000	145,420	145,420	0	0.0%	0	0
Prevention & Wellbeing	33,953		33,953	33,903	-50	-0.1%	-96	46
Children & Families	103,488	2,600	106,088	114,054	7,966	7.5%	7,227	739
Communities & Infrastructure	87,166	1,000	88,166	88,127	-39	0.0%	256	-295
Business Support Services	28,798		28,798	28,798	0	0.0%	150	-150
Support Services Recharges	-28,776		-28,776	-28,776	0	0.0%	0	0
Total for Services	369,049	4,600	373,649	381,526	7,877	2.1%	7,537	340
Technical & Corporate	44,432		44,432	37,512	-6,920	-15.6%	-5,321	-1,599
Total	413,481	4,600	418,081	419,038	957	0.23%	2,216	-1,259

Adult Social Care

3. Adult Social Care is reporting a balanced position using £1.222 million of the £2.530 million of Additional Social Care Funding announced by the Secretary of State in October 2018 (the balance of £1.308 million has been agreed for new joint GCC / Gloucestershire CCG initiatives), the uncommitted £0.800 million BRR funding and £1.194 million from Adult Care reserves.
4. Adult Care reserves currently stand at £4.592 million and are therefore sufficient to cover the current forecast drawing.
5. The £1.581 million Adult Social Care Support Grant is also allocated in year to offset the underlying overspend. This is temporary funding in 2018/19.
6. As previously noted, the MTFs savings targets for all client groups are integrated under the Adult Single Programme (ASP) and monitored through Weekly Governance meetings and the ASP Board. Savings targets are grouped into seven themed project clusters. These groupings are currently under review and are likely to be amended in 2019/20.
7. LD External Care is projecting a £2.064 million overspend. The overspend assumes the majority of 2018/19 savings targets will be found, although there are risks around a number of these. Banked savings to date total £2.874 million. The overspend relates to increased demand and increased complexity of some cases.
8. OP and PD External Care is projecting a £1.112 million overspend. The overspend assumes delivery of the majority of the 2018/19 savings targets. Savings of £5.308 million are included within the forecast, though there are risks of not achieving some of these savings. £2.651 million has been banked to date. The overspend mainly relates to increased care needs for existing cases, voids and other additional costs relating to homes run by a major provider. The forecast is net of a £0.772 million contribution from the Additional Social Care funding referred to above.
9. Mental Health is forecasting an overspend of £0.943 million, net of unallocated MTFs funding held by the Lead Commissioner. The overspend mainly relates to cases with increasing complexity and therefore higher unit costs.
10. The overall Community Equipment and Telecare position includes an underspend of £0.155 million within Telecare services. Community Equipment services are in balance, inclusive of non-recurring funding from the Disabled Facilities Grant.

11. Other Services comprises all staffing budgets for Adult Social Care as well as a number of specific commissioned contracts. The forecasts for these services net to a £0.637 million underspend including;

- £0.925 million significant overspends; LD in-house services (£0.394 million), LD Assessment, Support Planning and Management teams (£0.193 million), £0.170 million savings not achievable this year for the Periodic Payment Contract (PPC) and unfunded contract costs for the Electronic Call Monitoring system (£0.168 million).
- £1.334 million significant service underspends; £0.659 million OP/PD Integrated Social Care Management (ISCM), largely due to vacancies, £0.219 million relating to the Contact Centre, (leavers and vacancy slippage), £0.114 million on the advocacy contract, £0.240 million unallocated government grant and £0.216 million LD other commissioned services, relating to uncommitted Building Better Lives Development (BBLD) fund and employment service budgets.
- A number of smaller service variances (under £0.100 million) netting to a £0.228 million underspend.

12. Unallocated budgets are reported as underspent by £3.327 million.

- This variance includes £0.988 million surplus on permanent funding, mainly relating to £0.398 million uncommitted BCF funding and £0.366 million of ASC Levy held to support pressures emerging from the use of temporary funding (e.g. relating to the Additional Improved Better Care Fund). A further £0.224 million of unallocated Adults budget has also been identified.
- The balance of £2.339 million relates to temporary funding, £0.345 million uncommitted Adult Social Care Support Grant, £0.800 million BRR and £1.194 million drawn from Adult Care reserves, as noted above.

Prevention and Wellbeing

13. Services within this area include Public Health, Supporting People and a number of smaller budgets covering the prevention hub team and grants.
14. The current forecast of the year end revenue position is an under-spend of £0.05 million and is due to staff vacancies within the prevention hub team. The reduction in the under-spend in the month of £0.05 million is due to the realignment of the Local Reform and Community Voices grant based on the national formula split for Healthwatch, Adults safeguarding and Advocacy with the unallocated grant now being reported within Adults Services.
15. Public Health is reporting a balanced position. Services are funded by a ring-fenced grant, which if unspent is required to be carried forward in a specific reserve. The in-year forecast for Public Health is an under-spend of £0.4 million due to the delay in the development of a new service within healthy lifestyles and lower dispensing costs due to activity related to substance misuse prevention, smoking cessation and health checks. These variances offset the higher dispensing costs in sexual health and a cost pressure for a substance misuse drug treatment. The under-spend will be transferred to the Public Health reserve at year end.
16. Supporting People is reporting a breakeven position but this is based on the assumption that £0.17m of previous year MTC2 savings linked to Mental Health services will be covered by in-year savings.

Children & Families

17. The current forecast of the year end revenue position as at December 2018 for non-DSG funded services is an over-spend of £7.97 million (7.5% of budget). The gross over-spend is £10.57 million, which is reduced to £7.97 million by using the £2.6 million one-off income from the business rates retention pilot. The increase in the over-spend of £0.74 million is due to the cost of external placements, agency safeguarding staff due to vacancies and higher activity levels, section 17 payments and discretionary payments for foster carers.
18. At the end of November 2018 children in care numbers were 686 compared to 549 at the end of March 2016 and although nationally the trend is increasing (circa 3% p.a.) other factors will include the improvement in social work practice through catching up on drift and delay in casework. The number of children in care continues to cause significant pressures on children's services and in particular against the external placement and safeguarding staff budgets resulting in the over-spend.

19. As part of the 2018/19 budget, additional investment of £7.6 million was approved for external placements. This investment was based on a maximum number of 280 external placements with a unit cost of £61,600 per annum using an 80:20 fostering to residential weighting. The current forecast overspend against the external placement budget of £6.23 million (36.1% above budget) is due to a higher number of external placements than anticipated, within which the number of residential placements has increased in both absolute and proportionate terms. Many of the residential placements are required to meet the needs of highly complex children resulting in a current average unit cost of £86,700 per annum. There are currently 295 external placements, of which 75 are residential. The forecast has increased this month by £0.25 million and includes contingencies of £1.2 million for new cases in-year to allow for additional placements to replace existing care commitments or allow for high number of placements.
20. In addition to this young peoples support are forecasting a £0.88 million overspend due to a number of complex cases and the additional cost of agency staff covering vacancies. The in-house fostering service is also forecasting to overspend by £0.17 million due to staffing costs and adoption placements by £0.19 million due to the number of children placed with adopters outside the local authority.
21. The Director of Children's Service's is leading a review of all high cost placements on a regular basis as part of the wider improvement work on permanence planning. The aim is to reduce the cost of external placements where appropriate, given the higher unit costs outlined above, ensure decisions around placement change and permanence are executed in timely child centred manner, and ultimately bring down the forecast overspend. It is estimated that these reviews will result in approximately £1 million of cost avoidance in 2018/19, which has been built into the forecast. Improving social care practice to divert children from care at an earlier point and achieve permanence at the earliest opportunity will reduce costs in the longer term. These high cost placement reviews have so far resulted in estimated cost avoidance of £0.77 million in the current financial year.
22. Safeguarding staffing budgets have received £4.01 million of investment in 2018/19 to reduce caseloads and improve practice within teams. Recruitment of social workers especially experienced staff continues to be a challenge. Agency staff have continued to cover staff vacancies or where caseloads remain high, resulting in a forecast overspend of £2.87 million. The increase in child protection cases has resulted in additional Child Protection chairs being employed on a temporarily basis resulting in a £0.24 million overspend.
23. A higher level of activity is also causing an overspend of £0.83 million in section 17 and discretionary payments for foster carers. New procedures have been put in place to review all significant payments and ensure consistency

across teams. Additionally, a resource panel will be put in place to gate-keep significant section 17 expenditure.

24. Despite the investment made by the council, the issue of recruitment and retention of social workers has continued to be a challenge. To address this the Chief Executive, supported by the Director of Children's Services has made a delegated decision to make a number of changes to social work pay scales and allowances in year, making Gloucestershire more competitive with neighbouring authorities. One-off proposals for allowances and over recruitment of newly qualified social workers, estimated at £1.11 million for 2018/19 will be funded from IRIS and Vulnerable People's reserves. The continuation of these proposals beyond March 2019 will be picked up as part of the 2019/20 MTFs discussions. The release of the IRIS reserve is following the decision to review the project in light of the market sufficiency statement that is currently being developed. Some additional permanent changes to pay scales and additional posts have been made via a decision by the Director of Children's Services and are being funded through the budget held for agency staff since on the basis that this budget should see savings as permanent staff are recruited and retained; estimated cost of £0.38 million in year.
25. There are a couple of offsetting variances which include adoption, child arrangement and special guardianship orders which are forecast to under-spend by £0.22 million due to lower than expected number of allowances and orders being made. Also, services for children with disabilities are forecast to under-spend by £0.34 million due to lower costs in the residential unit and staff vacancies in the field work teams. In-year uncommitted contingencies of £0.19 million have been released to offset the on-going cost pressures in social care budgets.

Dedicated Schools Grant (DSG) position

26. Dedicated Schools Grant (DSG) funded services are forecast to be over-spent by £5.7 million in 2018/19, an increase of £1.48 million from the figure report to Cabinet in December due to the significant rise in the number of Education Health and Care Plan (EHCP) and the associated cost of top-up payments. The announcement in December 2018 by the DFE of additional funds to support children with special educational needs has reduced the over-spend by £1.35 million and balances brought forward of £2.3 million reduce the net over-spend to £2.05 million against the ring-fenced grant. As reported last year the cost pressures are in the High Needs Block (forecast over-spend for the block £6.09 million) with over-spends against Independent Special Schools (£1.15 million), special school places (£1 million), top ups for alternative provision services (£1.36 million) and other schools (£2.25 million), all caused by increases to activity and reflects the national picture. The outturn report for 2017/18 identified an on-going cost pressure of £0.5 million in the High Needs

Programme at the start of the year and balances are being used to fund this pressure.

27. The High Needs Programme is focussing on addressing this financial pressure. The additional funding announced by the DFE for 2018/19 and 2019/20 will ease some of the pressure but not all if expenditure continues at this level in 2019/20. Changes to funding arrangements are currently being discussed with the Schools Forum to bring the DSG back into balance. Any potential overspend in future years which could not be addressed through the DSG ring-fenced grant may result in a future financial risk to the Council. This reflects an emerging national picture, around which lobbying continues for additional funding and flexibility to move funding between DSG blocks.

Communities & Infrastructure

28. Communities and Infrastructure current forecast is a £0.039 million underspend (0.04% of the budget).
29. Highways Commissioning are reporting a breakeven position by year end. The anticipated overspend due to additional pothole repair works to recover the network following the severe winter is being covered by the use of the additional Pothole Funding announced in October 2018. The additional revenue costs are anticipated with demobilisation of the Amey contract and pre-mobilisation of the new highways contractor are covered by the previously agreed transfer of £0.5 million from technical and corporate budgets.
30. The Integrated Transport budget continues to report a £0.060 million overspend position due to long term bus contracts being awarded which include inflationary pressures above those estimated in the MTFS. Further pressure on transport budgets can be expected as more bus contracts expire this year. We are also closely monitoring the impact of fuel price inflation being higher than expected and the potential impact of legislative changes impacting community transport.
31. Registrar's are reporting an over recovery of £0.116 million of income based on current estimates.
32. Strategic Infrastructure are forecasting a £0.017 million overspend due to an increased staff resource in Transport Planning required to manage the additional workload associated with emerging major transport schemes such as the west Cheltenham Cyber Business Park and M5 J10 and additional scanning costs due to the office move of the Heritage function.
33. The Fire and Rescue Service, Waste, Libraries, Trading Standards and Coroners have small variances which net to an overall breakeven situation.

Business Support Services

34. The forecast outturn for Business Support Services overall is a balanced position.
35. Within Business Support Services, the Strategy & Challenge function is now forecasting a £0.150 million overspend. This position reflects the in-year pressures arising from continuing increasing demands arising from childcare legal proceedings, and the additional costs arising from the need to use locum staff to cover continuing vacancies. Strenuous efforts are being made to fill the posts in question, but they are proving difficult to fill in part due to the increasing national demand for childcare legal staff. Robust monitoring is in place. The costs of extraordinary legal child protection cases will be funded corporately.
36. The position is balanced as a result of a number of vacancies within Support Services.

Technical and Cross Cutting

37. The forecast outturn position for Technical and Corporate budgets is a £6.92 million underspend (15.6% of budget), the main reasons are:-
38. Positive interest rate credits on balances are forecasting to achieve an over recovery of income of £3.5 million above budget reflecting better diversification of investments and longer term deposits and additional income following the Bank of England base rate change.
39. The 2018/19 budget included an MtC2 savings contingency; this was approved by Council to reflect the high risk nature of some of the savings programmes in demand led areas in 2018/19. Given the difficulties in achieving savings across some services as outlined in this report the full £1.6 million contingency has been released to support the overall budget.
40. There has been a re-tendering of the insurance contracts, which has resulted in a favourable forecast underspend of £0.182 million on the corporate insurance budget.
41. In addition there is currently a favourable variance forecast underspend on a number of small corporate budgets totalling £0.494 million.
42. As part of the provisional Finance Settlement on 13th December it was announced that the Council will receive funding of £1.144m relating to the surplus generated on the 2018/19 Business Rate Levy Account held by

Central Government. This money is un-ringfenced funding and it is therefore proposed to use it to partially offset the overall overspend forecast in the current financial year.

B. Capital Expenditure

Current Spend 2018/19

43. The capital budget for 2018/19 is £99.909 million, an increase of £1.921 million since last reported to Cabinet due additional approval granted at December Cabinet. Actual spend against the capital programme as at end of November 2018 is £55.687 million.

Budget and Capital Forecast Outturn Position 2018/19

44. The forecast outturn position for 2018/19 against current year budgets is £99.147 million, showing forecast slippage of £0.762 million.

CAPITAL EXPENDITURE 2018/19					
Service Area	Reprofiled Budget 2018/19	Current Year Spend 2018/19	% Current Year Spend against Reprofiled Budget	Forecast Outturn 2018/19	Forecast Year-end Variance
	£000	£000	%	£000	£000
Capital Receipts Works Before Sale	0	0		0	0
Adults	8,281	2,826	34	7,698	-583
Children & Families	24,114	17,070	71	24,206	92
Communities					
Highways	50,806	28,169	55	51,797	991
Strategic Infrastructure	1,984	1,576	79	1,940	-44
Waste Disposal	625	174	28	625	0
Libraries	752	518	69	752	0
Fire & Rescue	1,027	527	51	727	-300
Business Support					
AMPS	8,262	3,559	43	8,030	-232
ICT projects	2,327	419	18	2,215	-112
Business Service Centre	282	0	0	92	-190
Archives & Information Management	1,155	671	58	771	-384
Customer	294	178	60	294	0
Total	99,909	55,687	566	99,147	-762

Adults Capital Programme

45. Adult's schemes are forecast to spend £7.698 million in 2018/19, against a current budget of £8.281 million, forecasting a slippage of £0.583 million, as previously reported to Cabinet.

Children and Families Capital Programme

46. Children and Families schemes are forecast to spend £24.206 million in 2018/19, against a current budget of £24.114 million, giving a forecast in-year overspend of £0.092 million. This is as a result of faster than anticipated progress on various projects but this will have no effect on the overall cost of the projects.

Highways Capital Programme

47. Highways schemes are forecast to spend £51.797 million in 2018/19, against a current budget of £50.806 million, giving a forecast in year overspend of £0.991 million. The key areas include;
48. Structural maintenance schemes are forecasting to overspend in year by £0.327 million the majority of which relates to the need to address additional deterioration that has occurred through the year on several planned carriageway resurfacing projects and additional essential work on bridges and walls. Additional approved funding is available to cover the predicted in year overspend.
49. The Integrated Transport schemes are forecasting to overspend by £0.155 million in 2018/19 however the budget was deliberately set low to take account of a risk assessment of the ability to deliver projects due to external constraints. Approved funds are available in reserves to cover spending in the event that all of the forecast spend is achieved.
50. Large Integrated Transport Schemes including Growth Fund schemes are forecasting to overspend by £0.509 million which relates mainly to the Lydney Highway Strategy scheme awaiting approval for the additional LEP funds. If this approval is not forthcoming the scope of the project will be reduced or alternative funding found from Highways Capital grant.

Strategic Infrastructure Capital Programme

51. Strategic Infrastructure schemes are forecast to spend £1.940 million in 2018/19, against a current budget of £1.984 million, forecasting slippage of £0.044 million. A £0.019 million forecast overspend against the Saturn Transport Modelling was reported last month. The £0.063 million slippage relates to Flood Alleviation schemes where European funding (ESIF) influences the scheduling and a number of property level resilience schemes for which homeowner uptake is currently in negotiation.

Fire & Rescue Capital Programme

52. Fire & Rescue schemes are forecast to spend £0.727 million in 2018/19, against a current budget of £1.027 million, forecasting slippage of £0.300 million. This is due to contract paperwork for the Personal Protection Equipment scheme taking longer than anticipated to process, as a result the supplier will not be able to deliver in this financial year.

AMPS Capital Programme

53. AMPS schemes are forecast to spend £8.030 million in 2018/19, against a current budget of £8.262 million, forecasting slippage of £0.232 million. This relates to a delay in the archaeological works and the ground contamination works on the Quayside Site development.

ICT Capital Programme

54. ICT schemes are forecast to spend £2.215 million in 2018/19, against a current budget of £2.327 million, resulting in forecast slippage of £0.112 million. This relates to delays in delivery of both the 'Email messaging phase 2' scheme and the 'End user devices operating system' scheme.

BSC Capital Programme

55. BSC schemes are forecast to spend £0.092 million in 2018/19, against a current budget of £0.282 million, resulting in forecast slippage of £0.190 million. This is as a result of the detailed specification for the invoice scanning and document storage system taking longer than expected to finalise.

Archives Capital Programme

56. Archives schemes are forecast to spend £0.771 million in 2018/19, against a current budget of £1.155 million, resulting in forecast slippage of £0.384 million. There have been unavoidable delays to the For the Record Archive project.

All other Capital Programmes

57. All other programmes are forecast to spend in line with the revised budget for the year.

Changes to the Capital Programme in 2018/19 and future years

Adults

58. It is proposed that Cabinet support an increase of £0.004 million in the Adults capital budget, funded by an insurance contribution towards a replacement vehicle for The Beeches.

Highways

59. It is proposed that Cabinet support an increase of £0.214 million in the Highways capital budget, funded by the following additional resources;
- £0.050 million Grant from Gloucester Environmental Trust for works on the Gloucester to Quedgeley Canal Cycle-track (approved budget £847k)
 - £0.072 million contribution from Severn Trent Water to the Slimbridge Drainage scheme (approved budget £515k). This will enable a reversal of £0.072 million Flood Alleviation budget virement made last year to enable the scheme to complete.
 - £0.089 million of Highways Locals revenue contributions identified to part fund structural maintenance schemes which have been agreed with individual Councillors.
 - £0.003 million 3rd party contributions to smaller schemes.

Libraries

60. It is proposed that Cabinet support an increase of £0.111 million in the Libraries capital budget funded by the additional developer contributions for Stonehouse Library facilities.

Information Management

61. It is proposed that Cabinet support an increase of £0.025 million in the Information Management capital budget for the Information Asset Register project funded from the GDPR reserve.

Overall Change to Capital Programme

62. As a result of the above changes, the overall capital programme will increase by £0.354 million. £0.101 million of which is anticipated to be spent during the current financial year.