FINANCIAL MONITORING REPORT: 2016/17

Cabinet Date	20 July 2016.
Deputy Leader and Finance & Change	Cllr Raymond Theodoulou
Key Decision	Yes
Background Documents	MTFS to 17th February 2016 County Council
Location/Contact for inspection of Background Documents	The MTFS 2016/17 can be found using the following web link: http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=65756&p=0
Main Consultees	Cabinet Members, OSMC, COMT and Budget Managers.
Planned Dates	Not Applicable
Divisional Councillor	Countywide. A number of capital schemes relate to specific divisions: Flood alleviation schemes: Cllr Jason Bullingham, Bisley and Painswick (Whaddon) Cllr Jack Williams, Churchdown (Anne Hathaway Drive) Cllr Robert Vines, Brockworth (Medway Crescent) Schools: Cllr Tony Blackburn, Hardwicke and Severn (Lakefield Primary School) Cllr David Prince, Pittville and Prestbury (Pittville School) Cllr Iain Dobie, Leckhampton and Warden Hill (Bournside School) Cllr Barry Kirby, Grange and Kinsway (Hunts Grove)
Officer	Jo Walker, Strategic Finance Director (01452) 328469 joanna.walker@gloucestershire.gov.uk Paul Blacker, Head of Financial Management, (01452) 328999 paul.blacker@gloucestershire.gov.uk
Purpose of Report	To provide an update on the year-end forecast for the 2016/17 County Council's Revenue and Capital Budgets.
Recommendations	That the Cabinet: 1. Notes the forecast revenue year end position, as at the end of May 2016 for the 2016/17 financial year, of a net £0.16 million underspend,

	2. Notes the forecast capital year end position of a small under-spend of £0.028 million for 2016/17. 3. Agrees the following changes to the capital programme: a) that the approved capital programme be increased by £0.3 million to fund capital works which will enable children centre buildings to be adapted and made suitable for the provision of a wider range of services. This increase will be funded by a revenue contribution from the Services to Families with Young Children Reserve. b) that a new £3.1 million scheme for a programme of structural patching be included in the approved capital programme, financed from £1.006 million DfT Pothole Action Fund grant, £0.807 million approved 2015/16 revenue contribution, £1.0 million from the Communities & Infrastructure reserve and a £0.28 million transfer from the Minor Works budget. c) that the approved capital programme be increased by £1.501 million for three flood alleviation schemes at Whaddon (£1.288 million), Anne Hathaway Drive, Churchdown (£0.071 million), and Medway Crescent, Brockworth (£0.142 million), financed by Flood Defence Grant Aid. d) that £0.231 million be transferred from the unallocated Basic Need grant funding to a new Lakefield C of E Primary School project, within the approved capital programme. e) that £0.5 million be transferred from the Future Secondary Basic Need allocation to the Pittville School project, within the approved capital programme. f) that a new £2.4 million scheme for Bournside School be included in the approved capital programme, financed from the transfer of £2.187 million from the Future Secondary Basic Need allocation and £0.213 million from s106 funding, increasing the overall capital programme by £0.213 million. g) that the £5.875 million scheme and the associated s106 contributions for a new school at Hunts Grove be removed from the approved capital programme, on the basis that the developer will be building the school. h) that a new £1.409 million scheme for Social Care projects be included in the approved capital programme, financed from Social Care Capital grant, increasing the overall approved capital programme by £1.409 million.

	i) that a new £0.51 million scheme for two Fire Appliances and a new £0.13 million scheme for Road Traffic Control Equipment be included in the approved capital programme for the Fire & Rescue Service, financed through a revenue contribution to capital from the capital financing budget.
Reasons for recommendations	To ensure Cabinet are aware of the latest revenue and capital monitoring positions and the approved capital programme is updated to reflect the latest position of approved and new schemes.
Resource Implications	These are detailed within the report.

Section A: Revenue Outturn 2016/17: Forecast Position

1. The current forecast of the year end revenue position, based on actual expenditure at the end of May 2016 and forecasts made in June 2016, is a small under-spend of £0.16 million.

2. Details of the forecast year end position, analysed by service area, is provided in the table below and the narrative that follows.

Service Area	2016/17 Budget	Forecast Outturn	Forecast Variance	Variance %
	£000	£000	£000	%
Adults	**153,367**	153,367	0	0.0%
Public Health	**25,542**	25,542	0	0.0%
Children & Families	**100,713**	101,852	1,139	1.1%
Communities & Infrastructure	**88,088**	87,996	-92	-0.1%
Business Support Services	**26,112**	26,112	0	0.0%
Support Services Recharges	**-26,112**	-26,112	0	0.0%
Total for Services	**367,710**	**368,757**	**1,047**	**0.3%**
Technical & Cross Cutting	**52,349**	51,145	-1,204	-2.3%
Total	**420,059**	**419,902**	**-157**	**0.0%**

3. The main reasons for the forecast revenue outturn positions, together with the actions being taken to address these positions, are as follows:

Adults

A breakeven position is forecast, based on the underlying overspend being offset by a combination of temporary and permanent funding available to Adults in this financial year. The underlying position is a net overspend of £3.85 million based on the following;

•	Learning Disabilities (LD)	£2.00m	overspend
•	Older People/ Physical Disabilities (OPPD)	£1.50m	overspend
•	Mental Health (MH)	£0.14m	overspend
•	Community Equipment and Telecare	£0.21m	overspend
	Underlying Position	**£3.85m**	overspend
•	Less Care Act Reserve (temporary)	£1.31m	
•	Less Unallocated Social Care Levy (permanent)	£2.54m	
	Net Position	**Breakeven**	

The above strategy for achieving breakeven assumes the use of £1.31 million of the Care Act Reserve, which would leave a minor balance of £0.01 million in the reserve. No call is assumed for the Vulnerable Adults Reserve, which remains at £1.65 million. Both the Care Act and Vulnerable Adults reserves were brought forward from 2015/16.

The amount required from the Care Act and Vulnerable Adults reserves will inevitably change as the year progresses and outturn forecasts are refined. Therefore, at this stage, no formal request is being made to Cabinet for the use of the reserves, this will be done when there is greater certainty about the amount of reserve required to support the 2016/17 budget.

The £2.54 million Social Care Levy balance is after allocation of £1.60 million Levy to support the recurring commitments associated with the Care Act, and £0.59 million investment in additional social care staffing and staff retention measures in Adult Social Care.

Learning Disabilities are forecasting a £2 million overspend (4.1% of budget). This includes the impact of forecast underachievement of Building Better Lives (BBL) savings (£1.14 million) due to increased pressures arising from 'knock on costs' from other areas such as mental health. Other overspends include staffing costs in Assessment and Support Planning services(£0.6 million) which have occurred as a result of the reduction in temporary joint funding for projects such as Review and Renew, Raising the Bar and Joint Funding staffing.

A review of BBL savings by Commissioners is taking place to seek to address the shortfall and strategic discussions about future staffing capacity to achieve the BBL programme will be part of these discussions. A process is being established to ensure BBL governance is both understood across the Adults Senior Management Team and aligned with the OPPD Single savings Programme.

Older People and Physical Disabilities are forecasting a £1.50 million overspend, (2.9% of budget). This relates to pressures in both the Locality-managed External Care budgets, and additional budget managed by the Lead Commissioner (relating to void payments under the OSJ Care Home Placement contract).

The overspend includes projected Single Programme savings of £5 million, of which £3.67 million relates to red and amber risk-rated targets. Expectations regarding achievability of savings targets (including profiling) are being clarified with Project Leads, with accountability both to the Single Programme Project Leads Group, and to the Head of Adult Social Care and her Management Team.

Mental Health is forecasting a £0.14 million overspend, (2.1% of budget). The position reflects the overspend reported by 2gether NHS Foundation Trust(2G) , less current and prior year MTFS funding for inflation and demand, as well as savings, which the Lead Commissioner is holding. Decisions on the use of this funding are likely to be conditional on completion of formal discussions (between representatives from the Council, 2G and the Clinical Commissioning Group) to address both budgetary and contractual issues. This group has been tasked with formulating a cost reduction plan to enable the overspend to be resolved.

Telecare is forecasting a £0.21 million overspend (31% of budget) due to increase staffing and equipment purchases following expansion of the service to support commissioning intentions. This forecast represents the first estimate for this financial year and is subject to risk of under/ over statement, this risk reducing as the year progresses.

Staffing/ other budgets are forecast to breakeven overall.

Public Health

As in previous years, Public Health Grant conditions permit any underspend to be carried forward into the next financial year providing it is used for “qualifying purposes”, which can include new commitments. This is actioned through the Public Health Reserve. The budget forecast therefore nets to a breakeven position.

The brought forward total on the Reserve is £4.60 million, of which £0.45 million is ring-fenced for the Active and Healthy Together Schemes, with the balance required to cover delays in realising MtC2 savings and other commitments. The forecast underspend on the current year grant is £0.32 million relating to Substance Misuse and Sexual Health (GP/ pharmacy costs) and Mental Health programmes.

Children & Families

The current forecast of the year end revenue position as at June 2016 for non-DSG funded services is an over-spend position of £2.79 million (2.77% of budget). The over-spend reduces to £1.14 million after the vulnerable children's reserve has been applied.

The significant rise in children coming into care (600 cases in May 2016 compared to 479 cases in April 2014) is continuing to cause considerable pressures on children's services and in particular against the external agency placement and fostering allowances budgets resulting in the over-spend. Robust scrutiny by senior managers of high cost placements continues to ensure appropriate provision is in place and placement drift is avoided but the underlying issue is the volume of placements required. The financial recovery plan continues to be reviewed and updated to mitigate against the volume increases wherever possible.

Within Children in Care the external placement budget is forecasting a £1.59 million over-spend (17.0% above budget). The forecast position is similar to last year after allowing for the additional one year investment of £1.5 million approved in the MTFS. The volume of placements for both residential and fostering continues to cause the budget to over-spend with in-house fostering services forecasting an over-spend of £1.08 million. The increase in children coming into care and the complexity of some cases is causing substantial budget pressures against the allowance budgets.

Safeguarding staffing budgets received £2 million investment in 2016/17 and staff budgets are forecast to be on budget at the year end. Social workers are being recruited to fill the additional posts with agency staff continuing to cover in the interim. Section 17 and discretionary payments for children in care are forecasting to be over-spent by £0.29 million (79.6% of the budget). Changes in practice are being introduced replacing the use of ad hoc arrangements with a more coherent commissioning framework. Over time this should reduce some of the financial pressures in this area.

Services for disabled children and young people are forecast to under-spend by £0.09 million across a number of areas including residential units, field work staff and care packages. Youth support budgets are forecasting to under-spend by £0.09 million.

<u>Dedicated Schools Grant (DSG) position</u>

Dedicated Schools Grant (DSG) funded services are forecast to be under-spent by £5.51 million which includes uncommitted balances brought forward from 2015/16 totalling £5.35 million. Staffing budgets within Education, Prevention and Inclusion teams (EPI) are forecasting an under-spend of £0.08 million.

Community and Infrastructure

The current forecast position for Communities & Infrastructure is an under-spend of £0.10 million (0.1% of the net budget).

Highways Commissioning are reporting a breakeven position this month, with spending to date on track with profiled spend.

Health Watch currently forecast at £0.20 million under-spend (43.1% of budget). As per last year this is due to income from third parties and the actual grant received exceeding the indicative allocation when contracts were tendered. This indicates a favourable variance long term.

Registration Service has a current forecast of a £0.17 million under-spend due to forecast ceremony income being more than budget.

Trading Standards is currently reporting a £0.11 million over-spend (14.2% of budget) due to MtC savings not yet being realised.

Integrated Transport Unit, this area is currently reporting an over-spend of £0.10 million (1.1% of budget). This is related to the delays in the implementation of the Bus Review.

Waste is currently reporting a balanced position due to insufficient trend information at this stage of the year to influence any forecast.

Libraries are currently reporting a balanced position.

The Communities & Infrastructure Corporate Budget is reporting a breakeven position.

Business Support Services

The forecast outturn position for Business Support Services is a break even position.

Technical and Corporate budgets

The forecast outturn position for Technical and Corporate budgets is a £1.20 million underspend (2.3% of budget). The main reasons are;

- positive interest rate credits on balances of £300k and
- a positive variation on the budget for the increase in the Council's employer's national insurance costs of £900k, following the introduction of the Government's single-tier state pension for all employees on 1st April 2016. At the time of setting the budget the data was based on detailed modelling for both schools and GCC. Subsequently the split has been refined resulting in the positive variance.

When the 2016/17 budget was approved by Council in February 2016 a number of government funding streams had not been finalised and estimates were used in the approved Budget. These funding streams have now been confirmed and have resulted in £0.090 million less central funding than originally estimated. This is made up of;

- £0.237 million less from the Rates Retention Baseline funding as a result of district council's updated predictions on business rate income being lower than those included in the MTFS.
- £0.013 million less from the Autumn Statement s31 grant adjustments
- £0.160 million more from extra New Homes Bonus Returned Funding grant.

These changes to funding are relatively minor and reflect the accuracy of the funding estimates made during budget preparation. The minor funding changes can be managed within the overall Technical and Corporate budgets.

Section B: Capital Expenditure

Current Spend 2016/17

The capital budget for 2016/17 is £91.58 million, whilst the actual spend against the capital programme as at June 2016 is £3.53 million.

The nature of capital investment means that spend tends to be lower during the first phase of a scheme with the majority of spend occurring once the construction phase begins. This means that for new schemes the majority of spend will occur towards the end of the financial year.

Forecast Outturn Position 2016/17

The forecast outturn for 2016/17 is £91.55 million, giving a small underspend position of £0.028 million for the year.

Details of the forecast year end position, analysed by service area, and key factors considered in producing this forecast position are provided in the table below and the narrative that follows. Any variations shown below only relate to the 2016/17 spend profiles and will not translate into over or under-spends against the overall scheme budgets, unless highlighted.

CAPITAL EXPENDITURE 2016/17

Service Area	Reprofiled Budget 2016/17	Current Year Spend 2016/17	% Current Year Spend against Reprofiled Budget	Forecast Outturn 2016/17	Forecast Year-end Variance
	£000	£000	%	£000	£000
Capital Receipts Works Before	0	0		0	0
Adults	1,384	272	20	1,384	0
Children & Families	25,269	2,912	12	25,269	0
Communities & Infrastructure:					
Infrastructure	52,201	-465	-1	52,201	0
Business Support Services	10,227	752	7	10,201	-26
Libraries	390	23	6	390	0
Archives	1,503	5	0	1,503	0
Safety	608	35	6	606	-2
Total	**91,582**	**3,534**	**4**	**91,554**	**-28**

Adults

The Adults capital programme is forecast to spend £1.38 million in 2016/17, in line with the budget.

Children & Families

The Children & Families capital programme is forecast to spend £25.27 million in 2016/17, in line with the budget.

Basic Need Grant Allocation 2018/19

The Council has received notification from the Department for Education of its Basic Need Grant allocation for 2018/19. The total allocation is £20.923 million and will be allocated to priority schemes in future financial years and included in the MTFS for 2017/18.

Communities & Infrastructure

Infrastructure

Highways Infrastructure schemes are forecast to spend in line with the 2016/17 budget, which assumes the approval of the recommendations detailed below.

The Council has recently been allocated £1.006 million from the DfT Pothole Action Fund grant. It is recommended that this grant, together with the revenue contribution of £0.807 million approved by Cabinet in June 2016, £1.0 million from the Communities & Infrastructure reserve (a new reserve approved by Cabinet in June 2016 for highways use), and a £0.28 million transfer from the Minor Works budget, be used for a programme of structural patching on sections of the network that have experienced large numbers of pothole call outs. A total amount of £3.1 million will be focused on A and B roads, although a number of needy sites elsewhere on the highway network will be addressed.

DEFRA has earmarked £1.501 million Flood Defence Grant Aid for three flood alleviation scheme at Whaddon (£1.288 million), Anne Hathaway Drive, Churchdown (£0.071 million), and Medway Crescent, Brockworth (£0.142 million).

It is recommended that the approved capital programme be increased by £1.501 million for the three flood alleviation schemes, financed by Flood Defence Grant Aid.

Business Support Services

Business Support Services schemes are forecast to under-spend by £0.026 million, the majority of which relates to AMPS Business Support schemes that are forecast to spend £0.025 million less than budget.

Changes to the Capital Programme

Children & Families

Children's' Centres

In June 2016 Cabinet approved the transfer of £0.3 million to a new Services to Families with Young Children Reserve which is intended to fund the proposed redesign of services. It is proposed that a capital scheme is created as part of the capital programme, funded by a revenue contribution from the reserve. This approval will enable children centre buildings to be adapted and made suitable for the provision of a wide range of children's services.

Lakefield C of E Primary

The 2016 admissions process for Reception places identified a need to provide additional space at Lakefield C of E Primary School, Frampton. Lakefield C of E Primary has a 30 per year group intake, however, number of applicants exceeded places available and 4 pupils, all of which Lakefield was the nearest school, could not be allocated places at the school. Following discussions with the Head and Governing Body, the school agreed to admit these additional pupils. To accommodate these additional pupils and facilitate the learning of a larger group of children, through the Key Stage 1 phase, the 3 existing classrooms need to be extended. The cost of this work is £231,000.

It is recommended that this new scheme be included in the capital programme, financed from the transfer of £231,000 from the unallocated education Basic Need grant funding. This does not increase the overall value of the capital programme.

Pittville School

In July 2015 Cabinet approved a £1.0 million budget transfer from the Future Secondary Basic Need allocation to a new project at Pittville School, with the aim of commissioning a development plan and carrying out priority work identified in the plan to increase capacity at the school.

The development plan has identified the work needed to accommodate an additional form of entry at the school, requiring an additional £0.5 million budget.

It is recommended that an additional £0.5 million be transferred from the Future Secondary Basic Need allocation to the Pittville School capital project to increase capacity by an additional form of entry. This does not increase the overall value of the capital programme.

Bournside School

There is a need to increase the capacity of Bournside School by one form of entry. Feasibility work has identified that the cost of the required work will be £2.4 million.

It is recommended that £2.187 million be transferred from the Future Secondary Basic Need allocation funding to the Bournside project. The remaining £0.213 million can be allocated from s106 funding that we are currently holding. The overall increase in the capital programme is £0.213 million.

Hunts Grove new primary school
A £5.875 million scheme is included in the capital programme to build a new school at Hunts Grove, funded from developer s106 contributions. The housing developer has since re-submitted the outline planning application and the s106 contribution has required re-negotiation. Under the new agreement the developer will build the new school and will no longer be required to make a s106 contribution to the Council.
It is recommended that the Hunts Grove budget and s106 funding source be removed from the capital programme.

Adults

Social Care Capital Grant

The Council received a Social Care Grant of £1.409 million in 2015/16, which forms part of the 2015/16 Better Care Fund. This funding is now intended to be used on Social Care capital, including IT associated with the “capped cost system under the Care Act”, which was initially scheduled for 2016 but has now been delayed until 2020.

The intention is to support greater integration with Health and the implementation of the Care Act. Spend will be predominantly on replacement of IT and systems enhancements and replacements along with the project management and implementation costs. For example these include the Cold Harbour system, which is the Reablement rostering/planning system, ContrOOC, which is the finance system replacing the finance element of ERIC (Adults Social Care client database) and IT equipment for supporting frontline services such as the Fast Responder Service. There is also an intension to fully replace ERIC, when more detailed guidance is received on the implementation of Phase 2 of the Care Act.

It is recommended that a new £1.409 million Social Care scheme be included in the capital programme, financed from the Social Care Capital Grant. This increases the overall approved capital programme by £1.409 million.

Fire & Rescue Service

New Fire Appliances

The Service has a well established ongoing appliance replacement programme to ensure that the fleet reflects the values of the Service and maintains public confidence by ensuring appliances do not exceed their useable life. Appliances which have been at busier higher risk locations are routinely moved to lowers risk areas where their use is expected to reduce. This cascading approach ensures the optimum use of each appliance.

The notional useable life of a fire appliance as per the specification and testing methodology for fire appliances is 12.5 years, however, due to careful management the Service extends useful life to 15 years.

A recent fire appliance review has identified an immediate need for 2 new replacement fire appliances to ensure firefighter and community safety. These existing vehicles are now 14 years old and the Service is experiencing problems in sourcing spare parts. It is therefore recommended that a new £0.51 million scheme for two new Fire Appliances be included in the capital programme for the Fire & Rescue Service, financed through a revenue contribution from the capital financing budget. This increases the overall approved capital programme by £0.51 million.

New Road Traffic Collision Equipment

GFRS regularly attends Road Traffic Collisions (RTC's) where people require extrication. The Fire appliance review identified the need to replace existing hydraulic RTC equipment with new battery operated equipment to enhance fire fighter capabilities at RTC's and improve safety and which are more efficient and cost effective. One appliance will be replaced at each station with new apparatus to provide an equal level of response throughout the county, thereby increasing the availability of resources to attend incidents with the right equipment available on the first attendance.

It is therefore recommended that a new £0.13 million scheme for new Road Traffic Collision Equipment be included in the capital programme for the Fire & Rescue Service, financed through a revenue contribution from the capital financing budget. This increases the overall approved capital programme by a further £0.13 million.