

## FINANCIAL MONITORING REPORT: 2016/17

<b>Cabinet Date</b>	1 February 2017
<b>Deputy Leader and Cabinet Member for Finance &amp; Change</b>	Cllr Ray Theodoulou
<b>Key Decision</b>	Yes
<b>Background Documents</b>	MTFS to 17 <sup>th</sup> February 2016 County Council and Financial Monitoring Reports to Cabinet in July, September, November, and December 2016
<b>Location/Contact for inspection of Background Documents</b>	The MTFS 2016/17 can be found using the following web link: <a href="http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=65756&amp;p=0">http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=65756&amp;p=0</a>
<b>Main Consultees</b>	Cabinet Members, OSMC, COMT and Budget Managers.
<b>Planned Dates</b>	Not applicable
<b>Divisional Councillor</b>	Countywide
<b>Officer</b>	Jo Walker, Strategic Finance Director (01452) 328469 <a href="mailto:joanna.walker@gloucestershire.gov.uk">joanna.walker@gloucestershire.gov.uk</a>  Paul Blacker, Head of Financial Management, (01452) 328999 <a href="mailto:paul.blacker@gloucestershire.gov.uk">paul.blacker@gloucestershire.gov.uk</a>
<b>Purpose of Report</b>	To provide an update on the year-end forecast for the 2016/17 County Council's Revenue and Capital Budgets.
<b>Recommendations</b>	That the Cabinet: <ul style="list-style-type: none"> <li>1. Notes the forecast; <ul style="list-style-type: none"> <li>a) Revenue year end position, as at the end of November for the 2016/17 financial year, of a £0.893 million under-spend.</li> <li>b) Capital year end position for 2016/17 of a £1.64 million under-spend against the re-profiled budget and the changes to the 2016/17 re-profiled budgets detailed in section B.</li> </ul> </li> </ul>

	<ol style="list-style-type: none"> <li>2. Approves the transfer of £0.454 million from a revenue underspend in the Technical &amp; Corporate budget to the Economic Stimulus Reserve to fund costs associated with expanding the Council's apprenticeship programme.</li> <li>3. Confirms the revised payment timetable of £1.0 million to Highways England between 1<sup>st</sup> February 2017 and 1<sup>st</sup> January 2018 in relation to the A417 Missing Link project in line with the funding agreement between the Council and Highways England.</li> <li>4. Approves the following changes to the capital programme: <ol style="list-style-type: none"> <li>a) Increase the Adults capital programme by £1.834 million (£0.8 million in 2016/17 and £1.034 million in 2017/18), funded by a Department of Health Capital Grant, to enable the purchase and adaptation of various properties for people with learning difficulties.</li> <li>b) Increase the Highway capital budget by £0.44 million, funded from a revenue contribution of £0.35 million and an additional £0.09 million of developer and other external contributions to help fund a variety of highway schemes.</li> <li>c) Increase the capital programme for Safety Fencing by £0.25 million, funded from a revenue contribution from the Highways revenue budget.</li> <li>d) Increase the Waste capital budget by £0.10 million to fund capital improvements at Household Recycling Centres funded from a revenue contribution from the Waste revenue budget.</li> <li>e) Increase the ICT capital budget by £0.450 million, funded by a revenue contribution from a one off underspend in the ICT revenue budget, to fund investment in ICT equipment for social workers which will facilitate mobile working.</li> </ol> </li> </ol>
<b>Reasons for recommendations</b>	<p>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.</p>
<b>Resource Implications</b>	<p>These are detailed within the report.</p>

## 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 November 2016 and forecasts made in December 2016, is a £0.893 million under-spend.
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 November 2016

Service Area	2016/17 Budget	Forecast Outturn Position	Forecast Outturn Variance	Variance %	Forecast Variance Previously reported	Change in variance
	£000	£000	£000	%	£000	£000
Adults	153,377	153,377	0	0.0%	0	0
Public Health	25,542	25,542	0	0.0%	0	0
Children & Families	100,683	104,496	3,813	3.8%	3,502	-311
Communities & Infrastructure	87,618	87,618	0	0.0%	64	64
Business Support Services	25,503	25,503	0	0.0%	0	0
Support Services Recharges	-25,503	-25,503	0	0.0%	0	0
<b>Total for Services</b>	<b>367,220</b>	<b>371,033</b>	<b>3,813</b>	<b>1.0%</b>	<b>3,566</b>	<b>-247</b>
Technical & Corporate	52,839	48,133	-4,706	-8.9%	-4,203	503
<b>Total</b>	<b>420,059</b>	<b>419,166</b>	<b>-893</b>	<b>-0.2%</b>	<b>-637</b>	<b>256</b>

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

### **Adults**

4. The current forecast of the year end revenue position is a balanced position. This position is based on the underlying overspend being offset by the unallocated element of the Social Care Levy. The underlying position is a net overspend of £2.54 million based on the following;

• Learning Disabilities	£1.52m overspend
• Older People/ Physical Disabilities	£1.78m overspend
• Mental Health	£0.25m overspend
• Community Equipment and Telecare	£0.06m overspend
• Other Services	£1.07m underspend

**UNDERLYING POSITION** **£2.54m overspend**

• Less Unallocated Social Care Levy (permanent)	£2.54m
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**NET POSITION** **£0.0m**

No calls on the Vulnerable Adults Reserve or the Care Act Reserve are included in the above position. The reserves were brought forward from 2015/16, and are one-off funding. It is currently proposed to leave these reserves in tact to assist with demand pressures in 2017/18.

5. This situation may change as outturn forecasts are refined closer to year end. Should reserves be required to support the 2016/17 budget, a formal request would be made to Cabinet for their use.
6. 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. The Adult Services Management Team have agreed not to identify further areas for specific investment, so the full £2.54m continues to offset the overall overspend.
7. Learning Disabilities are forecasting a £1.52 million overspend (3.1% of budget). This overspend includes forecast underachievement of LD Building Better Lives (BBL) savings (£1.92million) due to increased pressures, arising in part from complex cases requiring a range of interventions to meet both LD and mental health needs. This situation impacts on both cost of care and (along with other organisational changes and priorities) team capacity to deliver BBL targets. Other overspends include staffing costs (£0.23 million), which have occurred as a result of the reduction in temporary joint funding for key projects, offset by reduced BBL Development Fund commitments.

8. In order to generate necessary savings to achieve a balanced budget position current spend is being reviewed, which includes identifying alternative saving options and enhanced vigilance is taking place at all spending Panels. Work continues with Impower to fully explore Demand Management strategies and to explore whether further actions might be taken in order to achieve necessary savings.
9. Older People and Physical Disabilities are forecasting a £1.78 million overspend, (3.5% 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 increase to the overspend is due to lower projected commissioning savings within the Single Programme.
10. The forecast overspend is inclusive of banked and projected Single Programme savings of £4.20 million, of which £2.82million relates to red and amber risk-rated targets. £2.89 million savings are banked to date. Project Lead expectations regarding achievability of savings targets continue to be reviewed and challenged on an ongoing basis, with accountability to the Commissioning Director of Adult Social Care and her Management Team via the Single Programme Project Leads Group, and the Head of Adult Social Care and her Management Team.
11. Mental Health is forecasting a £0.25 million overspend (3.6% of budget). This mainly relates to an increase in 2gether (2G)'s external care forecast, which now stands at £1.24million.
12. This overspend is partially offset by underspends within the voluntary sector budget and the release of cost and inflation contingencies not required in year.
13. Discussions continue between a group of representatives from GCC, 2G and CCG 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.
14. Telecare and Community Equipment are forecasting a £0.06 million overspend (2.7% of budget) due to an increase in telecare staffing and equipment purchases, following expansion of the service to support commissioning intentions.
15. Community Equipment is reported as on line (as last month), though the budget is subject to risk around achievability of Financial Recovery Plan projects, and potential further impact of demand on equipment purchases. Underlying overspend would be offset this year by BCF Disabled Facilities Grant (DFG), subject to confirmation of amount from District Council DFG allocations. The budget needs to be sustainable in the longer term, as it continues to be demand led, and the future of potential DFG funding is not clearly established.
16. Other Services are forecast to underspend by £1.07 million. This is a mainly due to a combination of uncommitted temporary and permanent funding received within the Adults budget, offset by pressures relating to Safeguarding (due, at least in part, to Care Act requirements) and a temporary virement from the Technical and Corporate budget.

## **Public Health**

17. 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.
18. The in-year position is reported as a £1.23 million underspend relating to demand led services for Substance Misuse, Tobacco Control, Weight Management, Health checks and Sexual Health (GP/ pharmacy costs) programmes, an underspend on the Healthy Lifestyles contract, and unallocated budget.
19. Public Health Leads are working with providers to promote uptake of demand-led services delivered in general practice and community pharmacies for smoking cessation and sexual health.

## **Children & Families**

20. The current forecast of the year end revenue position as at December 2016 for non-DSG funded services is an over-spend position of £3.81 million (3.79% of budget). Whilst a draw down from the Vulnerable Children reserve could reduce the over spend it is proposed that this overspend will be offset by corporate underspends, leaving the reserve intact to assist with demand in 2017/18 given current trends.
21. The significant rise in children coming into care (December 2016 605 cases compared to April 2014 479) is causing significant pressures on children’s services and in particular against the external agency placement and fostering allowances budgets resulting in the over-spend. Senior managers have been reviewing all admissions to care as part of a process of understanding and challenging practice. In addition robust scrutiny of high cost placements continues by senior managers 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 the volume increases wherever possible.
22. Within Children in Care the external placement budget is forecasting a £4.04 million over-spend (43.2% above budget). The forecast position has increased by £0.47 million compared with November due to a number of complex cases requiring specialist placements, supported living and support packages arrangements. In-house fostering services are forecasting an over-spend of £0.94 million. The increase in children coming into care, particularly court ordered parent and baby placements and the complexity of some cases is causing substantial budget pressures against the allowance budgets. Special guardianship allowances are also forecast to be £0.21 million overspent due to the number of orders planned to be made.

23. Safeguarding staffing budgets received £2 million investment in 2016/17 and staff budgets are reported online. Social workers have been recruited to fill the additional posts but agency staff continuing to cover to provide experience where there are newly qualified workers or where caseloads remain high. Section 17 and discretionary payments for children in care are forecasting to be over-spent by £0.52 million (106.4% 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.
24. Under-spends to offset the cost pressures include adoption services where income of £0.2 million is forecast due to GCC assessed families adopting children from other authorities, Supporting People services are £0.48 million under-spent due to additional savings being achieved above target and the release of inflation and activity contingencies (£0.9 million) not required in-year. Home to school transport budgets have forecast a £0.25 million under-spend due to staff vacancies and lower commitments against transport contracts.

### ***Dedicated Schools Grant (DSG) position***

25. Dedicated Schools Grant (DSG) funded services are forecast to be under-spent by £4.03 million which includes uncommitted balances brought forward from 2015/16 totalling £3.99 million. There is pressure on the hospital education budget and alternative provision services (£0.4 million) due to increased demand but this is offset by a number of under-spends across the service including early years nursery education for 3 and 4 year olds (£0.15 million) and over recovery of contributions against secondary excluded pupils (£0.14 million).

### ***Community and Infrastructure***

26. The current forecast position for Communities & Infrastructure is a breakeven position.
27. Highways Commissioning are reporting a £0.04 million underspend this month as although spending to date is on track against profiles, analysis of the end of year adjustments has highlighted some previous year spend not accounted for. This forecast position includes an additional revenue contribution to capital of £0.35 million relating to highways local contributions to the capital programme, and relates to a recommendation to change the capital programme included in the Capital section of this report. The position continues to be closely monitored given delivery fluctuations in previous years. There is an over recovery of income within the Traffic Management which will be incorporated into the Highways available budget for 16/17 revenue spend and at this late stage in year it may not be possible to get all available additional budget profiled for in year completion.
28. On 8<sup>th</sup> June 2016 Cabinet resolved that it "*approves the payment by Gloucestershire County Council to Highways England (HE) of £1m revenue funding no later than 1st September 2016*" in relation to the A417 Missing Link

project. Since that resolution was passed further work has been undertaken to clarify details of the funding agreement with Highways England which has resulted in a proposal to make the planned payment in instalments between 1 February 2017 and 1 January 2018. Therefore the payment was not made prior to 1 September 2016 in accordance with the Cabinet resolution and Cabinet are now requested to approve this £1 million payment to HE is made in instalments in line with the revised agreement with HE. This payment will be fully funded from the A417 Reserve.

29. Health Watch currently forecast a £0.10 million under-spend (17% 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.
30. Waste is currently reporting a £0.14 million underspend. New contractual arrangements regarding recycle income accounts for an additional £130k of income. There is an overspend on waste contracts due to additional tonnage at the Household Recycling Centres (HRCs), this is offset by less residual waste than forecast delivered by waste collection authorities and also delayed implementation of waste projects. It is proposed to transfer £100k of the additional income to the waste capital budget to fund the capital improvements at HRCs.
31. The Integrated Transport budget is reporting a break even position overall. The savings delivered through concessionary fares changes on Park and Ride in April are reducing the pressure on the overall transport budget, which is compensating for the changes to the subsidised bus network taking longer than expected to deliver. This is allowing more time for market and community engagement in identifying solutions.
32. There is a forecast overspend of £0.2 million in the Fire and Rescue Service due to expanding operational activity by the Retained staff carrying out prevention work.
33. Libraries are currently reporting a balanced position.
34. There are a number of smaller variances not reported due to their small value.

### ***Business Support Services***

35. The forecast outturn position for Business Support Services is a balanced position. This assumes that a £450k underspend, which predominately relates to an underspend in ICT as a result of a technical financial change (transitioning to accruals based accounting for software licences that have historically been recorded on a cash basis) is used to fund an investment in social worker mobile working ICT
36. There has been a recent national challenge that “Social Workers are spending too much time on administration and not enough in front of families”. This is something we are keen to address for our social workers here in Gloucestershire to improve



their access to systems remotely when mobile. Investment in ICT equipment will enable staff to work in a mobile way, thus reducing the time spent travelling back to the office to record information and this should also decrease travel costs and mileage re-imburement. Also, a reduction in time spent in front of computers would enable social workers to re-invest the time saved to undertake direct work with children to better understand the issues which in turn will improve the quality of service delivery.

37. Therefore it is proposed to make a revenue contribution of £450k from the ICT capital budget to fund the required investment in ICT equipment for social workers.

### ***Technical and Corporate budgets***

38. The forecast outturn position for Technical and Corporate budgets is a £4.71 million underspend (8.9% of budget). The main reasons are;

- positive interest rate credits on balances of £2.1 million, reflecting better diversification of investments and longer term deposits;
- a positive variation on the budget for the increase in the Council's employer's national insurance costs of £1.1 million, following the introduction of the Government's single-tier state pension for all employees on 1<sup>st</sup> April 2016;
- additional New Home Bonus income of £0.16 million;
- the 2016/17 budget included an MtC2 savings contingency, funded from additional one off District Council surpluses. This was approved by council to reflect the high risk nature of some of the savings programmes in demand led areas in 2016/17. Given the difficulties in achieving savings across some services as outlined in this report £1.0 million has been released to support the overall budget.
- Smaller under spends on a number of corporate & contingency budget areas totalling £0.3 million.

39. A budget of £0.454 million was approved by Council as part of the 2016/17 budget to pay the Apprenticeship Levy tax however the implementation was delayed until April 2017. It is therefore proposed to transfer this funding to the Economic Stimulus Reserve to pump prime the salary costs of additional apprentices in the first couple of years of the scheme, as salary costs are not eligible costs for funding under the levy scheme. This funding is sufficient to pay the annual salary costs of approximately 30 apprentices or match fund the annual salary costs of 60 apprentices. It would ensure the scheme gets off to a positive start by encouraging all managers to consider how apprentices could be used to cover skill gaps and raise the profile of apprentices across the Council. This is essential given our estimates for GCC are to increase numbers to 72 apprentices from 10 currently. Given the long term benefits of this scheme in developing our future workforces and giving the young people of Gloucestershire quality training and job opportunities it is considered that this initial investment will deliver long term benefits to the Council in terms of improved service delivery and to the community as a whole. The Levy Fund (held by central government), made up of employer

contributions and the 10% Government top up contribution, will expire after 24 months unless it is spent on apprenticeship training.

## Section B: Capital Expenditure

### Current Spend 2016/17

40. The re-profiled capital budget for 2016/17 is £91.02 million. Actual spend against the capital programme as at 31st December 2016 is £49.74 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.

### Re-profiled Budget and Forecast Outturn Position 2016/17

41. The re-profiled capital budget for 2016/17 is £91.02 million; this is £1.27 million higher than the capital budget and new approvals last reported to Cabinet in December 2016. The increase reflects additional s106 contributions.

42. The forecast outturn position for 2016/17 is £89.38 million, giving an in year underspend position of £1.64 million for the year.

43. Details of the re-profiled budgets, 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.

<b>CAPITAL EXPENDITURE 2016/17</b>					
<b>Service Area</b>	<b>Reprofiled Budget 2016/17</b>	<b>Current Year Spend 2016/17</b>	<b>% Current Year Spend against Reprofiled Budget</b>	<b>Forecast Outturn 2016/17</b>	<b>Forecast Year-end Variance</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>£000</b>
<b>Capital Receipts Works Before Sale</b>	0	0		0	0
<b>Adults</b>	6,227	3,069	49	5,935	-292
<b>Children &amp; Families</b>	23,160	15,113	65	22,752	-408
<b>Communities &amp; Infrastructure:</b>					
Infrastructure	51,841	28,463	55	51,483	-358
Business Support	7,262	2,756	38	7,213	-49
Libraries	284	136	48	252	-32
Archives	1,001	99	10	501	-500
Safety	1,248	106	9	1,248	0
<b>Total</b>	<b>91,023</b>	<b>49,742</b>	<b>55</b>	<b>89,384</b>	<b>-1,639</b>

### Adults

44. The Adults capital programme is forecast to spend £5.94 million in 2016/17, this is a reduction of £0.29 million from that previously reported, due to delays in the implementation of the GIS move. This will now be completed in 2017/18.

### Children & Families

45. The Children & Families capital programme is forecast to spend £22.75 million in 2016/17 against the revised budget of £23.16 million, giving a forecast underspend of £0.41 million. The budget and forecast have both increased by £1.05 million following the addition of a new scheme at Chipping Campden School, as approved by Cabinet in December 2016. The forecast underspend has reduced by £0.31 million, compared to the last report, due to faster than anticipated progress on schemes at Stratton and Kemble Primary Schools and Alderman Knight Special School.

### Communities & Infrastructure

46. Infrastructure schemes are forecast to spend £51.48 million in 2016/17, against the revised budget of £51.84 million, giving a forecast under-spend of £0.36 million. Since last reported the main changes relate to the Rural Broadband scheme, now forecasting a £1.50 million underspend, and a forecast overspend of £1.38 million against Highways Structural Maintenance schemes (although it is anticipated that this forecast overspend can be eliminated by utilising the additional revenue contributions recommended below. The remaining net underspend of £0.24 million relates to small variances, both under and over spends, in other areas of the Highways programme, and is mainly related to changes in the forecast spending profile of schemes.

### Business Support

47. Business Support schemes are forecast to spend £7.21 million in 2016/17, against the revised budget of £7.26 million, giving a net underspend of £0.05 million. AMPS schemes are forecast to overspend by £0.13 million in 2016/17, although approved funding is available in future years so there is no forecast net overspend on the schemes, and an underspend of £0.18 million in ICT, mostly due to slippage in the SAP compliance work that is now due to commence in 2017/18.

### Libraries

48. Libraries Schemes are forecast to spend £0.25 million in 2016/17, a reduction of £0.03 million, compared to the last report, due to delayed starts on 4 schemes. These will now be completed in 2017/18.

## Archives

49. The Archives scheme is forecast to spend £0.5 million in 2016/17, against the revised budget of £1.0 million, this slippage will result in an in-year under-spend of £0.5 million. The start of building work has been delayed due to revised foundation designs and close examination of revised project costs.

## Safety

50. Safety Schemes are forecast to spend £1.25 million in 2016/17, in line with the re-profiled budget.

## **Changes to the Capital Programme**

### **Adults**

51. The Council has been awarded a grant of £1.834 million from the Department of Health's Housing & Technology for People with Learning Disabilities Capital Fund to enable the purchase and adaptation of various properties for people with learning difficulties. It is anticipated that £0.8 million of this funding will be spent in 2016/17, with the remainder £1.034 million spent in 2017/18.

52. It is recommended that a budget of £1.834 million, funded by a Department of Health Capital Grant, is approved in the Adults Capital Programme.

### **Infrastructure**

53. It is recommended that Cabinet approves an increase of £0.44 million in the Highway capital budget funded from revenue contributions of £0.35 million and an additional £0.09 million of developer and other external contributions to help fund a variety of highway schemes.

54. It is recommended that Cabinet approves an increase of £0.25 million in the capital programme for Safety Fencing funded from a revenue contribution from the Highways revenue budget (£0.25 million of the £0.50 million additional investment approved by Cabinet in November 2016).

55. It is recommended that Cabinet approves an increase of £0.10 million in the Waste capital budget for the replacement of waste compactors at HRCs funded from a revenue contribution from the Waste revenue budget.

56. It is recommended that Cabinet approves an increase of £0.450 million in the ICT capital budget, funded by a revenue contribution from a one off underspend in the ICT revenue budget, to fund urgent strong infrastructure projects

57. As a result of these recommendations, the overall capital programme increases by £1.24 million.