

FINANCIAL MONITORING REPORT: 2017/18

Cabinet Date	13 December 2017
Finance and Change	Cllr Ray Theodoulou
Key Decision	Yes
Other Documents	MTFS to 15 th February 2017 County Council, and Financial Monitoring Reports to Cabinet in 19 th July 17, 27 th September 17 & 15 th November 17
Main Consultees	Corporate Management Team, Senior Officers, Cabinet Members.
Planned Dates	Not applicable
Divisional Councillor	County Wide
Officers	<p>Jo Walker, Strategic Finance Director (01452) 328469 joanna.walker@gloucestershire.gov.uk</p> <p>Paul Blacker, Head of Financial Management (01452) 328999 paul.blacker@gloucestershire.gov.uk</p> <p>Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk</p>
Purpose of Report	To provide an update on the year-end forecast for the 2017/18 County Council's Revenue and Capital Budgets
Key Recommendations	<p>That the Cabinet:</p> <ol style="list-style-type: none"> 1. Notes the forecast revenue year end position as at the end of October 2017 for the 2017/18 financial year of a net £0.214 million underspend. 2. Approves the drawdown of £0.921million from the Ordinary Residence(OR) Reserve to fund a back dated OR payment 3. Notes the forecast capital year end position as at the end of October 2017 of £109.277 million against a re-profiled budget of £106.730 million resulting from additional planned scheme spend of £2.546 million with additional funding expected to be confirmed within the next month. 4. Notes a capital budget re-profiling exercise that has taken place since the previous Cabinet Finance Monitoring report – as outlined in Section B of this report. This re-profiling has been approved in accordance with the formal scheme of delegation to officers and there is no impact on the overall value of the approved capital programme.

	<ol style="list-style-type: none"> 5. Approves the revenue contribution to capital of £0.123 million from the Highways Locals budget to the Highway Capital budget to support the completion of capital schemes 6. Approves the allocation of £0.013 million s106 developer contributions towards St Paul's Primary garden room capital project 7. Notes the overall increase to the Capital programme taking into account the above changes of £0.136 million
Resource Implications	<p>These are detailed within the report</p>

Revenue Expenditure 2017/18

A. Revenue Forecast Outturn Position 2017/18

1. The current forecast of the year end revenue position, based on actual expenditure at the end of October 2017 and forecasts made in November 2017 is an underspend of £0.214 million. (0.05% of the budget). This position has improved since the last report in November, reflecting an under spend Adult Social Care now being forecast, offsetting an increase in Children and Families overspend.
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 Oct 2017

Service Area	2017/18 Budget	Forecast Outturn Position	Forecast Outturn Variance	Variance %	Forecast Variance Previously reported	Change in variance
	£000	£000	£000	%	£000	£000
Adults	145,232	144,812	-420	-0.3%	0	-420
Public Health	24,912	24,912	0	0.0%	0	0
Children & Families	98,203	104,542	6,339	6.5%	6,046	293
Communities & Infrastructure	88,706	88,706	0	0.0%	0	0
Business Support Services	26,383	26,383	0	0.0%	0	0
Support Services Recharges	-26,408	-26,408	0	0.0%	0	0
Total for Services	357,028	362,947	5,919	1.7%	6,046	-127
Technical & Corporate	50,674	44,541	-6,133	-12.1%	-6,133	0
Total	407,702	407,488	-214	-0.05%	-87	-127

3. Commentary and main reasons for the forecast outturn positions are provided in the following sections.

Adult Social Care

4. The forecast outturn position for Adult Social Care is an underspend of £0.420 million, as below;

	Oct-17	Sep-17
Learning Disabilities (LD) (External Care)	£0.064m	4.077m
Older People/Physical Disabilities (OP/PD) (External Care)	£0.238m	0.316m
Mental Health (MH) Services	£0.034m	0.478m
Community Equipment Service (CES) and Telecare	(£0.056m)	(0.031m)
Other Services	(£0.639m)	0.258m
Unallocated Budgets	(£0.061m)	(0.045m)
Underlying Service Variance	(£0.420m)	5.053m
Less: Adult 16/17 Social Care Levy (permanent)	(£0.000m)	(2.500m)
Less: Adult 17/18 Social Care Levy (committed 2018/19)	(£0.000m)	(1.012m)
Less: Adult Social Care Support Grant (temporary)	(£0.000m)	(1.541m)
Reported Position	(£0.420m)	0.000m

5. The underlying budget position now fully includes the allocation of the Adult Social Care Levy (permanent), and Adult Social Care Grant (temporary) to service areas. It should be noted that £2.853 million of this transfer is either temporary for 2017/18 (using Adult Social Care Grant and MTFS temporary allocations), or committed in 2018/19 (National Living Wage uplifts).
6. At this stage there is no formal request being made to Cabinet for the use any of the Vulnerable Adults reserve or Care Act reserve. However, as previously reported this may change as the year progresses and outturn forecasts are updated. Total reserve balances available are £4.226 million. This total includes an Ordinary Residence reserve of £1.250 million for the provision of the back dated element of disputed Ordinary Residence cases. As previously reported, 2 cases were being disputed, with a Secretary of State decision just received for the one case. This decision stated that GCC take responsibility for the case from 1 December 2017 and that costs should be back dated to 20th October 2010. The 17/18 costs are included within the forecast and a request is therefore made for the back dated element to be drawn down from this reserve. The amount required to settle the invoice to the other Local Authority is £0.921million. The other case is not yet at resolution and therefore there may be a need to request a further transfer from this reserve when the final decision has been received and the full financial impact is known. At this stage, no further calls on the remaining reserve balance are included in the forecast therefore the balance in reserves excluding Ordinary Residence Reserve is £2.976 million

7. The £10.598m Improved Better Care Fund (iBCF) Plan has started to be reflected within budgets both at GCC and the CCG. The detailed work undertaken by Lead Commissioners to understand the spend, timeline, funding flows and the impact on the Adult Single Programme (ASP) and overall Adults financial position is starting to be reflected within the position. There will be further impacts on the financial position as work continues and further decisions are made by Lead Commissioners. The Director of Integration will be reporting the budget position monthly to the Joint Commissioning Partnership Executive group (JCPE), and the position will be incorporated within this budget report.
8. Savings programmes for all client groups are now integrated under the Adults Single Programme (ASP) and monitored through the Adult Programme Board. The impact on operational budgets and performance is managed by the Head of Social Care, working with Commissioning and Support Service colleagues.
9. Learning Disability External Care is forecast to overspend by £0.064 million (compared to £4.077 million last month). The change in the position is due to two factors. Firstly, additional funding totalling £3.514m being allocated to LD External Care from the Adult Social Care Levy (£3.014m-permanent) and from the Adult Social Care Grant (£0.5m-temporary). Secondly, due to a further release of £0.552m uncommitted MTFs cost pressure (Transforming Care, Complex Transitions and Ordinary Residence) items not required in this financial year.
10. The overspend is mainly due to budget savings reductions not being matched by forecast savings to date. It is important to note that £0.393 million of savings are forecast for the remaining five months of the current financial year, with in-year ECM targets of £0.544 million still to be achieved. The risk associated with achieving these savings is reviewed on a monthly basis by LD Operations and Lead Commissioner to ensure forecasts are realistic. Known commitments against Ordinary Residence, Transforming Care and Complex Transitions have been met from funds held for these specific purposes, with £1.404 million uncommitted in-year now offset against the overspend. Funding has also been set aside for inflation and National Living Wage (NLW) cost pressures.
11. Older People and Physical Disabilities External Care is overspending by £0.238 million (last month £0.316 million). The net reduction of £0.078 million includes £0.500 million temporary allocation of Adult Social Care Grant, net of £0.140 million reduction to respite forecast cost (including £0.500 million iBCF money), offsetting £0.208 million current year cost of Ordinary Residence cases referred to above, as well as £0.194 million other net commitment increases.
12. Mental Health is forecasting a £0.034 million overspend (last month £0.478 million), relating to budget managed on GCC's behalf by 2Gether NHSFT (2G), offset by available MTFs funding. The Lead Commissioner continues to negotiate an appropriate level of funding transfer to 2G, as well as an associated savings target.

This is still progressing positively. The decrease in overspend relates to the temporary allocation of £0.500 million Adult Social Care Grant and £0.041 million temporary agreed use of MTFs funding to cover savings, net of an increase in External Care.

13. The Community Equipment Service (CES)/ Telecare budgets are reported as underspent by £0.056million (£0.031 million last month). The GCC CES commissioning budget is showing a £0.195 million underspend, relating to funding not yet allocated to the Pool. The Lead Commissioner (OP/ BCF) continues to commit Disabled Facilities Grant (DFG) support in this financial year to offset the underlying overspend in the CES Pooled Budget. Telecare is forecasting a £0.139 million overspend, due to activity being higher than previously forecast levels.

14. Other Services comprise all staffing budgets for Adult Social Care, as well as a number of specific commissioned contracts. The forecast position for these services nets to a £0.639 million underspend, including;

- £0.756 million significant overspends; slippage on the reshaping of LD in-house services (£0.941 million), net of £0.500 million Adult Social Care Levy, LD staffing costs which have resulted from the reduction in temporary joint funding for key projects (£0.131 million), and the OP/PD Reablement Service, managed by Gloucestershire Care Services (£0.184 million).
- £1.327 million significant underspends; OP/PD Integrated Social Care Management (ISCM) teams, due largely to vacancies net of an income shortfall in a residential unit (£0.572 million), Safeguarding and Commissioning Hubs (£0.176 million, due to vacancies), an underspend for the Advocacy contract (£0.085 million), uncommitted Carers and OT contract budgets (£0.206 million), and £0.288 million uncommitted government grant, as no repayment conditions are attached to the grants.
- a number of smaller variances netting to a £0.068 million underspend.

Public Health

15. As in previous years, Public Health is reported as in balance, as services are funded by a ring-fenced grant, which if unspent is required to be carried forward in a specific reserve.

16. The in-year forecast for Public Health is a £0.611 million underspend (last month £0.538 million), of which £0.143 million relates to staff vacancies, £0.12 million to NHS Healthcheck programme and £0.248 million to tobacco control services with £0.1 million relating to a number of small underspends across the service. The increase in underspend mainly relates to activity-based costs within tobacco control/ smoking cessation services. The underspend will be transferred to the Public Health reserve at year end.

Children and Families

17. The current forecast of the year end revenue position as at November 2017 for non-DSG funded services is an over-spend position of £6.33 million (6.45% of budget). The underlying forecast over-spend is £9.38 million which reduces to £6.33 million when the vulnerable children's reserve of £3.05 million is applied. The increase in the over-spend from the previous report is due to increased costs from safeguarding staff and youth support services.
18. The significant rise in children coming into care (October 2017 645 cases compared to April 2014 479) is continuing to cause considerable pressures on children's services and in particular against the external placement and safeguarding budgets resulting in the over-spend. Significant contingencies were put in place to cover the cost of envisaged increases in children in care following the recent Ofsted Inspection. Although activity has risen, the expected increases have not materialised to date, however individual placement costs for some young people have been exceptionally high. The contingencies set aside to mitigate the impact within the external placement budget have been used to meet the cost of these expensive placements. The costs relating to the implementation of the Improvement Plan are estimated to be £2.61 million following a review of what is required in both children's and support services. Part of the total cost (£1.4m) will be funded from within the service area using one-off funding approved as part of the 2017/18 budget and unallocated contingencies, with the balance of £1.21 million funded from the transformation reserve.
19. Within Children in Care the external placement budget is forecasting a £7.44 million over-spend (77.1% above budget). There are currently 246 external placements, compared with 221 at the same point last year. The IRIS (Intensive Recovery and Intervention Service) project is being developed to look at reducing residential costs by supporting young people to step down to foster care or to return home. A contingency of £0.8 million is currently being held to cover new placements.
20. Safeguarding staffing budgets have received £3.7 million of investment in total in two phases since 2016/17. Recruitment of experienced social workers continues to be challenging and agency staff have continued to cover staff vacancies or where caseloads remained high. The staffing budgets are forecasting to be £0.65 million over-spent. In addition the cost of child protection conferences is forecast to over-spend by £0.33 million due to the use of agency staff to cover the number of child protection conferences required.
21. Section 17 and discretionary payments for children in care are over-spending by £0.69 million (91.5% of the budget) part of which is due to supporting families who have no recourse to public funds and interpreter fees. Some changes in practice were introduced last year replacing the use of ad hoc arrangements with a more coherent commissioning framework.

22. Special guardianship order budgets are forecast to over-spend by £0.47 million due to the continued increased number of orders made but this is being offset by lower commitments within adoption allowances and over achievement of income from inter agency placements totalling £0.36 million plus lower fostering costs of £0.27 million. Youth support services are forecasting an over-spend of £0.3 million due to the cost of agency staff in the youth support teams. The forecast for early year's services is £0.17 million over-spend and relates to the implementation of new contracts for children's centres, reflecting one off costs borne this financial year. Children with disabilities budgets are forecast to under-spend by £0.22 million due to lower costs in the residential unit and staff vacancies in the field work teams.

Dedicated Schools Grant (DSG) position

23. Dedicated Schools Grant (DSG) funded services are forecast to be under-spent by £2.62 million which includes uncommitted balances brought forward from 2016/17 totalling £3.88 million. Independent Special Schools are forecasting an over-spend of £0.75 million due to increased activity and Special Educational Needs services are declaring a £0.17 million over-spend due to staffing costs. Further pressure on top up budgets are resulting in a forecast over-spend of £0.88 million but this is partly offset by unallocated high needs funding of £0.66 million which has been declared as uncommitted in year. The council's High Needs Programme will, in part, be focussing upon independent special school placements and over time should reduce the financial pressure in this area. SEN staffing costs will be addressed by year end through a restructure of education services.

Communities & Infrastructure

24. The current year end forecast for Communities & Infrastructure is breakeven.

25. Highway Commissioning is reporting a £0.252 million overspend this month, largely due to an overspend forecast against the Street Lighting budget. This is made up of a significantly higher than forecasted increase in the electricity price and the number of street lights as a result of development growth and has been reduced since last month due to the release of some unrequired Highways reserve funding. The Highways contract is still forecast to breakeven, although there are potential pressures on the revenue budget from costs associated with preparing the Highways contract tender for March 2019. This position includes a recommended £0.123 million revenue contribution from the Highways Local budget to the Highways capital budget.

26. Waste is currently reporting a balanced position. If there is an underspend at the year end it will be used to fund investment in the Household Recycling Centres, subject to the revenue contribution to capital being approved by Cabinet.

27. The Integrated Transport budget, Fire and Rescue Service budget are forecasting a break even position.

28. Customer Services are reporting an under spend of £0.137 million due to part year vacancies that will be filled within 2017/18.

29. Strategic Infrastructure continue to report a £0.275 million underspend which relates to a planned revenue contribution to capital that may no longer take place. The capital schemes may now be funded from existing capital funds allowing the resulting revenue underspend to be used to off-set pressure in the overall C&I revenue budget.
30. Regulatory Services are reporting an over spend of £0.16 million due to lower than forecast income in Registrar's and Trading Standards. Finance is currently working with the service area to review income and explore opportunities to increase it with the aim of reducing the over spend.

Business Support Services

31. The forecast outturn for Business Support Services is balanced position.
32. Within Business Support Services, Strategy and Challenge are forecasting a balanced position. This position takes into account the continuing uncertainty around the volume of child protection legal cases, fluctuating levels of traded service buyback from schools and the capacity required to address Ofsted recommendations.

Technical and Cross Cutting

33. The forecast outturn position for Technical and Corporate budgets is a £6.13 million underspend (12.1% of budget). The main reasons are;
- When the 2017/18 Budget was agreed in February 2017 a number of government funding streams had not been finalised. These funding streams have now been confirmed and have resulted in slightly more central funding than originally estimated. In total, £1.196 million more will be received from s31 grants as a result of changes that central government have made to business rates, known as Business Rates Autumn Statement Reimbursement for 2017/18, and consisting of eight separate s31 grants. These changes to funding are managed within the Technical and Corporate budgets for the Council.
 - Positive interest rate credits on balances increased income by a further £0.5 million to £2.0 million, reflecting better diversification of investments and longer term deposits;
 - The 2017/18 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 2017/18. Given the difficulties in achieving savings across some services as outlined in this report £1.6 million has been released to support the overall budget.
 - A review of insurance premiums and potential in year liabilities has resulted in a one-off underspend of £0.75 million now being reported on the corporate insurance budget. This will kept under review as the year continues given that the position could change linked to insurance risk.
 - A number of small underspends totalling £0.58 million.

B. Capital Expenditure

Current Spend 2017/18

34. Following a re-profiling exercise across the capital programme the re-profiled capital budget for 2017/18 is £106.730 million. Actual spend against the capital programme as at 31st October 2017 is £48.193 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 for new schemes the majority of spend will occur towards the end of the financial year.

Re-profiled Budget and Capital Forecast Outturn Position 2017/18

35. The re-profiled capital budget for 2017/18 is £106.730 million, this is £13.993 million lower than the capital budget and new approvals last reported to Cabinet in November 2017. The reduction reflects the re-profiling of budgets for anticipated acceleration and delays in schemes in 2017/18.

36. These re-profiling changes have been approved in accordance with the formal scheme of delegation to officers. There is no impact on the total approved budget for each scheme or the overall value of the approved capital programme.

37. The forecast outturn position for 2017/18 against re-profiled budgets is £109.277 million, showing additional scheme spend of £2.546 million. Additional funding for these forecast schemes is expected to be confirmed within the next month. If this anticipated funding is not received the planned expenditure will not take place.

38. Details of the 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. Any variations shown below only relate to the 2017/18 spend profiles and will not translate into over or underspends against the overall scheme budgets unless highlighted.

CAPITAL EXPENDITURE 2017/18					
Service Area	Reprofiled Budget 2017/18	Current Year Spend 2017/18	% Current Year Spend against Reprofiled Budget	Forecast Outturn 2017/18	Forecast Year-end Variance
	£000	£000	%	£000	£000
Capital Receipts Works Before Sale	0	0		0	0
Adults	7,872	3,666	47	7,871	0
Children & Families	29,249	13,411	46	29,254	4
Communities					
Highways	39,883	19,192	48	42,154	2,271
Strategic Infrastructure	3,614	270	7	3,614	0
Waste Disposal	866	270	31	866	0
Libraries	520	84	16	520	0
Community Safety	1,384	434	31	1,384	0
Business Support					
AMPS	18,040	9,537	53	18,040	0
ICT projects	2,929	662	23	3,200	271
Archives & Information Mgmt	2,327	634	27	2,327	0
Customer	46	32	70	46	0
Business Support Misc	0	0	0	0	0
Total	106,730	48,193	45	109,277	2,546

Adults Capital Programme

39. Adults schemes are forecast to spend £7.872 million in 2017/18, in line with the re-profiled budget for the year.

Children & Families Capital Programme

40. Children & Families schemes are forecast to spend £29.25 million in 2017/18 in line with the re-profiled budget for the year.

Highways Capital Programme

41. Highways schemes are forecast to spend £42.154 million in 2017/18, against the re-profiled budget of £39.883 million, giving a forecast in-year overspend of £2.271 million against the 2017/18 re-profiled budget. This overspend is a result of works planned against new grants and Highways Locals contributions to capital schemes that have not yet had cabinet approval or been transferred from the revenue budget to capital. Funding is therefore anticipated to be available to cover this planned

spend – if this funding does not become available as anticipated the planned expenditure will not take place.

Strategic Infrastructure Capital Programme

42. Strategic Infrastructure schemes are forecast to spend £3.614 million in 2017/18, in line with the re-profiled budget for the year.

Waste Disposal Capital Programme

43. Waste Disposal schemes are forecast to spend £0.886 million in 2017/18, in line with the re-profiled budget for the year.

Libraries Capital Programme

44. Libraries schemes are forecast to spend £0.520 million in 2017/18, in line with the re-profiled budget for the year.

Safety Capital Programme

45. Safety schemes are forecast to spend £1.384 million in 2017/18, in line with the re-profiled budget for the year.

Asset Management and Property Services Capital Programme

46. AMPS schemes are forecast to spend £18.040 million in 2017/18, in line with the re-profiled budget for the year.

ICT projects Capital Programme

47. ICT schemes are forecast to spend £3.200 million in 2017/18, against a budget of £2.929 million, resulting in a forecast overspend of £0.271 million. This relates to a scheme where economies of scale meant early purchase of equipment to support the OFSTED improvement plan provides better value for money. Funding for this accelerated spend is available as a result of capital receipts from asset sales being achieved in advance of requirements.

Archives & Information Management Capital Programme

48. Archives schemes are forecast to spend £2.327 million in 2017/18, in line with the re-profiled budget for the year.

Customer Capital Programme

49. Customer schemes are forecast to spend £0.046 million in 2017/18, in line with the re-profiled budget for the year.

Changes to the Capital Programme in 2017/18 and future years

Children & Families

50. The Council is holding a £0.013 million s106 developer contribution in respect of Albion House, Southgate Street, Gloucester which, according to the legal agreement, must be used towards St. Paul's C of E Primary School, Gloucester. The school has recently installed a garden room to provide an additional teaching classroom and intervention room.
51. It is recommended that Cabinet approves the allocation of £0.013 million s106 developer contribution towards the St. Paul's Primary garden room capital project.

Highways

52. It is recommended that Cabinet approves an increase of £0.123 million in the Highways Capital budget. This increase will support completion of twelve carriageway and one footway reactive patching and resurfacing schemes and be funded by RCCOs from Highways Locals revenue budgets.

Overall

53. As a result of the above changes, the overall capital programme will increase by £0.136 million.