

## FINANCIAL MONITORING REPORT: 2019/20

<b>Cabinet Date</b>	13 November 2019
<b>Finance and Change</b>	Cllr Lynden Stowe
<b>Key Decision</b>	Yes
<b>Other Documents</b>	MTFS Report to 13 <sup>th</sup> February 2019 County Council and Financial Monitoring Reports to Cabinet 24 <sup>th</sup> July 2019 & 9 <sup>th</sup> October 2019
<b>Main Consultees</b>	Corporate Management Team, Senior Officers, Cabinet Members.
<b>Planned Dates</b>	Not applicable
<b>Divisional Councillor</b>	County Wide
<b>Officers</b>	<p>Paul Blacker, Director of Finance (01452) 328999  <a href="mailto:paul.blacker@gloucestershire.gov.uk">paul.blacker@gloucestershire.gov.uk</a></p> <p>Jayne Fuller, Corporate Finance Manager (01452) 328926  <a href="mailto:jayne.fuller@gloucestershire.gov.uk">jayne.fuller@gloucestershire.gov.uk</a></p>
<b>Purpose of Report</b>	To provide an update on the year-end forecast for the 2019/20 County Council's Revenue and Capital Budgets
<b>Key Recommendations</b>	<p>That the Cabinet:</p> <ol style="list-style-type: none"> <li>1. Notes the forecast revenue year end position as at the end of September 2019 for the 2019/20 financial year of a net £5.141 million overspend against the revenue budget of £429.661 million.</li> <li>2. Authorises the Cabinet Member for Finance and Change to work with the Director of Corporate Resources to identify options for meeting the overspend including reviewing revenue reserves and any in year efficiencies.</li> <li>3. Notes the forecast capital year end position as at the end of September 2019 of £108.655 million and agrees to re-profile the capital budget to match the forecast.</li> <li>4. Approves the changes in the capital programme as outlined at paragraphs 59 to 62 of the report, which include £14.261 million on Highways, £0.028 million on Libraries, £0.151 million on Fire &amp; Rescue, £0.270 million on AMPS.</li> </ol>
<b>Resource Implications</b>	These are detailed within the report

## Revenue Expenditure 2019/20

### A. Revenue Forecast Outturn Position 2019/20

1. The current forecast of the year end revenue position against the revenue budget of £429.661 million, based on actual expenditure at the end of September 2019 and forecasts made in October 2019 is a £5.141 million overspend or 1.2% of the total budget.
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 2019

Service Area	2019/20 Budget	Forecast Outturn Position	Forecast Outturn Variance	Variance %	Forecast Variance Previously reported	Change in variance
	£000	£000	£000	%	£000	£000
Adults	148,940	148,940	0	0.0%	0	0
Prevention & Wellbeing	32,606	32,596	-10	0.0%	-11	1
Children & Families	113,765	124,497	10,732	9.4%	9,780	952
Communities & Infrastructure	70,232	70,807	575	0.8%	571	4
GFRS and Regulatory Services	20,297	20,418	121	0.6%	120	1
Corporate Resources	32,934	32,934	0	0.0%	0	0
Corporate Resources Recharges	-32,934	-32,934	0	0.0%	0	0
<b>Total for Services</b>	<b>385,840</b>	<b>397,258</b>	<b>11,418</b>	<b>3.0%</b>	<b>10,460</b>	<b>958</b>
Technical & Corporate	43,821	37,544	-6,277	-14.32%	-5,970	-307
<b>Total</b>	<b>429,661</b>	<b>434,802</b>	<b>5,141</b>	<b>1.20%</b>	<b>4,490</b>	<b>651</b>

3. If this overspend remains at the end of the financial year it will need to be funded from reserves. Currently General Reserves are £18.520 million or 4.3% of the

net revenue budget. The financial impact of these unfunded financial pressures will be built into the MTFS process and the 2020/21 revenue budget.

4. In order to avoid reducing General Reserves at the end of the financial year it is recommended that the Cabinet Member for Finance and Change works with the Director of Corporate Resources to review all existing revenue reserves in order to identify potential funds that could be used to meet all or part of the overspend. It is also recommended that a review of potential in year efficiencies is undertaken. The results of this review will be incorporated into a future Cabinet report.

### **Adult Social Care**

5. Adult Social Care is reporting a balanced position by utilising reserves to meet an underlying overspend of £1.927 million. This forecast position includes £2.530 million Winter Pressures funding and £2.049 million of Additional Social Care Grant.
6. Adult Social Care reserves currently stand at £6.416 million in total which includes the Vulnerable Adults Reserve of £2.654 million - the balance is specifically set aside for the backdated element of new Ordinary Residence cases and additional commitments relating to the National Living Wage and the Care Act.
7. There are a number of significant risks that are ongoing which mainly relate to negotiations with a residential care provider and the Adult Single Programme for the MTFS savings targets of £10.498 million.
8. MTFS savings targets for all client groups are integrated under the Adults Single Programme (ASP) and total £10.498 million. Currently the forecast assumes 84% of the ASP is achievable.
9. LD External Care is projecting a £0.065 million overspend. The LD overspend assumes delivery of the majority (92%) of the 2019/20 savings targets, although there are risks around a number of these. The overspend relates to increased demand and increased complexity of some cases. This position includes £1.350 million of funding that is being used on a one-off basis ahead of expected cases/decisions being made which will create permanent commitments included in future MTFS proposals.
10. OP and PD External Care is projecting a £2.650 million overspend. The overspend is split across individual service budgets with OP showing as £2.006 million and PD £0.644 million. The OP/PD overspend assumes 79% delivery of 2019/20 savings targets, £3.669 million is included within the forecast with a risk of not achieving £1.000 million savings. The overspend mainly relates to the unachievable savings, increased care needs for existing cases and voids/other additional costs relating to homes run by a major provide.

11. The Mental Health forecast position is a £1.594 million overspend net of unallocated MTFs growth and savings held by the Lead Commissioner.
12. The Community Equipment Service (CES) / Telecare budgets are reported as online.
13. Other Services comprise of 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 £1.842 million underspend including:
  - a. £0.962 million significant overspends: £0.161 million Community Meals; £0.801 million MTFs Prevention Unallocated which includes reablement saving allocation not yet addressed/confirmed (see comments below).
  - b. £2.791 million significant underspends: £0.175 million under Hospital Care Navigators due to vacancies; £0.098 million Integrated Brokerage due to vacancies; £0.069 million Administration Finance due to a vacancy; £0.053 million Adults Social Care Levy; £0.095 million for the Advocacy contract due to current year usage of the contract; £0.768 million OP/PD Integrated Social Care Management (ISCM) due largely to vacancies; £0.098 million Contact Centre due to vacancies; £0.732 million for the OP/PD Reablement Service managed by Gloucestershire Health and Care NHST (formally Gloucestershire Care Services) due to vacancies (see above comments); £0.053 million Safeguarding; £0.366 million Deputy Director ASC due to vacancies and £0.285 million LD Assessment, Support Planning & Management mainly due to vacancies.
  - c. a number of smaller variances netting to a £0.013 million underspend.
14. Other Services (Unallocated) are reported as £0.509 million underspend, reduction for Framework uplift.

## **Prevention and Wellbeing**

15. Services within this area include Public Health, Supporting People and a number of smaller budgets covering the prevention hub team and grants.
16. The current forecast of the year end revenue position is an underspend of £0.010 million against prevention projects.
17. 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 underspend of £0.302

million due to lower commitments against the healthy lifestyles contract, release of a contingency and lower dispensing costs for health checks activity and staff vacancies.

## **Children & Families**

18. The current forecast of the year end revenue position as at October 2019 for non-DSG funded services is an overspend of £10.73 million (9.43% of budget). As in 2018/19 the overspend is due to higher than expected number of external placements and the cost of agency social work staff covering vacancies with the significant part of the increase of £0.952 million in the month due to the number of external placements .
19. At the end of October 2019 children in care numbers were 725 compared to 669 at the end of May 2018. This activity continues to cause significant budgetary pressures on children's services and in particular against the external placement and safeguarding staff budgets resulting in the overspend. Although an efficiency plan has been produced which initially aimed to reduce the forecast overspend to below £5 million by the year end the continued pressure on the external placement budget has made this unachievable. Cost pressures and proposals aimed at reducing the current overspend are set out below. Further scrutiny of the budget position by external consultant, supported by the LGA, has taken place in September and October but the report has not yet been received.
20. The current forecast overspend against the external placement budget is £6.186 million (28.4% above budget), an increase of £0.688 million between the September and October forecast. This includes a contingency of £1.08 million for new cases in-year allowing for additional placements to replace existing care commitments or allowing for higher number of placements. Initial work has commenced on the development a robust model or 'care ladder' linking social care planning and decision making to the management of resources as the basis for more accurate financial modelling. Currently there is a lack of reliable information regarding projections into the future, however if current trends continue the forecast could increase by an additional £0.7 million above the contingency. The overspend is due to a higher number of external placements than anticipated with 3 additional secure placements included in the forecast this month costing an additional £0.451 million for the remainder of the financial year. The current forecast average unit cost of a placement is £95,700 per annum, (residential/supported living average unit cost of £153,300). There are currently 325 external placements, of which 79 are residential and 72 supported living placements.
21. The review of all high cost placements is continuing on a regular basis as part of the wider improvement work ensuring decisions around placement change and permanence are executed in timely child centred manner. This will

continue to reduce the cost of external placements where appropriate including reducing unit costs. Improving social care practice to divert children from care at an earlier point and achieve permanence at the earliest opportunity will reduce numbers of children in care costs in the longer term.

22. Against safeguarding staffing budgets there is a forecast overspend of £2.718 million (17.6% above budget). The significant overspend is due to the use of agency staff covering for staff vacancies or where caseloads remain high. Changes have been made to improve processes for recruitment, put in place more effective advertising as well as the launch of the social work academy to support the training and development of social workers and to improve retention. Turnover of staff has reduced to 12.4% over the last month and at the end of September there were 134 agency workers in post compared to over 180 at times in 2018/19. As the newly qualified staff who have been appointed over the last few months gain experience the number of agency staff is expected to reduce by the end of March 2020.
23. A higher level of activity is also causing an overspend of £0.777 million in section 17 and discretionary payments for foster carers. A resource panel is now in place to review and agree all significant payments and ensure consistency across teams and signpost to other services.
24. In addition to this young peoples support are forecasting a £0.741 million overspend due to a number of complex cases and the additional cost of agency staff covering vacancies where the cost will reduce as permanent staff are recruited.

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

25. Dedicated Schools Grant (DSG) funded services are forecast to be overspent by £9.502 million in 2019/20 which includes the deficit carry forward of £2.884 million in the high needs block. As reported last year the cost pressures are in the High Needs block with a forecast in-year overspend for the block in 2019/20 of £6.914 million. The overspends are against Independent Special Schools (£1.866 million), top ups to support Education, Health and Care plans (EHCP) (£2.993 million) with significant overspends against colleges and special schools as well as a deficit in-year budget of £1.192 million; these are all caused by increases to activity, many of which have been unanticipated and above forecast trends but reflects the national picture.
26. The High Needs Strategy approved by Cabinet in January 2019 includes eight core activities to address the continuing cost pressures. Working with schools and the School Forum, these activities will include focusing on a new approach to exclusions and improvement of the graduated pathway and EHCP process. Forecast models of expenditure and activity trends are in place and the

assumptions used are challenged on a monthly basis to ensure robust forecasting but the continued high level of referrals has resulted in contingencies being increased this month to reflect the trend. The specialist commissioning team are also continuing to work to reduce the cost of placements in independent schools where appropriate.

27. The budget pressure that Gloucestershire is facing reflects the national picture with significant deficits in DSG high needs being held in many Local Authorities. The recent funding announcements identified nationally £700 million additional funding for special needs in 2020/21. Information received from the DFE in October gives a provisional increase in the high needs block for 2020/21 of £6.086 million which does not cover our current in-year cost pressure so the implementation of the High Needs Strategy will be essential to ensure the budget is balanced in future years.

### **Communities & Infrastructure**

28. Communities and Infrastructure are currently reporting a forecast of £0.575 million overspend (0.82% of total budget).
29. Waste are forecasting a net overspend of £0.563 million in total which is made up from £0.367 million overspend against recycling credit payments, £0.072 million HRC overspend, £0.214 million reduction in HRC income for metals, textiles and cardboard and £0.090 million underspend against wood. HRC materials income fluctuates throughout the year; therefore, this is our best forecast at this point in time. Material prices may improve or decline further as a result of global trading conditions
30. Highways Commissioning are reporting an overspend of £0.144 million caused by a number of small cost pressure areas within the contract and meeting service requirements. Parking is currently reporting a balanced position and income is being closely monitored to manage the risk of a year end variance.
31. The revenue forecast includes £0.291 million for 'Highways Locals' revenue contributions to capital schemes.
32. The Integrated Transport Unit are forecasting to overspend by £0.030 due to sustainable travel budgets however it should be noted that ITU continues to monitor new contract prices in order to manage the risk of an overspend.
33. There is an overspend recognised in the Highways Development Control team due to staff vacancy and consultancy cover needed to meet current workload. This will be offset by additional drawdown of Developer fees at year end, therefore allowing a breakeven position to be reported overall.
34. Strategic Infrastructure is reporting a £0.135 million underspend. This is made up of an underspend in the Flood revenue budget of £0.275 million and an overspend of £0.140 million against the Planning Development Management team due to lower than anticipated income generation.

35. There is a small underspend of £0.028 million reported on the Place and Place support staffing budgets due to staff vacancy
36. All other areas – Libraries, Registrars and Adult Education are reporting a break even position.

### **Gloucestershire Fire & Rescue Service & Regulatory Services**

37. The Fire and Rescue Service is currently forecasting a year end overspend of £0.121 million. The overspend is due to the additional cost of employers' superannuation contributions for fire pension schemes. The total additional cost was calculated at £1.214million per annum. A grant of £1.093 million covering 90% of the increase was provided by the Home Office leaving a shortfall of £0.121 million.
38. Trading Standards and the Coroner's Service are anticipating an on-target position.

### **Corporate Resources**

39. The forecast year end position for Corporate Resources is a balanced position - this includes a £0.110 million forecast overspend against the Asset Management & Property Services car parking budget due to the cost of the alternative provision following the changes to the Quays carpark. This overspend is being covered by vacancies elsewhere within Corporate Resources.

### **Technical and Cross Cutting**

40. The forecast outturn position for Technical and Corporate budgets is a £6.28 million underspend (14.32% of budget). The main areas of variance relate to:-
41. Positive interest rate credits on cash balances totalling £3.19 million, reflecting better diversification of investments and longer term deposits.
42. When the 2019/20 Budget was agreed in February 2019 a number of government funding streams had not been finalised due to the timings of announcements. These funding streams have now been confirmed and have resulted in slightly more central funding than originally estimated. In total, £2.78 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 Grant for 2019/20. These changes to funding are managed within the Technical and Corporate budgets for the Council.
43. A number of smaller variances on corporate budgets netting to a £0.31 million underspend.



## B. Capital Expenditure

### Current Spend 2019/20

44. The capital budget for 2019/20 is £126.091 million, an increase of £0.043 million since last reported to Cabinet due to additional approval granted at October Cabinet. Actual spend against the capital programme as at the end of September 2019 is £33.526 million.

### Budget and Forecast Outturn Position 2019/20

45. The forecast outturn position for 2019/20 is £108.655 million, against the budget of £126.091 million giving forecast slippage of £17.436 million.

46. It is recommended that the current year budgets are re-profiled to reflect the current forecast and the revised budget set at £108.655 million. This ensures the latest figures are included in the MTFs 2020/21. This has no effect on the whole life cost of capital schemes.

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

<b>CAPITAL EXPENDITURE 2019/20</b>					
Service Area	Reprofiled Budget 2019/20	Current Year Spend 2019/20	% Current Year Spend against Reprofiled Budget	Forecast Outturn 2019/20	Forecast Year-end Variance
	£000	£000	%	£000	£000
<b>Capital Receipts Works Before Sale</b>	0	0		0	0
<b>Adults</b>	7,109	3,290	46	7,637	527
<b>Children &amp; Families</b>	28,015	9,857	35	21,503	-6,512
<b>Communities</b>					
Highways	57,465	16,855	29	56,839	-627
Strategic Infrastructure	2,125	81	4	2,142	17
Waste Disposal	1,228	478	39	830	-398
Libraries	909	9	1	292	-617
<b>Fire &amp; Rescue</b>	1,285	11	1	1,285	0
<b>Corporate Resources</b>					
AMPS	17,570	1,741	10	10,058	-7,511
ICT projects	8,380	535	6	6,615	-1,765
Business Service Centre	631	10	2	531	-100
Archives & Information Management	739	643	87	739	0
Customer	634	16	3	184	-450
<b>Total</b>	<b>126,091</b>	<b>33,526</b>	<b>27</b>	<b>108,655</b>	<b>-17,436</b>

## **Adults Programme**

48. Adults' schemes are forecast to spend £7.637 million in 2019/20 against a budget of £7.109 million, giving a forecast in-year overspend of £0.527 million. This is due to accelerated forecast spend in the current year by the district councils on Disabled Facilities Grants.

## **Children & Families Programme**

49. Children & Families schemes are forecast to spend £21.503 million in 2019/20 against a budget of £28.015 million, giving a forecast slippage of £6.512 million, a slight reduction to that previously reported to Cabinet. This is mainly due to planning issues and design delays associated with a small number of school expansion projects.

## **Highways Programme**

50. Highways schemes are forecast to spend £56.839 million in 2019/20 against a budget of £57.465 million, giving a forecast in-year underspend of £0.626 million. This relates to the effect of the contract changeover delaying the design of a large number of schemes particularly in relation to bridges, landslips and road safety schemes to the point where the works that were planned for spring 2020 will now not take place until the summer. There is also, potentially, a substantial reduction in the spend forecast for the Gloucester to Quedgeley Cycle Track caused by reviewing the surface treatment and uncertainty over the continuation of the EU grant in the event of a no-deal Brexit (it would continue if there is a deal). This reduction is largely balanced by an increase in spend on Major Schemes where contracts have recently been awarded on a number of projects and an increase in the rate of carriageway investment.

## **Strategic Infrastructure Programme**

51. Flood Alleviation schemes are forecast to spend £0.431 million in 2019/20 against a budget of £0.418 million, giving a forecast in-year overspend of £0.013 million. The Saturn Transport Modelling scheme is forecast to spend £0.155 million in 2019/20 against a budget of £0.151 million, giving a forecast in-year overspend of £0.004 million.

## **Waste Programme**

52. Waste schemes are forecast to spend £0.830 million in 2019/20 against a budget of £1.228 million, giving a forecast in-year underspend £0.398 million. This relates to a delay in the introduction of mobilise compaction and related works at Wingmoor Farm HRC, as planning permission is needed for a proposed alteration to the site layout.

## **Libraries Programme**

53. Libraries schemes are forecast to spend £0.292 million in 2019/20 against a budget of £0.909 million, giving a forecast in-year underspend £0.617 million. The main reason for the variance is due to the project to install open+ at specified libraries cannot be completed prior to March 2020. This is due to staff and supplier capacity to deliver the projects and the need to consult on the changes with customers.

## **AMPS Programme**

54. AMPS schemes are forecast to spend £10.058 million in 2019/20 against a budget of £17.570 million, giving a forecast slippage of £7.512 million. This is mainly due to delays on the following projects:

- Quayside new build – £3.500 million slippage, due for completion in 2021.
- Quayside car park – £2 million slippage due for completion in 21/ 22.
- Lewis Lane – £0.500 million slippage, awaiting decision from service.
- Shire Hall Block 1 & 2 – £0.500 million slippage due to revised timeline for completion.
- Rural Estates - £0.500 million slippage due to ecology surveys.

## **ICT Programme**

55. ICT schemes are forecast to spend £6.615 million in 2019/20 against a budget of £8.380 million, giving a forecast slippage of £1.765 million, mainly due to delays in the implementation of ICT equipment replacement and the Windows 10 upgrade.

## **Business Service Centre**

56. BSC schemes are forecast to spend £0.531 million in 2019/20 against a budget of £0.631 million, giving a forecast slippage of £0.100 million, mainly due to delays in the implementation of SAP developments.

## **Customer Programme**

57. Customer Programme are forecast to spend £0.184 million in 2019/20 against a budget of £0.634 million, giving a forecast slippage of £0.450 million, mainly due the delayed implementation of the business analytics platform.

## **All other Capital Programmes**

58. All other programmes are forecast to spend in line with the current budget for the year.

## **Changes to the Capital Programme in 2019/20 and future years**

### **Highways**

59. It is proposed that Cabinet support an increase of £14.261 million in the Highways capital budget, funded by the following additional resources:

- £13.710 million towards the Cyber Park scheme Phases 1 & 2 funded by grant subject to imminent sign off by the GFirst LEP Board. £2.391 million of this to be delivered in the current financial year.
- £0.007 million Parish Council contribution towards Slimbridge TRO.
- £0.003 million Parish Council contribution towards Twyning Kerbing scheme.
- £0.132 million developer contribution towards pedestrian and cycle links scheme.
- £0.080 million developer contribution towards the Quays to Southgate Street link.
- £0.038 million developer contribution towards RTPI – A46 Corridor.
- £0.291 million Highways Locals revenue contributions to capital schemes.

### **Libraries**

60. It is proposed that Cabinet support an increase of £0.028 million in the capital budget for Matson Library, funded by developer contributions.

### **Fire and Rescue**

61. It is proposed that Cabinet support an increase of £0.151 million in the GFRS capital budget, funded by the following additional resources;

- An increase of £0.070 million in the Light Fleet Vehicle capital budget, funded by capital receipts generated from the sale of surplus operational vehicles.
- An increase of £0.081 million to fund the replacement of the Tranman Fleet Management system funded by a revenue contribution from the Transformation Reserve.

### **AMPS**

62. It is proposed that Cabinet support an increase of £0.270 million in the AMPS capital budget for the purchase of a property to enable the generation of a significant capital receipt made possible by the relocation of an existing Council tenant.

### **Overall**

63. As a result of the above changes, the overall capital programme will increase by £14.710 million.