

FINANCIAL MONITORING REPORT: 2019/20

Cabinet Date	20 th December 2019
Finance and Change	Cllr Lynden Stowe
Key Decision	Yes
Background Documents	MTFS Report to 13 th February 2019 County Council and Financial Monitoring Reports to Cabinet 24 th July 2019, 9 th October 2019 & 13 th November 2019
Main Consultees	Corporate Management Team, Senior Officers, Cabinet Members.
Planned Dates	Not applicable
Divisional Councillor	County Wide
Officers	Paul Blacker, Director of Finance (01452) 328999 paul.blacker@gloucestershire.gov.uk Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk
Purpose of Report	To provide an update on the year-end forecast for the 2019/20 County Council's Revenue and Capital Budgets
Key Recommendations	That the Cabinet: 1. Notes the forecast revenue year end position as at the end of October 2019 (Period 7) for the 2019/20 financial year is a balance budget. This has been achieved as a result of the review of revenue reserves and in-year efficiencies authorised by Cabinet on 13 th November 2019. 2. Approves the transfers from reserves as detailed in the report of £2.001 million 3. Notes the forecast capital year end position as at the end of October 2019 of £108.696 million against the revised budget of £108.584. 4. Approves the £4.628 million increase to the capital programme as outlined in Section D of the report.
Resource Implications	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 October 2019 (Period 7) and forecasts made in November 2019 is a balanced budget. This improvement in the outturn forecast since that reported to Cabinet on 13th November is as a result of the review of revenue reserves and in-year efficiencies authorised by Cabinet. Details of this review are included later in this report.
2. Without this review and the identification of some additional income / underspends in corporate budgets the overall forecast overspend would have exceeded £6.5 million.
3. 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 October 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	32,594	-12	0.0%	-10	-2
Children & Families	113,712	125,628	11,916	10.5%	10,732	1,184
Economy, Environment & Infrastructure	70,232	71,005	773	1.1%	575	198
GFRS and Regulatory Services	20,297	20,437	140	0.7%	121	19
Corporate Resources	32,934	32,823	-111	-0.3%	0	-111
Corporate Resources Recharges	-32,934	-32,934	0	0.0%	0	0
Total for Services	385,787	398,493	12,706	3.3%	11,418	1,288
Technical & Countywide	43,874	37,319	-6,555	-14.94%	-6,277	-278
Total	429,661	435,812	6,151	1.43%	5,141	1,010
Review of Reserves and In-Year Efficiencies	0	-6,151	-6,151		0	-6,151
Revised Total	429,661	429,661	0	0.00%	5,141	-5,141

4. Any year end overspend that occurs will to be funded from reserves. Currently General Reserves are £18.520 million or 4.3% of the net revenue budget. The financial impact of anticipated future financial pressures are built into the draft MTFS which appears elsewhere on the agenda for this Cabinet.

Adult Social Care

5. Adult Social Care is reporting an underlying overspend of £1.864 million which is a decrease of £0.060 million from the position previously reported. This forecast position includes £2.530 million Additional Social Care "Winter Pressures" funding allocation 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 now at £2.654 million and 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. Therefore the Vulnerable Adults Reserve is sufficient to cover the underlying overspend.
7. There are a number of significant risks that are ongoing which mainly relate to the voids payments to a major provider, as well as the Adult Single Programme (ASP) which has a savings target of £10.498 million in this financial year. Currently the forecast assumes 84% of the ASP is achievable.
8. MTFS savings targets for all client groups are integrated under the Adults Single Programme (ASP) and for OP, PD and LD External Care budgets the impact on operational budgets and performance is managed by the Head of Social Care, working with Commissioning and Support Service colleagues.
9. LD External Care is projecting a £0.286 million overspend. The LD overspend assumes delivery of the majority (93%) 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 £1.224 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 the MTFS.
10. OP and PD External Care is projecting a £2.837 million overspend. The overspend is split across individual service budgets with OP showing as £1.982 million and PD £0.857 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 position of £1.563 million overspend is as calculated by the Gloucestershire Health and Care NHST (formally 2Gether NHSFT) Finance Team, net of unallocated MTFS growth and savings held by the Lead Commissioner.
12. In 2019/20 the contract previously managed under Supporting People transferred to Adults, with a 2019/20 savings target of £0.435 million which continues to remain unachievable. Detailed discussions continue to take place with Gloucestershire Health and Care NHST (GHC, formally 2Gether NHSFT) to establish how the service will be delivered along with a financially sustainable plan in the future. In addition there are on going discussions with GHC NHST about charging for Section 117 after care. The current estimated impact continues to be £0.600 million, of which £0.400 million has been included within the Adults forecast. The remainder will be picked up by Supporting People.
13. The Community Equipment Service (CES) Pooled Budget is reported as balanced. A current underlying shortfall of £2.000 million is being covered by the Disabled Facilities Grant. If this shortfall exceeds the current agreed amount of £2.000 million it will require further approval.
14. 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 £1.841 million underspend including significant variances:
 - a. £0.655 million significant overspends: £0.655 million MTFS Prevention Unallocated which includes reablement saving allocation not yet addressed/confirmed (see comments below).
 - b. £1.855 million significant underspends: £0.854 million OP/PD Integrated Social Care Management (ISCM) due largely to vacancies; £0.685 million for the OP/PD Reablement Service managed by Gloucestershire Health and Care NHST (formally Gloucestershire Care Services) due to vacancies (see above comments) and £0.316 million LD Assessment, Support Planning & Management mainly due to vacancies.
15. Other Services (Unallocated) are reported as £0.981 million underspend, primarily due to £0.779 million of unused provision for disabilities framework backdated increases.

Prevention and Wellbeing

16. Services within this area include Public Health, Supporting People and a number of smaller budgets covering the prevention hub team and grants.

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 under-spend of £0.325 million due to lower commitments against the healthy lifestyles contract, release of a contingency and lower dispensing costs for health checks activity and a staff vacancies.
18. The under-spend of £0.012 million against Prevention and Wellbeing is due to a small number of variances across the service.

Children & Families

19. The current forecast for the year end revenue position as at November 2019 for non-DSG funded services is an over-spend of £11.916 million (10.5% of budget). As in 2018/19 the over-spend 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 £1.184 million in the month due to these two areas.
20. At the end of October 2019 children in care numbers were 728 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 over-spend.
21. The current forecast over-spend against the external placement budget is £6.646 million (30.5% above budget), an increase of £0.46 million between the October and November forecast. This includes a contingency of £0.708 million for new cases in-year allowing for additional placements to replace existing care commitments or allowing for higher number of placements. The over-spend is due to a higher number of external placements than anticipated, with one additional secure placement included in the forecast this month, bringing the total secure placements currently to four. There are also a significantly higher numbers of parent and baby placements (11 in total). The current forecast average unit cost of a placement is £96,200 per annum, (residential/supported living average unit cost of £150,400). There are currently 330 external placements, of which 81 are residential and 71 supported living placements.
22. 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 a 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.

23. Against safeguarding staffing budgets there is a forecast overspend of £3.043 million (19.7% above budget). The significant over-spend is due to the use of agency staff covering for staff vacancies, providing additional capacity to improve social work practice 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 between 12 and 13% over the last few months and at the end of October 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.
24. A higher level of activity is also causing an over-spend of £0.886 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.
25. In addition to this, Young People's Support are forecasting a £0.74 million over-spend due to a number of complex cases and the additional cost of agency staff covering vacancies. The latter will reduce as permanent staff are recruited.

Dedicated Schools Grant (DSG) position

26. Dedicated Schools Grant (DSG) funded services are forecast to be over-spent by £9.552 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 over-spend for the block in 2019/20 of £6.945 million. The over-spends are against Special School places (£0.639 million), Independent Special Schools (£1.868 million), top ups to support Education, Health and Care Plans (EHCP) (£2.972 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, much of which have been unanticipated and above forecast trends, but reflects the national picture.
27. 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 include focusing on a new approach to exclusions and improvement of the graduated pathway and EHCP process – resulting in an 18% reduction in exclusions during 2018/19 academic year. Forecast models of expenditure and activity trends are in place and the assumptions used are challenged on a monthly basis to ensure robust forecasting. However, 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.

28. The budget pressures that Gloucestershire is facing reflect 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 £6.131 million for Gloucestershire which does not cover our current in-year cost pressure. Therefore the implementation of the High Needs Strategy will be essential to ensure the budget is balanced in future years.

Economy, Environment & Infrastructure

29. Economy, Environment and Infrastructure are currently reporting a forecast of £0.773 million overspend (1.10% of total budget).
30. Waste are forecasting a net overspend of £0.573 million in total which is made up from £0.342 million overspend against recycling credit payments, £0.130 million HRC service contract overspend and £0.101 million net reduction in HRC materials income for metals, textiles and cardboard including a 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
31. Strategic Infrastructure, Integrated Transport and Highways Commissioning all have variances which net off to an additional £0.200 million overspend.
32. Libraries, Registrars, Highways Development Management, Parking and Adult Education are reporting a break even position.

Gloucestershire Fire & Rescue Service & Regulatory Services

33. Gloucestershire Fire & Rescue and Regulatory Services are forecasting a minor overspend of £0.140 million which is 0.7% of budget.

Corporate Resources

34. The forecast year end position for Corporate Resources is an underspend of £0.11 million. This position includes proposed Revenue Contributions to Capital of £0.020 million from the Information Management Service in respect of developments to the Information Asset Register and £0.181 million from Asset Management and Property Services to the Children and Families Capital Programme to fund essential works at Trevone House.

Technical and Countywide

35. The forecast outturn position for Technical and Countywide budgets is a £6.555 million underspend (14.94% of budget). The main areas of variance relate to:-
36. Positive interest rate credits on cash balances totalling £3.399 million, reflecting better diversification of investments and longer term deposits.
37. 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, £2.780 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 Countywide budgets for the Council.
38. A number of other variances on corporate budgets netting to a £0.376 million underspend.

B. Review of Revenue Reserves and In Year Efficiencies

39. The Financial Monitoring Report 2019/20 considered by Cabinet on 13th November 2019 reported a forecast revenue overspend of £4.490 million and recommended that the Cabinet Member for Finance and Change worked with the Director of Corporate Resources to identify options for meeting the forecast overspend including reviewing revenue reserves and any in year efficiencies.
40. This review has been undertaken and identified £6.151 million It is proposed to::
- Transfer £1.60 million from the Rates Retention Reserve. This one-off funding is as a result of the additional £3.83 million income received in 2018/19 from the Business Rate 100% Pilot as previously reported to Cabinet in the Outturn Report June 2019 of which £2.23 million has previously been allocated to Children's and Families budget. The remaining £1.60 million will be used to partially offset the forecast overspend in Children and Families.
 - Transfer £0.127 million from the Fire Pensions Reserve, which will be used to offset the forecast overspend within GFRS.
 - Transfer £0.274 million from the Peoples Reserve which will be used to partially offset the forecast overspend in Children and Families.
 - Releases an underspend of £2.648 million within the Capital Financing Budget as a result of capital investments being funded from capital receipts rather than revenue contributions.

- Release the ICT contingencies approved by Council in February 2019 to fund the anticipated above inflationary increase in ICT software cost (£0.55 million) and the remote Wi-Fi licencing costs (£0.182 million). Neither of these contingencies will be needed in 2019/20 so can be released to cover the forecast overspend.
- Release the corporate pay and prices contingency (£0.77 million) which was held corporately to fund any significant unexpected inflationary pressures that could not be funded from within service budgets. A balance of £0.77 million remains uncommitted.

41. In total these in year efficiencies and proposed reserve transfers have identified £6.151 million of additional funding in 2012/21 resulting in a forecast balanced revenue budget position.

C. Delivery of Meeting the Challenge Savings Programme

42. At the end of Quarter 2 of the 2019/20 savings programme, we are reporting £8.689 million delivered against a 2019/20 target of £19.051 million. This represents 45.6% of the annual target achieved, details provided in the table below.

43. A total of £14.579 million is forecast to be delivered by the end of 19/20 budget year, which would represent 76.5% of the annual target. The most significant elements at risk being £1.6 million in the Adults Single Programme, and the continuing pressure on external placements preventing savings being made in Children and Families.

44. Additionally there was an outstanding saving of £2.363 million yet to be achieved from previous years' targets, of which just £0.645 million has been achieved to date. The most significant element of the shortfall relates to the ongoing Public Health grant reduction. In 18/19 this was offset by the Public Health reserve (the 'carry-forward' of the ring-fenced grant), and the longer term plan is to address the shortfall through the growth bid proposed within the draft 20/21 budget.

Savings Programme monitoring report - Q2 2019/20

Programme/Project	19/20 savings target	Achieved to date	Forecast 19/20 (incl achieved)	At Risk in 19/20	Notes
Rollovers (from MTC2 and 18/19)		£,000	£,000	£,000	
Children & Families (MTC2)	150	0	0	150	Now expected to be delivered in 20/21.
Children & Families & Public Health (MTC2)	1,437	0	92	1,345	Now expected to be recovered in 20/21.
Adults Mental Health (previously under Supporting People MTC2)	435	0	0	435	Associated budget & savings have been transferred to Adults Mental Health.
Education (18/19)	46	46	46	0	
Supporting People (18/19)	218	19	19	199	Now expected to be delivered in 20/21.
Waste (18/19)	77	0	77	0	
Total Rollovers	2,363	65	234	2,129	
Current programme year (19/20)					
Education	550	392	490	60	One element delayed by unpredictability of delivery, but plans in place to cover in-year budget position.
Adults Single Programme	10,498	4,255	8,870	1,628	Currently forecasting a shortfall, but this will be managed within overall budget position and recovered in 20/21
Public Health	641	0	641	0	
Supporting People	399	59	59	340	Savings rely on reprocurement in 20/21, shortfall will be covered in year by underspends elsewhere.
Parking	487	0	487	0	
Libraries	50	50	50	0	
Waste	293	0	49	244	At risk, and plans are under revision, likely to recover in 20/21
Support services	397	397	397	0	
Commercial approach	1,000	1,000	1,000	0	
Strategy & Challenge	70	70	70	0	
Corporate & Technical	2,466	2,466	2,466	0	
Staff Travel	500	0	0	500	Plans are still being formed, but the saving has yet to be attached to identified budgets.
Children & Families	1,700	0	0	1,700	Part of the ongoing plans to contain the budget overspend, but currently reporting £10.73M overspend.
Total Current Year	19,051	8,689	14,579	4,472	
Total Rollovers + Current	21,414	8,754	14,813	6,601	

D. Capital Expenditure

Current Spend 2019/20

45. The capital budget for 2019/20 is £108.584 million, a decrease of £17.506 million since last reported to Cabinet due to re-profiling of capital budgets at a previous Cabinet. Actual spend against the capital programme as at the end of October 2019 (Period 7) is £40.006 million.

Budget and Forecast Outturn Position 2019/20

46. The forecast outturn position for 2019/20 is £108.696 million, against the budget of £108.584 million, giving forecast in-year overspend of £0.112 million. This is the result of advanced delivery of schemes and has no effect on the overall cost of the capital programme.

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.

CAPITAL EXPENDITURE 2019/20					
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
Capital Receipts Works Before Sale	0	0		0	0
Adults	7,637	3,361	44	7,637	0
Children & Families	21,490	11,606	54	21,490	0
Economy, Environment & Infrastructure	0	0		0	
Highways	56,839	20,783	37	56,839	0
Strategic Infrastructure	2,143	84	4	2,241	98
Waste Disposal	830	497	60	830	0
Libraries	292	40	14	292	0
Gloucestershire Fire and Rescue Service	1,281	24	2	1,281	0
Corporate Resources	0	0		0	
AMPS	10,032	2,062	21	10,017	-15
ICT projects	6,586	869	13	6,615	29
Business Service Centre	531	10	2	531	0
Archives & Information Management	739	654	88	739	0
Customer	184	16	9	184	0
Total	108,584	40,006	37	108,696	112

48. There are no significant capital budget overspends being forecast at Period 7.

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

Children and Families

49. In April 2019 Cabinet approved a £2.500 million capital project for the re-modelling of Trevone House to support the implementation of the Sufficiency Strategy. Additional essential works have been identified at a cost of £0.302 million. It is proposed that Cabinet supports a budget increase of £0.302 million funded by a revenue contribution of £0.121 million from the AMPS revenue budget and a transfer of £0.181 million from the AMPS capital budget.

Highways

50. It is proposed that Cabinet support an increase of £4.550 million in the Highways capital budget, funded by the following additional resources:

- £0.027 million GWR contribution towards RTP1 at Cheltenham Spa Railway Station.
- £0.020 million developer contribution towards Honeybourne Line Cycletrack improvements.
- £0.003 million Parish contribution towards Bibury Gateways, a Community Offer Scheme.
- £4.500 million for the A38 Canal Bridges scheme. £4.000 million from the Cotswold Canal Trust contribution and £0.500 from Stroud District Council.

Waste

51. It is proposed that Cabinet approve a transfer of funding of £0.076 million from the Hempsted Cell project to the Fosse Cross HRC site groundworks scheme to cover an anticipated overspend of £0.076 million. The Hempsted Cell project went ahead at nil cost to GGC.

52. It is proposed that Cabinet supports a budget decrease of £0.067 million to the Waste Capital Programme which is the remaining unspent element of the Hempsted Cell project.

Libraries

53. It is proposed that Cabinet supports a budget increase of £0.004 million to the Libraries Capital Programme funded from GFirst LEP Grant for the Growth Hub project.

Information Management

54. It is proposed that Cabinet supports a budget increase of £0.020 to the Information Management Capital Programme funded by revenue contribution to capital from Information Management revenue budget.

Overall

55. As a result of the above changes, the overall capital programme will increase by £4.628 million.