

FINANCIAL MONITORING REPORT: 2019/20

Cabinet Date	29 January 2020
Finance and Change	Cllr Lynden Stowe
Key Decision	Yes
Other 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 & 20 th December 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 November 2019 (Period 8) for the 2019/20 financial year as a balanced position. 2. Approves a transfer of £0.437 million from the Rates Retention Reserve as part of the on going review of Revenue Reserves. 3. Notes the forecast capital year end position as at the end of November 2019 of £107.433 million against the revised budget of £109.837. 4. Approves the £0.470 million increase to the capital programme as outlined in Section C 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 November 2019 (Period 8) and forecasts made in December 2019 (period 9) is a balanced position.
2. Without the on-going review of revenue reserves and in-year efficiencies and the identification of some additional income / underspends in corporate budgets the overall forecast overspend would have exceeded £7 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 November 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	32,598	-8	0.0%	-12	4
Children & Families	113,712	127,074	13,362	11.8%	11,916	1,446
Economy, Environment & Infrastructure	70,232	70,710	478	0.7%	773	-295
GFRS and Regulatory Services	20,297	20,433	136	0.7%	140	-4
Corporate Resources	32,934	32,414	-520	-1.6%	-111	-409
Corporate Resources Recharges	-32,934	-32,934	0	0.0%	0	0
Total for Services	385,787	399,235	13,448	3.5%	12,706	742
Technical & Countywide	43,874	37,014	-6,860	-15.64%	-6,555	-305
Total	429,661	436,249	6,588	1.53%	6,151	437
Review of Reserves and In-Year Efficiencies	0	-6,588	-6,588		-6,151	-437
Revised Total	429,661	429,661	0	0.00%	0	0

4. Any year end overspends that occurs 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 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 £1.690 million which is a decrease of £0.174 million. 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 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. This underlying overspend position therefore is covered by the Vulnerable Adults Reserve.
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) with MTFS savings targets of £10.498 million. Currently the forecast assumes 85% of the ASP is achievable.
8. MTFS savings targets for all client groups are integrated under the Adults Single Programme (ASP) and for Older People (OP), Physical Disabilities (PD) and Learning Disabilities (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. OP and PD External Care is projecting a £2.923 million overspend. The overspend is split across individual service budgets with OP showing as £2.037 million and PD £0.886 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 provider.
10. The Mental Health position of £1.748 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.
11. As previously reported, 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), the current provider, 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 the methodology of charging for Section 117 after care. The current estimated impact is £0.600 million, of which £0.400 million has been included within the Adults forecast. The remainder will be picked up by Supporting People.

12. The Community Equipment Service (CES) Pooled Budget is reported online. The current reported underlying shortfall of £1.320 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.
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 £1.966 million underspend including significant variances:
 - a. £0.750 million significant overspends: £0.750 million MTFs Prevention Unallocated which includes reablement saving allocation not yet addressed/confirmed (see comments below).
 - b. £1.940 million significant underspends: £0.597 million for the OP/PD Reablement Service managed by Gloucestershire Health and Care NHST (formally Gloucestershire Care Services) due to vacancies (see above); £0.999 million OP/PD Integrated Social Care Management (ISCM) due largely to vacancies and £0.344 million LD Assessment, Support Planning & Management mainly due to vacancies.
14. Other Services (Unallocated) are reported as £0.982 million underspend, primarily due to £0.779 million of unused provision for disabilities framework backdated increases.

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. 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 £0.371 million due to lower commitments against the healthy lifestyles contract, release of a contingency and lower dispensing costs for health checks and substance misuse activity and a staff vacancies.

Children & Families

17. The current forecast for the year end revenue position as at December 2019 for non-DSG funded services is an over-spend of £13.362 million (11.75% 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 £1.446 million in the month due to the external placement budget. To mitigate the increased over-spend, an ongoing review of expenditure in Children's Services has been put in place.
18. At the end of November 2019 children in care numbers were 737 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.
19. The current forecast over-spend against the external placement budget is £8.241 million (37.9% above budget), an increase of £1.595 million between the November and December forecast. This includes a contingency of £0.460 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 which includes four secure placements. There are also a significantly higher numbers of parent and baby placements (15 in total). The current forecast average unit cost of a placement is £99,000 per annum, (residential/supported living average unit cost of £153,900). There are currently 340 external placements, of which 91 are residential and 72 supported living placements.
20. 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.
21. Against safeguarding staffing budgets there is a forecast overspend of £2.95 million (19% 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 11% and 13% over the last few months and at the end of November there were 136 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.

22. A higher level of activity is also causing an over-spend of £0.889 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.
23. In addition to this, Young People's Support are forecasting a £0.730 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

24. Dedicated Schools Grant (DSG) funded services are forecast to be over-spent by £9.644 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 £7.036 million. The over-spends are against Special School places (£0.639 million), Independent Special Schools (£1.92 million), top ups to support Education, Health and Care plans (EHCP) (£3.078 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 reflect the national picture.
25. 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.
26. The budget pressures that Gloucestershire is facing reflect the national picture with significant deficits in DSG high needs being held in many Local Authorities. In December the DFE announced the allocations for the high needs block for 2020/21 with Gloucestershire's allocation increasing by £6.534 million which does not cover our current in-year cost pressure and gives no allowance for growth. Therefore the implementation of the High Needs Strategy will be essential to ensure the budget is balanced in future years.

Economy, Environment & Infrastructure

27. Economy, Environment and Infrastructure are currently reporting a forecast of £0.478 million overspend (0.7% of total budget).
28. Waste are forecasting a net overspend of £0.478 million in total which is mostly made up from £0.358 million overspend against recycling credit payments and other minor variations to budget.

Gloucestershire Fire & Rescue Service & Regulatory Services

29. Gloucestershire Fire & Rescue Service is forecasting a minor overspend of £0.136 million which is 0.7% of budget. This is mainly due to unfunded superannuation increases on fire pension schemes.

Corporate Resources

30. The forecast year end position for Corporate Resources is an underspend of £0.520 million. This reflects delays in the planned move to Cloud-based technology, which is funded through the revenue ICT budget.

Technical and Countywide

31. The forecast outturn position for Technical and Countywide budgets is a £6.860 million underspend (15.64% of budget). The main areas of variance are highlighted in the paragraphs below.
32. Positive interest rate credits on cash balances totalling £3.588 million, reflecting better diversification of investments and longer term deposits.
33. 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.
34. A number of other variances on corporate budgets netting to a £0.492 million underspend.

B. Review of Revenue Reserves and In Year Efficiencies

35. 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.
36. This initial review resulted in the identification of £6.151 million – full details were included in the 20th December 2019 Cabinet Report. In addition to this £6.151 million it is proposed to transfer an additional £0.437 million from the Rates Retention Reserve.
37. The Rates Retention Reserve built up surplus funds as a result of additional funding from the Business Rate Pilot and surpluses generated from the business rate pooling arrangements.

C. Capital Expenditure

Current Spend 2019/20

38. The capital budget for 2019/20 is £109.837 million, an increase of £1.253 million since last reported to Cabinet due to additional approval granted at November Cabinet. Actual spend against the capital programme as at the end of November 2019 (period 8) is £46.086 million.

Budget and Forecast Outturn Position 2019/20

39. The forecast outturn position for 2019/20 is £107.433 million, against the budget of £109.837 million, giving forecast in-year slippage of £2.404 million.
40. Details of the budgets and forecast year end position, and any significant variances, 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	3,362	44	7,637	0
Children & Families	21,792	12,399	57	22,692	900
Economy, Environment & Infrastructure	0	0		0	
Highways	57,967	25,133	43	56,961	-1,006
Strategic Infrastructure	2,143	92	4	2,207	64
Waste Disposal	830	515	62	659	-171
Libraries	296	48	16	266	-30
Gloucestershire Fire and Rescue Service	1,281	127	10	1,096	-185
Corporate Resources	0	0		0	
AMPS	9,851	2,479	25	7,836	-2,015
ICT projects	6,586	1,231	19	6,625	39
Business Service Centre	531	10	2	531	0
Archives & Information Management	739	671	91	739	0
Customer	184	19	10	184	0
Total	109,837	46,086	42	107,433	-2,404

Children & Families

41. Children & Families schemes are forecast to spend £22.692 million in 2019/20 against a budget of £21.792 million, giving a forecast in-year overspend of £0.900 million. This is due to faster than anticipated progress on the Trevone House project. The project is still forecast to come in on budget so the cash flow impact is managed by in year slippage elsewhere in the capital programme.

Highways

42. Highways schemes are forecast to spend £56.961 million in 2019/20 against a budget of £57.967 million, giving a forecast in-year underspend of £1.006 million. This relates to some major land purchases previously forecast, that is now more likely to complete after the end of the current financial year. We are anticipating this will be partially offset by greater than expected progress on the West of Cheltenham scheme.

Corporate Resources

43. AMPS schemes are forecast to spend £7.836 million in 2019/20 against a budget of £9.851 million, giving a forecast in-year underspend of £2.015 million. This relates to the delays in the Quayside Health Hub.

44. There are no other significant capital variances being forecast at Period 8.

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

Children and Families

45. It is proposed that Cabinet support an increase of £0.493 million in the Children & Families capital budget, funded by the following developer s106 contributions:

- Barnwood Park Arts College – £0.017 million from a housing development at Cheltenham Road East to replace basic need grant currently allocated to the school expansion scheme, thereby making the grant funding available to fund other capital projects.
- Cirencester Kingshill School – £0.038 million from a housing development at London Road, Cirencester to fund works to expand the dining room at the school.
- Chipping Campden School – £0.288 million from a housing development at Fire Service College, Moreton-in-Marsh and £0.061 million from a housing development at Draycott Road, Blockley towards a Performing Arts Centre at the school.
- Eastington Primary School – £0.089 million from a housing development at Swallowcroft, Eastington towards various expansion works at the school.

Highways

46. It is proposed that Cabinet support a decrease of £0.023 million in the Highways capital budget, relating to approved contributions to schemes which are no longer required:

- -£0.001 million Lydney Town contribution towards Lydney VAS
- -£0.005 million Cold Aston Parish contribution towards Cold Aston Kerbing and Footway works.
- -£0.001 million Avening Parish contribution towards Avening Footway Provision.
- -£0.004 million SDRSG funding towards Stroud Speed Mgmt Campaign VAS signs.
- -£0.012 million developer contribution towards RTPI - Barnwood Rd / Hucclecote Rd

Overall

47. As a result of the above changes, the overall capital programme will increase by £0.470 million.