

Appendix 3



REPORT TITLE: Financial Monitoring Report 2021/22

| | |
|------------------------------------|--|
| Cabinet Date | 22 nd September 2021 |
| Cabinet Member | Cllr Lynden Stowe, Cabinet Member for Finance and Change |
| Key Decision | Yes |
| Purpose of Report | To provide an update on the year-end forecast for the 2021/22 County Council's Revenue and Capital Budgets |
| Recommendations | <p>That the Cabinet:</p> <ol style="list-style-type: none"> 1. Notes the forecast revenue year end position based on July 2021 (Period 4) forecasts for the 2021/22 financial year is an overspend of £6.743 million all of which relates to non Covid-19 expenditure, as we are forecasting a balanced position in relation to Covid-19 expenditure and income. 2. Notes delivery of the £5.453 million of savings against a target of £6.761 million in 2020/21 or 80.65%, a breakdown is shown at Paragraph 41. 3. Notes the forecast capital year end position as at the end of June 2021 of £160.163 million against the current budget of £156.719 million. 4. Approves the £1.713 million increase to the capital programme as outlined in section C of the report. |
| Reasons for recommendations | |
| Resource Implications | These are detailed within the report |
| Background Documents | MTFS Report to 12 th February 2021 County Council and Financial Monitoring Report to Cabinet 21 st July 2021, |
| Statutory Authority | |
| Divisional Councillor(s) | County Wide |
| Officer | <p>Paul Blacker, Director of Finance (01452) 328999 paul.blacker@gloucestershire.gov.uk Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk</p> |
| Timeline | Not applicable |

Revenue Expenditure 2021/22

A. Revenue Forecast Outturn Position 2021/22

1. The current forecast of the year end revenue position against the revenue budget of £483.008 million, based on forecasts in July 2021 (Period 4) is an overspend of £6.743 million all of which relates to non Covid-19 expenditure.
2. The largest non-Covid-19 budget variance is the £8.829 million forecast overspend in Children and Families – this overspend is partially offset by the £2.144 million underspend in Technical & Countywide.
3. The Council's forecast cost of responding to the Covid-19 pandemic (excluding expenditure funded from specific grants) is estimated to be £22.472 million in 2021/22 which is funded by £11.526 million 21/22 Covid-19 Emergency Grant and carry forward from 2020/21 of £10.946 million emergency grant. A balanced position is therefore forecast for Covid-19 related activity.
4. In addition to the £22.472 million of general Covid-19 grant funding detailed above, the Council has also received other ring fenced Covid-19 related grant funding. The specific grant allocations for 2021/22 total £14.319 million with an additional £17.197 million carried forward from 2020/21. Details are in the table below;-:

| | Total £m | Received 21/22 £m | Carry forward 20/21 £m |
|---|---------------------|----------------------------------|---|
| Other ringfenced Covid -19 related grant | | | |
| Infection Control Grant | 4.334 | 4.334 | |
| Department for health and Social Care-Rapid Testing | 3.031 | 3.031 | |
| Test & Trace | 1.426 | | 1.426 |
| Covid-19 Bus Service Support Grant | 0.180 | | 0.180 |
| H2ST DFE grant | 0.425 | 0.086 | 0.339 |
| DHSC -Contain Outbreak Management fund | 16.312 | 2.974 | 13.337 |
| Department for Work & Pensions - Covid Winter Grant Scheme | 0.524 | 0.524 | |
| Department for Work & Pensions - Covid Local Support Grant | 1.419 | 1.419 | |
| MHCLG Clinically Extremely Vulnerable (CEV) people Tranches 1-4 . | 1.435 | 0.205 | 1.230 |
| Community Testing | 0.409 | | 0.409 |
| Holiday & Activities Fund 20/21 | 1.547 | 1.391 | 0.156 |
| DWP Local Support grant | 0.355 | 0.355 | |
| Practical support payment 1 | 0.121 | | 0.121 |
| Other ringfenced Covid -19 related grant | 31.516 | 14.319 | 17.197 |

5. The following additional grant allocations have been confirmed since the Cabinet Report to the 21st July meeting was finalised:
- Additional allocations from Infection Control Grant confirmed at £1.779 million.
 - Department for Health & Social Care Rapid Testing £1.37 million
 - Department for Works & Pensions Covid Local Support Grant £1.419 million
 - Department for Works & Pensions Covid Local Support Grant £355k
 - Department for Education Home to School Transport grant £86k
 - Ministry of Housing Communities & Local Government, Extremely Vulnerable grant £205k

6. The assumption in this report is that relevant expenditure will be limited to the value of these ring fenced grants – any underspend will either need to be returned or carried forward to be spent in accordance with the grant conditions in future years.
7. An analysis of the current forecast position is provided in the table and narrative below.

Directorate Breakdown for Cabinet Report - Position July Forecasts 2021 (P4)

| Service Area | Revised 2021/22 Budget | Forecast Outturn Position | Forecast Outturn Variance | Variance % | Covid-19 Forecast | Forecast excluding Covid-19 |
|--|------------------------|---------------------------|---------------------------|--------------|-------------------|-----------------------------|
| | £000 | £000 | £000 | % | £000 | £000 |
| Adults | 156,336 | 161,478 | 5,142 | 3.29% | 5,142 | 0 |
| Prevention & Wellbeing | 35,566 | 35,687 | 121 | 0.34% | 200 | -79 |
| Children & Families | 126,563 | 142,405 | 15,842 | 12.52% | 7,013 | 8,829 |
| Economy, Environment & Infrastructure | 75,888 | 80,983 | 5,095 | 6.71% | 5,095 | 0 |
| Community Safety | 19,966 | 20,028 | 62 | 0.31% | 62 | 0 |
| Corporate Resources | 35,528 | 40,625 | 5,097 | 14.35% | 4,960 | 137 |
| Total for Services | 449,847 | 481,206 | 31,359 | 6.97% | 22,472 | 8,887 |
| Technical & Countywide | 33,161 | 31,017 | -2,144 | -6.47% | 0 | -2,144 |
| Total | 483,008 | 512,223 | 29,215 | 6.05% | 22,472 | 6,743 |
| Additional Funding Covid-19 including carry forward to be allocated | 22,472 | 0 | -22,472 | | -22,472 | |
| Revised Total | 505,480 | 512,223 | 6,743 | 1.40% | 0 | 6,743 |

Adult Social Care

8. Adult Social Care is reporting an underlying overspend of £6.708 million which includes £5.142 million for the COVID-19 costs. Excluding the COVID-19 costs ASC are reporting an overspend of £1.566 million, which can be covered by the Vulnerable Adults Reserve. Therefore Adult Social Care is reporting a balanced position, excluding Covid-19 spend.
9. Adult Social Care reserves currently stand at £9.879 million. The reserves continue to be held as Vulnerable Adults Reserve at £2.665 million, with £4.054 million carry forwards from 2020/21 anticipated to be used in 2021/22, primarily due to delays caused by COVID-19. The balance is specifically set aside for the backdated element of new Ordinary Residence cases and known commitments relating to the Care Act.
10. There continues to be a number of significant risks that are ongoing which mainly relate to, COVID-19, S117 backdated payments, responding to winter pressures, as well as the Adult Single Programme (ASP). Currently the ASP savings target stands at £3.193 million. The current reported position includes £2.260m as forecast as achieved or achievable with £0.799m of this amount being temporarily achieved (delayed or impacted by COVID and set against the COVID Emergency Fund). Currently the reported unachievable savings is therefore £0.933m
11. The forecast cost of the COVID-19 response for 2021/22 within Adults is made up of:
 - £4.261 million of additional support to care providers – not yet confirmed to pay
 - £0.065 million additional workforce spend
 - £0.103 million on PPE
 - £0.002 million miscellaneous spend across a range of budgets
 - £0.711 million ASP risks

£5.142 million funded from COVID-19 general grant

 - **£7.365 million** funded from Covid-19 Specific Grants for Infection Control Fund and Rapid Testing Grant, 1&2
12. Learning Disabilities External Care is projecting a £1.742 million underspend. The underspend relates to £512k of underlying underspends and £1.230 million of MTFS funding which is not expected to be used during 2021/22 because of delays relating to COVID-19. This is a one-off benefit in 2021/22.
13. Older People (OP) and Physical Disabilities (PD) is reporting an £2.773 million overspend. The overspend is split across individual service budgets with OP showing as £1.408 million and PD £1.725 million. The overspend relating to the unachieved cost reductions from previous years sat on OP but was showing as achieved under LD, this has now been amended. The current overspend relates

mainly to the brought forward underlying financial position, voids relating to homes run by a major provider, increased cover for bad debts and additional winter pressures.

14. The Mental Health position of a £1.787 million (was £991k) overspend as calculated by the Gloucestershire Health and Care NHST Finance Team, net of unallocated MTFs growth and savings held by the Lead Commissioner. A long term plan is being developed with Gloucestershire Health and Care NHS Trust to address the underlying overspend.
15. Other Services comprise of all staffing budgets for Adult Social Care, as well as a number of specific commissioned contracts. The position for these services nets to a £1.110 million underspend (was £1.186 million). Significant variances:
 - a. £870k significant overspend in Reablement in respect of unfound ASP 2021/22 savings however this is a worst case position, with additional planning work being undertaken in July and early August with the aim to reduce this.
 - b. £1.063 million significant underspends: £635k OP/PD Integrated Social Care Management (ISCM) due largely to vacancies; and £427k LD Assessment, Support Planning & Management mainly due to vacancies.

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. In total Prevention Services are £121k over-spent but this includes £200k of Covid-19 expenditure.
17. In total Covid-19 grants either carried forward or allocated in year to the Council total £18.630 million. The funding will be targeted at continuing the containment and management of the outbreak through testing and tracing, supporting vulnerable groups and communities.
18. The underlying non-Covid-19 position for Prevention and Well Being is a £686k under-spend. Public Health services are funded by a ring-fenced grant, which if unspent is required to be carried forward in a specific reserve. The Public Health (PH) position, excluding Covid-19 expenditure, is forecast to be £607k under-spent and this will be transferred to the PH reserve at year end. Therefore the forecast non-Covid-19 underspend net of the transfer to the PH Reserve is £79k relating to prevention hub activities.

19. Initial estimates of supplier relief for supporting people providers against the general grant are £200k; the actual position will be clarified in the Autumn
20. The in-year forecast for Public Health is an under-spend of £607k due to lower take-up for health checks as fewer people are currently accessing the service, and the cost of staff involved with the COVID response being charged to grants instead of the Public Health grant.

Children & Families

21. The current forecast for the year end revenue position as at July 2021 for non-DSG funded services is an overspend of £15.842 million (12.52% of budget). Included within these figures is the forecast additional cost of the impact of Covid-19 on budgets which totals £7.013 million giving an underlying overspend of £8.829 million. The significant overspend continues to be against the external placements budget due to increasing numbers of children in care partly linked to the pandemic but also the number and cost of placements. Home to school transport and social care staffing costs are also overspending.
22. Additional forecast expenditure for the impact of Covid-19 covers three key areas which are external placement costs including the additional cost of accommodation for care leavers, cost of social care staff and support to vulnerable pupils. A significant part of this forecast includes the continuing impact on social care and education services even though lockdown measures are easing.
23. Activity levels within social care continue to cause significant budgetary pressures on children's services and in particular against the external placement resulting in the over-spend. At the end of June 2021 children in care numbers were 828 compared to 754 at the end of April 2020.
24. The current forecast over-spend against the external placement budget is £11.856 million (38.1% above budget) and includes a contingency of £3.65 million for new cases in-year to allow for additional placements to replace existing care commitments or for higher number of placements due to increased activity. The forecast also includes the current and future impact of Covid-19 on placement numbers which totals £5.272 million resulting in an underlying overspend of £6.584 million. The underlying over-spend is due to the number of residential, fostering and supported living placements and also the cost of complex residential placements. The current forecast average unit cost of a placement is £110,100 per annum, (residential/supported living average unit cost of £177,700). The current unit costs are likely to change due to fluctuations in assumptions used at the start of the financial year. There are currently 482 external placements, of which 128 are residential and 132 supported living placements.

25. At this stage in the year the forecast has to be based on a lot of assumptions in terms of growth in activity, delays in transitions, capacity in the fostering market both in-house and external and the positive impact of Trevone House providing additional capacity for young people. Assumptions will be reviewed on a monthly basis and adjusted accordingly. 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.
26. Against safeguarding staffing budgets there is a forecast over-spend of £1.013 million (5.3% above budget) with an underlying position net of COVID of £718k. Effective management of the workforce, improved processes for recruitment, more effective advertising and the support and training provided by the social work academy should address the current cost pressure. Turnover of staff has been between 15.5% and 18.1% over the last six months and at the end of June there were 88 agency workers in post.
27. Home to School transport is reported as £1.168 million overspent and is due to the number and cost of the transport for SEN pupils, increased cost of procuring new routes and the number of solo journeys required.
28. The increase in the number of Education, Health and Social Care plans (EHCPs) is causing a budgetary pressure in SEN budgets with a reported over-spend of £334k. Whereas in-house fostering and adoption services are under-spent by £529k due to activity at the start of the year being below budgeted assumptions resulting in the increased placements required having to be absorbed by the external market.

Dedicated Schools Grant (DSG) position

29. Dedicated Schools Grant (DSG) funded services are forecast to be over-spent by £17.643 million in 2021/22, which includes the deficit carry forward of £13.67 million and the 2021/22 deficit budget for High Needs of £4.105 million including recent adjustments between Local Authorities. The deficit budget results from setting realistic budgets within high needs services considering growth trends and existing activity demands on special school and independent provision and top up budgets.
30. 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 implementation of the High Needs Strategy will be essential to ensure the budget is balanced in future years and a spending review of services is in progress with a financial recovery plan being reviewed and developed alongside this review.

Economy, Environment & Infrastructure

31. Economy, Environment and Infrastructure are currently forecasting an overspend position of £5.095 million (6.71% of the budget). This is all down to the impact of Covid-19 related costs or loss of income as set out in the paragraphs below.
32. Loss of income is forecasted to be £2.535 million which is split between £0.426 million from Registrations and Libraries, £2.064 million from parking related income and £0.045 million from other income.
33. Covid-19 costs are forecasted to be £2.560 million made up of £1.703 million for the Economic Recovery Strategy, £0.083 million for PPE and social distancing related spend and £0.337 million of other spend across the directorate on a range of issues. Included within the £2.560 million of Covid 19 costs are unachievable savings relating to £0.193 million for registration & library income and £0.244 million against parking fee income which are both highly unlikely to be achieved.
34. There is a non Covid-19 overspend forecast against Highways due to the high level of road defects arising from the prolonged period of bad weather which has required additional gangs and material spend in quarter one of £0.430 million. If we continue with the additional gangs and materials throughout the year then we will be forecasting an overspend of circa £1.72 million. EE&I are looking to absorb £0.420 million with vacancies throughout the year and a Lead Cabinet Member key decision has been taken to fund up to £1.3 million from un-ring fenced reserves such as the Insurance Reserve therefore we are currently forecasting a balanced position for EE&I excluding the Covid-19 related pressures outlined above.

Community Safety Directorate

35. The Community Safety Directorate is forecasting an overspend of £62k (0.31% of budget) which are estimated costs attributed to Covid-19. Excluding Covid-19 costs, the forecast outturn indicates an on-target spend. The figures include £587k of carried forward funds, approved by June Cabinet, to implement the Fire and Rescue Service Improvement Plan.

Corporate Resources

36. Corporate Resources are forecasting an overspend of £5.097 million (14.35% of the budget). Included within these figures is the forecast additional cost of the impact of Covid-19 on budgets which totals £4.960 million giving an underlying overspend of £137k.

37. The additional forecast expenditure of 4.960 million for the impact of Covid-19 includes £100k in the Asset Management & Property Services budgets, £75k against Occupational Health, £74k Information Management Service, and £33K in Policy & Performance and £490k Legal costs, together with a contingency allocation of £4.188 million which is available to support further Council wide spend pressures should they arise during 2021/22.

Technical and Countywide

38. The forecast Non-Covid-19 outturn position for Technical and Countywide budgets is a £2.144 million underspend. The main areas of variance are highlighted in the paragraphs below.

39. Positive interest rate credits on cash balances are forecast to produce a £915k under spend during the year. This is lower than previous years as a result of lower interest rates introduced to mitigate the economic impact of Covid-19.

40. The 2021/22 budget includes a savings contingency. This was approved by Council to reflect the high risk nature of some of the savings programmes in demand led areas in 2021/22. £1.229 million is being used to support the overall budget position for 2021/22.

B. Delivery of Savings Programme

41. At the end of Quarter 1, £5.453 million savings are forecast to be been delivered against a target of £6.761 million. This represents 80.65% of the annual target achieved

42. A total of £1.308 million is forecast to be at risk of being delivered by the end of 2021/22, which would represent 19.35% of the annual target. The most significant elements at risk being £870k reablement savings and £375k income target across Economy, Environment & Infrastructure

C. Capital Expenditure

Current Spend 2021/22

43. The re-profiled capital budget for 2021/22 is £156.719 million. Actual spend against the capital programme as at the end of June 2021 (period 3) is £15.474 million.

Budget and Forecast Outturn Position 2021/22

44. The forecast outturn position for 2021/22 is £160.163 million, against the budget of £156.719 million, giving a forecast in-year overspend / advanced delivery of £3.444 million.

| Service Area | Reprofiled Budget 2021/22 | Current Year Spend 2021/22 | % Current Year Spend Against Reprofiled Budget | Forecast Outturn 2021/22 | Forecast Year-end Variance |
|--|---------------------------|----------------------------|--|--------------------------|----------------------------|
| | £'000 | £'000 | % | £'000 | £'000 |
| Capital Receipts Works Before Sale | 0 | 0 | | 0 | 0 |
| Adults | 6,726 | 917 | 14 | 8,921 | 2,195 |
| Childrens Services | | | | | |
| Schools | 41,591 | 5,806 | 14 | 42,738 | 1,147 |
| Non-Schools | 543 | 17 | 3 | 604 | 61 |
| Economy, Environment & Infrastructure | | | | | |
| Highways | 65,619 | 4,967 | 8 | 65,619 | 0 |
| Strategic Infrastructure | 5,321 | 57 | 1 | 5,321 | 0 |
| Waste Disposal | 712 | 10 | 1 | 712 | 0 |
| Libraries | 1,289 | 28 | 2 | 1,336 | 47 |
| Community Safety | | | | | |
| Fire and Rescue Service | 648 | 322 | 50 | 642 | -6 |
| Trading Standards | 39 | 0 | 0 | 39 | 0 |
| Corporate Services | | | | | |
| AMPS | 12,022 | 3,142 | 26 | 12,022 | 0 |
| ICT Projects | 8,457 | 48 | 1 | 8,457 | 0 |
| Business Service Centre | 227 | 82 | 36 | 227 | 0 |
| Archives & Information Management | 53 | 0 | 0 | 53 | 0 |
| Customer | 972 | 78 | 8 | 972 | 0 |
| Investing In Self Funded Income Schemes | 12,500 | 0 | 0 | 12,500 | 0 |
| Total | 156,719 | 15,474 | 10 | 160,163 | 3,444 |

Adults Capital Programme 2021/22

45. The Adults Capital Programme is forecasting an in-year overspend of £2.195 million. The 2021/22 forecast spend has increased following the agreement of the Disabled Facilities Grant spending plan to support people throughout the county to live independently through improvements to the home, including support for children with complex needs. This is an in-year overspend only but has no effect on the overall capital budget.

Children's Services Capital Programme 2021/22

Schools

46. The Schools Capital Programme is forecasting an in-year overspend of £1.147 million. This is mainly due to a revised forecast spend profile for the New Cheltenham Secondary School in order to complete the project on time following delays caused by the judicial review. This is an in-year overspend only and has no effect on the overall capital budget.

Economy, Environment and Infrastructure Capital Programme 2021/22

Highways

47. The Highway Capital Programme is currently forecasting in line with the £65.619 million reprofiled budget, however Covid and the associated self-isolating of staff is starting to impact on delivery of the programme. At this point it isn't possible to forecast the consequences of this going forward.

Other Services Capital Programmes

48. All other services are forecast to spend within £250k of the current budgets.

Changes to the Capital Programme in 2021/22 and future years

Adults

49. It is proposed that Cabinet support a £676k increase in the GIS capital budget to fund the purchase of 22 vehicles over the next 3 years as the current vehicles reach the end of their useful life. These vehicles were previously leased so the estimated capital financing costs of £104k per annum can be funded from the existing base budget.

Highways

50. It is proposed that Cabinet support a net increase of £361k in the Highways capital budget as summarised below:

- £57k transfer from income Reserves towards the capital maintenance of Travellers sites.
- £10k contribution from Hucclecote parish council towards a Community Offer project.
- £10k contribution from Leckhampton parish council towards a Community Offer project.
- £10k developer contribution towards the B4063 Gloucester to Chelt Cycle Route project.
- £124k developer contribution towards Lydney Highway Strategy project.
- £108k developer contribution towards Twigworth/Longford Footway Improvements project.
- £32k developer contribution towards Ermin Street Traffic Management project.

- £-5k developer contribution currently allocated to Whaddon Rd Traffic Calming project. This funding is not currently refundable and therefore will remain available to reallocate at a later date.
- £15k developer contribution towards the WCTIS project.

51. It is proposed that Cabinet support a transfer of £435k developer contribution within the Highways capital budget from Cheltenham to Bishops Cleeve Cycle Track project to the A435 Bishops Cl' to Racecourse Capacity project.

Waste Disposal

52. It is proposed that Cabinet support an increase of £90k in the Waste capital budget using approved funding from the Energy from Waste reserve.

Libraries

53. It is proposed that Cabinet support an increase of £50k in the Libraries capital budget relating to a developer contribution to the Chipping Campden Library project.

Gloucestershire Fire and Rescue Service

54. It is recommended that Cabinet support a decrease of £6k in the GF&RS capital budget for the TRANMAN Database project. This project has an approved budget of £81k funded from reserves. The project is now complete and this £6k underspend can now be made available to fund other service priorities.

ICT Projects

55. It is recommended that Cabinet supports a £483k increase to the ICT capital budget funded from the Covid grant towards 2020/21 cost of WAN/LAN and Desktop replacements.

Business Service Centre

56. It is proposed that Cabinet support an increase of £59k in the BSC capital budget funding from the Covid grant towards 2020/21 cost of relating to Business Analytics.

Overall

57. As a result of the above changes, the overall capital programme will increase by £1.713 million.