



**REPORT TITLE:** Financial Monitoring Report 2022/23

<b>Cabinet Date</b>	23 <sup>rd</sup> November 2022
<b>Cabinet Member</b>	Cllr Lynden Stowe, Deputy Leader/Cabinet Member for Finance and Change
<b>Key Decision</b>	Yes
<b>Purpose of Report</b>	To provide an update on the year-end forecast for the 2022/23 County Council's Revenue and Capital Budgets
<b>Recommendations</b>	<p>That the Cabinet:</p> <ol style="list-style-type: none"><li>1. Notes the forecast revenue year end position based on September 2022 (Period 6) forecasts for the 2022/23 financial year, which is an overspend of £9.930 million all of which relates to non-Covid-19 expenditure. The Covid-19 related expenditure and income outturn is forecast to be a balanced position.</li><li>2. Notes the action in the report to reduce the in year overspend currently identified.</li><li>3. Notes the forecast capital year end position as at the end of August 2022, forecast made in September 2022 (P6) of £151.125 million against the current budget of £163.924 million.</li><li>4. Notes the intention to re-profile the capital budget to reflect the current forecast.</li><li>5. Approves the £225k decrease to the capital programme and changes as detailed in Section B</li></ol>
<b>Reasons for recommendations</b>	<p>To ensure that Councillors and the public are made aware of the Council's current financial position.</p> <p>To utilise funding provided by the Government across a number of financial years, in line with the purpose of the grant.</p> <p>To reflect the effects of minor changes within the Capital Programme.</p>
<b>Resource Implications</b>	These are detailed within the report

<b>Background Documents</b>	MTFS Report to 16 <sup>th</sup> February 2022 County Council and Financial Monitoring Report to Cabinet 21 <sup>st</sup> September 2022
<b>Statutory Authority</b>	
<b>Divisional Councillor(s)</b>	County Wide
<b>Officer</b>	Paul Blacker, Finance Director (01452) 328999 <a href="mailto:Paul.blacker@gloucestershire.gov.uk">Paul.blacker@gloucestershire.gov.uk</a> Jayne Fuller, Corporate Finance Manager (01452) 328926 <a href="mailto:jayne.fuller@gloucestershire.gov.uk">jayne.fuller@gloucestershire.gov.uk</a>
<b>Timeline</b>	Not applicable

## Revenue Expenditure 2022/23

### A. Revenue Forecast Outturn Position 2022/23

1. The current forecast of the year end revenue position is an overspend of £9.930 million against the revenue budget of £521.330 million, based on forecasts in September 2022 (Period 6) after utilising grants for Covid-19 expenditure.
2. The largest variances are the £11.642 million forecast overspend in Children and Families and £1.350 million forecast overspend in Economy, Environment & Infrastructure –partially offset by the £3.439 million underspend in Technical & Countywide.
3. The Council's forecast additional cost from the Covid-19 pandemic (excluding expenditure funded from specific grants) is estimated to be £8.674 million in 2022/23 which matches the funding carried forward from the 2021/22 Covid-19 Emergency Grant. A balanced position is therefore forecast for Covid-19 related activity.
4. An analysis of the current forecast outturn position is provided in the table and narrative below.

#### Directorate Breakdown for Cabinet Report - Position September Forecasts 2022 (P6)

Service Area	Revised 2022/23 Budget	Forecast Outturn Position	Forecast Outturn Variance	Covid-19 Forecast	Forecast excluding Covid-19	Variance
	£000	£000	£000	£000	£000	%
Adults	164,055	164,055	0	0	0	0.00%
Prevention & Wellbeing	35,693	35,535	-158	0	-158	-0.44%
Children & Families	142,961	157,953	14,992	3,350	11,642	8.14%
Economy, Environment & Infrastructure	83,909	85,259	1,350	0	1,350	1.61%
Community Safety	21,087	21,330	243	8	235	1.11%
Corporate Resources	39,578	45,662	6,084	5,316	768	1.94%
<b>Total for Services</b>	<b>487,283</b>	<b>509,794</b>	<b>22,511</b>	<b>8,674</b>	<b>13,837</b>	<b>2.84%</b>
Technical & Countywide	34,047	30,140	-3,907	0	-3,907	-11.48%
<b>Total</b>	<b>521,330</b>	<b>539,934</b>	<b>18,604</b>	<b>8,674</b>	<b>9,930</b>	<b>1.90%</b>
<b>Additional Funding Covid-19 including carry forward to be allocated</b>	8,674	0	-8,674	-8,674		
<b>Revised Total</b>	<b>530,004</b>	<b>539,934</b>	<b>9,930</b>	<b>0</b>	<b>9,930</b>	<b>1.87%</b>

## Adult Social Care

5. Adult Social Care (ASC) is forecasting a balanced position, with an underlying overspend of £2.170 million. The outturn forecast includes unachieved MTFS savings targets totalling £2.470 million for 2022/23 and £2.896 million brought forward from 2021/22. Although no formal request is being made to Cabinet to use ASC reserves at this point, the current forecast overspend could be covered within the Vulnerable Adults Reserve if required at the end of the financial year.
6. Adult Social Care reserves currently stand at £11.926 million. £9.164 million as Vulnerable Adults Reserve, £2.144 million Care Act Reserve, and £618k Ordinary Residents Reserve.
7. There are several significant ongoing financial risks impacting on Adult Social Care budgets; the ongoing impact of COVID-, responding to winter/hospital pressures, the Adult Transformation Programme (ATP), Assurance Self Evaluation report and work commencing on the Adult Social Care Reforms.
8. Learning Disabilities (LD) External Care including the Transforming Care Programme (TCP) is forecasting a £1.274 million underspend, which includes £433k of savings achieved to date. This forecast acknowledges that some of the current individuals under the TCP will not now move during 2022/23, which is an underspend of £1.380 million. LD External Care budget excluding the TCP underspend is overspending by £106k relating to increases in ongoing cases. The underspend relating to the TCP is a one-off underspend, being used to cover the overall overspend against Disabilities this financial year, as the funding will be required when the individuals move in future financial years.
9. Older People (OP) and Physical Disabilities (PD) External Care is reporting a £4.238 million overspend, which includes £1.083 million of savings and additional income achieved to date. The overspend is split across individual service budgets with OP forecast at £964k and PD £3.274 million. The current overspend relates to the brought forward underlying financial position, voids relating to homes run by a major provider (forecast £1.605 million, partially covered by COVID grant last financial year), increased cover for bad debts and additional demand and winter/hospital pressures.
10. The Mental Health position, as calculated by the Gloucestershire Health and Care NHST Finance Team, is a £686k overspend. A long-term plan continues to be developed with Gloucestershire Health and Care NHS Trust to address the underlying overspend. The S117 backdated refunds for former residents discharged from the service will continue to be progressed during 2022/23 with refunds of £520k being paid and £960k remaining.
11. Housing, Community Equipment Service and Telecare is reporting a £814k underspend. Funding held by the Programme Director – Housing, Health and Care is reporting an underspend of £375k, with Telecare forecasting to underspend by £669k, which is being offset by an overspend of £231k in the Community Equipment budget. The Programme Director is undertaking further negotiations with the NHS Gloucestershire Integrated Care Board to secure recurring funding for the Housing Strategy.
12. Other Services comprise of staffing budgets for Adult Social Care, as well as several specific commissioned contracts. Forecasts for these services net to a £373k overspend, including the following significant variances:
  - £2.094 million significant overspend largely relating to 2022/23 MTFS savings of £1.708 million.

- £1.721 million significant underspends, mainly due to vacancies: £984k OP/PD Integrated Social Care Management (ISCM) largely due to vacancies; £614k LD Assessment, Support Planning & Management Teams; and £122k net underspend comprising of smaller variances.

13. The Unallocated Budget is reported as £1.039 million underspent, which is currently used to offset the External Care overspend.

### **Prevention and Wellbeing**

14. 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 forecast to be £158k under-spent with the significant part of the variance due to supporting people framework lots not being called off due to grant funding being used prior to further procurements and delays due to staff capacity.

15. The Covid-19 grants (COMF and Test and Trace) carried forward totalled £8.262 million and this funding is committed in year to supporting the recovery of vulnerable groups and communities following the impact of the pandemic.

16. In total Prevention and Well Being is forecast to be £695k under-spent. 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 is forecast to be £537k under-spent as a consequence of activity related costs in sexual health and healthy lifestyles, commitments against contracts for healthy lifestyles and substance misuse and lower staffing costs in year. Any balance will be transferred to the PH reserve at year end therefore the forecast under-spend, net of the transfer to the PH Reserve, is £158k.

### **Children & Families**

17. The outturn forecast for non-DSG funded services is an over-spend of £14.992 million (10.49% of budget). Included within these figures is the forecast additional cost of the impact of Covid-19 on budgets which totals £3.35 million and will be covered by COVID grants brought from 2021/22. This results in an underlying forecast over-spend of £11.642 million. The over-spend continues to be primarily against the external placements budget, due to increasing numbers of children in care and the cost of placements due to limited market availability, both of which are national issues. The forecast also includes an estimate for the additional cost of contract uplifts for home to school transport providers to support the sustainability of the market due to rising costs.

18. Additional forecast expenditure linked to the impact of Covid-19 covers two areas including the additional cost of accommodation for care leavers, with the majority of care leavers planned to be moved to more appropriate accommodation by the end of September, and support to vulnerable pupils.

19. Activity levels within social care continue to cause significant budgetary pressures, in particular for external placements and social care staffing. Referrals so far in 2022/23 are in-line with the 2021/22 average whilst children in care numbers in August were 872, compared to 2021/22 average of 830. Gloucestershire's number and rate of children in care (67 per 10,000 children in care) is above statistical neighbours (54) and the same as the England average (67).

20. The current forecast over-spend against the external placement budget is £9.737 million (24.5% above budget). The forecast also includes the impact of Covid-19 on care leavers which totals £3 million, resulting in an underlying over-spend of £6.737 million. The underlying over-spend is due to the number and cost of residential placements (58 FTEs) and support packages for young people. The forecast has increased by £2.37 million since the last report due to the unforeseen need to accommodate young people with complex needs. There are currently 491 external placements, of which 126 are residential and 140 supported living placements.
21. Against safeguarding staffing budgets, there is a forecast over-spend of £2.6 million (12.3% above budget). Turnover of staff continues to rise and has been between 24% and 28.7% over the last six months. At the end of August there were 126 agency workers in post, and this compares to 85 agency workers in August 2021. To reduce costs action has already been taken to replace interims with permanent appointments and increase the number of newly qualified staff.
22. Services for children with disabilities are forecasting to over-spend by £1.124 million due to the increased cost and number of care packages and agency costs within disability service staffing.
23. Home to school transport is forecast to overspend by £1.2 million which is the estimate for the additional cost of contract uplifts for providers to support the sustainability of the market due to rising costs and ensure the availability of provision.
24. Offsetting variances include in-house fostering and adoption services which are under-spent by £694k due to activity being below budgeted assumptions at the beginning of the year and also funding allocated for commissioning development being released to offset placements costs (£700k).
25. To continue to support vulnerable families during this year, Gloucestershire has been awarded £5.286 million from the DfE to provide holiday activities, food provision and essential items and a further grant of £3.692m for the Household Support Fund has just been awarded for the period October to March 2023.
26. To address the significant over-spend position the senior leadership team has established a budget working group which is meeting weekly to review the budget recovery position. Further impetus will be provided by a Financial Recovery Oversight Group comprising of the Council Leader, Chief Executive and Section 151 Officer, along with children's services senior leadership. The financial recovery strategy aligns with the improvement strategy by focussing on early intervention to avoid the need for a costly social care response and bringing the child in care population more in line with statistical neighbours over the coming years. This will involve a range of workstreams, each with a designated lead, which aim to impact on both numbers and associated costs, including:
- Further developing our edge of care offer to support children at home and avoid entry into care, linking with youth support and early help teams.
  - Continuing to develop our permanence planning to reduce drift and delay by achieving permanence or reunification as appropriate in a timely manner.
  - Reviewing the entire children in care population to ensure care packages continue to reflect needs, ensuring value for money and taking advantage of where costs can be reduced while

continuing to deliver the right outcomes for the young person. This will include work with partners around their contributions.

- Transformation of the in-house fostering service to drive up capacity, improve matching and increase family/connected carers.
- Continuing to develop our own placement capacity with providers to exert a greater influence on the market and control costs.
- Detailed review of staffing establishment, supply lines for practitioners and use of agency workers.

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

27. Dedicated Schools Grant (DSG) funded services are forecast to be over-spent by £27.072 million in 2022/23, which includes the deficit carry forward of £20.8 million on high needs and the in-year deficit budget for high needs of £6.347 million. The deficit budget results from setting realistic budgets within high needs services, reflecting growth trends and existing activity demands on special school and independent provision and top up budgets.

28. Gloucestershire's high needs block, like most LAs nationally, is currently in deficit and in the Autumn, we will be participating in the second tranche of the DfE programme of reviewing Local Authority expenditure on SEND 'Delivering Better Value.' The review will assess local processes and plans, carry out data analysis leading to identifying the cost drivers and the cause of the pressure on budgets and look at what action can be taken to resolve the deficit position setting out improvement and DSG management plans.

### **Economy, Environment & Infrastructure**

29. Economy, Environment, and Infrastructure are currently forecasting a overspend position of £1.35million against a total budget of £83.984 million which is 1.61% of the overall budget.

30. £450k of the overspend is due to additional investment on roads and repairs in year and £900k relates to loss of income which is split £800k against parking and £100k for libraries. The loss of income forecast is based on quarter two actual income achieved which will fluctuate from month to month, so we hope to be able to firm up the numbers as we go through the year.

### **Community Safety Directorate**

31. The Community Safety Directorate has a forecast year end position which shows an overspend of £243k including costs attributed to COVID-19 of £8k. Excluding COVID 19 costs the forecast outturn shows an overspend of £235k.

32. There are some underlying risks to achieving this position which include:

- Potential higher overtime costs due to vacancies and sickness. Pressure within the NHS has seen some long-term sick operational firefighting staff waiting longer than anticipated for treatment. Staff are required to back-fill to sustain agreed staffing levels on station.
- Within Coroners, on-going negotiations with pathologists over post mortem examination charges.

## **Corporate Resources**

33. Corporate Resources are forecasting an overspend of £6.084 million (15.37% of the budget). Included within these figures is the forecast additional cost of the impact of COVID-19 on budgets which totals £5.316 million giving a revised overspend of £768k of which £747k relates to additional external cost for Children's cases within the Legal Services budgets.
34. The additional forecast expenditure of £5.316 million for the impact of Covid-19 includes £4.898 million for costs associated with post covid recovery.

## **Technical and Countywide**

35. Following the in-year service budget realignment of specific contingencies and corporate transport savings, the forecast outturn position for Technical and Countywide budgets is a £3.907 million underspend. The main areas of variance are highlighted in the paragraphs below.
36. Positive interest rate credits on cash balances are forecast to produce a £2.209 million 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.
37. The 2022/23 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 2022/23. £1.230 million is being used to support the overall budget position for 2022/23.
38. The approved 2022/23 budget included a provision of £1.124 million for the additional costs associated with an additional 1.25% social care funding increase within the national insurance contributions. The Government announced under the recent autumn mini budget that this increase will be reversed in November 2022. Formal approval of the House of Commons for the mini budget is awaited. A budget saving of £468k for 2022/23 has been reflected in the Technical and Countywide forecast. Full year impact will incorporate within the 23/24 MTFS budget proposals.

## **2022-23 Pay Awards**

39. The approved 2022/23 budget included a provision of 2% increase for staff salaries. The latest information on the national negotiation process is that a final offer of a flat rate increase of £1,925 will be awarded to council employees (excluding Firefighters and Teachers). We have now received and will be implemented at the end of November. The impact of this pay award has been assessed and it is estimated that this would result in an additional cost in 2022/23 of £7.038 million. It is proposed that this would be funded from a transfer of £1.8 million from the pay & prices contingency included within the budget, leaving a funding shortfall of £5.238 million which will be funded from General Reserves. The future year impact of this award is being considered under the current MTFS review process.

## **Options for improving the financial position**



40. The council is currently reviewing all options for improving the financial position by year end. These include delays the filling of vacant posts and making sure these are reflected in projections as well as considered what other one of measures can be undertaken to reduce in year spend.

## **B. Capital Expenditure**

### **Current Spend 2022/23**

41. The current capital budget for 2022/23 is £163.924 million. Actuals spend against the capital programme based on forecasts made in September (P6) is £38.894 million.

### **Budget and Forecast Outturn Position 2022/23**

42. The forecast outturn position for 2022/23 is £151.125 million, against the budget of £163.924 million, giving a forecast in-year slippage of £12.799 million.

43. The current year budgets will be re-profiled in October to reflect the current forecast spend in each service areas and the revised budget set at £151.125 million. This ensures the latest figures are included in the MTFS 2022/23. This does not affect the whole life cost of capital schemes.

<b>CAPITAL EXPENDITURE 2022/23</b>					
<b>Service Area</b>	<b>Reprofiled Budget 2022/23</b>	<b>Current Year Spend 2022/23</b>	<b>% Current Year Spend Against Reprofiled Budget</b>	<b>Forecast Outturn 2022/23</b>	<b>Forecast Year-end Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Capital Receipts Works Before Sale</b>			0		0
<b>Adults</b>	11,452	3,468	30	10,984	-468
<b>Childrens Services</b>					
Schools	33,556	10,812	32	24,917	-8,639
Non-Schools	2,585	137	5	2,796	211
<b>Economy, Environment &amp; Infrastructure</b>					
Transport & Highways	79,874	22,268	28	79,874	0
Planning & Economic Development	5,434	105	2	5,057	-377
Environment & Waste	1,078	6	1	1,078	0
Libraries & Registration	1,170	68	6	770	-400
<b>Community Safety</b>					
Fire and Rescue Service	734	141	19	781	47
Trading Standards	39	16	41	39	0
<b>Corporate Services</b>					
AMPS	9,813	1,554	16	8,098	-1,715
ICT Projects	6,234	319	5	4,836	-1,398
Business Service Centre	145	0	0	145	0
Archives & Information Management	90	0	0	30	-60
Corporate Resouces Misc	0	0	0	0	0
Digital Innovation (Customer)	20	0	0	20	0
Investment and Transformation Fund	11,700	0	0	11,700	0
<b>Total</b>	<b>163,924</b>	<b>38,894</b>	<b>24</b>	<b>151,125</b>	<b>-12,799</b>

### **Adults Capital Programme 2022/23**

44. The Adults capital programme is forecasting slippage of £468k against the current budget. This is mainly due to delays to the GIS office refurbishment and Home Ownership for Long-term Disabled (H.O.L.D) Scheme.

### **Schools Capital Programme 2022/23**

45. The schools capital programme is forecasting slippage of £8.639 million against the current budget. This is mainly due to the delay in progression of the New Greenacres Primary Academy for Bishop's Cleeve. This is primarily associated with the need to provide additional information to support the planning application.

### **Economy, Environment & Infrastructure Capital Programme 2022/23**

#### **Planning and Economic Development**

46. The Planning and Economic Development Capital programme is forecasting slippage of £377k. This includes the Flood Alleviation Capital Programme which is forecasting slippage of £398k

against the current year budget and the Strategic Transport Model project is forecasting advanced spend of £21k, approved budget is available to cover this advanced spend.

47. The Flood Alleviation slippage relates to five distinct projects, three of which are GCC-led and two Gloucester City Council. The delays in the GCC schemes are primarily associated with a shift in focus from the original planned approaches based on initial modelling and feasibility scoping, for example adoption of a more holistic, catchment-based approach as opposed to a single flood alleviation scheme close to communities. Delays with the Gloucester City Council schemes are primarily a result of supplier and contract management complications and delays with key project milestones.

### **Libraries and Registration**

48. The Libraries Capital programme is forecasting slippage of £400k. This relates to the Libraries Customer (Services) Programme due to delays in the anticipated rollout of Open+ caused by the relocation of libraries taking priority in year. Also, the developer funded Bishops Cleeve library project which has been delayed due to implementation of the Oakley library project.

### **Corporate Resources Capital Programme 2022/23**

#### **Asset Management & Property Services (AMPS)**

49. The AMPS Capital Programme is forecasting slippage of £1,715 million; this is due to slippage on the various schemes below: -

- £350k Cotswold Hub – Lewis Lane, due to the works required and the ongoing dialog with service areas the project has been delayed, a contractor has now been appointed and works will start shortly.
- £291k Coroners Court Refrigeration Replacement, due to delays in global markets, development of new refrigerants and a change in legislation.
- £200k County Offices Cheltenham – Refurb & Reconfiguration, due to ongoing lease conversations and agreements being finalised the project has been delayed.
- £300k Social Care Services Remodelling, due to the changing face of agile working and ongoing property decisions with teams.
- £500k Quayside – Multi-Storey Car Park, awaiting confirmation from other parties on phase 3 of the quayside development opportunities.

#### **ICT Projects**

50. The ICT Capital Programme is forecasting slippage of £1.398 million against the current budget mostly due to the WAN/LAN scheme, due to the project board changing the scope of the deliverables to ensure focus on the key deliverable of an improved network. This has resulted in elements of the project (e.g. UPS provision) being moved to 2023/4.

#### **Other Services Capital Programmes**

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

### **Changes to the Capital Programme in 2022/23 and future years**

#### **Transport & Highways**

52. It is proposed that Cabinet support a net increase of £277k in the Highways capital budget as summarised below:

- £30k Revenue contribution Barriers to Mobility carried forward 21-22 funding towards the Pilley bridge Pedestrian Crossing Project.
- £119k developer contribution towards Lydney Highway Strategy, Albert Street junction project.
- £2k contribution from Gorsley and Kilcot Parish Council towards the Oxenhall Lane Footbridge Community Offer project.
- -£11k developer contribution from the Bus Shelter - Gretton Road Winchcombe project and returned to the developer. This contribution is specifically granted for the shelter only and the Parish which would take responsibility for maintenance of the shelter do not want it.
- -£4k developer contribution which as previously overallocated.
- -£2k contribution from First Great Western for the Cheltenham Spa Railway Station RTPi project. The capital project is now complete, it has been confirmed the remaining contribution can be used to support the revenue costs of implementation.
- £13k Revenue contribution from the Rural Mobility Grant Fund to finance the purchase of ticketing hardware for the Rural Mobility Minibuses.
- £130k Revenue contribution from the Highways Locals revenue budget to finance Highways Locals capital projects.

### **Corporate Resources**

53. It is proposed that Cabinet support a £502k transfer to revenue: -

- £500k C&F ICT Systems Rationalisation Scheme in ICT (£250k 22/23 & £250k 23/24). There is Capital approval and funding held in the Capital Fund to support this transfer. C&F ICT Systems Rationalisation scheme is going to be used for the move of liquid logic and other future on premise social care systems to the cloud. Cloud-based schemes are now assessed to be revenue in nature.
- £2k Housing Land Availability Database unspent revenue contribution no longer required as the Capital project is complete.

### **Overall**

54. As a result of the above changes, the overall capital programme will decrease by £225k.