REPORT TITLE: Finance Monitoring Report 2023/24

Cabinet Date	31st January 2024
Cabinet Member	Cllr Lynden Stowe, Deputy Leader/Cabinet Member for Finance and Change
Key Decision	Yes
Purpose of Report	To provide an update on the Quarter 3 forecast for the 2023/24 County Council's Revenue and Capital Budgets
Recommendations	That the Cabinet: 1. Notes the forecast revenue year end position based on Quarter 3 forecasts for the 2023/24 financial year, which is an overspend of £757k. 2. Approves the revised drawdown of £2.892 million from the Pay & Prices reserve for the 2023/24 pay award, as set out in paragraph 3. 3. Notes the forecast delivery of £16.328 million of savings against a target of £21.101 million in 2023/24 or 77.38% of target. 4. Notes the forecast capital year end position of £159.225 million against a current budget of £157.433 million. 5. Approves an increase in the capital programme of £5.564 million as detailed in section C. 6. Notes Section D Treasury Management Prudential Indicators
Reasons for recommendations	To ensure that Councillors and the public are made aware of the Council's current financial position. To utilise funding provided by the Government across a number of financial years, in line with the purpose of the grant. To reflect the effects of changes within the Capital Programme.
Resource Implications	These are detailed within the report

Background Documents	MTFS Report to 15th February 2023 County Council & Financial Monitoring Report to Cabinet 20th September 2023 and 22nd November 2023
Statutory Authority	
Divisional Councillor(s)	County Wide
Officer	Gareth Rees, Head of Financial Management gareth.rees@gloucestershire.gov.uk Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk
Timeline	Not applicable

Revenue Expenditure 2023/24

A. Revenue Forecast Outturn Position 2023/24

1. The current forecast of the year end revenue position is an overspend of £757k against the revenue budget of £567.133 million, based on forecasts for Quarter 3. This is a favourable movement of £600k compared to the £1.357 million overspend position reported to Cabinet in November (Quarter 2).

2. The largest variances are the £8.586 million forecast overspend in Children and Families – offset by the £6.214 million underspend in Economy, Environment & Infrastructure, and £2.693 million underspend in Technical & Countywide budgets.

3. At its meeting on 22nd November 2023, Cabinet approved a drawdown estimate of £3.289 million from the Pay & Prices reserve, in respect of the 2023/24 pay award. Detailed calculations have subsequently been undertaken and the figure has been revised down to £2.892 million – a reduced requirement of £397k.

4. On 21st June 2023 Cabinet approved the carry forward of £1.748 million of COVID emergency grant to fund on-going commitments associated with the recovery from the pandemic. The current forecast shows that the full amount is committed in 2023/24.

5. An analysis of the current forecast outturn position is provided in the table and narrative below.

Directorate Breakdown for Cabinet Report - Position Quarter 3 2023

Service Area	Revised 2023/24 Budget	Current Forecast Outturn Position	Forecast Outturn Variance	Variance %	Forecast Variance Previously reported November Cabinet	Change in variance	Cross reference Paragraph
	£000	£000	£000	%	£000	£000	
Adults	**182,910**	182,910	0	0.00%	0	0	6
Public Health and Communities	**36,665**	36,636	-29	-0.08%	-32	3	9
Children & Families	**157,775**	166,361	8,586	5.44%	7,822	764	10
Economy, Environment & Infrastructure	**84,501**	78,287	-6,214	-7.35%	-5,104	-1,110	15
Community Safety	**22,766**	22,819	53	0.23%	136	-83	18
Corporate Resources	**46,429**	47,483	1,054	2.27%	1,228	-174	20
Total for Services	**531,046**	**534,496**	**3,450**	0.65%	**4,050**	**-600**	
Technical & Countywide	**36,087**	33,394	-2,693	-7.46%	-2,693	0	21
Total	**567,133**	**567,890**	**757**	0.13%	**1,357**	**-600**	

Adult Social Care

6. Adult Social Care (ASC) are forecasting a balanced outturn, with an underlying overspend of £3.758 million. The forecast includes unachieved MTFS savings targets totalling £4.212 million brought forward from 2022/23, with a further £5.072 million of MTFS savings for 2023/24, of which £1.791 million is forecast as achievable in 2023/24. Although no formal request is being made to Cabinet to use ASC reserves at this point, the current forecast underlying overspend could be covered within the Vulnerable Adults Reserve if required at the end of the financial year.

Partnership Working

7. The Council manages £274.333 million on a partnership basis with NHS Gloucestershire Integrated Commissioning Board ('the ICB') through Joint Funding Agreements and aligned budgets. These agreements are funded from a combination of partner organisations' base budgets and grants, including the Better Care Fund.

8. The forecast outturn position reported to the Joint Commissioning Partnership Executive (JCPE) in November 2023 was an overspend of £6.857 million, of which £2.837 million relates to overspends within GCC-funded services. These GCC variances are included in the outturn position in this report, not in addition to it.

Public Health and Communities

9. Services within this area include Public Health, Supporting People and a number of smaller budgets covering the prevention hub team and grants. In total, Public Health and Communities are £29k under-spent, net of reserve transfers. This is a £3k adverse movement relative to the position reported to Cabinet in November.

Children & Families

10. The forecast revenue position as at Quarter 3 for non-DSG funded services is an overspend of £8.586 million (5.44% above budget), an adverse movement of £764k relative to the position reported to Cabinet in November. The forecast includes the use of the children's reserve set up in the budget of £6.2 million and assumes the achievement of planned mitigations totalling £4.7 million. External placements continue to be the most significant and enduring variance. Other forecast overspends include disability services, commissioning activities and safeguarding staff costs.

11. The main reasons for the adverse movement of £764k from the previous report are due to external placements, with 6 new/extended residential placements more than offsetting the reduced costs of other placements, and also an increase in disabled children's packages. The in-year recovery plan includes projections around individuals stepping down from residential to more appropriate placements, but the additional demand for residential care continues to be higher than anticipated.

Dedicated Schools Grant (DSG) position

12. The Dedicated Schools Grant (DSG) carry forward deficit from 2022/23 was £28.58 million and included the high needs block deficit of £30.85 million, offset by early years and school balances. The total projected deficit as at 31st March 2024 is £45.52 million. This is an increase of £16.94 million, of which the high needs block accounts for £15.69 million. This is £2.87 million higher than the £12.82 million projected at budget setting. Increasing demand for Education Health and Care Plans, and specifically independent special school provision, continues to be the primary driver for the pressures. The remaining increase of £1.25 million is the forecast use of early years and school balances held at the beginning of the year.

13. Gloucestershire, in partnership with Swindon Borough Council, has been awarded a grant of £5.8 million to be shared across both LAs until August 2025 to support a change programme to test and refine significant system-level Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) reforms. The programme aims to demonstrate whether proposed system reforms will collectively drive the much-needed improvements in outcomes and experiences for children and young people with SEND or in AP and their families, whilst delivering a financially stable SEND and AP system, avoiding unintended consequences.

14. Gloucestershire's High Needs block, like most local authorities nationally, is in deficit. A technical instrument – a Statutory Override – exists, which allows Local Authorities to hold a ring-fenced deficit (i.e. overdrawn) reserve balance for DSG. The Statutory Override was recently extended by Government, to March 2026. This creates a risk that General Fund balances will be required to meet the cumulative deficit, as at 1st April 2026.

Economy, Environment & Infrastructure

15. Economy, Environment and Infrastructure are currently forecasting an underspend of £6.124m (7.35% of the £84.501 million budget) assuming £733k of Covid-19 general expenditure related to the Employment & Skills Hub and the Recovery Strategy will be funded from the carried forward COVID grant.

16. The forecast underspend predominantly relates to the energy from waste facility. The forecast of electricity income is £2.6 million over achievement due to higher volumes than budgeted. In addition to this, the current forecast includes £3.3 million favourable variance on net payments to the contractor due to a combination of lower volumes of GCC waste being processed in year and higher third-party fee income.

17. The underspend is a favourable movement of £1.1 million relative to the position reported to Cabinet in November. The main reason for this improved underspend is due to the energy for waste facility as mentioned above offset by some smaller overspends across the directorate. Strategic Waste Reserve balances are frequently reviewed with a view to ensuring that they provide enough mitigation against future fluctuations in income receivable.

Community Safety Directorate

18. The Community Safety Directorate has a forecast year end position which shows an overspend of £53k (0.2%), a favourable movement of £83k relative to the position previously reported.

19. Within Fire there is a forecast overspend of £36k mainly due to increased costs for the national mobilising service, Airwave and inflationary pressures on operational equipment prices.

Corporate Resources

20. Corporate Resources are forecasting an overspend of £1.054 million (2.27% of the budget). The forecast is a favourable movement of £174k relative to the position reported previously. The overspend predominantly relates to specialist costs associated with Legal support and tribunals, as well as non-recurring tenant vacancy pressures within Asset Management, as reported previously.

Technical and Countywide

21. The forecast outturn position for Technical and Countywide budgets is a £2.693 million underspend, unchanged from the Q2 position. The underspend relates to better than expected returns on investments and cash balances.

B. <u>Delivery of Savings Programme</u>

22. At the end of Quarter 3, £14.419 million savings have been achieved, and a further £1.909 million savings are forecast to be delivered by the end of the financial year against a target of £21.101 million. (77.38% forecast achievable in-year).

23. A total of £4.773 million savings is forecast to be at risk of being delivered by the end of 2023/24, which would represent 22.62% of the annual target. The most significant elements at risk being £3.895 million Adult Social Care Savings, £100k income targets across Economy, Environment & Infrastructure and £698k income targets across Corporate Resources and Technical & Countywide budgets.

C. Capital Expenditure

Current Spend 2023/24

24. The current capital budget for 2023/24 is £157.433 million. Actual spend as at November is £72.592 million.

Budget and Forecast Outturn Position 2023/24

25. The forecast outturn position for 2023/24, based on forecasts made in November 2023 is £159.225 million, against the budget of £157.433 million, giving a forecast in year overspend of £1.792 million.

CAPITAL EXPENDITURE 2023/24					
Service Area	**Budget 2023/24**	**Current Year Spend 2023/24**	**% Current Year Spend Against Reprofiled Budget**	**Forecast Outturn 2023/24**	**Forecast Year-end Variance**
	£000	**£000**	**%**	**£000**	**£000**
Adults	14,332	8,095	56	13,902	-430
Childrens Services					
Schools	14,170	6,367	45	14,043	-127
Non-Schools	2,161	548	25	2,161	0
Economy, Environment & Infrastructure					
Transport & Highways	105,028	52,118	50	108,329	3,301
Planning & Economic Development	2,600	17	1	2,561	-39
Environment & Waste	2,046	149	7	2,078	32
Libraries & Registration	942	310	33	1,003	61
Community Safety					
Fire and Rescue Service	631	152	24	631	0
Trading Standards	0	0	0	0	0
Corporate Services					
AMPS	10,744	3,257	30	10,738	-6
Capital Receipts Works Before Sale			0		0
ICT Projects	3,584	1,559	43	3,584	0
Business Service Centre	145	0	0	145	0
Archives & Information Management	30	0	0	30	0
Corporate Resources Misc	0	0	0	0	0
Digital Innovation (Customer)	20	20	100	20	0
Investment and Transformation Fund	1,000	0	0	0	-1,000
Total	**157,433**	**72,592**	**46**	**159,225**	**1,792**

Adults

26. The Adults capital programme is forecasting slippage of £430k in 23/24. This is due to a revised start date for The Coombs refurbishment project resulting in slippage from 23/24 to 24/25.

Economy, Environment & Infrastructure Capital Programme 2023/24

Transport & Highways

27. The Transport and Highways Capital programme is forecasting advanced delivery of £3.301 million which reflects updates to project outturn costs and risk profiles, across a number of schemes. This is a result of an in-depth review of risks to individual schemes within the programme and therefore reflects a realistic delivery forecast for year end. This advanced delivery will be funded in year by slippage elsewhere in the capital programme.

Corporate Services

28. The Investment and Transformation Fund is forecasting scheme slippage of £1 million in 23/24, whilst detailed Transformation plans are developed for future years.

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

Changes to the Capital Programme in 2023/24 and future years

30. It is proposed that Cabinet notes the transfer of funding within the Transport and Highways Capital programme as listed below.
    - £2.700 million DfT Block grant from Cheltenham to Bishops Cleeve Cycle track to the B4063 Gloucester to Cheltenham Cycle Route
    - £1.500 million DfT Levelling Up Fund Grant from the Gloucester South West Bypass – Llanthony Road to the Gloucester City Centre – Cycle Spine.

31. A capital receipt of £4.980 million from the sale of Coln House School has recently been received. As previously approved by the Secretary of State for Education, this was conditionally linked to the Leckhampton High School capital project. The receipt will therefore be used to replace internal borrowing. There is no overall increase to the budget. The reinvestment of the capital receipt also included £20k for a new trim trail at Fairford Primary School (see paragraph 35 below).

32. It is proposed that the capital budget is increased by a total of £5.564 million, as detailed below.

Schools

33. It is proposed that Cabinet approves an increase of £1.861 million in the Schools capital programme, funded as below:

- £1.176 million Childcare Expansion Capital Grant, announced by the Department for Education on the 4th December 2023, to increase the capacity of early years provision and wraparound care (8am – 6pm) in primary schools.
- £685k s106 developer contribution from a housing development north of Canonbury Street, Berkeley towards the expansion of Berkeley Primary School.

Transport & Highways

34. It is proposed that Cabinet approves an increase of £2.809 million in the Transport & Highways capital programme. This additional grant funding was announced by the Department of Transport on the 17th November 2023 from the Road Resurfacing Fund for local highways maintenance, particularly for the resurfacing of carriageways, cycleways, and footways to prevent potholes and other road defects from occurring, as well as tackling other asset management priorities, such as keeping local bridges and other highway structures open and safe.
35. All other changes are below £250k and are detailed in the table below.

Service Area	**Project**	**Budget change £000**	**Source of funding**
Schools	Sladewood Academy	193	Academy contributions (replaces grant funding)
Schools	Fairford C of E Primary School	20	Coln House School capital receipt
Sustainability	Green Investment - Trees	36	Woodland Trust Grant & Match Funding RCCO
Transport & Highways	Thames and Severn Way	50	s106 contribution, Coln Park, Claydon Pike, Lechlade
Transport & Highways	Bournside School Crossing	47	External Contributions from CBC, Bourneside School and Parish Councils
Transport & Highways	Bournside School Crossing	45	Internal Contributions from Think Travel, Barriers to Mobility & Hiwys Locals
Transport & Highways	Bus Shelter Improvements	40	Internal Contribution from Reserves
Transport & Highways	Tintern Wireworks Bridge B575	154	Contribution from Monmouthshire County Council
Transport & Highways	Cycle links	200	Contribution from Active Travel Capability Fund 2023-24
Libraries & Registration	Churchdown Library	109	Developer Contributions
	Total budget increase / decrease	**894**	

D. Prudential Indicators

36. The Prudential Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in determining their programmes for capital investment in fixed assets. Local authorities are required by regulation to have regard to the Prudential Code.

37. The framework established by the Prudential Code is intended to support local strategic planning, local asset management planning and robust option appraisal. The objectives of the Code are to ensure, within a clear framework, that the capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

38. As a result of updates to the Code, GCC is required to report performance quarterly from April 2023, against forward-looking prudential indicators (PIs), for its borrowing and lending activity.

39. The PIs support and record local decision making and are designed to assist members overview of capital spending plans. They are not designed as a comparison tool between authorities due to local factors. In addition, the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year-on-year changes.

40. All of the PIs for 2023/24 were set within the Capital Strategy and Treasury Management Strategy, when the MTFS was approved in February 2023. The tables below show the 2023/24 quarter 3 position against those initial forecasts and provides an explanation of any movement in the indicator.

2023/24 Indicator	Original per 2023/24 Strategy £m	Forecast as at Q3 Dec 2023 £m
Capital Expenditure (incl lease and PFI)	236.3	160.5
Capital Financing Requirement	544.5	483.3
Operational Limit for External Debt	555.0	500.0
Authorised Limit for External Debt	565.0	520.0
Actual Long Term Debt	376.9	368.9
Liability Benchmark	-13.9	0.2
	%	%
Capital Financing Costs as a % of Net Revenue	5.55	3.40
Net Income from Commercial and Service Activities	0.00	0.00

41. The capital spend (which includes £1.3m related to PFI and lease liabilities in addition to the reported £159.2m capital spend in section C) and capital financing requirement (CFR) for Q3 are lower than originally forecast due to slippage on the capital programme, which then has an impact on future years. More capital spend is now expected to be funded from borrowing during 2023/24, with the borrowing profile lengthened. This then impacts on the CFR, however the profile is less than that originally envisaged when the strategy was set.

42. Actual long term debt is less than envisaged when the strategy was set, and this was due to an opportunity to repay £8m of fixed market loans.

43. The liability benchmark has worsened with additional internal borrowing now expected as at the Q3 position, for 2023/24.

44. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and revenue provision to repay the debt (MRP) are. The net annual charge is known as financing costs; this is compared to the net Budget for GCC. Due to slippage on the capital programme the ratio is less than budgeted.