

BUDGET MONITORING 2018/19
Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendation:

- a) **The Committee notes the forecast overspending of £8.15 millions and the need to take action to contain and reduce this projection.**
- b) **The Committee notes the proposed savings initiatives and the potential impact.**

1. Introduction

- 1.1. This report outlines the financial position and forecast for the Authority at month 6 (to the end of September) of the financial year.
- 1.2. The total projected overspending at month 6 is forecast at £8.15 millions an increase of £50,000 from month 4. However this position assumes a request to carry forward £2.4 millions to next years Dedicated Schools Grant (DSG) will be agreed by the Devon Education Forum.
- 1.3. Outlined in section 8 are proposals to reduce the projected overspending.

2. Revenue Expenditure Adult Care and Health Services

- 2.1. Adult Care and Health services are forecast to underspend by £488,000, at month 4 the service was forecasting a break even outturn. This position takes into account £455,000 of management action yet to be achieved but assessed as achievable.
- 2.2. Adult Care Operations is forecasting to underspend by £738,000 an increase of £550,000 from the underspend reported at month 4.
- 2.3. Older People and Physical Disability services are forecast to underspend by £1.3 millions. Reductions in client numbers experienced towards the end of last financial year remain at similar levels and are currently 362 clients lower than the budgeted level of 7,754. Average prices have seen a year on year increase for residential and nursing costs primarily because of the introduction of the new care fee model. This is offsetting the impact of lower client numbers and funding released from the 2017/18 Better Care Fund revenue carry forward.
- 2.4. Sensory, Community Enabling, Social Care Reablement and other operational budgets are showing an underspend of £192,000. In-house services are forecast to underspend by £107,000 due to lower running costs and staffing vacancies.

- 2.5. Learning Disability services are forecast to overspend by the end of the year by £868,000, an increase of £232,000 since month 4. The numbers of clients are currently 124 higher than the budgeted level of 3,134.
- 2.6. Adult Commissioning and Health is forecast to overspend by £250,000 primarily due to increasing placements within Mental Health, some of which are more costly than average, particularly in residential care. Vacancies are also contributing to an underspend within Adult Commissioning.
- 2.7. Department of Health and Social Care has recently announced additional funding to support Adult Social Care in alleviating winter pressures on the Health Service. Devon County Council is to receive an additional allocation of £3.6 millions. While the grant determination details have yet to be issued it has been indicated that this funding should be spent on providing adult social care services in addition to funding already planned and that local NHS partners should be involved in these discussions and decisions. At this time it has been assumed that this fund will be fully spent in the current financial year.

3. Revenue Expenditure Children's Services

- 3.1. Children's Services are showing a forecast overspend of £9.9 millions, an increase of £1.2 millions from month 4.
- 3.2. Children's Social Care is forecast to overspend by £6.5 millions, an increase of £1.4 millions from month 4. Pressures continue within residential placements but are also appearing across the disabled children short breaks service, social work teams and the Atkinson secure home. The forecast position reflects £672,000 of management action still to be delivered but which is assessed as achievable.
- 3.3. The total overspending on children's placements is forecast to be £4.6 millions. Within this the overspend on independent residential care and supported accommodation, including Exceptional Arrangements, has risen to just over £5.6 millions. Mainstream residential placements contribute £2.2 millions of this pressure, there are 38 budgeted full year effect (FYE) placements, the current forecast is 7 FYEs higher, and the average weekly cost is £364 more than the budgeted level of £3,735. Exceptional arrangement for supported accommodation contributes £2.3 millions to the pressures. These are low incidence high cost placements with 5.4 FYEs and an average weekly cost of £8,304. There is a partial offset from underspends against other placement types that total £1 million.
- 3.4. Disabled Children's Services are forecast to overspend by £897,000. There are more packages of care and services being accessed by children and families than budgeted whilst average costs of packages have also increased.
- 3.5. The Atkinson Secure Children's Home is forecasting an overspend of £462,000. Difficulties recruiting and retaining appropriately experienced staff are having a direct impact on occupancy levels and therefore income. A recruitment plan has been implemented to address this.
- 3.6. All other costs which includes Staffing, Quality Assurance Reviewing and Safeguarding Service and strategic management budgets are forecasting an overspend of £541,000. The forecast reflects anticipated increases in agency staff rates and additional Northern and Southern team resources associated with the service improvement plan.

- 3.7. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of £171,000 an increase of £55,000 from month 4. Pressures within school's transport continue to exist. Anticipated income through s106 contributions is expected to eliminate some of this overspend but the final values have yet to be confirmed.
- 3.8. The DSG is currently forecast to overspend by £3.2 millions, a reduction of £250,000 from month 4. This position includes management action that results in £2.4 millions carried forward to be delivered in the 2019/20 academic year.
- 3.9. The month 6 forecast position for the High Needs Block of the DSG following adjustment for the carry forward request is an overspend of £3.5 millions. Excluding the carry forward adjustment the overspend is £5.9 millions, an increase of just over £1 million from month 4 and primarily the result of additional costs within further education college placements and an increase in the number of pupils with Education Health and Care plans. Placement numbers for independent special schools remain the driver for most of the forecast pressure within the high needs block.
- 3.10. When the month 4 budget monitoring report was produced it was not considered prudent to assume a carry forward request would be agreed as management action plans had not been developed fully. Since month 4 the Finance Sub-Group of the Devon Education Forum has been working alongside Council officers to agree proposals that will be put to the Forum when it meets in November. Agreement is not guaranteed but seems likely and plans to address £2.4 millions of the pressure are now developed sufficiently for this carry forward to be included in the year end projection.
- 3.11. The DSG budget and the other DSG central budgets, that include central provision, Early Years and childcare, net to an underspend of £264,000

4. Revenue Expenditure Highways, Infrastructure Development and Waste

- 4.1. Highways, Infrastructure Development and Waste is forecasting a break-even position at Month 6.
- 4.2. Highways service managers remain confident that all planned maintenance programmes will be delivered during the financial year and that pressures associated with safety defects caused by adverse weather conditions at the end of last year are currently manageable. This will continue to be closely monitored and may be impacted by seasonal variations later in the year.
- 4.3. Waste tonnages continue to be close to budgeted levels resulting in a forecast spend in line with approved budget.

5. Revenue Expenditure Other Services

- 5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are showing a forecast overspend of £153,000 the result of the countywide research and intelligence review project.

- 5.2. Corporate Services are forecasting a breakeven position at month 6. This position is dependent upon services still delivering management action totalling £65,000, but this is assessed as achievable.
- 5.3. Non- service items are forecast to underspend by £1.4 millions. This is mainly due to additional investment income of £192,000, a one-off underspend of £552,000 associated with an estimate for remedial works being undertaken at Dartington School not fully materialising this year, the release of £302,000 of the schools improvement grant and a review of the pension contribution shortfall releasing £319,000.

6. Capital Expenditure

- 6.1. The approved capital programme for the Council is £149.6 millions.
- 6.2. The year-end forecast is £131.5 millions of which £110.8 millions is externally funded. Slippage is forecast at £18.0 millions.
- 6.3. Wherever possible slippage is offset by the accelerated delivery of other approved schemes within the capital programme. The main areas of net slippage can be attributed to scheme variations and programme delays in Highways (£1.3 millions), Adult Care & Health (£2.9 millions) and Planning and Transportation (£6.7 millions) which reflects the complexity of the major schemes within these service areas.
- 6.4. The Autumn Budget Statement also confirmed additional Capital funding for 2018/19. The Council is expecting to receive up to £4.0 millions additional capital funding for Highways and up to £5.2 millions for Schools. Disabled Facilities Grants could increase by £800,000.

7. Debt Over 3 Months Old

- 7.1. Corporate debt stood at £3.6 millions, being 2.2% of the annual value of invoices, against the annual target of 1.9%. We will continue to pursue the balance of debt owed, including the use of legal action where appropriate. It is anticipated that year-end debt will be below the annual target.

8. 2018/19 additional savings initiatives

- 8.1. In response to the forecast financial pressures the Leadership Group has proposed saving initiatives that will reduce expenditure by just under £5 millions.
- 8.2. These initiatives range from introducing a process whereby recruitment to fill vacancies commences two months after a post holder has left employment, to the capitalisation of more revenue expenditure. Other initiatives include; cessation of non-essential overtime, conference attendance, hospitality and travel and subsistence allowances unless externally funded.

9. Conclusion

- 9.1. Like many other Local Authorities across the Country, the Council is now grappling with high levels of demand for Children Services. Residential Placements are proving particularly difficult to contain within the budget allocated and pressures against the high needs block of the dedicated schools grant are challenging to manage.

9.2. The Councils Leadership Group has developed several savings initiatives detailed within this report which are estimated to reduce expenditure by almost £5 millions from that currently reported. Service managers within Education also continue to review options to deliver further reductions in expenditure within high needs.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor Stuart Barker

Local Government Act 1972: List of Background Papers

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Background Paper Date File Ref: Nil

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