

BUDGET MONITORING 2019/20
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) That the month 4 budget monitoring forecast position is noted; and**
- b) That the Spending Round 2019 is noted.**

1. Introduction

- 1.1. This report outlines the financial position and forecast for the Authority at month 4 (to the end of July) of the financial year. It also updates Members on the Chancellor's Spending Round 2019.
- 1.2. The total projected overspend at month 4 is £4.3 millions. However, this assumes that the projected Special Educational Needs and Disabilities (SEND) funding shortfall of £15.8 millions is not dealt with this financial year and thus has no impact on the outturn position. It also assumes that planned contributions to reserves of £8 millions are not made this financial year. These two issues are dealt with more fully in the report. It should be noted that without these two adjustments the projected overspending would be £28.1 millions.

2. Revenue Expenditure Adult Care and Health Services

- 2.1. Adult Care and Health services are forecast to overspend by £6.7 millions. This position includes £982,000 of management actions yet to be delivered but which are still considered achievable.
- 2.2. Adult Care Operations is forecasting to overspend by £5.7 millions. The pressure is primarily the result of residential and nursing price and volume pressures. Client numbers for these areas are 79 higher than the budgeted level of 1,995 giving rise to an overspending of £1.6 millions. The remaining projected overspending of £4.1 millions is due to higher costs having to be paid for services provided pressure being price related.
- 2.3. Adult Commissioning and Health is forecast to underspend by £197,000
- 2.4. Mental Health is forecasting an overspend of £1.2 millions, primarily the result of higher client numbers, residential services have 28 clients over the budgeted level of 151.
- 2.5. A number of savings initiatives have been proposed by the service to try and mitigate these pressures. They are currently under review and a detailed action plan is

expected to be put in place. The impact of this recovery plan is not currently included within the forecast position.

3. Revenue Expenditure Children's Services

- 3.1. Children's services are forecasting an overspending of £4.8 millions. However, this figure takes no account of a projected funding shortfall of £15.8 millions on SEND as explained in sections 3.8 and 3.9 of this report.
- 3.2. Children's Social Care is forecast to overspend by £3.1 millions. The total overspending on children's placements is forecast to be £1.2 millions. Supported accommodation in particular is driving this pressure. A lack of sufficiency in the residential market is leading to young people being placed in alternative settings with high cost support packages. Disabled Children's Services are forecast to overspend by just over £1 million. A significant proportion of this forecast is associated with one exceptionally high cost placement.
- 3.3. The Atkinson Secure Children's Home is forecasting an overspend of £245,000. Recruitment and retention issues at the establishment have had an adverse impact upon occupancy levels. There has been an improvement in recent months, but the lost income has resulted in the projected overspending.
- 3.4. All other costs which include Staffing, Quality Assurance Reviewing and Safeguarding Service and strategic management budgets are forecasting an overspend of £551,000.
- 3.5. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of £1.7 millions. Pressures within school transport continue due to rising costs associated with contract changes and additional Special Education Needs (SEN) personalised transport routes linked to continued growth in numbers.
- 3.6. The DSG High Needs Block, Special Education Needs and Disabilities (SEND) is forecasting a funding shortfall of £15.8 millions for the current financial year. The High Needs block continues to be under significant pressure with placements in Independent Special Schools being the main area of overspending. The number of students with Education and Health Care Plans continues to grow along with the complexity of need of pupils and numbers of those not able to attend school due to medical conditions all creating further pressures within the SEND High Needs Block.
- 3.7. Like many other local authorities with education responsibilities the pressures being experienced within the DSG are becoming unmanageable against the current levels of funding. There have been many representations to Government on this issue. As outlined in section 8 of this report the Government has announced additional funding for SEND in 2020/21 but nothing as yet for the current year. Given this funding uncertainty and the size of the projected deficit it is suggested that the deficit is not dealt with at the end of this financial year but held on the balance sheet as a negative reserve. This would allow the deficit to be managed across several years and give time for Service Managers and Schools to develop recovery plans. It would also give time for Government, if it was so minded, to review this area and put funding streams on a more sustainable footing. Many Authorities have adopted this approach. It is not

a solution, but it is a mechanism that gives more time for a solution to be found. The size of the reserve will have to be monitored to ensure that it stays within a level that is manageable within the overall financial resources of the Council.

4. Revenue Expenditure Highways, Infrastructure Development and Waste

- 4.1. Highways, Infrastructure Development and Waste is forecasting an underspend of £540,000 at month 4.
- 4.2. Highways Network management and Infrastructure Development are forecasting an overspend of £400,000. This pressure is the result of income not being generated as early in the year as planned partially offset by higher than budgeted recovery of capital recharges.
- 4.3. Waste management is forecasting an underspend of £940,000. Final reconciliation payments for 2018/19 recycled materials processed through recycling centres have now been completed benefiting the authority by £640,000 and third-party income allocations are expected to generate a one-off benefit of £300,000.

5. Revenue Expenditure Other Services

- 5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are forecasting a small underspend of £6,000. Corporate Services are forecasting an overspend of £2.8 millions. The cross-council savings initiatives target of £1.9 millions is currently not expected to be met this year. Digital Transformation and Business Support are forecasting an overspend of £575,000, this reflects the expectation that £662,000 of management action will still be delivered. County Solicitor and HR are forecasting a pressure of £302,000 the majority of which relates to delays in the implementation of the new payroll system.
- 5.2. Non- service items are forecast to underspend by £9.4 millions. This will be achieved by not making the planned £3 millions transfer to the budget management reserve or the planned £5 millions contribution to the service transformation reserve this year. In addition it recognises an underspend on capital financing and interest of £585,000, an improved position around general grant and other income of £468,000 and an underspend on other expenditure which totals £381,000.

6. Capital Expenditure

- 6.1. The approved capital programme for the Council is £147.2 millions. This figure incorporates amounts brought forward from 2018/19 of £29.5 millions, and in year additions of £6.8 millions. Of this increase £6.0 millions is externally funded.
- 6.2. The year-end forecast is £131.7 millions, producing forecast slippage of £15.5 millions.
- 6.3. The main areas of slippage can be attributed to variations and programme delays in Planning and Transportation (£9.8 millions net slippage) which reflects the complexity of the major schemes within this service.

6.4. Historic trends suggest further slippage is likely, which is mainly due to fluctuations and variations of major projects. Wherever possible slippage is offset by the accelerated delivery of other approved schemes within the capital programme.

7. Debt Over 3 Months Old

7.1. Corporate debt stood at £5.5 millions, being 3.1% of the annual value of invoices, against the annual target of 1.9%. The balance of debt owed will continue to be pursued with the use of legal action where appropriate to do so.

8. Spending Round 2019

8.1. On Wednesday 4th September the Chancellor, Sajid Javid, presented the Spending Review to Parliament. As always, 'the devil is in the detail, but the key headlines for the County Council are outlined below:

8.1.1. **Social Care** - £1.5 billion extra. However, within the Government document supporting the Spending Review it is clear this is £1 billion Grant and £0.5 billion of powers to raise 2% from Council Tax as a Social Care Precept. Depending on the distribution formula use for the grant element the Authority's portion of £1.5 billions is £22-23 millions of which about £8 millions would come from a 2% increase in Council tax with the balance coming as Government grant.

8.1.2. **Schools Funding** – £7.1 billion extra by 2022/23. Every secondary school will be allocated a minimum of £5,000 per pupil next year, and every primary school will be allocated at least £3,750 per pupil increasing to £4,000 per pupil the following year. This is approximately £20 millions of additional funding for Devon's schools over the 2 years. £11.7 millions in 2020/21 and a further £9.5 millions in 2021/22. This would see 135 schools (36%) benefit in 2020/21.

8.1.3. **Special Educational Needs and Disabilities SEND** - £700 millions extra. The County Council's share of this is approximately £8.6 millions.

8.1.4. **Core Funding** – There is no information within the Spending Review other than the usual inflationary increase in Business Rates funding and a headline that no Government Department's funding will be cut next year, and every Department will receive an increase at least in line with inflation. The Provisional Local Government Settlement is expected in December as normal.

9. Conclusion

9.1. As sections 1 to 7 of this report make clear Education Services and Social care services provided to both Adults and Children are operating under huge financial strain. The need for those services is very great and growing both in terms of cost and complexity. This is taking place against a background of unprecedented political uncertainty. The Council will need to show great resolve and ingenuity to make sure that it maintains the correct balance between funding services sufficiently and retaining its financial sustainability.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor Stuart Barker

Local Government Act 1972: List of Background Papers

Contact for Enquiries: Mary Davis

Tel No: (01392) 383310 Room: 199

Date Published: 5th September 2019