

**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 6 budget monitoring forecast position is noted**

**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 overspend at month 6 is £5.3 millions which is £1 million more than the £4.3 millions forecast at month 4. This assumes that planned contributions to reserves of £8 millions are not made this financial year; without this adjustment the overspend on General Fund services would be £13.3 millions.
- 1.3. The Dedicated Schools Grant funding shortfall relating to Special Educational Needs and Disabilities (SEND) has increased by £2.9 millions to £18.7 millions. As in month 4 it is proposed that this is not dealt with this financial year but is carried forward to future years. This proposal is set out in more detail in section 3 of this report.

**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 £890,000 of management actions yet to be delivered but which are still considered achievable.
- 2.2. Adult Care Operations is forecasting to overspend by £6.6 millions, an increase of just over £1 million from month 4. The pressure continues to primarily be the result of residential and nursing price and volume pressures. Client numbers for these areas are 125 higher than the budgeted level of 1,995 giving rise to an overspending of £2.7 millions. The remaining projected overspending of £4 millions is price related and due to higher costs having to be paid for services provided.
- 2.3. Adult Commissioning and Health is forecast to underspend by £347,000
- 2.4. Mental Health is forecasting an overspend of £412,000. Pressures being experienced from higher client numbers, residential services have 26 clients over the budgeted level of 151, have been offset by additional funding support for out of county placements from the Better care Fund.

### **3. Revenue Expenditure Children's Services**

- 3.1. Children's services are forecasting an overspending of £6.6 millions. However, this figure does not include projected funding shortfall of £18.7 millions on SEND as explained in sections 3.7 to 3.11 of this report.
- 3.2. Children's Social Care is forecast to overspend by £4.4 millions, an increase of £1.3 millions from month 4, this position assumes management action of £22,000 is achievable.
- 3.3. The total overspending on children's placements is forecast to be £1.3 millions, an increase of £100,000 from month 4. Supported accommodation continues to be 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 under £1.9 millions, an increase of £859,000 from month 4. A significant proportion of this forecast is associated with one exceptionally high cost placement. Numbers of disabled children accessing direct payments packages of care and pressures within short breaks services have also increased.
- 3.4. The Atkinson Secure Children's Home is forecasting an overspend of £203,000 a reduction of £42,000 from month 4. Recruitment and retention issues at the Home have had an adverse impact upon occupancy levels. There has been an improvement in recent months, but the lost income continues to impact the projected overspending.
- 3.5. All other costs which include Staffing, Quality Assurance Reviewing and Safeguarding Service and strategic management budgets are forecasting an overspend of £900,000 an increase of £349,000 from month 4.
- 3.6. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of £2.3 millions, an increase of £554,000 from month 4. 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.
- 3.7. The DSG High Needs Block, Special Education Needs and Disabilities (SEND) is forecasting a funding shortfall of £18.7 millions for the current financial year an increase of £2.9 millions from month 4. The High Needs block continues to be under significant pressure with placements in Independent Special Schools continuing to be the main area of overspending. There have been a further 33 placements since month 4 within Independent Special Schools, taking the average projection for the year to 568 placements compared to a budgeted level of 430.
- 3.8. 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.

- 3.9. 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 the Month 4 report the Government has announced an additional £700 millions funding for SEND in 2020/21. The Authorities share of this funding is confirmed as £5.5 millions, this is almost £3 millions less than anticipated due to changes to the distribution formula used by Government.
- 3.10. Given this funding uncertainty and the size of the projected deficit it is suggested, as it was at month 4, 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. This treatment is in line with proposals currently being consulted on which are looking at clarifying the specific grant and ring-fenced status of the Dedicated Schools Grant. Subject to the outcome of this consultation the Department for Education is proposing that from the end of 2019/20 local authorities must carry forward the whole overspend to the schools budget in future years and that it may not fund any part of the overspend from its general resources unless permission is sought and granted from the Secretary of State. This consultation runs until 15 November 2019.
- 3.11. Many Authorities have already adopted this approach, it is not a solution, but it is a mechanism that gives more time for a solution to be found. The outcome of the consultation will be closely scrutinized to ensure the impact of any changes is fully understood by the Council and Devon schools.

#### **4. Revenue Expenditure Highways, Infrastructure Development and Waste**

- 4.1. Highways, Infrastructure Development and Waste is forecasting an underspend of £402,000 at month 6, a reduction of £138,000 from month 4.
- 4.2. Highways maintenance, Network Management, Street Lighting and Infrastructure Development are forecasting an overspend of £545,000. This is primarily the result of expected income not being generated until the start of 2020/21.
- 4.3. Waste management is forecasting an underspend of £947,000. 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 £4,000. Corporate Services are forecasting an overspend of £2.3 millions a reduction of £548,000 from month 4. £ 1.7 millions of 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 £300,000, this reflects the expectation that £560,000 of management action will still be delivered. County Solicitor and HR are forecasting a pressure of £300,000 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 £9.9 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 £770,000 and an underspend on other expenditure which totals £527,000.

## **6. Capital Expenditure**

- 6.1. The approved capital programme for the Council is £150.4 millions. This figure incorporates amounts brought forward from 2018/19 of £29.5 millions, and in year additions of £9.9 millions. Of this increase £7.2 millions is externally funded.
- 6.2. The year-end forecast is £124.8 millions, producing forecast slippage of £25.6 millions.
- 6.3. The main areas of slippage can be attributed to variations and programme delays in Planning and Transportation (£18.3 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 £2.8 millions, being 1.6% 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. Conclusion**

- 8.1. The projected overspend has worsened slightly from month 4. Adult and Children's Social Care continues to experience ongoing pressure along with the School's Transport service. The funding shortfall within the Dedicated School's Grant SEND High Needs Block continues to be a significant concern for this year and into the future.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor Stuart Barker

Local Government Act 1972: List of Background Papers

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