

BUDGET MONITORING 2020/21
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**
- b) That Devon County Council act as Accountable Body for the further Education Digital Skills Accelerator project (FEDA)**

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.
- 1.2. At month 4 it is estimated that budgets will overspend by £4.5 millions. It is still early in the financial year but if this overspending materialises then it can be accommodated by not making the 2020/21 planned contribution to reserves of £4.5 millions which would leave the Council in a break-even position.
- 1.3. The Dedicated Schools Grant funding shortfall, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £26.8 millions. As treated in 2019/20, and in line with Department for Education guidance, it is proposed this is not dealt with this financial year but is carried forward to future years.
- 1.4. Central government has put in place a number of grant funding streams to help support Local Authorities during this period. For the County Council the most significant of these is its share of the three main tranches known as the Local Authority Covid Support Grant, this totals £41.43 millions. Currently there is an overcommitment of just over £4 millions against this grant. If this pressure continues and further funding is not forthcoming from Central Government, there will be a need to meet the overspend from reserves.

2. Revenue Expenditure Adult Care and Health Services

- 2.1. Adult Care and Health services are forecast to overspend by just under £2.9 millions. This position includes £29,000 of management actions still considered deliverable.
- 2.2. As a consequence of the pandemic, it is estimated that £4.7 millions of the budgeted savings are no longer deliverable within this financial year and this pressure is instead supported by Covid-19 funding.
- 2.3. Adult Care Operations is forecasting to overspend by £1.6 millions. This overspend is primarily the result of pressures being experienced within Learning Disabilities and Autism. Client numbers for these areas are 99 higher than the budgeted level of 3,393.

- 2.4. Adult Commissioning and Health is forecast to underspend by £75,000
- 2.5. Mental Health is forecasting an overspend of £1.4 millions. Pressures are being experienced from higher client numbers within community-based settings.

3. Revenue Expenditure Children's Services

- 3.1. Children's services are forecasting an overspending of £2.5 millions. However, this figure does not include projected funding shortfall of £26.8 millions on Special Education Needs and Disabilities (SEND).
- 3.2. Children's Social Care is forecast to overspend by £1.2 millions. The forecast includes budgeted savings of £614,000 which are no longer considered deliverable as a result of the pandemic and this pressure is instead supported by Covid-19 funding. £283,000 planned savings have been achieved and it is expected that a further £274,000 will still be delivered.
- 3.3. The forecast also includes £1.4 millions relating to the estimated cost of the Councils response following the outcome of the Ofsted inspection. This was agreed by Cabinet in May 2020. A pressure of £900,000 is being reported that is mainly associated with staffing and agency costs. An underspend of £1.1 millions is also forecast within Public Health Nursing which is the result of staff, accommodation and transport costs being lower than budgeted.
- 3.4. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of £1.2 millions. This is the result of pressures within school transport, rising costs associated with contract changes and additional SEND personalised transport routes linked to continued growth in numbers. It is also becoming increasingly difficult to secure service provision locally, and Covid-19 is impacting on the level of efficiencies the service is expecting to be able to achieve.
- 3.5. Within the DSG Block, SEND is forecasting a funding shortfall of £26.8 millions. The High Needs block continues to be under significant pressure, the number of students with Education and Health Care Plans continues to grow along with the complexity of need of pupils and numbers.
- 3.6. In 2019/20 the DSG reported an outturn deficit of £19.7 millions which was carried forward as a deficit reserve as per government guidance. When combined with the current year forecast the deficit is expected to be £46.5 millions by the end of 2020/21. The service is currently developing a recovery plan for the overall DSG deficit, there has been a recent update from the Department for Education that Local authorities should expect to receive recover plan templates and guidance in October.

4. Revenue Expenditure Highways, Infrastructure Development and Waste

- 4.1. Highways, Infrastructure Development and Waste is forecasting an overspend of £500,000 at month 4.
- 4.2. Highways maintenance, Network Management, Street Lighting and Infrastructure Development are forecasting an overspend of £1 million. During the Covid-19 lockdown phase it proved difficult to undertake planned capital works. In agreement with service

managers the providers focus moved to responding to safety defects. This has meant a considerable reduction in the backlog of works but resulted in an increase in costs. The provider has now returned to a more business as usual working pattern, a rebalancing of costs between capital and revenue is expected to develop.

4.3. Pressures associated with a higher prevalence of Ash dieback than expected have also started to materialise, these are currently being managed against underspends in street lighting with lower energy costs as a result of the continued programme of LED lamp replacements.

4.4. Waste management is forecasting an underspend of £500,000. The impact on waste tonnages of the covid-19 lockdown has been mixed. Household recycling and food waste volumes have increased, while garden waste tonnages have been significantly lower, partly the result of household recycling centres being closed.

5. Revenue Expenditure Other Services

5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are forecasting breakeven. Corporate Services are forecasting an overspend of just over £1 million the result of deferred income and cost pressures within Legal Services.

5.2. Non- service items, which includes capital financing charges, are forecast to underspend by £2.4 millions.

6. Capital Expenditure

6.1. The approved capital programme for the Council is £177.8 millions. This figure incorporates amounts brought forward from 2019/20 of £27.4 millions, and in year additions of £35.9 millions. Of this increase £31.3 millions is externally funded.

6.2. The year-end forecast is £159.5 millions, producing forecast slippage of £18.2 millions.

6.3. The main areas of slippage can be attributed to variations and programme delays in Planning and Transportation (£12.0 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, subject to affordability.

6.5. Devon County Council has been asked to act as Accountable Body for the Further Education Digital Skills Accelerator project (FEDA), which will see the investment by Devon Colleges of £2.3 millions in new capital equipment funded 50% by Growth Deal funding, and 50% by Devon Colleges. Acting as Accountable body means that Devon County Council is appointed by the Partnership to exercise duties and responsibilities on their behalf, such as processing grant claims to the LEP and reimbursing Colleges for eligible expenditure. However, Devon County Council will not incur any expenditure other than administrative expenses for which it will be compensated. Financial regulations require that Cabinet approve entering into such an arrangement.

7. Debt Over 3 Months Old

7.1. Corporate debt stood at £6.3 millions, being 3.6% 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. Covid-19

8.1. In response to the COVID-19 outbreak, the government has been making a series of ongoing policy announcements, initially at Budget 2020. This has meant local authorities have had to respond quickly to new announcements and understand their financial implications.

8.2. Central government has put in place a number of grant funding streams to help support Local Authorities. For the County Council the most significant is its share of the three main tranches known as the Local Authority Covid Support Grant, this totals £41.43 million.

8.3. The Local Authority Covid Support Grant is overcommitted by just over £4 millions. There is a degree of estimation associated with the values of the various interventions in place and the total commitment has the potential to increase as circumstances evolve. If this pressure continues and further funding is not forthcoming from Central Government there will be a need to meet the overspend from reserves.

9. Conclusion

9.1. The level of uncertainty and pressures being faced by the public sector this year are greater than ever before. The projected forecast of breakeven is welcomed but there remain significant far reaching risks associated with the impact of the pandemic which could be financially destabilising.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor John Hart

Local Government Act 1972: List of Background Papers

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