

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 6 budget monitoring forecast position is noted**
- b) That the Covid Local Authority Support Grant update 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. At month 6 it is estimated that budgets will overspend by £2.7 millions, a reduction of £1.8 millions from month 4 forecast of £4.5 millions. If this overspending materialises then it can be accommodated by not making the full 2020/21 planned contribution to reserves 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 £27.8 millions. In line with Department of Education guidance this overspending will not be dealt with this financial year but carried to future years.
- 1.4. Central government has put in place a number of grant funding streams to help support Local Authorities with Covid 19. The most recent of these is confirmation of a fourth tranche of the Local Authority Support Grant. Totalling £919 millions nationally the County Council has received just under £2.1 millions considerably less than was anticipated. This is explained in section 8.3 of the report. In total the Council has received £43.5 millions, the current forecast is in line with the funding received.

2. Revenue Expenditure Adult Care and Health Services

- 2.1. Adult Care and Health services are forecast to overspend by £2.3 millions, a reduction of £600,000 from month 4. This position includes £18,000 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 £964,000, a reduction of £592,000 since month 4. This overspend is primarily the result of pressures being experienced within Learning Disabilities and Autism. Client numbers for these areas are 134 higher than the budgeted level of 3,393.

2.4. 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 £3.1 millions. However, this figure does not include the projected funding shortfall of £27.8 millions on Special Education Needs and Disabilities (SEND).
- 3.2. Children's Social Care is forecast to overspend by just under £1.2 millions, a reduction of £61,000 from month 4. The forecast includes budgeted savings of £614,000 which are no longer considered deliverable as a result of the pandemic and the majority of this pressure is instead supported by Covid-19 funding. £557,000 planned savings have been achieved.
- 3.3. The forecast also includes £1.3 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 million 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 just under £2 millions, an increase of £723,000 from month 4. 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 with a stepped increase in September as children have returned to school. It is also becoming increasingly difficult to secure service provision locally, and Covid-19 is impacting on the level of in year efficiencies the service is expecting to be able to achieve.
- 3.5. Within the DSG High Needs Block, SEND is forecasting a funding shortfall of £27.8 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.
- 3.6. The Council, in line with government guidance for 2020/21, is holding the SEND funding shortfall on the balance sheet as a negative reserve. Finance has been made aware that Government is likely to issue a statutory override notice that will take effect from the end of November. It will instruct councils to hold DSG deficits as an unusable reserve until April 2023. This means that the deficit would no longer be taken into account when the Councils financial sustainability is assessed.
- 3.7. 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 £47.7 millions by the end of 2020/21. The service is currently developing a recovery plan for the overall DSG deficit for discussion with the Devon Education Forum in November.

4. Revenue Expenditure Highways, Infrastructure Development and Waste

4.1. Highways, Infrastructure Development and Waste is forecasting a breakeven position, a reduction of £500,000 from month 4.

- 4.2. Highways maintenance, Network Management, Street Lighting and Infrastructure Development are forecasting an overspend of £750,000. 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. Waste management is forecasting an underspend of £750,000. 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 a underspend of just under £1.7 millions. Transport co-ordination is forecasting an underspend of £987,000 associated with the concessionary travel scheme and vacancies, delays have also been experienced this year as a result of the pandemic which have affected grant schemes and the connecting Devon and Somerset broadband project Corporate Services are forecasting an overspend of £446,000 a reduction of £579,000 from month 4.
- 5.2. Non- service items, which includes capital financing charges, are forecast to underspend by £1.4 millions mainly due to additional grants from government and interest on balances.

6. Capital Expenditure

- 6.1. The approved capital programme is £186.1 millions. This figure incorporates amounts brought forward from 2019/20 of £27.4 millions, and in year additions of £44.3 millions. Of this increase £33.6 millions is externally funded
- 6.2. The year-end forecast is £162.0 millions, producing forecast slippage of £24.1 millions.
- 6.3. The main areas of slippage can be attributed to variations and programme delays in Highways, Planning and Transportation (£17.0 millions net slippage) which reflects the complexity of the major schemes within these areas.
- 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.

7. Debt Over 3 Months Old

- 7.1. Corporate debt stood at £7.9 millions, being 4.6% 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 four main tranches known as the Local Authority Covid Support Grant, this now totals £43.5million.
- 8.3. The significant reduction in Tranche 4 funding is the result of the Ministry of Housing, Communities and Local Government (MHCLG) applying the COVID needs formula to the total of all four tranches of funding released to date effectively retrospectively changing the allocations issued. Tranche four is therefore the differences between what the formula suggests the County Council should have received, and what was received in the first three tranches. This retrospective amendment to the funding impacts County Councils significantly and does not recognise the pressures experienced by all Adult Health and Social Care provision in responding to the pandemic.
- 8.4. The Local Authority Covid Support Grant is forecast to breakeven. 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 further pressures materialise and additional 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 unprecedented.
- 9.2. 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. Confirmation of the fourth tranche of the Local Authority Support Grant, from which the County Council received just under £2.1 millions, is extremely disappointing.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor John Hart

[Local Government Act 1972: List of Background Papers](#)

Contact for Enquiries: Mary Davis

Tel No: (01392) 383310 Room: 199

Date Published: