

## **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 8 budget monitoring forecast position is noted**
- b) That the Pandemic funding update is noted**

#### **1. Introduction**

- 1.1. This report outlines the financial position and forecast for the Authority at month 8 (to the end of November) of the financial year.
- 1.2. At month 8 it is estimated that budgets will overspend by £1.9millions, a reduction of £823,000 from month 6 forecast of £2.7 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 projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £30.4 millions, this is an increase of £2.6 millions since month 6. In line with Department of Education guidance this deficit 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 during the pandemic. The confirmed additional funding Devon County Council is expecting to receive directly is £80.5 millions, these grants are detailed further within section 8.

#### **2. Revenue Expenditure Adult Care and Health Services**

- 2.1. Adult Care and Health services are forecast to overspend by £2.4 millions, an increase of £100,000 from month 6. This position includes £8,000 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 £1.2 millions, an increase of £206,000 since month 6. This overspend is primarily the result of pressures being experienced within Learning Disabilities and Autism. Client numbers for these areas are 173 higher than the budgeted level of 3,406.
- 2.4. Adult Commissioning and Health is forecast to underspend by £146,000

- 2.5. Mental Health is forecasting an overspend of £1.4 millions, a similar level to month 6. 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 £3.5 millions. However, this figure does not include the projected deficit of £30.4 millions on Special Education Needs and Disabilities (SEND).
- 3.2. Children's Social Care is forecast to overspend by just under £1.2 millions, an increase of £58,000 from month 6. 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 £1.2 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 continues to be 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 £2.3 millions, an increase of £355,000 from month 6. 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 returned to school. It also continues to be 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 deficit of £30.4 millions, an increase of £2.6 millions from month 6. 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 deficit on the balance sheet as a negative reserve. A Statutory instrument that states all DSG deficits carried over from 2019-20 into 2020-21, and any subsequent deficit positions for the term of the override, are to be moved to an unusable reserve through a statutory accounting adjustment until April 2023 has now been enacted. In practice this means that the deficit does not have a negative impact on the assessment of the County Councils financial sustainability.
- 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 £50.1 millions by the end of 2020/21. The service is currently developing a recovery plan for the overall DSG deficit for submission to the Department for Education in January 2021.

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

- 4.1. Highways, Infrastructure Development and Waste is forecasting a breakeven position as in month 6.
- 4.2. Highways maintenance, Network Management, Street Lighting and Infrastructure Development are forecasting an overspend of £850,000, an increase of £100,000 from month 6. 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 continues.
- 4.3. Waste management is forecasting an underspend of £850,000, a reduction of £100,000 from month 6. 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.

#### **5. Revenue Expenditure Other Services**

- 5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are forecasting an underspend of just under £1.7 millions. Transport co-ordination is forecasting an underspend of just over £1 million 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 £137,000 a reduction of £309,000 from month 6.
- 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 £195.3 millions. This figure incorporates amounts brought forward from 2019/20 of £27.4 millions, and in year additions of £53.5 millions. Of this increase £41.6 millions is externally funded.
- 6.2. The year-end forecast is £164.3 millions, producing forecast slippage of £31.0 millions.
- 6.3. The main areas of slippage can be attributed to variations and programme delays in Highways, Planning and Transportation (£24.2 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 £3.4 millions, being just over 2% 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 funding

8.1. In response to the COVID-19 outbreak Central government has put in place a number of grant funding streams to help support Local Authorities in responding to the pandemic. To date Devon County Council is in direct receipt of 13 different pandemic related grants with a confirmed value of £80.5 millions, of which £77.9 millions has now been received and £53.7 millions spent. A summary table of all the funds is attached as appendix 1, but a summary of each grant follows.

### 8.1.1. Local Authority Covid Support Grant - £43.5 millions.

This funding is intended to support the pressures being faced in response to the Covid-19 pandemic across all the County Councils services. There is local discretion how this is allocated but the fund is intended to meet increased demand for Adult social care and enable additional support to social care providers, meet the costs of extra demand and higher business as usual costs of providing Children's social care and meet pressure across other service.

A Summary of the application of this grant by service area can be seen below, there is currently a forecast overcommitment of £300,000, if this or further pressures materialise and additional funding is not forthcoming from Central Government there will be a need to meet the overspend from reserves.

	% Share	Forecast Expenditure
Adults Care and Health	54.8%	24,022,292
Children's Services	19.4%	8,485,008
CoPHEP	3.6%	1,567,558
Corporate	7.1%	3,096,160
Highways, Infrastructure and Waste	5.6%	2,462,446
Authority Wide	9.6%	4,197,636
	<b>100%</b>	<b>43,831,100</b>

### 8.1.2. Adoption Support Fund - £ 217,097.

This scheme enabled regional adoption agencies and local authority adoption teams that were not in a regional adoption agency (RAAs/LAs) to access funds to deliver new immediate therapeutic support to eligible families during the pandemic only. Specific exclusions related to activities in school settings, respite support and electronic equipment including computers. This is expected to be spent in full this financial year.

### 8.1.3. Bus Services Support Grant - £1.2 millions.

This Grant was intended to support the operation of the public transport offer, including taking staff off furlough, mileage, PPE etc. This is expected to be spent in full this financial year.

### 8.1.4. Infection Control Fund-Tranche 1 £10.5 millions and Tranche 2 £9.2 millions

This fund is available to support Adult Social Care Providers, including those with whom the Local Authority does not have a direct contractual relationship, to reduce the rate of covid -19 transmission in and between care homes and provide support to the wider workforce resilience.

The application of 80% of this fund has been mandated by Government and passed onto regulated care home and community providers who accept the additional responsibilities and reporting requirements that come with the fund. The remaining 20% has an element of local discretion in its application and has

mainly been used to implement measures to support workforce resilience, the unregulated market and to engage assistance from the voluntary sector. This is expected to be spent in full this financial year.

**8.1.5. Emergency Active Travel Fund - Tranche 1 £316,426 and Tranche 2 £1.3 millions**

Tranche 1 was intended to help make use of temporary intervention to create an environment that is safe for both walking and cycling and support active travel. Tranche 2 has been received as capital and revenue funding and to be targeted towards more permanent developments in Barnstaple, Newton Abbot and Exeter and support the extension of some tranche 1 schemes. This is expected to be spent in full this financial year.

**8.1.6. Test and Trace Local Action Plan - £2.6 millions.**

The purpose of the grant is to provide support for local authorities in England towards expenditure incurred in relation to the mitigation against and management of local outbreaks of COVID-19. The majority of spend to date has supported outbreak management infrastructure and communications and marketing. The current year forecast remains uncertain as it is dependent on responding to local outbreaks, any unspent grant can and will be carried into next financial year.

**8.1.7. Emergency hardship Fund - £757,020**

Is intended to support those in immediate need struggling to afford food and essentials. This is expected to be spent in full this financial year.

**8.1.8. Additional Home to school Transport - £1.7 millions**

Funding is intended to be spent on ensuring there is sufficient transport capacity so children and young people can get to school and college safely and on time.

**8.1.9. Travel Demand Management - £100,000**

Funds have been made available to allow Local Authorities to engage consultant capacity to plan for travel demands. This is expected to be spent in full this financial year.

**8.1.10. Wellbeing for Education Return Fund - £128,139**

This is intended to support the Wellbeing for Education return project which seeks to better equip education settings to support pupils and students' wellbeing and psychological recovery as they return to full-time education this autumn. This is expected to be spent in full this financial year.

**8.1.11. Clinically Extremely Vulnerable Support Fund - £473,000**

Has been made available to support the strategic planning and operational delivery of support to the clinically extremely vulnerable in partnership with the NHS and District Authorities. This is expected to be spent in full this financial year.

**8.1.12. Winter Scheme - £2.04 millions**

This is directed to upper tier local authorities in England to provide support over the winter to children and households who are experiencing, or at risk of experiencing, poverty, where they are impacted by the ongoing public health emergency and where alternative sources of assistance may be unavailable. This is expected to be spent in full this financial year.

### **8.1.13. Contain Outbreak Management Fund (1) - £6.4 millions**

This is to support Public Health and local economies during, and following, the November national lockdown to manage compliance, put in place social support, contact tracing and testing. Plans are being developed to allocate this fund but the current year forecast remains uncertain, any unspent grant can and will be carried into next financial year.

### **Contain Outbreak Management Fund (2)**

Further funding is expected to be provided by government in line with this grant which is for public health interventions to manage the COVID-19 response. This will be linked to Local Authority tier status and transferred monthly. Tier 1 areas will not receive additional funding, tier 2 areas should expect to receive £2 per head of population every 28 days, while tier 3 should receive £4 per head of population every 28 days, the government is yet to confirm the level of payment for tier 4 authorities or to support the current lockdown period. Prompt Action Funding has been allocated under COMPF 1 and 2 to continue this vital community impact support.

- 8.2. In addition to the grants directly received Devon County Council has submitted claims for lost income against the Sales Fees and Charges compensation scheme totalling just under £1.4 millions.
- 8.3. At the start of the pandemic the Government also confirmed that part of the £1.3 billions of funding made available to the NHS was intended to support costs incurred by local authorities in the support of hospital discharge, and out of hospital activity. This programme now has 2 tranches. Tranche 1 covers costs incurred up to the end of August and provides support for care costs incurred until the end of the financial year. Tranche 2, in place from the start of September, makes provision for social care costs to be reimbursed for 6 weeks after time of discharge. Working in partnership with Devon CCG, Devon County Council has received reimbursement for tranche 1 costs of £11.6 millions and is awaiting confirmation and reimbursement from NHS England of further tranche 1 costs of £6.2 millions and tranche 2 costs of £2.5 millions.
- 8.4. Each of the grants detailed have different terms and conditions regarding their application, year end treatment and flexibility to carry forward or return if unspent. Most are expected to be spent in full or are permitted to be carried forward to support related costs incurred in 2021/2022. As the national and local circumstance evolve the funding landscape may change.

## **9. Conclusion**

- 9.1. The level of uncertainty and pressures being faced by the public sector this year are unprecedented and continue to evolve.
- 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 as well as the ongoing pressures being experienced within the DSG.
- 9.3. The funding issued to support Local Authorities in responding to the Pandemic is significant but the ever-changing landscape we are faced with continues to present service delivery challenges and financial pressures.

Mary Davis, County Treasurer

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<b>Appendix 1 Summary of Covid Related Grants</b>					
<b>Paragraph</b>	<b>Description</b>	<b>Sum of Grant Value</b>	<b>Forecast Spend</b>	<b>Variance</b>	<b>Comment</b>
8.1.1	Local Authority Covid Support Grant	43,533,019	43,831,100	298,081	Potential pressure may result in call on reserves.
8.1.2	Adoption Support Fund	217,097	217,097	0	
8.1.3	Bus Services Support	1,205,522	1,205,522	0	
8.1.4	Infection Control Grant Tranche 1 and 2	19,713,097	19,713,097	0	
8.1.5	Emergency Active Travel Fund	1,599,876	1,599,876	0	
8.1.6	Test and Trace Local Action Plan	2,618,508	TBC	(2,618,508)	Plans are under development but the grant is ringfenced and any underspend is expected to be carried forward
8.1.7	Emergency Hardship Fund	757,020	757,020	0	
8.1.8	Addtl Home to School Transport	1,662,522	1,662,522	0	
8.1.9	Travel Demand Management	100,000	100,000	0	
8.1.10	Wellbeing for Education Return	128,139	128,139	0	
8.1.11	Clinically Extremely Vulnerable Support Fund	473,000	473,000	0	
8.1.12	Winter Scheme Exp	2,042,754	2,042,754	0	
8.1.13	Contain Outbreak Management Fund	6,419,000	TBC	(6,419,000)	Plans are under development but the grant is ringfenced and any underspend is expected to be carried forward
		<b>80,469,554</b>	<b>71,730,127</b>	<b>(8,739,427)</b>	