

## **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 10 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 10 (to the end of January) of the financial year.
- 1.2. At month 10 it is estimated that budgets will underspend by £3.7 millions, a reduction of £5.6 millions from the month 8 forecast of £1.9 millions overspend.
- 1.3. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £30.1 millions, this is a reduction of £300,000 since month 8. 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 this financial year currently stands at £91 millions.

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

- 2.1. Adult Care and Health services are forecast to overspend by £921,000, a reduction of £1.5 millions from month 8.
- 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 £227,000, a reduction of £943,000 since month 8. Pressures within Learning Disabilities and Autism have continued, with client numbers for these areas 166 higher than the budgeted level of 3,406. Improvement in the forecast position is primarily due to a reduction in client numbers over the winter months, increased client income and savings within in-house services and other staffing costs.
- 2.4. Adult Commissioning and Health is forecast to underspend by £268,000.
- 2.5. Mental Health is forecasting an overspend of £962,000 a reduction of £392,000 from month 8. Pressures continue to be experienced from higher client numbers within

community-based settings, but one-off additional funding has been secured to support some of the in year demand since month 8 resulting in a reduced forecast.

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

- 3.1. Children's services are forecasting an overspend of £2.2 millions, a reduction of £1.4 millions from month 8. However, this figure does not include the projected deficit of £30.1 millions on Special Education Needs and Disabilities (SEND).
- 3.2. Children's Social Care is forecast to overspend by just under £353,000, a reduction of £863,000 from month 8. 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. 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. A reduction in the number of looked after children, reduced agency costs and increased vacancy slippage in the Corporate Parenting and Social Work teams have all contributed to the improved financial position.
- 3.4. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of just under £1.8 millions, a reduction of £503,000 from month 8. Pressures continue within school transport from the rising costs associated with contract changes and additional SEND personalised transport routes linked to continued growth in numbers. The improved financial position is the result of School Transport receiving a rebate from the Transport Co-ordination Service and £102,000 of lost income is now confirmed as supported by Covid funds.
- 3.5. Within the DSG High Needs Block, SEND is forecasting a deficit of £30.1 millions, a reduction of £321,000 from month 8. 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 £49.8 millions by the end of 2020/21. The service is currently developing a recovery plan for the overall DSG deficit.

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

- 4.1. Highways, Infrastructure Development and Waste is forecasting an underspend of £1.4 millions a change from the reported breakeven position at month 8.

- 4.2. Highways maintenance, Network Management, Street Lighting and Infrastructure Development are forecasting an underspend of £500,000, a reduction of £1.4 millions from month 8. The change in forecast is primarily attributable to confirmation that patches greater than 1m<sup>2</sup> can be classified as capital expenditure as they extend the life of the highway; the associated costs have been transferred accordingly.
- 4.3. Waste management continues to forecast an underspend of £850,000, which is no change from the month 8 position. 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 a underspend of just under £3 millions. Transport co-ordination is forecasting an underspend of just over £2.2 millions 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 underspend of £187,000 a reduction of £324,000 from month 8.
- 5.2. Non- service items, which includes capital financing charges, are forecast to underspend by £2.3 millions.

## **6. Capital Expenditure**

- 6.1. The approved capital programme for the Council is £198.4 millions. This figure incorporates amounts brought forward from 2019/20 of £27.4 millions, and in year additions of £56.6 millions. Of this increase £44.1 millions is externally funded.
- 6.2. The year-end forecast is £162.6 millions, producing forecast slippage of £35.8 millions.
- 6.3. The main areas of slippage can be attributed to variations and programme delays in Highways, Planning and Transportation (£24.8 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 £3.5 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 £91 millions, of which £88.6 millions has now been received and £53.7 millions spent.

- 8.2. The Local Authority Covid Support grant remains the most significant of these grants. This funding is intended to support the pressures being faced in response to the Covid-19 pandemic across all the County Councils services. Devon County Council has received £43.5 millions. £41.5 millions of this grant has been allocated to support interventions of which £36.1 millions has been spent. Any unallocated grant is expected to be carried forward into 2021/22 as part of the year end process and added the confirmed additional funding of £14.8 millions.
- 8.3. Most of the other grants received are ring-fenced and repayable if not spent up in full in the time frame specified in the grant determination. The exceptions to this are the Communities grants and Public Health grants which generally have less prescriptive grant determinations and any underspends are also anticipated to be carried into next year.

## **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 underspend 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.

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