

**BUDGET MONITORING 2021/22 & BUDGET TARGETS 2022/23 UPDATE**  
**Report of the Director of Finance**

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 progress on the delivery of the Dedicated Schools Grant Management Plan is noted; and**
- c) That the Provisional Settlement for 2022/23 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 just over £8.3 million, an increase of £1.3 million from month 6.
- 1.3. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £39.0 million. 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 continued to provide a number of grant funding streams this year to help support Local Authorities during the pandemic. The confirmed additional funding Devon County Council is expecting to receive directly this financial year is currently £50.7 million, in addition to the £25.6 million carried forward from 2020/21.

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

- 2.1. Adult Care and Health services are forecast to overspend by just over £5.1 million, a reduction of £71,000 from month 6. This position includes £3.2 million of budgeted savings.
- 2.2. Adult Care Operations is forecasting to overspend by just under £5.4 million, this is a mix of price and volume pressures. Within Learning Disabilities and Autism higher demand has continued into this year with client numbers in these areas being 142 more than the budgeted level of 3,569. Older People is also experiencing significant pressures, mainly due to price pressures on residential and increase in the number of nursing placements which are 36 more than the budgeted level of 516. Adult Commissioning and Health and Mental Health is forecast to underspend by £230,000.

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

- 3.1. Children's services are forecasting an overspend of £9.1 million an increase of £1.8 million from month 6. However, this figure does not include the projected deficit of £39.1 million on Special Education Needs and Disabilities (SEND).

- 3.2. Children's Social Care is forecast to overspend by £7 million, an increase of £2.1 million from month 6. The forecast includes budgeted savings of £63,000 still considered deliverable. £1.78 million of the planned savings have been achieved to date. The Public Health Nursing Service is forecast to under spend by £554,000, due largely to accommodation cost savings and vacancy slippage.
- 3.3. The forecast also includes a placements budget overspend of £3.3 million, an increase of just over £1.5 million from month 6, most of this increase relates to disabled childrens placements and independent residential care. Social Work Staffing, Strategic Management and legal disbursements together are forecasting an overspend of £1.7 million mainly due to agency staff costs. Special Guardianship Orders and Adoption allowances, Early Help, and the Atkinson Secure Children's Home combined are forecasting a total overspend of £2 million.
- 3.4. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of just over £2.6 million, a reduction of £67,000 from month 6. Pressures continue within school transport, the result of rising costs associated with contract changes, and additional SEND personalised transport routes linked to continued growth in numbers.
- 3.5. Within the DSG High Needs Block, SEND is forecasting an overspend of just over £39.1 million, an increase of £3.1 million from month 6.
- 3.6. The Council, in line with government guidance issued in 2020/21, continues to hold the SEND deficit in an adjustment account on the balance sheet. 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. At the end of 2020/21 the DSG reported a cumulative deficit of £48.9 million 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 £88.1 million by the end of 2021/22.
- 3.8. Education and Learning and Finance have developed a shared management plan which seeks to ensure children with SEN receive the support they need, whilst also addressing the funding deficit. Following discussions with the Department for Education regarding our detailed management plan the County Council has now commended participation in the Safety Valve Intervention Programme. The aim of this programme is to agree with the Department a package of reform to the high needs system that will bring the DSG deficit under control. The current management plan will form the basis of these discussions but will also include consideration of capital investment. The intervention is expected to conclude with an agreed package of support measures and actions by the end of this financial year.
- 3.9. For 2021/22 the current management plan contains a savings target of £6.2 million. The forecast delivery at month 8 continues to be £2.1 million. £4.1 million has been identified as undeliverable this financial year. The demand growth from schools for new EHCP requests into the 0-25 team has continued.

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

4.1. Highways, Infrastructure Development and Waste is forecasting an underspend of £290,000 an improvement of £76,000 from month 6, the result of additional overheads being funded from the highways permitting scheme. Waste tonnages have increased significantly during the year, but the service is currently expected to outturn to budget. Highways is on track to fully deliver planned works programmes within budget, although this could be impacted if extreme weather is encountered over the winter.

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

5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are forecasting an underspend of £1.5 million an improvement of £305,000 since month 6. The transport fleet continues to incur lower fuel and maintenance costs than budgeted as the pandemic continues to reduce activity, the County Hall travel plan remains on hold following the pandemic and a number of programmes within Communities have faced significant delays, the service has also received several significant planning applications which have resulted in improved fee income estimates. Corporate Services are forecasting an underspend of £671,000, and small reduction of £13,000 from month 6, pressures within Legal and HR continue to be more than offset by the forecast underspends within Digital Transformation and Business support.

5.2. Non-service items, which include capital financing charges and business rates pooling gain, are forecast to underspend by £3.5 million.

## **6. Capital Expenditure**

6.1. The approved capital programme for the Council is £216.7 million. This figure incorporates amounts brought forward from 2020/21, and other prior year approvals, of £46.2 million, and in year additions of £23.1 million. Of this increase £21.2 million is externally funded.

6.2. The year-end forecast at Month 8 is £184.4 million. Slippage is forecast at £32.3 million.

6.3. Wherever possible slippage is offset by the accelerated delivery of other approved schemes within the capital programme. The main areas of net slippage can be attributed to scheme variations and programme delays in Planning, Transportation and Environment, which reflects the complexity of the major schemes within this service area.

6.4. Material and labour price increases are being experienced which are starting to detrimentally impact the delivery costs and tender prices being returned within the capital programme. This is currently being managed within existing funding and will continue to be monitored.

## **7. Debt Over 3 Months Old**

7.1. Corporate aged debt stood at £2.3 million, being just over 1.0% 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 the Government has continued to put in place a number of grant funding streams to help support Local Authorities in responding to the

pandemic, most are a continuation of arrangements established last year. To date Devon County Council is in direct receipt of pandemic related grants with a confirmed value of £50.7 million.

- 8.2. In addition to the funds received this year the Authority was able to carry forward £25.6 million of funding received last year. This mainly related to Contain Outbreak Management Funding, Test and Trace Funding and the Covid support Grant.
- 8.3. These grants continue to have separate terms and conditions and differing levels of flexibility around their application and use, and plans continue to be developed for application of the funding.

## **9. Provisional Local Government Settlement 2022/23**

- 9.1. On 16 December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, released a written statement to Parliament on the provisional local government finance settlement 2022/23.
- 9.2. The 2022/23 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.
- 9.3. Spending Review 2021 Additional Funding – The Chancellor announced an additional £1.6bn per annum (2022/23 to 2024/25) for local government as part of SR21. The majority of this amount has been included in the Core Spending Power figures. Based on the figures in the Core Spending Power amounts, there has been a net increase in funding (excluding the multiplier adjustment and Adult Social Care reform funding) of £1.526bn. A breakdown of this change is shown below.
  - + £822m – 2022/23 Services Grant – A new grant based on 2013/14 SFA shares
  - + £636m – Increase to the Social Care Grant
  - + £63m – Inflationary increase to the Improved Better Care Fund
  - + £72m – Increased RSG (based on CPI)
  - (£68m) – Reduction in New Homes Bonus Funding
- 9.4. Council Tax – As previously announced at SR21, the council tax referendum limit will be 2% for local authorities, with social care authorities allowed an additional 1% social care precept.
- 9.5. Local Government Funding Reform – No papers were published relating to the Fair Funding Review or the Business Rates Reset. It would appear the government intend to make further announcements in the new year, before then consulting on any potential changes.
- 9.6. The table over sets out Devon's Core Funding of £103.2 million and shows the other grants that have been announced so far. Other grants are expected to be announced in the coming weeks and months and these will be reporting as part of the overall budget papers in February if known by then. The provisional settlement is very close to what was expected, and no change is therefore proposed to the Budget Targets for 2022/23 that were agreed by Cabinet in December.

	<b>£000</b>
Revenue Support Grant	566
BRRS Central Government Top Up	80,654
BRRS Local Element*	<u>21,997</u>
<b>Core Funding</b>	<b>103,217</b>
New Homes bonus	2,143
Rural Services Delivery Grant	7,823
Social Care Grant	32,317
Improved Better Care Fund	29,126
ASC Reform/Market Sustainability & Cost of Care Fund	2,413
Services Grant	<u>7,076</u>
<b>Other Grants</b>	<b>80,898</b>

\* the actual amount we receive will be derived from returns completed by our Devon Districts

## 10. Conclusion

- 10.1. As stated in the report the forecast overspend at month 8 has deteriorated since month 6. The pressures within Adult Care and Health have stabilised but Children's services has worsened. Close monitoring will continue and action taken where possible.
- 10.2. Government funding to support Local Authorities in responding to the Pandemic continues to be significant, but the transmissibility of the new Omicron variant will undoubtedly increase pressure on service delivery and increase financial risks.
- 10.3. The continuing growth in demand for new Education and Health Care Plans within the Special Educational Needs and Disabilities services continue to be a concern but the commencement of the Safety Valve intervention will provide the support necessary to bring the service back in to balance.
- 10.4. Although the Provisional Settlement represents an increase to the authority's funding next year it is not sufficient to meet the demand and cost pressures being faced by the authority. The authority will have no choice but to make savings in order to balance its budget.

**Angie Sinclair**

**Director of Finance**

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 Date Published: 4<sup>TH</sup> January 2022