

BUDGET MONITORING 2021/22

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 10 budget monitoring forecast position is noted;**
- b) That progress on the delivery of the Dedicated Schools Grant Management Plan 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 overspend by just over £5.8 million, a reduction of £2.5 million from month 8.
- 1.3. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £39.9 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 £57.5 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 £3.8 million, a reduction of £1.3 million from month 8. The forecast includes budgeted savings of £283,000 still considered deliverable.
- 2.2. Adult Care Operations is forecasting to overspend by just over £4.1 million, this continues to be a mix of price and volume pressures but the improved position is the result of a funding agreement being reached with health around costs associated with the hospital discharge programme. Within Learning Disabilities and Autism higher demand has continued into this year with client numbers in these areas being 164 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 47 more than the budgeted level of 516. Adult Commissioning and Health and Mental Health is forecast to underspend by £359,000.

3. Revenue Expenditure Children's Services

- 3.1. Children's services are forecasting an overspend of £8.8 million a reduction of £300,000 from month 8. However, this figure does not include the projected deficit of £39.9 million on Special Education Needs and Disabilities (SEND).

- 3.2. Children's Social Care is forecast to overspend by £7 million, a similar position to the month 8 forecast. The Public Health Nursing Service is forecast to under spend by £744,000, a change of £193,000 from month 8, this continues to be the result of accommodation cost savings and vacancy slippage.
- 3.3. The forecast also includes a placements budget overspend of £4.2 million, an increase of just over £814,000 from month 8, most of this increase continues to relate to disabled childrens placements and independent residential care. Social Work Staffing, Strategic Management and legal disbursements together are forecasting an overspend of £963,000 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 £1.9 million.
- 3.4. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of £2.5 million, a reduction of £143,000 from month 8. 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 £39.9 million, an increase of £852,000 million from month 8.
- 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 £88.9 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. The County Council continues to participate in the Safety Valve Intervention Programme with the Department for Education (DFE). Many meetings and discussions have taken place internally and with the DFE to further develop the content of the management plan. 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. It was hoped that intervention discussions would be concluded with an agreed package of support measures and actions by the end of this financial year but the DFE has now indicated this will continue into April.
- 3.1. For 2021/22 the current management plan contains a savings target of £6.2 million. The forecast delivery at month 10 is now £700,000. £5.5 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. In response to this, and as a consequence of discussion with the DFE, a stepped plan with milestones has been developed. The DFE have indicated their belief that this is a good foundation to achieving in year financial balance over the coming years. Risk identification and mitigation strategies have also been discussed with the DFE as part of the assurance process. This should hopefully put us in a good position to conclude the safety valve intervention discussions.

4. Revenue Expenditure Highways, Infrastructure Development and Waste

- 4.1. Highways, Infrastructure Development and Waste is forecasting an underspend of £450,000 an improvement of £160,000 from month 8. Waste tonnages have continued to increase significantly during the year but the financial impact has been more than offset by reduced expenditure in other areas of the service, most notably in relation to shared savings projects.
- 4.2. The Highways service has incurred substantial clear-up costs resulting from storms Dudley and Eunice, these are not yet finalised and the impact is not included within the month 10 forecast.

5. Revenue Expenditure Other Services

- 5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are forecasting an underspend of £2.6 million an improvement of £1.1 million since month 8. 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 £402,000, a reduction of £269,000 from month 8, 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 £3.3 million.

6. Capital Expenditure

- 6.1. The approved capital programme for the Council is £217.2 million. This figure incorporates amounts brought forward from 2020/21, and other prior year approvals, of £46.2 million and in year additions of £23.7 million. Of the in year additions £21.4 million is externally funded.
- 6.2 The year-end forecast is £174.7 millions, producing forecast slippage of £42.5 million.
- 6.3 Wherever possible slippage is offset by the accelerated delivery of other approved schemes within the capital programme. The main areas of slippage can be attributed to 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 £2.4 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. So far this financial year Devon County Council is in direct receipt of pandemic related grants with a confirmed value of £57.5 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. Conclusion

9.1. It is positive that the forecast overspend has reduced since month 8 and the pressures within Adult Care and Health and Childrens services have continued to stabilise. Close monitoring will continue, and action will be taken where possible to manage pressures further before the end of the financial year.

9.2. Government funding to support Local Authorities in responding to the Pandemic continues to be significant, the Omicron variant despite being milder than originally feared has undoubtedly increased pressure on service delivery and financial risks.

9.3. 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, it is hoped, provide the support necessary to bring the service back in to balance.

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Local Government Act 1972: List of Background Papers

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