Cabinet
13th July 2022
DF/22/68

BUDGET MONITORING 2022/23
Report of the Director of Finance and Public Value

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 2 budget monitoring forecast and the very challenging financial position faced by the Council is noted;**
b) **That the immediate action being taken to safeguard the financial sustainability of the authority is supported; and**
c) **That progress on the Safety Valve Intervention programme is noted.**

1. Introduction

1.1. This report outlines the financial position and forecast for the Authority at month 2 (to the end of May) of the financial year.

1.2. At month 2 it is estimated that budgets will overspend by £30.5 million, excluding the dedicated schools grant deficit below. There is also a risk that inflationary pressures could result in costs, in addition to this overspend, of more than £10 million this year. The pandemic and geopolitical situation has created huge financial pressures nationally and the County Council is not immune from that.

1.3. Immediate action must be taken to safeguard the financial sustainability of the authority. Work has already commenced to identify services and projects in both revenue and capital that can be transformed, modernised, remodelled, funded differently, ceased, or postponed.

1.4. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £32.1 million. Discussions with the Department for Education as part of the Safety Valve Intervention continue.

2. Revenue Expenditure Integrated Adult Social Care

2.1. Integrated Adult Social Care services are forecast to overspend by £6.0 million. There are many uncertainties in projecting costs at this stage in the year. The forecast overspend is currently driven by risk around delivery of planned savings. The reported position assumes that £12.6 million of savings are achieved. Of this, £9.2 million are deemed safe in that actions have already been taken to secure them, however £3.4 million, while viewed as deliverable, require further management action to secure them. Actions are underway to develop alternative savings strategies in order to attempt to address this pressure.

2.2. Adult Care Operations is forecasting to overspend by just under £6.3 million, this pressure is linked to delivery of planned savings. There does continue to be a mix of price and volume variances against budget levels which, at month 2, break even overall.

2.3. Adult Commissioning and Health is forecast to underspend by £287,000.

3. Revenue Expenditure Children and Young People's Futures

3.1. Children's and Young People's Futures services are forecasting an overspend of £17.9 million. However, this figure does not include the projected deficit of £32.1 million on Special Education Needs and Disabilities (SEND).

3.2. Children's Social Care is forecast to overspend by £10.2 million. The primary reason for the overspend is the volume and cost of placements for children in care. The Public Health Nursing Service is forecasting a small underspend of less than £10,000.

3.3. The forecast includes a placements budget overspend of £7.6 million. These pressures relate to disabled children's placements and independent residential care. Social Work Staffing, Strategic Management and legal disbursements together are forecasting an overspend of £800,000 mainly due to agency staff costs. Special Guardianship Orders and Adoption allowances and the Atkinson Secure Children's Home combined are forecasting a total overspend of £1.8 million.

3.4. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £7.7 million, which in the main relates to Transport budgets. £5.6 million relates to non-delivery of planned budget savings, whilst £1.5 million has come from the continued increase in the average costs of contracts that are relinquished and retendered against. The unit cost for transport continues to rise due the high level of inflation impacting the sector.

3.5. Dedicated Schools Grant (DSG) for Education and Learning is forecasting an overspend of £32.1 million, after allowing for management plan actions of £9.3 million in the High Needs budget.

3.6. At the end of 2021/22 the DSG reported a cumulative deficit of £86.5 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 £118.7 million by the end of 2022/23.

3.7. The Council continues to be participating in discussions with the Department For Education (DFE) as part of the Safety Valve Intervention programme. It was hoped that these discussions would have been concluded with a positive outcome early this financial year but that has not happened. Following a meeting in early June it is now expected that the DFE will be submitting a business case to Treasury in July. The timescale for resolution of the Safety Valve Intervention is set by Central Government.

3.8. For 2022/23 the current management plan contains a savings target of £10 million and delivery of this plan is underway.

4. Revenue Expenditure Climate Change, Environment and Transport

4.1. At month 2, the Climate Change, Environment and Transport directorate is forecast to outturn to budget. Identified risks are currently expected to be mitigated by other service savings.

5. Revenue Expenditure Other Services

5.1. At month 2 Public Health, Communities and Prosperity is anticipated to outturn to budget. Corporate services are forecasting an overspend of £394,000, this is mainly the result of pressures being experienced within Legal and Democratic Services due primarily to additional legal costs supporting Adults and Childrens services.

5.2. Non-service items, which include capital financing charges and business rates pooling gain, are currently forecast to spend to budget.

5.3. National pay negotiations are at a very early stage, but indications are that increases to the National Living Wage coupled with the cost-of-living crisis will result in a higher than expected pay claim this year. The estimated cost of this has been included within the forecast overspend.

6. Debt Over 3 Months Old

6.1. Corporate debt stood at £2.9 million, being just under 0.9% 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.

7. Management response to pressures

7.1. An organisation wide Financial Sustainability Programme has been created to examine areas of expenditure and to propose financial recovery options for members to consider.

7.2. This work is being carried out by a Tactical Leadership Team comprising senior officers from every service of the Council, who are examining options for service transformation, modernisation, remodelling of delivery, and ceasing or postponement of activity where possible. There is agreement for this work to be top immediate priority for the Council; to move at pace and scale for the authority to be able to take immediate action in response to the financial challenge.

8. Conclusion

8.1. It is very early in the financial year and much will of course inevitably change as the year progresses, however, the current forecast position is unprecedented and immediate action must to taken to safeguard the financial sustainability of the authority. The Council has never before faced a combination of demand growth and price shock pressures of this scale.

8.2. The creation of an organisational wide tactical leadership team to develop proposals to ensure cost management has been put in place and it is vital that every service, across the authority, responds at pace and at scale.

8.3. The commencement of the DSG management plan and the positive discussions had to date with the DFE is welcome, but there remain significant risks around the full delivery of such an ambitious plan, and the successful adoption of the planned interventions need to be actively managed.

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Electoral Divisions: All
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Local Government Act 1972: List of Background Papers
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