

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 8 budget monitoring forecast is noted;**
- b) That action is being taken to safeguard the financial sustainability of the authority is supported;**
- c) The savings and additional income resulting from the Financial Sustainability Programme are noted;**
- d) That the extension to the Dedicated Schools Grant statutory override relating to accumulated deficits be 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 £7 million, an increase of £679,000 from month 6, this position excludes the dedicated schools grant deficit. This is made up of an underlying overspend of £33 million reduced by £26 million of Financial Sustainability Programme (FSP) proposed savings and income. An inflationary pressure risk continues to be present which may result in increases to the forecast overspend if it cannot continue to be contained.
- 1.3. The Cost of Living Crisis and geopolitical situation has created huge financial pressures nationally and the County Council is similarly affected. Immediate action has been taken to safeguard the financial sustainability of the authority for the current financial year and work continues to identify further in year cost containment measures. Work is ongoing to identify services and projects in both revenue and capital that can be transformed, modernised, remodelled, funded differently, ceased, or postponed. At month 8 just over £26 million of in-year savings and additional income has been identified.
- 1.4. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £40.6 million, an increase of £3.7 million from Month 6. The outcome of the discussions with the Department for Education as part of the Safety Valve Intervention are still awaited.

2. Revenue Expenditure

2.1. The following table details the forecast outturn position by service area at month 8. The underlying overspend, column (c), details the forecast outturn position before the impact of the Financial Sustainability Programme (FSP) is taken into consideration. The impact of the proposed FSP savings is shown in column (d) and the final Month 8 overspend or underspend in column (e).

Month 8 Budget Monitoring Forecast Outturn							
	Original Budget	Adjusted Budget	Forecast Outturn Before FSP Savings	Underlying Overspend	FSP Savings	Month 8 Overspend/ (Underspend)	
	(a)	(a)	(b)	(c)	(d)	(e)	(f)
	£000	£000	£000	£000	£000	£000	%
Integrated Adult Social Care	312,928	324,407	331,244	6,837	(3,547)	3,290	1%
Childrens and Young Peoples Futures	176,148	209,936	231,947	22,011	(3,547)	18,464	9%
Climate Change, Environment & Transport	79,700	88,454	86,991	(1,463)	(4,391)	(5,854)	-7%
Corporate Services	41,719	43,468	44,000	532	(1,739)	(1,207)	-3%
Public Health, Communities & Prosperity	18,867	19,901	19,935	34	(895)	(861)	-4%
Total Service Position	629,362	686,166	714,117	27,951	(14,119)	13,832	2%
Non Service Specific Budgets (Below the Line)	(69,297)	(126,101)	(121,011)	5,090	(11,902)	(6,812)	-7%
Total	560,065	560,065	593,106	33,041	(26,021)	7,020	6%

2.2. Integrated Adult Social Care is forecasting an overspend of £3.3 million.

2.3. The underlying forecast position for Integrated Adult Social Care services at month 8 is an overspend of £6.8 million, a reduction of £481,000 against the position reported at month 6. The forecast overspend continues to be driven by risk around delivery of planned savings which form part of this year's budget and a worsening position against older people budgets, particularly within residential and nursing care.

2.4. The reported position assumes that of the £18.2 million planned budgeted savings and additional income, £13 million will be achieved this year, including the £8 million one off additional income agreed with health partners. Of this, £11.7 million has been delivered with a further £1.3 million, whilst viewed as deliverable, requires further management action to secure. Actions are underway to develop additional savings strategies in order to further reduce the overspending.

2.5. Additional in year savings of £3.5 million have also been identified as part of the FSP.

2.6. Children and Young People's Futures is forecasting an overspend of £18.5 million and an overspend of £40.6 million on Special Education Needs and Disabilities (SEND).

2.7. The underlying forecast position for Children and Young Peoples Futures services at month 8 is an overspend of just over £22 million, an increase of £1 million against the position reported at month 6.

- 2.8. The month 8 position assumes that of the £11.7 million of planned budget savings £5.8 million is deliverable, the £5.9 million of savings considered undeliverable contributes to the forecast overspend.
- 2.9. The rest of the forecast pressure continues to be driven by volume and cost pressures relating to placements for children in care and pressures being faced within School Transport.
- 2.10. Additional in year savings and alternative funding sources of £3.5 million have now been identified as part of the FSP.
- 2.11. Children's Social Care and Public Health nursing are forecasting an overspend of £11.3 million, an increase of £393,000 from month 6. The forecast includes a placements budget overspend of £10.7 million, these pressures relate to disabled children's placements and independent residential care services, particularly around supported accommodation. Social Work Staffing, Strategic Management and Legal Disbursements together are forecasting an overspend of £1.4 million. All other areas which include Special Guardianship Orders and Adoption Allowances the Atkinson Secure Children's Home, Children's Centres, Public Health Nursing and Early Help and Youth Justice combined are forecasting a total underspend of £575,000.
- 2.12. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £7.1 million, an increase of £637,000 from Month 6. The pressure in the main is driven by the school transport service. £5.6 million relates to non-delivery of planned budget savings, whilst £2.3 million has come from the continued pressures in the average costs of contracts that are relinquished and retendered. The unit cost for transport continues to be high due the high level of inflation impacting the sector. Additional FSP savings of £763,000 and an improved forecast within disabled children's services have in part reduced the overspending to the £7.1 million being reported.
- 2.13. Dedicated Schools Grant (DSG) is forecasting an overspend of £40.6 million, an increase of £3.7 million from the position reported at month 6. The increase continues to be associated with price and volume pressures being experienced within the independent special school setting. Management plan savings of £10 million were included within this year's budget, £6.3 million are now expected to be delivered this year.
- 2.14. At the end of 2021/22 the DSG reported a cumulative deficit of £86.5 million which was carried forward as a deficit reserve. When combined with the current year forecast the deficit is expected to be £127.1 million by the end of 2022/23.
- 2.15. In 2020 the government introduced a statutory override that meant Local Authority DSG overspends must be carried forward as a deficit reserve in our accounts. The statutory override was due to expire at the end of March 2023. Since the month 6 budget monitoring report the Government has confirmed an extension to the DSG statutory override for a further 3 years up to March 2026.
- 2.16. The Council continues to await the outcome of the Safety Valve Intervention programme with the Department for Education.
- 2.17. **Other items**
- 2.18. The remaining Directorates are forecasting an underspend of £7.9 million at month 8. The underlying forecast position is an underspend of £900,000. Additional savings identified as part of the FSP total £7 million.

2.19. Non Service items, which include capital financing charges and business rates pooling gain are forecasting an underspend of £6.8 million. The underlying position is a forecast pressure of £5 million, predominantly the forecast impact of the 2022/23 pay award. The FSP has identified further savings of £11.9 million.

3. Financial Sustainability Programme

3.1. An organisation wide Financial Sustainability Programme was developed in June to examine areas of expenditure and to develop proposals that directly address the in year financial challenges.

3.2. This work has been carried out by a cross organisational Tactical Leadership Team comprising senior officers from every service of the Council, who examined options for service transformation, modernisation, remodelling of delivery, and ceasing or postponement of activity where possible.

3.3. The Month 8 position reflects £26 million of proposed savings identified through the Financial Sustainability Programme. A high level summary by type of saving is included below:

<p>Delaying / Pausing Examples include;</p> <ul style="list-style-type: none"> • £1m Delay on Corporate IT & Digital Infrastructure Projects • £0.4m Deferral of LDO for Skypark • £0.6m Delay Adult Care Management System 	£3.6m
<p>Additional Income Examples include;</p> <ul style="list-style-type: none"> • £1.3m Increased interest Earned • £0.3m Increased fees • £1.4 Windfall dividends 	£5m
<p>Reducing Spend Examples include;</p> <ul style="list-style-type: none"> • £1.2m Changes to Vehicle & Equipment Loans Pool Budget • £1m Reduction on central insurance provision • £1m Belwin contribution • £1.7m Reconfiguration of short term Services • £0.13 Reduction in the Member Locality Budgets 	£7.5m
<p>Stopping Examples include;</p> <ul style="list-style-type: none"> • £0.3m Not spending some of the agreed carried forward funds • £0.1m Cease removal of vegetation from Bridges • £0.07m Ceasing mobile phone contracts 	£1.8m
<p>Targeted Funding Examples include;</p> <ul style="list-style-type: none"> • £5.9m Grant Funding • £1m Children’s Centre’s Utilisation Public Health reserve 	£8.1m
Total	£26m

4. Capital

- 4.1. The approved capital programme for the Council is £212 million. This figure incorporates amounts brought forward from 2021/22, and other prior year approvals, of £42.2 million and approved in-year changes totalling a net of £4.7 million.
- 4.2. The year-end forecast is £170.3 million of which £147.5 million is externally funded. Slippage is forecast at £41.8 million.
- 4.3. 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.
- 4.4. Material and labour price increases continue to be experienced which are impacting the delivery costs and tender prices being returned, within the capital programme. This is being carefully monitored and managed within existing resources.

5. Debt Over 3 Months Old

- 5.1. Corporate debt stood at £2.5 million, being just under 0.99% 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.

6. Conclusion

- 6.1. The month 8 position has remained broadly in line with the month 6 forecast, however, action must continue to bring the Outturn back to a balanced position.
- 6.2. The commencement of the DSG management plan and the positive discussions had to date with the DFE are welcome, however the projected overspend continues to grow and urgent action must be taken to bring this back in line with the management plan.
- 6.3. Confirmation that the DSG statutory override is to be extended is welcome but we must recognise this does not resolve the challenges we face in trying to bring our expenditure in line with the funding allocation we receive.
- 6.4. As we move into the last few months of the year we must redouble our efforts to bring the outturn closer to a balanced position and address the challenges being experienced within the DSG.

Angie Sinclair, Director of Finance and Public Value

Electoral Divisions: All

Cabinet Member: Councillor Phil Twiss

[Local Government Act 1972: List of Background Papers](#)

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