

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 10 budget monitoring forecast is noted;
- b) That action being taken to safeguard the financial sustainability of the authority is supported; and
- c) The savings and additional income resulting from the Financial Sustainability Programme are noted.

1. Introduction

- 1.1. This report summarises the financial position of the Authority at month 10 of the financial year (data as at the end of January 2023), and the latest outturn forecasts.
- 1.2. At month 10 it is forecasted that budgets will end the financial year overspending by £3.6 million, which is an improvement of £3.4 million from month 8.
- 1.3. This reported position comprises an underlying outturn forecast of £30.1 million but this is reduced by £26.5 million of Financial Sustainability Programme (FSP) savings and additional income. An inflationary pressure risk continues to be present but at this point in the financial year it is not expected to have a significant impact on the in year position. The Dedicated Schools Grant forecast is not included in these figures.
- 1.4. The Cost of Living Crisis and geopolitical situation has created huge financial pressures nationally. The County Council is affected by this situation and immediate action has been taken to safeguard the financial sustainability of the Authority for the current financial year. Work continues across the Authority to implement in year cost containment measures. At month 10 £26.5 million of in year savings and additional income is expected to be delivered.
- 1.5. There is a forecasted deficit on the Dedicated Schools Grant this year of £41.1 million relating to Special Educational Needs and Disabilities (SEND). This is an increase in the overspend of £564,000 compared to the month 8 position. The outcome of the discussions with the Department for Education as part of the Safety Valve Intervention is still awaited.

2. Revenue Expenditure

- 2.1. The following table details the forecast outturn position by service area at month 10. The underlying outturn forecasts, column (d), detail the forecast outturn position before the impact of the Financial Sustainability Programme (FSP) is taken into account. The impact of the proposed FSP savings is shown in column (e) and the final month 10 forecast outturn overspend or underspend in column (f).

Month 10 Budget Monitoring forecast outturn

	Original Budget	Adjusted Budget	Forecast Outturn before FSP savings	Underlying outturn forecast	FSP savings	Forecast outturn Overspend/ (Underspend)	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	£000	£000	£000	£000	£000	£000	Percentage
Integrated Adult Social Care	312,928	327,387	335,173	7,786	(3,731)	4,055	1.2%
Children and Young People's Futures	176,148	209,936	232,970	23,034	(3,547)	19,487	9.3%
Climate Change, Environment & Transport	79,700	88,454	87,051	(1,403)	(4,391)	(5,794)	-6.6%
Corporate Services	41,719	43,468	43,069	(399)	(1,714)	(2,113)	-4.9%
Public Health, Communities & Prosperity	18,867	19,900	19,828	(72)	(895)	(967)	-4.9%
Total Service Position	629,362	689,145	718,091	28,946	(14,278)	14,668	2.1%
Non Servicespecific budgets	(69,297)	(129,080)	(127,938)	1,142	(12,226)	(11,084)	-8.6%
Total	560,065	560,065	590,153	30,088	(26,504)	3,584	0.6%

2.2. Integrated Adult Social Care is forecasting an overspend of £4.1 million

2.3. The underlying forecast position for Integrated Adult Social Care services at month 10 is an overspend of £7.8 million, a deterioration of £765,000 from the month 8 position. 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 in Older People service budgets, particularly within residential and nursing care and personal care.

2.4. The reported position assumes that of the £18.2 million budgeted savings and additional income, £12.3 million will be achieved by year end, including £8 million one off additional income agreed with health partners. As at month 10, £12 million has been delivered with a further £350,000 due to be delivered before the end of March.

2.5. Additional in year savings of £4.3 million have been identified as part of the FSP.

2.6. Children and Young People's Futures is forecasting an overspend of £19.5 million and an overspend of £41.1 million on Special Education Needs and Disabilities (SEND).

2.7. The underlying forecast position for Children and Young People's Futures services at month 10 is an overspend of £23 million, an increase of £1 million against the position reported at month 8, and an increase of £2 million compared to month 6.

2.8. The month 10 position assumes that of the £11.7 million of planned budget savings £3.8 million is deliverable (the £7.9 million of savings considered undeliverable contributes to the forecast overspend).

2.9. The rest of the overspend forecast continues to be driven by volume and cost pressures relating to placements for children in care and cost pressures 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 and are expected to be delivered.

2.11. Children's Social Care is now forecasting to overspend by £12.3 million by year end, an increase of £805,000 versus month 8. The forecast includes a placements budget overspend of £12.7 million, which is primarily driven by costs of disabled children's

placements and independent residential care services, particularly around supported accommodation.

- 2.12. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £7.3 million, an increase of £219,000 compared to month 8. The pressure in the main is driven by the school transport service. £5.6 million relates to non-delivery of planned budget savings, whilst £2.8 million is driven by inflation impact on the costs of contracts that are relinquished and retendered.
- 2.13. Dedicated Schools Grant (DSG) is forecasting an outturn overspend of £41.1 million, which is an increase of £564,000 from the position reported at month 8. This is primarily attributable to 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, of which £5.4 million is now expected to be delivered.
- 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 £127.7 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, but Government has now 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 £8.9 million at month 10, comprising an underlying forecast position of £1.9 million underspend and additional savings identified in the FSP totalling £7 million.
- 2.19. Non Service items, which include capital financing charges and business rates pooling gain are forecasting an underspend of £11.1 million. The underlying position is a forecast pressure of £1.1 million and £12.2 million of savings identified by the FSP (although most are of a non recurrent nature).

3. Financial Sustainability Programme

- 3.1. An organisation wide Financial Sustainability Programme was developed in June 2022 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 10 position reflects £26.5 million of savings identified through the FSP. A high level summary by type of saving is included overleaf:

Delaying / Pausing Examples include: <ul style="list-style-type: none"> • £1m Delay on corporate IT & Digital Infrastructure projects • £0.4m Deferral of the LDO for SkyPark • £0.6m Delay Adult Care Management System 	£3.6m
Additional Income Examples include: <ul style="list-style-type: none"> • £1.3m of increased interest earned • £0.3m through increased fees • £1.4m windfall dividends 	£5m
Reducing Spend Examples include: <ul style="list-style-type: none"> • £1.2m Changes to Vehicle & Equipment Laos Pool budget • £1m reduction on the central insurance provision • £1m Belwin contribution • £1.7m Reconfiguration of short term services • £0.13m Reduction in the member locality budgets 	£8.0m
Stopping Examples include: <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
Targeted Funding Examples include: <ul style="list-style-type: none"> • £5.9m grant funding • £1m Children's Centre's utilising Public Health reserve 	£8.1m
Total	£26.5m

4. Capital

- 4.1. The latest approved 2022/23 capital programme for the Authority totals £227.0 million. This figure incorporates amounts brought forward from 2021/22, other prior year approvals and approved in year changes.
- 4.2. The total year end forecast for capital expenditure is £159.6 million of which £137.1 million is externally funded. Total slippage is forecast to be £67.4 million, which means that overall, 70 percent of the budgeted capital programme for 2022/23 is forecasted to be delivered.
- 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 for capital works. This is being carefully monitored and managed within existing resources.

5. Debt Over 3 Months Old

5.1. The latest corporate aged debt position has risen to £5.0 million, 2.02% of the rolling 12 month value of all invoices, against the annual target of 1.9%. Much of the increase from month 8 is due to a limited number of high value invoices that are still outstanding. Work is underway to reduce the level of debts where possible.

6. Conclusion

6.1. The month 10 revenue outturn forecast has improved from month 8 due to further savings, containment of expenditure, and utilisation of one off grant funding. However, the forecast across Integrated Adult Social Care and Children and Young People's Futures has continued to deteriorate.

6.2. The commencement of the DSG management plan and the positive discussions had to date with the DFE are welcome, however the forecasted overspend continues to grow and urgent action must be taken to bring the level of expenditure in line with the management plan.

6.3. Earlier confirmation that the DSG statutory override is to be extended is welcome, but it must be recognised this does not resolve any of the challenges that we face in bringing our expenditure within the funding allocation we receive.

6.4. In the final months of the financial year we must continue to identify savings, additional income and cost containment measures to ensure that the revenue outturn is as close to a balanced position as possible, whilst driving forward implementation of plans for the delivery of the 2023/24 budget and simultaneously addressing the challenges being experienced within the DSG.

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Electoral Divisions: All

Cabinet Member: Councillor Phil Twiss

Local Government Act 1972: List of Background Papers

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