Cabinet
13th September 2023
DF/23/77

BUDGET MONITORING 2023/24
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 4 budget monitoring forecast position is noted;**
b) **That the update on the Safety Valve Intervention programme is noted;**
c) **That an in year virement from service budgets of £10 million, as detailed in section 8, is agreed; and**
d) **That a Safety Valve Support reserve is created and a contribution to it of £10 million is made in year.**

1. Introduction

1.1. This report outlines the financial position and forecast for the Authority at month 4 (to the end of July) of the financial year.

1.2. At month 4 it is estimated that budgets will overspend by £9.3 million, excluding the dedicated schools grant deficit.

1.3. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £36.6 million. In line with Department of Education guidance this deficit will not be dealt with this financial year but carried to future years.

2. Revenue expenditure

2.1. The following table summaries the month 4 forecast position by directorate, excluding the Dedicated Schools Grant forecast overspend.

Service	**Original Budget £000 (a)**	**Adjusted Budget £000 (b)**	**Forecast Outturn £000 (c)**	**Month 4 Over/(Underspend) £000 (d)**	**% (e)**
Integrated Adult Social Care	339,302	349,629	351,784	2,155	0.6%
Childrens Services	208,603	236,529	239,241	2,712	1.1%
Corporate Services	44,848	44,743	44,639	(104)	-0.2%
Climate Change, Environment & Transport	81,900	91,622	91,347	(275)	-0.3%
Public Health, Communities & Prosperity	21,395	32,986	32,986	0	0%
Total Service Position	**696,048**	**755,506**	**759,997**	**4,488**	**0.6%**
Non Service Specific Budgets (Below the Line)	(88,375)	(147,836)	(142,988)	4,848	3.3%
Total	**607,673**	**607,673**	**617,009**	**9,336**	**1.5%**

2.2. **Revenue Expenditure Integrated Adult Social Care**

2.3. Integrated Adult Social Care services are forecast to overspend by £2.2 million. There are many uncertainties in projecting costs at this stage in the year. The forecast overspend is the result of risk around delivery of planned savings. The reported position assumes that £26.3 million of savings are achieved against the budgeted target of £30.6 million. Of this £14 million are deemed delivered in that actions have already been taken to secure them. Actions are underway to develop alternative savings strategies in order to bring spending in line with budget.

2.4. At the end of July 2023 the Department for Health and Social Care confirmed the release of national funding of £600 million over the next two years intended to improve and increase adult social care provision through supporting workforce and capacity. Over the next two years £570 million will be distributed through the existing Market Sustainability & Improvement fund with £30 million allocated to Local Authorities in the most challenged Health Systems. For 2023/24 £365 million is being released, of which we will receive £5.4 million and has been reflected within the month 4 position to mitigate the pressures being experienced.

2.5. Adult Care Operations is forecasting an underspend of just under £500,000. Older People services continue to experience pressures with increasing personal care costs as a result of improved personal care market sufficiency and back log reductions. There continues to be a mix of price and volume variances against budget levels.

2.6. Adult Commissioning and Health is forecast to overspend by £2.6 million, predominantly the result of non-delivery of savings plans.

2.7. The Better Care Fund (BCF) programme supports local systems to deliver the integration of health and social care in a way that supports person-centred care, sustainability and better outcomes for people and carers. It is a pooled budget between Devon County Council and Devon Integrated Care Board. There is currently an identified risk of overspending by £5.1 million associated with the BCF. Work is underway to mitigate and reduce this risk but should it materialise the agreement that underpins the pooled budget arrangements mean that the Authority would be responsible for funding 50% of any end of year deficit. This risk is not reflected within the current forecast.

2.8. **Revenue Expenditure Children and Young People's Futures**

2.9. Children's and Young People's Futures services are forecasting an overspend of £2.7 million. However, this figure does not include the projected deficit of £36.6 million on Special Education Needs and Disabilities (SEND).

2.10. Children's Social Care is forecast to overspend by £869,000. The primary reason for the overspend is the continued high reliance on agency staff while the service reshape is underway. This has been reduced in part by a forecast underspend against the placements budget of £1.7 million, we are continuing to experience pressures within high cost placements which could impact this position as the year progresses. The reported position assumes full delivery of planned savings of £6.1 million. Of this £3 million are deemed as delivered. Of the £3.1 million outstanding £1 million that is associated with Agency staff reductions is currently deemed high risk and continues to be under close review.

2.11. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £1.9 million. This pressure is being driven by the SEN support teams reliance on agency staff where they have been unable to recruit permanently. In addition the Educational Psychologist team has been focused on meeting statutory duties at the expense of providing income generating traded services to schools.

2.12. Dedicated Schools Grant for Education and Learning is forecasting an overspend of £36.6 million, this is £10.4 million more than forecasted within the budget but work is under to way refresh the management action plan and reduce the in year pressure.

2.13. As reported last year the Council, in line with government guidance issued in 2020/21 and extended in 2022/23, 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 2026. In practice this has meant that the deficit does not have a negative impact on the assessment of the County Councils financial sustainability.

2.14. At the end of 2022/23 the DSG reported a cumulative deficit of £125.4 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 £162 million by the end of 2023/24.

2.15. A second round of discussions with the Department for Education (DFE) are now underway as part of the Safety Valve Intervention programme. The management plan is being updated and revised to reflect changes in leadership, timescales and delivery plans. With final submission taking place in the Autumn.

2.16. **Revenue Expenditure Climate Change, Environment and Transport**

2.17. At month 4, the Climate Change, Environment and Transport directorate is forecasting a small underspend of £275,000 generated by staffing and other operational savings within the planning service. Emerging pressures within highways and waste are expected to managed during the year and budget savings of £4.5 million are expected to be fully delivered.

2.18. **Revenue Expenditure Other Services**

2.19. At month 4 Public Health, Communities and Prosperity are anticipated to outturn to budget. Corporate services are forecasting an underspend of £104,000, Pressures within Legal and Democratic Services are being more than offset by underspends across the rest of corporate services.

2.20. Non-service items, which include capital financing charges, interest earned and business rates pooling gain, are currently forecasting an overspend of £4.8 million. This forecasts reflects assumptions around final pay awards and the non-delivery of transformation and best value savings, these pressures are partially offset by investment income receipts that exceed the budget target.

3. Capital Expenditure

3.1. The approved capital programme for the Council is £245.6 million. This figure incorporates amounts brought forward from 2022/23 of £54.7 million and approved in-year changes totalling a net of £17.8 million.

3.2. The year-end forecast is £210.6 million of which £183.5 million is externally funded. Slippage is forecast at £35.0 million.

3.3. Slippage is highest within the Climate Change, Environment and Transport Directorate, which reflects the complexity of the major projects within this service area.

3.4. Inflationary 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.

4. Debt Over 3 Months Old

4.1. Corporate debt stood at £4.1 million, being just under 2% 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.

5. In year budget challenge

5.1. Work is ongoing for all services to achieve in year balance against the budgets agreed by Council in February. It is vital that this is achieved.

5.2. Early discussions with the DfE have indicated that any agreement reached in terms of participation in the safety valve programme will require a local contribution from the Authority to fund part of the accumulated deficit. This will need to be taken into consideration for next year's budget and as part of Medium Term Financial Planning for future years.

5.3. In order to fund our contribution to the safety valve accumulated deficit it is necessary to increase our level of reserves. It is therefore recommended that an in year contribution of £10 million to reserves is made. To facilitate this, it is also recommended that a Safety Valve Support Reserve is established.

5.4. It is recommended to reduce all Directorate budgets by an apportioned share of the £10 million required. The effect of this virement will be to increase service saving requirements, the delivery and impact of which will be reported on in future periods.

5.5. The recommended in year budget virements are as follows:

Service	**2033/24 In Year Budget Virement £000**
Integrated Adult Social Care	(4,890)
Childrens Social Care	(2,105)
Education	(819)
Finance & Public Value	(200)
Transformation & Business Support	(275)
People & Culture	(63)
Legal & Democratic Service	(89)
Climate Change, Environment & Transport	(1,281)
Public Health, Communities & Prosperity	(278)
Total Service Virement	**(10,000)**
Contribution to Safety Valve Support Reserve	**10,000**

5.6. This policy change is further discussed within the Sustainable Council report elsewhere on this agenda.

6. Conclusion

6.1. It is very early in the financial year and much will inevitably change as the year progresses. The current forecast position of £9.3 million at this point of the year carries much risk but is a significantly different challenge to that faced last year by the Authority. Work continues across the council to manage the challenges being faced.

6.2. The positive discussions had to date with the DfE are welcome and work continues at pace to meet the Autumn deadline for submission of the revised safety valve plan. In order to achieve an agreement with the DfE the Authority has to demonstrate it is financially sustainable, can deliver the SEND service within the grant funding received and has funds available to make a local contribution to the accumulated deficit.

6.3. In order to ensure sufficient funds are available to contribute to the accumulated SEND deficit the Authority's reserves need to increase from their current level and the impact of doing so shared across our services in a One Council approach.

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