Cabinet
10th January 2024
DFP/24/01

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 8 budget monitoring forecast position is noted;**
b) **That significant work, in line with the Sustainable and Stronger Council plan, is ongoing to ensure the current projected overspend is brought back in balance by year end is noted; and**
c) **That the update 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 8 (to the end of November) of the financial year.

1.2. At its meeting in September 2023 cabinet agreed to reduce all Directorate budgets by an apportioned share of £10 million and create a corresponding Safety Valve Support Reserve. At Month 8 £7.1 million of this £10 million has been identified as deliverable, with plans still being developed to meet the remaining £2.9 million. The Month 8 position includes the current forecast level of delivery of this in year budget adjustment, with the £2.9m included in the overall forecast overspend.

1.3. At Month 8 it is estimated that budgets will overspend by £4.5 million, comprising the £2.9m of in-year additional savings still to be identified plus net £1.6m in other variances. This is an improvement of £9.1 million compared to the Month 6 forecast. However, it is important to note that this reported overspend excludes the Dedicated Schools Grant (DSG) deficit – see 1.6 below.

1.4. Most Directorates have evidenced the ability to maintain a forecast balanced position, meet budgeted savings, and take onboard the additional in year savings linked to the safety valve programme. This demonstrates strong financial management. It is particularly important to note that unlike previous years the positive working between the finance teams of the authority and NHS Devon ICB are supporting the delivery of services on budget within a particularly challenging environment.

1.5. There are however risks within Children and Young People's Futures with increasing numbers of complex placements and continued pressure associated with excessive agency costs. In response an initial meeting has taken place to address this at pace. It will involve additional intensive work and the establishment of a cross council placement taskforce. There has been significant progress in stabilising management tiers with the level of interim managers reducing by 70% since February 2023 and agency levels by 11% since May, these activities will be subject to weekly support and intervention by the Chief Executive and Director of Finance and Public Value.

1.6. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £39.7 million, an increase of £2.6 million from Month

6. 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 summarises the Month 8 forecast position by directorate, excluding the Dedicated Schools Grant forecast overspend.

	Original Budget	Adjusted Budget	Forecast Outturn	Forecast Outturn Overspend/ (Underspend)	
	£000	**£000**	**£000**	**£000**	**%**
Integrated Adult Social Care	339,302	346,037	349,122	3,085	0.9%
Children and Young People's Futures	208,603	234,813	243,631	8,818	3.8%
Climate Change, Environment & Transport	81,900	91,068	90,053	(1,015)	-1.1%
Corporate Services	44,848	45,917	45,307	(610)	-1.3%
Public Health, Communities & Prosperity	21,395	21,945	21,546	(399)	-1.8%
Total Service Position	**696,048**	**739,780**	**749,659**	**9,879**	**1.3%**
Non Service Specific Budgets	(88,375)	(132,107)	(137,427)	(5,320)	-4.0%
Total	**607,673**	**607,673**	**612,232**	**4,559**	**0.8%**

2.2. At its meeting in September 2023 Cabinet agreed to reduce all Directorate budgets by an apportioned share of £10 million and create a corresponding Safety Valve Support Reserve. This is to increase the level of reserves to fund a local contribution towards meeting the accumulated SEND deficit. The following table details the current forecast level of delivery, as at Month 8. As can be seen all service areas, except for Children and Young People's Futures, are forecasting full delivery of this in year saving. These forecasts are reflected within the Month 8 position.

Service	Allocation of In Year Saving £000	Estimated Delivery £000	Variance Included in Forecast £000
Integrated Adult Social Care	(4,890)	(4,890)	0
Children and Young People's Futures	(2,924)	0	2,924
Corporate Services	(627)	(627)	0
Climate Change, Environment & Transport	(1,281)	(1,281)	0
Public Health, Communities and Prosperity	(278)	(278)	0
Totals	**(10,000)**	**(7,076)**	**2,924**

2.3. The delivery of the additional savings is being addressed as follows:

- Integrated Adult Social Care services are planning to meet their target in full by recovery of client contributions including backlog, pricing control in respect of care packages, and exploring opportunities to bring forward savings options from 2024/25. Activity is underway to identify £1.1 million for which currently there are no plans in place.

- Corporate Services have achieved £584k of their share of in-year savings and are forecasting to deliver the full amount by year end through a range of actions. These include further capitalisation of IT equipment and associated staff time alongside holding vacancies open by delaying or suspending recruitment where possible.

- The Climate Change, Environment and Transport Directorate is expected to achieve its share of the in-year savings target through the capitalisation of pothole patch expenditure for patches greater than $0.5m^2$, which typically extend the life of the asset. The accounting policy is expected to be updated to allow these repairs to be funded from existing budget within the capital programme.

- Public Health, Communities and Prosperity services have achieved the in-year budget reduction through vacancy savings and additional income streams.

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

2.5. Integrated Adult Social Care services are forecast to overspend by £3.1 million, an increase of £2.2 million from Month 6. The forecast overspend continues to be the result of risk around delivery of planned savings, the increased risk of non-delivery reflected in the worsening of the forecast. The reported position assumes that £28.9 million of savings are achieved against the budgeted target of £35.5 million. Of this £22.4 million are deemed delivered in that actions have already been taken to secure them. Actions are underway to develop alternative savings strategies to bring spending in line with budget.

2.6. Adult Care Operations is forecasting an overspend of £1.7 million. Older People services continue to experience pressures with personal care costs because of improved personal care market sufficiency and back log reductions. There continues to be a mix of price and volume variances against budget levels, with growing pressures being felt in Learning Disabilities.

2.7. Adult Commissioning and Health is forecast to overspend by £1.3 million, predominantly the result of non-delivery of savings plans.

2.8. 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 a forecast overspend just under £3.4 million associated with the BCF. Work is underway to mitigate and reduce this risk, but should it crystallise, 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 pressure is reflected within non-service items detailed within section 2.21 below.

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

2.10. Children and Young People's Futures services are forecasting an overspend of £8.8 million, a decrease of just under £0.5 million from Month 6. However, this figure does not include the projected deficit of £39.7 million on Special Education Needs and Disabilities (SEND), an increase of £2.6 million from Month 6.

2.11. Children's Social Care is forecast to overspend by £6.4 million, a reduction of £654,000 from Month 6. Placement budgets are now forecast to overspend by £5.5 million, an increase of £1.5m from Month 6. Children in Care numbers have reduced by 7 and on 1st December 2023 were 898 but more children than budgeted are being placed in residential homes creating pricing pressures. The number of Unaccompanied Asylum-Seeking Children has also increased from 75 to 81. Legal disbursements are now forecast to overspend by £1 million; £400,000 more than Month 6 due to increasing demand. Other budgets, which mainly relate to staffing and in house residential provision, are also forecast to overspend by £1.35 million. The Early Help service expects to achieve the maximum allocation of Supporting Families Grant reducing the Month 6 forecast by £1.3

million. The Month 8 forecast assumes no additional management action will be achieved in year.

2.12. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £2.5 million, an increase of £182,000 from Month 6. This pressure continues to be driven by the SEND 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. The forecast also reflects the risk of non-delivery of the in-year savings target of £819,000.

2.13. Dedicated Schools Grant for Education and Learning is forecasting an overspend of £39.7 million, an increase of £2.6 million from Month 6. A review of Tutoring, Personalised Budgets and Alternative Provision placements is currently taking place to identify any duplication of costs or overpayments which could mitigate the in-year pressure.

2.14. 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 currently have a negative impact on the assessment of the County Council's financial sustainability however it does adversely impact on the Council's cash flow balances.

2.15. 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 £165.1million by the end of 2023/24.

2.16. A second round of discussions with the Department for Education (DfE) is now underway as part of the Safety Valve Intervention programme. The management plan has been updated and submitted to the DfE on 15 December 2023 with further discussions expected throughout January 2024.

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

2.18. At Month 8, the Climate Change, Environment and Transport directorate is forecasting an underspend of just over £1 million, increasing by £575,000 from Month 6. Staffing vacancies and other operational savings within the planning service continue to drive the underspend but reduced household waste tonnages are also being experienced and mitigating waste contract inflation pressures. Emerging demand and inflationary pressures within highways and waste are expected to be managed during the year by significantly above budget Highways income and identified operational savings, and budget savings of £4.5 million are expected to be fully delivered.

2.19. **Revenue Expenditure Other Services**

2.20. At Month 8 Public Health, Communities and Prosperity are forecasting an underspend of £369,000. Corporate Services is forecasting an underspend of £610,000; an improvement of £811,000 from Month 6. Pressures within Legal and Democratic Services associated with the cost of locums; and within Finance and Public Value being the result of unfunded pension costs not reducing by the levels expected, are being more than offset by underspend with Transformation and Business support and People and Culture.

2.21. Non-service items, which include capital financing costs, interest earned and business rates pooling gain income, are now forecast to underspend by £5.9 million, an improvement of £9.5 million from Month 6. The most significant elements of this change are the Authority's £7.8 million provisional estimate (with final sum expected to be confirmed in March 2024) of its share of income from the clawback from Connecting Devon and Somerset Broadband phase 1 contract (now expected to be released a year earlier than anticipated) and the release of £1.5 million from the transformation contingency.

3. Capital Expenditure

3.1. The approved capital programme for the Council is £258.9 million. This figure incorporates amounts brought forward from 2022/23 of £54.7 million and approved in-year changes totalling a net of £31.2 million.

3.2. The year-end forecast is £197.2 million of which £171.9 million is externally funded. Slippage is forecast at £61.7 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 £4.61 million, being 2.2% 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. Conclusion

5.1. The position has improved significantly since Month 6, with the forecast overspend reducing from £13.6 million to £4.5 million. This is in part due to a large one-off windfall credit receipt through the Connecting Devon and Somerset broadband contract, and the strong focus on financial control which is making strides in mitigating overall in-year pressures.

5.2. The level of additional in year savings identified to support the safety valve submission is very encouraging; with work underway to deliver the remaining balance of £2.9 million although this remains at risk.

5.3. Most Directorates have evidenced the ability to maintain a forecast balanced position, meet budgeted savings, and take onboard the additional in year savings linked to the safety valve programme. This clearly demonstrates strong financial management.

5.4. Significant action is continuing to ensure the emerging risks within Children and Young People's Futures are mitigated. Numbers and complexity of demand however remains challenging.

5.5. The Submission of a robust Safety Valve management plan on the 15th December and the expected ongoing discussions with the Department for Education throughout January are welcomed.

Angie Sinclair, Director of Finance and Public Value

Electoral Divisions: All
Cabinet Member: Councillor Phil Twiss
<u>Local Government Act 1972: List of Background Papers</u>
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