

## Month 10 Budget Monitoring 2023/24

### Report of the Director of Finance and Public Value

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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.

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## 1. Recommendation

That the Cabinet:

- a) Notes the Month 10 budget monitoring forecast position;
- b) Notes the Safety Valve Intervention programme update;
- c) Notes the update on progress of the corporate performance management framework; and
- d) Notes the new requirement for Local Authorities to develop and publish productivity plans.

## 2. Introduction

- 2.1. This report outlines the financial position and forecast for the Authority at Month 10 (to the end of January) of the financial year.
- 2.2. At Month 10 it is estimated that budgets will effectively break-even by year end, with a small overspend by £291,000 currently forecast. This is an improvement of £4.3 million compared to the Month 8 forecast. However, it is important to note that this excludes the Dedicated Schools Grant (DSG) deficit – see 2.6 below.
- 2.3. 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. The break-even position forecast includes this additional saving which means that, provided this position is maintained, the Reserve will be able to be created in line with expectations to support the Authority's Safety Valve Plan submission to the Department for Education. This is a significant achievement for the authority and demonstrates strong financial management.
- 2.4. Financial risks within Integrated Adult Social Care and Children and Young People's Futures are still being experienced, but the work underway across the whole authority to support these pressures continues to ensure the whole organisation is focused on achieving a break-even position for the end of the year.

2.5. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £42.2 million, an increase of £2.5 million from Month 8. In line with Department of Education guidance this deficit will not be dealt with this financial year but carried to future years.

2.6. 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 having taken place since, the Authority is now awaiting the outcome of a Ministerial decision.

### 3. Budget Monitoring – Month 10

3.1. The following table summarises the Month 10 forecast position by directorate, excluding the Dedicated Schools Grant forecast overspend.

Service	Original Budget	Adjusted Budget	Forecast Outturn	Month 6 Over/ (Underspend)	
	£000 (a)	£000 (b)	£000 (c)	£000 (d)	% (e)
Integrated Adult Social Care	339,302	346,037	348,964	2,927	0.85%
Children and Young People's Futures	208,603	234,813	243,200	8,387	3.57%
Corporate Services	44,848	45,917	44,490	(1,427)	-3.11%
Climate Change, Environment & Transport	81,900	91,568	89,518	(2,050)	-2.24%
Public Health, Communities & Prosperity	21,395	32,894	32,374	(520)	-1.58%
<b>Total Service Position</b>	<b>696,048</b>	<b>751,229</b>	<b>758,546</b>	<b>7,317</b>	<b>0.97%</b>
Non Service Specific Budgets (Below the Line)	(88,375)	(143,556)	(150,582)	(7,026)	4.89%
<b>Total</b>	<b>607,673</b>	<b>607,673</b>	<b>607,964</b>	<b>291</b>	<b>0.05%</b>

3.2. 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 10. 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 10 position, to date £6.7 million has been recognised as delivered.

Service	Allocation of	Estimated	Variance
	In Year Saving £000	Delivery £000	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
<b>Totals</b>	<b>(10,000)</b>	<b>(7,076)</b>	<b>2,924</b>

### 3.3. Revenue Expenditure Integrated Adult Social Care

3.4. Integrated Adult Social Care services are forecast to overspend by £2.9 million, a reduction of £158,000 from Month 8. The forecast overspend continues to be the result of risk around delivery of planned savings. The reported position assumes that £27.8 million of savings are achieved against the budgeted target of £35.5 million. Of this £25.8 million are deemed delivered in that actions have already been taken to secure them. Alternative strategies to bring spending in line with budget continue to be reviewed.

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

3.6. Adult Commissioning and Health is forecast to overspend by £1.2 million, predominantly the result of non-delivery of savings plans.

3.7. 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 a forecast overspend just under £3.2 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.

### 3.8. Revenue Expenditure Children and Young People's Futures

3.9. Children and Young People's Futures services are forecasting an overspend of £8.4 million, a decrease of £431,000 from Month 8. However, this figure does not include the projected deficit of £43.2 million on Special Education Needs and Disabilities (SEND), an increase of £3.5 million from Month 8.

3.10. Children's Social Care is forecast to overspend by £5.7 million, a reduction of £664,000 from Month 8. Placement budgets are now forecast to overspend by £6.2 million, an increase of £700,000 from Month 8. Children in Care numbers have increased by 4 and on 1<sup>st</sup> January 2024 were 900, more children than budgeted for continue to be placed in residential homes creating pricing pressures. The number of Unaccompanied Asylum-Seeking Children has also increased from 76 to 77. The increase pressures within placements have been more than offset by £1.4million

improvement in forecast across various other budgets. These include; underspends within the Childrens and families social work teams due to continued vacancies, additional recovery of direct payments within the Disabled Childrens service, a reduction in agency numbers within the Assessment, MASH and EDS teams and review of spend within Children in Need services and strategic management team. The forecast also reflects the non-delivery of the in-year savings target of £2.1 million.

- 3.11. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £2.6 million, an increase of £185,000 from Month 8. 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.
- 3.12. Dedicated Schools Grant for Education and Learning is forecasting an overspend of £42.2 million, an increase of £2.5 million from Month 8. A review of Tutoring, Personalised Budgets and Alternative Provision placements is underway to identify any duplication of costs or overpayments.
- 3.13. As reported last year the Council, in line with government requirements 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.
- 3.14. **Revenue Expenditure Climate Change, Environment and Transport**
- 3.15. At Month 10, the Climate Change, Environment and Transport directorate is forecasting an underspend of just over £2 million, increasing by just over £1 million from Month 8. The improved forecast is mainly the result of further underspends in Highways Network Management and Waste contract profit sharing arrangements. Staffing vacancies and other operational savings within the planning service continue to drive the underspend. 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 £5.7 million are expected to be fully delivered, including the services share of the in year savings target.
- 3.16. **Revenue Expenditure Other Services**
- 3.17. At Month 8 Public Health, Communities and Prosperity are forecasting an underspend of £520,000. Corporate Services is forecasting an underspend of £1.4 million; an improvement of £816,000 from Month 8. 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.

- 3.18.** Non-service items, which include capital financing costs, interest earned and business rates pooling gain income, are now forecast to underspend by £6.9 million, an improvement of £1.7 million from Month 8. The most significant elements of this change are final confirmation of business rates retention value of £670,000 and release of new burdens contingency of £916,000.

### **3.19. Capital Expenditure**

- 3.20. The approved capital programme for the Council is £260.2 million. This figure incorporates amounts brought forward from 2022/23 of £54.7 million and approved in-year changes totalling a net of £32.3 million.
- 3.21. The year-end forecast is £194 million of which £171.7 million is externally funded. Slippage is forecast at £66.2 million. Spend at month 10 is only 55% of the forecast outturn therefore significant spend needs to occur in the next 2 months.
- 3.22. Slippage is highest within the Climate Change, Environment and Transport Directorate, which reflects the complexity of the major projects within this service area.
- 3.23. 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.

### **3.24. Debt Over 3 Months Old**

- 3.25.** Corporate debt stood at £5.1 million, being 2.45% 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.

## **4. Performance Progress**

- 4.1. At its meeting on 15 February 2024 the Council agreed the development and introduction of a corporate performance management framework that draws together existing data and information (report EES/23/3 to the 13/12/23 Cabinet refers). The framework will enable information about outcomes and the performance of the Council's services to be collated, interpreted, reported and shared. It will also help the Council know whether it is providing value for money to residents and businesses.
- 4.2. The Strategic Leadership Team is establishing a performance board in order that Cabinet can be kept informed about, and respond appropriately to, performance issues and questions. The Cabinet will receive regular reports that enable it to assess the performance against the goals and priorities of the "Best Place Strategic

Plan 2021-2025” and performance manage service areas where decisions are required about improvement. An annual performance report will be made to Council on 23 May 2024.

## **5. Productivity Plans**

5.1. On 5 February 2024, the Secretary of State for Levelling Up, Housing and Communities announced that local authorities will be asked to develop and publish productivity plans by July 2024 before the House of Commons rises for the summer recess. Plans must be agreed by Council Leaders and members and published on local authority websites, together with updates on progress. Government expect Productivity Plans to cover four main areas:

1. transformation of services to make better use of resources;
2. opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
3. ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter- extremism; and
4. barriers preventing activity that Government can help to reduce or remove.

5.2. Alongside this ask, Government will establish a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.

## **6. Options / Alternatives**

No further options considered

## **7. Consultations / Representations / Technical Data**

Not required

## **8. Strategic Plan**

Whole authority report

## **9. Financial Considerations**

As Detailed above

## **10. Legal Considerations**

There are no specific legal considerations.

## **11. Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)**

There are no specific Environmental impact considerations

## **12. Equality Considerations**

There are no specific equality considerations

## **13. Risk Management Considerations**

There are no further risk management considerations not already identified.

## **14. Conclusion**

- 14.1. The forecast outturn position has improved significantly since Month 8, with the forecast overspend reducing from £4.5 million to nearly breakeven, this is a significant achievement and the result of a continued focus on financial control across the whole Authority. This is mitigating and responding to in-year pressures, delivering planned savings and providing services within the budgets agreed by Council.
- 14.2. The forecast break-even position includes the additional £10 million of savings agreed in September to enable a contribution to the Safety Valve Reserve of that amount. The forecast break-even position is a huge achievement and would not have been possible without the authority pulling together as One Devon and our work with our partners.
- 14.3. The SEND Safety Valve work with the Department for Education is progressing well, demonstrating financial stability, commitment to delivering planned actions and the adoption of a strong governance structure has placed the authority in as good a position as possible ahead of the awaited ministerial decision, expected very soon.

**Name** Angie Sinclair Director of Finance and Public Value

**Electoral Divisions:** All

Cabinet Member for Finance and Public Value: Councillor Phil Twiss

### **Contact for enquiries:**

Name: Mat Thorpe

Telephone: 01392 381310

Address: Room 195, County Hall, Topsham Road, Exeter

## **Local Government Act 1972: List of background papers**

Background Paper

Date

File Reference