

Month 4 Budget Monitoring 2024/25

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.

1. Recommendation

That the Cabinet:

- a) Notes the Month 4 budget monitoring forecast position;
- b) Notes the Safety Valve Intervention programme update;
- c) Notes Budgets movements to date; and
- d) Notes the forecast reserves position.

2. Introduction

- 2.1. This report outlines the financial position and forecast for the Authority at Month 4 (to the end of July) of the financial year.
- 2.2. At Month 4 it is estimated that budgets will overspend by just under £6 million. However, it is important to note that this excludes the Dedicated Schools Grant (DSG) deficit – see 3.18 below.
- 2.3. 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.
- 2.4. Before any contributions from the Department of Education (DFE) or the Authority the DSG is forecasting a £38.5 million pressure compared to the DFE Safety Valve planned position of £31.2 million, a difference of £7.4 million. Work is underway across the authority to ensure the outturn is as per the Safety Valve agreement. Details are set out within section 3 of this report. The current forecast DSG High Needs accumulated deficit at the end of the financial year, after planned contributions from the DFE and the authority, is £118.9 million. Further detail can be found within paragraph 3.19. In line with DFE guidance and the Safety Valve agreement this deficit will not be dealt with this financial year but carried forward to future years.

3. Budget Monitoring – Month 4

3.1. The following table summarises the Month 4 forecast position by directorate, excluding the Dedicated Schools Grant forecast.

Service	Original Budget	Adjusted Budget	Forecast Outturn	Month 4 Over/ (Underspend)	
	£000 (a)	£000 (b)	£000 (c)	£000 (d)	% (e)
Integrated Adult Social Care	360,746	357,082	358,159	1,077	0.30%
Children and Young People's Futures	227,785	250,565	257,145	6,580	2.63%
Public Health, Communities & Prosperity	20,923	22,280	22,280	0	0.00%
Performance & Partnerships	0	5,791	5,791	0	0.00%
Corporate Services	48,445	53,517	55,683	2,166	4.05%
Climate Change, Environment & Transport	85,482	95,811	95,478	(333)	-0.35%
Total Service Position	743,381	785,046	794,536	9,490	1.21%
Non Service Specific Budgets (Below the Line)	(105,920)	(147,585)	(151,095)	(3,510)	2.38%
Total	637,461	637,461	643,441	5,980	0.94%

3.2. The Original Budget (a) represents the budgets approved by Council at its meeting of 15th February 2024. Since that date the new directorate of Performance & Partnerships has been created, centralising a number of teams from across the authority. The process of realigning staffing and associated budgets being impacted as part of this change is still being worked through, therefore the values referenced above should not yet be considered final but reflect budget movements made to date.

3.3. The Adjusted Budget (b) reflects budget movements between service directorates and non-service lines which have taken place up to the end of July 2024. This includes the impact of any funds carried forward from the previous financial year and service changes such as the centralisation of some teams. Appendix 1 details these in year budget movements in full.

3.4. Delivery of budgeted savings, alternative funding and additional income (Savings) is reviewed throughout the year as part of the budget monitoring process. The level of individual directorate delivery will be referenced throughout the report but the following table summarises delivery across the authority and applies a RAGB (Red, Amber, Green, Blue) colour rating to the level of confidence in delivery progress.

RAGB Rating	Budgeted Delivery	Service identified not deliverable (+£)	New / Over delivery	Outturn Forecast Delivery
	£'000	£'000	£'000	£'000
Red	(6,318)	5,615	0	(703)
Amber	(14,459)	3,244	(2,500)	(13,715)
Green	(16,907)	88	(1,292)	(18,111)
Blue	(11,914)	0	(2,011)	(13,925)
	(49,598)	8,947	(5,803)	(46,454)

Forecast Non Delivery 3,144

Red - Unlikely to Delivery with Major Risks or Issues - Less than 50% delivery or more than £1m

Amber - Some issues that need management attention but is still feasible for delivery - Less than 70% delivery or less than £1m

Green - On track, with no major outstanding issues threatening its delivery - Expected to deliver 90% of plan

Blue - Completed and Closed - Fully Delivered

- 3.5. Budgeted savings of £49.6 million were identified as part of the budget setting process. At month 4 Directorates are forecasting delivery of £46.5 million, giving a projected shortfall against the total target for the year of £3.1 million. This reflects £8.9 million of planned savings no longer considered deliverable, partially mitigated by the identification of new plans or over delivery against targeted savings of £5.8 million. This current projection is reflected within individual directorate forecasts, and will continue to be updated through the year as plans are delivered and updated.
- 3.6. In particular, savings classified as Amber, where the need for closer management focus has been identified, present a risk to the forecast position. Of the £13.7 million forecast savings rated Amber to be delivered, £4.6 million is currently classified as achieved.
- 3.7. Revenue Expenditure Integrated Adult Social Care**
- 3.8. Integrated Adult Social Care services are forecast to overspend by £1.1 million. The position assumes that £29.1 million of savings are deliverable against the budgeted target of £29.4 million. Of this just under £20 million is deemed as delivered in that action has already taken place to secure the saving.
- 3.9. 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.
- 3.10. Adult Commissioning and Health is forecast to overspend by £1.2 million. This is mainly the result of pressures within learning disabilities, and in particular there have been 10 high cost placements transitioning from Children's service, growing complexity for new placements, and an increase in care on existing care packages.

3.11. The Better Care Fund (BCF) programme supports local systems to deliver the integration of health and social care in a way that promotes 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 of just under £4.5 million associated with the BCF. This is mainly the result of pressures within the Community Equipment Service and budgets allocated to locality leads. 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 £2.3 million forecast pressure is reflected within non-service items detailed within section 3.30 below.

3.12. Revenue Expenditure Children and Young People's Futures

3.13. Children and Young People's Futures services are forecasting an overspend of £6.6 million. However, this figure does not include the projected deficit on Dedicated Schools Grant (DSG) funded Special Education Needs and Disabilities (SEND).

3.14. Children's Social Care is forecast to overspend by £5.5 million. The position assumes that £6.6 million of savings are deliverable against the budgeted target of £9.2 million. Of this just under £4.8 million is deemed as delivered in that action has already taken place to secure the saving. The Place Called Home Board provides strategic oversight of a number of key strands of work to address the children's placement budget. This includes: reducing the number of children placed in residential care through the identification of children who can step down from residential care and work with external providers and a review of the offer for in house foster carers to create a family placement pipeline; work to reduce reliance on spot purchasing; accelerating the work to open in house provisions; work with partners regarding joint funding arrangements, and; strengthening transitions arrangements to ensure children have appropriate transition plans as they approach 18.

3.15. The number of Children in Care has reduced to 860 at the start of August, down from 882 in May 2024. Of these, 65 are young asylum seekers reflecting a reduction of 6 since May 2024. Despite this overall reduction in numbers of children in care, placement budgets are forecast to overspend by £7.5 million. This is the result of budgeted savings no longer expected to fully deliver and greater numbers of children and young people receiving higher costing placements than budgeted for, mainly within residential settings. Alternative funding sources, recruitment slippage and reductions in agency cost as staff become permanent are reducing the placements pressure by £1.6 million. The programme of Children's Homes provision is progressing well with 2 sites operational, 1 nearing completion and 1 due to commence works imminently.

3.16. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £1.1 million. This assumes £716,000 of savings are delivered against a budget target of £1.3 million. The need to engage Educational Psychologist associates within the SEND services support team and reductions in the number of schools trading with the service are also creating pressures.

- 3.17. Pressures continue to be felt within the Dedicated Schools Grant (DSG) around demand for High Needs services. The finalisation of the Safety Valve Agreement with the Department for Education (DfE) in 2023/24 means that the authority now has a target each year associated with the maximum level of accumulated deficit after any planned local contributions.
- 3.18. The DSG is forecasting an overspend of £38.5 million at month 4. This represents an increase forecast of £7.4 million against the position included within the Safety Valve agreement with the DfE. The agreement is based on complex financial modelling over many years and since submission of the Safety Valve plan an adjustment relating to the calculated costs for Special Schools recoupment has been identified, which represents £3 million of the increase. A further pressure of £2 million relates to actions within the plan not yet having the financial impact expected. The majority of the remaining overspend relates to continued increases in Independent School pupil numbers.
- 3.19. The following table details the SEND forecast accumulated deficit reflecting the position at month 4, the expected DfE contribution, and the contribution the authority has committed to making for the year.

	24-25 Projection - in SV agreement £'000	24-25 Forecast - (July) £'000
Cumulative DSG deficit - brought forward (deficit at beginning of financial year)	115,419	115,419
In year DSG deficit (before Safety Valve and local contributions)	31,166	38,533
Safety Valve programme DfE contribution	(6,330)	(6,330)
Local Devon County Council contribution	(28,700)	(28,700)
Cumulative DSG deficit - carry forward (deficit at end of financial year including SV payments and local contributions)	111,555	118,922
	Difference to Plan	7,367

- 3.20. The Authority submitted the second progress update to the DfE on 28th August 2024 detailing this position as well as the progress being made on delivering the transformation plan. Confirmation has been received that the second payment tranche will be made on 30th September 2024. The authority has requested the opportunity to discuss options around managing the £3 million adjustment.
- 3.21. The latest DfE Safety Valve update sets out a number of areas where progress is being made which will improve the overall financial position. These include:
- a) Post 18 Supervision and next steps: Over 70 young people have moved on from an Education Health & Care Plan (EHCP) through joint working with the young person and their family alongside Education, Health and Social Care professionals.

- b) New specialist resource provision secured: 58 new resource base places secured from September 2024.
- c) Ordinarily Available Inclusive Provision (OAIP) and early support initiatives being improved.
- d) Independent Education provision commissioning and procurement strategy agreed by Cabinet on 14 August 2024.

3.22. Additional officer resource from across the authority is being mobilised to increase capacity which can continue to deliver to improve outcomes for children and young people as well as deliver financial savings.

3.23. The additional support to the SEND teams will help deliver improvements at a faster pace. This will further improve management of independent placements and the governance around spend and contract management. Introducing these additional measures will help ensure the projected overspend is brought into balance.

3.24. Revenue Expenditure Climate Change, Environment and Transport

3.25. At Month 4, the Climate Change, Environment and Transport directorate is forecasting an underspend of £333,000. Planned budgeted savings of £4.6 million are currently expected to deliver fully. Significant pressures are being managed within highways maintenance. Compared to the same period last year, April to July, there has been a 51% increase in the number of emergency potholes repaired. At its meeting of 8 May 2024 as part of the Revenue and Capital Outturn Report 2023/24, Cabinet approved the carry forward of £2 million to support additional highways maintenance and drainage to help prevent potholes. This funding is being used to support responsive maintenance works to reduce the impact and disruption being felt on the highways network.

3.26. Transport Operations, Environment and Waste are forecasting an underspend of £237,000 as a result of higher than anticipated profit share from the Plymouth energy from waste plant. Planning is forecasting an underspend of £96,000 as a result of underspends from the County Hall travel plan.

3.27. Revenue Expenditure Other Services

3.28. Public Health, Communities and Prosperity and Performance and Partnerships are forecasting to breakeven and fully deliver budgeted savings of £1.3 million.

3.29. Corporate Services is forecasting an overspend of £2.2 million. Legal and Democratic Services are forecasting an overspend of £1.8 million, the majority of which relates to pressures association with legal disbursements. Transformation and Business Services are forecasting an overspend of £436,000, which is attributable to vacancy management targets (an assumed level of staff turnover where vacant posts are not replaced to contribute towards savings targets). The target figure was set at 4% and currently over half of the target has been achieved. Corporate Services are forecasting savings delivery of £4.9 million against budget target of £5.1 million.

3.30. Non-service items, which include capital financing costs, interest earned and business rates pooling gain income, are forecasting an underspend of £3.5 million. This reflects the £2.3 million pressure associated with the Better care Fund risk share agreement and £663,000 forecast shortfall on interest earned on cash balances being offset by the release of other funding and budget contingencies. Following the conclusion of Exeter Science Park refinancing the company has now repaid the loan which was previously guaranteed by the Authority, and a financial provision built up in previous years has now been released.

3.31. Capital Expenditure

3.32. The approved capital programme for the Council is £249.3 million. This figure incorporates amounts brought forward from 2023/24 of £74.3 million and approved in-year changes totalling a net of £19.8 million.

3.33. The year-end forecast is £214.2 million, or 86% of the programme, of which £207 million is externally funded. The variance to budget of £35.2 million includes a current forecast of slippage of £28.7 million into subsequent years. This is mainly due to Major Schemes within the Climate Change, Environment and Transport Directorate.

3.34. The Capital Receipts position, which is an important element of the Council's capital financing strategy, can be seen within the following table:

	2024/25
	£'000
<u>Capital Receipts</u>	
Opening Balance	16,913
Receipts to date	15
Forecast Receipts for rest of year	1,187
Projected Balance available before Spend	18,115
Less: Forecast spend to be financed by receipts	(15,953)
Forecast year-end balance	<u>2,162</u>

3.35. Debt Over 3 Months Old

3.36. Corporate debt stood at £6.5 million, being 2.8% 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.

3.37. Reserves

3.38. At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at just under £101 million. During 2024/25 earmarked reserves are expected to decrease by just over £27 million to just over £73 million, as set out in the following table.

EARMARKED REVENUE RESERVES

	Balance 1 April 2024 £'000	Estimated Spending £'000	Contribution To Reserves £'000	Transfers Between Reserves £'000	Estimated Balance 31 March 2025 £'000
General Earmarked Reserves					
Budget Management	42,689	(500)	0	(8,678)	33,511
Business Rates Pilot	591	0	0	0	591
Business Rates Risk Management	17,008	0	0	(10,233)	6,775
Climate Change Emergency	1,509	0	0	0	1,509
Emergencies	19,089	0	0	(4,089)	15,000
Regeneration and Recovery	620	0	0	0	620
Safety Valve (SEND)	0	(28,900)	8,900	20,000	0
Service Transformation	4,686	(5,207)	1,000	3,000	3,479
Total General Earmarked Reserves	86,192	(34,607)	9,900	0	61,485
Special Purpose / Statutory Reserves					
Affordable Housing	130	0	0	0	130
On Street Parking	1,554	(926)	0	0	628
Public Health	12,941	(2,055)	0	0	10,886
Total Revenue Earmarked Reserves	100,817	(37,588)	9,900	0	73,129

- 3.39. The reduction in earmarked reserves largely reflects the planned contribution from the General Fund towards the DSG SEND Deficit as part of the Safety Valve plan to reduce the deficit over time.
- 3.40. In addition to earmarked reserves, the General Fund Reserve (working balance) brought forward at the start of the financial year is just under £16 million.

4. Options / Alternatives

- 4.1. No further options considered.

5. Consultations / Representations / Technical Data

- 5.1. Not required

6. Strategic Plan

- 6.1. Whole authority report

7. Financial Considerations

- 7.1. As Detailed above

8. Legal Considerations

- 8.1. There are no specific legal considerations.

9. Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)

9.1. There are no specific Environmental impact considerations

10. Equality Considerations

10.1. There are no specific equality considerations

11. Risk Management Considerations

11.1. There are no further risk management considerations not already identified.

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

Appendix 1

Budget Adjustments 2024/25 as at month 4

	Original Budget £000	2023/24 Brought Forward £000	Virements Adjusted £000	Budget £000
Integrated Adult Social Care	360,746	465	(4,129)	357,082
Children and Young People's Futures	227,785	19,556	3,224	250,565
Public Health & Communities	15,580	7,922	(1,222)	22,280
Performance & Partnerships	5,343	330	118	5,791
Corporate Services	48,445	0	5,072	53,517
Climate Change, Environment & Transport	85,482	7,710	2,619	95,811
Central Contingency - Apprenticeship levy	890	0	0	890
Workforce inflation contingency	61	0	1,559	1,620
Total Service Budgets	744,332	35,983	7,241	787,556
Budget Carry Forward Fund	0	(43,596)	0	(43,596)
DSG Adjustment (Non SEND)	0	3,871	(3,871)	0
Social Care	0	1,530	0	1,530
Capital Financing Charges	34,816	0	0	34,816
Exeter Schols PFI Financing Charges	4,298	0	0	4,298
Exeter Energy from Waste PFI Financing Charges	6,022	0	0	6,022
Plymouth Energy from Waste PFI Financing Charges	2,714	0	0	2,714
Interest on Balances	(3,650)	0	(13)	(3,663)
Interest on SEND Safety Valve payments	(3,900)	0	0	(3,900)
Direct Revenue Financing	0	0	1	1
Income generation initiatives and review of balances	(611)	0	0	(611)
Pooling to Better Care Fund	6,806	0	0	6,806
Highways drainage works	1,500	2,000	(3,500)	0
Corporate Parenting	10	0	(10)	0
Provision for Adults and Childrens Services Change and Improvements capacity	175	0	(75)	100
Provision for care services change costs	4,250	0	(1,707)	2,543
Contingency for adults and childrens savings delivery	1,000	0	0	1,000
Contingency centralisation	0	0	250	250
Homelessness support	716	0	(716)	0
Homes for Children in Devon - setup costs	334	0	0	334
Family hubs development	1,000	0	0	1,000
Provision for reduction in care delivery costs	(2,100)	0	2,400	300
Supporting Communities	0	212	0	212
Spending from Reserves	4,261	0	0	4,261
Spending from Public Health reserve	3,011	0	0	3,011
Environment Agency - Flood Defence	669	0	0	669
Inshore Fisheries and Conservation Authority (IFCA)	370	0	0	370
Use of Reserves	(4,261)	0	0	(4,261)
Use of Public Health reserve	(3,011)	0	0	(3,011)
Contributions to Reserves	9,900	0	0	9,900
Total non Service Budgets	64,319	(35,983)	(7,241)	21,095
	808,651	0	0	808,651
Domestic Violence - new legislation	(1,481)	0	0	(1,481)
Business Rates - Government Grants and gain	(30,265)	0	0	(30,265)
Pooling Gain	(2,000)	0	0	(2,000)
Education Statutory retained duties - schools contribution	(1,476)	0	0	(1,476)
Core school improvement activities - schools contribution	(640)	0	0	(640)
IFCA Grant	(21)	0	0	(21)
Extended Rights Home to School Travel Grant	(1,085)	0	0	(1,085)
New Homes Bonus	(1,140)	0	0	(1,140)
Rural Services Delivery Grant	(10,124)	0	0	(10,124)
Adult Social Care Reform / Market Sustainability Grant	(15,643)	0	0	(15,643)
Services Grant	(653)	0	0	(653)
Social Care Grant	(70,729)	0	0	(70,729)
Adult Social Care Discharge Fund	(6,806)	0	0	(6,806)
Improved Better Care Fund	(29,127)	0	0	(29,127)
Total	637,461	0	0	637,461