

## Month 8 Budget Monitoring 2024/25

### 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 8 budget monitoring forecast position and the Safety Valve Intervention programme update.
- b) Notes Budgets movements to date as set out in Appendix 1 and the forecast reserves position.

## 2. Introduction

- 2.1. This report outlines the financial position and forecast for the Authority at Month 8 (to the end of November) of the financial year.
- 2.2. At Month 8 it is estimated that budgets will overspend by just under £3.9 million which is an improvement of £141,000 on the month 6 position. However, it is important to note that this excludes the Dedicated Schools Grant (DSG) deficit – see 3.22 below.
- 2.3. Financial risks within Integrated Adult Social Care and Children and Young People's Futures are still being experienced, but work continues across the authority to ensure the whole organisation is focused on achieving a break-even position by the end of the year.
- 2.4. Pressures continue to be felt within the Dedicated Schools Grant (DSG) around demand for Special Educational Needs services both locally and nationally. The challenge facing Devon is that the expectations being set out by the DfE in our Accelerated Progress Plan (APP) are creating significant additional financial pressures. For example, the number of EHCPs issued between January and October 2024 is 51% above the number issued over the same period in 2023.
- 2.5. Considerable work has been undertaken since spring 2024 to accelerate and deliver upon a range of Safety Valve and SEND service critical objectives and improvements. This includes the launch of the Authority's updated SEND Strategy, the rollout of early help pilot activity in north Devon, a range of support work around systems and statutory process improvements to assist and improve the handling of

plan development, and agreement and cross organisational working around autism and other health related priorities. Progress has also continued around addressing the backlog of EHCP plans held by the Council, with 149 plans issues in November 2024 compared to 98 in May, and a 14% reduction in the number of overdue plans in the same period.

- 2.6. The DSG is forecasting an overspend of £51.6 million at month 8, an increase of £5.8 million from month 6. This leads to an increased forecast of £20.4 million above the position included within the Safety Valve agreement with the DfE. The continued demand for EHCP's and reductions in backlogs across the county remains a critical driver of the change from month 6 impacting both mainstream and independent special schools.

### 3. Budget Monitoring – Month 8

- 3.1. The following table summarises the Month 8 forecast position by directorate, excluding the Dedicated Schools Grant forecast.

Service	Original Budget	Adjusted Budget	Forecast Outturn	Month 8 Over/ (Underspend)		Change From Month 6
	£000	£000	£000	£000	%	£000
	(a)	(b)	(c)	(d)	(e)	(f)
Integrated Adult Social Care	360,746	363,155	366,718	3,563	0.98%	2,482
Children and Young People's Futures	227,785	249,926	257,452	7,526	3.01%	213
Public Health and Communities	20,923	21,852	19,721	(2,131)	-9.75%	(2,000)
Performance & Partnerships	0	7,761	7,713	(48)	-0.62%	(20)
Corporate Services	48,445	54,124	55,892	1,768	3.27%	(100)
Climate Change, Environment & Transport	85,482	95,824	93,645	(2,179)	-2.27%	(160)
<b>Total Service Position</b>	<b>743,381</b>	<b>792,642</b>	<b>801,141</b>	<b>8,499</b>	<b>1.07%</b>	<b>415</b>
Non Service Specific Budgets (Below the Line)	(105,920)	(155,181)	(159,812)	(4,631)	2.98%	(556)
<b>Total</b>	<b>637,461</b>	<b>637,461</b>	<b>641,329</b>	<b>3,868</b>	<b>0.61%</b>	<b>(141)</b>

- 3.2. The Original Budget (a) represents the budgets approved by Council at its meeting of 15<sup>th</sup> February 2024. Since that date the new directorate of Performance & Partnerships has been created, centralising a number of teams from across the authority.

- 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 November 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	Previous Period Forecast Delivery
Red	(10,946)	5,739	(1,305)	(6,512)	(607)
Amber	(13,656)	5,631	0	(8,025)	(13,415)
Green	(10,526)	20	(1,479)	(11,985)	(18,111)
Blue	(14,470)	147	(2,461)	(16,784)	(13,925)
	(49,598)	11,537	(5,245)	(43,306)	(46,454)
			<b>Forecast Non Delivery</b>	<b>6,292</b>	

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 8 Directorates are forecasting delivery of £43.3 million, giving a projected shortfall against the total target for the year of £6.3 million. This reflects £11.5 million of planned savings no longer considered deliverable, partially mitigated by the identification of new plans or over delivery against targeted savings of £5.2 million. This current projection is reflected within individual directorate forecasts, and will continue to be updated throughout the year as plans are delivered and updated.

### 3.6. Revenue Expenditure Integrated Adult Social Care

- 3.7. Integrated Adult Social Care services are forecast to overspend by £3.6 million, an increase of £2.5 million from month 6. The position assumes that £26.7 million of savings are deliverable against the budgeted target of £29.4 million. Of this £23.2 million is deemed as delivered in that action has already taken place to secure the saving. The most significant reason for the movement in forecast relates to savings no longer considered deliverable around care home placement and reviews.

- 3.8. Adult Care Operations is forecasting an overspend of £3.6 million. There continues to be a mix of price and volume variances against budget levels, with growing pressures being felt in Older People and Physical Disabilities.

- 3.9. Adult Commissioning and Health is forecast to underspend by £50,000.

- 3.10. 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 £3.8 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 £1.9 million forecast pressure, an improvement of £222,000 from month 6, is reflected within non-service items detailed within section 3.30 below.

### **3.11. Revenue Expenditure Children and Young People's Futures**

- 3.12. Children and Young People's Futures services are forecasting an overspend of £7.5 million, an increase of £212,000 from month 6. However, this figure does not include the projected deficit on Dedicated Schools Grant (DSG) funded Special Education Needs and Disabilities (SEND). The position assumes that £6.6 million of savings are deliverable against the budgeted target of £9.2 million. Of this just under £5.7 million is deemed as delivered in that action has already taken place to secure the saving.
- 3.13. Children's Social Care is forecast to overspend by £7.8 million, an increase of £399,000 from month 6. Placement price pressures continue to grow and are in part being mitigated by underspends on recruitment and retention incentive payments and within early help where the service reshape is resulting in vacancy savings.
- 3.14. As previously reported the Place Called Home Board continues to provide strategic oversight of a number of key strands of work to address the children's placement budget. There has been some success in stepping children out of external residential care, into our own provisions, foster care or reunification with their families resulting in the delivery of £4.9 million of the budgeted savings. There is a focus on delivering the remainder of the budgeted savings and mitigating the in-year cost pressures described within section 3.15
- 3.15. The number of Children in Care has increased to 853, from 845 in September 2024. Of these, 64 are young asylum seekers reflecting an increase of 1 since September 2024. The increase in numbers of children in care is impacting placement budgets and are now forecast to overspend by £10.8 million. This is the result of greater numbers of children and young people placed in higher cost settings than budgeted for, mainly within residential settings, and movement between placement settings resulting in greater cost of care. The programme of Children's Homes provision is progressing with 3 sites operational, and 1 due to commence works imminently with a planned opening date of April 2025.
- 3.16. Education Learning, School Transport and Inclusion Services are forecasting an underspend of £279,000, an improvement of £187,000 from month 6. 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 continuing to create pressures.

- 3.17. Following on from the challenges faced around the Dedicated Schools Grant (DSG) in Month 6, pressures linked to heightened demand for Education, Health and Care Plans (EHCPs) have also continued into Month 8. Whilst the pace of acceleration around expenditure outside of forecast has slowed, the financial strain arising from our ongoing management of our backlog of Education, Health and Care Plans alongside challenges around sufficiency (leading to an increased usage of the independent sector) continues.
- 3.18. In response, considerable work has been ongoing to address and reinforce the ability of the organisation to better manage SEND pressures. Recognising the need for immediate action, a daily panel of senior officers was established in late October to review all expenditure decisions coming through the service. To date, this has reviewed over £7 million of expenditure decisions, seeking to ensure best value. This has been accompanied by a new workstream considering whether any potential overpayments have been made to providers, a range of work around our current cost sharing arrangements with partners (health/education), and preparatory work around changing our approach to contracting and commissioning arrangements with providers in the new year.
- 3.19. Over and above immediate action to enhance financial controls, work has also been ongoing to reinforce the existing SEND Transformation Programme. Additional staff resources from across the authority are currently being deployed into crucial areas including system improvements, commissioning, contracting and policy development, to ensure that operational controls and behaviours are reinforced across the SEND area. Work on a redesign of staffing within lead services is also currently underway, with a focus on enhancing leadership and oversight of financial and practice decision making. Work has also been accelerated around our engagement with schools and wider partners, seeking to improve shared provision approaches and reinforcing practice which will ultimately support reduced costs. This includes early discussions on additional resource hubs and other community and practice led solutions to manage down demand, and better meet the needs of young people across the mainstream and specialist school sector.
- 3.20. Demand for EHCPs across the county remains a critical challenge for the authority. Despite significant management activity to review plans, the overall number of young people with an EHCP in Devon continues to grow. The current total number of EHCPs as at November 2024 was 9,754, with the forecast projection (at current rate) due to be 9,833 at January 2025, 461 over that within the safety valve plan. The authority also continues to face an ongoing challenge around its backlog, with around 620 overdue plans still to address, and some pressure from Government to halve this number in the next financial year. There may be however some early evidence that the management action being put in place is now having an impact across the SEND service, with the average cost of an EHCP dropping during the month by £80 during November (to £16,965), the first such drop this financial year.
- 3.21. 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.

- 3.22. The DSG is forecasting an overspend of £51.6 million at month 8, an increase of £5.8 million from month 6. This represents an increased forecast of £20.4 million against the position included within the Safety Valve agreement with the DfE. The position assumes that £12 million of savings are deliverable against the budgeted target of £15.3 million, as per the safety valve submission. The continued demand for EHCP plans across the county remains a critical driver of the change from month 6 impacting both mainstream and independent special schools.
- 3.23. The following table details the SEND forecast accumulated deficit reflecting the position at month 8, the expected DfE contribution, and the contribution the authority has committed to making for the year.

	<b>24-25 Projection - in SV agreement £'000</b>	<b>24-25 Forecast - (November) £'000</b>
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	51,616
Safety Valve programme DfE contribution	(6,330)	(6,330)
Local Devon County Council contribution	(28,700)	(28,700)
<b>Cumulative DSG deficit - carry forward (deficit at end of financial year including SV payments and local contributions)</b>	<b>111,555</b>	<b>132,005</b>
	<b>Difference to Plan</b>	<b>20,450</b>

- 3.24. The Authority submitted the third progress update to the DfE on 27th November 2024 detailing this position as well as the progress being made on delivering the transformation plan. The DfE confirmed the third payment from them would be received by the end of December. A meeting with the DfE was held in November 2024 to discuss the £3 million adjustment and wider programme delivery, further discussions are expected to take place early in the new year.

### **3.25. Revenue Expenditure Climate Change, Environment and Transport**

- 3.26. At Month 8, the Climate Change, Environment and Transport directorate is forecasting an underspend of £2.2 million, an increase of £160,000 from month 6. 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 November, the number of emergency potholes repaired this year has been 37,632, compared to 30,952 last year. 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.
- 3.27. The financial impact of storm Darragh response works is currently being assessed but is likely to exceed £200,000. Some of this amount will be offset by lower than

expected gritting runs to date, due to milder than normal weather. At this stage, these storm costs can be contained within the overall Highways budget, but further significant storms may require expenditure above the budget allocation.

- 3.28. Transport Operations, Environment and Waste are forecasting an underspend of £934,000 as a result of higher than anticipated profit share from the Plymouth energy from waste plant. Planning is forecasting an underspend of £355,000 mainly as a result of vacancies within the planning team.
- 3.29. The on street parking reserve is projecting a closing balance at the end of the year of £642,000 this is after recognising in year costs of £912,000.

### **3.30. Revenue Expenditure Other Services**

- 3.31. Public Health and Communities are forecasting an underspend of £2.1 million relating to vacancy management and delayed heritage projects. Budgeted savings of £897,000 are expected to be fully delivered. The forecast underspend has increased since month 6, this recognises plans to utilise £2 million of the public health reserve.
- 3.32. Performance and Partnerships are forecasting a small underspend of £48,000, budgeted savings of £380,000 are expected to be fully delivered.
- 3.33. Corporate Services is forecasting an overspend of £1.8 million, a reduction of £100,000 from month 6. The position assumes that £4.1 million of savings are deliverable against the budgeted target of £5.6 million. Legal and Democratic Services are forecasting an overspend of £1.3 million, a reduction of £315,000 from month 6, pressures associated with legal disbursements continue. Transformation and Business Services are forecasting an overspend of £636,000, which is attributable to vacancy management targets (an assumed level of staff turnover where vacant posts are not replaced immediately to contribute towards savings targets) and the pausing of the business support services restructure.
- 3.34. Non-service items, which include capital financing costs, interest earned and business rates pooling gain income, are forecasting an underspend of £4.6 million. This reflects the £1.9 million pressure associated with the Better care Fund risk share agreement and £1.8 million forecast shortfall on interest earned on cash balances being offset by the release of other funding and budget contingencies.

### **3.35. Capital Expenditure**

- 3.36. The approved capital programme budget for the Council is £234.7 million in 2024/25. This figure incorporates amounts brought forward from 2023/24 of £74.3 million and approved in-year changes totalling a net of £5.2 million. The in-year changes are net of budget reductions of £6.5 million and £18.2 million of rephasing to future years as agreed by Cabinet in the Month 6 report.
- 3.37. The year-end forecast is £190.3 million, or 81% of the programme, of which £159.9 million is externally funded. The variance to budget of £44.4 million includes a current forecast of slippage of £38.6 million into subsequent years. This is mainly

due to Major Schemes within the Climate Change, Environment and Transport Directorate.

- 3.38. The Capital Receipts position, which is an important element of the Council's capital financing strategy, can be seen within the following table. Based on current projections as at Month 8 more than £8.2 million of capital receipts will be used in the current financial year towards financing the capital programme:

	<b>2024/25</b>
	<b>£'000</b>
<b><u>Capital Receipts</u></b>	
Opening Balance	16,913
Receipts to date	370
Forecast Receipts for rest of year	1,308
<b>Projected Balance available before Spend</b>	<b>18,591</b>
Less: Forecast spend to be financed by receipts	(8,253)
<b>Forecast year-end balance</b>	<b><u>10,339</u></b>

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

- 3.40. Corporate debt stood at £7.01 million, being 2.9% 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.

### **3.41. Reserves**

- 3.42. 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 £26 million to just over £75 million, as set out in the following table.



## EARMARKED REVENUE RESERVES

	Balance 1 April 2024	Estimated Spending	Contribution To Reserves	Transfers Between Reserves	Estimated Balance 31 March 2025
	£'000	£'000	£'000	£'000	£'000
<b>General Earmarked Reserves</b>					
Budget Management	42,689	0	0	(8,678)	34,011
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	(2,309)	1,000	3,000	6,377
<b>Total General Earmarked Reserves</b>	<b>86,192</b>	<b>(31,209)</b>	<b>9,900</b>	<b>0</b>	<b>64,883</b>
<b>Special Purpose / Statutory Reserves</b>					
Affordable Housing	130	0	0	0	130
On Street Parking	1,554	(912)	0	0	642
Public Health	12,941	(3,480)	0	0	9,461
<b>Total Revenue Earmarked Reserves</b>	<b>100,817</b>	<b>(35,601)</b>	<b>9,900</b>	<b>0</b>	<b>75,116</b>

3.43. 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.

3.44. 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.

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### **Contact for enquiries:**

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

Background Paper

Date

File Reference

**Appendix 1**

**Budget Adjustments 2024/25 as at month 8**

	Original Budget £000	2023/24 Brought Forward £000	Virements Adjusted £000	Budget £000
Integrated Adult Social Care	360,746	465	1,944	363,155
Children and Young People's Futures	227,785	19,556	2,585	249,926
Public Health & Communities	15,580	7,922	(1,650)	21,852
Performance & Partnerships	5,343	330	2,088	7,761
Corporate Services	48,445	0	5,679	54,124
Climate Change, Environment & Transport	85,482	7,710	2,632	95,824
Central Contingency - Apprenticeship levy	890	0	0	890
Workforce inflation contingency	61	0	1,546	1,607
Centralisation savings	0	0	2	2
<b>Total Service Budgets</b>	<b>744,332</b>	<b>35,983</b>	<b>14,826</b>	<b>795,141</b>
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	(6,806)	0
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				
Homelessness support	716	0	(716)	0
Homes for Children in Devon - setup costs	334	0	0	334
Family hubs development	1,000	0	(529)	471
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
<b>Total non Service Budgets</b>	<b>64,319</b>	<b>(35,983)</b>	<b>(14,826)</b>	<b>13,510</b>
	<b>808,651</b>	<b>0</b>	<b>0</b>	<b>808,651</b>
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)
<b>Total</b>	<b>637,461</b>	<b>0</b>	<b>0</b>	<b>637,461</b>