

BUDGET MONITORING 2017/18
Report of the County Treasurer

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: That the position based on Month 8 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. The overall underspend is forecast at £2.6 millions which is a slight increase on the month 6 position. However, as previously reported, caution should be taken as there is still time for storm events and winter pressures to occur. The main reasons for the underspend are explained in this report.

2. Revenue Expenditure Adult Care and Health Services

- 2.1. Adult Care and Health services is forecast to underspend by £4.769 millions, which is an increase of £599,000 from the underspend reported at month 6 mainly due to an improvement in the locality operational position, additional staff vacancy savings and savings on contracts. This position takes into account £522,000 of management action yet to be achieved.
- 2.2. Adult Care Operations is forecasting to underspend by £3.944 millions, which is primarily attributable to a consolidation of better contract negotiations and demand management (£3 millions), and benefits arising from a successful Promoting Independence approach to new and existing cases.
- 2.3. Older People and Physical Disability services are forecast to underspend by £1.495 millions primarily driven by a lower number of care packages than budgeted (417).
- 2.4. Sensory, Community Enabling and other operational central budgets are showing an underspend of £417,000. In-house services are forecast to underspend by £493,000 due to lower running costs and staffing vacancies.
- 2.5. Learning Disability services (including Autistic Spectrum Conditions) is an area of concern and is now forecast to overspend by the end of the year by £1.461 millions, primarily due to higher numbers of packages than budgeted (220).
- 2.6. Adult Commissioning and Health (including Mental Health) is forecast to underspend by £825,000 primarily due to staff vacancy savings in commissioning teams, project savings, and savings on central contracts.
- 2.7. The key risks for the service are pending HMRC enforcement action on National Living Wage compliance for sleep in night shifts, children transitioning to adult services, increased autism costs, and the continuation of increased care home placement unit costs. Additionally, winter can also be a challenging and volatile time for the service as demand increases and hospital flow is challenged.

3. Revenue Expenditure Children's Services

- 3.1. Children's Services are showing a forecast overspend of £3.335 millions; this is an increase on the month 6 position of £640,000.
- 3.2. Children's social care is forecast to over spend by £2.4 millions (£1.9 millions in month 6). The key factors causing the cost pressures and the risks that they present to the financial position have not changed from those previously reported. The shortage of market sufficiency (locally and nationally) particularly for children with high levels of complex needs continues to drive up costs with significant rises in the average unit rates for independent and supported accommodation placements.
- 3.3. The placements budget is forecast to overspend by £2.6 millions (£1.9 millions in month 6). Within this external residential and supported accommodation over spends total £4.2 millions, partially offset by under spending in other placement types including fostering and post 18 placements of £1.6 millions. When the budget was set it was hoped to contain demand by management actions such as stepping down children in high cost placements into lower cost but still appropriate placements. However due to the shortage of market sufficiency this has only been partially successful, of the target savings of just over £5 millions nearly £3 millions has been achieved. It seems unlikely that the remaining £2 millions will be realised.
- 3.4. Disabled Children's Services are forecast to over spend by £756,000. As previously reported there are more packages of care/ services being accessed by children and families than budgeted whilst average costs of packages have also increased. Although the review of Disabled Children's Services is not anticipated to release the level of reductions from high cost packages originally expected in this financial year, focused management action has resulted in a stabilising of cost pressures in this reporting period.
- 3.5. These overspends within Children's Social Care have been partially offset by other savings across the remaining budgets including vacancy management, lower legal disbursement and other variations of £926,000; (£667,000 at month 6).
- 3.6. The non DSG element of Education and Learning is forecasting an overspend of £905,000, which is an increase of £178,000 since month 6. This relates mainly to personalised transport and the unplanned Special Educational Needs (SEN) contract cost & route increases. Home to College/School transport is expected to show an underspend of £100,000.
- 3.7. The Dedicated Schools Grant is currently forecast to overspend by £3.078 millions. High Needs is currently forecasting to overspend by £2.83 millions at year end. The remaining £300,000 relates to the Growth Fund. It was agreed in principle at Devon Education Forum that these overspends would be rolled forward to 2018-19.

4. Revenue Expenditure Highways, Infrastructure Development and Waste

- 4.1. Highways, Infrastructure Development and Waste are showing an underspend of £212,000. The term maintenance contract awarded to Skanska commenced operation on 1st April 2017. Expected savings from the new arrangements of £908,000 have been built into the budget and are being achieved. The Highways service is currently projected to break-even at year end.
- 4.2. The Infrastructure Development and Waste services are forecast to underspend by £212,000. This is mainly due to additional income having been received in respect of the Plymouth and Exeter energy from waste plants.

5. Revenue Expenditure Other Services

- 5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are showing a forecast overspend of £110,000 a slight improvement on month 6 - £23,000. This is mainly due to staff savings.
- 5.2. Corporate Services is forecast to break-even at year end and there has been little change since month 6.
- 5.3. Non service items are forecast to underspend by £854,000. This is mainly due to additional investment income of £315,000, additional grant income and savings on Provisions and Pension costs of £539,000.

6. Capital Expenditure

- 6.1. The approved capital programme for the Council is £161.803 millions. The year-end forecast is £139.268 millions, producing slippage of £22.534 millions. Significant areas of slippage have been identified in respect of the following schemes:
 - Marsh Barton station (£3.660) millions, further talks ongoing with Network Rail, Department for Transport and the Local Enterprise Partnership to secure funding, and in addition value engineering underway to reduce scheme costs;
 - Tiverton Eastern Urban Extension (£1.130) millions, work commenced in September and will now span financial years;
 - South Devon Highway (£2.226) millions, land payments less than anticipated and whilst a number of compensation claims have been submitted they will not be settled in this financial year;
 - Grants to Independent Sector (£1.000) millions, project progressing but in early stages, expenditure expected in next financial year;
 - A361 Gornhay to M5 (£3.150) millions, grant funding confirmed in August 2017 with work commencing September, resulting in the project now spanning financial years; and
 - Connecting Devon & Somerset (£962,000), the Accountable Body, Somerset County Council, have advised that external funding will be utilised in the first instance therefore Devon County Council's contribution not required in this financial year.

The balance consists of minor slippages on numerous small projects.

7. Debt Over 3 Months Old

- 7.1. Corporate debt stood at £2.1 millions, being 1.2% of the annual value of invoices, and well within the annual target of 1.9%. This is a significant reduction on previously reported figures, particularly in respect of aged debt for Public bodies and trade debtors. We will continue to pursue the balance of debt owed, including the use of legal action where appropriate. It is anticipated that year-end debt will be below the annual target.

8. Conclusion

- 8.1. The ongoing pressures in Children's Services are very concerning; not only in relation to the current year but the ongoing impact over the medium term. The forecast overall underspend of £2.6 millions is welcome; however, this must be treated with caution. In recent years we have experienced very mild winters but that will not always be the case and we have yet to see what the remainder of this winter will bring. In the last few weeks, for example, we have incurred spending of about £250,000 on gritting operations and this expenditure could continue in the next few months.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor John Clatworthy

Local Government Act 1972: List of Background Papers

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Background Paper Date File Ref: Nil

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