

BUDGET MONITORING 2018/19
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:

- a) **The Committee notes the forecast overspending of £4.8 millions.**

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 total projected overspending at month 8 is forecast at £4.8 millions a reduction of £3.3 millions from month 6. This position continues to assume that a request to carry forward £2.4 millions to next years Dedicated Schools Grant (DSG) will be agreed by the Devon Education Forum. It also reflects the impact of some of the corporate savings initiatives and the confirmation of additional funding to support high needs pressures.

2. Revenue Expenditure Adult Care and Health Services

- 2.1. Adult Care and Health services are forecast to underspend by £385,000, at month 6 the service was forecasting an underspend of £488,000. This position takes into account £84,000 of management action's yet to be delivered but which are still considered achievable.
- 2.2. Adult Care Operations is forecasting to underspend by £752,000 an increase of £14,000 from the underspend reported at month 6.
- 2.3. Adult Commissioning and Health is forecast to overspend by £367,000 an increase of £117,000 from month 6 the result of placements within Mental Health continuing to increase, client numbers are now 45 more than the budgeted level of 800. The forecast overspend is partially offset by vacancies within Adult Commissioning.
- 2.4. The Department of Health and Social Care has recently announced additional funding to support Adult Social Care in alleviating winter pressures on the Health Service. Devon County Council is to receive an additional allocation of £3.6 millions for 2018/19 and 1019/20. The grant determination details for 2018/19 have now been received and plans for the application of this tranche of funding have been submitted to the Department for Health and Social Care, with delivery underway. The position reported assumes this funding will be fully spent within the current financial year.

3. Revenue Expenditure Children's Services

- 3.1. Children's Services are showing a forecast overspend of £11.1 millions, an increase of £1.2 millions from month 6.
- 3.2. Children's Social Care is forecast to overspend by £7.3 millions, an increase of £792,000 from month 6. Pressures continue within residential placements but are also increasing across the disabled children short breaks service and from legal disbursements. The forecast position reflects £410,000 of management action's still to be delivered but which are still considered achievable.
- 3.3. The total overspending on children's placements is forecast to be £4.5 millions a reduction of £147,000 from month 6 with activity levels reducing slightly.
- 3.4. Disabled Children's Services are forecast to overspend by £1.7 millions an increase of £814,000 since month 6. Nearly half of this increase is associated with one exceptionally high cost placement, following reassessment the care package arrangements have changed resulting in the increase to the forecast cost of.
- 3.5. The Atkinson Secure Children's Home is forecasting an overspend of £420,000 a £42,000 reduction from month 6. Difficulties recruiting and retaining appropriately experienced staff continue to have a direct impact on occupancy levels and therefore income. A recruitment plan has been implemented to address staffing issues and has resulted in new staff expected to commence employment in January 2019. Associated increases in occupancy levels are expected later this financial year.
- 3.6. All other costs which include Staffing, Quality Assurance Reviewing and Safeguarding Service and strategic management budgets are forecasting an overspend of £708,000 an increase of £167,000 from month 6. This change is mainly the result of increasing legal disbursement costs. The forecast continues to reflect an increase in anticipated agency staff costs and additional Northern and Southern team resources associated with the service improvement plan.
- 3.7. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of £613,000 an increase of £442,000 from month 6. Pressures within school transport continue to exist due to rising costs associated with contract changes and additional Special Education Needs (SEN) personalised transport.
- 3.8. On 17 December the Secretary of State announced an additional £250 millions of revenue funding to support high needs pressures within the DSG. This was confirmed across two financial years, 2018/19 and 2019/20, for Devon County Council this is an additional £1.5 millions in each of the two years, the 2018/19 allocation is reflected within the reported position.
- 3.9. The DSG is currently forecast to overspend by £3.1 millions, a reduction of £38,000 from month 6. This position continues to assume that £2.4 millions will be carried forward to be dealt with in the 2019/20 academic year and also includes the release of the £1.5 millions additional funding announced by the Secretary of State.
- 3.10. The month 8 forecast position for the High Needs Block of the DSG, including the carry forward request (£2.4 millions) and additional grant funding (£1.5 millions), is an overspend of £3.7 millions. However, if these two items are excluded the overspending increases to £7.6 millions, an underlying increase of £1.2 millions from month 6. This is as a result of additional costs within further education college placements and an increase in the number of pupils with Education Health and Care

plans. Placement numbers for independent special schools remain the driver for most of the forecast pressure within the high needs block.

- 3.11. Other DSG budget that includes Early Years and childcare, are showing an underspend of £509,000.

4. Revenue Expenditure Highways, Infrastructure Development and Waste

- 4.1. Highways, Infrastructure Development and Waste is forecasting an underspend of £2.4 millions at month 8 against a break-even position in month 6.
- 4.2. As part of the corporate savings initiatives adopted in November a review of the capital programme took place to determine if increased capital works could enable revenue savings. This review has resulted in a forecast underspend of £2 millions within highways.
- 4.3. Highways service managers remain confident that all planned maintenance programmes will be delivered during the financial year and that pressures associated with safety defects caused by adverse weather conditions at the end of last year are currently manageable. This will continue to be closely monitored and may be affected by a harsh winter.
- 4.4. Waste management is forecasting a £400,000 underspend against a breakeven position in month 6. Higher than budget domestic, green and food waste tonnages are more than offset by below budget in-vessel composting tonnages. There have also been lower volumes going to the Plymouth Energy from waste plant which is contributing to the underspend.

5. Revenue Expenditure Other Services

- 5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are showing a forecast underspend of £762,000 compared to a forecast overspend of £153,000 at month 6. The review of the capital programme to determine if capital works could enable savings has resulted in a forecast saving of £255,000. The recognition of underspends associated with vacancies and reduction in the forecast spend within transportation contribute to the remaining change.
- 5.2. Corporate Services continue to forecast a breakeven position at month 8. Pressures within county solicitors and HR are being offset by forecast underspends within Digital transformation and business support.
- 5.3. Non- service items are forecast to underspend by £2.8 millions, at month 6 the forecast was £1.4 millions. This change in forecast is due to further additional investment income from higher interest rates and the capitalisation of revenue schemes.

6. Capital Expenditure

- 6.1. The approved capital programme for the Council is £150.4 millions.
- 6.2. The year-end forecast is £129.7 millions of which £111.8 millions is externally funded. Slippage is forecast at £20.7 millions.

6.3. Wherever possible slippage is offset by the accelerated delivery of other approved schemes within the capital programme. The main areas of net slippage can be attributed to scheme variations and programme delays in Adult Care & Health (£2.9 millions) and Planning and Transportation (£13.7 millions) which reflects the complexity of the major schemes within these service areas.

7. Debt Over 3 Months Old

7.1. Corporate debt stood at £4.9 millions, being 3.0% of the annual value of invoices, against the annual target of 1.9%. 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. Like many other Local Authorities across the Country, the Council is continuing to grapple with high levels of demand for Children Services. Residential Placements, although more stable than earlier in the year continue to be difficult to contain within the budget allocated and pressures against the high needs block of the dedicated schools grant are increasing. The additional funding to support high needs pressures confirmed in December, although welcome, has only served to manage cost increases and pressures within the area that have been experienced since month 6. This pressure continues to be a significant cause for concern.

8.2. The savings initiatives developed by the Councils Leadership Group are delivering reductions in revenue expenditure and have contributed to the reduction in the forecast overspend as detailed. These will continue to inform financial forecasts for the remainder of this year.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor Stuart Barker

Local Government Act 1972: List of Background Papers

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