

BUDGET MONITORING 2021/22
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) That the month 4 budget monitoring forecast position is noted**
- b) That progress on the delivery of the Dedicated Schools Grant Management Plan is noted**

1. Introduction

- 1.1. This report outlines the financial position and forecast for the Authority at month 4 (to the end of July) of the financial year.
- 1.2. At month 4 it is estimated that budgets will overspend by £7.3 millions.
- 1.3. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £33.1 millions. In line with Department of Education guidance this deficit will not be dealt with this financial year, but carried to future years.
- 1.4. Central government has continued to provide a number of grant funding streams this year to help support Local Authorities during the pandemic. The confirmed additional funding Devon County Council is expecting to receive directly this financial year is currently £36 millions, in addition to the £25.6 millions carried forward from 2020/21.

2. Revenue Expenditure Adult Care and Health Services

- 2.1. Adult Care and Health services are forecast to overspend by £5.4 millions. This position includes £3.7 millions of budgeted savings. Service managers are assessing what is still deliverable in light of the additional pandemic burdens that continue to be placed on staff. For any shortfall a request for support from the pandemic support grant is anticipated.
- 2.2. Adult Care Operations is forecasting to overspend by just under £5.4 millions, this is a mix of price and volume pressures. Within Learning Disabilities and Autism higher demand has continued into this year with client numbers in these areas being 70 more than the budgeted level of 3,569. Older People is also experiencing significant pressures, mainly due to an increase in the number of nursing placements which are 22 more than the budgeted level of 516.
- 2.3. Adult Commissioning and Health is forecast to overspend by £138,000 which is primarily the result of additional agency staffing.
- 2.4. Mental Health is forecasting a small underspend of £100,000.

3. Revenue Expenditure Children's Services

- 3.1. Children's services are forecasting an overspend of £6.8 millions. However, this figure does not include the projected deficit of £33.1 millions on Special Education Needs and Disabilities (SEND).
- 3.2. Children's Social Care is forecast to overspend by £4.1 millions. The forecast includes budgeted savings of £508,000 still considered deliverable. £1.5 millions of the planned savings have been achieved to date.
- 3.3. The forecast also includes an overspend of £1.4 millions relating to children in residential care placements, and more children being placed with independent Foster Carers than budgeted. Social Work Staffing and Strategic Management are forecasting an overspend of £1.4 millions due to agency staff costs. Special Guardianship Orders and Adoption allowances, Early Help, and the Atkinson Secure Children's Home combined are forecasting a total overspend of £1.3 millions.
- 3.4. The non-Dedicated Schools Grant (DSG) element of Education and Learning is forecasting an overspend of just under £2.8 millions. Pressures continue within school transport from the rising costs associated with contract changes, and additional SEND personalised transport routes linked to continued growth in numbers.
- 3.5. Within the DSG High Needs Block, SEND is forecasting an overspend of £33.1 millions.
- 3.6. The Council, in line with government guidance issued in 2020/21, is holding 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 2023 has now been enacted. In practice this means that the deficit does not have a negative impact on the assessment of the County Councils financial sustainability.
- 3.7. At the end of 2020/21 the DSG reported a cumulative deficit of £48.9 millions which was carried forward as a deficit reserve as per government guidance. When combined with the current year forecast the deficit is expected to be £82.1 millions by the end of 2021/22.
- 3.8. The service has developed a management plan which seeks to ensure children with SEN receive the support they need, whilst also addressing the deficit. Successful delivery of the plan should mean that the DSG balances the in-year position during 2023/24, with the accumulated deficit starting to be reduced the following year. Several discussions have taken place with representatives from the Department for Education this financial year, and the detailed management plan submitted to them. These early discussions have been positive, but it has been acknowledged that the plan and timescales involved are very ambitious.
- 3.9. For 2021/22 the management plan contains a savings target of £6.2 millions. The forecast at month 4 is that £5.5 millions will be delivered. £709,000 remains deliverable but has been delayed to next financial year. This has been impacted by the pandemic and has caused delays to projects recruiting staff, and in building capacity during the early months of 2021/22.

4. Revenue Expenditure Highways, Infrastructure Development and Waste

- 4.1. Highways, Infrastructure Development and Waste is forecasting an underspend of £214,000 which is the result of additional income within the Engineering, Design Group.

5. Revenue Expenditure Other Services

- 5.1. Communities, Public Health, Environment and Prosperity (COPHEP) are forecasting an underspend of £330,000. The transport fleet has incurred lower fuel and maintenance costs than budgeted as the pandemic continues to reduce activity. Corporate Services are forecasting an underspend of £794,000 where pressures within Legal and HR are being more than offset by the forecast underspends within Digital Transformation and Business support and Treasurer's Services.
- 5.2. Non-service items, which include capital financing charges and business rates pooling gain, are forecast to underspend by £1.9 millions. This position does not include the forecast impact of the 2021/22 pay award. Once finalised any additional cost arising from this will need to be met from reserves in line with expectations at the time of budget setting.

6. Capital Expenditure

- 6.1. The approved capital programme for the Council is £212.3 millions.
- 6.2. The year-end forecast at Month 4 is £201.6 millions of which £166.3 millions is externally funded. Slippage is forecast at £10.7 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 Planning, Transportation and Environment, which reflects the complexity of the major schemes within this service area.
- 6.4. Material and labour price increases are being experienced which are starting to detrimentally impact the delivery costs and tender prices being returned within the capital programme. This is currently being managed within existing funding and will continue to be monitored.

7. Debt Over 3 Months Old

- 7.1. Corporate debt stood at £2.9 millions, being just over 1.3% 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.

8. Covid-19 funding

- 8.1. In response to the COVID-19 outbreak the Government has continued to put in place a number of grant funding streams to help support Local Authorities in responding to the pandemic, most are a continuation of arrangements established last year. To date Devon County Council is in direct receipt of 11 different pandemic related grants with a confirmed value of just under £36 millions.
- 8.2. In addition to the funds received this year the Authority was able to carry forward £25.6 millions of funding received last year. This mainly related to Contain Outbreak Management Funding, Test and Trace Funding and the Covid support Grant.

8.3. These grants continue to have separate terms and conditions and differing levels of flexibility around their application and use, and plans continue to be developed for application of the funding.

9. Conclusion

9.1. It is very early in the financial year and much will inevitably change as the year progresses. It is important to note however that significant pressures are being experienced in both Adult Care and Health and Children's Services and the situation will need to be monitored closely in the coming months.

9.2. Government funding to support Local Authorities in responding to the Pandemic continues to be significant, but the ever-changing landscape we are faced with continues to present service delivery challenges and financial risks.

9.3. The commencement of the DSG management plan and the positive discussions had to date with the DFE are welcome, but there remain significant risks around the full delivery of such an ambitious plan, and the successful adoption of the planned interventions needs to be closely monitored.

Mary Davis, County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor Phil Twiss

Local Government Act 1972: List of Background Papers

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