

BUDGET MONITORING 2022/23
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.

Recommendation:

- a) That the month 4 budget monitoring forecast and the very challenging financial position faced by the Council is noted;
- b) That the immediate action being taken to safeguard the financial sustainability of the authority is supported;
- c) That Cabinet approves the reduction to Member Locality Budgets outlined in paragraph 3.4; and
- d) The savings and additional income resulting from the Financial Sustainability Programme are 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 £17 million, excluding the dedicated schools grant deficit. This is made up of an underlying overspend of £35.6 million that is being reduced by £18.6 million of Financial Sustainability Programme (FSP) proposed savings and income. There is also a risk that inflationary pressures could result in costs, in addition to this overspend, of more than £10 million this year.
- 1.3. As discussed in the month 2 report, the pandemic and geopolitical situation has created huge financial pressures nationally and the County Council is not immune from that. Immediate action is being taken to safeguard the financial sustainability of the authority. Work is ongoing to identify services and projects in both revenue and capital that can be transformed, modernised, remodelled, funded differently, ceased, or postponed. At month 4 £18.6 million of in year savings and additional income has been identified and work is ongoing at pace to increase this figure and further reduce the forecast overspend.
- 1.4. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £34.5 million. The outcome of the discussions with the Department for Education as part of the Safety Valve Intervention are still awaited.

2. Revenue Expenditure

2.1. The following table details the forecast outturn position by service area at month 4. The underlying overspend, column (c), details the forecast outturn position before the impact of the financial sustainability programme (FSP) is taken into consideration, it is this forecast which is comparable to the position reported at month 2. The impact of the proposed FSP savings is shown in column (d) and the final Month 4 overspend or underspend in column (e).

Month 4 Budget Monitoring Forecast Outturn						
	Adjusted Budget	Forecast Outturn Before FSP Savings	Underlying Overspend	FSP Savings	Month 4 Overspend/ (Underspend)	
	(a)	(b)	(c)	(d)	(e)	(f)
	£000	£000	£000	£000	£000	%
Integrated Adult Social Care	322,656	328,216	5,560	(2,347)	3,213	1%
Childrens and Young Peoples Futures	177,925	200,172	22,247	(2,350)	19,897	11%
Climate Change, Environment & Transport	87,722	87,792	70	(2,597)	(2,527)	-3%
Corporate Services	41,872	42,763	891	(1,919)	(1,028)	-2%
Public Health, Communities & Prosperity	19,725	20,076	351	(1,368)	(1,017)	-5%
Total Service Position	649,900	679,019	29,119	(10,581)	18,538	3%
Non Service Specific Budgets (Below the Line)	(89,835)	(83,305)	6,530	(8,035)	(1,505)	-9%
Total	560,065	595,714	35,649	(18,616)	17,033	6%

2.2. Integrated Adult Social Care is forecasting an overspend of £3.2 million.

2.3. The underlying forecast position for Integrated Adult Social Care services at month 4 is an overspend of £5.6 million, an improvement of £417,000 against the position reported at month 2. The forecast overspend continues to be driven by risk around delivery of planned savings which form part of this year's budget. The reported position assumes that of the £18.2 million planned budgeted savings and additional income, just under £13 million has been achieved this year including the £8 million one off additional income agreed with health partners. Of this, £9.8 million has been delivered with a further £3.1 million, while viewed as deliverable, requires further management action to secure. Actions are underway to develop additional savings strategies in order to further reduce the overspending.

2.4. Additional in year savings of £2.3 million have also been identified as part of the FSP.

2.5. Children and Young People's Futures is forecasting an overspend of £19.9 million and an overspend of £34.5 million on Special Education Needs and Disabilities (SEND).

2.6. The underlying forecast position for Children and Young Peoples Futures services at month 4 is an overspend of £22.2 million, an increase of £4.4 million against the position reported at month 2. The month 4 position assumes that of the £11.7 million of planned budget savings £3.3 million is deliverable, the £8.3 million of savings considered

undeliverable contributes to the forecast overspend. Of this £8.3 million, £5.6 million is school transport budget undeliverable savings, and £750,000 is undeliverable savings on Special Guardianship Order allowances. These are provided for children who live with a family member under this order as an alternative to care, which would cost considerably more.

- 2.7. The forecast position continues to be driven by volume and cost pressures relating to placement for children in care and pressures being faced within School Transport. Of the increased overspend £2.2 million relates to a double counting of internal income at month 2.
- 2.8. Additional in year savings of £2.5 million have also been identified as part of the FSP. Several workstreams have commenced activity which are expected to generate further savings for inclusion in future periods.
- 2.9. The forecast includes a placements budget overspend of £12.1 million. These pressures relate to disabled children's placements and independent residential care services, particularly around supported accommodation. Social Work Staffing, Strategic Management and legal disbursements together are forecasting an overspend of £800,000 mainly due to agency staff costs. Special Guardianship Orders and Adoption allowances and the Atkinson Secure Children's Home combined are forecasting a total overspend of £1.8 million. These pressures are in part offset by the additional FSP related savings.
- 2.10. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £5.9 million, the pressure in the main is driven by the school transport service. £5.6 million relates to non-delivery of planned budget savings, whilst £2.1 million has come from the continued increase in the average costs of contracts that are relinquished and retendered. The unit cost for transport continues to be high due the high level of inflation impacting the sector. Additional FSP savings and an improved forecast within disabled childrens services have in part reduced the overspending to the £5.9 million being reported.
- 2.11. The Public Health Nursing Service is currently forecast to underspend £986,000 of which £177,000 is core revenue budget and reported within Children's Services with the balance reported against the Public Health ring fenced grant.
- 2.12. Dedicated Schools Grant (DSG) is forecasting an overspend of £34.5 million, an increase of £2.3 million from the position reported at month 2. The increase is predominantly associated with price pressures being experienced within the independent special school setting. Management plan savings of £10 million were included within this year's budget, £8.6 million are now expected to be delivered this year.
- 2.13. At the end of 2021/22 the DSG reported a cumulative deficit of £86.5 million 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 £121 million by the end of 2022/23.
- 2.14. The Council continues to be participating in the Safety Valve Intervention programme with the Department for Education. A decision from Central Government is still awaited but it is hoped that this will be resolved this month.
- 2.15. The remaining Directorates are forecasting an underspend of £4.6 million at month 4. The underlying forecast position is a overspend of £1.3 million. Additional savings identified as part of the FSP total £5.9 million.

2.16. Non Service items, which include capital financing charges and business rates pooling gain are forecasting an underspend of £1.5 million. The underlying position is a forecast pressure of £6.5 million, predominantly the forecast impact of the 2022/23 pay award. The FSP has identified further savings of just over £8 million.

3. Financial Sustainability Programme

3.1. An organisation wide Financial Sustainability Programme was developed in June to examine areas of expenditure and to develop proposals that directly address the in year financial challenges.

3.2. This work is being carried out by a cross organisational Tactical Leadership Team comprising senior officers from every service of the Council, who are examining options for service transformation, modernisation, remodelling of delivery, and ceasing or postponement of activity where possible. There is agreement for this work to be top immediate priority for the Council; to move at pace and scale for the authority to be able to take immediate action in response to the financial challenge.

3.3. The Tactical Leadership Team (TLT) is continuing to identify, scope and develop proposals for consideration alongside monitoring and reviewing the overall progress and delivery of actions already underway. The Month 4 position reflects £18.6 million of proposed savings identified through the Financial Sustainability Programme. A high level summary by type of saving is included below:

Delaying / Pausing Examples include; <ul style="list-style-type: none"> • £1m Delay on corporate IT & Digital Infrastructure projects • £0.4m Deferral of the LDO for SkyPark • £0.6m Delay Adult Care Management System 	£3.6m
Additional Income Examples include; <ul style="list-style-type: none"> • £1.3m of increased interest earned • £0.3m through increased fees • £1.4m windfall dividends 	£3.9m
Reducing Spend Examples include; <ul style="list-style-type: none"> • £0.75m MRP (minimum revenue provision) • £1m reduction on the central insurance provision • £1m Belwin contribution • £1m Reduction in our offer to Adults aged 18-65 • £0.13 Reduction in the Member Locality Budgets 	£6.2m
Stopping Examples include; <ul style="list-style-type: none"> • £0.3m Not spending some of the agreed carried forward funds • £0.1m Cease removal of vegetation from Bridges • £0.07m Ceasing mobile phone contracts 	£1m
Targeted Funding Examples include; <ul style="list-style-type: none"> • £2m Grant funding • £1m Children’s Centre’s utilising Public Health reserve 	£3.9m
Total	£18.6m

3.4. The table above includes a saving of £128,000 from Member’s Locality Budgets. This represents 50%, or half, of the individual member balances that were unspent at the end of 2021/22 and that were carried forward into the current year. It also includes £38,000 carried forward from 2021/22 to the current year as a central contingency and that

remains unallocated. Both of these sums will be removed from Locality Budgets as a one off saving this financial year and will therefore not be available for Members to spend.

4. Capital

- 4.1. The approved capital programme for the Council is £215.8 million. This figure incorporates amounts brought forward from 2021/22, and other prior year approvals, of £42.3 million and in year additions of £8.4 million.
- 4.2. The year-end forecast is £185.6 million, producing forecast slippage of £30.2 million.
- 4.3. Wherever possible slippage is offset by the accelerated delivery of other approved schemes within the capital programme. The main areas of slippage can be attributed to variations and programme delays in Planning, Transportation and Environment, which reflects the complexity of the major schemes within this service area.
- 4.4. Material and labour price increases continue to be experienced which are impacting the delivery costs and tender prices being returned, within the capital programme.

5. Debt Over 3 Months Old

- 5.1. Corporate debt stood at £3.2 million, being just under 1.4% 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.

6. Conclusion

- 6.1. The formation of the Financial Sustainability Programme is having a positive, immediate, and significant impact on the projected overspend. However, the underlying position has worsened since month 2 and this must be addressed as a matter of urgency.
- 6.2. The commencement of the DSG management plan and the positive discussions had to date with the DFE are welcome, however the projected overspend this year is £5.2 million more than expected and urgent action must be taken to bring this back in line with the management plan.
- 6.3. The good work underway must continue at pace and scale to ensure the authority is in the strongest position possible to continue to provide the best services we can within the resources available.

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Electoral Divisions: All

Cabinet Member: Councillor Phil Twiss

Local Government Act 1972: List of Background Papers

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Date Published: 6th September 2022

