

**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 6 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) **The savings and additional income resulting from the Financial Sustainability Programme are noted;**
- d) **That the introduction of a new charge when novating contracts is agreed with immediate effect;**
- e) **That approval is given to change the financing of the Special Educational Needs Capital Programme totalling £12.3 million from internal borrowing to external grant; and**
- f) **That approval is given to change the financing of other capital projects totalling £8.7 million from internal borrowing to Capital Receipts.**

**1. Introduction**

- 1.1. This report outlines the financial position and forecast for the Authority at month 6 (to the end of September) of the financial year.
- 1.2. At month 6 it is estimated that budgets will overspend by £6.3 million, excluding the dedicated schools grant deficit. This is made up of an underlying overspend of £32.8 million reduced by £26.5 million of Financial Sustainability Programme (FSP) proposed savings and income. An inflationary pressure risk continues to be present which may result in increases to the forecast overspend if it cannot continue to be contained.
- 1.3. The Cost of Living Crisis and geopolitical situation has created huge financial pressures nationally and the County Council is not immune from that. Immediate action has been taken to safeguard the financial sustainability of the authority for the current financial and work continues to identify further in year cost containment measures. 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 6 £26.5 million of in year savings and additional income has been identified.
- 1.4. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £36.9 million, an increase of £3 million from Month 4. 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 6. The underlying overspend, column (c), details the forecast outturn position before the impact of the financial sustainability programme (FSP) is taken into consideration. The impact of the proposed FSP savings is shown in column (d) and the final Month 6 overspend or underspend in column (e).

<b>Month 6 Budget Monitoring Forecast Outturn</b>							
	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Forecast Outturn Before FSP Savings</b>	<b>Underlying Overspend</b>	<b>FSP Savings</b>	<b>Month 6 Overspend/ (Underspend)</b>	
	<b>(a)</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(f)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Integrated Adult Social Care	312,928	322,606	329,924	7,318	(4,547)	2,771	1%
Childrens and Young Peoples Futures	176,148	207,697	228,678	20,981	(3,552)	17,429	8%
Climate Change, Environment & Transport	79,700	87,722	86,665	(1,057)	(3,122)	(4,179)	-5%
Corporate Services	41,719	41,945	42,676	731	(1,739)	(1,008)	-2%
Public Health, Communities & Prosperity	18,867	24,066	24,092	26	(1,353)	(1,327)	-6%
<b>Total Service Position</b>	<b>629,362</b>	<b>684,036</b>	<b>712,035</b>	<b>27,999</b>	<b>(14,313)</b>	<b>13,686</b>	<b>2%</b>
Non Service Specific Budgets (Below the Line)	(69,297)	(123,971)	(119,163)	4,808	(12,153)	(7,345)	-7%
<b>Total</b>	<b>560,065</b>	<b>560,065</b>	<b>592,872</b>	<b>32,807</b>	<b>(26,466)</b>	<b>6,341</b>	<b>6%</b>

### 2.2. Integrated Adult Social Care is forecasting an overspend of £2.8 million.

2.3. The underlying forecast position for Integrated Adult Social Care services at month 6 is an overspend of £7.3 million, an increase of £1.7 million against the position reported at month 4. The forecast overspend continues to be driven by risk around delivery of planned savings which form part of this year's budget and a worsening position against older people budgets, particularly within residential and nursing care.

2.4. The reported position assumes that of the £18.2 million planned budgeted savings and additional income, just over £13 million will be achieved this year, including the £8 million one off additional income agreed with health partners. Of this, £11.2 million has been delivered with a further £1.6 million, whilst viewed as deliverable, requires further management action to secure. Actions are underway to develop additional savings strategies in order to further reduce the overspending.

2.5. Additional in year savings of £4.5 million have also been identified as part of the FSP.

### 2.6. Children and Young People's Futures is forecasting an overspend of £17.4 million and an overspend of £36.9 million on Special Education Needs and Disabilities (SEND).

2.7. The underlying forecast position for Children and Young Peoples Futures services at month 6 is an overspend of just under £21 million, an improvement of £1.3 million against the position reported at month 4.

2.8. The month 6 position assumes that of the £11.7 million of planned budget savings £5.8 million is deliverable, the £5.9 million of savings considered undeliverable contributes to the forecast overspend.

- 2.9. The rest of the forecast pressure continues to be driven by volume and cost pressures relating to placements for children in care and pressures being faced within School Transport.
- 2.10. Additional in year savings and alternative funding sources of £3.5 million have now been identified as part of the FSP. Several work streams have commenced activity which are expected to generate further savings for inclusion in future periods.
- 2.11. Children's Social Care and Public Health nursing are forecasting an overspend of £12.4 million, an improvement of £642,000 from month 4. 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 £1.2 million. All other areas which include Special Guardianship Orders and Adoption Allowances the Atkinson Secure Children's Home, Children's Centres, Public Health Nursing and Early Help and Youth Justice combined are forecasting a total underspend of £888,000.
- 2.12. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £6.5 million, an improvement of £358,000 from Month 4. The pressure in the main is driven by the school transport service. £5.6 million relates to non-delivery of planned budget savings, whilst £2.3 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 children's services have in part reduced the overspending to the £6.5 million being reported.
- 2.13. Dedicated Schools Grant (DSG) is forecasting an overspend of £36.9 million, an increase of £3.0 million from the position reported at month 4. The increase continues to be associated with price and volume pressures being experienced within the independent special school setting. Management plan savings of £10 million were included within this year's budget, £8.4 million are now expected to be delivered this year.
- 2.14. 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 £123.8 million by the end of 2022/23.
- 2.15. The Council continues to await the outcome of the Safety Valve Intervention programme with the Department for Education.
- 2.16. **Other items**
- 2.17. The remaining Directorates are forecasting an underspend of £6.2 million at month 6. The underlying forecast position is a small underspend of £300,000. Additional savings identified as part of the FSP total £5.9 million.
- 2.18. Non Service items, which include capital financing charges and business rates pooling gain are forecasting an underspend of £7.3 million. The underlying position is a forecast pressure of £4.8 million, predominantly the forecast impact of the 2022/23 pay award. The FSP has identified further savings of £12.2 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 6 position reflects £28.6 million of proposed savings identified through the Financial Sustainability Programme. A high level summary by type of saving is included below:

<p><b>Delaying / Pausing</b></p> <p>Examples include;</p> <ul style="list-style-type: none"> <li>• £1m Delay on Corporate IT &amp; Digital Infrastructure Projects</li> <li>• £0.4m Deferral of LDO for Skypark</li> <li>• £0.6m Delay Adult Care Management System</li> </ul>	<b>£3.6m</b>
<p><b>Additional Income</b></p> <p>Examples include;</p> <ul style="list-style-type: none"> <li>• £1.3m of increased interest Earned</li> <li>• £0.3m through increased fees</li> <li>• £1.4m windfall dividends</li> </ul>	<b>£5m</b>
<p><b>Reducing Spend</b></p> <p>Examples include;</p> <ul style="list-style-type: none"> <li>• £0.75m MRP (Minimum Revenue Provision)</li> <li>• £1m reduction on central insurance provision</li> <li>• £1m Belwin contribution</li> <li>• £1m Reduction in our offer to Adults aged 18-65</li> <li>• £1.7m Reconfiguration of short term Services</li> <li>• £0.13m Reduction in the Member Locality Budgets</li> </ul>	<b>£7.9m</b>
<p><b>Stopping</b></p> <p>Examples include;</p> <ul style="list-style-type: none"> <li>• £0.3m Not spending some of the agreed carried forward funds</li> <li>• £0.1m Cease removal of vegetation from Bridges</li> <li>• £0.07m Ceasing mobile phone contracts</li> </ul>	<b>£1.8m</b>
<p><b>Targeted Funding</b></p> <p>Examples include;</p> <ul style="list-style-type: none"> <li>• £5.9m Grant Funding</li> <li>• £1m Children’s Centre’s Utilisation Public Health reserve</li> </ul>	<b>£8.2m</b>
<b>Total</b>	<b>£26.5m</b>

#### **4. Capital**

- 4.1. The approved capital programme for the Council is £217 million. This figure incorporates amounts brought forward from 2021/22, and other prior year approvals, of £42.2 million and approved in-year changes totalling a net of £9.7 million.
- 4.2. The year-end forecast is £185.7 million of which £146.0 million is externally funded. Slippage is forecast at £31.3 million.
- 4.3. 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.
- 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. This is being carefully monitored and managed within existing resources.
- 4.5. The Special Educational Needs (SEN) capital programme was historically awarded up to £15 million in corporate capital funding to contribute to the creation of new SEN places. This was subject to the Council receiving additional external grant funding, which has since been awarded. The corporate funding drawn down, of £12.3 million to date, can be removed from the capital programme and replaced with external grant.
- 4.6. Furthermore, due to a full capital programme review, it is recommended that other capital projects totalling £8.7 million and currently funded from internal borrowing, are switched to capital receipts funding.
- 4.7. The recommended changes are not an increase or decrease in the capital programme, but they will lessen revenue pressures in future years in respect of a reduction in the required minimum revenue provision for corporate debt.

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

- 5.1. Corporate debt stood at £3.3 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. Contract Novations – cost recovery**

- 6.1. The Finance and Public Value Service is periodically requested to carry out contract novations by DCC Service Providers. This is the act of replacing one contracting entity with another part way through the contract, requiring the consent of all parties involved.
- 6.2. The process includes financial checks, compliance reviews, wider due diligence and other such administration. The proposal is to introduce an administration charge to undertake this service at cost recovery of DCC officer time in undertaking this work for external providers.
- 6.3. The charge will contribute a modest cost recovery to the authority (less than £10,000), during 2021/22 DCC undertook 32 such novations.
- 6.4. As contract novations vary in complexity, the indicative charge is between £300 - £500 per occurrence and will be charged on a full cost recovery basis.

## **7. Conclusion**

- 7.1. The improved position is welcomed but the good work to date must continue to ensure a balanced position is delivered at year end.
- 7.2. The Financial Sustainability Programme continues to have a positive impact on the projected overspend. However, the underlying position continues to be hugely concerning due to the impact on future year's budgets.
- 7.3. The commencement of the DSG management plan and the positive discussions had to date with the DFE are welcome, however the projected overspend continues to grow and urgent action must be taken to bring this back in line with the management plan.
- 7.4. The work to transform services and identify ongoing savings 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.

Angie Sinclair, Director of Finance and Public Value

Electoral Divisions: All

Cabinet Member: Councillor Phil Twiss

[Local Government Act 1972: List of Background Papers](#)

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