

BUDGET MONITORING 2023/24
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 position is noted;**
- b) That significant work, in line with the Sustainable and Stronger Council plan, is ongoing to ensure the current projected overspend is brought back in balance by year end is noted; and**
- c) That the update on the Safety Valve Intervention programme is noted.**

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 its meeting in September 2023 cabinet agreed to reduce all Directorate budgets by an apportioned share of £10 million and create a corresponding Safety Valve Support Reserve. At month 6 £7.1 million of this £10 million has been identified as deliverable, with plans still being developed to meet the remaining £2.9 million. The month 6 position includes the current forecast level of delivery of this in year budget adjustment, this is detailed within section 2.2.
- 1.3. At month 6 it is estimated that budgets will overspend by £13.6 million, excluding the dedicated schools grant deficit. This is an increase of £4.3 million from the month 4 position, of this increase £2.9 million relates to the new in year budget saving target as set out in 2.2.
- 1.4. The majority of Directorates have evidenced the ability to maintain a forecast balanced position, meet budgeted savings, and take onboard the additional in year savings linked to the safety valve programme. This demonstrates strong financial management. It is particularly important to note that unlike previous years the positive working between the finance teams of the authority and NHS Devon ICB are supporting the delivery of services on budget within a particularly challenging environment.
- 1.5. There are however emerging risks within Children and Young People's Futures with increasing numbers of complex placements and continued pressure associated with excessive agency costs. In response additional intensive work and the establishment of a cross council placement taskforce is seeking to address this issue at pace. There has been significant progress in stabilising management tiers with the level of interim managers reducing by 70% since February 2023 and agency levels by 11% since May, these activities will be subject to weekly support and intervention by the Chief Executive and Director of Finance and Public Value.
- 1.6. The Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £37.1 million, an increase of £547,000 from month

4. In line with Department of Education guidance this deficit will not be dealt with this financial year but carried to future years.

2. Revenue expenditure

2.1. The following table summarises the month 6 forecast position by directorate, excluding the Dedicated Schools Grant forecast overspend.

Service	Original Budget	Adjusted Budget	Forecast Outturn	Month 6 Over/ (Underspend)	
	£000 (a)	£000 (b)	£000 (c)	£000 (d)	% (e)
Integrated Adult Social Care	339,302	344,739	345,650	911	0.26%
Children and Young People's Futures	208,603	233,277	242,617	9,340	4.00%
Corporate Services	44,848	44,594	44,795	201	0.45%
Climate Change, Environment & Transport	81,900	90,341	89,901	(440)	-0.49%
Public Health, Communities & Prosperity	21,395	32,708	32,708	0	0.00%
Total Service Position	696,048	745,659	755,671	10,012	1.34%
Non Service Specific Budgets (Below the Line)	(88,375)	(137,986)	(134,386)	3,600	-2.61%
Total	607,673	607,673	621,285	13,612	2.24%

2.2. At its meeting in September 2023 cabinet agreed to reduce all Directorate budgets by an apportioned share of £10 million and create a corresponding Safety Valve Support Reserve. This was to increase the level of reserves in order to fund a local contribution to the accumulated SEND deficit. The following table details the current forecast level of delivery, as at month 6. As can be seen all service areas, with the exception of Children and Young People's Futures, are forecasting full delivery of this in year saving. These forecasts are reflected within the Month 6 position.

Service	Allocation of in year Saving	Estimated Delivery	Variance include in forecast
	£000 (f)	£000 (g)	£000 (h)
Integrated Adult Social Care	(4,890)	(4,890)	0
Children and Young People's Futures	(2,924)	0	2,924
Corporate Services	(627)	(627)	0
Climate Change, Environment & Transport	(1,281)	(1,281)	0
Public Health, Communities & Prosperity	(278)	(278)	0
Total Service Position	(10,000)	(7,076)	2,924

2.3. Revenue Expenditure Integrated Adult Social Care

- 2.4. Integrated Adult Social Care services are forecast to overspend by £911,000, a reduction of £1.2 million from month 4. A forecast overspend continues to be the result of risk around delivery of planned savings, the improved forecast position is the result of final agreement being reached around application of funding held within the Better Care Fund. The reported position assumes that £26.2 million of savings are achieved against the budgeted target of £30.6 million, as well as the additional in year saving target of £4.9 million agreed by Cabinet in September. Of this £18.1 million are deemed delivered in that actions have already been taken to secure them. Actions are underway to develop alternative savings strategies in order to bring spending in line with budget.
- 2.5. Adult Care Operations continues to forecast an underspend of just under £500,000. Older People services continue to experience pressures with personal care costs as a result of improved personal care market sufficiency and back log reductions. There continues to be a mix of price and volume variances against budget levels, with growing pressures being felt in Learning Disabilities.
- 2.6. Adult Commissioning and Health is forecast to overspend by £1.4 million, predominantly the result of non-delivery of savings plans.
- 2.7. The Better Care Fund (BCF) programme supports local systems to deliver the integration of health and social care in a way that supports person-centred care, sustainability and better outcomes for people and carers. It is a pooled budget between Devon County Council and Devon Integrated Care Board. There is currently an identified risk of overspending by just over £3.6 million associated with the BCF. Work is underway to mitigate and reduce this risk but should it materialise the agreement that underpins the pooled budget arrangements mean that the Authority would be responsible for funding 50% of any end of year deficit. This risk is not reflected within the current forecast.
- 2.8. Revenue Expenditure Children and Young People's Futures**
- 2.9. Children and Young People's Futures services are forecasting an overspend of £9.3 million, an increase of £6.6 million from Month 4. However, this figure does not include the projected deficit of £37.1 million on Special Education Needs and Disabilities (SEND), a increase of £547,000 from month 4.
- 2.10. Children's Social Care is forecast to overspend by just over £7 million, an increase of £6.2 million from month 4. The forecast spend on high cost placements has increased by £3 million from month 4. There is a risk to delivery of £2.4 million of planned budget savings relating to reductions in agency staffing, direct payments and incidental support for children in need, looked after children and care leavers now included in the forecast. In addition plans to meet the in year savings target of £2.1 million, agreed by Cabinet in September 2023, have not been finalised. The risk of non-delivery of these plans is reflected within the month 6 forecast, but work continues to develop in year mitigations. Staffing pressures continue, with high reliance on Agency, but the spend forecast for the year has reduced by £1.3 million since month 4.
- 2.11. Education Learning, School Transport and Inclusion Services are forecasting to overspend by £2.3 million, a increase of £380,000 from month 4. This pressure continues to be driven by the SEND support teams reliance on agency staff where they have been unable to recruit permanently. In addition the Educational Psychologist team has been focused on meeting statutory duties at the expense of providing income generating traded services to schools. The increase also reflects the risk of non-delivery of the in year savings target of £819,000 but works continues to develop in year savings to meet this target.

- 2.12. Dedicated Schools Grant for Education and Learning is forecasting an overspend of £37.1 million, an increase of £547,000 from month 4. Work is under way to refresh the management action plan and reduce the in year pressure.
- 2.13. As reported last year the Council, in line with government guidance issued in 2020/21 and extended in 2022/23, continues to hold 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 2026. In practice this has meant that the deficit does not have a negative impact on the assessment of the County Councils financial sustainability.
- 2.14. At the end of 2022/23 the DSG reported a cumulative deficit of £125.4 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 £162.6 million by the end of 2023/24.
- 2.15. A second round of discussions with the Department for Education (DfE) are now underway as part of the Safety Valve Intervention programme. The management plan is being updated and revised to reflect changes in leadership, timescales and delivery plans. With final submission taking place in the Autumn.

2.16. Revenue Expenditure Climate Change, Environment and Transport

- 2.17. At month 6, the Climate Change, Environment and Transport directorate is forecasting a underspend of £440,000, a reduction of £165,000 from month 4. Staffing vacancies and other operational savings within the planning service continue to drive the underspend but reduced household waste tonnages are also being experienced. Emerging demand and inflationary pressures within highways and waste are expected to be managed during the year and budget savings of £4.5 million are expected to be fully delivered.

2.18. Revenue Expenditure Other Services

- 2.19. At month 6 Public Health, Communities and Prosperity are anticipated to outturn to budget. Corporate services are forecasting an overspend of £201,000, an increase of £305,000 from month 4. Pressures within Legal and Democratic Services and People and Culture continue to be experienced.
- 2.20. Non-service items, which include capital financing charges, interest earned and business rates pooling gain, are currently forecasting an overspend of £3.6 million, a reduction of £1.2 million from month 4, the result of a higher level of interest being earned on balances than anticipated.

3. Capital Expenditure

- 3.1. The approved capital programme for the Council is £246.2 million. This figure incorporates amounts brought forward from 2022/23 of £54.7 million and approved in-year changes totalling a net of £18.4 million.
- 3.2. The year-end forecast is £197 million of which £171.3 million is externally funded. Slippage is forecast at £49.2 million.
- 3.3. Slippage is highest within the Climate Change, Environment and Transport Directorate, which reflects the complexity of the major projects within this service area.

3.4. Inflationary 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. Debt Over 3 Months Old

4.1. Corporate debt stood at £6 million, being 2.86% 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.

5. Conclusion

5.1. The level of additional in year savings identified since month 4 to support the safety valve submission is very encouraging; with work underway to deliver the remaining balance of £2.9 million and return all Directorate overspends to budget.

5.2. The majority of Directorates have evidenced the ability to maintain a forecast balanced position, meet budgeted savings, and take onboard the additional in year savings linked to the safety valve programme. This clearly demonstrates strong financial management.

5.3. Significant action is being taken to ensure the emerging risks within Children and Young People's Futures are mitigated.

5.4. The Submission of the Safety Valve management plan continues to develop, with the submission date having been agreed with the DfE of 15th December 2023; details will be reported to Cabinet ahead of submission.

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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