

## DERBYSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

14 February 2018

## Report of the Director of Finance &amp; ICT

## BUDGET MONITORING 2017-18 (as at 31 October 2017)

**1 Purpose of the Report**

To provide Members with the Revenue Budget position for 2017-18 as at 31 October 2017.

**2 Information and Analysis**

The report summarises the controllable budget position by Cabinet Member Portfolios as at 31 October 2017. In addition to this report, further reports will also be considered at Cabinet Member meetings, Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations. There are overspends on the Young People and Economic Development and Regeneration portfolios. The projected outturn compared to controllable budget is summarised below. This includes the use of one-off funding for the Highways, Transport and Infrastructure and Young People portfolios.

	<b>Budget £m</b>	<b>Forecast Actuals £m</b>	<b>Projected Outturn £m</b>
Adult Care	230.852	228.882	(1.970)
Council Services	44.307	44.243	(0.064)
Economic Development and Regeneration	1.413	1.438	0.025
Health and Communities (exc. Public Health)	4.788	4.665	(0.123)
Highways, Transport and Infrastructure	79.609	76.941	(2.668)
Strategic Leadership, Culture and Tourism	14.783	14.043	(0.740)
Young People	93.535	97.923	4.388
<b>Total Portfolio Outturn</b>			<b>(1.152)</b>
Interest Income			0.00
Debt Charges and Risk Management			(7.157)
<b>Total</b>			<b>(8.309)</b>

A summary of the individual portfolio positions is detailed below.

## **Adult Care**

There is a projected year-end underspend of £1.970m (assuming that the Improved Better Care Fund (iBCF) will be fully spent within the year). Further details are set out below:

Purchased Services (£2.672m overspend) - the main variances in Purchased Services are due to an increase in the number of care packages, especially Residential Care, agreed to enable the authority to meet its target to reduce Delayed Transfer of Care from hospitals.

Strategic Director (£1.000m underspend) – relates to budgets awaiting allocation during the year.

Commissioning and Performance (£3.714m underspend) – savings on block contracts (£0.665m), housing related support (£1.218m) and the pooled Integrated Community Equipment Service budgets (£0.487m) account for the main underspends with staffing turnover and vacancies accounting for the remainder.

The budget savings target is £14.795m, of which £14.344m has already been achieved.

## **Council Services**

The budget is forecasting an underspend of £0.064m at year-end, variances within the portfolio include:

County Property (£0.411m overspend) – including an overspend of £0.684m that relates to the Industrial Development Portfolio managed by the Property Services Division.

Corporate Finance & ICT Division (£0.300m underspend) - this is mainly due to vacancy controls and higher than anticipated levels of income from trading with schools which have also contributed.

Human Resources (HR) Division (£0.328m underspend) - the key variance relates to vacancy control.

Budget reductions totalling £3.301m were allocated for the year, with a contribution of £0.175m towards the shortfall in identified savings. The department has identified £3.015m of savings, of which £2.905m will be achieved, with the balance being met from underspends.

## **Economic Development and Regeneration**

There is a projected year-end overspend of £0.025m.

## **Health and Communities**

The 2017-18 controllable net budget for the Health and Communities portfolio is £4.831m. This includes the ring-fenced Public Health budget worth £41.618m which is fully funded by the ring-fenced Public Health Grant for 2017-18. The forecast year-end position for the portfolio is an underspend of £0.445m, however, excluding Public Health the underspend is £0.123m. The main variances are:

Community Safety (£0.150m underspend) - mainly due to staff vacancies and an underspend on Community Safety projects.

Public Health (£0.322m underspend) – a large proportion of the underspend continues to be generated from activity-based contracts which are not achieving anticipated levels of service activity when the contracts were tendered. However it is expected that the level of underspend generated by the new Live Life Better Derbyshire Service which commenced on 1 December 2017 will be much reduced. This has been reflected in the projected underspend figure for Public Health. The underspend at year-end will be transferred into the Public Health Reserve and will help to meet Public Health restructure costs and pay protection arrangements for 2 years from April 2018; it will also be used to support investment in a comprehensive programme of sports and physical activity grants as per the Council Plan.

A budget savings target of £0.331m has been allocated for 2017-18, of which £0.262m will be achieved.

## **Highways, Transport and Infrastructure**

There is a projected year-end underspend of £2.668m after the previously approved release of funding from the General Reserve in respect of support to local bus services. The key variances are:

Public and Community Transport (£0.424m underspend) – after the allocation of £2.761m in relation to local bus services for which a commitment from the General Reserve remains available following previous Cabinet approvals for £4.750m support over the period 2016-18.

Highway Maintenance (£1.568m overspend). The overspend is due to:

- winter maintenance is currently projected to overspend due to the high level of fixed costs;
- inflation on street lighting energy and;
- the delay in the implementation of the street lighting LED contract.

Planning and Development (£1.005m underspend) - mainly due to higher than budgeted developer fee income.

Waste Management (£2.776m underspend) - this includes £1.388m final year landfill diversion saving, £1.000m in respect of lower than originally expected waste tonnage and £0.326m business rates savings due to the waste treatment facility project delay.

Unallocated Budget Savings (£1.297m overspend) – not yet allocated to specific services.

A savings target of £5.729m has been allocated for the year, of which £2.852m will be achieved.

### **Strategic Leadership, Culture and Tourism**

A forecast year-end underspend of £0.740m is projected. Key variances are:

Communications (£0.296m underspend) – due to vacancy control within Call Derbyshire.

Chief Executive's (£0.331m underspend) - this relates to the restructuring of the Council's Senior Management Team.

A savings target of £0.954m has been allocated, of which £0.483m will be achieved in 2017-18, the balance is to be achieved in 2018-19.

### **Young People**

The current forecast year-end position is an overspend of £4.388m after the residual Children's Services prior year underspend, currently held in an Earmarked Reserve, contributes £2.053m. The main variances are:

Early Help and Safeguarding (£7.520m overspend) –contributory factors are increases in:

- numbers of children in care;
- referrals;
- complexity;
- financial support for children living with family members and;
- use of agency staff.

Advisory Service (£0.889m overspend) – due to the service moving towards being funded from government grant and traded income. This overspend is being covered by an Earmarked Reserve and use of that reserve has already been reflected in the portfolio's projected total overspend.

Allocations from Grants (£0.185m overspend) - the overspend is due to a shortfall in the re-pooling of contributions from schools and academies towards the Early Help offer.

Child Protection (£0.147m overspend) – due to increases in the number of children with a child protection plan and the number of referrals of children.

Capital Adjustment (£0.671m underspend) – from full reconciliation of capital allocations to projects. During the year it is anticipated that the full reconciliation will be concluded and that funds will be identified from underspending capital projects to be returned to Children's Services.

Finance/HR/Information and Communication Technology /Business Services (£0.811m underspend) - due to vacancy control.

A savings target of £6.163m has been allocated, of which £4.623m have been achieved to date.

A number of schools, mainly secondary, have not been full to capacity in recent years due to lower numbers in secondary age groups in some parts of the county. The Authority has lodged appeals on the rates charged on several school sites which have been below capacity and refunds of paid amounts are now being made. The total amount is expected to exceed £100,000 and the intention is to use the resources to support schools in future years. In order to retain as much flexibility on the use of these resources, it is intended to hold the funds as an Authority earmarked reserve and to seek the views of School Forum on proposals for its use. Cabinet is asked to approve the creation of an earmarked reserve to hold prior year rates refunds in respect of schools subject to further proposals for the use of these funds being brought back to Cabinet at a future point.

## **Summary**

A portfolio underspend of £1.152m is forecast after the use of Earmarked Reserves to partly fund Young People and the use of the General Reserve to support local bus services. Any underspends in 2017-18 will be used to manage the budget in 2018-19.

The Debt Charges and Risk Management Budgets have an underspend of £7.157m, however, the balance will support the management of a balanced budget in future years.

Details of additional grant income received in-year were reported to Cabinet on 20 July 2017. This resource will be used to help manage the budget in future years, details of which are set out in the Five Year Financial Plan.

Interest on balances is estimated to break even by the year-end. Whilst the interest base rate remains at 0.25%, the Council utilises a range of investments to maximise its income.

Details of the Council's Earmarked Reserves balances as at 31 October 2017 are set out in Appendix One. The recent review of the Council's reserves' balances was reported to Cabinet on 26 October 2017.

### **3 Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

### **4 Background Papers**

Papers held in Technical Section, Corporate Finance & ICT, Rooms 137-8.

### **5 Officer's Recommendation**

That Audit Committee notes the 2017-18 budget monitoring position as at 31 October 2017.

PETER HANDFORD

Director of Finance & ICT

## APPENDIX ONE

**Earmarked Reserves as at 31 October 2017**

<b>Adult Care</b>	<b>£m</b>
Adult Care Budget Cut Shortfall	4.472
Other reserves	1.021
<b>Total Adult Care</b>	<b>5.493</b>
<b>Council Services</b>	
Insurance and Risk Management	19.953
Uninsured Financial loss	13.000
Change Management	5.553
Planned Building Maintenance	5.492
Computer Reserve Fund	4.394
Property Direct Service Organisation (DSO)	3.512
Corporate Resources Department (CRD) Reserve	2.532
Business Rates Pool	2.260
Derbyshire Property Package	1.953
Budget Management	1.600
CRD Under spend	1.553
PFI Phase 1 reserve	1.531
Other reserves	6.735
<b>Total Council Services</b>	<b>70.068</b>
<b>Economic Development and Regeneration</b>	
D2 Growth Fund	0.200
Approach to Countrywide External Funding	0.171
D2 Business Development	0.143
Markham Vale Environment Centre Extension	0.114
Skills Training	0.101
Markham Vale Economic Impact Assessment	0.100
D2N2 Demand Stimulation	0.100
Other reserves	0.131
<b>Total Economic Development and Regeneration</b>	<b>1.059</b>
<b>Health and Communities</b>	
Public Health s256 /Externally Funded Reserve	0.266
Community Safety	0.081
Other reserves	0.273
<b>Total Health and Communities</b>	<b>0.621</b>

<b>Highways, Transport and Infrastructure</b>	<b>£m</b>
Environmental underspends	6.196
Broadband	6.121
Winter Maintenance	2.000
Road Safety Public Service Agreement (PSA)	1.634
Derby and Derbyshire Road Safety Partnerships Reserve	1.009
Waste, Performance and Efficiency Grant (WPEG) 2006-07	0.802
IT Reserve	0.625
Waste Recycling Initiatives	0.391
Direct Labour Organisation (DLO) Reserve Highways	0.311
Other reserves	1.916
<b>Total Highways, Transport and Infrastructure</b>	<b>21.004</b>
<b>Strategic Leadership, Culture and Tourism</b>	<b>£m</b>
Strategic Policy Budget commitments	1.477
Derbyshire Challenge Fund	0.870
Policy and Research	0.465
Innovations and Transformation	0.330
High Needs Strategic Funding	0.305
Culture and Community Service (CACS) underspend	0.256
Upgrade of Broadband in Libraries	0.255
Derwent Valley Mills World Heritage Site	0.178
Public Service Agreement (PSA)1 Reward Grant	0.175
Digital Exclusion	0.101
Other reserves	0.709
<b>Total Strategic Leadership, Culture and Tourism</b>	<b>5.121</b>
<b>Young People</b>	
Tackling Troubled Families	3.521
Capital two year old provision	2.493
Prior year underspend	2.053
Complex Injury	0.879
Primary Teachers' Pooled Premium Reserve	0.688
Children and Younger Adults (CAYA) Earmarked Reserve	0.579
Foster Carers Adaptations	0.415
Other reserves	1.140
<b>Total Young People</b>	<b>11.769</b>
<b>Total Earmarked Reserves</b>	<b>115.136</b>
<b>Public Health Grant</b>	<b>6.343</b>
<b>Balances held for and on behalf of schools</b>	
School Balances	35.434
Dedicated Schools Grant (DSG)	7.079
<b>Total balances held for and on behalf of schools</b>	<b>42.513</b>