

Agenda Item No.4 (b)**DERBYSHIRE COUNTY COUNCIL****AUDIT COMMITTEE****4 October 2016****Report of the Director of Finance****BUDGET MONITORING 2016-17 (as at 30 June 2016)****1 Purpose of the Report**

To provide Members with the Revenue Budget position for 2016-17 as at 30 June 2016.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolios as at 30 June 2016. In addition to this report, further reports will also be considered at Cabinet Member meetings, Cabinet and Council in accordance with the Budget Monitoring Policy and Financial Regulations. Where departments have asked for carry forward of budget from 2015-16, it requires final approval from the appropriate Cabinet Member.

The Children's Services, Highways, Transport and Infrastructure, and Health and Communities portfolios illustrate overspends. However, Children's Services and Health and Communities will use earmarked reserves to record a break-even position, whilst the current overspend for local bus services of £2.177m will be met from the General Reserve which will result in an underspend of £0.172m for the Highways, Transport and Infrastructure portfolio. The projected outturn compared to controllable budget is summarised below:

	Budget £m	Forecast Actuals £m	Projected Outturn £m
Adult Social Care	209.290	208.753	(0.537)
Children's Services	95.264	102.369	7.105
Council Services	41.825	41.825	0.000
Health and Communities (exc. Public Health)	10.954	11.643	0.689
Highways, Transport and Infrastructure	72.859	74.864	2.005
Strategic Policy, Economic Development and Budget	7.914	7.672	(0.242)
Total Departmental Outturn	438.106	447.126	9.020
Interest Income			0.500
Debt Charges and Risk Management			(10.235)
Total			(0.715)

A summary of the individual portfolio positions is detailed below.

Adult Social Care

There is a projected year-end underspend of £0.537m. There are underspends in respect of Prevention and Personalisation (£6.325m), Commissioning and Performance (£1.760m) and as a result of the Care Act Grant not being committed (£2.186m) as the Care Act responsibilities are being funded from the Better Care Fund. These are off-set by an overspend in Direct Care of £9.602m.

Budget reductions totalling £12.916m were allocated for the year, with a brought forward figure from 2015-16 of £4.127m, giving an overall target of £17.043m. Reductions identified for 2016-17 total £12.638m.

Children's Services

The current forecast year-end position is an overspend of £7.105m. Whilst action is being undertaken to minimise the overspend, any overspend will be funded by the use of the department's Earmarked Reserves. The main variances are:

Placement Costs (£2.956m overspend) – despite lower numbers of children in care, the pressure is due to changes in the mix of placements between fostered and residential, and between in-house and that provided by outside agencies.

Special Guardianship (£0.388m overspend) – there has been a net increase in the number of arrangements over 2015-16.

Disabled Children (£0.968m overspend) - the proposed reduction to the grants provided to disabled children and their families where there was no statutory need to be met will not be achieved in full until 2017-18.

Catering (£0.557m underspend) – the projected underspend assumes that there are no losses during the year to either strike days or closures due to bad weather.

Children's Centres (£4.294m overspend) – the reduction in expenditure of £4.600 m will begin until the last quarter of 2016-17, with the full reduction not being achieved until 2017-18.

Budget reductions of £9.846m were allocated of which £8.300m are being achieved.

Council Services

The budget is forecasting a break even position. The main variances are:

Shared Services Centre (£0.139m underspend) – vacancy control and higher than anticipated income for payroll services.

County Buildings (£0.413m underspend) – largely due to the purchases of Shand House which has resulted in savings from rent.

Industrial Development (£0.571m overspend) – under achievement of income target due to the number of voids, which results in the Council having to pay non-domestic rates liability payable on empty units.

CRD Centrally held budgets (£0.276m overspend) – the department has a number of posts which were created on the basis that they will become self-financing over the medium term. A number of initiatives are under way which will meet the financing objectives for these posts and will result in additional resources being transferred into this heading at the point the impact of the posts have been assessed and realised.

Budget reductions totalling £3.416m have been identified against a target of £3.366m for the year.

Health and Communities

The year-end forecast is for an underspend of £1.103m, of which, £1.792m relates to Public Health. This leaves a projected overspend for the remaining portfolio of £0.689m.

The Public Health underspend at year-end will be transferred to the Public Health Reserve and will help to fund new investment in Prevention work worth £2.660m over two years which was approved by Cabinet on 15 March 2016. The overall overspend on the Portfolio will be funded from departmental Earmarked Reserves.

The main variances are:

Public Health (£1.792m underspend) – lower than anticipated costs for services within the Integrated Sexual Health and Integrated Wellbeing Contracts, Substance Misuse and vacancy control.

Trading Standards (£0.177m underspend) – this relates to the budget cuts not being achieved to date. This will be met in 2016-17 by Public Health funding, and the division is being restructured to meet all the cuts in 2017-18.

Libraries and Heritage (£0.656m overspend) – in the main this relates to the non-achievement of budget cuts.

Community Safety and Emergency Planning (£0.153m underspend) – vacancy control due to the restructure of the service which will take place in 2016-17.

Budget reductions totalling £1.247m were allocated for the year. In addition there is £0.380m of unallocated reductions from the previous year. To date, a total of £0.690m has been achieved. The shortfall will be met by a combination of in-year underspends, use of Public Health funding and Earmarked Reserves.

Highways, Transport and Infrastructure

There is a projected year-end overspend of £2.005m. However, Cabinet on 27 January 2016 agreed that the costs of an overspend for the provision of local bus services up to the value of £3.500m will be funded from General Reserve. The overspend is estimated to be £2.177m which results in a forecast underspend of £0.172m.

The key variances are:

Highways Maintenance (£1.582m overspend) – winter maintenance is currently expected to overspend by £1.000m. There has also been a delay in the implementation of the street lighting LED contract.

Highway Management (£0.976m underspend) – this is due to the phasing of capital works and vacancy control as a result of planned workforce reductions to deliver budget cuts.

Waste Management (£0.555m underspend) – overspends of £0.835m in respect of inflationary increases and increases in waste tonnages, offset by contract savings of £1.390m on long term waste contract.

Resources and Improvement (£0.463m underspend) – vacancy control.

Unallocated Budget – (£1.465m overspend) – budget which has not yet been allocated to specific departments, but will be allocated before the year-end.

Budget reductions totalling £7.371m were allocated for the year. It is anticipated that £5.022m of these will have been achieved by the year end. Non-achievement is due to project delays in respect of LED street lighting, the Countryside restructure and revenue support for local bus services, as well as cuts yet to be identified.

Strategic Policy, Economic Development and Budget

There is a currently projected year-end underspend of £0.242m. The main variance is:

Chief Executives (£0.189m underspend) – this relates to front-loading of savings from 2014-15 which will be used to manage the budget cuts in 2016-17. As a result the currently projected underspend is likely to reduce as we go through the year. This position will be clarified in future monitoring reports.

Budget reductions totalling £0.425m were allocated in 2016-17 and will be achieved in full this year.

Summary

The projected overspends in Children's Services and, Health and Communities will be financed by one-off funding currently held in Earmarked Reserves, whilst the Highways, Transport and Infrastructure overspend will be off-set by funding from General Reserve due to the agreement to fund bus services in 2016-17.

Since the original budget was approved by Council in February 2016, the Government has provided further details of general grant funding to local authorities which were not available at the time of the Finance Settlement.

The significant changes are:

- Adjustments to final allocations of grants compared to estimates – net reduction of £0.051m
- Extended Rights to Free Travel - £0.795m
- Additional business rates compensation grant £1.355m higher than estimate
- Additional Transition Grant £1.143m to support local authorities with changes to funding calculations over the next two years

As set out in the Revenue Budget Report 2016-17, these changes are managed through the Risk Management Budget. This results in a forecast underspend of £8.235m. This resource will be used to help manage the budget in future years, details of which will be set out in the Five Year Financial Plan report which will be submitted to Cabinet on 11 October 2016.

The debt charges budget is projected to underspend by £2.000m as a result of the slowdown in the Capital Programme. This assumes that the Council will have reviewed and implemented a revised Minimum Revenue Provision policy, details of which will be reported to Cabinet later in the year.

Interest on balances is estimated to under-recover by approximately £0.500m as a result of the Bank of England's recent decision to cut interest rates to 0.25%, with the potential for a further cut later in the year.

An overall underspend of £0.715m is forecast, however after use of earmarked reserves to fund the Children's Services and Health and Community Services, the underspend will be £11.509m. Any underspends in 2016-17 will be used to manage the budget in 2017-18.

3 Financial Considerations

As set out above.

4 Considerations

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

5 Background Papers

Papers held in Technical Section, Corporate Finance, Room 137.

6 Officer's Recommendation

That Members note the 2016-17 budget monitoring position as at 30 June 2016.

PETER HANDFORD

Director of Finance

Details of Earmarked Reserves held at 30 June 2016

	Amount £m
Adult Social Care	
Adult Care Replacement ICT System	0.250
Total Adult Social Care	0.250
Children's Services	
Prior Year underspend	7.613
Capital two year old provision	2.563
Tackling Troubled Families	4.071
Other Reserves (balance less than £1m)	6.532
Total Children's Services	20.779
Council Services	
Computer Reserve Fund	2.553
Property IMP scheme	6.238
Property Package Reserve	1.629
Property Direct Service Organisation	4.809
Corporate Resources Department Reserve	7.864
Change Management	5.240
Insurance and Risk Management	18.988
Private Finance Initiative	5.023
Building Schools for the Future Wave 3	1.438
Adult Care PFI	0.147
Demolition of Buildings	0.784
Other Council Reserves	0.224
Total Council Services	54.937
Highways, Transport and Infrastructure	
Grants (including £1.9m Road Safety PSA II)	2.101
Committed Liabilities – Revenue	1.750
Committed Liabilities – Capital	16.046
Winter Maintenance	2.000
Partnership and other local authorities money held by Derbyshire County Council	0.164
Derwent Valley Mills World Heritage Site	0.183
Laboratory and Fleet Equipment	0.212
Waste Recycling Initiatives	0.391
Derby and Derbyshire Road Safety Partnership	0.295
Non-committed reserves including previous years' underspends	2.429
Total Highways, Transport and Infrastructure	25.571

Strategic Policy, Economic Development and Budget

Thriving Communities Initiative	0.205
Equal Pay	1.393
Derbyshire Challenge Fund	1.044
Transformation Challenge Award	0.586
D2 Business Development Committed Liability - Revenue	0.108
Innovations and Transformation	0.755
Apprenticeship Scheme Committed Liability - Revenue	0.109
Markham Vale Seymour Impact Assessment Committed Liability - Revenue	0.100
Markham Vale Centre Extension Committed Liability - Revenue	0.114
D2N2 – Demand Stimulation	0.100
D2 Enterprise Growth Fund Committed Liability – Revenue	0.200
D2EE Committed Liability – Revenue	0.062
County Wide Approach to External Funding Committed Liability - Revenue	0.136
D2 Business Development Committed Liability – Revenue	0.090
Strategic Policy, Economic Development and Budget underspends	0.223
Other Strategic Policy, Economic Development and Budget Reserves	0.470
Total Strategic Policy, Economic Development and Budget	5.695

Health and Communities

Public Health/Externally Funded Programmes	4.190
Upgrade of Broadband in Libraries	0.255
PSA1 Reward Grant	0.175
Other Reserves	0.722
Total Health and Communities	5.342

Total Earmarked Reserves **112.574**

Balances held for and on behalf of schools

School Balances	42.194
Dedicated Schools Grant – Central Element	10.906
	53.100