

**DERBYSHIRE COUNTY COUNCIL
CABINET MEMBER FOR COUNCIL SERVICES**

29th September 2014

**Report of the Chief Executive, Strategic Director of Corporate Resources
and Director of Finance**

REVENUE OUTTURN 2013-14

1 Purpose of the Report

To report the final revenue outturn position for 2013-14, to identify significant variations in expenditure from the budget, and to make proposals for the use of any underspends.

2 Information and Analysis

2.1 Summary

Attached as Appendix 1 to this report is a statement setting out the final outturn position for 2013-14. Controllable net expenditure was £48.2m against a budget of £50.1m resulting in a controllable underspend of £1.9m.

2.2 Key Variances

Corporate Finance **underspend £0.283m**

The main area of underspends were staff vacancies and an increase in the level of income from traded services.

Transformation Division **underspend £0.299m**

The main area of underspend is also on staff vacancies.

Registrars **underspend £0.305m**

The underspend is due to the over recovery of income for the various Registrar fees and charges.

HR Development **underspend £0.364m**

The main area of underspend relates to vacancies and unpaid staff

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absences. There are also underspends on the access to work budget at the moment, but this budget responds to demands from departments

County Property underspend £0.375m

There has been a reduction in the level of spend on agency and professional fees, couple with a number of vacancies also contributing to the underspend

CRD Centrally held budgets underspend £0.602m

The department has met some of its savings 'ahead of schedule'. The resultant budget will be utilised to contribute towards the department's 2014/15 savings

Corporate Management underspend £0.234m

This underspend represents a saving due to reductions in subscriptions to external organisations and external audit fees.

Corporate Efficiencies overspend £1.519m

These are the unallocated efficiency savings which have yet to be identified within Corporate budgets.

SAP System costs underspend £0.741m

This is a multi-year project and the underspend will be used to fund future years programmed expenditure.

Building Schools for the Future Wave 3 underspend £0.176m

This figure represents the revenue costs of the BSF schemes offset by income from government grant and contributions from schools. From within this account there is an element for the refresh of ICT equipment. The balance will be transferred to the reserve.

Schools Private Finance Initiative (PFI) overspend £0.381m

The overall balance represents the income and expenditure relating to the two existing school PFI schemes. The annual charge, made by the PFI contractor, is met by a combination of schools contributions and direct government grant. In the early years of the scheme, grant plus school contributions were higher than needed to meet the annual unitary charge and a reserve fund has therefore been built up. This is used to meet the annual deficits that arise to minimise additional costs to the overall revenue account, and will continue in later years. This

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overspend will therefore be met from the earmarked reserve.

VR/CR Scheme

underspend £0.474m

During 2012/13 a decision was taken to meet the cost of any severance payments from the General Reserve thus generating an underspend on this budget.

Change Management

underspend £0.209m

The underspend, which can be transferred to General Reserves, is due to a combination of multiyear nature of the programme, delays in commencing new projects and the timing of payments.

Industrial Development

overspend £0.754m

The main reasons for the overspend is the under recovery of forecasted income for industrial units and small business centres brought about by the difficult economic climate, and the additional costs due to non-domestic rates liability payable on empty properties.

The Director of Property and Head of Regeneration together with the Director of Finance are undertaking a joint review of the industrial unit and small business centre portfolio. However, there is no simple answer as the sites still contribute £1.4m to the Council on an annual basis.

2.3 Proposals for the use of Underspends

The commitments against the underspends which have already been approved by Cabinet/Cabco total £0.918m and are listed in Appendix 2. There are also four bids totalling £0.550m, as set out below:

CRD Training £0.050m

The Department has identified its training needs for the forthcoming year, and the bid is needed to meet the shortfall on the base budget

Support for accommodation project £0.050m

In order to facilitate the various moves associated with the accommodation project a budget to cover such items as removal expenses and new technology is required

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Time evaluation re-configuration £0.250m

Enhancements to the SAP HR system to improve performance

Packaging machine £0.200m

Replacement of the current machine which has become obsolete

It is also requested that the £0.381m overspend on two PFI schemes be met from the earmarked reserve established for this purpose.

2.4 Reserves

The earmarked reserves that relate to the Council Services portfolio are listed below:

Computer reserve fund £3.448m

This is used to purchase IT equipment, particularly larger items that will only be replaced on a cyclical basis, and to meet one-off project costs.

Derbyshire property package reserve £2.187m

Property DSO has a scheme in place with schools whereby they transfer their maintenance budget to the Property DSO to manage. Any unspent balances at the end of the scheme will be returned to schools.

Property DSO £4.065m

The reserve mainly covers the replacement of large pieces of equipment and also provides a contingency against future losses

CRD Reserve £5.858m

The department has provided for building projects which have received member approval but not yet started.

We are carrying forward the balance of the newly created Insurance Capital Maintenance Programme (IMP) set up by Property Services relating to schools building projects. There is also provision for contributions to a several schemes and new IT systems.

Change Management £6.070m

The Change Management Reserve has been established to meet the one-off costs of the change management programme that cannot be met from within the annual base budget

Holmewood Business Park £0.199m

This was originally partially funded by CHART. Each year 40% of the rental income is set aside in a reserve in the event of a refund request. .

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VAT Reserve £0.100m

This was established to provide a contingency against adverse judgements made by HMRC.

Insurance and Risk Management Reserve £13.607m

This was established to meet the costs of liabilities and claims incurred but not yet made against the Council. The adequacy of this balance is regularly verified by independent actuaries.

PFI Phase 1 and 2 reserves £2.386m

The phasing of income and expenditure on PFI schemes results in a mismatch on an annual basis. This reserve is built up from surpluses in earlier years and used to smooth the charge to revenue over the life of the contract.

BSF Wave 3 reserve £0.982m

This reserve is established to meet the costs of refresh of ICT equipment and the Council's contribution to maintenance associated with the non PFI schools within the programme

South Normanton Joint Service Centre reserve £0.090m

This was established to cover the cost of future planned building element replacement and maintenance.

Registrar's £0.165m

This was set up to cover the cost of building a lift at Chesterfield Registrar's office, which is required to maximise the space required for certificate storage.

In order to establish that earmarked reserves remain fit for purpose, the Council's Reserve Policy requires that they are reviewed at least annually, and any balances no longer required are transferred to the General Reserve.

The reserves are set out in Appendix 3

2.5 Returned to General Reserves

Once the commitments and bids are accounted for, there is a transfer to general reserves of £0.858m. The position is summarised in Appendix 2.

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 and transport considerations.

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4 Background Papers

Files and reports held by the Director of Finance in Room 149, County Hall.

5 Key Decision

No

6 OFFICERS' RECOMMENDATIONS

6.1 To note the revenue outturn position for 2013-14.

6.2 To approve the use of underspends to meet the commitments outlined in the report.

IAN STEPHENSON
Chief Executive

JUDITH GREENHALGH
Strategic Director
Corporate Resources

PETER HANDFORD
Director of Finance

24 June 2014

**COUNCIL SERVICES PORTFOLIO
BUDGET MONITORING 2013/14
Year end outturn**

DIVISION	2013/14 CONTROLLABLE BUDGET £	ACTUALS £	CONTROLLABLE (UNDER)/ OVER £
CORPORATE FINANCE			
- Corporate Finance Division	2,994,467	2,710,866	-283,602
- Adult Care - Extracare scheme	0	31,696	31,696
- BSF Wave 3	624,240	447,664	-176,576
- PFI/ BSF team	43,397	8,063	-35,334
- PFI Revenue a/c	0	380,759	380,759
- Insurance	5,541,044	5,541,044	0
- Pension Fund contribution	1,000,000	1,000,000	0
- Revenue Contributions to Capital Outlay	141,999	0	-141,999
- VR/CR scheme	475,156	1,073	-474,083
- SAP System Costs	1,668,161	927,052	-741,109
TRANSFORMATION SERVICES			
- Transformation Division	10,602,083	10,372,720	-229,363
- Change Management	634,177	424,285	-209,892
- Core Systems	110,564	104,385	-6,179
LEGAL SERVICES			
- Legal Services Division	2,913,687	2,793,721	-119,966
- Coroners	1,305,670	1,304,569	-1,102
- Registrars	71,089	-234,093	-305,183
HUMAN RESOURCES			
H.R. Division	3,008,125	2,644,076	-364,049
SSC	1,528,502	1,614,392	85,891
BUSINESS SUPPORT (Derbys business centre)	727,990	440,607	-287,383
COUNTY PROPERTY			
- County Property Division	4,397,595	4,022,103	-375,492
- Bulding Maintenance	7,717,904	7,717,904	0
- Carbon Reduction	200,000	239,060	39,060
- County Buildings	2,621,914	2,756,975	135,061
- South Normanton JSC	76,400	148,578	72,178
- Industrial Development	-1,848,261	-1,093,889	754,372
CRD CENTRALLY HELD BUDGETS	1,568,987	966,183	-602,803
MEMBERS			0
- Members' Services	232,227	237,130	4,904
- Elections	1,008,948	963,742	-45,206
- Democratic representation and management	1,406,511	1,272,528	-133,983
- Member community leadership	274,800	158,550	-116,250
MISCELLANEOUS			0
- Corporate Management	601,937	368,266	-233,671
- Unapportionable central overheads	40,367	3,632	-36,735
- Flood defence Levies	283,533	301,106	17,573
- Efficiencies	-1,519,048	0	1,519,048
- Other	-307,160	-373,561	-66,401
TOTAL	50,147,004	48,201,185	-1,945,819
PROPERTY DSO	COSTS TO 42,641,747	Income -42,771,320	(SURPLUS)/DEFICIT) -129,573

APPENDIX 2

Summary position

	£m
Net underspend	1.945m
Less:	
Commitments	
SAP – multi-year scheme	0.741m
BSF Wave 3	0.177m
Bids for use of underspends	
Accommodation project	0.050m
Training	0.050m
Time evaluation re-configuration	0.250m
Packaging machine	0.200m
Add:	
Transfer from reserve – PFI account	0.381m
Net transfer to general reserve	0.858m

COUNCIL SERVICES

STATEMENT OF RESERVES

2013/14

	Balance at 1.4.2013 £	Movements in year £	Balance at 31.3.2014 £
Reserve			
Computer Reserve Fund	2,673,747	774,062	3,447,809
Civic Car Reserve	59,244	(59,244)	0
Property Package Reserve	2,042,073	144,728	2,186,801
Property DSO	2,975,871	1,089,998	4,065,869
CRD Reserve	3,017,434	3,594,203	6,611,637
Change Management	5,468,417	601,775	6,070,192
Insurance and Risk Management	15,781,910	(2,174,673)	13,607,237
Holmewood Business Park	191,849	7,101	198,950
VAT	310,621	(210,621)	100,000
PFI	2,718,619	(332,436)	2,386,183
BSF Wave 3	4,778	986,520	981,742
South Normanton Joint Service Centre	90,000	0	90,000
Registrar's	165,000	0	165,000