

Agenda Item No.7 (d)

DERBYSHIRE COUNTY COUNCIL

CABINET

15 March 2016

Report of the Director of Finance

BUDGET MONITORING 2015-16 (as at 31 December 2015)
 (STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)

1 Purpose of the Report

To provide Cabinet with the Revenue Budget position for 2015-16 as at 31 December 2015.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolios as at 31 December 2015. 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. Where departments have asked for carry forward of budget from 2014-15, it requires final approval from the appropriate Cabinet Member.

The Council's two largest portfolios, Adult Social Care and Children's Services both indicate possible year-end overspends, as does Council Services. However, Children's Services and Council Services will use earmarked reserves to record a break-even position. The projected outturn compared to controllable budget is summarised below:

| | Budget £m | Forecast £m | Projected Outturn £m |
|---|----------------------|------------------------|-------------------------------------|
| Adult Social Care | 203.194 | 209.440 | 6.246 |
| Children's Services | 105.916 | 108.889 | 2.973 |
| Council Services | 42.375 | 42.707 | 0.332 |
| Health and Communities (exc. Public Health) | 14.125 | 13.890 | -0.235 |
| Highways, Transport and Infrastructure | 80.569 | 79.412 | -1.157 |
| Strategic Policy, Economic Devt. and Budget | 8.452 | 7.473 | -0.979 |
| Total Departmental Outturn | 454.631 | 461.811 | 7.180 |
| Debt Charges and Risk Management | | | -17.089 |
| Total | | | -9.909 |

A summary of the individual portfolio positions is detailed below.

Adult Social Care

There is a projected year-end overspend of £6.246m, a decrease of £0.607m compared to the position as at 31 October 2015. In the main, overspends relate to Fieldwork (£0.839m) and Direct Care (£6.418m), in particular Homes for Older People and residential placements for people with Learning Difficulties. This is off-set by a projected underspend of £1.960m which relates to Strategy and Commissioning.

The savings position has remained broadly the same. The total savings target in the current year is £23.952m with £25.141m already identified, producing an over-achievement of £1.189m.

The overspend will be met from the General Reserve.

Children's Services

The projected year-end position is an overspend of £2.973m, an improvement of £0.539m compared to the last reported position. The overspend includes a provision of £0.500m pending an Industrial Tribunal claim. The main variances are:

Placement costs (£3.326m overspend) – increase in the volume and cost of external residential placements in recent months.

Special Guardianship (£0.642m overspend) – the number of arrangements continues to increase.

Disabled Children – Short Breaks (£1.083m overspend) – budget reductions are dependent on the outcome of current consultations. In addition, demand for grants has increased which is thought to be as a result of increased awareness of the service as a result of the recent consultations.

Multi Agency Teams and Children's Centres (£0.412m underspend) – these services are underspent against the budget despite there being only a part-year impact of the management restructure and closure of children's centres. Savings from closing children's centres and reducing the opening hours of other centres will not be fully realised until 2016-17. The delay in the full achievement of these budget reductions is being covered by an allocation from departmental reserves.

Catering (£0.398m underspend) – the projected surplus is due to growth in sales and release of funds that were being held for kitchen works as these works can now be funded from the Universal Free School Meals capital grant.

ICT and Information (£0.377m underspend) – the service has had a number of vacancies this year following a restructure and this is the main reason the service is underspending.

Council Services

The current forecast is for an overspend of £0.332m which will be met from reserves. The main variances are:

HR Division (£0.389m underspend) - in the main this is due to vacancy control. Additional income has also been received from the successful provision of services to academies and the Pension Fund.

Industrial Development (£0.809m overspend) - under recovery of forecast income for industrial units and small business centres due to the current economic climate and the additional costs of business rates liability payable on empty properties. There is also a write-off of £0.200m of bad debts.

Budget cuts (£0.519m overspend) – brought forward cuts which have yet to be identified within corporate budgets.

Budget cuts totalling £4.213m were allocated with £4.021m having been achieved, with the shortfall to be made up in later years.

The projected overspend will be met from departmental reserves.

Health and Communities

The portfolio is currently projecting an underspend for the year of £3.920m, of which £3.685m relates to the Public Health function. The effect of an in-year cut of 6.2% to the Ring-Fenced Public Health Grant has been taken into account. The impact for the Council is a reduction of £2.520m.

On 26 January Cabinet committed approximately £2.000m of the underspend to fund Economy, Transport and Environment, and Health and Communities public health related schemes over the next two financial years. The Public Health underspend at year end will be transferred into the Public Health Reserve Fund.

In November 2015 the Government announced further cuts to Public Health budgets from 2016-17 to 2020-21 which will result in a cash reduction in funding of 9.6% (17.9% in real terms). Public Health is currently carrying out a comprehensive review of future commitments in the light of this, the results of which will be reported to Cabinet.

The main areas of underspend are:

Integrated Wellbeing Contract (£1.183m underspend) – due to the under-performance on Smoking Cessation Accredited and Community Weight Management activity based services.

Integrated Sexual Health Contract (£0.986m underspend) – due to the under-performance of Sexual Health Tariff activity based services.

Within the remainder of the Health and Communities portfolio, budget cuts totalling £1.291m were allocated for the year with £1.191m having been achieved. Shortfalls on specific schemes will be met by underspends elsewhere in the budget.

Highways, Transport and Infrastructure

A year-end underspend of £1.157m is currently forecast. Within the underspend figure is an amount of £0.742m on the provision of local bus services, which was agreed by Cabinet on 27 January 2015 to be funded from General Reserve.

Main variances are:

Highways Maintenance (£1.940m overspend) - the main area of overspend relates to winter maintenance which is expected to overspend by £1.359m, plus higher than anticipated inflation on the electricity costs of street lighting.

Waste Management (£1.163m underspend) - a substantial element of this underspend is as a result of one off items including the 2015-16 one-off landfill diversion saving, negotiated with the Council's long term work contractor.

Unallocated budget (£1.403m overspend) - this relates to staffing budget cuts, which have not yet been allocated to specific sections, and is therefore currently showing as an overspend. It will be allocated before the year end.

Budget cuts totalling £5.099m were allocated for the year. It is anticipated that £1.072m of this will not be achieved by the year-end, however the shortfall will be made up in later years.

Strategic Policy, Economic Development and Budget

A year-end underspend of £0.979m is projected which includes:

Communications (£0.416m underspend) - this relates to staffing within Call Derbyshire and Communications due to vacancy control. The underspend will reduce in 2016-17 due to full year costs of newly recruited staff.

Chief Executive's (£0.182m underspend) – the Chief Executive's Office excluding Regeneration has achieved savings of £0.412m, resulting in front loaded savings of £0.237m which will be used to fund service pressures and meet savings targets in future years. On 15 December 2015 the Cabinet Member agreed to fund a consultant to support the Council in delivering requirements for a Combined Authority and associated devolution deal. This will be funded from the Chief Executive's 2015-16 underspend. Any balance of the commitment remaining at year end will be transferred into reserves.

Policy (£0.219m underspend) – staffing created by vacancies within Policy Research Division and an underspend in the Consultancy budget.

Budget reductions of £0.496m which were allocated have been achieved.

Summary

The projected overspends in Children's Services and Council Services will be financed by one-off funding currently held in Earmarked Reserves, with the Adult Care overspend being met from General Reserve.

Since the original budget was approved by Council in February 2015, the Government has issued further general grant funding to local authorities in addition to that included in the Finance Settlement. This relates to adjustments to the decision to cap business rates and ensures local authorities are compensated accordingly. The Risk Management Budget is forecast to underspend by approximately £13m. Much of this resource will be used in 2016-17 to support the budget.

The debt charges budget is projected to underspend by £4m as a result of the slowdown in the Capital Programme. Interest on balances is estimated to break-even.

An overall underspend of £9.909m is forecast, however after use of earmarked reserves to fund the Children's Services and Council Services overspends, the underspend will be £13.214m

Details of the Council's Earmarked Reserves as at 31 December 2015 are shown in Appendix One.

3 Financial Considerations

As set out above.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered:- legal and human rights, equality of opportunity, health, environmental, transport, property and crime and disorder considerations.

5 Background Papers

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

6 Key Decision?

No.

7 Is it necessary to waive the call-in period?

No.

8 Officer's Recommendation

That Cabinet notes the 2015-16 budget monitoring position as at 31 December 2015.

PETER HANDFORD

Director of Finance

Details of Earmarked Reserves held at 31 December 2015

| | Amount £m |
|--|----------------------|
| Adult Social Care | |
| Care Home – Backdated Fees | 1.275 |
| Adult Care Replacement ICT System | 0.250 |
| Total Adult Social Care | 1.525 |
| Children's Services | |
| Prior Year underspend | 7.733 |
| Single Children's System | 1.353 |
| Support and Aspiration project | 1.009 |
| Capital two year old provision | 2.563 |
| Tackling Troubled Families | 4.015 |
| Other Reserves (balance less than £1m) | 5.110 |
| Total Children's Services | 21.783 |
| Council Services | |
| Computer Reserve Fund | 2.918 |
| Property IMP scheme | 3.315 |
| Property Package Reserve | 1.955 |
| Property Direct Service Organisation | 4.302 |
| Corporate Resources Department Reserve | 8.919 |
| Change Management | 6.211 |
| Insurance and Risk Management | 17.524 |
| Private Finance Initiative | 1.822 |
| Building Schools for the Future Wave 3 | 1.935 |
| Adult Care PFI | 0.147 |
| Demolition of Buildings | 1.000 |
| Other Council Reserves | 0.058 |
| Total Council Services | 50.106 |
| Highways, Transport and Infrastructure | |
| Grants (including £1.9m Road Safety PSA II) | 2.070 |
| Committed Liabilities – Revenue | 2.114 |
| Committed Liabilities – Capital | 15.115 |
| Winter Maintenance | 2.000 |
| Partnership and other local authorities money held by Derbyshire County Council | 0.214 |
| Derwent Valley Mills World Heritage Site | 0.162 |
| Laboratory and Fleet Equipment | 0.142 |
| Waste Recycling Initiatives | 0.391 |
| Derby and Derbyshire Road Safety Partnership | 0.318 |
| External Vehicles Maintenance Reserve | 0.071 |
| Non-committed reserves including previous years' underspends | 2.432 |
| Total Highways, Transport and Infrastructure | 25.029 |

Strategic Policy, Economic Development and Budget

| | |
|--|--------------|
| Troubled Families Initiative | 0.213 |
| Equal Pay | 2.000 |
| Derbyshire Challenge Fund | 1.118 |
| Invest to Save | 0.075 |
| Call Derbyshire – Speech recognition | 0.070 |
| Gov Delivery | 0.065 |
| Derbyshire Economic Partnership Committed Liability - Revenue | 0.090 |
| Innovations and Transformation | 0.960 |
| Apprenticeship Scheme Committed Liability - Revenue | 0.100 |
| Markham Vale Seymour Impact Assessment Committed Liability - Revenue | 0.100 |
| Markham Vale Centre Extension Committed Liability - Revenue | 0.280 |
| 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 | 0.236 |
| D2 Business Development Committed Liability – Revenue | 0.108 |
| Strategic Policy, Economic Development and Budget underspends | 0.223 |
| Other Strategic Policy, Economic Development and Budget Reserves | 0.160 |
| Total Strategic Policy, Economic Development and Budget | 6.160 |

Health and Communities

| | |
|--|--------------|
| Public Health/Externally Funded Programmes | 0.573 |
| Other Reserves | 1.075 |
| Total Health and Communities | 1.648 |

Total Earmarked Reserves **106.252**

Balances held for and on behalf of schools

| | |
|---|---------------|
| School Balances | 38.725 |
| Dedicated Schools Grant – Central Element | 13.451 |
| Capital Maintenance | 1.050 |
| | 53.226 |