

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**20 December 2018**

**Report of the Director of Finance & ICT**

**BUDGET MONITORING 2018-19 (as at 31 August 2018)**  
**(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)**

**1 Purpose of the Report**

To provide Cabinet with the Revenue Budget position for 2018-19 as at 31 August 2018.

**2 Information and Analysis**

The report summarises the controllable budget position by Cabinet Member Portfolio as at 31 August 2018. Whilst the presentation of this summary report to Cabinet is a month later than is typical, budget monitoring is proceeding according to the usual schedule. Reports as at 31 August 2018 have already been considered at Cabinet Member meetings and budget monitoring procedures at 31 October 2018 are currently taking place, which indicate that this summary of monitoring is a realistic reflection of the forecast controllable budget position for 2018-19. Further reports will be considered at Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget is summarised below. This includes the use of one-off funding to support the Highways, Transport and Infrastructure portfolio.

	Budget	Forecast Actuals	Projected Outturn
	£m	£m	£m
Adult Care	247.227	244.341	(2.886)
Council Services	43.564	43.261	(0.303)
Economic Development and Regeneration	0.778	0.702	(0.076)
Health and Communities (exc. Public Health)	3.601	3.445	(0.156)
Highways, Transport and Infrastructure	81.081	81.081	0.000
Strategic Leadership, Culture and Tourism	13.072	12.951	(0.121)
Young People	100.859	104.021	3.162
<b>Total Portfolio Outturn</b>	<b>490.182</b>	<b>489.802</b>	<b>(0.380)</b>
Interest Income			0.000
Debt Charges			0.000
Risk Management			(0.598)
<b>Total</b>			<b>(0.978)</b>

A summary of the individual portfolio positions is detailed below.

### Adult Care

There is a projected year-end underspend of £2.886m (assuming that the £8.768m Improved Better Care Fund (iBCF) balance will be fully spent within the year). The main variances are:

Purchased Services, £4.333m overspend – relates to an increase in the number of care packages agreed to enable the Council to meet its Delayed Transfer of Care from Hospitals target.

Strategic Director, £3.416m underspend – relates to unallocated budgets awaiting allocation during the year.

Commissioning and Performance, £3.822m underspend – savings £0.621m on block contracts, £0.853m on housing related support, £0.472m on carers services and £0.934m on the pooled Integrated Community Equipment Service budgets, with delays in replacing staff and vacancies management, accounting for the remaining underspend.

The budget savings target for 2018-19 is £4.973m, with a further £1.122m brought forward from previous years. Of this total target of £6.095m, £4.300m has been achieved, with the balance of £1.795m expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2018-19 budget for the main growth items:

- Growth in client numbers and case complexity - £11.984m.
- Residential Care Home Fees - £6.000m.

This funding has been earmarked to cover additional commitments including the independent sector fee increases, demographic growth, additional costs associated with the reduction in hospital discharge delays and pressures associated with health budget saving initiatives (reduction in Continuing Health Care, Transforming Care Programme and reduced Learning Disabilities Short term residential provision).

The main risks which could impact on the portfolio's outturn position are contained in Appendix 2.

Any additional costs incurred from the above risks will be met from within existing budgetary resources or from the unallocated part of the iBCF and therefore none of these issues are expected to impact on the overall budget position for 2018-19.

### **Council Services**

There is a projected year-end underspend of £0.303m. The main variances are:

County Property, £0.657m overspend - under achievement of the income target for industrial estate properties due to the number of empty units. This has been the consistent picture for a number of years but the units are still making an income. The Council also has to pay the business rates on empty industrial units.

Finance and ICT, £0.520m underspend - due to strict vacancy controls in order to help manage future budget reductions. The Council is looking for creative solutions that may release cash.

Legal Services, £0.306 overspend - due to high workload and difficulty achieving budget savings allocated.

Strategic Management, £0.305m underspend - relates to restructure of senior management in the previous Chief Executive's function.

Human Resources, £0.203m underspend - relates to salary underspend.

A budget savings target for 2018-19 of £1.446m has been allocated. Of this target, £1.159m is expected to be achieved by the end of the financial year. The balance of £0.287m will be met from additional one-off funding provided in the 2018-19 budget and referred to below.

Additional funding has been provided in the 2018-19 budget for the main growth items:

- Corporate Property Asset Valuations - £0.280m plus one-off funding of £0.066m, to ensure the Council meets its statutory duty to correctly record and maintain its asset base. A new team of five FTEs has been employed and a budget allocated to fund specialist support.

- E-mail and Internet Services - £0.250m, to support mobile and collaborative working, including the enhancement of internet and email provision.
- Budget Savings Shortfall - £0.318m, to support an expected shortfall in the savings against target in 2018-19.

The main risks which could impact on the portfolio's outturn position are contained in Appendix 2.

### **Economic Development and Regeneration**

There is a projected year-end underspend of £0.076m. The main variances are:

Economic Development, £0.121m underspend – relates to reduced project expenditure.

Employment and skills, £0.071m overspend – relates to salary overspend.

A budget savings target of £0.325m has been allocated for 2018-19, which is expected to be achieved.

No growth items were allocated to this portfolio in 2018-19.

There are no significant risks expected to impact on the portfolio's outturn position.

### **Health and Communities**

The Health and Communities portfolio includes the Public Health budget of £40.548m, which is fully funded by the ring-fenced Public Health Grant for 2018-19. The forecast year-end position for the portfolio is an underspend of £2.425m. However, excluding Public Health, the portfolio is forecast to underspend by £0.156m. The main variances are:

Public Health, £2.269m underspend – a large proportion of the underspend continues to be generated from activity-based contracts which are not achieving anticipated levels of service. 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 two years from April 2018 and also support investment in a comprehensive programme of sports and physical activity grants as outlined in the Council Plan.

A budget savings target of £0.182m has been allocated for 2018-19, of which £0.147m is expected to be achieved. The balance of £0.035m will be achieved in the following financial year.

Additional funding has been provided in the 2018-19 budget for the following growth items:

Trading Standards (Older People Support) - £0.082m (one-off), to provide a programme to increase awareness and reduce instances of fraudulent activity against older people.

There are no significant risks expected to impact on the portfolio's outturn position.

## **Highways, Transport and Infrastructure**

The Highways, Transport and Infrastructure portfolio is forecast to overspend by £3.084m. However, this will be brought into a break-even position, after the allocation of one-off funding from the Economy, Transport and Environment department's earmarked reserves as follows:

- £1.000m from the Winter Maintenance reserve
- £2.084m from the prior-year underspends reserve.

Before the allocation of the reserve funding detailed above, the main variances are:

Highway Maintenance, £3.010m overspend – winter maintenance is currently projected to overspend by £2.527m. The winter of 2017-18 was particularly long and severe. Winter maintenance costs in respect of the 2017-18 winter extended into the 2018-19 financial year. The balance of the overspend is because of delays in the implementation of the street lighting LED project.

Unallocated Budget Savings, £2.781m overspend – not yet allocated to specific services.

Highway Management and Land Reclamation, £0.874m underspend – £0.500m underspend on salary related costs, £0.500m over-recovery in Highways Construction, partly off-set by an under-recovery of £0.200m by the Highways Laboratory.

Waste Management, £0.579m underspend – £0.453m underspend in respect of lower than originally expected waste tonnage and £0.171m business rates savings because of a delay in the waste treatment facility project.

Planning and Development, £1.228m underspend - mainly due to over-recovery of developer fee income.

Road Safety, £0.326m overspend – awaiting changes in legislation before savings can be achieved.

The budget savings target for 2018-19 is £2.127m, with a further £2.794m target brought forward from previous years. Of this total target of £4.921m, £1.250m is expected to be achieved by the end of the financial year, with the expected base budget overspend being met from one-off savings, as

explained above. Of the £3.671m forecast shortfall in 2018-19 budget savings:

- £2.781m has yet to be allocated to a specific service.
- £0.325m is allocated to Road Safety but implementation has been delayed as legislation has yet to be enacted.
- £0.280m is due to delays with the Street Lighting LED programme.
- The balance has been allocated but there is expected to be a shortfall in the 2018-19 target.
- The five year savings programme allows for slippage in 2018-19 to be covered by prior years' underspends and delivery of around £12.5m savings in total between 2018-19 and 2022-23 to meet targets.

Additional funding has been provided in the 2018-19 budget for the main growth items:

- Waste Management - £2.476m plus one-off funding of £0.634m, to cover waste management costs resulting from increased amounts of waste arising and the operation of the new waste treatment facility at Sinfen.
- Public Transport - £2.600m, to maintain reasonable levels of public transport accessibility across Derbyshire.
- Highways Maintenance - £1.500m plus one-off funding of £1.000m, to provide a co-ordinated programme of maintenance improvements.
- Street Lighting Energy - £0.212m plus one-off funding of £0.148m, to meet the inflationary increases of street lighting energy.
- Planning Monitoring Systems £0.110m (one-off), to invest in systems to support planning applications.
- HS2 Co-ordination Officer £0.064m (one-off), to support representation of the Council's interests as the HS2 route is developed.

This funding has been allocated to the relevant budget heads to cover additional costs of these services.

The main risks which could impact on the portfolio's outturn position are contained in Appendix 2.

Any additional costs incurred from the above risks will be met from the Economy, Transport and Environment Prior Year underspend earmarked reserve and the Winter Maintenance earmarked reserve, therefore none of these issues are expected to impact on the overall budget position for 2018-19.

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

A year-end underspend of £0.121m is projected. The main variances are:

Libraries, £0.119m overspend – mainly due to unachieved savings.

Communications, £0.134m underspend – due to vacancy control.

Policy, £0.123m underspend – due to vacancy control and reduced number of subscriptions.

The savings target for 2018-19 is £0.528m, with a further £0.220m brought forward from previous years. Of this total target of £0.748m, £0.040m is expected to be achieved by the end of the financial year. The savings shortfall this year will be met by additional one-off funding provided in the 2018-19 budget with the balance being met from one-off use of reserves. Of these savings, £0.588m are expected to be achieved in 2019-20 and the remainder in 2020-21.

The only growth item allocated to this portfolio was £0.103m to support an expected shortfall in savings against target in 2018-19, referred to above.

There are no significant risks expected to impact on the portfolio's outturn position.

## **Young People**

The forecast year-end position is an overspend of £3.162m. This assumes that the numbers of children in care remain unchanged and that staff remain in post until the end of the financial year, unless it is already known that they are leaving.

Overspends within Safeguarding and Early Help are closely linked to rising numbers of children in care and in need and the recruitment of staff with specialist skills, such as social workers, both of which are identified as risks in the departmental risk register. The main variances in respect of the forecast year-end position are detailed below.

Unallocated Budget, £3.132m underspend – £0.667m given for demographic growth not yet allocated to services, £0.339m budget for Unaccompanied Asylum Seeking Children (UASC) not expected to be spent in 2018-19, £0.337m given for additional care leavers duties not yet allocated to the service. The balance of £1.789m is due to budget savings that have been made as a result of efficiencies.

Management Team and Resources, £0.216m underspend – staffing underspends in Finance and Human Resources, partially offset by the cost of additional senior management to provide the capacity to deliver joint commissioning of children's services with other local authority and health partners.

Early Help and Safeguarding, £4.834m overspend – contributory factors are increases in:

- Numbers of children in care – increased to 744 as at the end of September 2018. This has increased the demand for placements, especially those provided externally. Agency residential placements cost approximately £0.200m per annum and the projected overspend is £2.317m. Agency fostering placements cost approximately £0.043m per annum and there is a projected overspend of £2.168m.
- Special guardianship payments – an overspend of £0.520m is forecast. These are payments for children placed with extended family members; expenditure is increasing year-on-year.
- Support to disabled children – additional costs associated with increasing number and needs of children assessed as eligible for support, leading to a projected overspend of £1.494m.
- Out of hours staff in children's homes - children's homes are projected to overspend by £0.309m. The overspend is due to the additional costs of providing staff who are awake in the homes overnight, to ensure that children with challenging behaviours are appropriately supervised.
- Legal charges - forecast overspend of £0.939m because of the increased cost of court process fees and barristers to present cases on the Council's behalf. Cases are of an increasingly complex nature and there has been an increase in the number of court proceedings.

Offsetting these overspends is an underspend of £1.520m in Early Help services because of unfilled vacancies and an underspend of £1.410m in Social Care teams. The budget for social workers was increased in 2018-19, however recruitment of additional social workers has been phased throughout the year and not all have yet been appointed.

Schools and Learning, £1.886m overspend – expenditure on Home to School Transport has increased significantly since 2016-17; proposals to reduce this expenditure are not expected to be delivered until at least 2019-20. Also, clawback of grant relating to Adult and Community Education contributes £0.360m to this forecast overspend; the service is planning to mitigate the impact and aims to reduce this overspend by the end of the financial year.

Countywide Commissioning, £0.195m overspend – the Council's share of the overspend on the joint pooled budget with health partners. The greater number of complex placements is exceeding the capacity of the pooled funds.

A savings target of £2.906m has been allocated for 2018-19, of which £2.686m is expected to be achieved by the end of the financial year. £2.476m of savings are confirmed and reflected in 2018-19 outturn projections, and a further £0.210m are expected to be achieved during the year, however a full year effect is not expected in 2018-19. This is because either the actions will not take place until the second half of the year or demand pressures are already occurring which are eroding the value of any reduction in expenditure.

Additional funding has been provided in the 2018-19 budget for the main growth items:



- Children's Services Demographics - £7.000m plus one-off funding of £4.000m. This allocation has been applied to close the gap between demand-led expenditure in Children's Services and the budget allocation. This gap had previously been managed by applying reserve funding from underspends generated in prior years, however the funds available during 2017-18 were insufficient to cover the department's overspend of £6.389m.
- Children's Social Care Remodelling - £1.300m plus one-off funding of £4.000m. A recruitment plan utilising this growth has been prepared and new social workers are expected to be joining the Council from September 2018, to help bring caseloads down to the levels expected by Ofsted.
- Unaccompanied Asylum Seeking Children (UASC) - £1.000m. Currently 35 UASC are in the care of the Council and a further three placements have ended. The number of UASC care leavers being supported by the Council in accommodation is 15, however there are approximately a further 20 UASC care leavers known to the Council, who will receive support from services as needs arise. The Home Office grant is currently projected to cover 92% of placement costs. In addition, the Council is incurring other costs of £0.532m, supporting UASC and the associated overheads of this support. This is funded by the additional budget allocation from the Council.
- Care Leavers - £0.402m (one-off). A review of the offer to care leavers and how it is provided is underway. This will inform how the Council intends to fulfil its additional duties for care leavers and the design of the future offer to care leavers.
- Child Protection Staff - £0.150m (one-off). Staff are now in post. In addition, processes are being reviewed so that the Council ensures that child protection plans are robust, appropriate and that intended outcomes are clear and measurable.
- Organisation models for small schools £0.380m (one-off, for two years). The department is continuing with its targeted 'Team Around the School' meetings, based on projections of both school expenditure and school funding. These ensure that 'at risk' schools are identified early and the department engages with governors and school leaders to ensure a robust financial recovery plan is in place.

The main risks which could impact on the portfolio's outturn position are contained in Appendix 2.

## Summary

A Council portfolio underspend of £0.380m is forecast, after the use of £3.084m of Earmarked Reserves to support the Highways, Transport and Infrastructure portfolio. Any underspends in 2018-19 will be used to manage the budget in 2019-20.

The Risk Management Budget is forecast to underspend by £0.598m. This will support the management of a balanced budget in future years.

Interest on balances is estimated to break even by the year-end. The interest base rate is currently 0.75%, however, the Council utilises a range of investments to maximise its income.

Details of the Council's Earmarked Reserves balances as at 31 August 2018 are set out in Appendix One. A review of the Council's reserves balances was reported to Cabinet on 20 September 2018.

### **3 Financial Considerations**

As set out above.

### **4 Other 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, Finance & ICT, Room 137, County Hall.

### **6 Key Decision**

No.

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

No.

### **8 Officer's Recommendation**

That Cabinet notes the 2018-19 budget monitoring position as at 31 August 2018.

PETER HANDFORD

Director of Finance & ICT

**Earmarked Reserves as at 31 August 2018**

<b>Adult Care</b>	<b>£m</b>
Older People's Housing Strategy	12.278
Other reserves	0.347
<b>Total Adult Care</b>	<b>12.625</b>
<b>Council Services</b>	
Insurance and Risk Management	20.427
Uninsured Financial Loss	13.000
Budget Management	8.843
Planned Building Maintenance	6.517
Computer Purchasing	4.923
Property IMP Scheme	4.286
Change Management	4.133
Prior Year Underspends	3.722
Property DSO	3.275
Other reserves	7.486
<b>Total Council Services</b>	<b>76.612</b>
<b>Economic Development and Regeneration</b>	
D2 Growth Fund	0.200
D2EE Low Carbon Economy	0.130
Markham Environment Centre	0.114
Skills Training	0.101
Other reserves	0.311
<b>Total Economic Development and Regeneration</b>	<b>0.856</b>
<b>Health and Communities</b>	
S256/External Funding	0.343
Other reserves	0.414
<b>Total Health and Communities</b>	<b>0.757</b>
<b>Highways, Transport and Infrastructure</b>	
Prior Year Underspends	9.716
Broadband	5.430
Winter Maintenance	2.000
Road Safety Public Service Agreement (PSA)	1.217
Waste, Performance and Efficiency Grant (WPEG) 2006-07	0.802
Derby and Derbyshire Road Safety Partnership Reserve	0.681
IT Reserve	0.554
Waste Recycling Initiatives	0.391
Other reserves	2.157
<b>Total Highways, Transport and Infrastructure</b>	<b>22.948</b>

**Strategic Leadership, Culture and Tourism**

Policy & Research	1.292
Prior Year Underspends	1.286
Derbyshire Challenge Fund	0.678
Innovation and Transformation	0.270
Upgrade of Broadband in Libraries	0.255
Derwent Valley Mills World Heritage Site	0.216
Public Service Agreement (PSA) Reward Grant	0.174
High Needs Strategic Funding	0.127
Other reserves	0.599
<b>Total Strategic Leadership, Culture and Tourism</b>	<b>4.897</b>

**Young People**

Tackling Troubled Families	2.935
Prior Year Underspends	0.853
Complex Injury	0.509
School Rates Refunds	0.414
Foster Carer Adaptations	0.406
Youth Activity Grants	0.375
High Needs Block Capital Reserve	0.260
Unaccompanied Asylum Seeking Children	0.243
School Organisation Fund	0.230
Care Leavers Internships	0.215
Assisted Boarding	0.210
Temporary Assistance Pupil Support	0.157
Other reserves	0.600
<b>Total Young People</b>	<b>7.407</b>

<b>Total Portfolio Earmarked Reserves</b>	<b>126.102</b>
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**Schools**

Schools Balances	31.303
Dedicated Schools Grant (DSG)	10.955

<b>Total balances held for and on behalf of schools</b>	<b>42.258</b>
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<b>Public Health Grant</b>	<b>6.811</b>
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Service	Risk	Sensitivity £m	Likelihood (1 = Low, 5 = High)
<b>Adult Care</b>			
Transforming Care Programme	Clients move from Health to Adult Care provision	0.650	4
Sleep-Ins	Required to fund independent-sector provider sleep-in back payments	8.540	1
Information Governance	Additional staff required to meet General Data Protection Regulation (GDPR) requirements	0.320	3
<b>CCP</b>			
Property Services Traded Services with Schools	Loss of income due to reductions to school budgets and academisation	1.500	2
<b>ETE</b>			
Winter Maintenance	Impact of a severe winter	1.000	3
Street Lighting Energy and Maintenance	Further energy price increases, or further slippage in implementation of the LED programme	0.300	2
Highways Management	Ability to fund salaries from capital projects	0.800	2
Waste Management	Deterioration in the London Energy Brokers Association (LEBA) index on income from waste treatment plant electricity and increases in contract waste tonnages, which can be affected by the economy, winter weather conditions and unspecific variability	0.500	3
<b>Young People</b>			
Schools & Learning	School deficits transferred to the Council when becoming an Academy	0.200	4
Early Help & Safeguarding – placement costs	Impact of both increased number and higher individual costs of children entering care, including UASC	0.800	4

<b>Service</b>	<b>Risk</b>	<b>Sensitivity £m</b>	<b>Likelihood (1 = Low, 5 = High)</b>
Department wide	Data security breaches and the subsequent risk of serious damage to reputation and financial impact if fines are imposed	0.200	3
Department wide	Serious systemic Health and Safety failure, leading to prosecution	0.500	3
Early Help & Safeguarding - Starting Point	If the ability to operate the contact and referral service in respect of child protection, children in need and emerging needs from the current building was removed, for any reason, there would be a serious risk to direct service provision	0.500	3
Performance & Quality – Child Protection	Rates of children on child protection plans/child in need plans continue to rise	0.100	5
Schools & Learning – Catering/Sport & Outdoor Residential or Early Help & Safeguarding – Children’s Homes	Outbreak of major food poisoning e.g. E.Coli outbreak.	0.200	2
Early Help & Safeguarding – Social Care teams	Failure to recruit and retain experienced social workers leading to more use of Agency staff	0.500	5
Schools & Learning – Home to School Transport SEN and Dedicated Schools Grant High Needs Block	Increase in number and complexity of children with high educational needs that require a contribution by the Council for educational provision and/or transport to that provision	1.000	4