

Agenda Item No 7(d)

DERBYSHIRE COUNTY COUNCIL

CABINET

20 September 2016

Report of the Director of Finance

BUDGET MONITORING 2016-17 (as at 30 June 2016)
 (STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)

1 Purpose of the Report

To provide Cabinet 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, Audit Committee 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 Key Decision

No

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

No

8 Officer's Recommendation

That Cabinet notes 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 |