

Agenda Item No.8 (a)

DERBYSHIRE COUNTY COUNCIL

CABINET

22 November 2016

Report of the Director of Finance

BUDGET MONITORING 2016-17 (as at 31 August 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 31 August 2016.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolios as at 31 August 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 Adult Social Care, Children's Services, Highways, Transport and Infrastructure, and Health and Communities portfolios illustrate overspends. However, Adult Social Care, 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 £2.055m will be met from the General Reserve which will result in an underspend of £0.728m 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	209.220	209.736	0.516
Children's Services	95.473	102.569	7.096
Council Services	44.542	43.865	(0.677)
Health and Communities (exc. Public Health)	11.108	11.750	0.642
Highways, Transport and Infrastructure	73.004	74.331	1.327
Strategic Policy, Economic Development and Budget	8.432	8.217	(0.215)
Total Departmental Outturn	441.779	450.468	8.689
Interest Income			0.500
Debt Charges and Risk Management			(10.235)
Total			(1.046)

A summary of the individual portfolio positions is detailed below.

Adult Social Care

There is a projected year-end overspend of £0.516m. There are underspends in respect of Purchased Services including Fieldwork and Direct Care (£0.297m) and Commissioning and Performance (£2.471m). These are off-set by an overspend in respect of Strategic Director (£2.936m).

The overspend will be funded from the previous year Earmarked Reserve underspend.

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. Savings identified for 2016-17 total £12.638m and up to the period end the total achieved was £8.514m.

Earmarked reserves totalling £5.588m are currently held to support future expenditure.

Children's Services

The current forecast year-end position is an overspend of £7.096m. If planned budget reductions have not been achieved by the end of 2016-17 Children's Services will fund the shortfall from its prior year underspend Earmarked Reserve which currently has an available balance of £6.266m. The main variances are:

Children's Centres (£4.286m overspend) – the proposed expenditure reduction of £4.6m will not begin to be met until the last quarter of 2016-17, with the full reduction not being achieved until 2017-18.

Placement Costs (£2.709m 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.

Disabled Children (£0.666m overspend) - the proposed reduction to the grants provided to disabled children and their families where there is no statutory need to be met will not be achieved in full until 2017-18.

Special Guardianship (£0.500m overspend) – there has been a net increase in the number of arrangements over 2015-16.

Catering (£0.429m underspend) – the projected underspend assumes that there are no losses during the year to either strike days or closures due to bad weather.

Council Services

The budget is forecasting a £0.677m underspend. The main variances are:

Industrial Development (£0.579m 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 which cover the costs of the Strategic Director, Traded Services Team and other budgets such as training held at a departmental level (£0.290m 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.

Legal Services Division (£0.187m overspend) – The Division is dealing with a significant number of complex cases which need to be resourced.

SAP system costs (£0.344m underspend) - the budget supports the cost of running the SAP system and contributes to software upgrades and developments when required. It is anticipated that the underspend will contribute to upgrades in future years.

Transformation Division (£0.315m underspend) – there are a number of vacancies within the Division, and higher than anticipated levels of income from trading with schools has also contributed to the underspend.

County Buildings (£0.256m underspend) - the key areas of underspend relate to utilities and rates in the buildings on the County Hall complex.

HR Division (£0.254m underspend) - the key variance relates to vacancies within the Division.

Registrars (£0.167m underspend) - This is due to the level of income being generated from services such as civil weddings.

Budget reductions totalling £3.419m have been identified against a target of £3.366m for this financial year.

The Department's Earmarked Reserves total £54.940m.

Health and Communities

The year-end forecast is for an underspend of £1.268m, of which, £1.910m relates to Public Health. This leaves a projected overspend for the Communities element of £0.642m.

The £0.642m Communities overspend will be funded in 2016-17 by £0.300m Public Health funding and £0.240m of 2015-16 underspends. This will reduce the projected overspend to £0.102m this financial year which will be identified within the remainder of the year.

The main variances are:

Libraries and Heritage (£0.485m overspend) - the main area of overspend relates to the staffing budget cuts not being achieved to date.

Trading Standards (£0.190m overspend) - the key overspend 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 staffing cuts in 2017-18.

Public Health (£1.910m underspend) – a large proportion of the underspend continues to be generated from activity-based contracts which are not meeting anticipated levels of service. The underspend at year-end will be transferred into the Public Health Reserve and will fund committed investment in Prevention work worth £2.952m over a maximum period of the next 2 years which was approved by Cabinet on 20 September 2016.

Budget reductions totalling £1.247m were agreed by Full Council as part of the approval of the 2016-17 budget. In addition to this there is an amount of £0.380m unallocated reductions from previous years. The total cut allocation for 2016/17 is, therefore, £1.627m.

The Department's Earmarked Reserves total £5.287m.

Highways, Transport and Infrastructure

There is a projected year-end overspend of £1.327m. 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 £3.750m will be funded from General Reserve. The overspend is estimated to be £2.055m which when netted off

against the overall Portfolio overspend results in a forecast underspend of £0.728m.

The key variances are:

Highways Maintenance (£1.523m 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.

Transport and Travel (£1.115m overspend) – in respect of the local bus service (£2.055m) and savings through reduced demand for the Gold Card Scheme (£0.565m).

Highway Management (£1.004m underspend) - this is due to the phasing of capital works (£0.311m) and vacancy control (£0.633m) as a result of planned workforce reductions to deliver budget cuts.

Waste Management (£0.547m underspend) - overspends in respect of a 3% yearly increase in recycling credit rate (£0.330m), increases in waste tonnages (£0.333m) and Waste Electrical and Electronic Equipment Directive income reduction (£0.180m), are offset by contract savings of £1.390m on the long term waste contract.

Resources and Improvement (£0.546m underspend) – vacancy control.

Unallocated Budget (£1.491m overspend) – budget which has not yet been allocated to specific sections, but will be allocated before the year-end.

Budget reductions totalling £7.371m were allocated for the year. It is anticipated that £4.850m of these will have been achieved by the year end; further cuts are yet to be identified.

Earmarked Reserves totalling £26.992m are currently held to support future expenditure.

Strategic Policy, Economic Development and Budget

There is a projected year-end underspend of £0.215m. The main variance is:

Chief Executive's (£0.178m underspend) – this relates to front-loading of savings from 2014-15 which will be used to provide capacity for essential Council priorities including Communication and Policy, and to manage the budget cuts within the Chief Executive's Office.

Budget reductions totalling £0.425m have been allocated to the Chief Executive's Office budgets in 2016-17, although it has been agreed to re-profile the budget cuts for the department into 2019-20. As such, the £0.338m cuts have been achieved against the in-year target.

Summary

The projected overspends in Adult Care, 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, details of which were set out in the Period 3 Budget Monitoring report considered by Cabinet on 20 September 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.

An overall underspend of £1.046m is forecast, however after use of earmarked reserves to fund the Children's Services and Health and Community Services, and the use of General Reserve to support local bus services, the underspend will be £11.355m. 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 31 August 2016.

PETER HANDFORD

Director of Finance

Details of Earmarked Reserves held at 31 August 2016

	Amount £m
Adult Social Care	
Adult Care Replacement ICT System	0.250
Adult Care Budget Cut Shortfall	4.567
Adult Care Budget Cut Pump Priming	0.771
Total Adult Social Care	5.588
Children's Services	
Prior Year underspend	6.266
Capital two year old provision	2.563
Tackling Troubled Families	4.071
Other Reserves (balance less than £1m)	6.286
Total Children's Services	19.186
Council Services	
Computer Reserve Fund	3.610
Property IMP scheme	6.238
Property Package Reserve	1.629
Property Direct Service Organisation	4.810
Corporate Resources Department Reserve	7.864
Change Management	5.241
Insurance and Risk Management	18.988
Private Finance Initiative	1.679
Building Schools for the Future Wave 3	1.438
Adult Care PFI	0.147
Demolition of Buildings	0.784
Other Council Reserves	0.255
Total Council Services	52.683
Highways, Transport and Infrastructure	
Grants (including £1.9m Road Safety PSA II)	2.101
Committed Liabilities – Revenue	2.220
Committed Liabilities – Capital	16.033
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
Civil Parking Enforcement	0.050
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	3.343
Total Highways, Transport and Infrastructure	26.992

Strategic Policy, Economic Development and Budget

Thriving Communities Initiative	0.206
Equal Pay	1.393
Derbyshire Challenge Fund	0.987
Transformation Challenge Award	0.456
D2 Business Development Committed Liability - Revenue	0.108
Innovations and Transformation	0.730
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
Derbyshire Economic Partnership Committed Liability – Revenue	0.090
Strategic Policy, Economic Development and Budget underspends	1.146
Other Strategic Policy, Economic Development and Budget Reserves	0.470
Total Strategic Policy, Economic Development and Budget	6.407

Health and Communities

Public Health/Externally Funded Programmes	3.894
Upgrade of Broadband in Libraries	0.255
PSA1 Reward Grant	0.175
Other Reserves	0.963
Total Health and Communities	5.287

Total Earmarked Reserves **116.143**

Balances held for and on behalf of schools

School Balances	42.194
Dedicated Schools Grant – Central Element	10.906
	53.100