

Agenda Item No.7 (b)

DERBYSHIRE COUNTY COUNCIL

CABINET

22 September 2015

Report of the Director of Finance

BUDGET MONITORING 2015-16

(as at 30 June 2015)

(STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)

1 Purpose of the Report

To provide Cabinet with details of the Revenue Budget position for 2015-16 as at 30 June 2015.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolios as at 30 June 2015, however officers have provided additional updates to the Director of Finance to take the position to 31 July 2015, which shows improvements to the overspends highlighted in this report for Adult Care and, Children and Young People portfolios. Further details will be reported to Cabinet illustrating the improved position when Cabinet receives a report later in the year regarding the budget position as at 31 August 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.

This report relates directly to the contents of the revenue budget report approved by Council on 4 February 2015. Any relevant consultation requirements were referred to in that report.

The Council's three largest portfolios Adult Social Care, Children and Younger People and Highways, Transport and Infrastructure all indicate possible year-end overspends. However, the latter two portfolios will use earmarked reserves to record a break-even position. The projected outturn is summarised below.

On 4 June 2015, the Government announced details of in-year cuts to Public Health Grants of £200m. The reduction is currently subject to consultation with stakeholders, however the Government's preferred option is to reduce every local authority's 2015-16 allocation by a flat rate percentage of 6.2%. This would result in a reduction of £2.524m in the Council's grant allocation for 2015-16. Whilst this reduction can be managed in the current financial year, it will have a significant

impact on capacity of the Public Health Resource Fund to be used to offset budget reductions in future years.

A summary of the individual portfolio positions is detailed below.

	Controllable Budget £m	Actuals £m	Projected Outturn £m
Adult Social Care	203.261	210.638	7.377
Children and Younger People	103.561	108.786	5.225
Council Services	41.815	42.731	0.916
Health and Communities (excluding Public Health)	13.240	13.357	0.117
Highways, Transport and Infrastructure	79.415	79.936	0.521
Strategic Policy, Economic Development and Budget	7.816	7.158	-0.656
Total Departmental Outturn	449.108	462.606	13.498
Debt Charges and Risk Management			-16.120
Total			-2.622

Adult Social Care

There is a projected year-end overspend of £7.377m. In the main, the overspends relate to fieldwork and direct care, in particular, Homes for Older People and Residential Learning Disability.

Budget cuts totalling £24.216m have been allocated for the year, with a brought forward figure from 2014-15 of (£0.265m) to give a target of £23.952m. A total of £20.961m has been identified leaving a further £2.991m to be achieved over the remainder of the year.

Children and Young People

The forecast year-end position is for an overspend of £5.225m. The main areas of overspend are:

Aftercare (£0.710m overspend) - continuing level of spot purchased accommodation required due to the provision from current contracts being below what is required.

Placement costs (£1.250m overspend) – increase in the volume and cost of external residential placements.

Special guardianship (£0.306m overspend) – increase in the number of arrangements.

Advisory Service (£0.362m overspend) – due to the size of the service being maintained to support schools.

Multi Agency Teams (£0.325m overspend) – delays in the implementation of planned budget reductions including the closure of children’s centres. The delay in the full achievement of these budget reductions is being covered by an allocation from the Portfolio’s Earmarked Reserves.

Council Services

The current forecast is for an overspend of £0.916m. The main variances are:

HR Division (£0.270m underspend) – in the main, this is due to vacancy control.

Industrial Development (£0.719m 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.

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

Budget cuts totalling £4.213m were allocated and £3.821m has been achieved.

Health and Communities

The Portfolio is currently projecting an underspend for the year of £2.586m, of which £2.703m relates to the Public Health function. At the year-end, the Public Health underspend will be transferred to the Public Health Resource Fund leaving a project overspend for the remaining Portfolio of £0.117m. This includes:

Libraries and Heritage (£0.244m overspend) – additional revenue costs associated with the extension to the Derbyshire Record Office and unallocated budget cuts.

Budget cuts totalling £1.291m were allocated and £1.191m has been achieved.

Highways, Transport and Infrastructure

A year-end overspend of £0.521m is currently forecast. The main variances are:

Highways Maintenance (£1.523m overspend) – the main area of overspend relates to winter maintenance which is expected to overspend by £1.341m. Energy is also expected to overspend by £0.220m due to the delayed implementation of the LED street lights programme.

Transport and Travel (£0.909m underspend) – largely due to employee costs and vehicle parts costs.

Waste Management (£0.921m underspend) – the estimated tonnage growth for 2015-16 has not yet occurred based on data for the early part of the financial year, however this could change. Other contractual waste variations in the waste contract are demonstrating cost reductions which are partially offset by increased costs associated with recycling.

Budget cuts totalling £4.099m were allocated for the year. It is anticipated that £3.744m of these will have been achieved by the year-end.

Strategic Policy, Economic Development and Budget

A year-end underspend of £0.656m is projected, which includes:

Communications (£0.254m underspend) – staffing within Call Derbyshire and Communications due to vacancy control.

Chief Executives (£0.227m underspend) – front loading of budget cuts which will be used to meet cuts targets in future years.

Budget reductions of £0.496m were allocated and £0.496m has been achieved.

Summary

The projected overspends in Children and Younger People and, Highways, Transport and Infrastructure will be financed by one-off funding currently held in Earmarked Reserves.

Since the original budget was approved by Council in February, 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 £12m. The Council has a planned use of the Risk Management budget over the medium term to support demographic growth in Adult Social Care.

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 £2.622m is forecast before the use of one-off measures such as earmarked reserves. Once these are taken into account it is likely that the overall reported underspend will be nearer £8m.

Details of the Council's outstanding Earmarked Reserves as at 30 June 2015 are shown in Appendix One. The Council's Reserves Policy states that reserves are reviewed at least annually. A review of Earmarked Reserves has commenced and will be reported to Cabinet alongside details of the Council's General Reserves projections later in the year.

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 30 June 2015.

PETER HANDFORD

Director of Finance

APPENDIX ONE**Details of Earmarked Reserves held at 30 June 2015**

	Amount £m
Adult Social Care	
Care Home Providers	1.275
Adult Care IT System	0.250
Total Adult Social Care	<u>1.525</u>
Children and Young People	
Prior Year underspend*	9.666
Single Children's System	1.353
Support & Aspiration project	1.608
Capital 2 yr old places	2.563
UniFi Initiative	0.741
Tackling Troubled Families	4.217
Other Reserves (balance less than £1m)	6.897
Total Children and Young People	<u>27.045</u>
Council Services	
Computer Reserve Fund	2.918
Property Package Reserve	1.955
Property Direct Service Organisation	4.301
Other	12.291
Change Management	6.272
Insurance and Risk Management	17.524
Holmewood Business Park	0.203
VAT	0.095
Private Finance Initiative	1.809
Building Schools for the Future Wave 3	1.913
South Normanton Joint Service Centre	0.090
Registrars	0.165
Adult Care Private Finance Initiative	0.257
Total Council Services	<u>49.793</u>
Highways, Transport and Infrastructure	
Grants (including £1.9m Road Safety PSA II)	2.087
Committed Liabilities – Revenue	2.698
Committed Liabilities – Capital	14.462
Winter Maintenance	2.000
Partnership and other local authorities money held by Derbyshire County Council	0.217
Derwent Valley Mills World Heritage Site	0.172
Laboratory and Fleet Equipment	0.195
Waste Recycling Initiatives	0.391
Non-committed reserves including previous years' underspends	3.012
Total Highways, Transport and Infrastructure	<u>25.234</u>

APPENDIX ONE**Strategic Policy, Economic Development and Budget**

Troubled Families Initiative	0.213
Literacy	0.117
Fostering Publicity	0.090
Performance Management	0.100
Innovation Programme Support	0.050
Equal Pay	15.184
Derbyshire Challenge Fund	2.590
Invest to Save	0.075
Call Derbyshire – Speech recognition	0.170
Gov Delivery	0.050
Derbyshire Economic Partnership Committed Liability - Revenue	0.016
Buxton Crescent Legal Fees	0.050
Apprenticeship Scheme Committed Liability - Revenue	0.226
Markham Vale Seymour Impact Assessment Committed Liability - Revenue	0.100
Markham Vale Centre Extension Committed Liability - Revenue	0.280
Food & Drink Fair General Uncommitted Reserves	0.022
D2N2 – Demand Stimulation	0.100
Other reserves	0.029
Total Strategic Policy, Economic Development and Budget	<u>19.462</u>

Health and Communities

Public Health Resource Fund	6.661
Public Health/Externally Funded Programmes	0.573
Other Reserves	1.448
Total Health and Communities	<u>8.682</u>

Total Earmarked Reserves **131.741**

Balances held for and on behalf of schools

School Balances	38.725
Dedicated Schools Grant – Central Element	13.451
Capital Maintenance	1.050
	<u>53.226</u>