

Agenda Item No 8(a)

DERBYSHIRE COUNTY COUNCIL

CABINET

26 July 2016

Report of the Director of Finance

REVENUE OUTTURN 2015-16

(STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)

1 Purpose of the Report

To set out the final outturn position for 2015-16, identify significant variations from the revised estimate and identify commitments already agreed against the underspend, together with proposals for the further use of underspends. The allocations for the further use of underspends will be held in departmental Earmarked Reserves and will only be released to departments subject to final approval by the appropriate Cabinet Member. The report also sets out the Council's General and Earmarked Reserves position.

2 Information and Analysis

Financial Context

The Council has been making budget reductions since 2010. The Council's Five Year Financial Plan was updated and reported to full Council in February 2016. It highlights that further budget cuts are required until 2020-21. This assumes that the Council will accept the Government's multi-year funding offer which was announced as part of the Local Government Finance Settlement published in December 2015. Local authorities have until October 2016 to accept the Government's offer. In doing so, the Council is required to submit an Efficiency Plan, which covers the multi-year period and is expected to be transparent about the benefits that it will bring to the Council and the community. The Council's planning assumed that there would be an underspend on the 2015-16 budget to offset budget cuts in future years.

The Five Year Financial Plan will be revised and updated during the Summer and reported to Cabinet. If the Council chooses to accept the Government's multi-year funding offer, the Plan will help to inform the basis of the Efficiency Plan that will need to be submitted to Government.

The outturn position for 2015-16 highlights underspends for all portfolios with the exception of Children and Young People. The reasons for the underspends are set out later in the report.

In order to achieve a balanced budget over the medium term the Council is reliant on the achievement of a programme of budget cuts. Progress against the budget cuts targets will be closely monitored, however, lead-in times for consultation activity and increased demand on services such as Adult Care demographics mean that there is a continued risk of not achieving a balanced budget. Portfolios have requested use of underspends to help manage the budget cuts in 2016-17 and 2017-18. In addition, Cabinet, on 26 January 2016, approved the creation of an Earmarked Reserve with a balance of £12.000m to support management of the budget in 2016-17 and 2017-18.

Turning to the position for each portfolio:

Adult Social Care

The position on the controllable expenditure was an overall underspend of £5.338m. The position has improved compared to the 2014-15 outturn due to:

- The majority of the additional responsibilities outlined in the Care Act having been met using existing resources, which has resulted in the Care Act Grant of £4.567m not yet being utilised.
- Budget cuts of £1.107m having been achieved earlier than anticipated.
- Actions to reduce the level of delayed hospital charges having been funded from the Better Care Fund.

The main variations were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Purchased Services – all clients	10.755	A combination of demographic pressure and the cost of complex cases
Social Care Activity	(1.299)	High level of vacancies due to the difficulty in recruiting qualified staff
Commissioning and Service delivery	(1.172)	Vacancy control and efficiency measures
Housing Related Support	(2.099)	A number of services have ceased or been re-commissioned at a lower cost
Unallocated budgets	(11.071)	<ul style="list-style-type: none"> • Centrally held budgets to off-set the anticipated overspend in Purchased Services • Care Act implementation was achieved, where possible, through the use of existing resources

Budget cuts of £25.059m have been achieved against a target of £21.815m which are:

Description	£m
Supported Living Schemes	2.324
Meals and Laundry	0.124
Transport	0.205
Fair Access to Care Services to substantial need	0.852
Cutting grants to voluntary organisations	1.591
Housing Related Support	5.707
Consolidate block contracts	0.329
Community Equipment	0.337
Review 'No Attendance Allowance/Disability Living Allowance' clients	0.226
Increase co-funding contributions	3.816
Consistent application of the Resource Allocation Summary	8.799
Reduce business services staffing	0.107
Reduction in Leadership job family	0.088
Direct Care trading income	0.554
	<u>25.059</u>

Children and Young People

The position on the controllable expenditure was an overall overspend of £1.347m. The main variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Residential provision – outside agencies	2.477	The overspend is due to increased numbers of children placed in this type of provision. Typical costs per annum for a placement are £0.150m. The department is working on both reducing the number of children in this type of placement and establishing its own provision if there is a compelling case for this.
Special Guardianship	0.674	The overall number of children who have been placed with financial support provided by the Council has increased again this year. Additional budget to support this increasing cost pressure was approved by Council in February.

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Catering	(0.955)	The number of meals served in 2015-16 has increased above that in 2014-15 as it is the first full year of provision of free meals to all Key Stage 1 pupils and there were no snow days or strike days. There has also been an increase in take-up across primary and secondary sectors.
Youth Offending	(0.469)	The underspend is on staffing which is being managed in anticipation of further reductions to grant funding from the Government and other partners supporting this service.

Budget cuts of £9.609m were allocated of which £7.943m has been achieved.

Description	£m
Review and reduce back office and business services costs	1.802
Reduce the number of children cared for by the Council	0.300
Education Improvement Consultants	0.250
Adult Education	0.080
Staff Training	0.173
Children's Centres	0.944
Outdoor Education	0.200
Education Psychology	0.039
Early Intervention Support	3.000
Senior Management Team	0.055
Troubled Families	1.100
	<u>7.943</u>

Where the Portfolio has not achieved the budget cut target allocated to it, the table below provides reasons for the delays and progress against the individual budget cut targets.

Description	Value £m	Progress against budget cut
Careers Service	0.037	The service has not yet achieved this target due to the offer of a discount for the first years of operating as a traded service to establish it.
Transport Costs	0.534	Income from charges has increased by £0.080m in-year and the costs of denominational transport have reduced by £0.101m. Costs of this provision are anticipated to reduce further in July 2016 when contracts are ended and the provision is no longer provided as a subsidised service on the grounds of faith alone.
Review of Children's Homes	0.520	A children's home was closed during the year, however some of the achieved saving has been re-invested in services for teenage children to prevent them being taken into care in the first instance.
Disability/Special Educational Needs	0.575	Proposals for a revised structure were presented to Cabinet in January 2016 which are the first stage towards delivery of the reduction in budget.

Council Services

There was an underspend of £0.433m on the controllable budget. Details of the main variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Transformation Services	(0.305)	Vacancy control and over-recovery of income from 'Services for schools'.
Change Management	(0.208)	Profiling of projects and timing of payments.
Registrars	(0.257)	Over-recovery of income from fees and charges.
Human Resources	(0.527)	Vacancy control and over-recovery of income from 'Services for schools' and the Pension Fund.
Industrial Development	0.754	Under-recovery of income from industrial units and small business

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
		centres, as well as the additional costs due to non-domestic rates liability payable on empty units. Write-off of bad debts of £0.150m which have arisen during the economic downturn.
Centrally held budgets	0.358	In the main, due to the provision of £0.188m for bad debts.
Non-achievement of budget cuts	0.519	Unallocated efficiency savings which have yet to be identified and are currently being met from underspends within the Portfolio's budget.

Budget cuts of £4.213m were allocated and have been achieved, details of which are set out in the table below.

Description	£m
Internal Audit partnership	0.100
Staffing – efficiencies of the core financial system	0.200
Risk management projects	0.025
Revenue Contribution to Capital Outlay	0.042
Voluntary Redundancy/Voluntary Early Retirement	0.200
Change Management	0.475
ICT supplies and services	0.200
Staffing/Income generation from registration	0.240
Carbon reduction	0.225
Surveying/asset management	0.320
Maintenance funding – maintenance budget	1.490
Commissionaires	0.038
Property restructuring – leadership and business support	0.234
Human Resources	0.153
Shared Service Centre – E bulk on-line processing of Disclosure and Barring Service checks	0.235
Derbyshire Business Centre – hybrid mail	0.036
	4.213

Health and Communities

The position on the controllable expenditure was an overall underspend of £4.028m. This includes an underspend of £3.788m against the ring-fenced Public Health budget. After transferring this to the Public Health Reserve, the Portfolio's net underspend is £0.241m. Key variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Community Safety	(0.108)	Vacancy control and lower costs in respect of the street lighting project.
Trading Standards	(0.185)	Additional income from a series of one-off funding streams.
Public Health	(3.788)	Lower than anticipated costs for Accredited Services, Tariff Based Services, Children's Public Health, Health checks, Substance Misuse, and Falls Prevention; revised implementation date of the Affordable Warmth Project.

Budget cuts totaling £1.291m were allocated, of which, £1.191m has been achieved, details of which are shown in the table below. The under-achievement of £0.100m relates to Departmental HQ being allocated a target of £0.454m, of which, only £0.354m has been achieved.

Description	£m
Emergency Planning	0.025
Community Safety	0.120
Mobile Library Service	0.265
Trading Standards	0.150
Library Service Restructure	0.250
Departmental HQ	0.354
Museum Service	0.027
	<u>1.191</u>

Highways, Transport and Infrastructure

The position on the controllable expenditure was an overall underspend of £1.413m. The main variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Highway Maintenance	1.715	Winter maintenance (£0.917m), increased street lighting energy costs due to higher than anticipated inflation and a delay in implementing a LED street lighting contract (£0.604m).
Transport and Travel	(0.976)	Overspend on the provision of local bus services (£0.691m),

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
		off-set by underspends on Fleet Services (£0.388m), Technical Policy and Flood Management (£0.165m), Concessionary Fares (£0.918m) and Community Transport (£0.100m).
Waste Management	(0.870)	In the main relates to one-off items, which include £0.704m from 2015-16 landfill diversion saving negotiated with the Council's long-term contractor.
Countryside	(0.184)	Staffing costs as a result of a major restructure.
Planning and Development	(0.583)	Staffing costs and over-recovery of planning application fees and Section 38 and 278 agreements income.

Of the total controllable underspend, previously approved commitments total £0.233m, which are:

Description	£m
Atkins Incentive Fund	0.030
Derwent Grove and Wash Green flood defences	0.031
Civil Parking Enforcement	0.050
Diversity Project – Cross Departmental Funding	0.003
Commuted Highways Maintenance	0.119
	<u>0.233</u>

Budget cuts of £5.099m were required. Of this, £4.078m were achieved, details of which are set out in the table below.

Description	£m
Staffing	1.333
Highway Maintenance	1.000
B_Line	0.315
Community Transport	0.300
Countryside Services	0.225
Gold Card	0.200
Winter Maintenance	0.200
Permit Scheme	0.100
Reduction in Revenue Support for Local Bus Services (part achieved)	0.309
School Crossing Patrols	0.096
	<u>4.078</u>

Where the Portfolio has not achieved the budget cut target allocated to it, the table below provides reasons for the delays and progress against the individual budget cut targets.

Description	Value £m	Progress against budget cut
Street Lighting LED Energy	0.270	Late implementation of the contract.
Derwent Valley Mills	0.060	At the Cabinet meeting 7 July 2015, it was agreed to defer the cut until 2016-17 to enable new governance arrangements to be implemented before a staffing review is undertaken.
Reduction in Revenue Support for Local Bus Services	0.691	Cabinet on 27 January 2015 agreed to support the provision of local bus services, the cost of which would be met from the General Reserve over two years. It is intended not to call on the General Reserve to cover this overspend at this time to enable flexibility in delivering savings in passenger transport over the next few years.

Strategic, Policy, Economic Development and Budget

There was a controllable underspend of £1.083m. The main variations were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Communications	(0.498)	Vacancy control in Call Derbyshire (£0.229m) and Communications (£0.269m).
Policy and Research	(0.196)	Vacancy control.

Budget cuts of £0.496m were allocated for the year. A total of £0.496m has been achieved.

Description	£m
Policy Staffing	0.030
Corporate Projects	0.014
Cessation of support to Local Area Forums	0.084
Communications Staffing	0.194
Publicity	0.094
Non-recruitment advertising	0.005
Removal of Derbyshire County Primary Care Trust budget	0.075
	<u>0.496</u>

Corporate Budgets

In addition to the underspends on the Portfolio budgets outlined above, there were also underspends on the Council's Risk Management and Debt Charges budgets of £12.931m and £8.576m respectively. The reason for the underspend on the Risk Management budget was largely due to additional unexpected funding received in-year from Government. The underspend on the Debt Charges budget relates to slippage on the capital programme. Interest received on balances was £0.083m higher than estimated.

Dedicated Schools Grant (DSG)

The underspend on DSG was £3.211m. Key variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
High Needs Block	0.688	Of the £0.688m overspend, £0.320m related to higher spend against the allocation for placements in non-maintained and independent special schools. A further overspend was £0.151m on additional payments to support children in nursery schools and units with additional needs. A third significant overspend of £0.255m was increased spend on top-ups to support children in secondary schools.
Central Early Years	(0.495)	In the main, due to vacancy control and recovery of budgets from nursery schools and units due to updated information on

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
		headcounts.
Other Central Budgets	(0.948)	Unused endowment fund allocation of £0.500m and an underspend on the Equal Pay claims budget.
Schools Key Stage 1 Class Size fund	(0.739)	Schools Forum supported a proposal to alter the criteria under which additional revenue budget is allocated to a school because of KS1 class size requirements however they Forum approved the budget to be retained at the previous level until they could assess what impact this had on the level of allocations.
3 and 4 year olds in Private Voluntary and Independent (PVI) settings	(0.807)	The budget was allocated in line with the number of 3 and 4 year olds that the Government provided funding for with the DSG. The Government operate a lagged adjustment to the grant and it will not be until July 2016 that any increase or clawback will be announced.
Unallocated DSG	(0.711)	This has arisen from differences between the anticipated requirement from reserves to support the in-year DSG allocation and the actual requirement once estimates have been finalised. In addition, rates budget is released during the year as schools convert to academy status.
2014-15 Grant adjustment	(0.322)	The final allocation for Early Years within the DSG is not finalised until the following financial year and this amount is the additional grant funding paid to the Council in 2015-16.

There is continued discussion with the Derbyshire Schools Forum regarding the use of the accumulated underspend. There are several development projects that have the support of the Forum, Cabinet and the Government.

Proposals for the Use of Underspends

Portfolios have made requests for the use of underspends with the exception of Children and Young People, details of which are summarised in the table below.

	£m
Adult Social Care	5.338
Council Services	0.045
Health and Communities	0.240
Highways, Transport and Infrastructure	1.180
Strategic Policy, Economic Development and Budget	1.040
	<u>7.843</u>

The majority of the underspends will be used to manage the budget cuts in 2016-17 and 2017-18. The balances will be allocated to a departmental Earmarked Reserve and proposals for their use will be subject to final approval by the Cabinet Member.

General and Earmarked Reserves

The General Reserve balance was £52.028m as at 31 March 2016. However, there are commitments held against the balance to ensure that it remains at a risk assessed minimum level over the medium term which is expected to be between £20m - £30m.

Earmarked Reserves are held to meet known or predicted liabilities and the funds should be used for the item for which they have been set aside. Any funds no longer required are returned to the General Reserve. The Council reviews the level of Earmarked Reserve at least annually. The Council will undertake a review later in the year and report the outcomes to Cabinet in due course.

A summary of outstanding balances on Earmarked Reserves are shown in Appendix Two.

Summary

All Portfolios with the exception of Children and Young People achieved underspends. Departments have additional flexibility regarding the use of previous year underspends which allows them to manage future budget reductions. In addition there were underspends on the Risk Management and Debt Charges budgets.

Appendix One shows a summary of the controllable variances by service, together with proposals for the use of underspends.

The General Reserve stands at £52.028m in the Council's Pre-Audit Statement of Accounts as at 31 March 2016. However, departments have a number of commitments, outlined above and request for carry forward of balances which would have a significant reduction in that balance. In addition there are further calls upon the balance to meet further commitments.

3 Financial Considerations

As outlined above.

4 Human Resources Considerations

None.

5 Other Considerations

In preparing this report the relevance of the following factors has been considered – equality and diversity, health, environmental, transport, property and prevention of crime and disorder considerations.

6 Background Papers

Papers held in Technical Section, Corporate Finance.

7 Key Decision?

No.

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

No

9 Officer's Recommendations

That Cabinet:

- i. Note the departmental outturn position for 2015-16.
- ii. Note the position on General and Earmarked Reserves.
- iii. Approves the allocation of underspend amounts to Portfolios.
- iv. Notes that requests for further use of underspends will be subject of further Cabinet Member reports.

PETER HANDFORD

Director of Finance

Appendix One

Summary of Underspends

	Budget £m	Actual £m	Underspend £m	Commitments £m	Balance after Commitments £m	Allocation for Use of Underspends £m	Balance to remain in General Reserve £m
Adult Social Care	204.205	198.867	(5.338)	0.000	(5.338)	5.338	0.000
Children and Young People	103.907	105.254	1.347	0.000	1.347	0.000	(1.347)
Council Services	42.654	42.221	(0.433)	0.000	(0.433)	0.045	0.388
Health and Communities*	12.652	8.623	(4.028)	3.788	(0.240)	0.240	0.000
Highways, Transport and Infrastructure	79.715	78.302	(1.413)	0.233	(1.180)	1.180	0.000
Strategic Policy, Budget and Economic Development	7.489	6.405	(1.083)	0.000	(1.083)	1.040	0.043
Risk Management	12.931	0.000	(12.931)	0.000	(12.931)	0.000	12.931
Debt Charges	51.845	43.269	(8.576)	0.000	(8.576)	0.000	8.576
	515.398	482.941	(32.455)	4.021	(28.434)	7.843	20.591

* Includes ring-fenced Public Health underspend of £3.788m.

Earmarked Reserves

	31 Mar 2015 £m	Transfers In £m		Out £m	31 Mar 2016 £m
Highways, Transport and Infrastructure (HTI)					
Other HTI Reserves	(8.097)	(1.070)		1.052	(8.115)
IT Reserve	(1.245)	(0.071)		0.194	(1.122)
Road Safety	(1.900)	0.000		0.033	(1.867)
Highways DLO	(1.022)	0.000		0.047	(0.975)
Other HTI Grants	(1.411)	(0.001)		0.018	(1.395)
Highways Maintenance	(6.000)	0.000		0.803	(5.197)
Council Services					
Insurance	(17.524)	(1.539)		0.075	(18.988)
Other Council Services	(11.150)	(4.569)		7.356	(8.363)
Council Services Grants	(0.190)	(0.110)		0.000	(0.300)
Change Management	(6.395)	0.000		0.610	(5.785)
Property DLO	(4.302)	(3.526)		3.018	(4.810)
PFI Schools	(3.722)	(0.078)		0.682	(3.118)
Computer Purchasing	(3.406)	0.605		(1.008)	(3.809)
Derbyshire Property	(1.955)	0.000		0.326	(1.629)
IMP Scheme	0.000	(6.238)		0.000	(6.238)
Demolition of Buildings	0.000	(0.784)		0.000	(0.784)
Budget Management Support	0.000	(12.500)		0.000	(12.500)
Uninsured Fin Loss	0.000	(13.000)		0.000	(13.000)
Community Priorities Programme	0.000	(4.000)		0.000	(4.000)
Business Rates Pool	0.000	(1.087)		0.000	(1.087)
Capital RCCO's	(8.225)	(8.476)		11.139	(5.562)

	31 Mar 2015 £m	Transfers In £m		Out £m	31 Mar 2016 £m
Health & Communities (H&C)					
Public Health Fund	(6.661)	(12.307)	15.180	(3.788)	
Other H&C	(1.578)	(2.934)	1.283	(3.229)	
Derbyshire Sports	(1.131)	0.000	1.111	(0.020)	
Other H&C Grants	(0.371)	(0.037)	0.063	(0.345)	
Children and Young People					
Schools Balances	(38.724)	(4.155)	0.407	(42.472)	
Dedicated Schools Grant	(27.106)	(2.475)	13.656	(15.925)	
Other Children's	(15.514)	(7.256)	5.249	(17.521)	
Nursery Placements	(2.563)	0.000	0.000	(2.563)	
SEN Reform	(1.608)	(0.171)	1.071	(0.708)	
Capital Maintenance	(1.051)	0.000	1.051	0.000	
Other Children's Grants	(4.986)	(1.645)	2.253	(4.378)	
Uni-Fi Initiative	(0.741)	0.000	0.186	(0.555)	
MST Pilot	(0.384)	0.000	0.283	(0.101)	
Strategic, Policy, Budget and Economic Development (SPB)					
Equal Pay	(15.184)	(0.134)	13.192	(2.126)	
Broadband Project	(4.856)	(2.190)	0.000	(7.046)	
Derbyshire Challenge	(2.590)	0.000	1.546	(1.044)	
Other SPB	(1.667)	(1.852)	0.895	(2.624)	
Regeneration Unit	(0.016)	(0.074)	0.000	(0.090)	
Adult Social Care					
Care Homes	(1.275)	0.000	1.275	0.000	
Adult Care IT Fund	(0.250)	0.000	0.000	(0.250)	
	(204.800)	(91.674)	83.045	(213.428)	