

DERBYSHIRE COUNTY COUNCIL

CABINET

27 January 2015

Report of the Director of Finance

BUDGET MONITORING 2014-15 (as at 31 October 2014)
 (STRATEGIC POLICY, ECONOMIC DEVELOPMENT & BUDGET)

1 Purpose of the Report

To provide Cabinet with the Revenue Budget position for 2014-15 at 31 October 2014.

2 Information and Analysis**Summary**

The report summarises the controllable budget position by Cabinet Member Portfolios as at 31 October 2014. 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, agreed by Audit Committee, and Financial Regulations. Where departments have asked for carry forward of budget from 2013-14, it requires final approval from the appropriate Cabinet Member.

The Council's three largest portfolios Adult Social Care; Children & Younger People and Highways, Transport and Infrastructure all indicate possible year-end overspends, however further measures are underway which it is expected will reduce the possible overspend as the year progresses. The projected outturn is summarised in Table One below:

Table One: Summary of projected outturn

	Controllable Budget	Actuals	Projected Outturn
	£m	£m	£m
Adult Social Care (ASC)	210.542	215.927	5.385
Children and Young People (CAYP)	109.406	111.294	1.888
Highways, Transport & Infrastructure (HTI)	81.058	82.416	1.358
Strategic Policy, Economic Development and Budget (SPEDB)	6.929	6.077	-0.852
Council Services (CS)	45.139	44.401	-0.738
Health and Communities (HAC)*	13.146	12.879	-0.267
Total Departmental	466.220	472.994	6.774
Debt Charges & Risk Management			-9.503
Total			-2.729
<i>Memo: Public Health</i>			-4.478

* Excludes Public Health

Budget Cuts

Budget cuts totalling £31.203m were allocated for the year. It is anticipated that £24.816m of these will have been achieved by the year-end before any additional support is received from the Public Health Resource Fund. An additional £3.705m has been identified from the Fund which can be used to support some service areas. Table Two below shows budget cuts performance for the year.

Table Two: Achievement of projected budget cuts

	Budget Cuts £m	Public Health Funding £m	Revised Budget Cuts £m	Forecast Achievement £m	Under/Over (-) Achieved £m
AC	13.631	1.891	11.740	11.887	-0.147
CAYP	6.033	1.115	4.918	3.169	1.749
HTI	7.259	0.136	7.123	5.502	1.621
SPEDB	0.254	0.000	0.254	0.497	-0.243
CS	2.738	0.000	2.738	2.738	0.000
HAC	1.288	0.563	0.725	1.023	-0.298
Total	31.203	3.705	27.498	24.816	2.682

Earmarked Reserves

Earmarked Reserves totalling £135.293m are currently held to support future Council expenditure, a further £69.051m are held for and on behalf of schools.

Table Three: Analysis of Earmarked Reserves

Portfolio	Grants	Committed Liabilities	Funding Capital	Other	Not Controlled by Council	Total
ASC	0.000	9.040	0.000	0.000	0.000	9.040
CAYP	3.497	6.842	3.070	12.933	0.713	27.055
CS	0.000	0.000	7.230	24.235	19.419	50.884
HAC	0.388	0.825	0.000	1.855	0.000	3.068
HTI	2.081	7.701	10.590	0.592	0.071	21.035
SPEDB	0.000	1.190	5.219	17.802	0.000	24.211
Total	5.966	25.598	26.109	57.417	20.203	135.293
Schools	0.000	0.000	0.000	0.000	69.051	69.051
Total	5.966	25.598	26.109	57.417	89.254	204.344

Earmarked Reserves are regularly reviewed and analysed into the following categories:

- Grants – Any reserve that was created through the receipt of a grant to which its use is restricted to the degree that if it is not used for that purpose then the Council would become liable to repay the grant.
- Committed Liabilities – Genuine liabilities that are known and current to the Council (this does not include holding a balance to cover possible future liabilities).
- Funding Capital Projects – These are items where the reserve is held to meet the funding required by the capital programme.
- Not controlled by Council – the majority of these reserves are controlled by schools, however, they also include resources held on behalf of partnerships and other Councils.
- Other – all other earmarked reserve balances, for example balances held for potential future liabilities.

Full details of these reserves are shown in Appendix One. A more detailed report on Reserves is also being presented at this meeting.

Adult Social Care

The current monitoring report indicates a projected year-end overspend of £5.385m. The previous monitoring reported at 31 August showed a projected overspend of £7.376m, which represents an improvement of £1.991m.

The overspend of £5.385m takes account of the transfer to Public Health of responsibility of £1.944m of Housing Related Support and Grants to Voluntary Organisations.

The overspend mainly relates to Homes for Older People (£2.334m) and Residential Learning Disability (£2.191m).

The projected year-end overspend of £5.385m does not take into account the following items:

- Increase in Co-Funding contributions from October 2014, which is currently expected to reduce the overspend by £2.750m
- Additional costs for the Extra Care and Residential Centres that are due to open over the next two years which is currently projected to cost £0.326m in 2014-15. However, this may reduce if there are any delays in new establishments opening, or if clients are diverted away from more expensive residential placements.

The revised projected overspend therefore is expected to be around £2.961m at the next monitoring period.

Budget cuts totaling £11.945m were allocated for the year, with a brought forward figure from 2013-14 of £1.686m to give an overall target of £13.631m. It is anticipated that £13.761m will have been achieved by the year-end.

Adult Social Care holds Earmarked Reserves of £9.040m as at 31 October 2014. Of this, £8.000m is to cover the backdated fees to Care Home Providers which it is anticipated will be largely spent before the end of the financial year.

Children and Young People

The forecast year-end position for CAYP's expenditure funded by the Council is an overspend of £1.888m.

The main reason for the overspend is due to the slippage in the timetable of actions to achieve departmental budget reductions, which is being partially offset by other temporary and ongoing savings such as staffing and increased generation of income.

The forecast continues to reflect the increasing costs of transport for children with Special Needs and the significant cost of placements for children with high levels of need.

The monitoring report includes a beneficial adjustment of £2.139m for costs which are now being charged to the pooled budget for children with complex needs and one-off contributions of £1.374m from earmarked reserves. If there is an overspend at the year end, it will be met from the earmarked reserve that CAYP hold for this purpose.

It is anticipated that £3.169m of the original budget reduction target of £6.033m will be achieved in the year. This is before any adjustment in the target for funding from the Public Health Fund.

CAYP currently holds earmarked reserves of £27.055m. It is projected that this balance will be £23.288m by the end of the financial year.

Highways, Transport and Infrastructure

A year-end overspend of £1.358m is currently forecast. This compares to £1.814m reported at the end of August. Therefore the current position represents an improvement of £0.456m.

Transport and Technical Policy (£1.341m underspend) - the main areas of underspend relate to a reduction in staff costs achieved as a result of vacancy control, Gold Card re-imbursements, b_Line and revenue support for buses.

Highway Management (£0.578m overspend) - the main areas of overspend relate to Contracting and Design services and an under-recovery of parking income.

Highway Maintenance (£0.927m overspend) - this predominantly relates to winter maintenance, which is currently projected to overspend by £0.927m. This will be funded from the Winter Maintenance Reserve.

Waste Management (£1.377m overspend) - residual waste tonnages were anticipated to fall in 2014-15 following further improvements in waste minimisation, recycling and composting. However, the latest forecasts based on tonnages to date do not indicate that this reduction is taking place. In addition, the cost of treating organic waste, which now includes food waste, at the newly opened Arkwright In-Vessel Composting facility is higher than the previous cost of treating garden waste only. Organic waste tonnages are also anticipated to increase.

Budget cuts totalling £7.259m were allocated for the year. It is anticipated that £5.502m of these will have been achieved by the year-end.

Waste Disposal Efficiencies – this is currently projecting an under achievement by the year-end of £1.377m. This is due to the higher than anticipated tonnages, which have been highlighted above

Increase Income on Schemes – of this, £0.300m relates to Permit Schemes which are awaiting Government approval so cannot be implemented until April 2015 at the earliest. The sum of £0.070m is for new on-street parking schemes which are not due to be implemented until May/June 2015. There is a further sum of £0.010m which relates to an increase in parking charges at countryside sites, which may not be delivered due to the extent of theft and damage to the ticket machines.

Earmarked reserves totalling £21.035m are currently held to support future expenditure. It is anticipated that approximately £3.313m of this will have been used during the year resulting in a balance of £17.722m available at the year end.

Strategic Policy, Economic Development and Budget

A year-end underspend of £0.853m is projected, which represents an improvement of £0.296m since that last reported at the end of August.

Communications – (£0.564m underspend) - The key underspends relate to staffing within the Call Derbyshire and Communications teams. Also, there has been a reduction in expenditure on printed publications, by reducing the volume of printed materials and reducing print costs.

Policy and Research – (£0.206m underspend). The underspend is mainly due to a gradual reduction in the number of payments to other local authorities in Derbyshire for the administration of Local Area Forums.

Regeneration – (£0.150m underspend). This is largely due to an underspend on Tourism Marketing and the salaries budgets.

Budget cuts totalling £0.254m were allocated and £0.497m has been achieved, generating front-loaded savings of £0.243m.

The current balance on the Portfolio's Earmarked Reserves is £24.381m. As the majority of these reserves have been set up to help finance potential liabilities in future years it is expected that the balance at the end of the year will be similar to the current balance.

Council Services

The current forecast is for an annual underspend of £0.738m, an improvement of £0.034m since that last reported to Cabinet. Underspends are, in the main, due to staff vacancies, this is consistent with the position previously reported.

It is anticipated that the budget cuts target of £2.738m will be achieved by the end of the financial year.

Earmarked Reserves totalling £43.484m are currently held to support future expenditure. It is currently anticipated that £5.256m of this will be used during the financial year, resulting in a forecast balance of £38.228m by the end of the year. Of this, £19.723m is outside of the Council's control. This relates to Insurance and Risk Management, financing costs of Private Finance Initiative (PFI) schemes and the Derbyshire Property Package Pooled Funds held on behalf of schools.

Health and Communities

The portfolio is currently projecting an underspend for the year of £4.745m, of which £4.478m relates to the Public Health function. At year-end the Public Health underspend will be transferred into the Public Health Resource Fund leaving a projected underspend for the remaining portfolio of £0.267m.

Budget cuts totaling £1.288m were agreed by Council as part of the approval of the 2014-15 budget. Funding from the Public Health Resource Fund of £0.563m has reduced that target to £0.725 and it is currently anticipated that £1.023m will be achieved by the end of the financial year.

Earmarked Reserves totaling £3.068m are currently held, however, due to the underspend on Public Health it is anticipated that this will increase to £6.294m by the end of the year.

Summary

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

Furthermore, the additional actions being undertaken by Adult Social Care, as detailed in the report, are predicted to reduce the overspend further. It is therefore anticipated that the final year-end position will be:

	Projected Over/Under(-) spend £m
Departmental Overspend Detailed in the Report	6.774
Debt Charges & Risk Management	-9.503
Use of Earmarked Reserves (CAYP & HTI)	-4.130
Additional Actions in Adult Social Care	-2.424
Projected Contribution to General Reserve	-9.283

This contribution is expected as part of the Council's budget management set out in its Reserves Policy and Five Year Financial Plan from previous years. Without this contribution, the Council would be poorly placed to make further contributions from reserves to offset the impact of budget reductions in later years.

A sum of £4.400m from the Risk Management budget has been set aside for the cost associated with the Care Homes Fees increase. Since the original budget was approved by Council in February, Government has issued further general grant funding to local authorities in addition to that included in the Finance Settlement. This is one-off funding and will result in a larger than anticipated underspend on the Risk Management budget, although there may be a call on the Special Educational Needs Disability (SEND) funding as a contribution to the resources needed to deliver the SEND reforms. Below are details of the additional funding:

- £0.604m Adoption Reform Grant
- £0.552m Additional SEND Implementation Grant
- £1.109m Additional Business Rates Compensation Grant

Details of the final New Homes Bonus allocations were not announced until after the Final Settlement. The final allocation for the Council was £0.008m less than that announced in the Provisional Finance Settlement, which has been managed through the Risk Management Budget.

The Risk Management and Debt Charges budgets are forecast to underspend by a total of £9.503m as detailed in the table below:

	Budget £m	Forecast £m	Outturn £m
Debt Charges on lease agreements	8.498	8.728	0.230
Debt Charges on Capital Borrowing	43.927	39.331	-4.596
Risk Management	5.211	0.000	-5.211
	57.636	48.133	-9.503

Underspends on the Risk Management and Debt Charges budgets will help to mitigate portfolio overspends, with any net Council underspend being returned to the General Reserve at year-end.

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, human resources, equality of opportunity, health, environmental, transport, property and prevention of crime and disorder considerations.

5 Background Papers

Papers held in Technical Section, Corporate Finance.

6 Key Decision

No.

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

No.

8 Officer's Recommendation

That Cabinet notes the 2014-15 budget monitoring position as at 31 October 2014.

PETER HANDFORD

Director of Finance

19 December 2014

APPENDIX ONE

Details of Earmarked Reserves held as at 31 October 2014

	Amount £m
Adult Social Care	
Care Home Providers	8.000
Adult Care IT System	0.250
Discretionary Fund	0.790
Total Adult Social Care	9.040
Children and Young People	
Prior Year underspend*	12.020
Single Children's System	1.591
Support & Aspiration project	1.937
Capital Maintenance	1.074
Capital Co-Location	2.387
UniFi Initiative	0.803
Tackling Troubled Families	2.772
Other Reserves (balance less than £1m)	4.471
Total Children and Young People	27.055
Highways, Transport and Infrastructure	
Grants (inc £1.9m Road Safety Public Service Agreement 2)	2.081
Committed Liabilities – Revenue	2.688
Committed Liabilities – Capital	10.590
Winter Maintenance	2.000
Partnership & Other Councils monies held by DCC	0.229
Single Asset Management System	0.250
Derwent Valley Mills World Heritage Site	0.153
Laboratory & Fleet Equipment	0.195
Waste Recycling Initiatives	0.391
Non Committed Reserves including previous years underspends	2.458
Total Highways, Transport and Infrastructure	21.035
Strategic Policy, Economic Development and Budget	
Troubled Families Initiative	0.172
Literacy	0.117
Fostering Publicity	0.090
Performance Management	0.050
Innovation Programme Support	0.050
Equal Pay	15.185
Derbyshire Challenge Fund	2.545
Invest to Save	0.075
GIS Procurement	0.100
Call Derbyshire automation - Speech recognition	0.070
Derbyshire Economic Partnership Committed Liability - Revenue	0.016

APPENDIX ONE

Apprenticeship Scheme Committed Liability - Revenue	0.368
Markham Vale Seymour Impact Assessment	0.100
3D Broadband Project Team Committed Liability - Revenue	0.121
Markham Vale Centre Extension Committed Liability - Revenue	0.363
Broadband Project Committed Liability - Capital	4.856
Food & Drink Fair General Uncommitted Reserves	0.022
Buxton Crescent Legal Fees Uncommitted Reserves	0.050
Grants Unapplied for Partnership Forum	0.030
The Mighty Creative	0.001
Total Strategic Policy, Economic Development and Budget	<u>24.381</u>
 Council Services	
Computer Reserve Fund	2.792
Property Package Reserve	2.187
Property DSO	4.066
CRD Reserve	10.541
Change Management	5.925
Insurance and Risk Management	13.607
Holmewood Business Park	0.199
VAT	0.100
Public Finance Initiative	2.386
Building Schools for the Future Wave 3	0.982
South Normanton Joint Service centre	0.090
Registrar's	0.165
Funding to support Capital Projects	7.250
Other Reserves	0.444
Total Council Services	<u>50.884</u>
 Health and Communities	
Public Health Resource Fund	0.673
Public Health, Externally Funded Programmes	0.829
Other Reserves	1.566
Total Health and Communities	<u>3.068</u>
 Total Earmarked Reserves	<u>128.063</u>
 Balances held for and on behalf of schools	
School Balances	37.797
Dedicated Schools Grant – Individual Schools Budget	16.323
Dedicated Schools Grant – Central Element	14.931
Total School Reserves	<u>69.051</u>

APPENDIX ONE

* £1.874m has since been transferred to the General Reserve as approved in the 2013-14 Outturn report.