

Agenda Item No 7(b)

DERBYSHIRE COUNTY COUNCIL

CABINET

4 April 2017

Report of the Director of Finance

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

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolios as at 31 December 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, Health and Communities (exc. Public Health) and Highways, Transport and Infrastructure portfolios illustrate overspends. However, Adult Social Care, Children's Services, Health and Communities (excluding Public Health) will use earmarked reserves to record a breakeven position. The current overspend for local bus services of £2.092m will be met from the General Reserve which will result in an underspend 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	209.195	210.465	1.270
Children's Services	98.819	102.419	3.600
Council Services	44.571	44.079	(0.491)
Health and Communities (exc. Public Health)	11.133	11.191	0.058
Highways, Transport and Infrastructure	73.057	73.929	0.872
Strategic Policy, Economic Development and Budget	8.566	8.098	(0.468)
Total Departmental Outturn	445.341	450.181	4.840
Interest Income			0.500
Debt Charges and Risk Management			(10.473)
Total			(5.133)

A summary of the individual portfolio positions is detailed below.

Adult Social Care

There is a projected year-end overspend of £1.270m including overspends in respect of Strategic Director (£2.865m) and Purchased Services which includes Fieldwork and Direct Care (£1.201m). These are partially off-set by an underspend in respect of Commissioning and Performance (£2.824m).

The overspend will be funded from an Earmarked Reserve held for this purpose.

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 £14.510m and up to the period end the total achieved was £13.041m.

Children's Services

The current forecast year-end position for Children's Services expenditure funded by the Council is an overspend of £3.600m. A number of actions are in place to minimise any overspend. Any shortfall in closing the gap will be met by the use of Children's Services' earmarked reserve which currently has an available balance of £6.266m. The main variances are:

Placement Costs (£4.144m overspend) – 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.

Children's Centres (£1.835m overspend) – the Council has decided to reduce expenditure on children's centres by £4.600m however the completion of the closures did not begin until the last quarter of 2016-17. The full reduction in expenditure will therefore not be achieved until 2017-18 leading to a temporary overspend in this year which has been partially offset by the release of £0.800m earmarked reserve.

Home to School Transport – Special Needs (£0.505m overspend) mainly due to the reduction in budget for post-16 transport, however no changes to provision have yet been made.

Special Guardianship (£0.423m overspend) – the overspend has reduced by the addition of £0.500m to the budget. The overspend is due to the increase in the number of arrangements over 2015-16.

Disabled Children (£0.152m overspend) – the overspend has reduced due to an increased recovery of costs. The projection for 2016-17 recognises that the reduction in spend will be delivered part way through the year.

Use of Reserves (£1.756m underspend) - due to the release of reserves including £0.481m which was set aside to fund the transitional costs of redistributing Social Care and Early Help staff. A further £0.652m has been released from reserves to fund costs associated with the implementation of

the Schools Management Information System that have been incurred in the current and previous financial years.

Performance & Quality (£0.844m underspend) - mostly due to unfilled vacancies.

Multi-agency teams (£0.841m underspend) mainly due to vacancies that are being held pending the closure of Children's Centres.

School Improvement Service (£0.796m underspend) - comprises a release of £0.666m from reserves and £0.130m in-year underspend on staffing.

Catering (£0.525m underspend) – the projected underspend assumes that there are no losses during the year to either strike days or closures due to bad weather.

Budget reductions of £1.863m are still to be identified.

Council Services

The budget is forecasting a £0.491m underspend. The main variances are:

Industrial Development (£0.584m 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 (£0.246 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.

SAP system costs (£0.316m 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.

HR Division (£0.252m underspend) - the key variance relates to vacancies within the Division.

Transformation Division (£0.228m 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 (£0.147m underspend) - the key areas of underspend relate to utilities and rates in the buildings on the County Hall complex.

Corporate Finance Division (£0.144 underspend) – the key variance relates to vacancies within the Division.

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

Health and Communities

The year-end forecast, excluding expenditure on Public Health, is £0.058m. There is a further underspend on the Public Health Grant of £2.052m. The Communities overspend of £0.058 will be reduced to zero by the use of earmarked reserves. The main variances are:

Libraries and Heritage (£0.121m overspend) - the main area of overspend relates to the budget cuts not being achieved to date.

Public Health (£2.052m 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 over a maximum period of the next two years which commenced in October 2016.

Budget reductions totalling £1.247m were allocated 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.

Highways, Transport and Infrastructure

There is a projected year-end overspend of £0.872m. However, on 27 January 2015 and 26 January 2016 Cabinet agreed overspends for the provision of local bus services up to the value of £4.750m to be funded from General Reserve over 2 years; this overspend is estimated to be £2.092m which when netted off against the overall Portfolio overspend results in a forecast underspend of £1.220m. The key variances are:

Local Bus Services (£2.092m overspend) – it was agreed by previous Cabinet approvals that £4.750m would be allocated over two years to support the overspend.

Highways Maintenance (£1.403m 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 (£1.001m underspend) – reduced demand for the Gold Card Scheme resulting in an underspend of £0.408m. There have been windfalls from vehicle sales within Fleet Services (£0.122m) and underspends as a result of vacancy control (£0.327m).

Waste Management (£0.842m underspend) - overspends in respect of a 3% yearly increase in recycling credit rates and tonnages (£0.380m) and Waste Electrical and Electronic Equipment income reduction (£0.180m), are offset by contract savings of £1.390m on the long term waste contract.

Highway Management (£0.836m underspend) - this is mainly due to staff vacancies.

Planning and Development (£0.588m underspend) - mainly due to over recovery of Section 38 and 278 income (£0.281m), salary costs charged to capital and staff vacancies (£0.265m).

Resources and Improvement (£0.522m underspend) – vacancy control.

Unallocated Budget (£1.491m overspend) – staffing budget cuts which have 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 £4.947m of these will have been achieved by the year end; further cuts are yet to be identified.

Strategic Policy, Economic Development and Budget

There is a projected year-end underspend of £0.468m. The main variance is:

Chief Executive's (£0.364m underspend) – this relates to the 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.

Regeneration (£0.104m underspend) – this due to staffing.

Budget reductions totalling £0.425m have been allocated to the Chief Executive's Office budgets in 2016-17, although it has been agreed to reprofile 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 Social Care, Children's Services, Health and Communities (excluding Public Health) will be off-set 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.

An overall underspend of £5.133m is forecast, however after use of earmarked reserves to fund Adult Social care, Children's Services and Health and Community Services, and the use of General Reserve to support local bus services, the underspend will be £12.153m. Any underspends in 2016-17 will be used to manage the budget in 2017-18.

3 Financial Considerations

As set out above.

4 Other 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 December 2016.

PETER HANDFORD

Director of Finance

	£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
Adult Care Voluntary Organisation Grants	1.633
Total Adult Social Care	7.221
Children's Services	
Prior Year underspend	6.266
Tackling Troubled Families	4.071
Capital two year old provision	2.563
Complex Enquiry	1.500
Other Reserves (balance less than £1m)Other Reserves (balance less than £1m)	4.130
Total Children's Services	18.530
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	15.092
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	0.208
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	26.047

	£m
Strategic Policy, Economic Development and Budget	
Thriving Communities Initiative	0.206
Equal Pay	1.393
Derbyshire Challenge Fund	2.017
Transformation Challenge Award	0.456
D2 Business Development Committed Liability - Revenue	0.270
Innovations and Transformation	0.780
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	0.600
D2EE Committed Liability – Revenue	0.187
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	1.136
Other Strategic Policy, Economic Development and Budget Reserves	0.360
Total Strategic Policy, Economic Development and Budget	8.054
Health and Communities	
Public Health/Externally Funded Programmes	0.654
Upgrade of Broadband in Libraries	0.255
PSA1 Reward Grant	0.175
Other Reserves	0.917
Total Health and Communities	2.001
Total Earmarked Reserves	114.536
Balances held for and on behalf of schools	
School Balances	42.194
Dedicated Schools Grant – Central Element	10.414
	52.608