

Agenda Item No.7 (b)

DERBYSHIRE COUNTY COUNCIL

CABINET

7 July 2015

Report of the Director of Finance

REVENUE OUTTURN 2014-15

(STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)

1 Purpose of the Report

To set out the final outturn position for 2014-15, 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 is currently in the midst of a period of reduced Government funding, restrictions on the use of local taxation and significant additional spending pressures, particularly in the area of social care.

The Council has been making budget reductions since 2010 and the forecast is that further cuts will be likely until at least 2020. In effect, taking a relatively optimistic view, we are probably around half way through the reductions required. The Chancellor's Emergency Budget on 8 July will provide further indications of the levels of future Government support the Council can expect.

The Council's Five Year Financial Plan will need to be updated to reflect any changes likely. It is within this uncertain period in which the Council finds itself that close financial control of departmental spending is important, and it is welcome to report that all departments reported underspends in 2014-15. However, there are still significant structural issues in Adult Care and CAYA portfolios that mean the position is not as positive as indicated by the headline figures; at least £8m of base pressures were met from one-off sources and these present an ongoing challenge for the Council in 2015-16. In addition there are potentially significant one-off costs that will need to be funded in later years that will further reduce flexibility around the use of the underspend. The long term view of General Reserve balances and their use remain the

same as when considered by Council at the time the 2015-16 budget was set in February of this year. The expectation is that they will remain within risk assessed levels and will continue to support Council spending, as appropriate, over the medium term.

Turning to the position for each portfolio:

Adult Social Care

There was an underspend of £0.573m. However, there has been one-off budget support such as funding from the General Reserve of £4.000m and additional funding for winter pressures, without such, there would have been an overspend of £6.598m. The main variations were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Purchased Services (All Client Groups). This covers the Council's main client-based spend on both Independent Sector and In-House Services.	8.172	Combination of demographic pressures and cost of complex cases.
Integrated Community Equipment Service	1.405	A 45% contribution towards the overspend on the Integrated Community Equipment Service pooled budget.
Information and Early Intervention	(0.670)	General savings achieved on grants, Welfare Rights and Prevention and the Learning Disability Development Fund.
Commissioning and Service Delivery	(0.992)	Vacancy control and efficiency measures.
Derbyshire Discretionary Fund	(0.450)	The scheme continues to be developed and the eligibility criteria is being reviewed to ensure the best use of the Fund.
Accommodation and Support	(2.067)	A number of services have ceased or been re-commissioned at a lower cost.
Unallocated Budgets	(5.527)	Budgets held at the centre to offset the anticipated overspend in Purchased Services.

Budget cuts of £16.563m have been achieved against a target of £11.945m which are:

Description	£m
Non-allocation of inflation	1.195
Reduced consumables spend	0.569
Re-commissioning of Learning Disabilities Day Services	0.173
Reduction in the training offer	0.479
Savings on the frozen meals and laundry services	0.149
Re-Modelling of Services for Low and Moderate Needs	0.812
Funding of grants to voluntary organisations	1.348
Saving on Housing Related Support	2.596
Funding of Housing Related Support by Public Health	0.512
Consolidate block grants	0.812
Increase in co-funding contributions	3.572
Revised skill mix and management structure	0.411
Consistent Application of the Resource Allocation System	3.650
Reduction in staffing costs	0.183
Impact on Home Care of the re-ablement service	0.102
	<u>16.563</u>

Children and Young People

There was an underspend of £1.864m, although there were one-off items of £3.122m, which had these not been received in-year would have resulted in an overspend of £1.258m. The main variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Non-achievement of budget cuts target	4.506	The 2013-14 budget reductions included £4.284m to be met from previous year underspends. No on-going reductions were identified in year.
Centrally held Dedicated Schools Grant	(0.713)	Reduced spend by the Advisory and Improvement Service.
Teachers Pensions	(0.437)	Cost of teachers retirements from the 1980s and 1990s lower than anticipated.
Agency Residential	0.778	Higher number of residential placements than estimated.
Internal Fostering	(0.306)	Fewer placements in internal foster care placements than estimated.
Children's Homes	0.375	Staffing, vacancy control and high sickness absences.

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Legal Charges	(0.262)	Lower spend on legal fees due to a lower number of court proceedings.
Special Guardianship	0.247	Increased number of arrangements in place during the year.
Social Work Teams (excluding South Derbyshire)	(0.595)	There was a reduction in the number of children in care and those cared for by internal foster carers.
Social Work Teams (South Derbyshire)	0.532	Increased staffing to ensure safe caseload levels due to rapid population growth. The number of children placed in care in the region has also increased.
Advisory Service	(0.231)	Increased income from traded services.
Home to School Transport	(0.657)	In the main, relates to mainstream transport to the secondary sector and transport for children with Special Educational Needs.
0-19 Locality Teams	(0.928)	Resources and supplies, staffing, premises and increased income.
Youth Service	(0.565)	Staffing and contribution from the Public Health budget to maintain costs.

Budget cuts of £6.033m were allocated of which £2.421m has been achieved. As the Portfolio has not achieved the budget cut target allocated to it in 2014-15 by a significant margin, the table below provides reasons for the delays and progress against the individual budget cut targets.

Description	Value £m	Progress against budget cut
Review and reduce back office and business services costs	1.900	Both reviews have been completed and the anticipated savings are on track to be delivered. The revised Business Services structure, reducing costs by £1.000m per annum was implemented in October 2014. The other changes to management structures including Senior Management are to be implemented from September 2015.

Description	Value £m	Progress against budget cut
Reduce safeguarding costs by increased use of internal foster care and reduced admissions into care	0.850	Children in care numbers have reduced from 626 at the end of January 2014 to around 600 at the end of March 2015. Although numbers have reduced, the total spend on placements has increased due to the greater number of children in residential placements which have the highest average cost.
Staffing restructures and appropriate recharging to the DSG	0.026	Achieved.
Savings in staff travel	0.125	Not yet achieved, staff travel costs increased by £0.195m from 2013-14 to 2014-15.
Reductions in management information service	0.325	A revised structure was approved by Cabinet in early 2015 and has now been implemented. Schools will be asked to pay for the new Management Information System for schools.
Teaching and Learning consultants to be funded by contributions from school budgets	0.825	For 2014-15, a voluntary buyback has operated and approximately 60% of schools contributed their funding back to the Council. For 2015-16, the buy-back of these staff from schools budgets will come from a central allocation of the Dedicated Schools Grant and the services provided by these staff will then be freely available to all schools and academies that require them.
Increased trading income for careers support in schools	0.163	Income increased by £0.150m from 2013-14 and covered all but 10% of the direct costs of the service.
Adult Education	0.042	The Adult Education service absorbed a £0.400m reduction in grant funding from 2013-14 to 2014-15 but was unable to further reduce spending to achieve this target due to an unexpected 4% increase in charges for cleaning although the level of cleaning agreed was lower than in the previous year.

Description	Value £m	Progress against budget cut
Charging for denominational transport, post 16 and pre-school pupils with SEN	0.154	Income from charging for transport increased by £0.111m between 2013-14 and 2014-15. It was decided not to proceed with charging for transport of pre-school pupils with Special Educational Needs.
Review of complex needs placements	0.150	The budget has been underspent, contributing towards delivering the savings.
Savings on use of external training providers and venues	0.125	There has been increased generation of income from training and conferences provided by the Advisory service.
Accommodation review	0.180	The budget has not yet benefitted by savings from office moves.
Review of Children's Centres	0.500	The review has been undertaken and some centres will close early in 2015-16 however a decision on other centres has been deferred. Savings of £0.200m are anticipated for 2015-16.
Increased external revenue	0.548	Approximately 50% of this has been achieved within the 14-19 team by a combination of reducing costs and increasing income generation. Although plans are well-developed for income generation within sport and outdoor services, savings have not yet been delivered in 2014-15 as they are dependent on suitable premises being acquired.
Review of Troubled Families workstream	0.120	Delivered via staffing reductions and use of Troubled Families funding.

Council Services

There was an underspend of £1.061m on the controllable budget. Details of the main variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Corporate Finance	(0.241)	Staffing and increased income.
Registrars	(0.389)	Increased income from fees and charges.
Human Resources Development	(0.432)	Vacancy control and Access to Work budget which is responsive to demands from departments.

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
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.
Voluntary/Compulsory Redundancy	(0.294)	Unused budget as the costs have been met from General Reserve.
Change Management	(0.349)	Delays in commencing new projects and timing of payments.
Industrial Development	0.748	Under-recovery of income from industrial units and small business centres, as well as the additional costs due to non-domestic rates liability payable on empty properties.

Of the total controllable underspend, previously approved commitments total £0.209m, which are:

Description	£m
HR contribution to Children and Younger Adults for Single Status in Schools	0.097
HR contribution to the Learning and Development System	0.055
Property contribution for Demolition of Adult Care Block	0.057
	<u>0.209</u>

Budget cuts of £2.738m were allocated and have been achieved, details of which are set out in the table below.

Description	£m
Reduced subscriptions	0.080
Audit Fees	0.100
Cuts brought forward	0.532
Corporate Finance restructure	0.067
Savings on insurance premiums	0.300
Revenue contributions to capital	0.100
Voluntary Redundancy/Voluntary Early Retirement	0.200
Change Management	0.275
Staffing/Income generation from Registrars	0.067
Building maintenance	0.629
Corporate Property	0.168
Human Resources/Shared Service Centre/Derbyshire Business Centre	0.206
Departmental Training/Information Technology	0.014
	<u>2.738</u>

Health and Communities

The position on the controllable expenditure was an overall underspend of £6.297m. This includes an underspend of £5.987m against the ring-fenced Public Health budget. After transferring this to the Public Health Reserve, the Portfolio's net underspend is £0.310m. Key variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Public Health	(5.987)	Commitments to the Public Health Resource Fund; lower than anticipated claims from attendances at Genitourinary Medicine clinics, lower costs on Children's Public Health and Substances Misuse Drug Prescribing budgets.
Community Safety	(0.221)	Staffing and lower project costs.

Of the total controllable underspend, previously approved commitments total £0.038m, which is:

Description	£m
Domestic Abuse Voluntary Perpetrator Programme	0.038

Budget cuts totaling £1.288m were allocated and have been achieved, details of which are shown in the table below.

Description	£m
Emergency Planning – staffing review	0.045
Community Safety – staffing re-organisation to tackle anti-social behavior, domestic violence, re-offending rates.	0.300
Mobile Library Service	0.265
Trading Standards	0.400
Library Service	0.200
Arts Service	0.065
Departmental HQ	0.013
	<u>1.288</u>

Highways, Transport and Infrastructure

The position on the controllable expenditure was an overall underspend of £2.572m. The main variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Commercial Services	(0.626)	Staffing, contractor costs and increased income streams.
Transport and Technical Policy	(2.208)	Gold Card, B_Line concessionary fares, staffing, Road Safety, Local Bus Revenue support, supplies and services and Section 38 and 278 agreements income.
Highway Management	(0.101)	Staffing.
Resources and Improvement	(0.119)	Staffing.
Bad Debt recovery	0.266	Larger provision than recent years.
Waste Management	0.440	Increase in recycling credit payments to local authorities, together with some contract rate and indexation increases.
Countryside	(0.172)	Staffing.

Of the total controllable underspend, previously approved commitments total £1.680m, which are:

Description	£m
Funding of overspends on capital grants	0.391
Commuted Sums	0.195
Smarter Travel	0.004
Revised 2014/15 Gold Card agreement	0.053
Derby and Derbyshire Road Safety Partnership	0.084
Highway work issued but not completed	0.953
	<u>1.680</u>

Budget cuts of £7.259m were required. Of this, £6.281m were achieved, details of which are set out in the table below.

Description	£m
Reduction in Highways Maintenance	3.275
Waste Disposal Efficiencies	0.922
Road Safety	0.800
Reduction in Staffing	0.668
Back Office and General Efficiencies	0.366
Fleet Reduction	0.250
	<u>6.281</u>

The non-achievement of budget cuts of £0.978m was due to the following:

	£m
Waste disposal efficiencies – the outturn position for Waste was an overspend of £0.440m.	0.678
Increased Income on Permit Scheme	0.300
	0.978

Strategic, Policy, Economic Development and Budget

There was a controllable underspend of £1.017m. The main variations were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
Communications	(0.300)	Staffing, vacancy control and reductions in expenditure on publications and campaigns.
Policy Unit	(0.289)	Staffing and slippage in the replacement of the Performance Management system.

Of the total controllable underspend, there are previously approved commitments totaling £0.293m which is:

Description	£m
Markham Vale Environment Centre Overspend	0.198
Performance Management System	0.095
	0.293

Budget cuts of £0.227m were allocated for the year. A total of £0.498m has been achieved giving £0.244m of front-loaded cuts.

Description	£m
Reduction in Policy staffing	0.035
Reduction in inflationary increases to voluntary organisations	0.005
Reduction in Communications staffing	0.186
Reduction in publicity budget	0.040
Reduction of Your Derbyshire print costs	0.020
Reduction in Gold Card budget	0.020
Young Achievers publicity budget	0.015
Excellence in Community Publicity budget	0.015
Reduction in training, travel and subsistence, and postage budgets in Communications	0.008
Reduction of 3 civic cars and designated chauffeurs	0.045
Reduction in Chief Executives staffing	0.029
Regeneration	0.080
	0.498

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 £6.603m and £8.766m respectively. The reason for the underspend on the Risk Management budget was largely due to additional funding received in-year which will contribute to the General Reserve balance for which there is a planned use of some of the balance over the medium term to support projects and services. The underspend on the Debt Charges budget relates to slippage on the capital programme.

Of the in-year funding received which was allocated to the Risk Management budget, £0.039m is in respect of Special Educational Needs Disability Preparation for Employment Grant. CAYA have requested that the funding is used to support learning providers through a series of events for employers and young people.

Dedicated Schools Grant (DSG)

The underspend on the central element of DSG was £7.145m, of which £2.563m has been earmarked for capital investment in additional places for two year olds at a number of schools across the county. The underspend is transferred to the DSG Earmarked Reserve which stands at £27.107m. Key variances were:

Service	(Under)/Over Spend £m	Major Reasons for Outturn Position
High Needs Block	(1.025)	Lower expenditure against the allocation for post 16 top-ups. Although the number of young people supported has increased, the average top-up payable has reduced.
Central Early Years	(0.271)	Staffing and vacancy control.
Schools Pooled Budget	(0.678)	Release from unrequired Earmarked Reserve to the pool has contributed to the underspend.
Two year old provision	(3.906)	Release from Earmarked Reserves to fund projects at schools.
DSG and post 16 grant	(0.522)	Additional grant income received in-year.
2013/14 grant adjustment	(0.879)	DSG is not finalised until the following financial year – the underspend reflects the additional grant funding paid to the Council in 2014-15.

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.

Derbyshire Challenge Fund

The Derbyshire Challenge Fund was established by Cabinet on 22 October 2013 to act as a resource to help develop transformational change initiatives that would contribute to the Council's budget reduction requirement. The balance on the fund at the start of the financial year was £2.544m. There have been some minor contributions to the fund to give a year-end balance of £2.590m. However, there are commitments against the balance held which are:

- Ground Mounted Solar PV Development Work - £0.125m
(approved by Cabinet 14 April 2015)
- Innovations and Transformation - £0.900m
(approved by Cabinet 14 April 2015)

Proposals for the Use of Underspends

Portfolios have made requests for the use of underspends with the exception of Adult Social Care.

On 4 June 2015, the Government announced in-year cuts to Whitehall departments for 2015-16. Nationally the Public Health Grant is being cut by £200m. The potential cut, therefore, to the Council's Public Health funding is estimated to be £2.5m. The Government have indicated that local authorities should fund the cut from reserves.

The Government also announced a cut of over £200m to the budget for the Department for Communities and Local Government which will be found from departmental underspends and asset sales, therefore protecting local authority budgets in 2015-16. However, the one-off nature of these funding sources does lead to the expectation that the cut will find its way into allocations to councils in 2016-17.

Therefore, it is proposed that Council Services and Strategic Policy, Budget and Economic Development portfolio's retain 35% of their underspend after commitments or £0.250m, whichever is the higher; whilst Children and Young People, Highways Transport and Infrastructure, and Health and Communities (excluding Public Health) retain 65% or £0.250m whichever is the higher.

Although Adult Social Care had an underspend this year it is not proposed that they retain any of the underspend in recognition of the significant support the Portfolio has received from the General Reserve in recent years.

Therefore, Portfolios will be allocated the following amounts from the underspend after commitments, on the basis outlined above, with the remaining balance of £17.914m retained in the General Reserve.

	£m
Adult Social Care	0.000
Children and Young People	1.212
Council Services	0.298
Health and Communities*	0.250
Highways, Transport and Infrastructure	0.580
Strategic Policy, Economic Development and Budget	0.253
	<u>2.593</u>

General and Earmarked Reserves

The General Reserve balance was £55.201m as at 31 March 2015. 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 £25m-£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 achieved underspends, part of which related to planned activities not having been carried out so the commitment remains. 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. Interest received on balances was £0.672m lower than estimated.

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

The General Reserve stands at £55.201m in the Council's Pre-Audit Statement of Accounts as at 31 March 2015. 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 demographic growth in Adult Care and general support for the budget in future years.

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:- Legal and Human Rights, equality of opportunity, health, environmental, transport, property and 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 2014-15
- ii. Note the position on General Reserve
- 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.
- v. Approves the allocation of £0.039m to Children and Young People from the Risk Management budget underspend.
- vi. Notes the details of the Derbyshire Challenge Fund.

PETER HANDFORD

Director of Finance

Appendix One

Summary of Underspends

						Allocation for Use of Underspends	Balance to remain in General Reserve
	Budget £m	Actual £m	Underspend £m	Commitments £m	Balance after Commitments £m	£m	£m
Adult Social Care	217.526	216.954	(0.573)	0.000	(0.573)	0.000	(0.573)
Children and Young People	111.912	110.048	(1.864)	0.000	(1.864)	1.212	(0.652)
Council Services	40.008	38.947	(1.061)	0.209	(0.852)	0.298	(0.554)
Health and Communities*	11.215	4.918	(6.297)	6.025	(0.272)	0.250	(0.022)
Highways, Transport and Infrastructure	80.186	77.614	(2.572)	1.680	(0.892)	0.580	(0.312)
Strategic Policy, Budget and Economic Development	7.329	6.313	(1.017)	0.293	(0.724)	0.253	(0.471)
Risk Management	6.603	0.000	(6.603)	0.000	(6.603)	0.039	(6.564)
Debt Charges	52.425	43.659	(8.766)	0.000	(8.766)	0.000	(8.766)
	527.204	498.453	(28.753)	8.207	(20.546)	2.632	(17.914)

* Includes ring-fenced Public Health underspend of £5.987m.

Earmarked Reserves

	31 March 2014 £m	Transfers In £m	Transfers Out £m	31 March 2015 £m
Adult Social Care				
Care Home Fee Provision	(8.000)	0.000	6.725	(1.275)
IT System Replacement	(2.000)	0.000	1.750	(0.250)
Derbyshire Discretionary Fund	0.000	(0.790)	0.790	0.000
Children and Young People				
Schools Balances	(37.884)	(1.316)	0.475	(38.725)
Dedicated Schools Grant	(31.254)	(4.582)	8.729	(27.107)
Other Children's	(20.191)	(2.407)	7.085	(15.513)
Nursery Placements	0.000	(2.563)	0.000	(2.563)
Special Educational Needs Reform	(0.075)	(1.862)	0.329	(1.608)
Capital Maintenance	(1.074)	0.000	0.023	(1.051)
Other Children's Grants	(4.734)	(1.806)	1.553	(4.987)
Uni-Fi Initiative	(1.039)	0.000	0.298	(0.741)
MST Pilot	(0.658)	0.000	0.274	(0.384)
Co-Location	(2.387)	0.000	2.387	0.000
Council Services				
Insurance	(13.607)	(3.917)	0.000	(17.524)
Other Council Services	(7.612)	(9.155)	5.613	(11.154)
Council Services Grants	0.000	(0.190)	0.000	(0.190)
Change Management	(6.069)	(0.570)	0.244	(6.395)
Property Direct Labour Organisation	(4.066)	(0.248)	0.012	(4.302)
Private Finance Initiative Schools	(3.368)	(1.255)	0.901	(3.722)
Computer Purchasing	(3.448)	(1.025)	1.067	(3.406)
Derbyshire Property	(2.187)	(0.004)	0.236	(1.955)
Capital Revenue Contribution to Capital Outlay	(7.230)	(11.082)	10.087	(8.225)
Health & Communities				
Public Health Fund	(4.562)	(5.987)	3.888	(6.661)
Other Health and Communities	(1.601)	(1.875)	1.898	(1.578)
Derbyshire Sports	0.000	(1.131)	0.000	(1.131)
Other Health and Communities Grants	(0.388)	(0.016)	0.033	(0.371)

Earmarked Reserves

	31 March 2014 £m	Transfers In £m	Transfers Out £m	31 March 2015 £m
Highways, Transport and Infrastructure				
Other Highways Transport and Infrastructure Reserves	(10.340)	1.688	0.556	(8.096)
IT Reserve	(1.915)	0.000	0.670	(1.245)
Road Safety	(1.900)	0.000	0.000	(1.900)
Highways Direct Labour Organisation	(1.724)	0.000	0.702	(1.022)
Commuted Sums	(1.645)	0.000	1.645	(0.000)
Other Highways Transport and Infrastructure Grants	(1.424)	0.000	0.013	(1.411)
Highways Maintenance	(0.974)	(5.026)	0.000	(6.000)
Strategic, Policy, Economic Development and Budget				
Equal Pay	(15.200)	0.000	0.015	(15.185)
Broadband Project	(4.856)	0.000	0.000	(4.856)
Derbyshire Challenge	(0.544)	(2.046)	0.000	(2.590)
Other Strategic, Policy, Economic Development and Budget	(1.173)	(0.970)	0.476	(1.667)
Regeneration Unit	(0.016)	0.000	0.000	(0.016)
	(205.145)	(58.135)	58.474	(204.806)