

Agenda Item No 6(a)

DERBYSHIRE COUNTY COUNCIL

CABINET

8 November 2018

Report of the Director of Finance & ICT

BUDGET MONITORING 2018-19 (as at 30 June 2018)
(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

1 Purpose of the Report

To provide Cabinet with the Revenue Budget position for 2018-19 as at 30 June 2018.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolio as at 30 June 2018. Whilst the presentation of this summary report to Cabinet is a month later than is typical, budget monitoring is proceeding according to the usual schedule. Reports as at 30 June 2018 have already been considered at Cabinet Member meetings and budget monitoring procedures at 31 August 2018 are currently taking place. Whilst the table below accurately summarises the forecast as at the end of period 3 it is expected that period 5 will show a worsening position for the Young People portfolio, due mainly to a continuing rise in children with care needs. Further reports will be considered at Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget is summarised below. This includes the use of one-off funding for the Highways, Transport and Infrastructure portfolio.

	Budget	Forecast Actuals	Projected Outturn
	£m	£m	£m
Adult Care	245.066	243.625	(1.441)
Council Services	43.301	43.024	(0.277)
Economic Development and Regeneration	0.795	0.697	(0.098)
Health and Communities (exc. Public Health)	3.569	3.643	0.074
Highways, Transport and Infrastructure	81.566	81.566	0.000
Strategic Leadership, Culture and Tourism	13.111	13.107	(0.004)
Young People	100.663	101.107	0.444
Total Portfolio Outturn	488.071	486.769	(1.302)
Interest Income			0.000
Debt Charges			0.000
Risk Management			(0.598)
Total			(1.900)

A summary of the individual portfolio positions is detailed below.

Adult Care

There is a projected year-end underspend of £1.441m (assuming that the £8.889m Improved Better Care Fund (iBCF) balance will be fully spent within the year). The main variances are:

Purchased Services, £4.543m overspend – relates to an increase in the number of care packages agreed to enable the Council to meet its Delayed Transfer of Care from Hospitals target.

Strategic Director, £3.649m underspend – relates to unallocated budgets awaiting allocation during the year.

Commissioning and Performance, £2.335m underspend – savings £0.617m on block contracts, £0.612m on housing related support and £0.531m on the pooled Integrated Community Equipment Service budgets, with £0.265m reductions on spend in ICT and underspends due to delays in replacing staff and vacancies management, accounting for the remaining underspend.

The budget savings target for 2018-19 is £4.973m, with a further £1.122m brought forward from previous years. Of this total target of £6.095m, £3.883m has been achieved, with the balance of £2.212m expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2018-19 budget for the main growth items:

- Growth in client numbers and case complexity - £11.984m.
- Residential Care Home Fees - £6.000m.

This funding has been earmarked to cover additional commitments including the pay award, independent sector fee increases, demographic growth, additional costs associated with the reduction in hospital discharge delays and pressures associated with health budget saving initiatives (reduction in Continuing Health Care, Transforming Care Programme and reduced Learning Disabilities Short term residential provision).

The main financial risks included in the departmental risk register are:

- Uncontrollable provider costs due to National Living Wage increases and national shortage of care staff.
- Sustained and rising demand for major housing adaptations.
- NHS initiatives including:
 - Service Transformation Plan.
 - Transforming Care Programme.
 - Reductions in Continuing Health Care.
 - Quality, Innovation, Productivity and Prevention (QIPP) Cost Saving Programme.

Any additional costs incurred from the above risks will be met from within existing budgetary resources or from the unallocated part of the iBCF and therefore none of these issues are expected to impact on the overall budget position for 2018-19.

Council Services

There is a projected year-end underspend of £0.277m. The main variances are:

County Property, £0.563m overspend – under achievement of the income target for industrial estate properties due to the number of empty units. This has been the consistent picture for a number of years but the units are still making an income. The Council also has to pay the business rates on empty industrial units.

Finance and ICT Division, £0.453m underspend - due to strict vacancy controls in order to help manage future budget reductions. The Council is looking for creative solutions that may release cash.

Strategic Management, £0.331m underspend – Savings have been achieved in addition to those planned which will be used to offset other pressures within the department.

A budget savings target for 2018-19 of £1.477m has been allocated. Of this target, £1.159m is expected to be achieved by the end of the financial year. The balance of £0.318m will be met from additional one-off funding provided in the 2018-19 budget and referred to below.

Additional funding has been provided in the 2018-19 budget for the main growth items:

- Corporate Property Asset Valuations - £0.280m plus one-off funding of £0.066m, to ensure the Council meets its statutory duty to correctly record and maintain its asset base. A new team of five FTEs has been employed and a budget allocated to fund specialist support.
- E-mail and Internet Services - £0.250m, to support mobile and collaborative working, including the enhancement of internet and email provision.
- Budget Savings Shortfall - £0.318m, to support an expected shortfall in the savings against target in 2018-19.

The main financial risk included in the Commissioning, Communities and Policy (CCP) risk register relates to the potential loss of income for services purchased by schools. In respect of the Council Services portfolio £0.631m of income was generated in 2017-18 from maintained schools and academies.

Economic Development and Regeneration

There is a projected year-end underspend of £0.098m. The main variances are:

Economic Development, £0.164m underspend – relates to reduced project expenditure.

Employment and skills, £0.072m overspend – relates to salary overspend.

A budget savings target of £0.485m has been allocated for 2018-19, which is expected be achieved.

No growth items were allocated to this portfolio in 2018-19.

There are no significant financial risks relating to this portfolio.

Health and Communities

The Health and Communities portfolio includes the Public Health budget of £40.548m, which is fully funded by the ring-fenced Public Health Grant for 2018-19. The forecast year-end position for the portfolio is an underspend of £1.790m. However, excluding Public Health, the portfolio is forecast to overspend by £0.074m. The main variances are:

Public Health, £1.864m underspend – a large proportion of the underspend continues to be generated from activity-based contracts which are not achieving anticipated levels of service. The underspend at year-end will be transferred into the Public Health Reserve and will help to meet Public Health restructure costs and pay protection arrangements for two years from April

2018 and also support investment in a comprehensive programme of sports and physical activity grants as outlined in the Council Plan.

A budget savings target of £0.182m has been allocated for 2018-19, of which £0.147m is expected to be achieved. The balance of £0.035m will be achieved in the following financial year.

Additional funding has been provided in the 2018-19 budget for the following growth items:

Trading Standards (Older People Support) - £0.082m (one-off), to provide a programme to increase awareness and reduce instances of fraudulent activity against older people.

There are no significant financial risks relating to this portfolio.

Highways, Transport and Infrastructure

The Highways, Transport and Infrastructure portfolio is forecast to overspend by £3.516m. However, this will be brought into a break-even position, after the allocation of one-off funding from the Economy, Transport and Environment department's earmarked reserves as follows:

- £1.000m from the Winter Maintenance reserve
- £2.516m from the prior-year underspends reserve.

Before the allocation of the reserve funding detailed above, the main variances are:

Highway Maintenance, £3.212m overspend – winter maintenance is currently projected to overspend by £2.526m. The winter of 2017-18 was particularly long and severe. Winter maintenance costs in respect of the 2017-18 winter extended into the 2018-19 financial year. The balance of the overspend is because of delays in the implementation of the street lighting LED project.

Unallocated Budget Savings, £2.541m overspend – not yet allocated to specific services.

Highway Management and Land Reclamation, £0.819m underspend – £0.500m underspend on salary related costs, £0.500m over-recovery in Highways Construction, partly off-set by an under-recovery of £0.200m by the Highways Laboratory.

Waste Management, £0.615m underspend – £0.453m underspend in respect of lower than originally expected waste tonnage and £0.171m business rates savings because of a delay in the waste treatment facility project.

Planning and Development, £0.545m underspend - mainly due to over-recovery of developer fee income.

Road Safety, £0.324m overspend – awaiting changes in legislation before savings can be achieved.

The budget savings target for 2018-19 is £2.127m, with a further £2.794m target brought forward from previous years. Of this total target of £4.921m, £0.840m is expected to be achieved by the end of the financial year, with the expected base budget overspend being met from one-off savings, as explained above. Of the £4.081m forecast shortfall in 2018-19 budget savings:

- £2.541m has yet to be allocated to a specific service.
- £0.300m was allocated to school crossing patrols but on 20 September 2018 Cabinet agreed to withdraw the proposal to review the school crossing service.
- £0.400m is allocated to Road Safety but implementation has been delayed as legislation has yet to be enacted.
- £0.280m is due to delays with the Street Lighting LED programme.
- The balance has been allocated but there is expected to be a shortfall in the 2018-19 target.
- The five year savings programme allows for slippage in 2018-19 to be covered by prior years' underspends and delivery of around £12.5m savings in total between 2018-19 and 2022-23 to meet targets.

Additional funding has been provided in the 2018-19 budget for the main growth items:

- Waste Management - £2.476m plus one-off funding of £0.634m, to cover waste management costs resulting from increased amounts of waste arising and the operation of the new waste treatment facility at Sinfen.
- Public Transport - £2.600m, to maintain reasonable levels of public transport accessibility across Derbyshire.
- Highways Maintenance - £1.500m plus one-off funding of £1.000m, to provide a co-ordinated programme of maintenance improvements.
- Pay Award - £0.465m, to fund the approved pay award for 2018-19.
- Street Lighting Energy - £0.212m plus one-off funding of £0.148m, to meet the inflationary increases of street lighting energy.
- Planning Monitoring Systems £0.110m (one-off), to invest in systems to support planning applications.
- HS2 Co-ordination Officer £0.064m (one-off), to support representation of the Council's interests as the HS2 route is developed.

This funding has been allocated to the relevant budget heads to cover additional costs of these services.

The main risks which could impact on the portfolio's outturn position are:

- Winter maintenance – impact of a severe winter, there is a medium risk of this happening and could impact the outturn by £1.000m.
- Street lighting energy and maintenance – further energy price increases, or further slippage in implementation of the LED programme, there is a low to medium risk of this happening and could impact the outturn by £0.300m.
- Highways management – deterioration in credit from capitalised salaries and surplus/deficit on highways construction overhead accounts, there is a low to medium risk of this happening and could impact the outturn by £0.800m.
- Waste management – deterioration in the London Energy Brokers Association (LEBA) index on income from waste treatment plant electricity and increases in contract waste tonnages, which can be affected by the economy, winter weather conditions and unspecific variability. There is a medium risk of these happening and together they could impact the outturn by £0.500m.

Any additional costs incurred from the above risks will be met from the Economy, Transport and Environment Prior Year underspend earmarked reserve and the Winter Maintenance earmarked reserve, therefore none of these issues are expected to impact on the overall budget position for 2018-19.

Strategic Leadership, Culture and Tourism

A forecast year-end underspend of £0.004m is projected. The main variances are:

Libraries, £0.292m overspend – mainly due to unachieved savings.

Communications, £0.170m underspend – due to vacancy control.

Policy, £0.155m underspend – due to vacancy control and reduced number of subscriptions.

The savings target for 2018-19 is £0.091m, with a further £0.757m brought forward from previous years. Of this total target of £0.848m, £0.326m is expected to be achieved by the end of the financial year, with £0.103m being met from additional one-off funding provided in the 2018-19 budget and the balance being met from one-off use of reserves.

The only growth item allocated to this portfolio was £0.103m to support an expected shortfall in savings against target in 2018-19, referred to above.

There are no significant financial risks in the departmental risk register relating to this portfolio, although non-achievement of budget savings is a risk.

Young People

The forecast year-end position is an overspend of £0.444m. This assumes that the numbers of children in care remain unchanged and that staff remain in post until the end of the financial year, unless it is already known that they are leaving.

Overspends within Safeguarding and Early Help are closely linked to rising numbers of children in care and in need and the recruitment of staff with specialist skills, such as social workers, both of which are identified as risks in the departmental risk register. The main variances in respect of the forecast year-end position are detailed below.

Unallocated Budget, £6.670m underspend – £3.485m budget for social care recruitment not anticipated to be spent in 2018-19, £0.667m given for demographic growth not yet allocated to services, £0.402m given for additional care leavers duties not yet allocated to the service, £0.339m budget for Unaccompanied Asylum Seeking Children (UASC) not expected to be spent in 2018-19. The balance of £1.777m is due to budget savings that have been made as a result of efficiencies.

Early Help and Safeguarding, £6.561m overspend – contributory factors are increases in:

- Numbers of children in care – 9% increase, to 743, in the ten months to August 2018. This has increased the demand for placements, especially those provided externally.
- Out of hours staff in children's homes - children's homes are projected to overspend by £0.477m. The overspend is due to the additional costs of providing staff who are awake in the homes overnight, to ensure that children with challenging behaviours are appropriately supervised.
- Agency social care workers - social care teams are projected to overspend by £1.781m. Agency staff are being employed as a temporary measure until recruitment has taken place and to provide a short-term solution to increasing numbers and need, ensuring that there is an appropriate mix of experienced and newly qualified social workers in each locality.
- Legal charges - forecast overspend of £0.673m because of the increased cost of court process fees and barristers to present cases on the Council's behalf. Cases are of an increasingly complex nature and there has been an increase in the number of court proceedings.

Offsetting these overspends are underspends of £1.106m in Early Help services because of unfilled vacancies and an underspend of £1.101m against the allocation for UASC, where the number of placements required to date this year is fewer than was estimated when the budget was set.

Pay Award budget allocation, £1.260m underspend – at the time the forecast was prepared additional budget, to fund the April pay rise for local government staff, had not been allocated to services.

Schools and Learning, £1.242m overspend – expenditure on Home to School Transport has increased significantly since 2016-17; proposals to reduce this expenditure are not expected to be delivered until at least 2019-20. Also, proposed actions to reduce to the Sport and Outdoor Education Service expenditure have not yet been confirmed.

A savings target of £2.906m has been allocated for 2018-19, of which £2.249m is expected to be achieved by the end of the financial year. £1.722m of savings are confirmed and reflected in 2018-19 outturn projections, and a further £0.527m are expected to be achieved during the year, however a full year effect is not expected in 2018-19. A further £0.470 million of the 2018-19 budget reductions are on track to be delivered, however the timing of achievement of these savings has moved to starting in 2019-20 rather than in 2018-19.

Additional funding has been provided in the 2018-19 budget for the main growth items:

- Children's Services Demographics - £7.000m plus one-off funding of £4.000m. This allocation has been applied to close the gap between demand-led expenditure in Children's Services and the budget allocation. This gap had previously been managed by applying reserve funding from underspends generated in prior years, however the funds available during 2017-18 were insufficient to cover the department's overspend of £6.389m.
- Children's Social Care Remodelling - £1.300m plus one-off funding of £4.000m. A recruitment plan utilising this growth has been prepared and new social workers are expected to be joining the Council from September 2018, to help bring caseloads down to the levels expected by Ofsted.
- Unaccompanied Asylum Seeking Children (UASC) - £1.000m. Currently 35 UASC are in the care of the Council and a further three placements have ended. The number of UASC care leavers being supported by the Council in accommodation is 15, however there are approximately a further 20 UASC care leavers known to the Council, who will receive support from services as needs arise. The Home Office grant is currently projected to cover 92% of placement costs. In addition, the Council is incurring other costs of £0.532m, supporting UASC and the associated overheads of this support. This is funded by the additional budget allocation from the Council.
- Care Leavers - £0.402m (one-off). A review of the offer to care leavers and how it is provided is underway. This will inform how the Council intends to fulfil its additional duties for care leavers and the design of the future offer to care leavers.

- Child Protection Staff - £0.150m (one-off). Staff are now in post. In addition, processes are being reviewed so that the Council ensures that child protection plans are robust, appropriate and that intended outcomes are clear and measurable.
- Organisation models for small schools £0.380m (one-off, for two years). The department is continuing with its targeted 'Team Around the School' meetings, based on projections of both school expenditure and school funding. These ensure that 'at risk' schools are identified early and the department engages with governors and school leaders to ensure a robust financial recovery plan is in place.

Summary

A Council portfolio underspend of £1.302m is forecast, after the use of £3.516m of Earmarked Reserves to support the Highways, Transport and Infrastructure portfolio. Any underspends in 2018-19 will be used to manage the budget in 2019-20.

The Risk Management Budget is forecast to underspend by £0.598m. This will support the management of a balanced budget in future years.

Interest on balances is estimated to break even by the year-end. The interest base rate is currently 0.75%, however, the Council utilises a range of investments to maximise its income.

Details of the Council's Earmarked Reserves balances as at 30 June 2018 are set out in Appendix One. The recent review of the Council's reserves' balances was reported to Cabinet on 20 September 2018.

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, Finance & ICT, Room 137, County Hall.

6 Key Decision

No.

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

No.

8 Officer's Recommendation

That Cabinet notes the 2018-19 budget monitoring position as at 30 June 2018.

PETER HANDFORD

Director of Finance & ICT

Earmarked Reserves as at 30 June 2018

	£m
Adult Care	
Older People's Housing Strategy	3.932
Other reserves	0.250
Total Adult Care	4.182
 Council Services	
Insurance and Risk Management	20.427
Budget Management	20.300
Uninsured Financial Loss	13.000
Planned Building Maintenance	6.517
Computer Purchasing	4.923
Property IMP Scheme	4.286
Change Management	4.133
Property DSO	3.122
Prior Year Underspends	3.102
Property Package	0.886
Other reserves	6.600
Total Council Services	87.296
 Economic Development and Regeneration	
D2 Growth Fund	0.200
D2 Business Development	0.143
D2EE Low Carbon Economy	0.130
Markham Environment Centre	0.114
Skills Training	0.101
Other reserves	0.258
Total Economic Development and Regeneration	0.946
 Health and Communities	
S256/External Funding	0.343
Other reserves	0.414
Total Health and Communities	0.757

Appendix 1**Public****Highways, Transport and Infrastructure**

Prior Year Underspend	6.031
Broadband	5.430
Winter Maintenance	2.000
Road Safety Public Service Agreement (PSA)	1.217
Waste, Performance and Efficiency Grant (WPEG) 2006-07	0.802
Derby and Derbyshire Road Safety Partnerships Reserve	0.719
IT Reserve	0.554
Waste Recycling Initiatives	0.391
Waste Electronic Equipment Recycling Grant	0.261
Other reserves	1.887
Total Highways, Transport and Infrastructure	19.292

Strategic Leadership, Culture and Tourism

Prior Year Underspend	1.587
Policy & Research	1.292
Derbyshire Challenge Fund	0.678
High Needs Strategic Funding	0.432
Innovation and Transformation	0.270
Upgrade of Broadband in Libraries	0.255
Derwent Valley Mills World Heritage Site	0.216
Public Service Agreement (PSA) Reward Grant	0.175
Digital Exclusion	0.101
Other reserves	0.578
Total Strategic Leadership, Culture and Tourism	5.584

Young People

Prior Year Underspend	2.906
Primary Teachers' Pooled Premium Reserve	0.511
Foster Carer Adaptations	0.406
Assisted Boarding	0.210
Kitchen Upgrades & Equipment	0.216
Tackling Troubled Families	2.935
High Needs Block Capital Reserve	0.260
Care Leavers Internships	0.215
Unaccompanied Asylum Seeking Children	0.243
Complex Injury	0.509
Youth Activity Grants	0.375
School Organisation Fund	0.230
School Rates Refunds	0.399
Other reserves	0.855
Total Young People	10.270

Total Portfolio Earmarked Reserves	128.327
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Schools

Schools Balances	31.303
Dedicated Schools Grant (DSG)	10.955

Total balances held for and on behalf of schools	42.258
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Public Health Grant	6.811
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