

Agenda Item No 4(a)

DERBYSHIRE COUNTY COUNCIL

CABINET

24 January 2019

Report of the Director of Finance & ICT

BUDGET MONITORING 2018-19 (as at 31 October 2018)
(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

1 Purpose of the Report

To provide Cabinet with the Revenue Budget position for 2018-19 as at 31 October 2018.

This report should be read alongside the following reports to this Cabinet Meeting: the Revenue Budget Report 2019-20, the Budget Consultation Results and the Capital Budget Report 2019-20.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolio as at 31 October 2018. 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 to support the Highways, Transport and Infrastructure portfolio.

	Budget	Forecast Actuals	Projected Outturn
	£m	£m	£m
Adult Care	244.943	242.321	(2.622)
Council Services	44.565	44.176	(0.389)
Economic Development and Regeneration	0.814	0.509	(0.305)
Health and Communities (exc. Public Health)	3.602	3.567	(0.035)
Highways, Transport and Infrastructure	80.055	80.055	0.000
Strategic Leadership, Culture and Tourism	13.052	12.808	(0.244)
Young People	100.849	105.170	4.321
Total Portfolio Outturn	487.880	488.606	0.726
Interest Income			0.000
Debt Charges			(1.721)
Risk Management			(1.245)
Total			(2.240)

A summary of the individual portfolio positions is detailed below.

Adult Care

There is a projected year-end underspend of £2.622m. This is based on the agreement to transfer the unallocated balance on the Improved Better Care Fund (iBCF) of £8.186m to the Older People's Housing Strategy Reserve. The main variances are:

Purchased Services, £3.688m 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, £3.162m underspend – relates to unallocated budgets awaiting allocation during the year.

Commissioning and Performance, £3.148m underspend – savings £0.607m on block contracts, £1.424m on housing related support, £0.471m on carers services and £0.899m on the pooled Integrated Community Equipment Service budgets.

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, £5.053m has been achieved, with the balance of £1.042m 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 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 risks which could impact on the portfolio's outturn position are contained in Appendix 2.

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 £0.389m. The main variances are:

County Property, £0.737m overspend - under achievement of the income target for industrial estate properties. Whilst occupancy is at 92%, a number of the units are leased to charities at below market rates and the Council provides rent free periods to attract businesses and offset maintenance costs. The Council also has to pay the business rates on empty industrial units. This has been the consistent picture for a number of years but the units are still making an income.

Finance and ICT, £0.685m underspend - due to strict vacancy controls, especially in the ICT division, in order to help manage future budget reductions. The new approved ICT Strategy will reduce the level of these vacancies, to enable its target outcomes to be achieved. Additional income has also been achieved from services to schools and the Welsh Government.

Strategic Management, £0.315m underspend - relates to restructure of senior management in the previous Chief Executive's function.

Human Resources, £0.302m underspend – relates to salary underspend.

Legal Services, £0.204m overspend - due to high workload and difficulty achieving budget savings allocated.

A budget savings target for 2018-19 of £1.446m has been allocated. Of this target, £1.159m is expected to be achieved by the end of the financial year. The balance of £0.287m 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 e-mail provision.
- Budget Savings Shortfall - £0.318m, to support an expected shortfall in the savings against target in 2018-19.

The main risks which could impact on the portfolio's outturn position are contained in Appendix 2.

Economic Development and Regeneration

There is a projected year-end underspend of £0.305m, against a budget of £0.814m. The main variances are:

Economic Development, £0.387m underspend – relates to reduced project expenditure.

Employment and skills, £0.073m overspend – relates to salary overspend.

A budget savings target of £0.325m has been allocated for 2018-19, which is expected to be achieved.

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

There are no significant risks expected to impact on the portfolio's outturn position.

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 £1.960m. However, excluding Public Health, the portfolio is forecast to underspend by £0.035m. The main variances are:

Public Health, £1.925m 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 risks expected to impact on the portfolio's outturn position.

Highways, Transport and Infrastructure

The Highways, Transport and Infrastructure portfolio is forecast to overspend by £2.110m, against a total budget of £77.945m. 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.
- £1.110m from the prior-year underspends reserve.

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

Highway Maintenance, £3.083m overspend – winter maintenance is currently projected to overspend by £2.763m. 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, £2.781m overspend – not yet allocated to specific services.

Planning and Development, £2.660m underspend - mainly due to additional developer fee income.

Waste Management, £0.993m underspend – £0.560m underspend in respect of lower than expected waste tonnages, £0.387m additional electricity income from the waste treatment facility and a £0.225m reduction in Stanton transfer station costs.

Highway Management and Land Reclamation, £0.507m underspend – £0.350m underspend on salary related costs, £0.300m over-recovery in Highways Construction, partly off-set by an under-recovery of £0.150m by the Highways Laboratory.

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, £1.250m is expected to be achieved by the end of the financial year, with the expected base budget overspend being met from one-off funding, as explained above. Of the £3.671m forecast shortfall in 2018-19 budget savings:

- £2.781m has yet to be allocated to a specific service.
- £0.325m 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 Sinfin.
- 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.
- 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 contained in Appendix 2.

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 year-end underspend of £0.244m is projected. The main variances are:

Communications, £0.164m underspend – due to vacancy control and staff turnover.

Policy, £0.135m underspend – due to vacancy control and reduced running costs.

The savings target for 2018-19 is £0.528m, with a further £0.220m brought forward from previous years. Of this total target of £0.748m, £0.040m is expected to be achieved by the end of the financial year. The savings shortfall this year will be met by additional one-off funding provided in the 2018-19 budget with the balance being met from one-off use of reserves. Of these savings, £0.588m are expected to be achieved in 2019-20 and the remainder in 2020-21.

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 risks expected to impact on the portfolio's outturn position.

Young People

The forecast year-end position is an overspend of £4.321m. 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, £0.971m underspend – £0.161m drawn down from an earmarked reserve and £0.538m budget for Unaccompanied Asylum Seeking Children (UASC) not expected to be spent in 2018-19. The balance of £0.272m has arisen from budget savings made as a result of efficiencies.

Management Team and Resources, £0.184m underspend – staffing underspends in Finance and Human Resources, partially offset by the cost of additional senior management to provide the capacity to deliver joint commissioning of children's services with other local authority and health partners.

Early Help and Safeguarding, £3.809m overspend – contributory factors are increases in:

- Numbers of children in care – increased to 770 as at the end of December 2018. This has increased the demand for placements, especially those provided externally. Agency residential placements cost approximately £0.200m per annum and the projected overspend is £1.793m. Agency fostering placements cost approximately £0.043m per annum and there is a projected overspend of £2.242m.
- Special guardianship payments – an overspend of £0.537m is forecast. These are payments for children placed with extended family members; expenditure is increasing year-on-year.
- Support to disabled children – additional costs associated with increasing number and needs of children assessed as eligible for support, leading to a projected overspend of £1.761m.
- Out of hours staff in children's homes - children's homes are projected to overspend by £0.329m. 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 or complex emotional or health needs are appropriately cared for, supported and supervised.
- Legal charges - forecast overspend of £1.299m 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 the following underspends:

- Early Help services - an underspend of £1.430m because of unfilled vacancies.
- Social Care teams - an underspend of £2.195m. The budget for social workers was increased in 2018-19, however recruitment of additional social workers has been phased throughout the year and not all have yet been appointed.
- Unaccompanied Asylum Seeking Children (UASC) - an underspend of £0.858m due to the lower numbers transferring to Derbyshire from other Authorities.
- Troubled Families grant – an additional £0.800m drawn down, over the amount originally budgeted, to mitigate the overall projected overspend on the Young People portfolio.

Schools and Learning, £2.048m 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. £0.450m of this estimated rise in costs is attributable to transport from home to Pupil Referral Units (PRUs) that was previously charged to the Dedicated Schools Grant High Needs Block and is now being charged to the Council. Also, the rising number of children requiring additional support within schools, or with Education, Health and Care plans, coupled with the plans' increasing complexity, has contributed £0.293m to this forecast overspend.

Countywide Commissioning, £0.132m overspend – the Council's share of the overspend on the joint pooled budget with health partners. The greater number of complex placements is exceeding the capacity of the pooled funds.

A savings target of £2.906m has been allocated for 2018-19, of which £2.219m is expected to be achieved by the end of the financial year. £2.010m of savings are confirmed and reflected in 2018-19 outturn projections, and a further £0.209m are expected to be achieved during the year, however a full year effect is not expected in 2018-19. This is because either the actions will not take place until the second half of the year or demand pressures are already occurring which are eroding the value of any reduction in expenditure.

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 ensure caseloads are at a healthy working level consistent with good practice.
- Unaccompanied Asylum Seeking Children (UASC) - £1.000m. Currently 36 UASC are in the care of the Council and a further 6 placements have ended. The number of UASC care leavers being supported by the Council in accommodation is 28.
- 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.

The main risks which could impact on the portfolio's outturn position are contained in Appendix 2.

Summary

A Council portfolio overspend of £0.726m is forecast, after the use of £2.110m 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 Debt Charges budget is projected to underspend by £1.721m. This is based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the revised policy reported to Cabinet on 22 November 2016 and a £10.000m one-off reduction in the provision to recover 'overpayments' made in previous years. This one-off reduction in MRP was reported to Council on 7 February 2018.

The Risk Management Budget is forecast to underspend by £1.245m. 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 31 October 2018 are set out in Appendix One. A 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 31 October 2018.

PETER HANDFORD

Director of Finance & ICT

Earmarked Reserves as at 31 October 2018

Adult Care	£m
Older People's Housing Strategy	14.545
Other reserves	0.347
Total Adult Care	14.892
Council Services	
Insurance and Risk Management	20.427
Uninsured Financial Loss	13.000
Budget Management	13.173
Planned Building Maintenance	6.517
Computer Purchasing	4.923
Property IMP Scheme	4.286
Change Management	3.633
Prior Year Underspends	3.461
Property DSO	3.275
Other reserves	5.665
Total Council Services	78.360
Economic Development and Regeneration	
D2 Growth Fund	0.200
D2EE Low Carbon Economy	0.130
Markham Environment Centre	0.114
Skills Training	0.101
Other reserves	0.300
Total Economic Development and Regeneration	0.845
Health and Communities	
S256/External Funding	0.343
Other reserves	0.414
Total Health and Communities	0.757
Highways, Transport and Infrastructure	
Prior Year Underspends	9.326
Broadband	5.430
Winter Maintenance	2.000
Road Safety Public Service Agreement (PSA)	1.217
Derby and Derbyshire Road Safety Partnership Reserve	0.588
IT Reserve	0.554
Waste Recycling Initiatives	0.391
Other reserves	2.014
Total Highways, Transport and Infrastructure	21.520

Strategic Leadership, Culture and Tourism

Policy & Research	1.297
Prior Year Underspends	0.897
Derbyshire Challenge Fund	0.678
Upgrade of Broadband in Libraries	0.255
Derwent Valley Mills World Heritage Site	0.216
Public Service Agreement (PSA) Reward Grant	0.174
High Needs Strategic Funding	0.127
Other reserves	0.599
Total Strategic Leadership, Culture and Tourism	4.243

Young People

Tackling Troubled Families	2.935
Prior Year Underspends	0.833
Complex Injury	0.509
School Rates Refunds	0.414
Foster Carer Adaptations	0.406
Youth Activity Grants	0.344
High Needs Block Capital Reserve	0.260
Unaccompanied Asylum Seeking Children	0.243
School Organisation Fund	0.230
Care Leavers Internships	0.215
Temporary Assistance Pupil Support	0.157
Other reserves	0.690
Total Young People	7.236

Total Portfolio Earmarked Reserves	127.853
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Schools

Schools Balances	31.303
Dedicated Schools Grant (DSG)	7.852

Total balances held for and on behalf of schools	39.155
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Public Health Grant	6.811
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Service	Risk	Sensitivity £m	Likelihood (1 = Low, 5 = High)
Adult Care			
Transforming Care Programme	Clients move from Health to Adult Care provision	0.650	4
Sleep-Ins	Required to fund independent-sector provider sleep-in back payments	8.540	1
Information Governance	Additional staff required to meet General Data Protection Regulation (GDPR) requirements	0.320	3
Council Services			
Property Services Traded Services with Schools	Loss of income due to reductions to school budgets and academisation	1.500	2
Highways, Transport and Infrastructure			
Winter Maintenance	Impact of a severe winter	1.000	3
Street Lighting Energy and Maintenance	Further energy price increases, or further slippage in implementation of the LED programme	0.300	2
Highways Management	Ability to fund salaries from capital projects	0.800	2
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	0.500	3
Young People			
Schools & Learning	School deficits transferred to the Council when becoming an Academy	0.200	4
Early Help & Safeguarding – placement costs	Impact of both increased number and higher individual costs of children entering care, including UASC	0.800	4

Service	Risk	Sensitivity £m	Likelihood (1 = Low, 5 = High)
Department wide	Data security breaches and the subsequent risk of serious damage to reputation and financial impact if fines are imposed	0.200	3
Department wide	Serious systemic Health and Safety failure, leading to prosecution	0.500	3
Early Help & Safeguarding - Starting Point	If the ability to operate the contact and referral service in respect of child protection, children in need and emerging needs from the current building was removed, for any reason, there would be a serious risk to direct service provision	0.500	3
Performance & Quality – Child Protection	Rates of children on child protection plans/child in need plans continue to rise	0.100	4
Schools & Learning – Catering/Sport & Outdoor Residential or Early Help & Safeguarding – Children’s Homes	Outbreak of major food poisoning e.g. E.Coli outbreak.	0.200	2
Early Help & Safeguarding – Social Care teams	Failure to recruit and retain experienced social workers leading to more use of Agency staff	0.500	5
Schools & Learning – Home to School Transport SEN and Dedicated Schools Grant High Needs Block	Increase in number and complexity of children with high educational needs that require a contribution by the Council for educational provision and/or transport to that provision	1.000	4