

## DERBYSHIRE COUNTY COUNCIL

## COUNCIL

3 December 2014

## Report of the Director of Finance

## BUDGET MONITORING 2014-15 (at 31 August 2014)

**1 Purpose of the Report**

To provide Council with an update of the Revenue Budget position for 2014-15 up to the end of August.

**2 Information and Analysis**

The report summarises the controllable budget position by department. Reports will also be considered at Audit Committee. Monitoring reflects the position as at 31 August 2014. Where departments have asked for carry forward of budget, it requires final approval from the appropriate Cabinet Member.

The Council's three largest service areas Adult Care, Children & Younger Adults, and Jobs, Economy and Transport all show overspends, particularly Adult Care where there are increased demand for services. The significant areas which make up this projection are shown in Table One below:

**Table One: summary of projected outturn**

	<b>Controllable Budget</b>	<b>Actuals</b>	<b>Projected Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Care (AC)	206.886	214.262	<b>7.376</b>
Children and Younger Adults (CAYA)	109.406	111.294	<b>1.888</b>
Jobs, Economy and Transport (JET)	81.868	83.496	<b>1.628</b>
Strategic Policy and Budget (SPB)	6.051	5.681	<b>(0.370)</b>
Council Services (CS)	45.157	44.385	<b>(0.772)</b>
Health and Communities (HACS)*	13.134	12.886	<b>(0.248)</b>
<b>Total Departmental</b>	<b>462.502</b>	<b>472.004</b>	<b>9.502</b>
Debt Charges & Risk Management			(10.000)
<b>Total</b>			<b>(0.498)</b>
<i>Memo: Public Health</i>			(3.922)

\* Excludes Public Health

Budget reductions totalling £31.203m were allocated for the year. It is anticipated that £22.820m of these will have been achieved by the year-end before any additional support is received from the Public Health Resource Fund. An additional £3.705m has been identified from the Fund which can be used to support some service areas. Table Two below shows budget reduction performance for the year.

**Table Two: Achievement of projected budget reductions**

	<b>Budget Reduction £m</b>	<b>Public Health Funding £m</b>	<b>Revised Budget Reduction £m</b>	<b>Achieved £m</b>	<b>Under/ (Over) Achieved £m</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
AC	13.631	1.891	<b>11.740</b>	9.792	<b>1.948</b>
CAYA	6.033	1.115	<b>4.918</b>	3.169	<b>1.749</b>
JET	7.339	0.136	<b>7.203</b>	5.611	<b>1.592</b>
SPB	0.174	0.000	<b>0.174</b>	0.417	<b>(0.243)</b>
CS	2.738	0.000	<b>2.738</b>	2.738	<b>0.000</b>
HACS	1.288	0.563	<b>0.725</b>	1.093	<b>(0.368)</b>
<b>Total</b>	<b>31.203</b>	<b>3.705</b>	<b>27.498</b>	<b>22.820</b>	<b>4.678</b>

*Memo:*

*Column C = Column A less Column B;*

*Column E = Column C less Column D*

Earmarked reserves totalling £120.698m are currently held to support future Council expenditure, a further £69.051m are held for and on behalf of schools.

**Table Three: Analysis of Earmarked Reserves**

	<b>Grants £m</b>	<b>Committed Liabilities £m</b>	<b>Funding Capital Projects £m</b>	<b>Out of Council Control £m</b>	<b>Other £m</b>	<b>Total £m</b>
AC	0.000	9.040	0.000	0.000	0.000	<b>9.040</b>
CAYA	0.725	5.326	0.683	0.713	12.892	<b>20.339</b>
JET	2.081	4.501	15.636	0.229	4.530	<b>26.977</b>
SPB	0.000	3.098	0.000	0.000	15.184	<b>18.282</b>
CS	0.000	4.066	0.000	19.162	19.767	<b>42.995</b>
HACS	3.065	0.000	0.000	0.000	0.000	<b>3.065</b>
<b>Total</b>	<b>5.871</b>	<b>26.031</b>	<b>16.319</b>	<b>20.104</b>	<b>52.373</b>	<b>120.698</b>

Earmarked reserves have been analysed into the following categories:

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

Full details of these reserves are shown in Appendix One.

### **Adult Care**

The controllable budget includes £4m transferred from the General Reserve for an agreed one-off pressure for demographic growth set out in the Provisional Five Year Financial Plan report, approved by Cabinet on 15 July 2014.

This month's monitoring report reflects a projected year end overspend of £7.376m, an improvement of £1.691m from last month. This is in the main related to:

- Fieldwork North - The projected overspend of £4.564m is an improvement of £0.512m from the previous month, with the main reduction in commitments in Chesterfield.
- Fieldwork South - The projected overspend of £1.689m was an improvement of £0.442m from last month, the majority of which was in Amber Valley (£0.407m).
- Direct Care - The projected overspend is £5.481m an improvement of £0.300m from last month. There has been a reduced projection for Community Care Centre's of £0.253m.
- Strategic Director - shows a projected underspend of £4.741m. This is an improvement of £0.197m from last month, and is due to funding received for the increase in Employer's Pension Contributions

The projected year-end overspend of £7.376m does not take into account the actions that are to be taken following Cabinet approval, however the achievement of the anticipated additional savings has slipped since the last report to Cabinet on 21 October. Below is a summary of the previously reported, and current projected additional saving:

- Increase to client's co-funding Contributions of £1m, previously reported £2.750m;

- Increase Fair Access to Care Services (FACS) criteria to substantial of £0.500m, previously reported £1.125m, and;
- Consistent application of the Resource Allocation System of £2m, previously reported £1.500m

Following these actions the revised forecast overspend will be reduced to £3.876m.

### **Children and Younger Adults**

The forecast year-end position for CAYA's expenditure funded by the Council is an overspend of £1.888m. The main reason for the overspend is due to the slippage in the timetable of actions to achieve departmental budget reductions which is being partially offset by other temporary and ongoing savings such as staffing and increased generation of income.

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

The monitoring report includes a beneficial adjustment of £2.139m for costs which are now being charged to the pooled budget for children with complex needs and one-off income of £1.374m from earmarked reserves. The net shortfall will be met from the earmarked reserve that CAYA hold for this purpose.

### **Jobs, Economy and Transport**

The net budget for the Jobs, Economy and Transport portfolio is £81.868m, with a projected year-end overspend of £1.628m.

The main factor in the resulting overspend relates to Waste Management which is showing an overspend of £1.348m. Residual waste tonnages were anticipated to fall in 2014-15 following further improvements in waste minimisation, recycling and composting. However the latest forecasts, based on tonnages to date, do not indicate that this reduction is taking place. In addition, the Arkwright In-Vessel Composting site, which opened in May 2014, has increased the fee it charges to the Council and there is an anticipated increase in organic waste tonnages passing through the site as it reaches full capacity.

Budget reductions totalling £7.339m were allocated for the year. It is anticipated that £5.611m of these will have been achieved by the year end. Slippage is seen in:

- i. Waste Disposal Efficiencies of £1.348m.
- ii. A further £0.300m relates to additional income from a range of highways related services.

- iii. On-street parking schemes which are not due to be implemented until summer 2015 have resulted in slippage of £0.070m.
- iv. Parking charges at countryside sites of £0.010m, which may not be delivered due to the extent of theft and damage to the ticket machines.

### **Strategic Policy and Budget**

The budget for the Strategic, Policy and Budget portfolio is approximately £6.051m. The budget monitoring is currently forecasting an underspend of £0.370m of which £0.210m relates to staffing within Call Derbyshire and Communications. This is mainly the result of the non-filling of vacancies while determining the Council's response to the recent review of how the Council communicates with stakeholders, and as a result of a reduction in expenditure on printed publications. The balance of the underspend reflects vacancy control and other savings in the Policy and Research Team.

### **Council Services**

The controllable budget for the Council Services portfolio is approximately £45m, with the budget is showing a forecast underspend of £0.770m for the year. This is primarily due to staff vacancies throughout the portfolio area.

### **Health and Community Safety**

The gross budget for the Health and Communities portfolio (including the Public Health ring fenced grant) is approximately £52m. The budget monitoring is projecting an underspend for the year of £4.169m, of which £3.922m relates to the Public Health function. At year-end the Public Health underspend will be transferred into an earmarked reserve, the Public Health Resource Fund leaving a projected underspend for the remaining portfolio of £0.248m.

### **Summary**

The projected overspends in CAYA and, Jobs, Economy and Transport will be financed by one-off funding currently held in earmarked reserves. Furthermore, the additional actions being undertaken by Adult Care, as detailed in the report, are predicted to reduce the overspend further. It is therefore anticipated that the final year-end position will be:

	<b>Projected Over/(Under) spend £m</b>
<b>Departmental Overspend Detailed in the Report</b>	<b>9.502</b>
Debt Charges & Risk Management	(10.000)
Use of Earmarked Reserves (CAYA & JET)	(5.094)
Additional Actions in Adult Care	(3.500)
<b>Projected Contribution to General Reserve</b>	<b><u>(9.092)</u></b>

As agreed by Cabinet on 15 July 2014, a sum of £4.000m has been released from General Reserves to help manage the Adult Care demographic pressures and this is reflected in the figures within the report.

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

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

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

As at Month 5, the Risk Management and Debt Charges budgets are forecast to underspend by a total of £10m. Underspends on the Risk Management and Debt Charges budgets will help to mitigate departmental overspends, with any net Council underspend being returned to the General Reserve at year-end.

The 'Report to those Charged with Governance 2013-14' presented to Audit Committee on the 2 September, by KPMG, recommended that budget monitoring reports should include details of performance against budget reduction targets. This is the first budget monitoring report presented containing a summary of the additional information; detailed monitoring of reductions have been presented to the appropriate Cabinet Member meeting meetings.

### **3 Financial Considerations**

As set out above.

### **4 Other Considerations**

In preparing this report the relevance of the following factors has been considered - legal and human rights, human resources, equality of opportunity, health, environmental, transport, property and prevention of crime and disorder considerations.

**5 Background Papers**

Papers held in Technical Section, Corporate Finance.

**6 Officer's Recommendation**

That Council notes the 2014-15 budget monitoring position as at 31 August 2014

PETER HANDFORD

Director of Finance

24 November 2014

## APPENDIX ONE

## Details of Earmarked Reserves held as at 31 August 2014

	Amount £m
<b>Adult Care</b>	
Care Home Providers	8.000
Adult Care IT System	0.250
Discretionary Fund	0.790
<b>Total Adult Care</b>	<b>9.040</b>
<b>Children and Younger Adults</b>	
Prior Year underspend	12.020
Single Children's System	1.353
Support & Aspiration project	1.092
Capital Maintenance	1.074
Other Reserves, individually below £1m	4.800
<b>Total Children and Younger Adults</b>	<b>20.339</b>
<b>Jobs, Economy and Transport</b>	
Grants (inc £1.9m Road Safety Public Service Agreement II)	2.081
Committed Liabilities – Revenue	3.507
Committed Liabilities – Capital	15.636
Winter Maintenance	2.000
Partnership & Other Councils monies held by the Council	0.229
Single Asset Management System	0.250
Derwent Valley Mills World Heritage Site	0.154
Laboratory & Fleet Equipment	0.199
Waste Recycling Initiatives	0.391
Non Committed Reserves including previous years underspends	2.530
<b>Total Jobs, Economy and Transport</b>	<b>26.977</b>
<b>Strategic Policy and Budget</b>	
Families Initiative's	0.172
Literacy	0.117
Fostering Publicity	0.090
Performance Management	0.050
Innovation Programme Support	0.050
Equal Pay	15.184
Derbyshire Challenge Fund	2.544
Invest to Save	0.075
<b>Total Strategic Policy and Budget</b>	<b>18.282</b>



## APPENDIX ONE

	Amount £m
<b>Council Services</b>	
Computer Reserve Fund	2.792
Property Package Reserve	2.187
Property Internal Trading	4.066
CRD Reserve	10.352
Change Management	6.070
Insurance and Risk Management	13.607
Holmewood Business Park	0.198
VAT	0.100
Public Finance Initiative	2.386
Building Schools for the Future Wave 3	0.982
South Normanton Joint Service centre	0.090
Registrar's	0.165
<b>Total Council Services</b>	<b>42.995</b>
<b>Health and Communities</b>	
Public Health Resource Fund	0.673
Public Health, Externally Funded Programmes	0.829
Other Reserves	1.563
<b>Total Health and Communities</b>	<b>3.065</b>
<b>Total Earmarked Reserves</b>	<b>120.698</b>
<b>Balances held for and on behalf of schools</b>	
School Balances	37.797
Dedicated Schools Grant – Individual Schools Budget	16.323
Dedicated Schools Grant – Central Element	14.931
<b>Total School Reserves</b>	<b>69.051</b>