

Agenda Item No 8(a)

**DERBYSHIRE COUNTY COUNCIL
COUNCIL**

8 February 2017

Report of the Director of Finance

**BUDGET MONITORING 2016-17
(as at 31 October 2016)**

1 Purpose of the Report

To provide Council with an update of the Revenue Budget monitoring position for 2016-17 as at 31 October 2016.

2 Information and Analysis

The report summarises the controllable budget monitoring position by Cabinet Member Portfolios as at 31 October 2016. In addition to this report, further reports will also be considered at Cabinet Member meetings, Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations. Where departments have asked for carry forward of budget from 2015-16, its use requires final approval from the appropriate Cabinet Member after Cabinet gave outline permission for the carry forward in July 2016.

The Adult Social Care, Children's Services, Highways, Transport and Infrastructure, and Health and Communities portfolios are showing forecast overspends. However, Children's Services will use earmarked reserves to record a break-even position as will Adult Social Care. Health and Communities will use earmarked reserves to reduce their overspend. Within the Highways, Transport & Infrastructure portfolio it is expected that the current overspend for local bus services of £1.995m will be met from the General Reserve, this funding will result in an overall underspend of £1.784m for the Highways, Transport and Infrastructure portfolio. The projected outturn compared to controllable budget is summarised below:

	Net Budget £m	Forecast Actuals £m	Projected Outturn £m
Adult Social Care	209.236	210.627	1.391
Children's Services	98.787	102.662	3.875
Council Services	44.678	44.210	(0.467)
Health and Communities	11.133	11.415	0.282
Highways, Transport and Infrastructure	73.054	73.265	0.211
Strategic Policy, Economic Development and Budget	8.471	8.198	(0.272)
Total Departmental Outturn	445.359	450.377	5.020
Interest Income			0.500
Debt Charges and Risk Management			(10.472)
Total			(4.952)

A summary of the individual portfolio positions is detailed below.

Adult Social Care

There is a projected year-end overspend of £1.391m including overspends in respect of Strategic Director (£2.900m) and Purchased Services including Fieldwork and Direct Care (£0.905m). These are off-set by an underspend in respect of Commissioning and Performance (£2.537m).

The overspend will be funded from the previous year Earmarked Reserve underspend.

Budget reductions totalling £12.916m were allocated for the year, with a brought forward figure from 2015-16 of £4.127m, giving an overall target of £17.043m. Savings identified for 2016-17 total £14.509m and up to the period end the total achieved was £12.361m.

Children's Services

The current forecast year-end position is an overspend of £3.875m to be covered by the use of the prior year underspend earmarked reserve which currently has an available balance of £6.266m. The main variances are:

Placement Costs (£3.436m overspend) – the pressure is due to changes in the mix of placements between fostered and residential, and between in-house and that provided by outside agencies.

Children's Centres (£3.374m overspend) – the overspend has been partially offset by the release of £0.800m earmarked reserve. However, the proposed expenditure reduction of £4.6m will not begin to be met until the last quarter of 2016-17, with the full reduction not being achieved until 2017-18.

Home to School Transport, Special Needs (£0.462m overspend) - the overspend is mainly due to the reduction in budget for post-16 transport, however no changes to provision have yet been made.

Special Guardianship (£0.327m overspend) – overspend is due to the increase in the number of special guardianships compared to 2015-16.

Disabled Children (£0.206m overspend) – overspend has reduced due to an increased recovery of costs. The proposed budget reduction to the non-statutory grants element of the budget will not be achieved in full until 2017-18.

Use of Reserves (£1.756m underspend) - due to the release of reserves, the largest being £0.481m which was set aside to fund the transitional costs of redistributing Social Care and Early Help staff. A further £0.652m has been released from reserves to fund costs associated with the implementation of the Schools Management Information System that have been incurred in the current and previous financial years.

Performance & Quality (£0.987m underspend) - mostly due to unfilled vacancies.

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

Multi-agency teams (£0.775m underspend) mainly due to vacancies that are being held pending the closure of Children's Centres.

Budget reductions of £1.923m are still to be identified.

Council Services

The budget monitoring forecasts a £0.467m underspend. The main variances are:

Industrial Development (£0.603m overspend) – under achievement of income target due to the number of voids, which results in the Council having to pay non-domestic rates on empty units.

CRD Centrally held budgets which cover the costs of the Strategic Director, Traded Services Team and other budgets such as training held at a departmental level (£0.302m overspend) - the department has a number of posts which were created on the basis that they will become self-financing over the medium term. A number of initiatives are under way which will meet the financing objectives for these posts and will result in additional resources being transferred into this heading at the point the impact of the posts have been assessed and realised.

Legal Services Division (£0.145m overspend) – the Division is dealing with a significant number of complex cases which need to be resourced.

SAP system costs (£0.317m underspend) - the budget supports the cost of running the SAP system and contributes to software upgrades and developments when required. It is anticipated that the underspend will contribute to upgrades in future years and will therefore be transferred to an earmarked reserve.

County Buildings (£0.269m underspend) - the key areas of underspend relate to utilities and rates of the buildings in the County Hall complex.

HR Division (£0.229m underspend) - the key variance relates to vacancies within the Division.

Transformation Division (£0.228m underspend) – there are a number of vacancies within the Division, and higher than anticipated levels of income from trading with schools has also contributed to the underspend.

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

Health and Communities

The year-end forecast excluding expenditure on Public Health is £0.282m. There is a further underspend on the Public Health Grant of £1.981m.

The main variances are:

Libraries and Heritage (£0.327m overspend) - the main area of overspend relates to budget cuts not being achieved to date.

Public Health (£1.981m underspend) – a large proportion of the underspend continues to be generated from activity-based contracts which are not meeting anticipated levels of service. The underspend at year-end will be transferred into the Public Health Reserve and will fund committed investment in Prevention work over a maximum period of two years commencing from October 2016.

Budget reductions totalling £1.247m were allocated as part of the approval of the 2016-17 budget. In addition to this there is an amount of £0.380m unallocated reductions from previous years. The total cut allocation for 2016-17 is therefore £1.627m.

Highways, Transport and Infrastructure

There is a projected year-end overspend of £0.211m. However, on 27 January 2015 and 26 January 2016 Cabinet agreed overspends for the provision of local bus services up to the value of £4.750m to be funded from General Reserve over 2 years; this overspend is estimated to be £1.995m which when netted off against the overall Portfolio overspend results in a forecast underspend of £1.784m.

The key variances are:

Highways Maintenance (£1.423m overspend) – winter maintenance is currently expected to overspend by £1.000m. There has also been a delay in the implementation of the street lighting LED contract.

Transport and Travel (£1.076m underspend) – reduced demand for the Gold Card Scheme resulting in an underspend of £0.627m. There have been windfalls from vehicle sales within Fleet Services and underspends as a result of vacancy control.

Local Bus Services (£1.995m overspend) – it was agreed by previous Cabinet approvals that £4.750m would be allocated over two years to support the overspend.

Highway Management (£1.409m underspend) - this is due to the phasing of capital works (£0.455m), overspend on Highway Property (£0.130m) due to reducing rents and increased maintenance costs, vacancy control (£0.707m) as a result of planned workforce reductions to deliver budget cuts and greater than anticipated capitalised salaries (£0.387m).

Waste Management (£0.730m underspend) - overspends in respect of a 3% yearly increase in recycling credit rates and tonnages (£0.333m) and Waste Electrical and Electronic Equipment income reduction (£0.180m), are offset by contract savings of £1.390m on the long term waste contract.

Planning and Development (£0.617m underspend) - mainly due to over-recovery of Section 38 and 278 income (£0.281m), salary costs charged to capital and staff vacancies.

Resources and Improvement (£0.532m underspend) – vacancy control.

Unallocated Budget (£1.492m overspend) – staffing budget cuts which have not yet been allocated to specific sections, but will be allocated before the year-end.

Budget reductions totalling £7.371m were allocated for the year. It is anticipated that £4.947m of these will have been achieved by the year end; further cuts are yet to be identified.

Strategic Policy, Economic Development and Budget

There is a projected year-end underspend of £0.272m. The main variance is:

Chief Executive's (£0.201m underspend) – this relates to the front-loading of savings from 2014-15 which will be used to provide capacity for essential Council priorities including communication and policy, and to manage the budget cuts within the Chief Executive's Office.

Budget reductions totalling £0.425m have been allocated to the Chief Executive's Office budgets in 2016-17, although it has been agreed to reprofile the budget cuts for the department into 2019-20. As such, £0.338m cuts have been achieved against the in-year target.

Summary

The projected overspends in Adult Social Care, Children's Services and Health and Communities will be off-set by one-off funding currently held in earmarked reserves, whilst the Highways, Transport and Infrastructure overspend will be off-set by funding from General Reserve due to the agreement to fund bus services in 2016-17.

Since the original budget was approved by Council in February 2016, the Government has provided further details of general grant funding to local authorities which were not available at the time of the Finance Settlement, details of which were set out in the Period 3 Budget Monitoring report considered by Cabinet on 20 September 2016.

The debt charges budget is projected to underspend by £2.000m as a result of the slowdown in the Capital Programme.

An overall underspend of £4.952m is forecast, however after use of earmarked reserves to fund the Adult Social Care, Children's Services, Health and Community Services overspends, and the use of General Reserve to support local bus services, the forecast underspend will be £11.062m. Any underspends in 2016-17 will be used to manage the budget in 2017-18.

3 Financial Considerations

As set out above.

4 Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

5 Background Papers

Papers held in Technical Section, Corporate Finance, Room 137.

6 Officer's Recommendation

That Council notes the 2016-17 budget monitoring position as at 31 October 2016.

PETER HANDFORD
Director of Finance