

Public Document Pack



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PUBLIC

To: Members of Council

Tuesday, 21 November 2023

Dear Councillor,

You are hereby summoned to attend an Extraordinary meeting of **Council** to be held at **10.00 am** on **Wednesday, 29 November 2023** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

A handwritten signature in black ink that reads 'Helen E. Barrington'.

Helen Barrington
Director of Legal and Democratic Services

AGENDA

1. Apologies for absence
To receive apologies for absence (if any)
2. Declarations of interest
To receive declarations of interest (if any)

3. Public questions

To consider public questions (if any)

4. Requisition for an Extraordinary Meeting of the Council (Pages 1 - 30)

In pursuance of paragraph 3 of Schedule 12 to the Local Government Act 1972, Councillors J Dixon, D Greenhalgh, J Bryan, C Dale and R George have signed a requisition to the Chairman of the County Council to call an Extraordinary Meeting as follows:

“We, the undersigned members of Derbyshire County Council being five by number, hereby requisition an extraordinary meeting of the said council in accordance with the provisions of Schedule 12 Local Government Act 1972.

This is in light of the recent report to Cabinet (21 September 2023) Agenda Item 5. Performance Monitoring and Budget Monitoring/Forecast Outturn 2023-24 as at Quarter 1 that identified a potential £46 million overspend in this year’s budget and the urgent need to make urgent savings as a consequence. Given that there is less than 6 months in which to make these in year savings in order to mitigate this shortfall, and the unforeseen nature of this predicted overspend, it is right that as a matter of urgency all elected members are informed in person of the Council’s finances, together with the implications for services of those in year savings, and have the opportunity to address this issue at a meeting of the Council.

The business proposed to be transacted at the extraordinary meeting shall be:

- a) For Council to receive a written report from the section 151 officer on the current budgetary position of the authority including the need for the authority to make £46 million of in-year savings and the measures planned to achieve those savings,*
- b) To allow members to ask technical questions of the section 151 officers regarding the council’s finances arising out of his report to Council,*
- c) For Council to receive an oral update from the Leader of the Council on the current budgetary position of the authority, including the need for the authority to make £46m of in-year savings together with details of the measures he plans to achieve those savings, and the likely impact of those measures on services,*

- d) *To allow members to ask questions of the Leader regarding the Council's finances or arising out of his or the section 151 officer's report to Council, and*
- e) *To allow Council to have the opportunity to make recommendations to the Cabinet to inform any decisions it may make to achieve the £46m in savings.*

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

COUNCIL

WEDNESDAY, 29 NOVEMBER 2023

Report of the Director of Finance and ICT (Section 151 Officer)

FINANCIAL POSITION OF DERBYSHIRE COUNTY COUNCIL

1. Purpose


















- 1.1 This report details the current budgetary position of the Council for the financial year 2023/24 and is in response to the requisition for an extraordinary meeting of the Council. The requisition says 'For the Council to receive a written report from the Section 151 Officer on the current budgetary position of the authority including the need for the authority to make £46m in year savings and the measures planned to achieve those savings'.

2. Information and Analysis

Revenue Outturn Summary

- 2.1 The Council's forecast outturn for 2023-24 as at Quarter 2 (30 September 2023), compared to controllable budget, is summarised below. The forecast outturn table shows the position net of the impact of the ring-fenced Dedicated Schools Grant (DSG) of £397.167m and Public Health grant of £45.232m, other ring-fenced grants and income from other third parties and their associated spend.

Table 1: Portfolio Forecast Outturn











	Budget	Forecast Actuals	Projected Outturn Over/(Under) Spend	Budget Performance  Overspend  Underspend
	£m	£m	£m	
Adult Care	295.569	301.290	5.721	
Children's Services and Safeguarding and Education	156.525	174.426	17.901	
Clean Growth and Regeneration	0.787	0.513	(0.274)	
Corporate Services and Budget	67.136	68.078	0.942	
Health and Communities (exc. Public Health)	10.534	10.246	(0.288)	
Highways Assets and Transport	52.826	60.153	7.327	
Infrastructure and Environment	48.745	48.539	(0.206)	
Strategic Leadership, Culture, Tourism and Climate Change	11.193	11.425	0.232	
Total Portfolio Outturn	643.315	674.670	31.355	
Risk Management	21.255	19.636	(1.619)	
Debt Charges	38.019	47.947	9.928	
Interest and Dividend Income	(5.140)	(13.382)	(8.242)	
Levies and Precepts	0.373	0.373	0.000	
Corporate Adjustments	3.839	5.364	1.525	
Total	701.661	734.608	32.947	







2.2 The overall Council forecast overspend as at 31 March 2024 is £32.947m. This is an improvement of £13.429m on the forecast reported at Quarter 1 (£46.376m), the reasons for which are set out in the paragraphs below.

Changes since Quarter 1

2.3 The reduction in the forecast overspend since Q1 is shown in Table 2. The reduction is due to a combination of additional resources and reductions to expenditure. Cost control measures, including a vacancy freeze, were implemented from September but demand and cost pressures remain high in Adult and Children's Social Care. Further detailed explanations follow in the paragraphs below.

Table 2: Projected Outturn change Q1 to Q2

	Q1 Projected Outturn £m	Q2 Projected Outturn £m	Q1 to Q2 Movement (Favourable)/ Adverse £m	Budget Performance  Improvement  Deterioration
Adult Care	7.226	5.721	(1.505)	
Children's Services and Safeguarding and Education	13.137	17.901	4.764	
Clean Growth and Regeneration	(0.298)	(0.274)	0.024	
Corporate Services and Budget	4.237	0.942	(3.295)	
Health and Communities (exc. Public Health)	(0.613)	(0.288)	0.325	
Highways Assets and Transport	9.354	7.327	(2.027)	
Infrastructure and Environment	1.424	(0.206)	(1.630)	
Strategic Leadership, Culture, Tourism and Climate Change	0.391	0.232	(0.159)	

Total Portfolio Outturn	34.858	31.355	(3.503)	
Risk Management	7.845	(1.619)	(9.464)	
Debt Charges	9.323	9.928	0.605	
Interest and Dividend Income	(5.733)	(8.242)	(2.509)	
Corporate Adjustments	0.083	1.525	1.442	
Total	46.376	32.947	(13.429)	

2.4 The main movements between Q1 and Q2 (detailed in Table 2 above) are summarised as follows:

- **Adult Care:** Continued growth in demand and cost for homecare and reablement services is resulting in an increased overspend on purchased services. This is being offset by the use of earmarked reserves of £7.1m (an additional £3.2m compared to Q1) and additional grant funding of £1.5m to support hospital discharge packages, resulting in a net improvement of £1.5m in the forecast outturn position.
- **Children's Services and Safeguarding and Education:** Continued demand for services combined with rising costs is resulting in a significant forecast overspend, which has deteriorated by £4.8m since Q1. Expenditure on placements for children in care or alternatives to care has continued to rise between Q1 and Q2, due to an increase in the average weekly cost of placements, a shortage of foster care places, and an increase in the number of children requiring support. This increase in the number of children requiring support is also resulting in additional costs for Children's Safeguarding Services when compared to Q1. There has also been a significant increase in forecast expenditure on Home to School Transport due to both increasing transport costs and an increase in the number of children eligible for Council funded transport from September 2023.
- **Corporate Services and Budget:** The reduction of £3.3m in the forecast overspend position is due to a combination of SAP upgrade project (the Council's primary business software) expenditure now being funded through the capital programme and the allocation of corporate funding for property inflation.

- Highways, Assets and Transport: The improvement in the forecast outturn position of just over £2m is due primarily to an increase in the level of underspend forecast on public and community transport because of additional grant funding, combined with the allocation of corporate funding for inflation in Highways and use of an additional £0.6m from earmarked reserves.
- Infrastructure and Environment: After the allocation of corporate funding for inflation, there is an improvement in the forecast outturn of £1.6m due to a combination of reductions in waste tonnages and additional savings on staffing in Planning and Development Control.
- Risk Management: There has been a significant improvement of £9.4m in the forecast against this budget line due to a combination of additional grant income (£4.9m) and a refinement in the forecast estimated use of contingency budgets (£4.5m).
- Interest and Dividend Income: Additional income from investments renewed at higher rates of interest (£2.5m). Note that there is not a comparable increase in debt interest payable as the majority of the required borrowing for long-term and working capital was already within the Q1 forecast and little additional or renewed borrowing at higher prevailing interest rates is forecast for the remainder of the financial year.
- Corporate Adjustments: Additional costs of £1.4m are now forecast at Q2 as a result of anticipated reserve movements attributable to the ring-fenced Dedicated Schools Grant (£0.5m) and an increase in the expected credit loss (£0.9m) in respect of interest receivable on a loan advanced to an organisation which is now in doubt due to economic conditions.

Use of Reserves

- 2.5 The overall forecast Council overspend of £32.947m is after substantial one-off support from the use of £33.523m of the Council's Earmarked reserves. The 2023-24 Budget approved by Council in February 2023 included the planned use of £23.707m from the Budget Management reserve for planned service pressures. An additional £9.816m of earmarked reserves is now expected to be drawn down from departmental reserves (£5.992m at Q1) to support the Adult Care (£7.091m) and Highways Assets and Transport (£2.725m) portfolio outturn positions.
- 2.6 The forecast overspend in 2023-24 follows the outturn position for 2022-23, which resulted in the Council utilising £55m of its reserves in order to manage its budget to meet inflationary, demand and pay award cost pressures. The Council continues to face significant inflationary cost pressures across all services, combined with continued growth in demand for Adults Services, Children's Social Care and Education, and increasing reactive and planned maintenance requirements on the Highways Infrastructure.

- 2.7 At the time of setting the budget in February 2023, substantial investment was made in all service areas to support anticipated inflationary and demand pressures. However, despite this investment, inflation has continued to result in cost pressures in excess of budget across all service areas, and the anticipated pay offer for 2023-24 is higher than estimated.
- 2.8 If the forecast overspend is not addressed, the Council's General Reserve balance will be depleted. Therefore, the Council continues to take a number of actions to mitigate the overspend. This includes:
- Finding alternative in year savings proposals.
 - Looking at high-cost placements to find more suitable and cost effective options.
 - Stopping or delaying projects until the next financial year to reduce planned expenditure in year.
 - Implementing a vacancy freeze to reduce in year expenditure.
 - Limiting expenditure on agency staffing to cover essential roles only.
 - Introducing expenditure controls across non staffing budgets.
- 2.9 The forecast overspend has reduced considerably since Q1. It is anticipated that further reductions can be achieved as the cost control measures, which were introduced in September 2023 and are identified above, continue to take effect. The achievement of mitigating actions to reduce the overspend is being closely monitored by Chief Officers across the Council. The following are some examples of where costs are already being reduced, or are forecast to be reduced, in 2023-24:
- Reduction in grounds maintenance £0.220m.
 - Reduction in spend on tree strategy £0.050m.
 - Reduction in spend on conservation and heritage £0.070m.
 - Reduction in spend on Cultural Recovery Framework £0.560m.
 - Reduction in spend on Digital Derbyshire £0.500m.
 - Reduction in spend on Elvaston Masterplan £0.165m.
 - Change in Trading Standards laboratory testing £0.003m.
 - Highways efficiency savings (tighter cost control, use of fleet, better procurement) £0.200m.
 - Reduction in spend on performance, governance and improvement £0.076m.
 - Pause on and reduction of project work relating to carbon reduction, including feasibility work.
 - Pause on any maintenance work to buildings, which is not directly related to a health and safety risk. Holding of vacancies in the maintenance team.

- Change to the way in which the Council delivers the valuations of the estate for its accounts £0.050m (Ongoing) and £0.240m (One-off).
- A pause in recruitment to vacancies for non-essential roles. This includes:
 - Pause in recruitment to vacancies in the facilities management team, and specifically the decision not to use overtime to fill the gaps in the commissionaires rota, resulting in reduced cover, slower response to building issues, reduced support for meetings, the building having to close at different times.
 - Pause on recruiting to vacancies in the tree work/grounds maintenance team, with an increased risk of not being able to clear highways and properties due to tree damage and fallen branches.
- Reduction in utility costs £0.212m and reduction in debt charges £0.142m to date, due to disposal of surplus assets. Savings in business rates.
- Rent reviews on industrial units leading to increased income.
- Exploration of opportunities to find in-year savings (one-off) over and above the savings that have been previously identified for 2023-24 and seek alternative savings for historical savings that have been brought forward into the current financial year - compensatory efficiencies of £2m identified in Adult Social Care.
- Review of all high cost care packages in Adult Social Care.
- Suspension of the use of overtime for non-business critical roles.
- Suspension of increasing the hours of part-time staff for non-business critical roles.
- Consideration of all areas of departmental budgets where spending can be temporarily reduced or ceased e.g. spend on travel, purchase of equipment including ICT equipment, training and conferences.

2.10 The Council continues to work with partners, such as the Local Government Association and the Society of County Treasurers, to lobby Government for additional funding to support vital services and to highlight the continued financial pressures facing the Council. Planning is in progress to develop budget proposals for 2024-25 but cost pressures and demand for services are expected to remain high.

Forecast Budget Variances

2.11 Of the overall forecast £32.947m overspend, the significant variances (summarised in Table 1 earlier in this report) are set out below.

Adult Care

2.12 The forecast £5.721m overspend on the Adult Care portfolio relates mainly to Purchased Services costs (£10.9m overspend) and allocated savings targets which are not expected to be achieved this financial year (£9.7m shortfall reduced to £2.6m after using earmarked reserves of £7.1m). There has been an increase in demand in relation to hospital discharges and because there is an insufficient supply of home care and reablement services, this has driven increased placements into residential homes rather than into care at home. As a result, expenditure on independent sector placements has increased further in excess of budget.

2.13 Pressures on residential care and reablement services budgets are being partially mitigated by underspends in other areas, including Direct Care (home care) staffing vacancies and reduced usage of Day Centres. The forecast underspend on Direct Care is £7.2m.

2.14 There are shortfalls in the delivery of the Best Life Derbyshire efficiencies for Working Age and Older People, which is being mitigated in part through the use of reserves. The forecast outturn for this portfolio includes the anticipated draw down of £7.091m of departmental earmarked reserves.

Children's Services and Safeguarding (£13.363m overspend) and Education (£4.538m overspend)

2.15 The forecast £17.901m overspend on the Children's Services and Safeguarding and Education portfolios is mainly due to continued high demand for placements for children who are in care or unable to remain at home (£10.797m overspend). There are also significant pressures on Education budgets relating to Home to School Transport (£2.669m overspend) and Education Support Services (£1.624m overspend).

2.16 Expenditure on placements for children in care or alternatives to care is continuing to rise, primarily due to an increase in the cost of placements. Inflationary pressures have led to higher average costs whilst a shortage of foster care places has exacerbated the position by requiring the need to make more higher cost placements with independent providers. The number of children requiring support is also growing and there are a greater number of children in arrangements which are alternatives to

care, such as Special Guardianship Orders, many of which require long-term financial support. With the best interests of the child at the heart of decision-making, on-going work is being undertaken to maximise the capacity of places and care packages available. This choice should ensure children are given the most appropriate placement and mitigate some of the rising cost pressures.

- 2.17 Other factors contributing to the overspend include the costs of meeting the needs of Children with Disabilities (£1.290m overspend), where the cost of packages to support children with complex needs continues to rise. Increasing numbers of children in care and children in need have also resulted in increased staffing costs for Child Protection teams (£2.420m overspend) to ensure caseloads are managed appropriately.
- 2.18 There has been a significant increase in the projected overspend on Home to School Transport due to an increase in the number of children eligible for Council funded transport. This is combined with an inflationary increase in costs with recent tenders showing an average increase of around 18% for three year contracts. Increased eligibility relates primarily to SEND transport and is consistent with increases in the number of children with Education Health Care Plans (EHCPs), which has increased by 16% over the last 12 months. Additional expenditure related to increased demand for EHCPs is also driving the forecast overspend on Education Support Services.

Highways, Assets and Transport

- 2.19 The forecast £7.327m overspend on the Highways Assets and Transport portfolio reflects a number of areas of pressure, including:
- increased activity and costs on reactive highways maintenance work on the County's roads and footpaths due to increased deterioration of the network causing more potholes (£2m overspend);
 - the implementation costs of the new Highways Network Planning software systems have exceeded available revenue budget and having to use the system for longer than planned has also contributed to the overspend (£0.5m overspend);
 - staff costs anticipated to be chargeable to capital budgets being lower than expected, resulting in additional revenue costs (£2m overspend);
 - winter maintenance costs are expected to exceed the allocated budget based on an average severity of winter. This pressure will reduce if there is a particularly mild winter, but may increase in event of cold weather being more prevalent than the last five years average (£0.8m overspend); and

- prior year savings targets are not achievable (£2.2m overspend).

2.20 The forecast outturn for this portfolio includes the anticipated draw down £2.725m of departmental earmarked reserves, including the Winter Maintenance reserve.

Corporate Services and Budget

2.21 The forecast £0.942m overspend on the Corporate Services and Budget portfolio is a net position, reflecting both under and overspends across different service areas.

2.22 There is a forecast overspend of £2.5m on Property and Property Operations due to the costs of operating and maintaining the Council's property portfolio being in excess of budget as a result of inflationary pressures and urgent maintenance requirements. There are also delays and shortfalls on delivery of savings targets, and reductions in property operations income without a corresponding reduction in fixed costs.

2.23 The overspend on Property of £2.5m, along with a Corporate overspend of £0.4m relating to an unachievable Channel Shift savings target, has been partially offset by the following:

- Capitalisation of Azure Cloud costs as part of the SAP HANA project £1.5m, with an overall underspend impact on Finance & ICT of £0.672m.
- Underspend on salaries as a result of vacancies in Organisational Resilience People and Communications (ORPC) of £0.251m.
- Underspend on salaries as a result of vacancies in Transformation & Strategy of £0.915m

Corporate Budgets

2.24 There is a net forecast overspend of £1.592m on corporate budgets in 2023-24, the corporate budgets being:

- Risk Management
- Debt Charges
- Interest and Dividend Income
- Levies and Precepts
- Corporate Adjustments

Risk Management

2.25 There is now a forecast underspend on the Risk Management budget due to a combination of additional grant income (£4.9m) and a refinement in

the forecast estimated use of contingency budgets (£4.5m). Further detail on the allocation of the risk management budget is set out in the table below.

<u>Table 3: Risk Management budget</u>	Budget £m	Forecast Expenditure £m	Over / (Under) Spend £m
Pay Award 2023-24	10.746	16.386	5.640
Departmental Specific Service Pressures	2.436	3.250	0.814
General Contingency	3.557	0.000	(3.557)
Savings Targets not achievable/duplicated	(0.773)	0.000	0.773
Total Contingency Funding	15.966	19.636	3.670
Extended rights to home to school transport	0.171	0.000	(0.171)
Services Grant 2023-24	0.181	0.000	(0.181)
Business Rates Relief Grant Adjustment	4.937	0.000	(4.937)
Additional Non-ringfenced Grants	5.289	0.000	(5.289)
Total Risk Management Budget	21.255	19.636	(1.619)

2.26 The Risk Management Budget has reduced since Q1 due to inflation contingency budgets being allocated to Departmental budget lines. The remaining £21.255m of risk management budget includes:

- £15.966m of remaining contingency funding set aside in the 2023-24 Revenue Budget. This includes a remaining pay award element of £10.746m, departmental specific service pressures of £2.436m (not yet allocated to Departments) and general contingency of £3.557m.
- £5.289m of additional non-ring fenced grants that had not been announced when the 2023-24 Revenue Budget was approved by Council on 15 February 2023. This comprises:
 - £0.171m Extended Rights to Home to School Transport Grant adjustment;
 - £0.181m Services Grant 2023-24 adjustment; and
 - £4.937m additional business rates relief grant.

2.27 The forecast expenditure of £19.636mm on the Risk Management Budget relates to:

- £16.386m anticipated allocation of budget to fund pay increases, as set out in paragraph 4.51 below.
- £3.250m remaining allocation of budget to support Departments with the rising cost of goods and services relating to transport and catering, and property running costs.

2.28 The 2023-24 pay award for Local Government Service Employees (effective from 1 April 2023) was agreed on 1 November 2023. The agreed pay award is as follows, with effect from 1 April 2023:

- An increase of £1,925 on all pay points covered by the Council's Pay Grades up to and including Grade 13, which is equivalent to a 10.4% increase for employees on pay point 1 and 4.0% for employees on pay point 35.
- An increase of 3.88% on all pay points covered by the Council's Pay Grades on Grades 14 to 16.
- An increase of 3.50% on all pay points covered by the Council's Pay Grades on Grades 17 to 21.
- An increase of 3.88% on all allowances, except for travel rates.

The final 2023-24 pay offer equates to a total estimated ongoing cost to the Council of £15.933m. For 2023-24 budget purposes a sum of £10.381m was set aside, based on a 4% flat pay award increase. The agreed pay increase for 2023-24 leaves the Council with a shortfall of £5.552m in 2023-24 and an ongoing pressure of that amount in each subsequent year.

Debt Charges (Cost of Borrowing)

2.29 The Debt Charges budget is forecast to be overspent by £9.928m in 2023-24 of which £6.1m relates to interest payable on short-term loans and £3.8m to the Minimum Revenue Provision (MRP) for the repayment of debt principal as a result of additional borrowing.

2.30 Forecast interest payable on short-term loans has increased due to rising interest rates and the increased need to borrow to maintain working capital after the payment of the Derby and Derbyshire Waste Treatment Centre legal settlement (£2.3m of interest costs relating to the increased need to borrow because of the legal settlement). MRP has increased as the Council's Capital Financing Requirement (CFR) has risen following the trend of switching capital financing from Revenue Contributions to borrowing in recent years as part of its risk management strategy.

Interest and Dividend Income

- 2.31 A favourable variance of £8.242m is forecast on the Interest and Dividends budget. The Council utilises a range of investments to maximise its income on cash balances. As interest rates have risen, forecast income from short-term lending has increased, but this is offset by an increase in the interest the Council is expected to pay to meet its temporary borrowing needs.

Corporate Adjustments

- 2.32 There is a forecast overspend of £1.525m on Corporate Adjustments in 2023-24. This is due to an expected credit loss in respect of interest receivable on a loan advanced to an organisation which is now in doubt due to economic conditions (£0.9m), anticipated reserve movements attributable to the ring-fenced Dedicated Schools Grant (£0.8m), amortisation of premiums and interest on restructured loans (£0.3m), less £0.5m in respect of interest receivable on schools' balances.

General Reserve

- 2.33 The General Reserve stands at £27.734m as at 30 September 2023 (Q1 report, £28.025m). This is considered to be the minimum level of general reserve for an organisation the size of the Council. The current forecast £32.947m overspend for 2023-24 would more than deplete the available General Reserve balance. Further corrective action as outlined in this report needs to be undertaken to reduce this overspend.

Earmarked Reserves

- 2.34 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 reserves at least annually. The last review of earmarked reserves took place in December 2022 and was reported to Cabinet on 2 February 2023. The next review is scheduled to be reported in January/February 2024.
- 2.35 A summary of outstanding balances on the Council's Earmarked reserves as at 30 September 2023 is set out in Appendix 3.

Budget Savings

- 2.36 A summary of the achievement of budget savings targets for 2023-24 is provided at Appendix 4. The budget savings target for 2023-24 is £16.190m, with a further £12.038m target brought forward from previous

years. Of the in-year savings target, £3.929m is forecast to be delivered in the current financial year, with delays in the delivery of Adult Care savings being mitigated through the use of earmarked reserves. The Council is reviewing all of its savings initiatives and developing a programme of savings proposals to address the estimated funding gap over the medium term. Where savings have not been achieved in previous years and brought forward into the current financial year, mitigations and alternative savings delivery is being considered. Where there is non-achievement of savings brought forward, the resulting base budget overspend is offset to some extent by one-off underspends, one-off funding from earmarked reserves and additional grant funding received. If a savings initiative is not delivered this will also have ongoing financial implications, including for future financial years.

Debt Age Profile

2.37 The age profile of debts owed to the Council and the value of debts written off is disclosed in Appendix 5. This information is collected on a departmental rather than on a portfolio basis.

Traded Services

2.38 A trading area is where the Council receives income in return for providing discretionary services to external organisations and/or individuals.

2.39 'Fully traded' trading areas are separately identifiable and have a net controllable budget of £0, i.e. there is an expectation that on average all the controllable expenditure within this area will be funded from external income and a contribution made to general overheads. The latest forecast position on fully traded services is for a net deficit position of £0.767m due to income levels not meeting expected expenditure in several areas.

2.40 'Partially traded' trading areas do not have a net controllable budget of £0, but they do receive income from external entities which contributes to funding some of the discretionary services they provide. An overall surplus of £0.292m compared to the budgeted income target is forecast for 2023-24 on partially traded areas across the Council as a whole.

2.41 Appendix 2 summarises the financial performance of the separate trading areas.

3 Consultation

3.1 No consultation is required.

4 Alternative Options Considered

4.1 N/A

5 Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6 Background Papers

6.1 None identified.

7 Appendices

7.1 Appendix 1- Implications.

7.2 Appendix 2 – Traded Services

7.3 Appendix 3 – Earmarked Reserves

7.4 Appendix 4 – Budget Savings Monitoring 2023-24

7.5 Appendix 5 – Aged Debt

8 Recommendations

That Council:

8.1 In accordance with the requisition for the extraordinary meeting, receives the report on the current budgetary position.

9 Reasons for Recommendations

9.1 In order that Council can respond to the business set out in the requisition for the extraordinary meeting.

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Appendix 1

Implications

Financial

- 1.1 An overall Council overspend of £32.947m is forecast. This is an improvement on the forecast reported at Quarter 1 (£46.376m) but is already after substantial one-off support from the use of £33.523m of the Council's Earmarked reserves. The 2023-24 Budget approved by Council in February 2023 included the planned use of £23.707m from the Budget Management reserve for planned service pressures. A further £9.816m of earmarked reserves is now expected to be drawn down from departmental reserves to support the Adult Care (£7.091m) and Highways Assets and Transport (£2.725m) portfolio outturn positions.
- 1.2 The forecast overspend is in addition to the overspend reported for 2022-23 which resulted in the Council utilising £55m of its reserves in order to balance the budget to meet inflationary, demand and pay award cost pressures. This was an additional sum of £23m over and above that originally budgeted for at the time of setting the budget in February 2022.
- 1.3 This report includes the reasons for the overspend. There continues to be inflationary and demand pressures, particularly for adults and children's social care.
- 1.4 At the time of setting the budget in February 2023, substantial investment was made in all service areas to support anticipated inflationary and demand pressures. However, despite this investment, inflation has continued to provide cost pressures to all service areas and the pay offer for 2023-24 is higher than estimated.
- 1.5 If the forecast overspend is not addressed, the Council's General Reserve balance will be depleted. Therefore, the Council is taking a number of actions to mitigate the overspend. This includes:
 - Finding alternative in year savings proposals.
 - Looking at high-cost placements to find more suitable and cost effective options.
 - Stopping or delaying projects until the next financial year to reduce planned expenditure in year.
 - Implementing a vacancy freeze to reduce in year expenditure.
 - Limiting expenditure on agency staffing to cover essential roles only.
 - Introducing expenditure controls across non staffing budgets.
- 1.6 The forecast overspend has reduced considerably since Q1. It is anticipated that further reductions can be achieved as the cost control

measures identified above take effect. The achievement of mitigating actions to reduce the overspend is being closely monitored by the Council's Chief Officers.

- 1.7 A number of local authorities are reporting substantial overspends, with some indicating that they may have to issue Section 114 Notices, this meaning that no new expenditure is permitted with the exception of funding to provide statutory services.
- 1.8 The Council works with partners such as the Local Government Association and the Society of County Treasurers to lobby government for additional funding to support vital services and to highlight the continued financial pressures facing the Council.

Legal

- 2.1 By law the Council must set and deliver a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However, a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.
- 2.2 By virtue of section 114(3) of the Local Government Finance Act 1988, the Chief Finance Officer is required to issue a report where he considers that the expenditure to be incurred by the Council during a financial year is likely to exceed the available resources. The issue of a section 114(3) report would trigger a short term statutory prohibition on entering into 'any new agreement which may involve the incurring of expenditure' without the permission of the Chief Finance Officer.

Human Resources

- 3.1 None.

Information Technology

- 4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.









6.2 High inflation and the delay in agreeing the pay award for 2023-24 has increased the financial uncertainty for all local authorities. The Council is committed to ensuring that it sets a balanced budget over the medium-term, therefore ensuring good financial management and use of reserves.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Traded Services**Fully Traded**











'Fully traded' trading areas are separately identifiable and have a net controllable budget of £0, i.e. there is an expectation that on average all the controllable expenditure within this area will be funded from external income.

Portfolio	Service Area	Trading Area	Projected Gross Controllable Expenditure*	Projected Gross Controllable Income	Forecast Contribution/ Deficit(-) to General Overheads	Performance	Is Contribution/ Deficit transferred to Earmarked Reserves?
			£m	£m	£m		
CSB	Finance & ICT	IT Support Services	0.649	0.691	0.042		No
CSB	HR	Schools Advisory Service	0.431	0.513	0.082		No
CSB	HR	Work Experience	0.105	0.109	0.004		No
CSB	Corporate Property	Direct Service Organisation Operations (Turnover at period 6)	19.784	19.236	(0.548)		Yes
CSB	Finance & ICT	Finance School Support Team	0.363	0.387	0.024		No
CSSGE	School Catering	School Catering + FSM checking	29.157	28.799	(0.358)		No
CSSGE	SORE	Swimming	1.460	1.447	(0.013)		No
Total			51.949	51.182	(0.767)		

*This is the expenditure remaining after any costs have been recharged to other service areas internal to the Council.

















Partially Traded

'Partially traded' trading areas do not have a net controllable budget of £0, but they do receive income from external entities which contributes to funding some of the discretionary services they provide.

Portfolio	Service Area	Trading Area	Budgeted Income Target	Projected Actual Income	Forecast Excess/ Shortfall(-) compared to Target	Performance
			£m	£m	£m	
CSB	Legal and Democratic	Legal Services	0.549	0.522	(0.027)	
CSB	Finance & ICT	Exchequer	0.290	0.243	(0.047)	
CSB	Corporate Property	Disability Design Team (DFG agency fees)	0.087	0.087	0.000	
CSB	Corporate Property	Estates	0.154	0.144	(0.010)	
CSB	Corporate Property	Energy Management: Commissioning Fees	0.070	0.070	0.000	
CSB	Corporate Property	Energy Management: Display Energy Certificates	0.016	0.012	(0.004)	
CSB	Corporate Property	Energy Management: Fire & Rescue Svc Database Mgt	0.006	0.006	0.000	
CSB	Corporate Property	Asbestos Surveys	0.049	0.049	0.000	
CSB	Corporate Property	SMHP Repairs & Maintenance Contract Mgt Fee	0.000	0.000	0.000	
CSB	Corporate Property	Fire Risk Assessment Surveys	0.005	0.005	0.000	

Appendix 2

Public

Portfolio	Service Area	Trading Area	Budgeted Income Target	Projected Actual Income	Forecast Excess/ Shortfall(-) compared to Target	Performance
			£m	£m	£m	
CSB	Corporate Property	County Buildings	0.503	0.479	(0.024)	
CSB	Corporate Property	Industrial Development	1.528	1.742	0.214	
CSB	HR	Occupational Health Services	0.072	0.130	0.058	
CSB	HR	Learning & Development	0.377	0.253	(0.124)	
CSB	HR	H&S	0.082	0.107	0.025	
CSB	HR	Payroll Services	1.274	1.311	0.037	
CSSGE	Education & Improvement	Various	0.816	0.453	(0.363)	
CSSGE	SORE	Outdoor Education & Sport	2.314	2.181	(0.133)	
CSSGE	SEMH Services	Behavioural Support	0.319	0.320	0.001	
CSSGE	Adult Education	Adult Education	0.267	0.250	(0.017)	
CSSGE	Education Psychology	Education Psychology	0.597	0.798	0.201	
CSSGE	Music	Music	0.057	0.043	(0.014)	
CSSGE	Children Missing Education	Out of School Tuition	0.174	0.174	0.000	
CSSGE	SEMH Services	Positive Play	0.041	0.041	0.000	
CSSGE	Early Years	Early Years SEN	0.015	0.000	(0.015)	
CSSGE	Information & ICT	Various	1.313	1.178	(0.135)	

Appendix 2

Public

Portfolio	Service Area	Trading Area	Budgeted Income Target £m	Projected Actual Income £m	Forecast Excess/ Shortfall(-) compared to Target £m	Performance
HC	Public Health	Mental Health course delivery	0.000	0.000	0.000	✓
HC	Public Health	School Crossing Patrol SLA sites	0.012	0.012	0.000	✓
HC	CST	Registrars	1.524	1.912	0.388	✓
HAT	Highways Laboratory	Highways Laboratory	0.100	0.016	(0.084)	✗
HAT	Fleet Services	Fleet Services	1.300	1.836	0.536	✓
IE	Countryside	Shops	0.269	0.341	0.072	✓
IE	Countryside	Cycle Hire	0.019	0.019	0.000	✓
IE	Countryside	Car Parking	0.501	0.363	(0.138)	✗
SLCTCC	Organisational Development & Policy	Crisis Communications	0.043	0.046	0.003	✓
SLCTCC	Place	Derbyshire Environmental Studies Service	0.113	0.005	(0.108)	✗
			14.856	15.148	0.292	✓

Earmarked Reserves**Earmarked Reserves as at 30 September 2023**

Adult Care	£m
Older People's Housing Strategy	12.766
Prior Year Underspends	3.983
Other reserves	0.028
Total Adult Care	16.777
Clean Growth and Regeneration	
Regeneration Kick-Start Feasibility Fund	1.985
Skills Training	0.855
Markham Environment Centre	0.114
Other reserves	0.308
Total Clean Growth and Regeneration	3.262
Corporate Services and Budget	
Revenue Contributions to Capital	51.433
Loan Modification Gains	23.114
Insurance and Risk Management	15.543
Business Rates Risks	6.568
Budget Management	4.516
Cyber Security	4.000
Planned Building Maintenance	3.265
Prior Year Underspends	3.059
Investment Losses Contingency	2.500

Appendix 3

Public

Property Insurance Maintenance Pool	2.400
PFI Reserves	2.063
Computer Purchasing	2.059
Business Development and Economic Recovery Fund	2.035
Demolition of Buildings	1.643
Other reserves	4.219
Total Corporate Services and Budget	128.417

Childrens Services and Safeguarding and Education

Tackling Troubled Families	4.882
Prior Year Underspends	1.112
Education Levelling Up	0.767
Other reserves	0.632
Total Childrens Services and Safeguarding and Education	7.393

Health and Communities

Homes for Ukraine Grant	10.415
Domestic Abuse Contract Support	1.358
Grant Funding Prospectus	1.009
Domestic Abuse Grants	0.801
Other reserves	1.210
Total Health and Communities	14.793

Highways and Transport

Bus Services Improvement Plan Grant	6.357
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Appendix 3

Public

Prior Year Underspends	3.836
Highway Development Control Interface	1.436
Derby and Derbyshire Road Safety Partnership	0.611
Other reserves	1.295
Total Highways and Transport	13.535
Infrastructure and Environment	
Digital Growth	2.440
Waste Recycling Initiatives	0.573
Elvaston Maintenance	0.158
Bidding and Funding Team	0.100
Other reserves	0.310
Total Infrastructure and Environment	3.581
Strategic Leadership, Culture, Tourism and Climate Change	
Climate Change	4.155
Green Entrepreneurs	1.602
Community Managed Libraries	0.912
Cultural Recovery Fund	0.790
Vision Derbyshire Economic Development Pilot	0.511
Library Restructure	0.429
Policy and Research	0.331
Other reserves	0.825
Total Strategic Leadership, Culture, Tourism and Climate Change	9.555

Total Portfolio Earmarked Reserves	197.313
Schools	
Schools Balances	33.300
Dedicated Schools Grant (DSG)	0.275
Total balances held for and on behalf of schools	33.575
Public Health Grant	7.751



















Budget Savings Monitoring 2023-24**In-Year Savings Monitoring:**

	Target 2023-24 £m	Deliverable in 2023-24		Total Deliverable in 2023-24 £m	Deferred to future years for delivery £m	Alternative Savings to be delivered £m
		Ongoing £m	One-Off £m			
Adult Care	12.139	0.900	1.257	2.157	1.257	9.982
Childrens Services	0.500	0.500	0.000	0.500	0.000	0.000
Clean Growth and Regeneration	0.000	0.000	0.000	0.000	0.000	0.000
Corporate Services and Budget	0.625	0.000	0.000	0.000	0.000	0.625
Health and Communities	0.000	0.000	0.000	0.000	0.000	0.000
Highways Assets and Transport	0.500	0.000	0.000	0.000	0.000	0.500
Infrastructure and Environment	0.700	0.100	0.000	0.100	0.000	0.600
Strategic Leadership, Culture, Tourism and Climate Change	0.000	0.000	0.000	0.000	0.000	0.000
Other	1.726	1.172	0.000	1.172	0.000	0.554
Total	16.190	2.672	1.257	3.929	1.257	12.261

Aggregated In-Year and Previous-Years Savings Monitoring:

Budget Savings
Monitoring 2023-24

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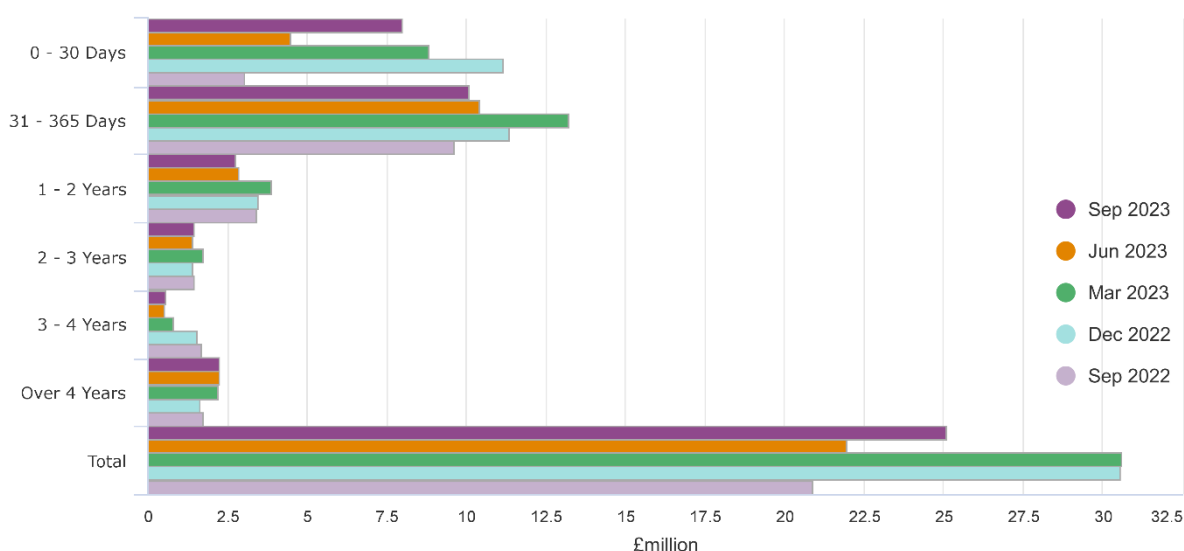
Portfolio	Budget Savings Targets			Ongoing Savings Initiatives			Actual Savings Forecast	
	Not yet achieved Brought Forward Prior Year £m	Current Year £m	Total Target £m	Total Identified £m	(Shortfall)/ Additional Identified Savings £m	Forecast to be achieved by Financial Year End £m	Actual (Shortfall)/ Additional Achievement of Savings Target £m	
AC	3.009	12.139	15.148	15.241	0.093 	5.513	(9.635) 	
CSSGE	0.000	0.500	0.500	0.500	0.000 	0.500	0.000 	
CGR	0.000	0.000	0.000	0.385	0.385 	0.000	0.000 	
CSB	2.070	0.625	2.695	2.719	0.024 	0.781	(1.914) 	
HC	0.000	0.000	0.000	0.000	0.000 	0.000	0.000 	
HAT	3.671	0.500	4.171	0.000	(4.171) 	0.000	(4.171) 	
IE	2.767	0.700	3.467	1.293	(2.174) 	0.432	(3.035) 	
SLCTCC	0.521	0.000	0.521	1.043	0.522 	0.601	0.080 	
Other	0.000	1.726	1.726	1.172	(0.554) 	1.172	(0.554) 	
Total	12.038	16.190	28.228	22.353	(5.875)	8.999	(19.229)	

Aged Debt

Age profile of debt, relating to income receivable, at 30 September 2023

	0 - 30 days £m	31 - 365 days £m	1 - 2 years £m	2 - 3 years £m	3 - 4 years £m	Over 4 years £m	Total £m
Adult Social Care and Health	3.026	6.465	2.271	1.247	0.450	1.258	14.717
	20.6%	43.9%	15.4%	8.5%	3.1%	8.5%	100.0%
Children's Services	0.710	0.545	0.133	0.009	0.001	0.006	1.404
	50.6%	38.8%	9.5%	0.6%	0.1%	0.4%	100.0%
Place	1.074	1.496	0.210	0.102	0.058	0.904	3.844
	27.9%	38.9%	5.5%	2.7%	1.5%	23.5%	100.0%
Corporate Services and Transformation	3.161	1.602	0.142	0.087	0.045	0.089	5.126
	61.7%	31.3%	2.8%	1.7%	0.9%	1.7%	100.0%
All Departments	7.971	10.108	2.756	1.445	0.554	2.257	25.091
	31.8%	40.3%	11.0%	5.8%	2.2%	9.0%	100.0%

Aged Debt over Time



The value of debt written off in the 12 months up to 30 September 2023

Department	£m	
Adult Social Care and Health	0.400	↑
Children's Services	0.014	↑
Place	0.093	=
Corporate Services and Transformation	0.012	↑
All Departments	0.519	↑

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