

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR CORPORATE SERVICES AND BUDGET

14 October 2021

**Joint Report of the Managing Executive Director, Commissioning,
Communities and Policy and the Director of Finance & ICT**

**Performance and Budget Monitoring/Forecast Outturn 2021-22 as at
Quarter 1**

1 Divisions Affected

County-wide

2 Key Decision

This is not a key decision.

3 Purpose of the Report

To provide the Cabinet Member with an update of the Council Plan performance position and the revenue budget position of the Corporate Services and Budget portfolio for 2021-22 up to the end of June 2021 (Quarter 1).

4 Information and Analysis

4.1 Integrated Reporting

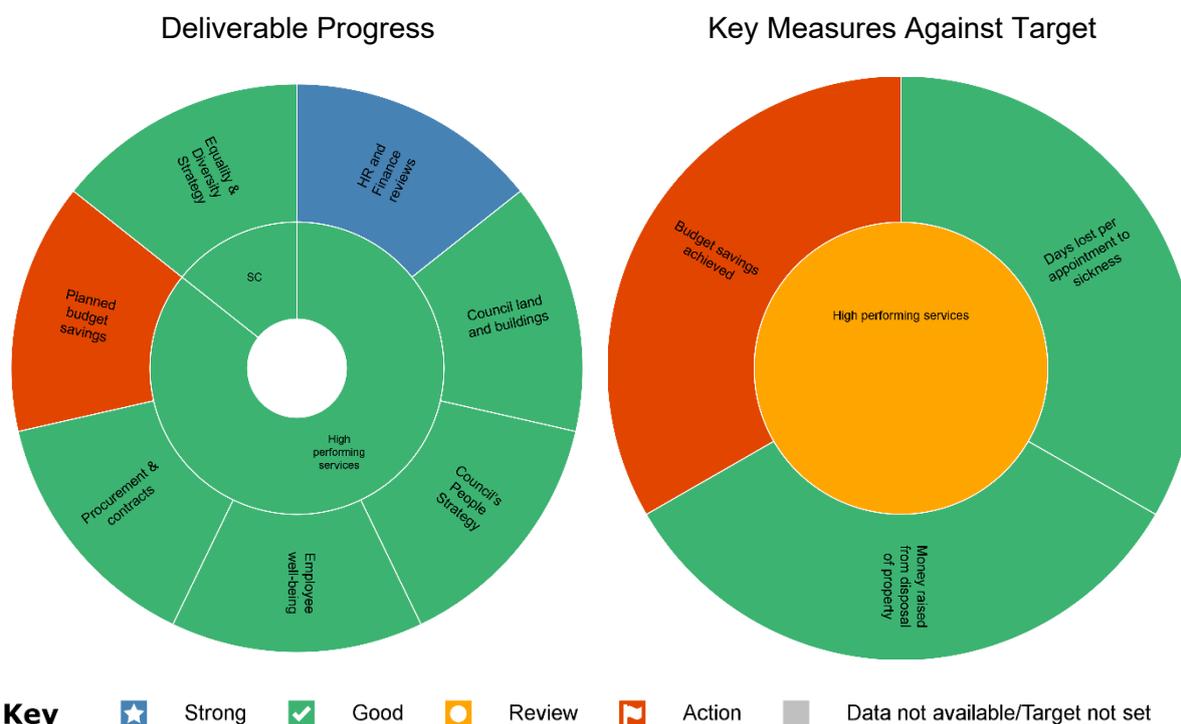
This report presents both financial and Council Plan performance data. The performance summary sets out progress on the Council Plan deliverables and measures led by the Corporate Services and Budget portfolio. The remainder of the report gives a summary and detail on the revenue budget position for the portfolio.

As an overview, the report shows that progress is "good" or "strong" for the majority of the Council Plan deliverables led by the portfolio, however the

deliverable "Kept on track to achieve all planned budget savings in the medium term" has been flagged as "requiring action". After the use of additional Covid-19 funding, the budget forecast position for 2021-22 is an overspend of £4.625m. It is forecast that £1.163m of savings will have been achieved by the year end. This compares to target savings of £5.560m and the value of savings initiatives, which have been identified for implementation in the current year, of £4.559m.

4.2 Performance Summary

The following shows an overview for Quarter 1 of progress on the Council Plan deliverables and key measures relating directly to Corporate Services and Budget.



Progress is "good" or "strong" for the majority of the Council Plan deliverables led by the portfolio.

Key areas of success are:

- Reviews of Human Resources and Finance functions are on track and will deliver expected savings.
- The number of days lost to sickness is within the lower target established for 2021-22 and a new measure to show the percentage of hours lost has been established.
- The terms of reference for the Value for Money Board are being widened to consider area beyond just procurement.

Key areas for consideration are:

- The Quarter 1 position shows a projected achievement of savings of £9.777m, substantially short of the target of £26.059m.

Further information on the portfolio's Council Plan performance are included at Appendix 2.

4.3 Budget Forecast Summary

The net controllable budget for the Corporate Services and Budget portfolio is £47.511m. An additional £0.480m Covid-19 funding will be added to the budget to give a total of £47.991m.

The Revenue Budget Monitoring Statement prepared for Quarter 1 indicates there will be a forecast year-end overspend of £5.105m without Covid-19 funding.

As this overspend will be supported by the use of £0.480m of additional Covid-19 funding, which has been allocated to the Council to support the costs incurred as a result of the pandemic, the forecast position is an overspend of £4.625m.

Forecast outturn against target budget

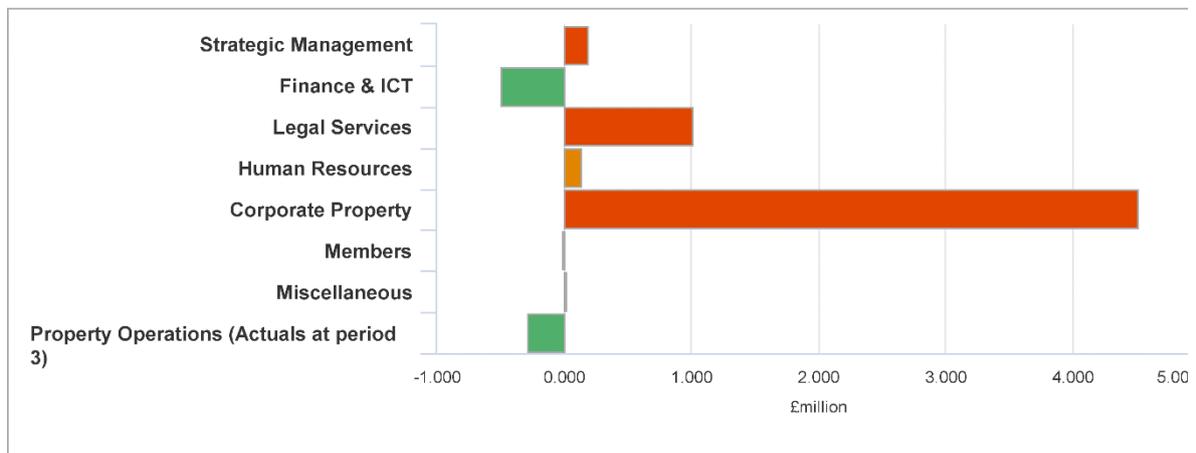


The significant areas which make up this forecast are shown in the following table and graph below:

Corporate Services and Budget Forecast 2021-22

	Controllable Budget £m	Full Year Forecast £m	Forecast Under (-)/Over Spend £m	Percentage Under (-)/Over Spend	Budget Performance
Strategic Management	0.568	0.763	0.195	34.3%	☒
Finance & ICT	21.968	21.476	-0.492	-2.2%	☑
Legal Services	3.434	4.448	1.014	29.5%	☒
Human Resources	6.946	7.078	0.132	1.9%	☐
Corporate Property	11.801	16.320	4.519	38.3%	☒
Members	2.089	2.089	0.000	0.0%	☑
Miscellaneous	0.705	0.720	0.015	2.1%	☐
Property Operations (Actuals at period 3)	0.000	-0.278	-0.278	-100.0%	☑
Total	47.511	52.616	5.105	10.7%	☒
Covid-19 Funding	0.480				
Total after use of additional funding	47.991	52.616	4.625	9.6%	☒

Forecast Under (-)/Over Spend



4.4 Key Variances

4.4.1 Strategic Management, overspend £0.195m

This consists of an overspend relating to unallocated savings of £0.360m on Channel Shift and uncommitted funds against the Transformation budget.

4.4.2 Finance & ICT, underspend £-0.492m

The ICT Division is projecting an underspend. There were a number of staff vacancies that existed in the structure to support the ICT phase 2 restructure that was completed in July 2021; there are also over 20 vacancies that remain in the structure following this. The underspend represents the anticipated savings as a result of these vacancies.

4.4.3 Legal services, overspend £0.622m

This is mainly due to previous year's savings of £0.375m having not been achieved and it is anticipated that only half of the current year's savings of £0.223m will be achieved in this financial year due to the Legal Services operating model not having been agreed yet. A review has been undertaken of how the core offer will operate and it is hoped it will be implemented from September 2021. Whilst this will reduce the achievement of savings expected from the core offer during 2021-22 there are other areas of potential savings which have been identified and may contribute towards the achievement of the in-year target. However, overall, it is expected that there will be a forecast overspend for the division.

There is also a forecast overspend of £0.205m relating to the provision of legal support to Children's Services, despite factoring in additional one-off funding from the use of the CCP Underspend Earmarked Reserve.

An additional overspend of £0.111m has been identified in the Environmental/Commercial team, with £0.041m from a one-off payment of allowances relating to a confidential employee settlement agreement and £0.062m forecast agency costs, in place to cover vacancies in the team.

Democratic Services has a forecast overspend, which is mainly as a result of the non-achievement of savings target of £0.050m.

4.4.4 Human Resources, overspend £0.132m

The overspend is as a result of lost training income due to Covid-19.

4.4.5 Corporate Property, overspend £4.519m

This consists of non-achievement of savings targets (in-year £0.619m and previous year £1.8m) as well as a budget that was already insufficient to cover costs by £1.0m. In addition, Covid-19 is having an impact on the DSO of £0.256m, with losses of external income and operatives who have been sent home and can't work. County Buildings is overspent by £0.269m due to rent increases and Corporate Property now being responsible for vacant buildings. Also, the income target for the Industrial Development units is set at 100% occupancy at full market rate, resulting in a shortfall of £0.459m.

4.5 Budget Savings

Budget reduction targets totalling £2.197m were allocated for the year. Further reductions allocated in prior years, totalling £3.363m, had not been achieved and were brought forward to the current year. This has resulted in total reduction targets to be achieved of £5.560m at the start of the year.

The value of the savings initiatives which have been identified for implementation in the current year is £4.559m.

The shortfall between the total targets and the identified savings initiatives is £1.001m.



It is forecast that £1.163m of savings will have been achieved by the year-end. The table below shows performance against the target.

Budget Savings Initiatives

	Target	Forecast to be Achieved by the end of 2020/21 £m	Shortfall (-)/ Additional Savings Achieved £m	
ICT Restructure	0.200	0.200	0.000	✓
ICT Rationalisation of systems	0.256	0.256	0.000	✓
Corp Fin-Insurance reductions	0.250	0.250	0.000	✓
Corporate Finance restructure	0.044	0.044	0.000	✓
SAP upgrade	0.100	0.100	0.000	✓
Legal Services-New delivery model	0.223	0.000	-0.223	✗
Legal-Democratic Services	0.050	0.000	-0.050	✗
Legal Services	0.375	0.000	-0.375	✗
Property-Rationalisation of Property	0.619	0.000	-0.619	✗
Property-Introduction of PSP Derbyshire LLP	1.893	0.000	-1.893	✗
ODP Channel Shift	0.136	0.000	-0.136	✗
ODP-Channel Shift	0.100	0.000	-0.100	✗
Review HR structures	0.313	0.313	0.000	✓
Total Position	4.559	1.163	-3.396	✗
Shortfall/(Surplus) of Identified Savings	1.001	0.000	-1.001	
Budget Savings Target	5.560	1.163	-4.397	✗

	Budget Reduction Amount £m
Prior Year B/f	3.363
Current Year	2.197
Budget Savings Target	5.560

Notes

- 1 The shortfall includes Property's target of £1.893m from 2020-21 and 0.619m this year. These savings have been reprofiled to be achieved over the next five years by rationalising land and property assets.
- 2 Legal savings of £0.375m in 2020-21 and £0.223m this year will not be achieved this year due to delays in implementing the Legal Services Delivery Model (Core/Core Plus offer). This will now be implemented from September 2021. It is now hoped that potentially half of this year's saving can be achieved, but a further update will be provided on this, later in the year.
- 3 Channel Shift savings of £0.100m in 2020-21 and £0.136m this year will not be made as the system will not be in place until January 2022.

4.6 Growth Items and One-Off Funding

The portfolio received the following additional budget allocations in 2021-22:

4.6.1 ICT strategy - £0.200m ongoing

To ensure that ICT is aligned with the requirements of the business, in particular in delivering the Enterprising Council programme.

4.6.2 ICT Telephony - £0.433m ongoing

To purchase licences for the new soft telephony solution.

4.6.3 ICT Customer Service Platform - £0.075m ongoing

To invest in the new customer service system to support the ICT Service Desk and self-service offering.

4.6.4 Legal Services - £0.300m one-off

To support the sustained increase in demand for all services.

4.6.5 Budget support-SAP upgrade - £0.100m one-off

To support the savings as a result of the SAP upgrade that will not be realised until 2021-22

4.6.6 Unallocated budget - £0.056m one-off

To support the savings that will not be realised until 2021-22

4.7 Financial Risks

There is a risk that the following issues could negatively impact on the portfolio's forecast outturn position reported in the Forecast Summary above:

Financial Risks

Service	Risk	Sensitivity* £m	Likelihood 1 = Low, 5 = High
Corporate Property: Direct Service Organisation, Divisional Revenue Budget, County Buildings Budget, Industrial Development Budget	An estimate of the full COVID impact has been included in the forecast. Future occurrence may adversely affect future modelling for future forecasting.	0.166	5
Corporate Property: Project Management Team	Externalisation of the Project Management Team will reduce fee income and increase revenue costs. A careful balance of service cost to revised income will be required. The impact upon the revised financial model yet to be determined.	0.118	3
Corporate Property Division	A reliable fee income forecast is not currently available. The required project stage completion information and target dates will be provided by Concertus Derbyshire Ltd. by 06.08.2021, thereafter a reliable fee income forecast will be produced and actual fee income recovery can be measured against target fee income recovery. Project stage completion and target dates will then continue to be updated on a monthly basis going forward.	0.500	1

*Sensitivity represents the potential negative impact on the outturn position should the event occur.

4.8 Earmarked Reserves

Earmarked reserves totalling £65.558m are currently held to support future expenditure. Details of these reserves are as follows:

Reserves		£m
Insurance and Risk Management	↑	17.105
Budget Management	↓	10.917
Planned Building Maintenance	↑	6.553
Corporate-Business Rates Pool		6.301
Business Rates Relief Grant		5.000
Computer Reserve Fund	↑	2.850
Commissioning, Communities and Policy (includes departmental underspend balances)	↓	2.812
Property IMP 2018	↓	2.258
Business Rates Strategic Investment Fund		1.988
PFI/BSF	↓	1.980
Property DSO	↑	1.541
Change Management	↓	1.163
Exchequer	↑	0.850
Communities Priorities Programme	↓	0.833
Core Systems	↓	0.726
Property IMP scheme	↑	0.591
Property Feasibility Studies	↑	0.495
GDPR Reserve		0.386
Demolition of buildings	↑	0.377
Business Rates Appeals		0.300
EU Exit Preparation Grants		0.253
Learning and Development system		0.100
Shipley park	↓	0.098
Local Authorities Energy Programme	↑	0.050
Property Package Reserve	↓	0.024
Derbyshire Discretionary Fund		0.007
Total Reserves	↑	65.558

Key

- ↑ Reserve has increased over the quarter
- = Reserve is unchanged over the quarter
- ↓ Reserve has decreased over the quarter

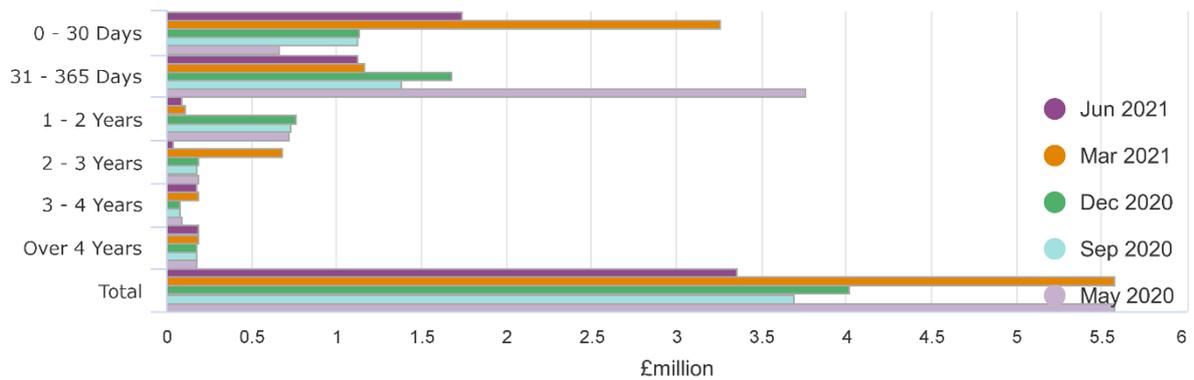
4.9 Debt Position

The profile of the debt raised, relating to income receivable by services within the Commissioning, Communities and Policy department, is as follows:

Debt Position

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
1.741	1.121	0.090	0.041	0.177	0.185	3.355
▼	▼	▼	▼	▼	▼	▼
51.9%	33.4%	2.7%	1.2%	5.3%	5.5%	100.0%

Aged Debt over Time



In the year up to 30 June 2021 the value of debt that has been written off totals £0.036m.

4.10 Traded Services

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

Fully Traded Areas

'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. The financial performance of these areas is as follows:

Service Area	Trading Area	Projected Gross Controllable Expenditure* £m	Projected Gross Controllable Income £m	Forecast Contribution/ Deficit(-) to General Overheads £m	Performance	Is Contribution/ Deficit transferred to Earmarked Reserves?
Finance & ICT	IT Support Services	0.675	0.730	0.055		No
HR	Schools Advisory Service	0.500	0.755	0.255		No
HR	Work Experience	0.120	0.080	-0.040		No
Corporate Property	Direct Service Organisations (Turnover at period 3)	5.511	5.233	-0.278		Yes

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

Partially Traded Areas

'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. The financial performance of these areas is as follows:

Service Area	Trading Area	Budgeted Income Target £m	Projected Actual Income £m	Forecast Excess/ Shortfall(-) compared to Target £m	Performance
Legal and Democratic	Legal Services	0.121	0.115	-0.006	
Legal and Democratic	Registrars	1.248	1.639	0.391	
Corporate Property	Disability Design Team (DFG agency fees)	0.080	0.090	0.010	
Corporate Property	Estates	0.026	0.035	0.009	
Corporate Property	Energy Management: Commissioning Fees	0.065	0.076	0.011	
Corporate Property	Energy Management: Display Energy Certificates	0.000	0.009	0.009	
Corporate Property	Asbestos Surveys	0.053	0.058	0.005	
Corporate Property	County Buildings incl. External Functions Bar	0.588	0.423	-0.165	
Corporate Property	Industrial Development	1.889	1.621	-0.268	
HR	Occupational Health Services	0.080	0.087	0.007	
HR	Learning & Development	0.379	0.509	0.130	
HR	H&S	0.295	0.254	-0.041	
HR	Payroll Services	1.510	1.613	0.103	
Organisational Development & Policy	Crisis Communications	0.043	0.044	0.001	

Finance & ICT	Exchequer	0.320	0.232	-0.088	
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5 Alternative Options Considered

Not applicable.

6 Implications

Not applicable.

7 Background Papers

Held on file within the Commissioning, Communities and Policy Department.
Officer contacts – Julia Wilks (finance), Matthew Walters (performance).

8 Appendices

Appendix 1- Considerations

Appendix 2- Corporate Services and Budget Performance Report Quarter 1,
2021-22

9 Recommendation

That the Cabinet Member notes the report and considers whether there are any further actions that should be undertaken to improve the budget position moving forwards or to address performance, where it has not met the desired level.

10 Reasons for Recommendation

The forecast outturn report provides a summary of the expected overall financial performance and use of resources against the Council's approved budget for the financial year 2021-22. The outturn position supports the development of budgets in both the short and medium term.

Performance information is important as it enables the Council and the public to see how well the Council is delivering services and where it needs to make improvements.

The balance of both the General and Earmarked Reserves support good financial planning.

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

No

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Principal Policy Officer.

Contact Details: 36709 & 38242.

APPENDIX 2

Implications

Not applicable

1 Corporate Services and Budget Quarter 1 Council Plan Performance Report 2021-22

Progress on Council Plan deliverables and key measures

2 High performing, value for money and resident focused services

Carried out reviews of Human Resources and Finance functions to further improve these services and make savings

Rating: Strong

Expected completion date: 30 Sep 2021

The Human Resources review is on track to exceed projected savings for 2021-22. Health, Safety & Wellbeing was implemented on 6 April 2021, with Recruitment, HR Business Services and Learning and Development on track to implement on 26 September 2021.

A revised operating model for finance will be implemented on 5 July 2021. Formal consultation was undertaken between February and April 2021 for those in scope of the Review. Following the period of consultation, recruitment and selection procedures were completed. The Review will deliver savings of £0.040m.

Developed and approved the Council's People Strategy and associated people priorities, encompassing the council's people vision, employee values and behaviours

Rating: Good

Expected completion date: 30 Sep 2021

The Council's People Strategy incorporates the organisation's people ambition which reflects what we are trying to achieve with the overarching aim to be a diverse employer, an innovative employer and an employer of choice. The strategy outlines five key people priorities which will enable the development of the organisation wide workforce agenda but will also enable departmental and localised people plans to be developed by leaders at all levels of the organisation.

The strategy will be presented to Cabinet on 8 July 2021 for approval.

APPENDIX 2

✔ Implemented the Wellbeing Action Plan to support employee wellbeing, reduce sickness absence and improve service delivery

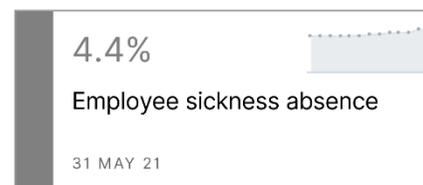
Rating: Good

Expected completion date: 30 Apr 2022

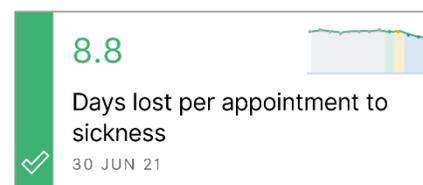
The new sickness absence measure has now been launched and is now being used in the regular monthly reporting to Departmental Management Teams. Departments are currently establishing departmental targets for sickness absence relating to the new measure and a council wide target can then be put in place to reflect these.

The new health, safety and wellbeing structure has been launched and the functional teams established, the teams have a work plan in place to deliver on the actions in the Council's health safety and wellbeing Action plan which will also be refreshed. A Health Safety and Wellbeing Challenge group has been established to provide a link between the Council's senior management and the Health, Safety and Wellbeing team.

The new sickness absence measure shows total sickness hours in the month as a percentage of total working hours available with the latest performance figure up to end of May being 4.4%. Whilst the baseline is being established and targets agreed for the new measure the established measure of days lost per appointment to sickness will continue to be reported to give a comparative trend and the June figure of 8.8 days shows good performance against the target of 9 days.



2020-2021	4.1%
2021-2022	4.4%
Target	Baseline



2019-2020	10.4
2020-2021	8.7
2021-2022	8.8
Target	9.0
Performance	✔

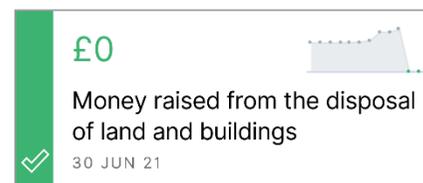
✔ Implemented a programme to centralise the Council's property assets and budgets to ensure the most effective use of our land and buildings

Rating: Good

Expected completion date: 31 Mar 2022

A report to approve transition to a full 'Corporate Landlord' operating model under the name of 'Asset Optimisation' has been approved by Cabinet. Asset Optimisation brings the responsibility and accountability for land and property asset management, including all budgets and decisions, centralised within Corporate Property. The report also approved creation of a specialist role to produce a detailed and costed timetable for this programme of work. In Quarter 1 an Asset Optimisation panel has been established and a Project Initiation Document with Options Appraisal produced.

The Council expects to raise £3.6m from the disposal of property assets by the end of the year, however no sales were scheduled for Quarter 1.



2019-2020	£2,898,546
2020-2021	£3,961,593
2021-2022	£0
Q1 Target	£0
Performance	✔

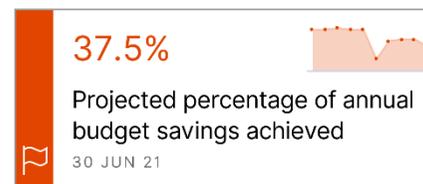
APPENDIX 2

Kept on track to achieve all planned budget savings in the medium term

Rating: Action

Expected completion date: 31 Mar 2022

The Quarter 1 position shows a projected achievement of savings of £9.777m, substantially short of the target of £26.059m.



2019-2020	63.5%
2020-2021	49.2%
2021-2022	37.5%
Target	100.0%
Performance	

Demonstrated value for money through excellent procurement and contract management

Rating: Good

Expected completion date: 31 Mar 2022

The latest Value for Money Board (VfM) considered value assessments presented by the Place department on Traffic Management Systems and Childrens Services on Accommodation and Support Services for Children in Care leading to excellent engagement and debate from all members.

Councillor Spencer is the new chair of the VfM Board and is looking to reconfigure the terms of reference to widen the scope to consider value for money beyond just procurement.

The next meeting in July will have value assessment presentations from Public Health on Adult Integrated Substance Misuse Treatment Service (Drug & Alcohol) and the Print Services Framework .

Key

	Deliverables	Measures
	Strong – performing strongly	Strong – more than 5% better than target (2% better than target if the target is greater than 95%).
	Good – performing well	Good
	Review – will be kept under review to ensure performance is brought back on track	Review – more than 2% worse than target.
	Action – additional action will be/is being taken to bring performance is brought back on track	Action – more than 10% worse than target.
	No commentary has been received	Data not available/Target not set.