



Agenda Item xx

**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**REPORT TO CABINET MEMBER FOR CORPORATE SERVICES AND  
BUDGET**

**XXXXXX**

**Joint Report of the Interim Executive Director of Corporate Services &  
Transformation and the Interim Director of Finance & ICT**

**Performance and Budget Monitoring/Forecast Outturn 2021-22 as at  
Quarter 3**

**1 Divisions Affected**

1.1 County-wide

**2 Key Decision**

2.1 This is not a key decision.

**3 Purpose of the Report**

3.1 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 December 2021 (Quarter 3).

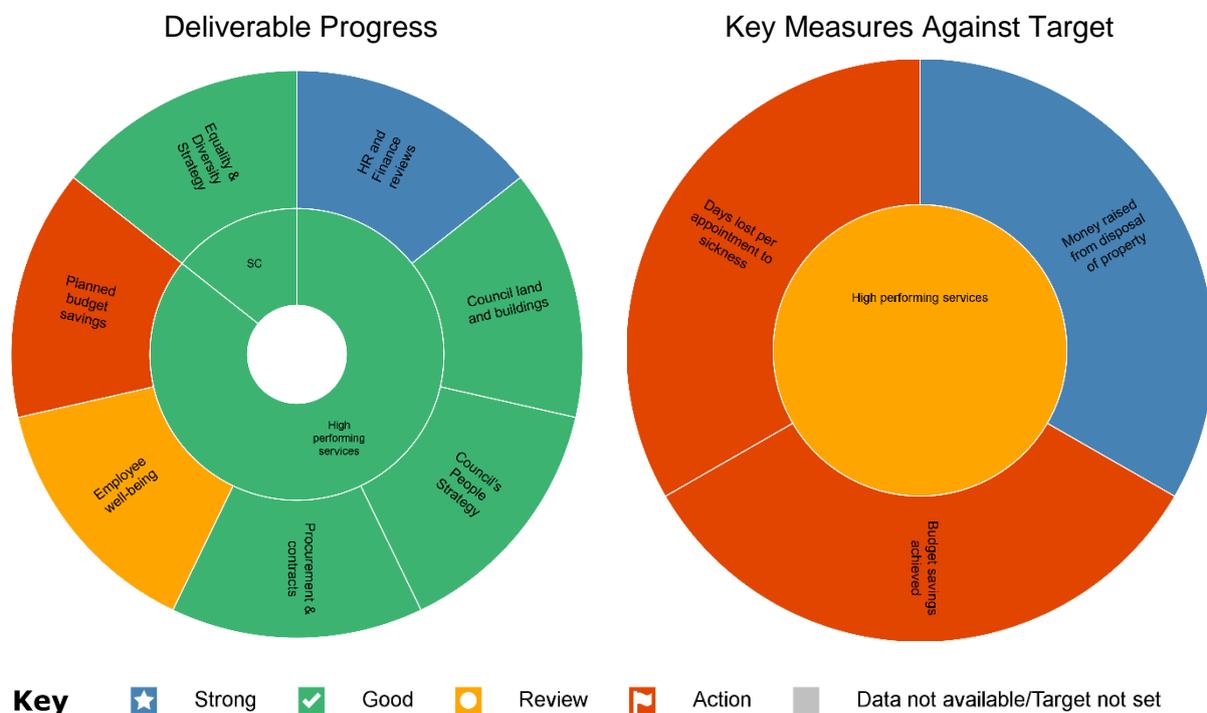
## 4 Information and Analysis

### Integrated Reporting

- 4.1 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.
- 4.2 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 £3.637m. 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.

### Performance Summary

- 4.3 The following shows an overview for Quarter 3 of progress on the Council Plan deliverables and key measures relating directly to Corporate Services and Budget.



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

4.5 Key areas of success are:

- Work is progressing with the programme to centralise the Council property assets with sales of £1.7 million during Quarter 3.
- The Value for Money Board is progressing with work ongoing to embed additional value drivers.

4.6 Key areas for consideration are:

- The projected achievement of total Council budget savings of £13.280m at Quarter 3 is still well below the target of £26.059m.
- The latest data on sickness absence show an increasing trend for both measures with average days per appointment up to 10.1 from 9.4 at Quarter 2 and above the year end target of 9 days. A working group is being set up to support departments in addressing this trend going forwards.
- Whilst capital receipts up to end of December are ahead of target some sales have been moved into 2022-23 so the year end figure is expected to be below target.

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

### Budget Forecast Summary

4.8 The net controllable budget for the Corporate Services and Budget portfolio is £49.986m. An additional £1.758m Covid-19 funding will be added to the budget to give a total of £51.744m.

4.9 The Revenue Budget Monitoring Statement prepared for Quarter 3 indicates there will be a forecast year-end overspend of £5.395m without Covid-19 funding.

4.10 As this overspend will be supported by the use of £1.758m 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 £3.637m.

Forecast outturn against target budget

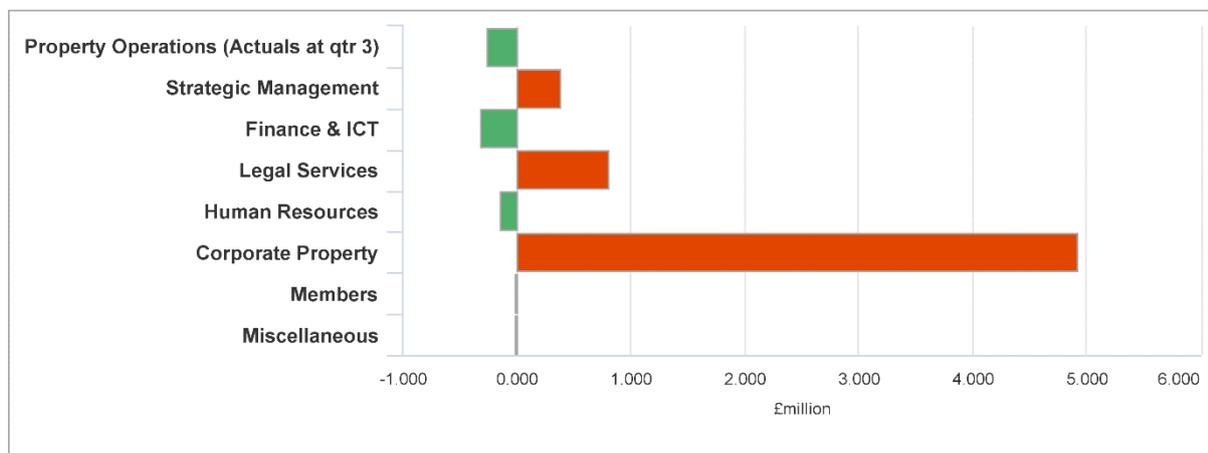


4.11 The significant areas which make up this forecast are shown in the following table and graph below:

Corporate Services and Budget Items

	Controllable Budget £m	Full Year Forecast £m	Forecast Under (-)/Over Spend £m	Percentage Under (-)/Over Spend	Budget Performance
Property Operations (Actuals at qtr 3)	0.000	-0.250	-0.250	-100.0%	✓
Strategic Management	-0.042	0.343	0.385	916.7%	✗
Finance & ICT	23.230	22.913	-0.317	-1.4%	✓
Legal Services	4.309	5.121	0.812	18.8%	✗
Human Resources	7.561	7.426	-0.135	-1.8%	✓
Corporate Property	11.827	16.741	4.914	41.5%	✗
Members	2.386	2.377	-0.009	-0.4%	✓
Miscellaneous	0.715	0.710	-0.005	-0.7%	✓
Total	49.986	55.381	5.395	10.8%	✗
Covid-19 Funding	1.758				
Total after use of additional funding	51.744	55.381	3.637	7.0%	✗

Forecast Under (-)/Over Spend



## Key Variances

4.12 Strategic Management, overspend £0.385m

This consists of an overspend relating to unallocated savings of £0.336m on Channel Shift pending the identification of savings from the programme which will be allocated to departments accordingly.

#### 4.13 Finance & ICT, underspend £-0.317m

There were 37 Vacancies within the ICT structure following the completion of the Phase 2 ICT review. Due to challenges in recruiting to these posts there are 30 positions that remain unfilled. A recruitment campaign is underway but it's unlikely that these positions will be filled before the end of the financial year.

As agreed in the quarter 2 Cabinet report, £0.480m of the underspend on salaries has been moved to reserves to support the funding gap on the Data Centre to Cloud Transition. A further £0.040m was transferred to reserves to support the training requirements for the ICT Schools Traded Services function, but a significant underspend on salaries still remains.

Continual difficulties in recruiting to the vacant positions has led to an extended migration plan for the Cloud Transition. It's recommended a further £0.200m is set aside to support the Core Systems Development which is a key element of this project and a further £0.050m is transferred to reserves to support the modernisation of the ICT traded service function.

#### 4.14 Legal services, overspend £0.812m

The forecast overspend for Legal is mainly due to previous year's savings of £0.375m having not been achieved and only £0.050m of the current year's savings of £0.223m anticipated to be achieved, due to an increase in fees/charges resulting in additional income. In addition, the new Legal Services operating model known as Core Offer was introduced in October 2021 and it is hoped that some level of savings will be delivered this financial year. Although, the impact of introducing the Core Offer is still unknown at this stage and further work is ongoing to try and forecast the benefits and to address any issues that may arise. Research has shown substantial benefits have been delivered in other Local Authorities that have introduced a similar operating model.

There is also a forecast overspend of £0.205m relating to the Childcare team, despite factoring in an underspend bid of £0.363m due to resource requirements. There has been an increase in childcare cases which has required additional childcare solicitors to be recruited, it has also been challenging recruiting this resource with market supplements being required to be paid in some instances. An additional overspend of £0.104m has been identified in the Environmental/Commercial team, with £0.045m from an employee related payment and increased agency resource due to difficulty recruiting. It is hoped this overspend will be reduced through additional income. Democratic Services has a forecast overspend, which is mainly caused by the savings target of £0.050m not yet determined. Work is on-going to identify any potential savings to meet the target.

#### 4.15 Human Resources, underspend £-0.135m

The underspend relates to vacancies being held due to phase 2 of the review (£0.150m), and an exercise was undertaken with Finance and HR which updated the profiling of non-staffing expenditure to re-align with actuals, as this was previously profiled on last year's activity.

#### 4.16 Corporate Property, overspend £4.914m

The main overspend forecast for the Corporate Property Division is £3.340m and there are forecast overspends of £0.305m for County Buildings and £0.481m for Industrial Development. The Corporate Property Division overspend is primarily due to the non-achievement of savings targets (these savings targets were £1.893m in 2020-21 and a further £0.619m in 2021-22). A revised savings plan has been produced and agreed. This plan will assist in achieving the historic savings target in future financial years. PSP Derbyshire LLP is the principal method of delivering the savings target. A sum of £0.500m has been contributed by the Building Maintenance base budget towards the achievements of the savings target. The County Buildings budget overspend is due primarily to the running costs of properties that have not been disposed of repurposed within 18 months. The Industrial Development budget overspend is due to the income target being set at 100% occupancy at full market rates. Some units are let to charities at a lower rate and vacancies occur during the turnover of lettings.

## Budget Savings

- 4.17 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.
- 4.18 The value of the savings initiatives which have been identified for implementation in the current year is £4.559m.
- 4.19 The shortfall between the total targets and the identified savings initiatives is £1.001m.



- 4.20 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 2021/22 £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			

## **Growth Items and One-Off Funding**

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

4.22 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.

4.23 ICT Telephony - £0.433m ongoing

To purchase licences for the new soft telephony solution.

4.24 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.

4.25 Legal Services - £0.300m one-off

To support the sustained increase in demand for all services.

4.26 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

4.27 Unallocated budget - £0.056m one-off

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

## **Financial Risks**

4.28 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

<b>Service</b>	<b>Risk</b>	<b>Sensitivity*</b>  <b>£m</b>	<b>Likelihood</b>  <b>1 = Low, 5 = High</b>
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

<p>Corporate Property Division</p>	<p>It is difficult to forecast project management fee income reliably due to changing programme dates (these dates may change due to ecology matters, resource and materials availability and the construction pipeline of work). Additionally, the programme dates which inform the fee income forecast are currently only partially available from Concertus Derbyshire Ltd (CDL). However CDL are committed to providing all programme dates in a monthly resource tracker which will be used to produce a reliable fee income forecast. The progress of the resource tracker is reviewed at the monthly CDL Business Improvement meetings.</p>	<p>0.500</p>	<p>1</p>
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\*Sensitivity represents the potential negative impact on the outturn position should the event occur.

## Earmarked Reserves

4.29 Earmarked reserves totalling £125.795m are currently held to support future expenditure. Details of these reserves are as follows:

Reserves		£m
COVID LA Emergency and SFC Losses Grant	=	26.585
Loan Modification Gains/Losses	=	25.254
Insurance and Risk Management	=	17.105
Budget Management	↑	11.845
COVID-19 Recovery Fund	▼	11.639
Planned Building Maintenance	=	6.553
Corporate-Business Rates Pool	=	6.301
Commissioning, Communities and Policy (includes departmental underspend balances)	↑	3.226
FVPL Investments Contingency	=	2.500
Computer Reserve Fund	▼	2.225
Property IMP 2018	▼	2.012
PFI/BSF	=	1.980
Property DSO	=	1.481
Change Management	=	1.163
Business Rates Strategic Investment Fund	▼	0.932
Exchequer	=	0.846
Communities Priorities Programme	▼	0.803
Property IMP scheme	=	0.591
Property Feasibility Studies	=	0.495
Property Package Reserve	↑	0.427
GDPR Reserve	=	0.386
Demolition of buildings	=	0.377
Business Rates Appeals	=	0.300
EU Exit Preparation Grants	=	0.253
Core Systems	▼	0.200
Learning and Development system	=	0.100
Shipley park	=	0.098
Chairs Fund reserves	=	0.061
Local Authorities Energy Programme	=	0.050
Derbyshire Discretionary Fund	=	0.007
<b>Total Reserves</b>	<b>↑</b>	<b>125.795</b>

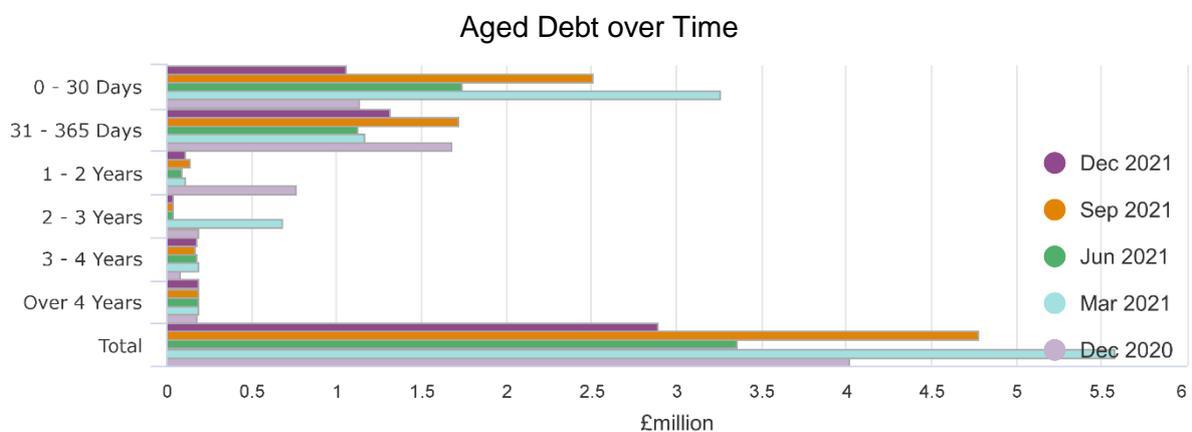
### Key

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

## Debt Position

4.30 The profile of the debt raised, relating to income receivable by services within the Corporate Services & Transformation department, is as follows:

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
1.054	1.312	0.112	0.044	0.179	0.189	2.890
▼	▼	▼	↑	↑	=	▼
36.5%	45.4%	3.9%	1.5%	6.2%	6.5%	100.0%



4.31 In the year up to 31 December 2021 the value of debt that has been written off totals £0.013m.

## Traded Services

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

### Fully Traded Areas

4.33 '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	1.015	1.156	0.141		No
HR	Schools Advisory Service	0.566	0.846	0.280		No
HR	Work Experience	0.120	0.080	-0.040		No
Corporate Property	Direct Service Organisation Operations (Turnover at period 6)	12.096	11.846	-0.250		Yes

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

## Partially Traded Areas

4.34 '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	0.556	0.528	-0.028	
Legal and Democratic	Registrars	1.394	1.909	0.515	
Corporate Property	Disability Design Team (DFG agency fees)	0.080	0.090	0.010	
Corporate Property	Estates	0.026	0.049	0.023	
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	0.050	-0.003	
Corporate Property	SMHP Repairs & Maintenance Contract Mgt Fee	0.045	0.062	0.017	
Corporate Property	County Buildings	0.584	0.438	-0.146	
Corporate Property	Industrial Development	2.018	1.707	-0.311	
HR	Occupational Health Services	0.080	0.083	0.003	
HR	Learning & Development	0.379	0.509	0.130	
HR	H&S	0.295	0.254	-0.041	

HR	Payroll Services	1.510	1.626	0.116	
Organisational Development & Policy	Crisis Communications	0.043	0.049	0.006	
Finance & ICT	Exchequer	0.328	0.232	-0.096	

## 5 Consultation

- 5.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.
- 5.2 The Covid-19 pandemic 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 reserve balances to meet the costs of any unforeseeable events arising from the pandemic.

## 6 Alternative Options Considered

- 6.1 Not applicable.

## 7 Implications

- 7.1 Not applicable.

## 8 Background Papers

- 8.1 Held on file within the Corporate Services & Transformation Department. Officer contacts – Julia Wilks (finance), Matthew Walters (performance).

## 9 Appendices

- 9.1 Appendix 1- Implications
- 9.2 Appendix 2- Corporate Services and Budget Performance Report Quarter 3, 2021-22

## 10 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.

**11 Reasons for Recommendation**

11.1 Not applicable.

**12 Is it necessary to waive the call-in period?**

12.1 No

**Report Authors:** Julia Wilks and Matthew Walters.

**Contact Details:** 36709 & 38242.

**Implications****Financial**

1.1 As set out in the report.

**Legal**

1.1 None

**Human Resources**

2.1 None

**Information Technology**

3.1 None

**Equalities Impact**

4.1 None

**Corporate objectives and priorities for change**

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

5.2 The Covid-19 pandemic 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 reserve balances to meet the costs of any unforeseeable events arising from the pandemic.

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

6.1 None