



Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

21 March 2023

**Joint Report of the Managing Director and the
Interim Director of Finance & ICT**

**Performance Monitoring and Budget Monitoring/Forecast Outturn
2022-23 as at Quarter 3 (31 December 2022)**

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To provide Members with an update of Council Plan performance and the Revenue Budget/forecast outturn for 2022-23, as at 31 December 2022 (Quarter 3).

4. Information and Analysis

Integrated Reporting

4.1 This report presents both Council Plan performance and financial budget monitoring and forecast outturn data.

4.2 The Performance Summary sets out the progress the Council is making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities.

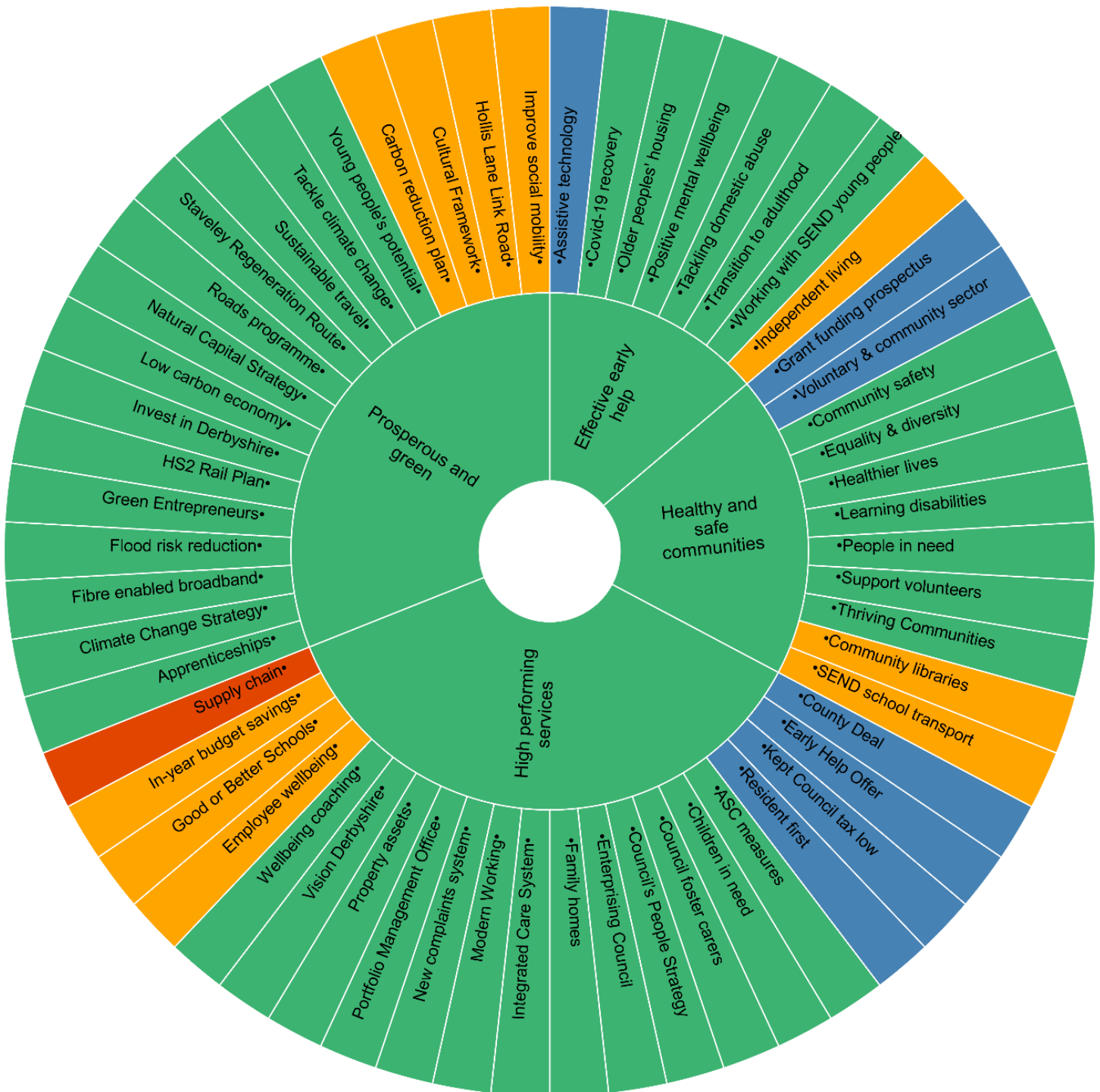
- 4.3 The Revenue Budget Position and Financial Summary provides an overview of the Council's overall budget position and forecast outturn as at 31 December 2022.
- 4.4 Appendices to this report summarise progress on Council Plan deliverables and the controllable budget position by Cabinet Member Portfolio for 2022-23 as at 31 December 2022. Further reports will be considered at Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

Performance Summary

- 4.5 The Council Plan refresh for 2022-25, which outlines the Council's priorities, key deliverables and performance measures, was approved by Council in March 2022.
- 4.6 The 2022-23 Quarter 3 Performance Report, attached at Appendix 3, sets out the position in full, up to the end of December 2022, for each deliverable and associated key measures set out in the Council Plan.

4.7 The Council is performing well in delivering the Council Plan, with 81% of the 58 deliverables in the Plan showing 'Good' or 'Strong' progress. Only 17% have been rated as 'Requiring Review' and just one deliverable has been rated as 'Requiring Action'. Progress in delivering the Plan is shown in the graphic below.

Deliverable Progress



4.8 The graphic below shows performance against target for each measure by priority. For the 39 key measures with data at this point in the year, sixteen have been rated as 'Strong', with a further eight rated as 'Good', whilst six have been rated as 'Requiring Review' and nine as 'Requiring Action'.

Key Measures Against Target



Performance by priority

4.9 The resilient, healthy and safe communities' priority shows overall 'Good' performance for both the deliverables and the measures.

4.10 Key areas of success are as follows:

- Delivery of the Council's new, outcomes-based funding programme for the Voluntary and Community Sector continues through the Funding Framework and Prospectus. Grants valuing more than £0.8m have been approved.
- The 4-week smoking quit rate of 65% remains above the England average of 59%. Live Life Better Derbyshire is leading the implementation of the tobacco dependency treatment project in Derbyshire that has begun to offer stop smoking support to inpatients at Chesterfield Royal Hospital and Derby Hospital.
- The Welfare Rights team supported 6,452 people to maximise their benefit income during Quarter 3. The Public Health Advisory Service is also meeting high demand in both GP surgeries and community settings. During Quarter 3 the service has made 6,215 contacts, and supported people to gain £3.3m in income and manage £1.1m of debt.

4.11 Areas for consideration under this priority are as follows:

- A projected total of 179 people who starting the weight management programme during Quarter 3 will achieve a 5% weight loss, compared to a target of 210. However, Quarter 2 figures and Quarter 3 projections show performance is improving and of those completing the weight management programme in Quarter 2, 19% achieved a 5% weight loss, which is better than the England average of 17%. The service continues to consider how it can improve client retention and outcomes.
- One community library has been transferred, with expressions of interest for three others. No further interest has been received. In response to this, a new approach is being developed moving forwards as part of the refresh of the Library Strategy.
- Progress on the review on Home to School transport for children with special educational needs continues to be delayed by risks and challenges identified during Quarter 1. Some progress has been achieved and a pilot panel process has been established to focus on the decision-making process. This will also consider how Children's Services can best assess the need for Home to School transport, to enable Place to plan the most effective use of resources.

4.12 The high performing, value for money and resident-focused services priority shows overall 'Good' performance for both deliverables and measures.

4.13 Key areas of success include:

- The Government signed a devolution deal with Derbyshire, Derby, Nottinghamshire and Nottingham Councils on 30 August 2022, which will see the East Midlands receiving £1.14 billion over 30 years to invest in the region and the establishment of an East Midlands Mayoral Combined County Authority, subject to formal agreement and public consultation. Public consultation has commenced and will conclude in Quarter 4.
- The published letter from the Council's Ofsted focused visit in September 2022, which looked at children in need and subject to a child protection plan, has provided independent assurance confirming strong and consistent social work practice for children and families in Derbyshire with 'many families empowered to make positive changes and adjustments enabling their children to make good progress'.
- The Council continues to roll out more online services and proactive updates to residents. There has been a steady month on month increase in the number of people opening My Derbyshire accounts that enable them to report some incidents online and also to track progress.

4.14 Areas for consideration under this priority are as follows:

- It is forecast that of the in-year savings target of £8.057m, £7.337m will be achieved in the current financial year. 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. Detailed savings have been brought forward by departments as part of the 2023-24 budget setting process.

- Employee sickness absence has risen to 5.5% for the year up to the end of Quarter 3, compared with 5.0% for the same period last year and above the target for the year of 4.6%. Sickness levels continue to be reported to Senior Management teams on a regular basis. The sickness data has been refined further to better understand the direct effect that uncontrollable/unmanageable absence (such as Covid-19) is having on sickness levels and to break down further the underlying causes across the most significant primary causes of sickness.
- Progress with implementing a contract and supply chain management regime has been delayed due to unprecedented demand for procurement and contract management employees. This is impacting on the Council's ability to recruit into the new team; however, some progress is being made. Contract Management training is now available free of charge via Central Government, and this has been publicised across the Council to enable employees who are currently tasked with managing contracts to access training. The Council is also working with the Cabinet Office in piloting an advance contract management training offer, with ten employees from various departments taking part.

4.15 The effective early help for individuals and communities' priority shows overall 'Good' performance for both deliverables and measures.

4.16 Key areas of success are as follows:

- Quarter 3 saw 269 new referrals for Assistive Technology to support people to live independently. This is an increase over the previous two quarters, bringing the total number of referrals so far this year to 721 against a target of 450.
- Good progress has been made during Quarter 3 developing the preventative wellbeing coaching model. Several of the challenges identified early in the project have now been addressed, with the online form to enable access to the service due to go live on 1 April 2023 and the coaching qualification for staff members to commence during Quarter 4. During Quarter 3 the team have supported 107 introductions to health and wellbeing advisory services through the Winter Pressures Single Contact Point.

4.17 An area for consideration under this priority is as follows:

- Progress on the Better Lives programme to support older people and people with a disability to increase their independence continues to be impacted by the national shortage of homecare. However, as part of the Short Term Service review, work has been undertaken to create new job profiles and a new structure for the service. Whilst this is good progress, there still remains a shortage of homecare support.

4.18 The priority for a prosperous and green Derbyshire shows overall 'Good' performance for deliverables but 'Review' performance for measures.

4.19 Key areas of success are as follows:

- The Derbyshire Renewable Energy Study and the Climate Change Planning Guidance and associated assessment tool are both completed.
- To date this year £0.269m of the apprenticeship levy has been transferred to businesses, of which £0.172m was transferred in Quarter 3.
- Approval in principle for the Chesterfield to Staveley Regeneration Route was granted in December 2022 following submission of the Outline Business Case.

4.20 Areas of consideration under this priority are as follows:

- The percentage of Principal roads where maintenance should be considered is 15.4% against a target of 13.0%, based on the Annual Engineers' Inspection. The annual National Highways and Transportation Survey showed residents' overall satisfaction is at 51% compared with 52% last year and against a target of 57%. Investment in the delivery of our Local Transport Programme continues to be prioritised to provide well managed roads and highways and address road safety concerns. The annual survey of road condition is undertaken between April and June and therefore the results do not reflect the investment and work undertaken over the last six months. Similarly, the National Highways and Transportation Survey is undertaken early in the year and therefore results are more retrospective. Whilst the condition of principal roads has not achieved target, the condition of non-principal roads and unclassified roads are better than target. Comparatively, the level of satisfaction has dropped to 50% regionally when local area authorities are compared.


















- Modelling suggests that, for the four sources measured and reported (council property, street lighting, travel for Council business using the Council's fleet and employees' own vehicles, and procurement) there may be a potential shortfall of 8,710 tonnes of CO₂ in the necessary emissions reduction by 2031-32. This is from the 2009-10 baseline of 47,295 tonnes. Further reductions in emissions will be sought, particularly through continued rationalisation of Council land and building assets, the reduction and electrification of travel for Council business and the decarbonisation of heat in buildings. Some of these residual emissions are likely to be offset through renewable energy generation on Council owned buildings and land, and by carbon sequestration through activities such as tree planting.
- Work to develop a countywide approach to improve social mobility, targeting underperforming areas across the county has been delayed due to difficulties in recruiting to the Vision Derbyshire programme team which will take forward this work. Approval was given by the Vision Derbyshire Joint Committee during Quarter 4 for the transfer of host arrangements for the Vision Derbyshire team to the Council. The transfer will enable the recruitment into permanent roles which will provide the capacity to undertake this work.
- The roll out of the Cultural Recovery Fund, which supports delivery of the Cultural Framework, has been delayed. Approval of the allocation of the funds was initially delayed, pending a review of the Council's grants award process. This has been resolved but has led to a knock-on delay in the recruitment of a Grants Team to support administration of the fund.

4.21 With 81% of deliverables rated as 'Strong' or 'Good', there is much to celebrate in the progress the Council has made in delivering the Council Plan. Further detail regarding each of the deliverables in the Council Plan and the key measures is set out in Appendix 3.

Revenue Outturn Summary

4.22 The Council's forecast outturn for 2022-23 as at Quarter 3 (31 December 2022), 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 £389.554m and Public Health grant of £43.803m, other ring-fenced grants and income from other third parties and their associated spend.

Public

	Budget	Use of DLUHC Covid-19 Grant Funding	Adjusted Budget	Forecast Actuals	Projected Outturn	Budget Performance
	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	
Adult Care	274.578	0.397	274.975	286.700	11.725	
Children's Services and Safeguarding and Education	156.264	0.000	156.264	159.949	3.685	
Clean Growth and Regeneration	0.913	0.000	0.913	0.785	-0.128	
Corporate Services and Budget	62.829	0.810	63.639	66.776	3.137	
Health and Communities	10.733	0.000	10.733	9.982	-0.751	
Highways Assets and Transport	45.842	0.000	45.842	47.992	2.150	
Infrastructure and Environment	46.243	0.000	46.243	47.710	1.467	
Strategic Leadership, Culture, Tourism and Climate Change	14.654	0.141	14.795	14.177	-0.618	
Total Portfolio Outturn	612.056	1.348	613.404	634.071	20.667	
Risk Management	14.049	0.000	14.049	2.000	-12.049	
Debt Charges	38.185	0.000	38.185	37.975	-0.210	
Interest and Dividend Income	-4.601	0.000	-4.601	-7.725	-3.124	
Levies and Precepts	0.363	0.000	0.363	0.363	0.000	
Corporate Adjustments	3.425	0.000	3.425	3.307	-0.118	
Total	663.477	1.348	664.825	669.991	5.166	
Use of Earmarked Reserves	5.166	0.000	5.166	0.000	-5.166	
Total After Use of Earmarked Reserves	668.643	1.348	669.991	669.991	0.000	

4.23 An overall Council overspend of £5.166m is forecast, after accounting for the use of £1.348m of non-ringfenced grant funding provided by the Department for Levelling Up Housing & Communities (DLUHC) to support local authorities with the impacts of the Covid-19 pandemic.

This is funding from the remaining balance of the Covid-19 general emergency funding at 31 March 2022, amounting to £15.370m, which has been carried forward to 2022-23 in an earmarked reserve. The forecast also includes the use of £9.057m from departmental earmarked reserves to support the Adult Care, Highways Assets and Transport and Infrastructure and Environment portfolios. In addition, £11.630m has been drawn from the Covid-19 and Budget Management earmarked reserves to cover the shortfall in funding for the 2021-22 and 2022-23 Pay Awards.

However, the Council will use some of the balances on its Budget Management, Covid-19 and Inflation earmarked reserves to report a break-even position. Whilst the use of earmarked reserves, in-year, will result in the Council reporting a break-even position, the impact of the unfunded pay offer, demand pressures and inflationary costs have been addressed as part of the budget setting process for 2023-24 as the effect will be an ongoing cost pressure.

4.24 Of the forecast £20.667m portfolio overspend, the significant variances are:

- an overspend of £11.725m on the Adult Care portfolio, after the use of £2.500m of departmental earmarked reserves;
- a £2.150m overspend on the Highways Assets and Transport portfolio, after the use of £3.790m of departmental earmarked reserves;
- a £1.467m overspend on the Infrastructure and Environment portfolio, after the use of £2.767m of departmental earmarked reserves;
- a £3.685m overspend on the Children's Services and Safeguarding and Education portfolios; and
- a £3.137m overspend on the Corporate Services and Budget portfolio.

4.25 The forecast £11.725m overspend on the Adult Care portfolio relates to Purchased Services costs. 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. The forecast includes inflationary pressures of £2.909m in respect of Direct Care utilities and catering supplies, Home Care fuel payments and Private, Voluntary and Independent sector contract payments. This forecast is after the use of £2.500m of departmental earmarked reserves.

- 4.26 The forecast £2.150m overspend on the Highways Assets and Transport portfolio mainly relates to unachieved savings from previous years, increases in public transport tendered contract prices, additional posts in the Place departmental management team structure, winter maintenance costs which are more than budgeted, and costs arising from an increase in the workforce assigned to routine highways maintenance. The forecast includes £1.212m of inflationary pressures. This forecast is after the use of £3.790m of departmental earmarked reserves, including the Winter Maintenance reserve.
- 4.27 The forecast £1.467m overspend on the Infrastructure and Environment portfolio has mainly arisen due to unachieved savings from previous years and £2.000m of inflationary pressures in the Waste Management service which is somewhat offset by an estimated 6% decrease in tonnages. This forecast is after the use of £2.767m of departmental earmarked reserves.
- 4.28 The forecast £3.685m overspend on the Children's Services and Safeguarding and Education portfolios is partly due to a continued high demand for placements for children who are in care or unable to remain at home. The number of children requiring support is growing because the rate at which children enter care is greater than the rate at which children exit care, and because alternatives to care often require long-term financial support, leading to a growing number of arrangements to fund. Average cost increases are due to inflation and the need to make more higher cost placements with independent providers. Other factors contributing to the overspend include the cost of covering vacancies in Children's Safeguarding services with agency social workers and supporting children with complex needs to remain with their families or maintain their current care placement. There is also an increase in the number of children who are eligible for Council-funded transport and an increase in average cost, with the increase in cost being due to both economic factors affecting contractors, and an increased need for more specialised vehicles to transport individual children.
- 4.29 The forecast for this portfolio also includes inflationary pressures of £2.403m which impact on the Council's budget. These pressures comprise £1.952m of fostering allowances and residential placement price increases; £0.430m of energy costs; £0.930m of food costs; £0.093m of transport and fuel costs, excluding Home to School Transport which is covered by specific contingency budgets; and £0.040m other costs. However, it is anticipated that £1.042m of these costs will not be met from Council budget, as a number of services are funded by trading or grant income, although potentially this may impact on the contribution those services can make to corporate overheads.

- 4.30 The Council plans to support the Children's Services and Safeguarding and Education portfolios through allocations of a combination of ongoing budget growth and one-off funding to put these services on a sustainable financial footing by the time mitigation measures are able to stabilise the demand pressures on looked after children. Recent modelling suggests that demand pressures on looked after children are likely to level off by 2023-24. However, there is the potential for further increases in the number of children requiring placements or increases in average placement costs which may negatively impact the forecast position. The forecast outturn on the portfolio in 2022-23 is after that all contingency budgets set aside for placements and transport pressures have been utilised. Therefore, it is now anticipated that costs during the year will exceed the contingency amounts.
- 4.31 The forecast £3.137m overspend on the Corporate Services and Budget portfolio has mainly arisen in the Corporate Property division, primarily because of delays in achieving previously allocated savings. These savings are expected to be achieved over the coming years through rationalisation of the property base, with a consequent reduction in property running costs, and borrowing savings through use of the capital receipt to offset the need to borrow to fund the capital programme. PSP Derbyshire LLP will be the principal vehicle for delivering the savings. There is underachievement of the Industrial Development income target, which is based on full occupancy. Full occupancy cannot be achieved as vacancies occur during the turnover of lettings, and some units are offered at rents below market rates for occupying charities. There is a further cost pressure related to incurring running costs on buildings that are awaiting disposal or repurpose. The forecast also includes estimated inflation of £0.898m in respect of buildings maintenance and gas and electricity utilities after allowing for the offset from the Government price caps.
- 4.32 There is a forecast underspend on corporate budgets in 2022-23. The underspend on the Risk Management budget relates mainly to a £5m adjustment for Business Rates income. Business Rates income in 2021-22 was significantly reduced because of the impact of Covid-19 and the extent of recovery was uncertain at the time the Revenue Budget 2022-23 was set, with amounts finalised after. An additional £4m of non-ringfenced grants and £1m of service pressure funding returned by a portfolio following receipt of grant income, all announced after the 2022-23 Revenue Budget was set, also contribute to the position. An underspend on the Debt Charges budget is forecast as the portfolio of the Council's long-term loans is repaid and interest on this debt reduces. A favourable variance is forecast in 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 somewhat offset by an increase in the interest the Council is expected to pay to meet its temporary borrowing needs. Interest income includes interest accrued on the loan advances to Buxton Crescent Ltd. A small underspend on Corporate Adjustments is forecast.

- 4.33 The Council continues to look at ways to save money and generate income, whilst trying to protect and deliver services suitable for the residents of Derbyshire. Significant consultation and planning timeframes are required to achieve many of these savings. Delays in agreeing proposals could result in overspend by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure. In many cases the proposals will be subject to consultation and equality analysis processes. Progress against budget savings targets is being closely monitored, with a programme of action underway involving the Council's Corporate Management Team.
- 4.34 The delivery of the Council's Five Year Financial Plan (FYFP) is heavily dependent on an adequate level of General Reserve. The need to maintain an adequate, risk assessed level of reserves has been a key part of the Council's success in both maintaining its financial standing and continuing to deliver high quality services.
- 4.35 The General Reserve stands at £31.083m at 31 December 2022. There are commitments against the General Reserve and the balance will be further reduced by the measures required to deliver the Council's FYFP noted in paragraph 4.34 above. In the Council's 2023-24 Revenue Budget Report, in a reasonable pessimistic forecast, the General Reserve was predicted to decrease to £12.873m by 2027-28. The adequacy of the Council's General Reserve balance is considered at paragraphs 4.67 to 4.70 below.
- 4.36 The Covid-19 pandemic has had a significant impact in respect of cost pressures and savings slippages, and the economic shocks created by the invasion of Ukraine by Russia and rising fuel and food costs, general inflation and fragile supply chains are posing significant challenges to the Council's financial resilience.

- 4.37 Whilst the Council has sufficient reserves it can deploy to meet the anticipated funding shortfalls in 2022-23 and 2023-24, this will significantly impact on any future funding available to support the Council's planned improvements, to support any further delays to certain savings plans and will require additional general reserves to be set aside in order to ensure that the balance of general reserves remains at a prudent risk-assessed level. It also means that a similar level of support in 2024-25 will not be possible.
- 4.38 Having regard to the diminishing level of its available reserves, if the current financial pressures are sustained without additional funding and if sufficient and timely budget savings cannot be realised there is an increased likelihood that the Council will not be able to balance its budget in the medium term.
- 4.39 It is vital that budget savings are delivered according to realistic plans, that identified savings are delivered on time and that increases in currently forecast cost pressures are mitigated where possible. Difficult decisions have been taken to balance the budget and strong, robust financial management will continue to be required.

Portfolio Costs

- 4.40 There is a forecast Council portfolio overspend of £20.667m, after the use of £9.057m of departmental earmarked reserves and £1.348m of non-ringfenced grant funding provided by DLUHC from the remaining balance of the Covid-19 general emergency funding at 31 March 2022, carried forward to 2022-23 in an earmarked reserve. Budget of £1.348m is forecast to be allocated to portfolios to match the forecast additional cost and lost income of the Council's response to Covid-19 up to the end of March 2023, including the impact of slippage to the planned programme of savings which cannot yet be implemented as a result. This amount allows for any specific funding to offset the gross Covid-19 related costs which has already been forecast to be allocated to individual portfolios.
- 4.41 Portfolio costs are explained in more detail in Appendices 4 to 11.

Risk Management Budget

- 4.42 There is a forecast underspend on the Risk Management Budget of £12.049m in 2022-23.

Public

	Budget £m	Forecast Expenditure £m	Over / (Under) Spend £m
Pay Award 2022-23 Contingency	6.789	0.300	(6.489)
Allocation of Pay Award 2022-23	(16.523)	0.000	16.523
<i>Pay Award 2022-23</i>	<i>(9.734)</i>	<i>0.300</i>	<i>10.034</i>
Pay Award 2021-22 Contingency	2.313	0.000	(2.313)
Allocation of Pay Award 2021-22	(4.209)	0.000	4.209
<i>Pay Award 2021-22</i>	<i>(1.896)</i>	<i>0.000</i>	<i>1.896</i>
Covid LA Emergency Grant Reserve, for 2021-22 Pay Award shortfall	1.896	0.000	(1.896)
Budget Management Reserve, for 2022-23 Pay Award shortfall	9.734	(0.266)	(10.000)
Inflation Risks Reserve, for 2022-23 Pay Award shortfall	0.000	(0.034)	(0.034)
Use of Earmarked Reserves	11.630	(0.300)	(11.930)
National Insurance Social Care Levy	0.795	0.000	(0.795)
Energy/Food	1.000	0.000	(1.000)
Pay and Price Issues	1.795	(0.000)	(1.795)
Children in Care Placements (one-off)	2.000	2.000	0.000
Departmental Specific Service Pressures	2.000	2.000	0.000
General Contingency	0.115	0.000	(0.115)
Total Contingency Funding	3.910	2.000	(1.910)
Adjustment for Business Rates income	4.791	0.000	(4.791)
Business Rate Relief Grant	2.262	0.000	(2.262)
Revenue Support Grant adjustment	0.018	0.000	(0.018)
Food Info Allergen Labelling Grant	0.019	0.000	(0.019)
Extended Rights to Home to School Transport Grant	1.614	0.000	(1.614)
Increased Family Court Fees Grant	0.018	0.000	(0.018)

Additional Non-ringfenced Grants	3.931	0.000	(3.931)
Domestic Abuse Service Pressure	1.417	0.000	(1.417)
One-off Funding Returned from Departments	1.417	0.000	(1.417)
Total Risk Management Budget	14.049	2.000	(12.049)

4.43 The Risk Management Budget of £14.049m includes:

- £3.910m of remaining contingency funding set aside in the 2022-23 Revenue Budget. This comprises remaining pay and price issue elements of £1.795m, departmental specific service pressures of £2.000m and general contingency of £0.115m:
 - £1.000m to support Departments with the rising cost of energy and food in non-school budgets, considered at paragraph 4.50 below;
 - £0.795m balance of contingency for the April 2022 1.25% increase in National Insurance contributions. This is no longer required following a reversal of this rise, which took effect on 6 November 2022. See paragraph 4.48 below;
 - £2.000m contingency for Children's Services for children in care placements; and
 - £0.115m general contingency.
- £4.791m adjustment for Business Rates income. The amounts were finalised after the 2022-23 Revenue Budget was approved by Council on 2 February 2022.
- £3.931m of additional non-ringfenced grants that had not been announced when the 2022-23 Revenue Budget was approved by Council on 2 February 2022. This comprises:
 - £2.262m Business Rates Relief Grant;
 - £1.614m Extended Rights to Home to School Transport Grant;
 - £0.019m Food Allergen Labelling Grant;
 - £0.018m Revenue Support Grant adjustment; and
 - £0.018m Increased Family Court Fees Grant.
- £1.417m approved in the Council's 2022-23 Revenue Budget to fund ongoing service pressures managing additional statutory duties in relation to the Domestic Abuse Act 2021. These funds were returned unused from the Health and Communities portfolio as the portfolio was able to alternatively finance this pressure

from a Domestic Abuse Grant for 2022-23, which had not been announced when the 2022-23 Revenue Budget was approved by Council on 2 February 2022.

- 4.44 The forecast expenditure of £2.000m on the Risk Management Budget relates to the anticipated allocation of £2.000m budget for Children's Services for children in care placements. This allocation has been allowed for in the reported Children's Services and Safeguarding and Education portfolio budget.

Forecast expenditure of £0.300m on the Risk Management Budget relates to the anticipated allocation of budget to fund pay increases in 2022-23 relating to social worker growth, Soulbury Pay Scale workers, Coroners and Members' Allowances. This will be funded from the Budget Management and Inflation Risks earmarked reserves.

£1.000m of contingency is shown as available to support Departments with the rising cost of energy and food in non-school budgets; inflation expenditure which has already been included in portfolio forecasts.

- 4.45 The 2021-22 pay award for Local Government Service Employees (effective from 1 April 2021) was agreed in February 2022. Employees on pay point 1 received an increase of 2.75%, those on pay point 2 and above an increase of 1.75%, and Chief Officers an increase of 1.50%, which results in a total cost to the Council of £4.209m. For 2021-22 budget purposes a sum of £2.313m was set aside for 'bottom loading' but there was no general increase. The agreed pay increase for 2021-22 left the Council with a shortfall of £1.876m in 2021-22 and a £1.896m ongoing pressure in each subsequent year. The shortfall in 2022-23 has been funded from the Covid-19 Emergency Grant reserve and has been addressed on an ongoing basis as part of the 2023-24 Revenue Budget setting process.

- 4.46 The 2022-23 pay award for Local Government Service Employees (effective from 1 April 2022) was agreed in November 2022. The National Employers' final one-year offer that was agreed with the unions representing the main local government workforce was as follows:

- With effect from 1 April 2022, an increase of £1,925 on all pay points covered by the Council's Pay Grades up to and including Grade 21, which is equivalent to a 10.5% increase for employees on pay point 1 and 4.0% for employees on the highest pay point, and an increase of 4.0 per cent on all allowances, except for travel rates.

- With effect from 1 April 2023, an increase of one day to all employees' annual leave entitlement and the deletion of pay point 1.

The final 2022-23 pay offer is equivalent to an average pay increase of 7.3% across the Council's workforce, which results in a total ongoing cost to the Council of £16.425m. For 2022-23 budget purposes a sum of £6.789m was set aside, based on a 2% 'bottom loaded' pay award increase. The agreed pay increase for 2022-23 leaves the Council with a shortfall of £9.734m in 2022-23 and a £9.636m ongoing pressure in each subsequent year. The shortfall in 2022-23 has been funded from the Budget Management reserve and has been addressed on an ongoing basis as part of the 2023-24 Revenue Budget. The Council has elected not to implement the increase of one day of annual leave as it already provides leave entitlement at a level over and above the minimum that this proposal relates to.

- 4.47 In addition to the ongoing pressure which falls to the Council, the pay award impacts the cost of services which are separately funded from its core budget. Some employees work in areas wholly funded by grants and it is essential that these grants take up their fair share of additional costs in line with their workforce cost, however, this may be too late for 2022-23 in respect of the Dedicated Schools Grant. A review of sales, fees and charges will identify amendments required in the short term to reflect additional associated workforce cost. An ongoing review of Traded Services, where the Council receives income in return for providing discretionary services to external organisations and/or individuals, will be accelerated, and should capture additional workforce cost, to accurately inform discussions and decisions regarding services' sustainability, as cost increases cannot be supported by base budget.
- 4.48 The reversal of April's 1.25% rise in National Insurance took effect from 6 November 2022 across the UK. It is estimated that this will result in an ongoing saving of £1.9m from 2023-24 and a one-off saving in 2022-23. Therefore, there is £0.795m of contingency funding, identified for this purpose, which is no longer required; this is held in the Risk Management budget.
- 4.49 Total inflationary pressures of around £9.5m have been identified and are included in portfolio forecasts.

4.50 The Council is lobbying the Secretary of State for Levelling Up, Housing and Communities, to reinforce the unaffordability in the medium term of the proposed local government 2022-23 pay award and general inflation on budgets. The £12.049m forecast underspend on the Council's in-year risk management budget is already utilised in reducing the portfolio overspend in this forecast. The Council's Revenue Budget 2022-23 set aside £1.000m to support Departments with the rising cost of energy and food in non-school budgets and the Outturn Report 2021-22 set aside a further £10m in an earmarked reserve to meet increasing inflation risks. These funds will be used on a one-off basis for 2022-23 support, where approved. The corporate Budget Management earmarked reserve, which ordinarily supports one-off funding in the Council's annual Revenue Budget, will be fully depleted in meeting the shortfall for the 2022-23 Pay Award. However, funding from the remaining balance of the Covid-19 general emergency grant and from departmental underspends held in the Council's earmarked reserves is potentially available. As a last resort, there is also the Council's General Reserve. The adequacy of the General Reserve balance is considered below.

Debt Charges

- 4.51 The Debt Charges budget is forecast to be underspent by £0.210m in 2022-23.
- 4.52 Debt charges are based on interest payments, the Capital Financing Requirement (CFR) and a Minimum Revenue Provision (MRP) of 2.5% (in keeping with the policy reported to Cabinet on 22 November 2016).
- 4.53 The Council has paid off a number of external loans, which were used to support the Council's Capital Programme, in recent years, and has not undertaken further borrowing. This has led to lower interest payments, resulting in a forecast underspend for 2022-23. However, the interest the Council is required to pay to meet its temporary borrowing needs has been increasing in line with the rises in interest rates experienced since January 2022.

Interest and Dividend Income

- 4.54 Interest and dividend income budgets are forecast to achieve income £3.124m higher than budgeted in 2022-23.

- 4.55 The interest base rate rose from 0.75% to 1.00% on 5 May 2022, to 1.25% on 16 June 2022, 1.75% on 4 August 2022, 2.25% on 22 September 2022, 3.00% on 3 November 2022 and to 3.50% on 15 December 2022. However, the Council utilises a range of investments, including pooled funds, to maximise its interest and dividend income on balances
- 4.56 The forecast underspend mainly relates to interest receipts on the Council's temporary loans to other local authorities, which are anticipated to exceed the expectation at the time the 2022-23 Revenue Budget was approved. Increases in base rate impacts favourably when the Council loans money to other local authorities, however this is offset by higher interest costs on its temporary borrowing from other local authorities.

Corporate Adjustments

- 4.57 There is a forecast underspend of £0.118m on Corporate Adjustments in 2022-23.
- 4.58 The forecast underspend mainly reflects an anticipated saving of £0.375m from the Council paying its Local Government Pension Scheme 2022-23 employer contributions early.

Budget Savings

- 4.59 A summary of the achievement of budget savings targets for 2022-23 is provided at Appendix 14. The budget savings target for 2022-23 is £8.057m, with a further £14.905m target brought forward from previous years. Of the in-year savings target, £7.337m will be delivered in the current financial year. 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.

4.60 The Corporate Services and Transformation department is pursuing several new efficiencies to achieve the current and previous years' budget savings targets and other identified budget gaps within the department. Members should note that these efficiencies will not enable additional savings targets to be allocated to the department. The planned timeframe for delivery of these efficiency proposals, by portfolio, is as follows:

Portfolio	Planned Efficiencies					TOTAL £m
	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	
Corporate Services and Budget	0.086	1.915	1.675	1.293	0.511	5.480
Strategic Leadership, Culture and Climate Change	0.116	0.187	0.000	0.087	0.000	0.390
Health and Communities	0.000	0.080	0.000	0.000	0.000	0.080
Corporate Services and Transformation Total	0.202	2.182	1.675	1.380	0.511	5.950

Debt Age Profile

4.61 The age profile of debts owed to the Council and the value of debts written off is disclosed in Appendix 15. This information is collected on a departmental rather than on a portfolio basis.

Earmarked Reserves

4.62 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.

4.63 A summary of outstanding balances on the Council's earmarked reserves as at 31 December 2022 is set out in Appendix 13.

- 4.64 Any funding received to support the Council's response to the Covid-19 pandemic, which had not been utilised by 31 March 2022, has been contributed to earmarked reserves or, where appropriate, carried forward as a receipt in advance. These amounts may be used to fund any further relevant expenditure arising as a result of the pandemic in 2022-23, or to meet other cost pressures if needed and where grant conditions allow.
- 4.65 The Homes for Ukraine scheme was launched on 14 March 2022 by the Secretary of State for Levelling Up, Housing and Communities. The scheme enables Ukrainian nationals resident in Ukraine to be sponsored to come to live in the UK. Councils have a number of functions in supporting the Homes for Ukraine scheme and are expected to offer several categories of support to the scheme. The Government has been providing "tariff grant" funding at a rate of £10,500 per person (reduced to £5,900 per person from 1 January 2023) to councils to enable them to support the scheme; this funding is non-ringfenced. Grant income totalling £12.653m has been received for the period up to and including November 2022. It is proposed to establish an earmarked reserve to be used to carry out the activities set out in the Homes for Ukraine guidance and to contribute to this reserve any un-ringfenced "tariff grant" received for the Homes for Ukraine scheme.
- 4.66 Business Rates Relief Reconciliation 2021-22 Section 31 Grant income of £3.155m has been received. This non-ringfenced grant compensates authorities for reductions in business rates income, following decisions by Government to change the rate relief for some organisations and for changes in the uprating of the business rates multiplier, including freezing of the business rates multiplier in recent years. It is proposed to contribute this sum of £3.155m to the Business Rates Risks reserve to manage any volatility in future business rates income which may be experienced.

General Reserve

- 4.67 The General Reserve stands at £31.083m at 30 December 2022. The level of General Reserve is £31.083m, after the forecast outturn for 2022-23, which is 5% of the Council's Net Budget Requirement for 2022-23. This assumes the forecast overspend in 2022-23 is funded from earmarked reserves, as detailed in paragraph 4.23.

General Reserve

	£m
Balance at 31 December 2022	31.083
Projected Outturn 2022-23	0.000
Forecast Balance at 31 March 2023	31.083

Net Budget Requirement 2022-23 **618.581**

General Reserve Balance as % of NBR at 31 Mar 2023 **5.02%**

- 4.68 The majority of chief financial officers consider an acceptable level of generally available reserves to be one that reflects a risk-based approach to potential liabilities. A relatively crude measure is to expect the resulting figure to be between 3% to 5% of a council's net spending, representing a prudent level of risk-based reserves. As at 31 December 2022, after the commitments above, the figure for the Council stood at 5.0%. However, it is necessary to consider this indicator over the medium term to gain a better understanding of its adequacy.
- 4.69 In the Council's 2023-24 Revenue Budget Report, in a reasonably pessimistic forecast, the General Reserve was predicted to decrease to 1.8% (£12.873m) of the Council's Net Budget Requirement by 2027-28. Taking account of demand led pressures, any overspends in services over and above those currently projected would see the balance fall below £13m.
- 4.70 It is recognised that the forecast General Reserve balance over the medium term is significantly lower than would be preferred. If funding allows, restorative measures will be utilised over the period of the Five-Year Financial Plan and beyond to build back up the balance of the General Reserve.
- 4.71 There are options around the funding of planned capital investment projects which could release in excess of £30m of revenue contributions to fund capital expenditure which could alternatively be funded from additional borrowing and the money utilised instead to ensure that the Council's General Reserve position remains at a reasonable, risk-assessed level. However, these options will need to be weighed against the additional ongoing cost over the term of the borrowing.

Portfolio Summaries

- 4.72 A summary of each of the individual portfolio performance and outturn positions for 2022-23 is detailed in Appendices 4 to 11.
- 4.73 Whilst budgets are monitored by portfolio, the individual portfolios are not separate entities. All the portfolios operate in conjunction with the others and it is important to consider the Council's budgetary position as a whole in the context of its Five-Year Financial Plan and its overall level of reserves.

Traded Services

- 4.74 A trading area is where the Council receives income in return for providing discretionary services to external organisations and/or individuals.
- 4.75 '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. An overall deficit of £0.615m is forecast for 2022-23 on fully traded areas across the Council as a whole.
- 4.76 '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 £0.931m compared to the budgeted income target is forecast for 2022-23 on partially traded areas across the Council as a whole.
- 4.77 Appendix 12 summarises the financial performance of the separate trading areas.

5. Consultation

- 5.1 No consultation is required.

6. Alternative Options Considered

- 6.1 N/A – the Council is required to outline its forecast revenue outturn position to ensure compliance with good financial management principles and to support the development of short and medium-term financial planning. Not producing a budget monitoring report would be contra to the Council's Financial Regulations which requires the reporting of variances of income and expenditure against budget allocation to be reported to Cabinet in line with the Budget Monitoring Policy.

7. Implications

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

8. Background Papers

- 8.1 None identified.

9. Appendices

- 9.1 Appendix 1- Implications.
- 9.2 Appendix 2 – Key to Performance Ratings
- 9.3 Appendix 3 – Performance Report 2022-23 Council Overview
- 9.4 Appendix 4 – Adult Care - Portfolio Summary
- 9.5 Appendix 5 – Children’s Services and Safeguarding and Education - Portfolios Summary
- 9.6 Appendix 6 – Clean Growth and Regeneration - Portfolio Summary
- 9.7 Appendix 7 – Corporate Services and Budget - Portfolio Summary
- 9.8 Appendix 8 – Health and Communities - Portfolio Summary
- 9.9 Appendix 9 – Highways Assets and Transport - Portfolio Summary
- 9.10 Appendix 10 – Infrastructure and Environment - Portfolio Summary
- 9.11 Appendix 11 – Strategic Leadership, Culture, Tourism and Climate Change - Portfolio Summary
- 9.12 Appendix 12 – Traded Services
- 9.13 Appendix 13 – Earmarked Reserves
- 9.14 Appendix 14 – Budget Savings Monitoring 2022-23
- 9.15 Appendix 15 – Aged Debt

10. Recommendations

That Audit Committee:

- 10.1 Notes the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2022-23 as at 31 December 2022 (Quarter 3).
- 10.2 Notes the position on General and Earmarked Reserves.

11. Reasons for Recommendations

- 11.1 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 2022-23. The outturn position supports the development of budgets in both the short and medium term.
- 11.2 The balances of both the General and Earmarked Reserves support good financial planning.

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Appendix 1

Implications

Financial

- 1.1 An overall Council overspend of £5.166m is forecast, after accounting for the use of £1.348m of non-ringfenced grant funding provided by the Department for Levelling Up Housing & Communities (DLUHC) to support local authorities with the impacts of the Covid-19 pandemic. The forecast also includes the use of £9.057m from departmental reserves to support the Adult Care, Highways Assets and Transport and Infrastructure and Environment portfolios and £11.630m has already been drawn to meet the shortfall in funding for the 2021-22 and 2022-23 Pay Award. However, the Council will use some of the balances on its Budget Management, Covid-19 and Inflation Earmarked Reserves to report a break-even position. Whilst the use of earmarked reserves, in-year, will result in the Council reporting a break-even position, the impact of the unfunded pay offer, demand pressures and inflationary costs have been addressed as part of the budget setting process for 2023-24 as the effect will be an ongoing cost pressure.

Legal

- 2.1 None.

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 proposed pay award for 2022-23 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)

7.1 None.

Appendix 2

Key to Performance Ratings

	Strong 	Good 	Review 	Action 	Unknown 
Council Plan Deliverables	On track or complete with outcomes exceeding expectations /requirements.	On track or complete with outcomes in line with expectations/ requirements.	Some risk to achieving timetable and/or outcomes.	Unlikely to achieve timetable and/or not delivering required outcome.	Data measuring the performance of these deliverables continues to be suspended due to Covid-19.
Council Plan Measures	More than 5% better than target.	Less than 5% better than target but not less than 2% worse than target.	Between 2% and 10% worse than target.	More than 10% worse than target.	No data received or no target set.
Service Lines Outturn		Outturn below budget.	Outturn less than or equal to 2% over budget.	Outturn more than 2% over budget.	
Portfolio Outturn		Outturn below budget.		Outturn over budget.	
Budget Savings		Forecast savings better than target.		Forecast savings worse than target.	