

DERBYSHIRE COUNTY COUNCIL

CABINET

11 September 2019

Report of the Director of Finance & ICT

BUDGET MONITORING 2019-20 (as at 30 June 2019)
 (STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

1 Purpose of the Report

To provide Cabinet with the Revenue Budget position for 2018-19 as at 30 June 2019.

2 Information and Analysis

The report summarises the controllable budget position by Cabinet Member Portfolio as at 30 June 2019. Further reports will be considered at Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget is summarised below. This includes the use of one-off funding to support the Highways, Transport and Infrastructure portfolio.

	Budget	Forecast Actuals	Projected Outturn
	£m	£m	£m
Adult Care	252.712	248.084	(4.628)
Corporate Services	47.354	46.910	(0.444)
Economic Development and Regeneration	0.700	0.600	(0.100)
Health and Communities (exc. Public Health)	3.657	3.420	(0.237)
Highways, Transport and Infrastructure	80.082	80.082	0.000
Strategic Leadership, Culture and Tourism	10.720	10.551	(0.169)
Young People	110.607	113.670	3.063
Total Portfolio Outturn	505.832	503.317	(2.515)
Interest and Dividend Income			0.000
Debt Charges			0.000
Risk Management			(0.047)
Total			(2.562)

A summary of the individual portfolio positions is detailed below.

Adult Care

There is a projected year-end underspend of £4.628m. The main variances are:

Purchased Services, £3.141m overspend – relates to an increase in the cost of complex care packages and a reduction in Continuing Health Care funding.

Assistive Technology and Equipment, £1.901m underspend – more targeted issuing has ensured that only the most appropriate community equipment is supplied, saving on the procurement of less suitable equipment.

Unallocated Budgets, £3.807m underspend – relates to budgets awaiting allocation during the year.

Due to the high projected underspend on the portfolio and an estimated increase of £1.350m in Better Care Fund grant income in addition to this, it is proposed that £5.000m of base budget is transferred from Adult Care to the Risk Management budget.

The budget savings target for 2019-20 is £5.732m. Of this target, £5.703m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Adult Social Care Precept and Improved Better Care Fund - £12.439m, to cover the additional cost of independent sector fees and the pay award relating to staff working in Adult Care.
- Transformational Care Programme - £0.456m, to move 24 clients from long stay hospitals to social care provision in line with the independent living agenda.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Corporate Services

There is a projected year-end underspend of £0.444m. The main variances are:

Finance and ICT, £0.860m underspend - due to vacancy control. This will assist in managing a planned restructure aiming to deliver significant savings over the three years from 2020-21.

County Property, £0.583m overspend – this relates to the under achievement of the income target for industrial estate properties. Whilst occupancy is at a

relatively high 92%, there are a number of the units where the full income level is not being achieved as some are leased to charities at below market rates, others are benefitting from rent free periods to attract businesses and offset maintenance costs. The Council has to pay the business rates on empty industrial units which has adversely affected the ability of the units to fully meet the return expected. These issues have been a consistent problem for a number of years, however, it must be remembered that the units are still delivering a net income. The income target is challenging and work is underway to ensure the units are placed on a sustainable basis moving forward.

Strategic Management, £0.364m underspend - relates to savings arising from previous restructures of senior management.

Legal Services, £0.318m overspend – demand for services means there is still a need to employ agency staff. A different model for delivering legal services is currently being considered with the aim to manage both service demand and costs more effectively.

Human Resources, £0.142m underspend – due to vacancy control. Departmental Human Resource functions are currently being centralised. Holding vacancies will assist in managing a planned restructure of the function as a whole which is expected to deliver significant savings in 2020-21 and 2021-22.

A budget savings target for 2019-20 of £1.340m has been allocated. Of this target, £1.152m of savings initiatives have been identified, all of which are expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Legal Services - £0.300m (one-off), to support the high levels of demand for the service
- ICT Strategy - £0.200m, to ensure that ICT is aligned with the needs of the business and delivery of the Enterprising Council programme.
- Enterprising Council - £0.150m (one-off), to support transformational change.
- Learning Management System - £0.083m (one-off), to manage the replacement of the Council's Learning Management system.
- HR SAP Development - £0.045m (one-off), to support the HR SAP Development team to generate financial savings.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Economic Development and Regeneration

There is a projected year-end underspend of £0.100m. The main variances are:

Economic Development, £0.173m underspend – Part of the budget for the Enhanced Enterprise and Investment Service is set aside to lever in external funding. Suitable projects which deliver sufficient value for money have not yet been identified, so this budget is not currently forecast to be spent.

Employment and skills, £0.073m overspend – relates to salary overspend, resulting from a budget deficit when the Head of Employment and Skills post was established.

No budget savings target has been allocated to this portfolio for 2019-20.

No additional funding has been provided to this portfolio in the 2019-20 budget.

There are no significant risks expected to impact on the portfolio's outturn position.

Health and Communities

The Health and Communities portfolio includes the Public Health budget of £39.477m, which is fully funded by the ring-fenced Public Health Grant for 2019-20. The forecast year-end position for the portfolio is an underspend of £0.643m. However, excluding Public Health, the portfolio is forecast to underspend by £0.237m. The main variances are:

Public Health, £0.345m underspend – a large proportion of the underspend continues to be generated from activity-based contracts which are not achieving anticipated levels of service. Some of the underspend will be used to mitigate the effects of a reduction of £1.071m in the Public Health Grant in 2019-20 and potential lower future funding levels.

Prior year underspends have been transferred into the Public Health Reserve. The balance on the reserve was £9.601 at 30 June 2019. The funds in this reserve are now fully committed.

Trading Standards, £0.198m underspend – reduced staffing costs following a restructure in December 2018.

A budget savings target of £0.157m has been allocated for 2019-20. £0.157m of savings initiatives have been identified, of which it is anticipated that £0.156m will be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following growth items:

- Coroners - £0.270m, to establish new posts and increase daily fees to Assistant Coroners.
- Trading Standards (Older People Support) - £0.048m (one-off), to provide a programme to increase awareness and reduce instances of fraudulent activity against older people.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Highways, Transport and Infrastructure

The Highways, Transport and Infrastructure portfolio is forecast to overspend by £2.622m, against a total budget of £77.460m. However, this will be brought into a break-even position, after the allocation of one-off funding from the Economy, Transport and Environment department's earmarked reserves as follows:

- £1.000m from the Winter Maintenance reserve.
- £1.622m from the prior-year underspends reserve.

Before the allocation of the reserve funding detailed above, the main variances are:

Unallocated Budget Savings, £5.250m overspend – savings targets not yet allocated to specific services.

Planning and Development, £1.105m underspend – mainly due to additional inspection fee income, paid to the Council by building developers, under Section 38 and 278 of the Highways Act (1980). The high levels of fee income reflect the present state of the local economy and the large number of developments currently underway.

Winter Maintenance, £1.027m overspend – of the £1.400m budget for the winter service, nearly £1.000m had already been spent by the end of June 2019. Further expenditure of £1.500m is forecast for the remainder of the year. These overspends will be supported by use of the Winter Maintenance earmarked reserve.

Waste Management, £0.994m underspend – lower than expected waste tonnages.

Public and Community Transport, £0.787m underspend – less support being paid to bus operators than expected.

The budget savings target for 2019-20 is £2.609m, with a further £3.321m target brought forward from previous years. Of this total target of £5.930m, £0.680m is expected to be achieved by the end of the financial year, with the expected base budget overspend being met from one-off funding, as explained above. Therefore there is currently a £5.250m forecast shortfall in

achievement of budget savings, however the multi-year savings programme to 2023-24 does allow for some slippage to be covered by prior years' underspends, still delivering the savings target in total.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Waste Management - £1.500m, to cover the increased cost of delivering the waste treatment and disposal contracts across Derbyshire and increased cost of recycling credits.
- Highways Maintenance - £1.000m (one-off), to provide a co-ordinated programme of maintenance improvements.
- Public Transport - £0.500m, to maintain reasonable levels of public transport accessibility across Derbyshire.
- Water Body £0.100m (one-off), to enable the Council to meet its obligations to manage its water bodies under new regulations
- HS2 Co-ordination Officer £0.064m (one-off), to support representation of the Council's interests as the HS2 route is developed.
- Street Lighting Energy - £0.048m (one-off), to meet inflationary increases to the cost of street lighting energy.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Any additional costs incurred from the identified risks will be met from the Economy, Transport and Environment Prior Year underspend earmarked reserve and the Winter Maintenance earmarked reserve, therefore none of these issues are expected to impact on the overall budget position for 2019-20.

Strategic Leadership, Culture and Tourism

A year-end underspend of £0.169m is projected. The main variances are:

Communications, £0.099m underspend – due to vacancy control, staff turnover and lower running costs.

Policy and Research, £0.111m underspend – due to vacancy control and reduced running costs.

Call Derbyshire, £0.111m underspend – due to vacancy control and staff turnover.

The budget savings target for 2019-20 is £0.542m, with a further £0.159m target brought forward from previous years. All of this total target of £0.701m, is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following items:

- Community Managed Libraries - £0.742m (one-off), to fund the commitment to introduce community managed libraries
- Thriving Communities - £0.368m, to focus on radically reshaping demand, unlocking community potential and creating an alliance for work and skills.
- Enterprising Council - £0.094m, to support transformational change.

There are no significant risks expected to impact on the portfolio's outturn position.

Young People

The projected year-end position is an overspend of £3.063m. However, it is anticipated that the eventual overspend could be as high as £4.000m to £6.000m depending on the continued trend in the rate of placements for children in care.

This forecast outturn position includes £6.756m of Dedicated Schools Grant income, as a contribution to the cost of supporting Early Help services and children with additional needs. Income from this source is not guaranteed to continue at the same level in future years.

The main variances in respect of the forecast year-end position are:

Support to Children with Disabilities, £1.248m overspend – increasing demand for support and complexity of some individuals' needs.

Education Support Services, £1.213m overspend – an increase in the number of children with Special Educational Needs (SEN) driving demand for the Psychology and the Planning and Assessment teams. Also, it is forecast that the decision not to increase the price per meal charged to schools will contribute £0.312m to the overspend on the school catering service.

Placements for Children in Care, £0.814m overspend – placement numbers have continued to rise steadily over the last six months. There are currently more placements required than can be funded from the allocated budget.

Home to School Transport, £0.595m overspend – an increase in the number of journeys provided to children with SEN and an increase in the cost of those journeys, driven by economic factors and the need to provide more specialised vehicles.

Early Help and Preventative Services, £0.445m overspend – a shortfall in contributions from schools towards the Early Help offer, offset to some extent by vacant posts in the Multi-Agency and Youth teams. A review is being finalised which, when implemented, will result in a more targeted Early Help service.

Pensions Payable to Former Staff, £0.242m overspend – enhanced pension obligations payable to staff who left during the early 1990s.

Unallocated Budget, £1.572m underspend – this represents budget released as a result of changes to the Early Help offer. It is being held to cover an anticipated £1.767m of grant income which the government has signalled will be withdrawn in 2020-21. In the interim it will help offset some of the portfolio's underspend against its current budget.

A savings target of £3.013m has been allocated for 2019-20. Savings initiatives totalling £3.013m have been identified, all of which are expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Placement Demand Pressures - £3.000m plus one-off funding of £5.000m, to support the increase in the demand for placements and the increasing complexity of children and young peoples' needs.
- Social Worker Recruitment - £1.300m plus one-off funding of £2.600m, as part of a four year recruitment plan to increase the number of social workers to ensure caseloads are at a healthy working level consistent with good practice.
- Home to School Transport (SEN) - £1.450m, to support the increased cost of transporting children and young people to school, pupil referral units or alternative provision when they have been excluded from mainstream schools.
- Increase in Special Guardianship Placements - £1.097m, to ensure the budget is sufficient to meet the current level of costs payable to those who have parental responsibility under a special guardianship order.
- Children in Care Legal Proceedings - £1.050m (one-off), reflecting the greater number of court proceedings and the increased use of external legal firms to present cases.
- Children's Homes - £0.450m, to provide additional staffing required to meet the needs of children and young people placed in homes.
- Care Leavers - £0.402m (one-off), to meet the cost of additional statutory duties towards care leavers.
- SEND Assessment and Planning - £0.275m, to provide additional staffing.
- Mobile Working - £0.260m (one-off), to develop solutions to enable more flexible working with the aim of achieving cost benefits and improvements to the timeliness of information.
- Complex Case Pooled Budget - £0.250m (one-off), contingency for the Council's contribution to the pooled budget reflecting the increasing levels of expenditure in recent years.

- Child Protection - £0.105m (one-off), to fund the cost of staff needed to respond to an increased number of children on protection plans. Staff will be reduced if the number of children on plans reduces.
- Children's Participation - £0.080m (one-off), to fund a delay to a planned budget reduction to the support provided to children and young people to participate in decision making. The service is seeking to identify alternative savings options.
- Foster Carers - £0.060m, to cover the inflationary increase to foster carer allowances from April 2019.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is a ring-fenced grant comprising four individual blocks: Schools Block, High Needs Block (HNB), Early Years Block and Central Block. Allocations of the blocks are governed by the Schools and Early Years Finance Regulations. Any underspend or overspend on the grant is carried forward to future years within the accumulated balance of the DSG Earmarked Reserve.

After utilising available balances from the DSG reserve, it is anticipated that 2019-20 HNB expenditure will exceed the allocated grant income by £0.968m. This deficit will accumulate in the DSG reserve and will be funded by earmarking £0.968m from the General Reserve.

Unless additional Government funding is awarded, it is forecast that HNB overspends will total £9.909m between 2019-20 and 2022-23, after using available balances from the DSG reserve:

	2019-20	2020-21	2021-22	2022-23	Total
	£m	£m	£m	£m	£m
HNB Deficits to Fund	0.968	2.504	2.660	3.777	9.909

£9.909m represents the cumulative pressure on the General Reserve over the four year period.

Summary

A Council portfolio underspend of £2.515m is forecast, after the use of £2.622m of Earmarked Reserves to support the Highways, Transport and Infrastructure portfolio. Any underspends in 2019-20 will be used to manage the budget in 2020-21.

The Debt Charges budget is projected to break-even. This is based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and an £8.000m one-off reduction

in the Council's Capital Adjustment Account Reserve. This one-off reduction was reported to Council on 7 February 2018. This reduction is made on the basis that the amounts set aside to repay debt over the last ten years are well in excess of what is required to ensure the Council can repay its debts.

The Risk Management Budget is forecast to underspend by £0.047m. This will support the management of a balanced budget in future years.

Interest and dividends received on balances is estimated to break even by the year-end. The interest base rate is currently 0.75%, however, the Council utilises a range of investments to maximise its income.

Details of the Council's Earmarked Reserves balances as at 30 June 2019 are set out in Appendix One. A review of the Council's reserves balances will be reported to Cabinet later in the year.

A summary of the expected achievement of budget savings targets is provided at Appendix Three. The budget savings target for 2019-20 is £13.393m, with a further £3.480m target brought forward from previous years. The savings initiatives identified to meet this target currently fall short by £5.438m, therefore further proposals will need to be brought forward to ensure the Council continues to balance its budget. Of this total target of £16.873m, £10.650m is expected to be achieved by the end of the financial year. Therefore, there is a £6.223m forecast shortfall in achievement of budget savings. The resulting base budget overspend is offset to some extent by one-off underspends or is being met from one-off funding from earmarked reserves.

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

3 Financial Considerations

As set out above.

4 Other Considerations

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

5 Background Papers

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

6 Key Decision

No.

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

No.

8 Officer's Recommendation

That Cabinet:

- 8.1 Notes the 2019-20 budget monitoring position as at 30 June 2019.
- 8.2 Approves the virement of £5.000m base budget from Adult Care to the Risk Management budget.

PETER HANDFORD

Director of Finance & ICT

Earmarked Reserves as at 30 June 2019

Adult Care	£m
Older People's Housing Strategy	22.676
Other reserves	0.283
Total Adult Care	22.959
Corporate Services	
Budget Management	29.089
Loan Modification Gains/Losses	28.440
Insurance and Risk Management	20.069
Revenue Contributions to Capital	16.591
Planned Building Maintenance	5.932
Business Rates Strategic Investment Fund	4.889
Business Rates Pool	4.716
Uninsured Financial Loss	3.500
Computer Purchasing	3.215
Property Insurance Maintenance Pool	2.837
Property DLO	2.503
Change Management	2.379
PFI Reserves	1.981
Prior Year Underspends	1.468
Community Priorities Programme	1.025
Other reserves	4.491
Total Corporate Services	133.125
Economic Development and Regeneration	
D2 Growth Fund	0.200
Markham Environment Centre	0.114
Skills Training	0.101
Other reserves	0.417
Total Economic Development and Regeneration	0.832
Health and Communities	
S256/External Funding	0.254
Other reserves	0.438
Total Health and Communities	0.692
Highways, Transport and Infrastructure	
Prior Year Underspends	9.274
Broadband	3.931
Winter Maintenance	2.000
Road Safety Public Service Agreement (PSA)	1.182

Waste Recycling Initiatives	0.598
IT Reserve	0.559
Derby and Derbyshire Road Safety Partnership Reserve	0.500
Other reserves	1.511
Total Highways, Transport and Infrastructure	19.555

Strategic Leadership, Culture and Tourism

Policy & Research	1.044
Prior Year Underspends	0.913
Community Managed Libraries	0.742
Derbyshire Challenge Fund	0.466
Library Restructure	0.429
Derwent Valley Mills World Heritage Site	0.193
Other reserves	0.594
Total Strategic Leadership, Culture and Tourism	4.381

Young People

Tackling Troubled Families	4.083
Standards Fund (Schools)	1.170
Childrens Services IT Systems	0.746
School Rates Refunds	0.600
Primary Teacher Pool Premium	0.496
Youth Activity Grants	0.330
Foster Carer Adaptations	0.262
Unaccompanied Asylum Seeking Children	0.243
Other reserves	0.778
Total Young People	8.708

Total Portfolio Earmarked Reserves	190.252
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Schools

Schools Balances	25.776
Dedicated Schools Grant (DSG)	5.603

Total balances held for and on behalf of schools	31.379
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Public Health Grant	9.601
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Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High)
*Sensitivity represents the potential negative impact on the outturn position should the event occur.			
Adult Care			
Transforming Care Programme	There is currently an NHS England aim to transfer long-term hospital clients from Health to Social Care. Should this occur, it is expected that Health will fund 50% of these placements, but the remainder will have to be met by the Council.	0.910	4
Corporate Services			
County Property	Loss of key personnel due to uncertainty over a review planned to be implemented from January 2020. Potential net loss of income.	0.200	3
Health and Communities			
Coroners	National shortage of Pathologists may impact by increasing fees	0.200	2
Highways, Transport and Infrastructure			
Winter Maintenance	Impact of a severe winter.	1.500	4
Street Lighting Energy and Maintenance	Further energy price increases, or further slippage in implementation of the LED programme.	0.300	2
Highways Management	Deterioration in ability to fund salaries from capital projects and potential deficit on the Highways Construction overhead accounts.	0.800	2
Waste Management	Costs associated with resolving the future of the Waste Treatment Plant at Sinfin.	1.000	5
Young People			
Placements	Increased number of children requiring placements.	2.500	4
Social Care services	Increase in number of referrals meeting social care thresholds.	0.300	4

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High)
	Inability to recruit and retain sufficiently experienced social workers.	1.000	3
Department wide	Data security breaches and the subsequent risk of serious damage to reputation and financial impact if fines are imposed	0.500	3
Multi-Agency Teams	Not meeting targets for Troubled Families data collection resulting in loss of income	0.300	3

APPENDIX 3

Budget Savings Monitoring 2019-20

Portfolio	Budget Savings Targets			Savings Initiatives Identified			Target not Identified	Actual Savings Forecast	Savings Shortfall
	Not yet achieved Brought Forward			Still to be Achieved			(Shortfall)/ Additional Identified Savings	Forecast to be achieved by Financial Year End	Actual (Shortfall)/ Additional Achievement of Savings Target
	Prior Year £m	Current Year £m	Total Target £m	Prior Year £m	Current Year £m	Total Identified £m	£m	£m	£m
AC	0.000	5.732	5.732	0.000	5.732	5.732	0.000	5.703	(0.029)
CS	0.000	1.340	1.340	0.000	1.152	1.152	(0.188)	1.152	(0.188)
EDR	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
HC	0.000	0.157	0.157	0.000	0.157	0.157	0.000	0.156	(0.001)
HTI	3.321	2.609	5.930	0.000	0.680	0.680	(5.250)	0.680	(5.250)
SLCT	0.159	0.542	0.701	0.159	0.542	0.701	0.000	0.701	0.000
YP	0.000	3.013	3.013	0.000	3.013	3.013	0.000	2.258	(0.755)
Total	3.480	13.393	16.873	0.159	11.276	11.435	(5.438)	10.650	(6.223)

AC = Adult Care ; CS = Corporate Services ; EDR = Economic Development and Regeneration ; HC = Health and Communities
HTI = Highways, Transport and Infrastructure ; SLCT = Strategic Leadership, Culture and Tourism ; YP = Young People

Age profile of debt, relating to income receivable, at 30 June 2019

0 - 30 Days £m	31 - 365 Days £m	1 - 2 Years £m	2 - 3 Years £m	3 - 4 Years £m	Over 4 Years £m	Total £m
Adult Care						
1.045	6.682	1.246	0.826	0.326	0.619	10.744
9.7%	62.2%	11.6%	7.7%	3.0%	5.8%	100.0%
Children's Services						
0.859	0.603	0.075	0.030	0.013	0.015	1.595
53.9%	37.8%	4.7%	1.9%	0.8%	0.9%	100.0%
Economy, Transport and Environment						
1.278	5.605	0.530	0.044	0.021	0.009	7.487
17.1%	74.9%	7.1%	0.6%	0.3%	0.1%	100.0%
Commissioning, Communities and Policy						
2.308	1.403	0.250	0.094	0.018	0.176	4.249
54.3%	33.0%	5.9%	2.2%	0.4%	4.2%	100.0%
All Departments						
5.490	14.293	2.101	0.994	0.378	0.819	24.075
22.8%	59.4%	8.7%	4.1%	1.6%	3.4%	100.0%

The value of debt written off in the 12 months up to 30 June 2019

Department	£m
Adult Care	0.360
Children's Services	0.030
Economy, Transport and Environment	0.013
Commissioning, Communities and Policy	0.062
All Departments	0.465