



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

21 September 2023

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

**Performance Monitoring and Budget Monitoring/Forecast Outturn
2023-24 as at Quarter 1 (30 June 2023)**
(Strategic Leadership, Culture, Tourism and Climate Change
and Corporate Services and Budget)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is a Key Decision because it is likely to result in the Council incurring expenditure which is, or savings which are, significant, having regard to the budget for the service or function concerned (this is currently defined as £0.500m).

3. Purpose

3.1 To provide Cabinet with an update of Council Plan performance and the Revenue Budget/forecast outturn for 2023-24, as at 30 June 2023 (Quarter 1).

4. Information and Analysis

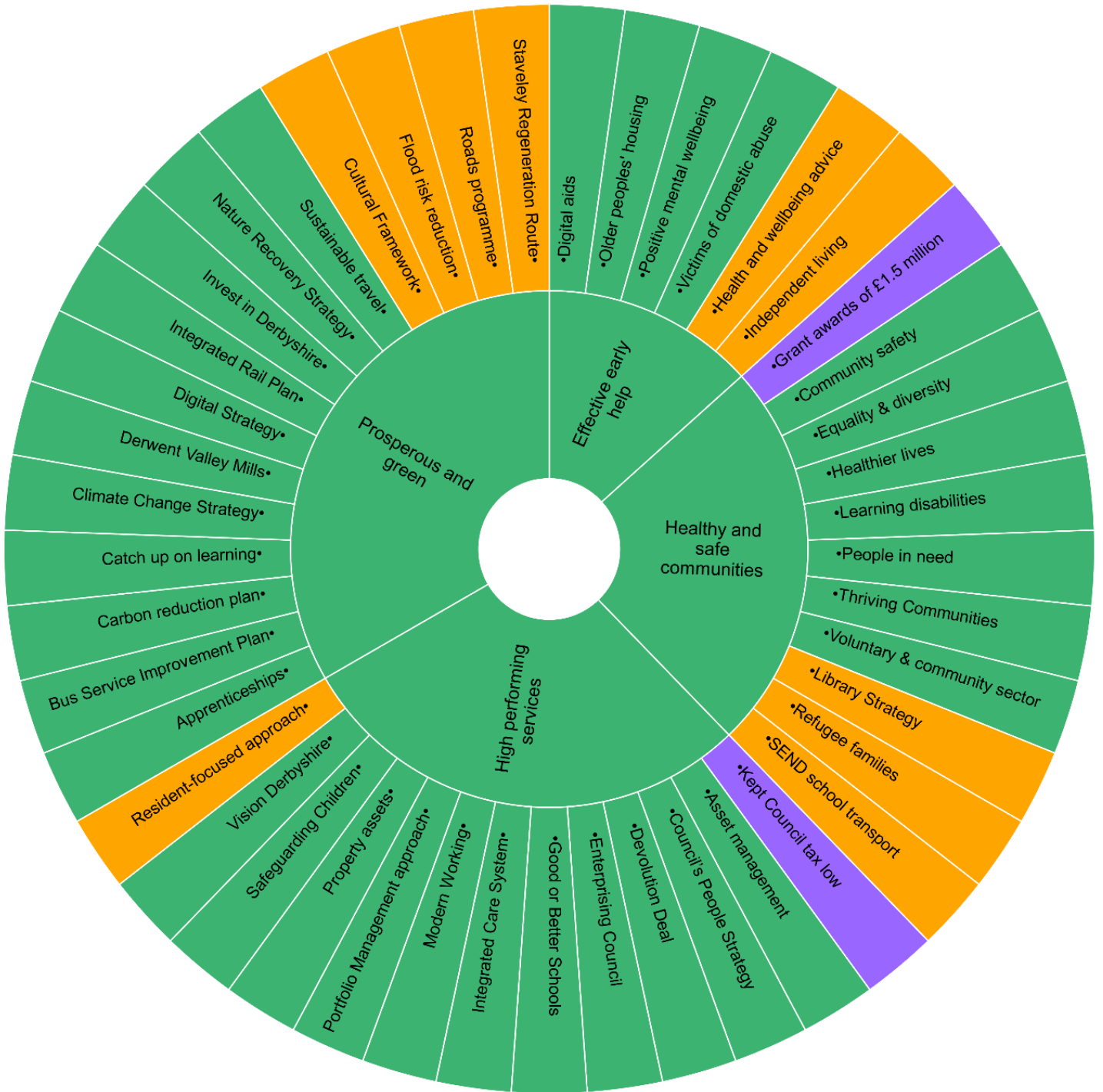
Integrated Reporting

- 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 30 June 2023.
- 4.4 Appendices to this report summarise progress on Council Plan deliverables and the controllable budget position by Cabinet Member Portfolio for 2023-24 as at 30 June 2023. Further reports will be considered at Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

Performance Summary

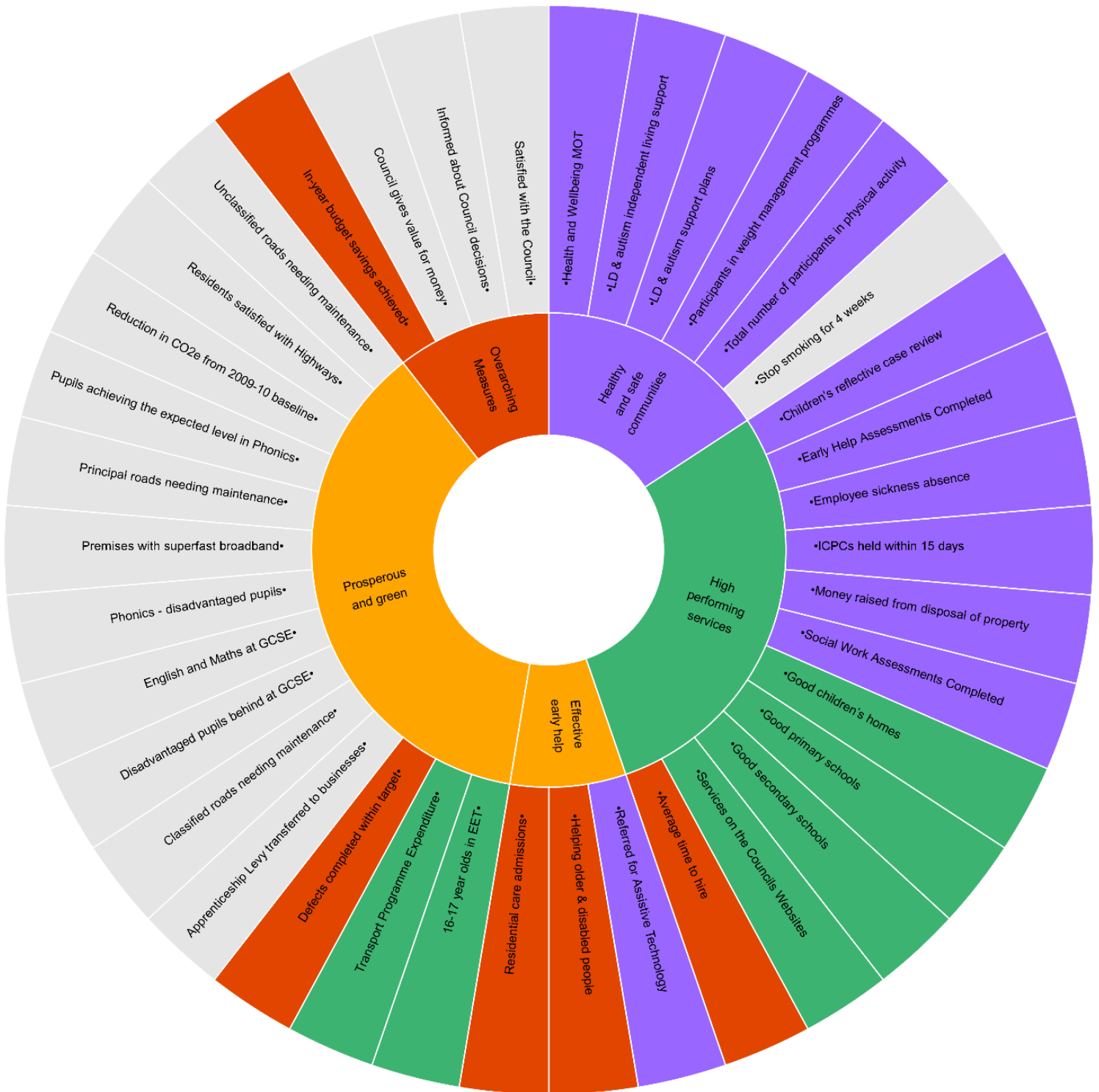
- 4.5 The Council Plan refresh for 2023-25, which outlines the Council's priorities, key deliverables and performance measures, was approved by Council in March 2023.
- 4.6 The 2023-24 Performance Report for Quarter 1, attached at Appendix 3, sets out the position in full up to the end of June 2023 for each deliverable and associated key measures set out in the Council Plan.
- 4.7 The Council is performing well in delivering the new Council Plan, with 78% of the 45 deliverables in the Plan showing "Good" or "Strong" progress. 22% have been rated as "Requiring Review" and none have 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 key measure identified in the Council Plan by priority. For the 23 key measures where data for 2023-24 against target is available, twelve are rated as “Strong”, with a further six rated as “Good”. Five measures are rated as “Requiring Action”.

Key Measures Against Target



Performance by Priority

4.9 The resilient, healthy and safe communities priority shows overall “Good” performance for deliverables and “Strong” performance for measures.

4.10 Key areas of success are as follows:

- The Council has successfully delivered the Council's new, outcomes-based funding programme for the voluntary and community sector and this will continue through the Funding Framework and Prospectus over the 2023-24 period. This includes investing in local people and communities to create opportunities for them to adapt, develop and grow.
- The Council continues to respond to very high demand for Emergency Cash Payments. These include applications for the Household Support Fund. Contact with clients to maximise their benefit income via the Welfare Rights Service continues to remain at high volumes.
- In Quarter 1 all Live Life Better Derbyshire (LLBD) services are above target and there is a high demand for LLBD services. The Move 4 Wellbeing pathway has increased access to the LLBD physical activity programme through providing access for people with low to moderate emotional wellbeing.

4.11 Areas for consideration are as follows:

- There has been a limited response from community groups to take forward community managed libraries. Therefore a new approach is being developed to refresh the Library Strategy. Discussions will also include proposals on the optimum approach for the mobile library service.
- The Council's delivery of home to school transport for children with special educational needs is a complex area with some significant risks particularly in terms of the required data and intelligence currently available to assess the Council's statutory responsibilities and to support decisions to be able to deliver these in an efficient manner. A twelve month plan is in place to address the challenges with some actions already completed.
- The provision of accommodation and support for those seeking asylum is becoming a significant issue. As there is currently no national funding available to upper tier authorities, the Council currently has no resource to develop a countywide response, and therefore this action has been delayed.

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 are as follows:

- Following on from consultation on devolution deal proposals, all four councils have approved proposals that are now with Government. Preparations and engagement with stakeholders continue, ready for the anticipated passage of the Levelling Up and Regeneration Bill through Parliament.
- A range of evidence from the Council's quality assurance and performance framework shows consistency of approach and strong practice across the children's social care and early help workforce.
- The 2023-24 Council Tax increase of 3.75% was amongst the lowest increases compared to other similar authorities.
- Departmental deliverable plans are in place for each of the five people priorities within the People Strategy. New workforce policies have been developed and introduced with existing policies reviewed and updated. Quarter 1 figures for sickness absence are showing improvements against the previous year.
- Good progress has been made in support of the Asset Management Strategy with the completion of the Estates Strategy, Disposals Protocol, Facilities Management Strategy, and Repairs and Maintenance Strategy. A total of 394 asset plans have now been completed and £1.915m of capital receipts were achieved in Quarter 1 against the target for the year of £4m.
- Whilst the proportion of Derbyshire pupils attending good or better schools remains lower than national figures, particularly at secondary level, there has been improvement at a faster rate in Derbyshire than nationally so far this academic year.

4.14 Areas for consideration are as follows:

- Progress on implementing the complaints and feedback system is delayed whilst timescales for development and priorities are reviewed with departments in terms of resources available for the agreed roadmap.
- The year to date average Time to Hire figure of 62 days is above the target for the year end of 50 days. This figure reflects days between a vacancy being shortlisted and the contract being prepared. Changes to onboarding processes and an anticipated reduction in Disclosure and Barring Service delays should see the average time to hire figure reduce during the next quarter.

- 4.15 The effective early help for individuals and communities priority shows overall 'Good' performance for deliverables but the measures "Require Review".
- 4.16 Key areas of success are as follows:
- Mental Health Awareness week took place between 15 - 21 May 2023. The mental health and suicide prevention team supported the Think Fest which was held on 20 May 2023 and was Derbyshire's first ever festival to get people thinking and talking about mental health. The event was held in Chesterfield and saw thousands of people attend.
 - The assistive technology service has successfully supported 300 people to access assistive technology to live safely in their home. This is substantially above the original target of 150 people.
- 4.17 Areas for consideration are as follows:
- Progress to finalise the new ways of working with older people and people with a disability to increase their independence is being delayed by a shortage of homecare to support people to be independent in their own homes. This is a national issue and not unique to Derbyshire. Formal consultation for the redesign of the Homecare Short Term Service to improve capacity and efficiency has now concluded and the outcome report is being finalised.
- 4.18 The priority for a prosperous and green Derbyshire shows overall 'Good' performance for deliverables but the measures "Require Review".
- 4.19 Key areas of success are as follows:
- The work of the Education Improvement Service with partners to enable pupils to catch up on learning has been acknowledged in the most recent report by the Education Endowment Foundation. Over 150 schools from key stage 1 to key stage 3 are involved in this partnership, working with the Derby Research School as well as other partners such as the English and Maths Hubs. The percentage of 16 to 17 year olds in education, employment or training maintains Derbyshire within the top quartile nationally.

4.20 Areas for consideration are as follows:

- While the overall Local Transport Programme is on track, it is acknowledged that the repair of road defects has declined recently, with 52.9% of defects being repaired within target timescales against a target of 90%. This has been accelerated by the current adverse and unpredictable weather conditions which have impacted on the rate of repair, as the treatment required exceeds the budget available. In order to address this, a proactive resurfacing programme is being sought to plan responsive action to be able to maintain the roads effectively.
- The proposed public engagement regarding the Chesterfield to Staveley Regeneration route is currently paused pending Government approval of the Outline Business Case. Active engagement with Government over the Outline Business Case is ongoing, with a full response to clarification questions submitted on 14 July 2023.
- Good progress has been made on some aspects of the delivery of the Derbyshire Cultural Framework but other aspects have been delayed. Proposals for the grants team have been developed and upon completion of the restructure will be implemented at pace. An offer of £780k from Arts Council England towards delivery of Derbyshire Makes/Derbyshire Festival of Making has been made.














4.21 With regard to the key measure to achieve all in year budget savings, £10.137m is forecast to be achieved against a target of £16.190m.

4.22 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.

4.23 With 78% 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

4.24 The Council’s forecast outturn for 2023-24 as at Quarter 1 (30 June 2023), compared to controllable budget, is summarised below. The forecast outturn table shows the position net of the impact of the ring-fenced Dedicated Schools Grant (DSG) of £397.167m and Public Health grant of £45.232m, other ring-fenced grants and income from other third parties and their associated spend.

	Budget £m	Forecast Actuals £m	Projected Outturn £m	Budget Performance
Adult Care	276.723	283.949	7.226	
Children's Services and Safeguarding and Education	156.998	170.135	13.137	
Clean Growth and Regeneration	0.723	0.425	(0.298)	
Corporate Services and Budget	66.087	70.324	4.237	
Health and Communities (exc. Public Health)	10.504	9.891	(0.613)	
Highways Assets and Transport	40.817	50.171	9.354	
Infrastructure and Environment	48.545	49.969	1.424	
Strategic Leadership, Culture, Tourism and Climate Change	10.536	10.927	0.391	
Total Portfolio Outturn	610.933	645.791	34.858	
Risk Management	53.461	61.306	7.845	
Debt Charges	38.019	47.342	9.323	
Interest and Dividend Income	(5.122)	(10.855)	(5.733)	
Levies and Precepts	0.373	0.373	0.000	
Corporate Adjustments	3.821	3.904	0.083	
Total	701.485	747.861	46.376	

- 4.25 An overall Council overspend of £46.376m is forecast. This is already after substantial one-off support from the use of £29.699m of the Council's Earmarked reserves.
- 4.26 Of these significant Earmarked reserves drawdowns, which underpin the Council's outturn position, £23.707m has been drawn from the Budget Management reserve for planned service pressures identified in the Revenue Budget 2023-24, and a further £5.992m is expected to be drawn from departmental reserves to support the Adult Care and Highways Assets and Transport portfolios' outturn positions.
- 4.27 The forecast overspend is in addition to the overspend reported for 2022-23 which resulted in the Council utilising £55m of its reserves in order to balance the budget to meet inflationary, demand and pay award cost pressures. This was an additional sum of £23m over and above that originally budgeted for at the time of setting the budget in February 2022.
- 4.28 The paragraphs below describe the reasons for the overspend. There continues to be inflationary and demand pressures, particularly for adults and children's social care.
- 4.29 At the time of setting the budget in February 2023, substantial investment was made in all service areas to support anticipated inflationary and demand pressures. However, despite this investment, inflation has continued to provide cost pressures to all service areas and the pay offer for 2023-24 is higher than estimated.
- 4.30 If the forecast overspend is not addressed, the Council's General Reserve balance will be depleted. Therefore, the Council is taking a number of actions to mitigate the overspend. This includes:
- Finding alternative in year savings proposals.
 - Looking at high cost placements to find cheaper options.
 - Potentially stopping projects or deferring them until the next financial year to reduce planned expenditure.
 - Introducing vacancy controls to reduce in year expenditure.
 - Reduce the amount of spend on agency staffing.
 - Introducing expenditure controls across non staffing budgets.
- 4.31 In taking these actions now, it is anticipated that the forecast overspend can be significantly reduced. Details of the actions taken will be reported to Cabinet later in the year. The achievement of mitigating actions to reduce the overspend will be closely monitored by the Chief Officers.

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

Reasons for Variance

- 4.34 Of the forecast £34.858m portfolio overspend, the significant variances are:
- a £13.137m overspend on the Children's Services and Safeguarding and Education portfolios, which includes the anticipated drawdown of £7.803m from the contingency budget for inflation;
 - a £9.354m overspend on the Highways Assets and Transport portfolio, after the use of £2.091m of departmental earmarked reserves and £2.725m from the contingency budget for inflation;
 - a £7.226m overspend on the Adult Care portfolio, after the use of £3.901m of departmental earmarked reserves and £22.830m from the contingency budget for inflation;
 - a £4.237m overspend on the Corporate Services and Budget portfolio. The use of £5.663m from the contingency budget for property running costs inflation has been assumed across this and other relevant portfolios; and
 - a £1.424m overspend on the Infrastructure and Environment portfolio, after the use of £3.583m from the contingency budget for inflation.

Children's Services

- 4.35 The forecast £13.137m overspend on the Children's Services and Safeguarding and Education portfolios is mainly due to continued high demand for placements for children who are in care or unable to remain at home.
- 4.36 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.

- 4.37 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 costs of meeting the increased demand for Education, Health and Care Plans (EHCPs), the estimated impact of inflation and pay awards on traded and grant funded services, high demand for safeguarding services due to greater numbers of children in care and children in need and the pressure to provide high-cost packages to support children with complex needs to remain with their families or maintain their current care placement.
- 4.38 The forecast outturn for this portfolio includes the anticipated draw down from the Corporate Contingency budget of £1.811m for inflation related to Home to School Transport and £5.992m for inflation related to Children's Social Care.

Highways, Assets and Transport

- 4.39 The forecast £9.354m overspend on the Highways Assets and Transport portfolio mainly relates to:
- unachieved savings targets from previous years;
 - increased activity on routine highways maintenance work;
 - the unfunded implementation of the new Alloy and Kaarbontech Highways Network Planning software systems; and
 - staff costs anticipated to be chargeable to capital budgets being lower than budgeted and winter maintenance costs which are expected to exceed the allocated budget based on an average severity of winter.
- 4.40 The forecast outturn for this portfolio includes the anticipated draw down from the Corporate Contingency budget of £1.700m for inflation related to the tendered public transport network and £1.025m for inflation related to reactive highways maintenance and the use of £2.091m of departmental earmarked reserves, including the Winter Maintenance reserve.

Adult Care

- 4.41 The forecast £7.226m overspend on the Adult Care portfolio relates to Purchased Services costs and allocated savings targets which are not expected to be achieved this financial year. 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.
- 4.42 The forecast outturn for this portfolio includes the anticipated draw down from the Corporate Contingency budget of £22.830m for inflation related to contract fees paid to care providers and the use of £3.901m of departmental earmarked reserves.

Corporate Services and Budget

- 4.43 The forecast £4.237m overspend on the Corporate Services and Budget portfolio has mainly arisen in the Corporate Property division. This is due to there being historically insufficient budget to meet the costs of operating and maintaining the Council's property portfolio. There are also delays in achieving allocated savings targets.
- 4.44 In addition, there is pressure from price increases on the cleaning and caretaking contract due to rises in the National Living Wage and the Consumer Price Index (CPI). There is also the cost of carrying properties awaiting disposal or repurpose and high inflation affecting utilities, security, rates and maintenance costs is exacerbating this pressure.
- 4.45 There is also a forecast overspend in the Finance & ICT division relating to the delayed achievement of savings targets due to the deferred implementation of the SAP HANA system.
- 4.46 The use of £5.663m from the Corporate Contingency budget for property running costs inflation has been assumed across this and other relevant portfolios, although this is currently being reviewed to establish whether the full amount is required.

Infrastructure and Environment

4.47 The forecast £1.424m overspend on the Infrastructure and Environment portfolio has mainly arisen due to unachieved savings targets from previous years and delays in achieving identified savings initiatives. The use of £3.583m of Corporate Contingency budget for inflationary pressures affecting waste disposal contracts has been assumed. An estimated 6% decrease in waste tonnages has somewhat offset the overspend.

4.48 Portfolio costs are explained in more detail in Appendices 4 to 11.

Corporate Budgets

4.49 There is a forecast overspend of £11.518m on corporate budgets in 2023-24, the corporate budgets being:

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

Risk Management

4.50 The overspend on the Risk Management budget relates to the expected pay award exceeding the budgeted contingency by £7m and an additional £4m forecast to be allocated for inflation relating to Childrens Social Care above the budgeted contingency; this is offset by £3m of general contingency budget which remains unallocated. Further detail is set out in the table below.

	Budget £m	Forecast Expenditure £m	Over / (Under) Spend £m
Pay Award 2023-24 Contingency	10.456	0.000	(10.456)
Allocation of Contingency	(0.075)	17.376	17.451
<hr/> Pay Award 2023-24	<hr/> 10.381	<hr/> 17.376	<hr/> 6.995
 Soulbury/ Social Worker Growth/ Coroners/ Members Allowances Pay Award 2023-24 Contingency	 0.295	 0.000	 (0.295)

Allocation of Contingency	(0.023)	0.292	0.315
Other Pay Award 2023-24	0.272	0.292	0.020
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Soulbury/ Social Worker Growth/ Coroners/ Members Allowances Pay Award 2022-23			
Contingency	0.300	0.000	(0.300)
Allocation of Contingency	(0.207)	0.161	0.368
Other Pay Award 2022-23	0.093	0.161	0.068
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Inflation - Contract Fees paid to Care Providers (ongoing)	22.830	22.830	0.000
Inflation - Transport and Catering Supplies (one-off)	0.673	0.673	0.000
Inflation - Home to School Transport (ongoing)	1.811	1.811	0.000
Inflation - Children's Social Care (ongoing)	2.092	5.992	3.900
Inflation – Property running costs (one-off)	5.663	5.663	0.000
Inflation - Reactive Maintenance (one-off)	1.025	1.025	0.000
Inflation - Waste (one-off)	3.583	3.583	0.000
Inflation - Tendered Network Increase (one- off)	1.700	1.700	0.000
External Audit Fee Increase (ongoing)	0.200	0.200	0.000
Departmental Specific Service Pressures	39.577	43.477	3.900
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General Contingency	3.557	0.000	(3.557)
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Savings Targets not achievable/duplicated	(0.771)	0.000	0.771
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Total Contingency Funding	53.109	61.306	8.197
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Extended rights to home to school transport	0.171	0.000	(0.171)
Services Grant 2023-24	0.181	0.000	(0.181)
Additional Non-ringfenced Grants	0.352	0.000	(0.352)
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Total Risk Management Budget	53.461	61.306	7.845

4.51 The Risk Management Budget of £53.461m includes:

- £53.109m of remaining contingency funding set aside in the 2023-24 Revenue Budget. This comprises a remaining pay award element of £10.746m, departmental specific service pressures of £39.577m and general contingency of £3.557m:
 - £10.381m for a 2023-24 pay award, considered at paragraphs 4.53 to 4.54;
 - £0.365m for 2022-23 and 2023-24 pay increases relating to social worker growth, Soulbury Pay Scale workers, Coroners and Members' Allowances;
 - £39.377m to support Departments with the rising cost of goods and services;
 - £0.200m contingency for expected increases in external audit fees;
 - £3.557m general contingency; and
 - Less: £0.063m of savings target allocated to the Corporate Services and Budget portfolio not considered deliverable, a £0.156m savings target allocated to the Strategic Leadership, Culture and Climate Change portfolio, which was duplicated in financial years 2021-22 and 2022-23 and £0.552m of the £1.726m savings target allocated for the reduction in the pension oncost equated rate which is not deliverable.
- £0.352m of additional non-ringfenced grants that had not been announced when the 2023-24 Revenue Budget was approved by Council on 15 February 2023. This comprises:
 - £0.171m Extended Rights to Home to School Transport Grant adjustment; and
 - £0.181m Services Grant 2023-24 adjustment.

4.52 The forecast expenditure of £61.306m on the Risk Management Budget relates to:

- £17.829m anticipated allocation of budget to fund pay increases including those relating to social worker growth, Soulbury Pay Scale workers, Coroners and Members' Allowances.
- £43.477m anticipated allocation of budget to support Departments with the rising cost of goods and services; inflation expenditure and budget which has already been included in portfolio forecasts.

4.53 The 2023-24 pay award for Local Government Service Employees (effective from 1 April 2023) has yet to be fully agreed. The National Employers' final one-year offer proposed to the unions representing the main local government workforce was as follows, with effect from 1 April 2023:

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

The final 2023-24 pay offer is equivalent to an average pay increase of 6.6% across the Council's workforce, which results in a total ongoing cost to the Council of £17.451m. For 2023-24 budget purposes a sum of £10.456m was set aside, based on a 4% flat pay award increase. The agreed pay increase for 2022-23 leaves the Council with a shortfall of £6.995m in 2023-24 and an ongoing pressure of that amount in each subsequent year. If the final 2023-24 pay award is higher than the National Employers' offer it will be a further cost pressure to the Council.

4.54 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 2023-24 in respect of the Dedicated Schools Grant.

Debt Charges

4.55 The Debt Charges budget is forecast to be overspent by £9.323m in 2023-24 of which £5m relates to interest payable on temporary loans and £4m to the Minimum Revenue Provision (MRP) for the repayment of debt principal.

4.56 Interest costs have increased due to rising interest rates and the increased need to borrow to maintain working capital after the payment of the Derby and Derbyshire Waste Treatment Centre legal settlement. MRP has increased as the Council's Capital Financing Requirement (CFR) has risen following the trend of switching capital financing from Revenue Contributions to borrowing in recent years as part of its risk management strategy.

Interest and Dividend Income

- 4.57 A favourable variance of £6m is forecast on the Interest and Dividends budget. The Council utilises a range of investments to maximise its income on cash balances. As interest rates have risen, forecast income from short-term lending has increased, but this is offset by an increase in the interest the Council is expected to pay to meet its temporary borrowing needs. Interest income includes interest accrued on the loan advances to Buxton Crescent Ltd.

Corporate Adjustments

- 4.58 There is a forecast overspend of £0.083m on Corporate Adjustments in 2023-24.
- 4.59 The forecast overspend comprises £0.280m of amortisation of premiums and interest on restructured loans and £0.264m of reserve movements attributable to the ring-fenced Dedicated Schools Grant offset by £0.461m of interest income and debt charges recognised in schools' budgets.

General Reserve

- 4.60 The General Reserve stands at £32.705m at 30 June 2023 and there are further commitments relating to this financial year that were detailed in the 2022-23 outturn report, leaving a balance of £28.025m. This is considered to be the minimum level of general reserve for an organisation the size of the Council. The current forecast £46.376m overspend for 2023-24 would more than deplete the available General Reserve balance. Therefore, corrective action as outlined in paragraph 4.30 of this report needs to be undertaken to reduce this overspend.

Earmarked Reserves

- 4.61 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.
- 4.62 A summary of outstanding balances on the Council's Earmarked reserves as at 30 June 2023 is set out in Appendix 13.

4.63 A one-off service pressure of £0.501m was awarded to the Corporate Property service to decommission buildings that are closing and being disposed of. This funding is fully committed, but it is not expected to all be spent during 2023-24. Therefore, it is proposed to contribute any unspent amount from this budget to an Earmarked reserve in order that it may be utilised after 31 March 2024.

Budget Savings

4.64 A summary of the achievement of budget savings targets for 2023-24 is provided at Appendix 14. The budget savings target for 2023-24 is £16.190m, with a further £12.038m target brought forward from previous years. Of the in-year savings target, £10.137m 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.

Debt Age Profile

4.65 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.

Traded Services

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

4.67 '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 contribution to general overheads of £0.459m is forecast for 2023-24 on fully traded areas across the Council as a whole.

4.68 '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 £0.631m compared to the budgeted income target is forecast for 2023-24 on partially traded areas across the Council as a whole.

4.69 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 2023-24 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 2023-24
- 9.15 Appendix 15 – Aged Debt

10. Recommendations

That Cabinet:

- 10.1 Notes and agrees the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2023-24 as at 30 June 2023 (Quarter 1).
- 10.2 Notes the position on General and Earmarked Reserves.
- 10.3 Approves the contribution to an Earmarked reserve of any unspent amount from the one-off service pressure of £0.501m awarded in the 2023-24 Revenue Budget for the decommissioning of buildings that are closing and being disposed.
- 10.4 Notes significant actions are required and will be undertaken across the Council to reduce the significant revenue overspend detailed in this report. Cabinet will be kept informed on the implementation and progress of these actions.

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 2023-24. 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.

11.3 The creation of a Decommissioning Earmarked reserve ensures that the funding awarded in the 2023-24 Revenue Budget for the decommissioning of buildings will be available to meet the relevant commitments in future years.

12. Is it necessary to waive the call in period?

12.1 No

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Implications

Financial

- 1.1 An overall Council overspend of £46.376m is forecast. This forecast is after substantial one-off support from the use of £29.699m of the Council's Earmarked reserves and £42.604m of Corporate Contingency budget to support inflationary pressures. Of the significant Earmarked reserves drawdowns which underpin the Council's outturn position, £23.707m has been drawn from the Budget Management reserve for planned service pressures identified in the Revenue Budget 2023-24, and a further £5.992m is expected to be drawn from departmental reserves to support the Adult Care and Highways Assets and Transport portfolios' outturn positions.
- 1.2 The forecast overspend is in addition to the overspend reported for 2022-23 which resulted in the Council utilising £55m of its reserves in order to balance the budget to meet inflationary, demand and pay award cost pressures. This was an additional sum of £23m over and above that originally budgeted for at the time of setting the budget in February 2022.
- 1.3 Paragraphs 4.34 to 4.59 describe the reasons for the overspend. There continues to be inflationary and demand pressures, particularly for adults and children's social care.
- 1.4 At the time of setting the budget in February 2023, substantial investment was made in all service areas to support anticipated inflationary and demand pressures. However, despite this investment, inflation has continued to provide cost pressures to all service areas and the pay offer for 2023-24 is higher than estimated.
- 1.5 If the forecast overspend is not addressed, the Council's General Reserve balance will be depleted. Therefore, the Council is taking a number of actions to mitigate the overspend. This includes:
 - Finding alternative in year savings proposals.
 - Looking at high cost placements to find cheaper options.
 - Potentially stopping projects or deferring them until the next financial year to reduce planned expenditure.
 - Introducing vacancy controls to reduce in year expenditure.
 - Reduce the amount of spend on agency staffing.
 - Introducing expenditure controls across non staffing budgets.

- 1.6 In taking these actions now, it is anticipated that the forecast overspend can be significantly reduced. Details of the actions taken will be reported to Cabinet later in the year. The achievement of mitigating actions to reduce the overspend will be closely monitored by the Chief Officers.
- 1.7 A number of local authorities are reporting substantial overspends, with some indicating that they may have to issue Section 114 Notices, this meaning that no new expenditure is permitted with the exception of funding to provide statutory services.
- 1.8 The Council works with partners such as the Local Government Association and the Society of County Treasurers to lobby government for additional funding to support vital services and to highlight the continued financial pressures facing the Council.

Legal

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

Human Resources

- 3.1 None.

Information Technology

- 4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

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





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

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

7.1 None.

Appendix 2

Key to Performance Ratings

	Strong 	Good 	Review 	Action 	Not Updated
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.	
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 for 2023-24.
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.	