



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**23 November 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 2 (30 September 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 September 2023 (Quarter 2).

## **4. Information and Analysis**

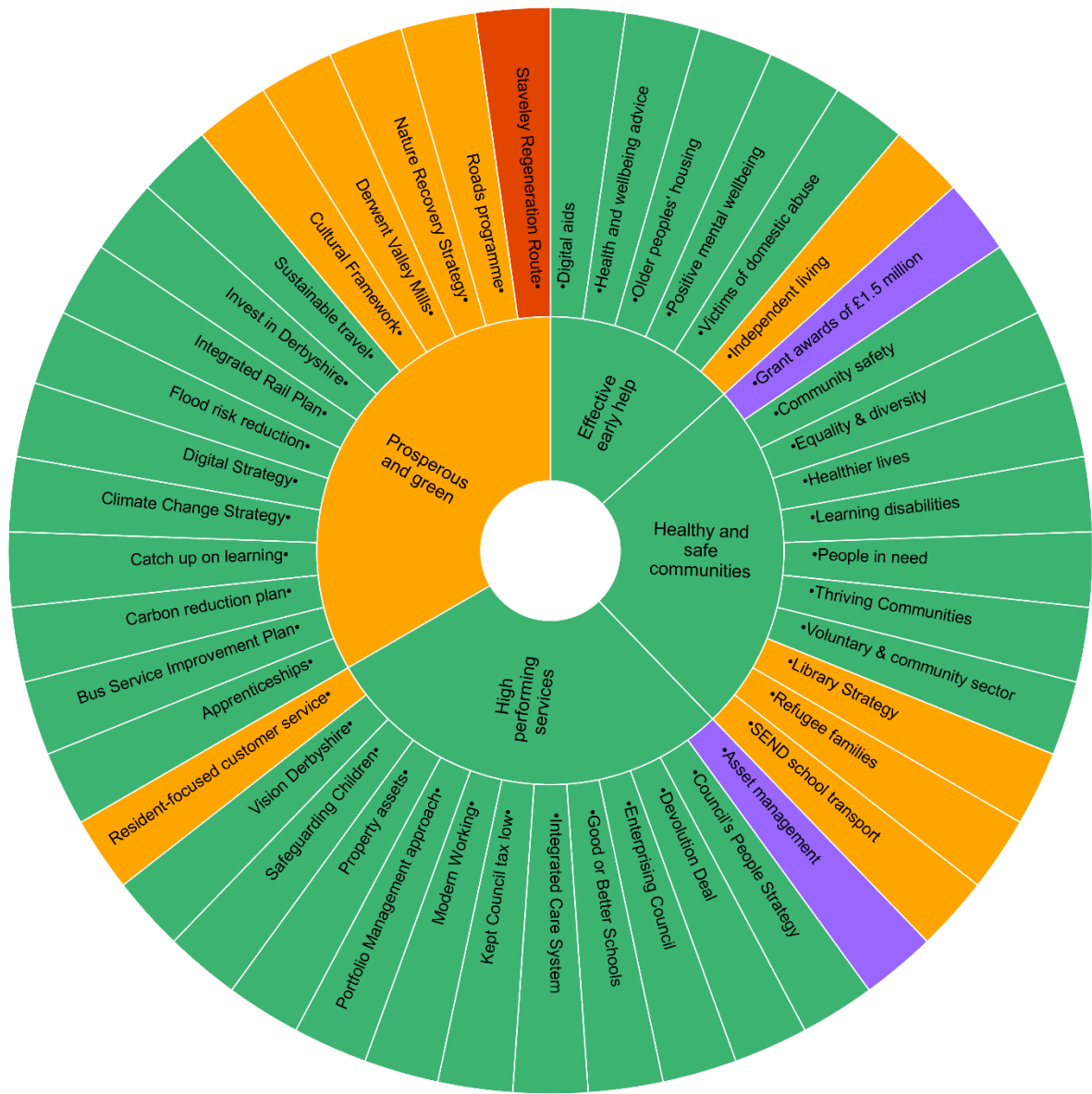
### **Integrated Reporting**

- 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 September 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 September 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 2, attached at Appendix 3, sets out the position in full up to the end of September 2023 for each deliverable and associated key measures set out in the Council Plan. The Council is addressing significant in year budget pressures however good progress has continued to be made during Quarter 2 in delivering the Council Plan, with 78% of the 45 deliverables in the Plan showing "Good" or "Strong" progress. 20% have been rated as "Requiring Review" and 2% have been rated as "Requiring Action". Three of the deliverables rated "Requiring Review" are due to uncertainties around funding in the current context or the impact of the Council's cost control measures. It is likely that in future quarters greater impact will be seen on the delivery of the Council Plan as the Council further prioritises its resources.
- 4.7 Progress in delivering the Plan is shown in the graphic below.

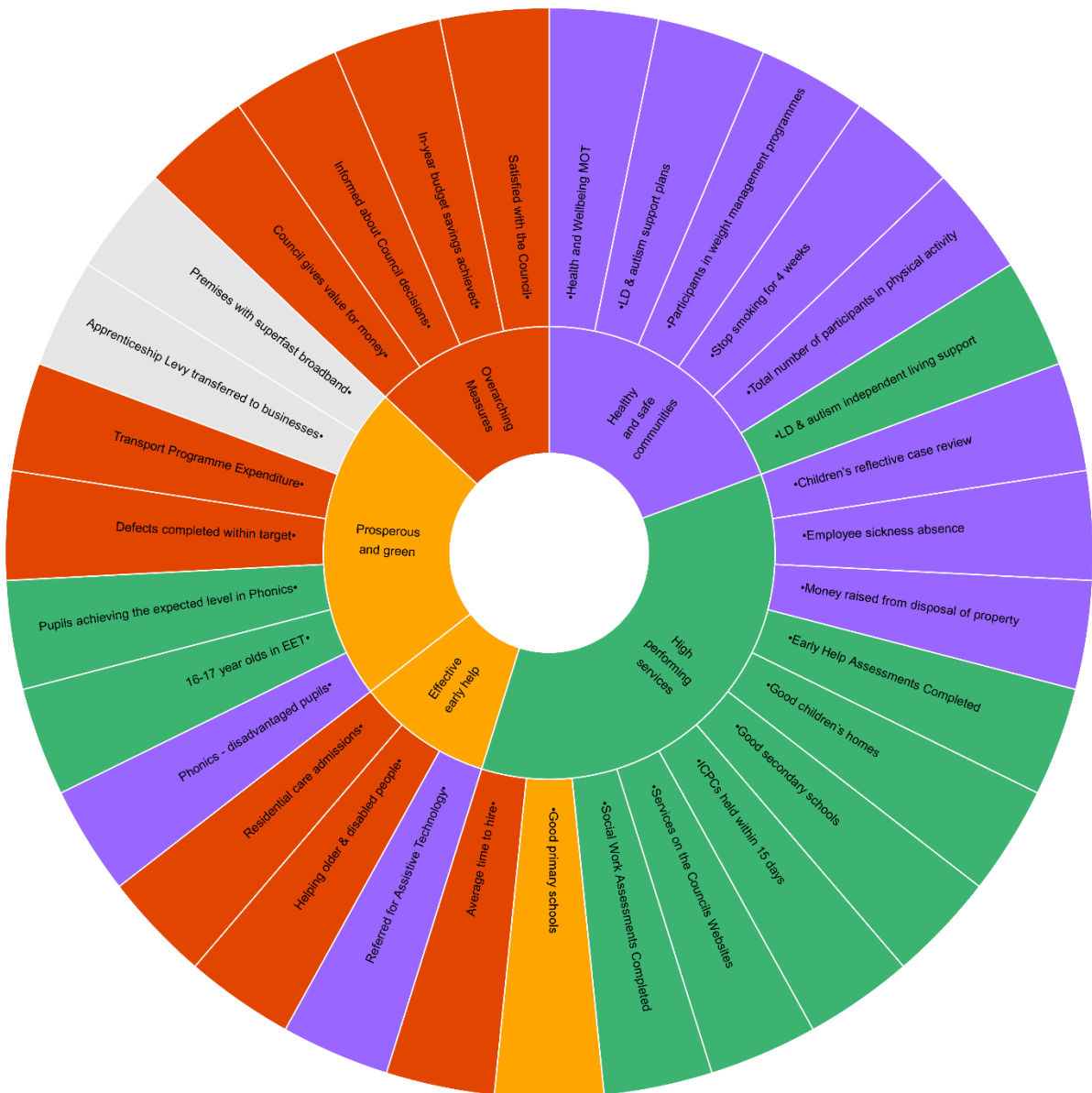
#### **Deliverable Progress**



**Key**    ☆ Strong    ✓ Good    ⬜ Review    🛠️ Action    📄 Data not available/Target not set

4.8 The graphic below shows performance against target for each key measure identified in the Council Plan by priority. For the 29 key measures where data for 2023-24 against target is available, 10 are rated as “Strong”, with a further 9 rated as “Good”. There is 1 measure rated as “Requiring Review” and 9 are rated as “Requiring Action”. The 2 grey measures do not currently have targets set for 2023-24. Measures where data is not yet available for 2023-24 are not displayed in the wheel.

### Key Measures Against Target



## Performance by Priority

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

4.10 Key areas of success are as follows:

- A total of 250 grants to the value of £1.391m have now been approved as part of the programme implemented in February 2022.
- The Council has continued to support people and communities in need including financial wellbeing via the Derbyshire Discretionary Fund. Demand for these services continues to be high.
- The latest figures for all Live Life Better Derbyshire (LLBD) services are above target and there is a high demand for LLBD services. The Walk Derbyshire innovation programme is progressing well and work has started to deliver the four neighbourhood pilots.

4.11 Areas for consideration are as follows:

- There has been a limited response from community groups to take forward community managed libraries. Therefore the work on refreshing the Library Strategy will consider options to sustain the service through co-location, re locations, digitisation and self service. 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 Council has continued to work with partners under a number of government schemes to enable refugee families to make Derbyshire their home. The provision of accommodation and support for those seeking asylum is becoming a significant issue however, as the small amount of funding available for central government support is being passported to Districts and Borough Councils. A new burdens assessment was expected to be completed by early 2023-24, but this has been delayed. Moving forwards consideration needs to be given to the role the Council can play in relation to the co-ordination of a countywide response to the roll out of asylum dispersal.

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

4.13 Key areas of success are as follows:

- Work to support the development of the East Midlands Combined County Authority Assurance Framework is underway, led by the Governance Group and recruitment into key regional roles has been completed.
- 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.
- Policy development in support of the People Strategy has been completed. Sickness absence figures for the year up to the end of Quarter 2 show an improvement against the previous year.
- All the supporting Corporate Property strategies and policies required to implement the Asset Management Strategy are now in place. A total of £2.91m has been raised so far this year from the sale of 17 property assets.

#### 4.14 Areas for consideration are as follows:

- In support of a resident focused approach, 153 services have been made available online. Progress on the Council's new Customer Service Portal is delayed however, whilst priorities for ICT resources are reviewed. Priorities are also being reviewed with each service area in terms of resource available to continue with the agreed road maps.
- The Time to Hire measure reflects days between a vacancy being shortlisted and the contract being prepared. Quarter 2 has seen a slight increase in the year to date figure from the Quarter 1 position of 62.5 days to 64.1 days. However, during September there has been a reduction from previous months as a result of Disclosure and Barring Service (DBS) check delays easing. Changes to onboarding processes and an anticipated reduction in DBS delays should see the average time to hire figure reduce during Quarters 3 and 4. Towards the end of Quarter 2 a temporary recruitment freeze on all but essential posts was introduced and it is expected that this will also have a positive impact on time to hire figures during the remaining quarters of the year.

#### 4.15 The effective early help for individuals and communities priority shows overall "Good" performance for deliverables.

#### 4.16 Key areas of success are as follows:

- The Mental Health and Suicide Prevention team attended a number of events throughout Quarter 2 to promote awareness and conversation about mental health and suicide prevention, including Y Not Festival, Pride events, football matches and a Baton of Hope event in Glossop.

- A total of 228 people are being actively supported with health and wellbeing advice and coaching to reduce the need for adult social care services
- Since 2021 a total of 762 people with a learning disability and/or who are autistic have been supported to develop an outcome focused support plan.

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. 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 'Requiring Review' performance for deliverables.

4.19 Key areas of success are as follows:

- The provisional 2022-23 data for the percentage of pupils reaching the required standard in Phonics suggest an improvement in our national rank position and a narrowing of the gap between disadvantaged and non-disadvantaged pupils. Latest figures on the percentage of Derbyshire 16 to 17 year olds in education, employment or training continue to track within the top quartile nationally.
- The Council has made good progress towards its net zero target of 2032, or sooner, with a provisional 71.3% reduction in Council emissions achieved between 2009-10 and 2022-23 (from 42,965 tonnes CO<sub>2</sub>e to 12,338 tonnes CO<sub>2</sub>e). However, the speed of reduction is at risk of slowing down, highlighting that further effort is required to reduce the Council's emissions.
- Following receipt of year 2 funding, the partnership work to deliver the £47 million Bus Improvement Plan continued at pace during Quarter 2. This included enhancements to 17 bus services delivering greater frequency and extension into the evenings and weekends.

4.20 Areas for consideration are as follows:

- The Council is in the final year of delivery of the £120 million 3 year Local Transport Programme. Captured costs in the Council's financial management system so far for the year to the end of Quarter 2 amounted to £16.4m, against a target of £22m, however delivered work on the ground was in excess of £19m. A further £22.5m of work is programmed for the remainder of the current financial year and every effort is being made to increase this to achieve the 2023-24

target of £43m to deliver the programme within target timescales. Any shortfall in this amount will be carried forward to the start of the 2024-25 financial year.

- A decision from Government on the Outline Business case for the Chesterfield to Staveley Regeneration route is awaited and therefore all work has been paused to minimise financial risk. The need for certainty over funding has been raised by all parties with Government.
- Delivery of the Derbyshire Cultural Framework may be impacted as the £1m cultural recovery framework reserve which supports delivery has been identified as potential to support the Council's current budget position.
- There is a high level of support amongst partners for the production of a Development Framework for The Derwent Valley Mills World Heritage Site Development Framework, however it is likely that this work will be impacted by the Council's current financial controls.

4.21 With regard to the key measure to achieve all in year budget savings, £3.929m is forecast to be achieved against a target of £16.190m. The Council is reviewing all its savings initiatives and further developing its programme of savings proposals. This is referred to in paragraph 4.59.

4.22 The Council continues to review planned savings initiatives and explore, and implement, opportunities for further or alternative in-year efficiency measures to offset the ongoing budgetary pressures. Actions taken to mitigate the overspend are set out in paragraph 4.31.


















4.23 Performance monitoring shows that the Council is continuing to make good progress in delivering the Council Plan, however due to the in-year financial pressures the Council will need to prioritise effort and resource moving forwards. 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 2 (30 September 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.



**Table 1: Portfolio Forecast Outturn**











	Budget	Forecast Actuals	Projected Outturn Over/(Under) Spend	Budget Performance  Overspend  Underspend
	£m	£m	£m	
Adult Care	295.569	301.290	5.721	
Children's Services and Safeguarding and Education	156.525	174.426	17.901	
Clean Growth and Regeneration	0.787	0.513	(0.274)	
Corporate Services and Budget	67.136	68.078	0.942	
Health and Communities (exc. Public Health)	10.534	10.246	(0.288)	
Highways Assets and Transport	52.826	60.153	7.327	
Infrastructure and Environment	48.745	48.539	(0.206)	
Strategic Leadership, Culture, Tourism and Climate Change	11.193	11.425	0.232	
<b>Total Portfolio Outturn</b>	<b>643.315</b>	<b>674.670</b>	<b>31.355</b>	
Risk Management	21.255	19.636	(1.619)	
Debt Charges	38.019	47.947	9.928	
Interest and Dividend Income	(5.140)	(13.382)	(8.242)	
Levies and Precepts	0.373	0.373	0.000	
Corporate Adjustments	3.839	5.364	1.525	
<b>Total</b>	<b>701.661</b>	<b>734.608</b>	<b>32.947</b>	







4.25 The overall Council forecast overspend at 31 March 2024 is £32.947m. This is an improvement of £13.429m on the forecast reported at Quarter 1 (£46.376m), the reasons for which are set out in paragraphs 4.26 to 4.28 below.

### Changes since Quarter 1

4.26 The reduction in the forecast overspend since Q1 is shown in Table 2. The reduction is due to a combination of additional resources and reductions to expenditure. Cost control measures, including a vacancy freeze, were implemented from September but demand and cost pressures remain high in Adult and Children's Social Care. Further detailed explanations follow in paragraphs 4.26 to 4.28 below.

**Table 2: Projected Outturn change Q1 to Q2**

	Q1 Projected Outturn £m	Q2 Projected Outturn £m	Q1 to Q2 Movement (Favourable)/ Adverse £m	Budget Performance  Improvement  Deterioration
Adult Care	7.226	5.721	(1.505)	
Children's Services and Safeguarding and Education	13.137	17.901	4.764	
Clean Growth and Regeneration	(0.298)	(0.274)	0.024	
Corporate Services and Budget	4.237	0.942	(3.295)	
Health and Communities (exc. Public Health)	(0.613)	(0.288)	0.325	
Highways Assets and Transport	9.354	7.327	(2.027)	
Infrastructure and Environment	1.424	(0.206)	(1.630)	
Strategic Leadership, Culture, Tourism and Climate Change	0.391	0.232	(0.159)	

<b>Total Portfolio Outturn</b>	<b>34.858</b>	<b>31.355</b>	<b>(3.503)</b>	
Risk Management	7.845	(1.619)	(9.464)	
Debt Charges	9.323	9.928	0.605	
Interest and Dividend Income	(5.733)	(8.242)	(2.509)	
Corporate Adjustments	0.083	1.525	1.442	
<b>Total</b>	<b>46.376</b>	<b>32.947</b>	<b>(13.429)</b>	

4.27 The main movements between Q1 and Q2 (summarised in Table 2 above) are summarised as follows:

- **Adult Care:** Continued growth in demand and cost for homecare and reablement services is resulting in an increased overspend on purchased services. This is being offset by the use of earmarked reserves of £7.1m (an additional £3.2m compared to Q1) and additional grant funding of £1.5m to support hospital discharge packages, resulting in a net improvement of £1.5m in the forecast outturn position.
- **Children's Services and Safeguarding and Education:** Continued demand for services combined with rising costs is resulting in a significant forecast overspend, which has deteriorated by £4.8m since Q1. Expenditure on placements for children in care or alternatives to care has continued to rise between Q1 and Q2, due to an increase in the average weekly cost of placements, a shortage of foster care places, and an increase in the number of children requiring support. This increase in the number of children requiring support is also resulting in additional costs for Children's Safeguarding Services when compared to Q1. There has also been a significant increase in forecast expenditure on Home to School Transport due to both increasing transport costs and an increase in the number of children eligible for Council funded transport from September 2023.

- **Corporate Services and Budget:** The reduction of £3.3m in the forecast overspend position is due to a combination of SAP upgrade project (the Council's primary business software) expenditure now being funded through the capital programme and the allocation of corporate funding for property inflation.
- **Highways, Assets and Transport:** The improvement in the forecast outturn position of just over £2m is due primarily to an increase in the level of underspend forecast on public and community transport because of additional grant funding, combined with the allocation of corporate funding for inflation in Highways and use of an additional £0.6m from earmarked reserves.
- **Infrastructure and Environment:** After the allocation of corporate funding for inflation, there is an improvement in the forecast outturn of £1.6m due to a combination of reductions in waste tonnages and additional savings on staffing in Planning and Development Control.
- **Risk Management:** There has been a significant improvement of £9.4m in the forecast against this budget line due to a combination of additional grant income (£4.9m) and a refinement in the forecast estimated use of contingency budgets (£4.5m).
- **Interest and Dividend Income:** Additional income from investments renewed at higher rates of interest (£2.5m). Note that there is not a comparable increase in debt interest payable as the majority of the required borrowing for long-term and working capital was already within the Q1 forecast and little additional or renewed borrowing at higher prevailing interest rates is forecast for the remainder of the financial year.
- **Corporate Adjustments:** Additional costs of £1.4m are now forecast at Q2 as a result of anticipated reserve movements attributable to the ring-fenced Dedicated Schools Grant (£0.5m) and an increase in the expected credit loss (£0.9m) in respect of interest receivable on a loan advanced to an organisation which is now in doubt due to economic conditions.

## **Use of Reserves**

4.28 The overall forecast Council overspend of £32.947m is after substantial one-off support from the use of £33.523m of the Council's Earmarked reserves. The 2023-24 Budget approved by Council in February 2023 included the planned use of £23.707m from the Budget Management reserve for planned service pressures. An additional £9.816m of earmarked reserves is now expected to be drawn down from departmental reserves (£5.992m at Q1) to support the Adult Care (£7.091m) and Highways Assets and Transport (£2.725m) portfolio outturn positions.

4.29 The forecast overspend in 2023-24 follows the outturn position for 2022-23, which resulted in the Council utilising £55m of its reserves in order to manage its budget to meet inflationary, demand and pay award cost pressures. The Council continues to face significant inflationary cost pressures across all services, combined with continued growth in demand for Adults Services, Children's Social Care and Education, and increasing reactive and planned maintenance requirements on the Highways Infrastructure.

4.30 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 result in cost pressures in excess of budget across all service areas, and the anticipated pay offer for 2023-24 is higher than estimated.

4.31 If the forecast overspend is not addressed, the Council's General Reserve balance will be depleted. Therefore, the Council continues to take a number of actions to mitigate the overspend. This includes:

- Finding alternative in year savings proposals.
- Looking at high-cost placements to find more suitable and cost effective options.
- Stopping or delaying projects until the next financial year to reduce planned expenditure in year.
- Implementing a vacancy freeze to reduce in year expenditure.
- Limiting expenditure on agency staffing to cover essential roles only.
- Introducing expenditure controls across non staffing budgets.

4.32 The forecast overspend has reduced considerably since Q1. It is anticipated that further reductions can be achieved as the cost control measures, which were introduced in September 2023 and are identified above, continue to take effect. The achievement of mitigating actions to reduce the overspend is being closely monitored by Chief Officers across the Council. The following are some examples of where costs are already being reduced, or are forecast to be reduced, in 2023-24:

- Reduction in grounds maintenance £0.220m.
- Reduction in spend on tree strategy £0.050m.
- Reduction in spend on conservation and heritage £0.070m .
- Reduction in spend on Cultural Recovery Framework £0.560m.
- Reduction in spend on Digital Derbyshire £0.500m.
- Reduction in spend on Elvaston Masterplan £0.165m.
- Change in Trading Standards laboratory testing £0.003m.

- Highways efficiency savings (tighter cost control, use of fleet, better procurement) £0.200m.
- Reduction in spend on performance, governance and improvement £0.076m.
- Pause on and reduction of project work relating to carbon reduction, including feasibility work.
- Pause on any maintenance work to buildings, which is not directly related to a health and safety risk. Holding of vacancies in the maintenance team.
- Change to the way in which the Council delivers the valuations of the estate for its accounts £0.050m (Ongoing) and £0.240m (One-off).
- Pause in recruitment to vacancies in the facilities management team, and specifically the decision not to use overtime to fill the gaps in the commissionaires rota, resulting in reduced cover, slower response to building issues, reduced support for meetings, the building having to close at different times.
- Pause on recruiting to vacancies in the tree work/grounds maintenance team, with an increased risk of not being able to clear highways and properties due to tree damage and fallen branches.
- Reduction in utility costs £0.212m and reduction in debt charges £0.142m to date, due to disposal of surplus assets. Savings in business rates.
- Rent reviews on industrial units leading to increased income.
- Exploration of opportunities to find in-year savings (one-off) over and above the savings that have been previously identified for 2023-24 and seek alternative savings for historical savings that have been brought forward into the current financial year - compensatory efficiencies of £2m identified in Adult Social Care.
- Review of all high cost care packages in Adult Social Care.
- Suspension of the use of overtime for non-business critical roles.
- Suspension of increasing the hours of part-time staff for non-business critical roles.
- Consideration of all areas of departmental budgets where spending can be temporarily reduced or ceased e.g. spend on travel, purchase of equipment including ICT equipment, training and conferences.

4.33 The Council continues to work 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. Planning is in progress to develop budget proposals for 2024-25 but cost pressures and demand for services are expected to remain high.

## Forecast Budget Variances

4.34 Of the overall forecast £32.947m overspend, the significant variances (summarised in Table 1 earlier in this report) are set out below. Further detail for all Portfolios is included in Appendices 4 to 11.

### Adult Care

4.35 The forecast £5.721m overspend on the Adult Care portfolio relates mainly to Purchased Services costs (£10.9m overspend) and allocated savings targets which are not expected to be achieved this financial year (£9.7m shortfall reduced to £2.6m after using earmarked reserves of £7.1m). 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 further in excess of budget.

4.36 Pressures on residential care and reablement services budgets are being partially mitigated by underspends in other areas, including Direct Care (home care) staffing vacancies and reduced usage of Day Centres. The forecast underspend on Direct Care is £7.2m.

4.37 There are shortfalls in the delivery of the Best Life Derbyshire efficiencies for Working Age and Older People, which is being mitigated in part through the use of reserves. The forecast outturn for this portfolio includes the anticipated draw down of £7.091m of departmental earmarked reserves.

### Children's Services and Safeguarding (£13.363m overspend) and Education (£4.538m overspend)

4.38 The forecast £17.901m 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 (£10.797m overspend). There are also significant pressures on Education budgets relating to Home to School Transport (£2.669m overspend) and Education Support Services (£1.624m overspend).

4.39 Expenditure on placements for children in care or alternatives to care is continuing to rise, primarily due to an increase in the cost of placements. Inflationary pressures have led to higher average costs whilst a shortage of foster care places has exacerbated the position by requiring the need to make more higher cost placements with independent providers. The

number of children requiring support is also growing and there are a greater number of children in arrangements which are alternatives to care, such as Special Guardianship Orders, many of which require long-term financial support. With the best interests of the child at the heart of decision-making, on-going work is being undertaken to maximise the capacity of places and care packages available. This choice should ensure children are given the most appropriate placement and mitigate some of the rising cost pressures.

- 4.40 Other factors contributing to the overspend include the costs of meeting the needs of Children with Disabilities (£1.290m overspend), where the cost of packages to support children with complex needs continues to rise. Increasing numbers of children in care and children in need have also resulted in increased staffing costs for Child Protection teams (£2.420m overspend) to ensure caseloads are managed appropriately.
- 4.41 There has been a significant increase in the projected overspend on Home to School Transport due to an increase in the number of children eligible for Council funded transport. This is combined with an inflationary increase in costs with recent tenders showing an average increase of around 18% for three year contracts. Increased eligibility relates primarily to SEND transport and is consistent with increases in the number of children with Education Health Care Plans (EHCPs), which has increased by 16% over the last 12 months. Additional expenditure related to increased demand for EHCPs is also driving the forecast overspend on Education Support Services.

#### Highways, Assets and Transport

- 4.42 The forecast £7.327m overspend on the Highways Assets and Transport portfolio reflects a number of areas of pressure, including:
- increased activity and costs on reactive highways maintenance work on the County's roads and footpaths due to increased deterioration of the network causing more potholes (£2m overspend);
  - the implementation costs of the new Highways Network Planning software systems have exceeded available revenue budget and having to use the system for longer than planned has also contributed to the overspend (£0.5m overspend);
  - staff costs anticipated to be chargeable to capital budgets being lower than expected, resulting in additional revenue costs (£2m overspend);
  - winter maintenance costs are expected to exceed the allocated budget based on an average severity of winter. This pressure will



reduce if there is a particularly mild winter, but may increase in event of cold weather being more prevalent than the last five years average (£0.8m overspend); and

- prior year savings targets are not achievable (£2.2m overspend).

4.43 The forecast outturn for this portfolio includes the anticipated draw down £2.725m of departmental earmarked reserves, including the Winter Maintenance reserve.

#### Corporate Services and Budget

4.44 The forecast £0.942m overspend on the Corporate Services and Budget portfolio is a net position, reflecting both under and overspends across different service areas.

4.45 There is a forecast overspend of £2.5m on Property and Property Operations due to the costs of operating and maintaining the Council's property portfolio being in excess of budget as a result of inflationary pressures and urgent maintenance requirements. There are also delays and shortfalls on delivery of savings targets, and reductions in property operations income without a corresponding reduction in fixed costs.

4.46 The overspend on Property of £2.5m, along with a Corporate overspend of £0.4m relating to an unachievable Channel Shift savings target, has been partially offset by the following:

- Capitalisation of Azure Cloud costs as part of the SAP HANA project £1.5m, with an overall underspend impact on Finance & ICT of £0.672m.
- Underspend on salaries as a result of vacancies in Organisational Resilience People and Communications (ORPC) of £0.251m.
- Underspend on salaries as a result of vacancies in Transformation & Strategy of £0.915m

#### Corporate Budgets

4.47 There is a net forecast overspend of £1.592m 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

4.48 There is now a forecast underspend on the Risk Management budget due to a combination of additional grant income (£4.9m) and a refinement in the forecast estimated use of contingency budgets (£4.5m). Further detail on the allocation of the risk management budget is set out in the table below.

<b><u>Table 3: Risk Management budget</u></b>	<b>Budget £m</b>	<b>Forecast Expenditure £m</b>	<b>Over / (Under) Spend £m</b>
Pay Award 2023-24	10.746	16.386	5.640
Departmental Specific Service Pressures	2.436	3.250	0.814
General Contingency	3.557	0.000	(3.557)
Savings Targets not achievable/duplicated	(0.773)	0.000	0.773
<b>Total Contingency Funding</b>	<b>15.966</b>	<b>19.636</b>	<b>3.670</b>
Extended rights to home to school transport	0.171	0.000	(0.171)
Services Grant 2023-24	0.181	0.000	(0.181)
Business Rates Relief Grant Adjustment	4.937	0.000	(4.937)
<b>Additional Non-ringfenced Grants</b>	<b>5.289</b>	<b>0.000</b>	<b>(5.289)</b>
<b>Total Risk Management Budget</b>	<b>21.255</b>	<b>19.636</b>	<b>(1.619)</b>

4.49 The Risk Management Budget has reduced since Q1 due to inflation contingency budgets being allocated to Departmental budget lines. The remaining £21.255m of risk management budget includes:

- £15.966m of remaining contingency funding set aside in the 2023-24 Revenue Budget. This includes a remaining pay award element of £10.746m, departmental specific service pressures of £2.436m (not yet allocated to Departments) and general contingency of £3.557m.
- £5.289m of additional non-ring fenced 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;
  - £0.181m Services Grant 2023-24 adjustment; and
  - £4.937m additional business rates relief grant.

4.50 The forecast expenditure of £19.636m on the Risk Management Budget relates to:

- £16.386m anticipated allocation of budget to fund pay increases, as set out in paragraph 4.51 below.
- £3.250m remaining allocation of budget to support Departments with the rising cost of goods and services relating to transport and catering, and property running costs.

4.51 The 2023-24 pay award for Local Government Service Employees (effective from 1 April 2023) was agreed on 1 November 2023. 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 equates to a total estimated ongoing cost to the Council of £15.933m. For 2023-24 budget purposes a sum of £10.381m was set aside, based on a 4% flat pay award increase. The agreed pay increase for 2023-24 leaves the Council with a shortfall of £5.552m in 2023-24 and an ongoing pressure of that amount in each subsequent year.

#### *Debt Charges (Cost of Borrowing)*

4.52 The Debt Charges budget is forecast to be overspent by £9.928m in 2023-24 of which £6.1m relates to interest payable on short-term loans and £3.8m to the Minimum Revenue Provision (MRP) for the repayment of debt principal as a result of additional borrowing.

4.53 Forecast interest payable on short-term loans has 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 (£2.3m of interest costs relating to the increased need to borrow because of the 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*

- 4.54 A favourable variance of £8.242m 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.

#### *Corporate Adjustments*

- 4.55 There is a forecast overspend of £1.525m on Corporate Adjustments in 2023-24. This is due to an expected credit loss in respect of interest receivable on a loan advanced to an organisation which is now in doubt due to economic conditions (£0.9m), anticipated reserve movements attributable to the ring-fenced Dedicated Schools Grant (£0.8m), amortisation of premiums and interest on restructured loans (£0.3m), less £0.5m in respect of interest receivable on schools' balances.

### **General Reserve**

- 4.56 The General Reserve stands at £27.734m at 30 September 2023 (Q1 report, £28.025m). This is considered to be the minimum level of general reserve for an organisation the size of the Council. The current forecast £32.947m overspend for 2023-24 would more than deplete the available General Reserve balance. Further corrective action as outlined in this report needs to be undertaken to reduce this overspend.

### **Earmarked Reserves**

- 4.57 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.
- 4.58 A summary of outstanding balances on the Council's Earmarked reserves as at 30 September 2023 is set out in Appendix 13.

## **Budget Savings**

4.59 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, £3.929m is forecast to be delivered in the current financial year, with delays in the delivery of Adult Care savings being mitigated through the use of earmarked reserves. 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. If a savings initiative is not delivered this will also have ongoing financial implications, including for future financial years.

## **Debt Age Profile**

4.60 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**

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

4.62 '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 and a contribution made to general overheads. The latest forecast position on fully traded services is for a net deficit position of £0.767m due to income levels not meeting expected expenditure in several areas.

4.63 '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 £0.292m compared to the budgeted income target is forecast for 2023-24 on partially traded areas across the Council as a whole.

4.64 Appendix 12 summarises the financial performance of the separate trading areas.

## **5. Consultation**

5.1 At the Cabinet meeting on the 21 September 2023 a report on the Preparation of Budget 2024-25 was included as part of the agenda. The report covered how during October and November the Council will consult residents and other stakeholders in relation to the Council's 2024-25 budget, including asking for views on the Council's savings proposals. Given the financial challenges the organisation faces, it is now proposed that the Council will consult residents on specific budget options for 2024-25 as they are finalised over the coming months. This is to ensure the detail of each proposal is sufficient to enable full and appropriate Consultation. The budget consultation commenced on 6 November 2023.

## **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 September 2023 (Quarter 2).
- 10.2 Notes the position on General and Earmarked Reserves.
- 10.3 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.
- 10.4 Approves the changed approach for consultation on specific budget options.

## **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.

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

12.1 No

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## Appendix 1

### Implications

#### Financial

- 1.1 An overall Council overspend of £32.947m is forecast. This is an improvement on the forecast reported at Quarter 1 (£46.376m) but is already after substantial one-off support from the use of £33.523m of the Council's Earmarked reserves. The 2023-24 Budget approved by Council in February 2023 included the planned use of £23.707m from the Budget Management reserve for planned service pressures. A further £9.816m of earmarked reserves is now expected to be drawn down from departmental reserves to support the Adult Care (£7.091m) and Highways Assets and Transport (£2.725m) portfolio 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 more suitable and cost effective options.
  - Stopping or delaying projects until the next financial year to reduce planned expenditure in year.
  - Implementing a vacancy freeze to reduce in year expenditure.
  - Limiting expenditure on agency staffing to cover essential roles only.
  - Introducing expenditure controls across non staffing budgets.

The forecast overspend has reduced considerably since Q1. It is anticipated that further reductions can be achieved as the cost control measures identified above take effect. The achievement of mitigating actions to reduce the overspend is being closely monitored by the Council's Chief Officers.

- 1.6 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.
- 1.7 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 delay in agreeing the 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.	