



Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

10 July 2024

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

Performance Monitoring and Revenue Outturn 2023-24
(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 £500,000).

3. Purpose

3.1 To provide Cabinet with a report on Council Plan performance and to set out the Council's final revenue outturn position for 2023-24, identify significant variations from the final net budget and identify any commitments already agreed against any portfolio underspends, together with proposals for the further use of any portfolio underspends. To also identify the impact of the 2023-24 outturn on future years and

any action proposed. The report also sets out the Council's Earmarked Reserves position.

4. Information and Analysis

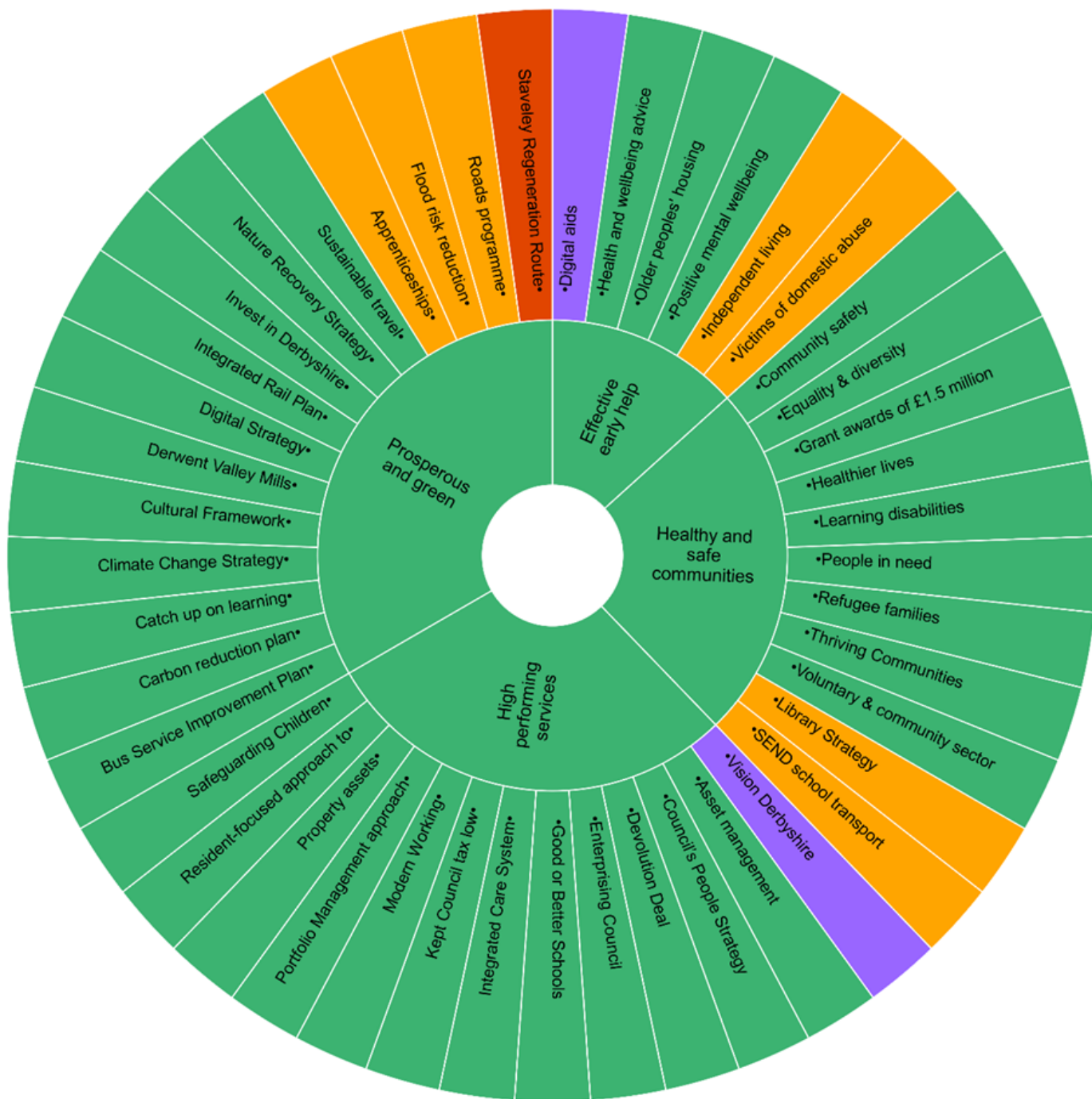
Integrated Reporting

- 4.1 This report presents both Council Plan performance and financial budget monitoring and 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 Council Plan priorities.
- 4.3 The Revenue Outturn Position and Financial Summary provides an overview of the Council's overall budget position and outturn for the year ended 31 March 2024.
- 4.4 Appendices to this report summarise progress on Council Plan deliverables and the controllable outturn position by Cabinet Member Portfolio for 2023-24. 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 April 2023 – March 2024, attached at Appendix 3, sets out the position in full up to the end of the financial year for each deliverable and associated key measures set out in the Council Plan. The Council has continued to address significant in year budget pressures, however good progress has been made in delivering the Council Plan, with 82% of the 45 deliverables in the Plan showing "Good" or "Strong" progress. 16% have been rated as "Requiring Review" and 2% have been rated as "Requiring Action".
- 4.7 Progress in delivering the Plan is visualised in the graphic below. Details about individual deliverables and supporting measures are set out in Appendix 3.

Performance Summary



Key: ★ Strong ✔ Good ◻ Review ⚠ Action

4.8 There have been many key areas of success over the year including:


















- A range of evidence from the Council's quality assurance and performance framework has shown consistency of approach and strong practice across the children's social care system. This is in the context of increasing demand and activity throughout the system.
- The Council's full Ofsted Inspection of Children's Services confirmed a grading of good for all four of the graded judgements (impact of leaders, children who need help and protection, children in care and care leavers) and a grading of good for overall effectiveness.
- A faster rate of improvement has been achieved for the percentage of children and young people attending good or better schools, compared to national figures. Proportions remain below comparators however, and further improvement will continue to be sought.
- The proportion of pupils achieving a standard pass (grades 4-9) in English and Maths at GCSE has met the target of maintaining an outcome significantly better than national figures.
- The Council has continued to support people and communities in need and to address cost of living pressures. During the year over 25,000 Emergency Cash Payment awards from the Derbyshire Discretionary Fund have been made, also the Welfare Rights Service supported over 25,000 people with maximising their benefits and supported over 9,496 benefit claims and appeals.
- Live Life Better Derbyshire has made an impact in enabling people to lead healthier lives with 10,000 individuals completing the Health and Wellbeing MOT, high demand for services to stop smoking, improve diet and get more active has been met with over 6,000 participants across these services.
- Over 1,000 people have been supported with access to Assistive Technology, enabling them to feel safe and independent in their own home.
- The Council is continuing to deliver its Climate Change Strategy to support the county to be net zero by 2050 and the council to be a net zero organisation by 2032 or sooner. Figures for 2022-23 (latest available data) show a 71% reduction in carbon emissions from the council's estate and operations, from the baseline year of 2009-10.
- Good progress has continued to be made to aid bus operations across the highways network to improve passenger journeys. Improvement to numerous bus services across the county, increasing the frequency and extension of routes, are now in place.

- The implementation of our Asset Management Strategy is progressing well, this sets out the programme and process for reviewing every asset, challenging why we are holding it and ensuring that we have a robust plan in place for it. Rationalising the estate to an affordable and manageable size is reducing property maintenance and ongoing running costs and is resulting in outcomes such as the creation of the Chesterfield Hub, one modern and fit for purpose asset replacing 10 smaller assets which were beyond their serviceable life.
- 4.9 Progress in some areas is not on track and these areas are detailed in the full report at Appendix 3. In addition to high demand for services and budget pressures, a key challenge has been the adverse and unpredictable weather conditions experienced during the year. The council's highways service has continued to repair a significant number of defects, however due to the weather conditions experienced this year, the volume of new defects reports has continued to rise which has impacted the ability to repair defects within the target timeframes as the demand for repair outweighs the resources available. The Priority Pothole Response has been initiated to focus activity and work has been reprogrammed to keep on track to complete the delivery of the £120m three-year Highways capital programme by early 2024-25.
- 4.10 Full detail regarding each of the deliverables in the Council Plan and the key measures is set out in Appendix 3.

Revenue Outturn Summary

4.11 The Council's Revenue Outturn for 2023-24, compared to controllable budget, is summarised below. The outturn table shows the position net of the impact of the ring-fenced Dedicated Schools Grant (DSG) of £391.677m and Public Health grant of £45.232m, other ring-fenced grants and income from other third parties and their associated spend. The outturn is reported on the basis of the Council's portfolios operating in 2023-24.

Table 1: 2023-24 Outturn












	2023-24 Budget	2023-24 Actuals	2023-24 Outturn Over/ (Under) Spend £m	Budget Performance  Overspend  Underspend
	£m	£m	£m	
Adult Care	308.322	317.618	9.296	
Children's Services and Safeguarding and Education	162.450	183.204	20.754	
Clean Growth and Regeneration	1.984	1.797	(0.187)	
Corporate Services and Budget	76.948	74.263	(2.685)	
Health and Communities	12.576	10.883	(1.693)	
Highways Assets and Transport	50.603	51.024	0.421	
Infrastructure and Environment	48.994	48.644	(0.350)	
Strategic Leadership, Culture, Tourism and Climate Change	11.069	10.501	(0.568)	
Total Portfolio Outturn	672.946	697.934	24.988	
Risk Management	6.084	0.000	(6.084)	
Debt Charges	39.829	49.821	9.992	
Interest and Dividend Income	(5.422)	(15.776)	(10.354)	
Levies and Precepts	0.373	0.373	0.000	
Corporate Adjustments	4.567	7.680	3.113	
Total	718.377	740.032	21.655	







4.12 The overall Council overspend at 31 March 2024 is £21.655m. This is an improvement of £12.416m on the forecast reported at Quarter 3 (Q3) (£34.071m), the reasons for which are set out in paragraphs 4.13 to 4.14.

Changes since Quarter 3

4.13 The decrease in the forecast overspend since Q3 is shown in Table 2. Some favourable movements have been seen due to a combination of additional income, reductions to expenditure and use of reserves. Cost control measures, including a vacancy freeze, were implemented from September 2023. However, demand and cost pressures remain high in Adult and Children's Social Care. Further detailed explanations follow in paragraph 4.14.

Table 2: Change Q3 Forecast to Q4 2023-24 Outturn

	2023-24 Outturn Over/ (Under) Spend £m	Q3 Projected Outturn Over/(Under) Spend £m	Q3 to Q4 2023-24 Outturn Movement (Favourable)/ Adverse £m	Budget Performance  Improvement  Deterioration
Adult Care	9.296	6.931	2.365	
Children's Services and Safeguarding and Education	20.754	21.096	(0.342)	
Clean Growth and Regeneration	(0.187)	(0.320)	0.133	
Corporate Services and Budget	(2.685)	(0.265)	(2.420)	
Health and Communities	(1.693)	(0.619)	(1.074)	
Highways Assets and Transport	0.421	4.644	(4.223)	
Infrastructure and Environment	(0.350)	(0.710)	0.360	
Strategic Leadership, Culture, Tourism and Climate Change	(0.568)	(0.138)	(0.430)	
Total Portfolio Outturn	24.988	30.619	(5.631)	

Risk Management	(6.084)	0.028	(6.112)	
Debt Charges	9.992	10.187	(0.195)	
Interest and Dividend Income	(10.354)	(9.161)	(1.193)	
Levies and Precepts	0.000	0.000	0.000	
Corporate Adjustments	3.113	2.398	0.715	
Total	21.655	34.071	(12.416)	

4.14 The reasons for the movements between Q3 and the Council's revenue outturn for 2023-24 at Q4 (summarised in Table 2 above) are summarised as follows:

- Adult Care (+£2.365m): Additional internal recharges of £0.7m from other departments, £0.8m more redundancy and pension strain costs arising from planned budget saving initiatives, £0.3m demand and price increases in the Community Equipment Service and £0.5m additional expenditure on placements into residential homes.
- Corporate Services and Budget (-£2.420m): In Property Services redundancy costs were £0.7m less than previously estimated, there was an additional £0.2m of fee income and £0.2m less utilisation of one-off service pressure funding. Also, there was a £0.4m improvement in the ICT budget due to less agency spend and additional capitalisation of expenditure, £0.3m of additional income received by Finance from Children's Services for work done on nursery fees and £0.3m additional vacancies in the People and Organisation Change (POC) division.
- Health and Communities (-£1.074m): Application of additional Household Support Fund grant to eligible spend. Also, reduced demand for the Derbyshire Discretionary Fund as the Government implemented cost of living benefit supplements in the second half of the financial year.










- Highways, Assets and Transport (-£4.223m): Drawdown of an additional £1.3m from departmental Earmarked reserves, £0.6m improvement on the Highways Administration/Hub budget due to the recovery of aged debt previously provided to be written off and a £2.6m improvement on the Highways Maintenance Works budget following additional capitalisation of eligible expenditure.
- Risk Management (-£6.112m): Additional £3.3m income relating to gains from the Business Rates Pool and £2.8m additional non-ringfenced grant income.
- Interest and Dividend Income (-£1.193m): Additional £1.0m interest income from short term investment of balances in Money Market Funds (mainly additional funds received for and being held on behalf of East Midlands Combined County Authority (EMCCA); interest payable to EMCCA on these balances is paid at the rate of interest the Council receives on its main bank account, which is comparable to the rate the Council receives on its Money Market Funds; the 2023-24 forecast interest payable on these balances had already been updated at Q3 but the corresponding interest income forecast had not). Also, £0.1m additional interest from Client Financial Services Direct Payment Accounts and £0.1m improvement in dividend receipts from the Council's investments in strategic pooled funds.
- Corporate Adjustments (+£0.715m): An additional cost of £0.8m as a result of reserve movements attributable to the ring-fenced Dedicated Schools Grant.

Use of Reserves

4.15 The overall Council overspend of £21.655m for 2023-24 was after substantial one-off support from the use of £37.108m 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 Earmarked Reserve for planned service pressures. An additional £13.401m (£14.290m forecast at Q3) of Earmarked Reserves has been drawn down from departmental reserves to support the Adult Care (£7.091m), Children's Services Safeguarding and Education (£1.544m), Corporate Services and Budget (£1.621m), Highways Assets and Transport (£2.407m) and Infrastructure and Environment (£0.738m) portfolio outturn positions.

- 4.16 The 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.
- 4.17 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. In addition, the Local Government pay award for 2023-24 was higher than estimated.
- 4.18 The forecast at Q1 (30 June 2023) was for an overspend of £46.376m, which if left unmitigated would have considerably depleted the Council's reserves. Whilst the outturn of £21.655m overspend is an improved position from earlier in the financial year, this level of overspend has still resulted in a significant additional use of reserves. During the year, the Council took a number of actions to mitigate the overspend. These included:
- 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 temporary recruitment pause to reduce in year expenditure.
 - Limiting expenditure on agency staffing to cover essential roles only.
 - Introducing expenditure controls across non staffing budgets.
- 4.19 The overspend has reduced considerably since the Q1 forecast. The reasons for the improvement are summarised in Table 3 below:

Table 3: Overspend change from Q1 Forecast to Q4 2023-24 Outturn

		Budget Performance
	£m	 Improvement  Deterioration
Overspend forecast at Q1	46.376	
Material reductions in expenditure	(14.291)	
Material increases in expenditure	29.665	
Additional Use of Reserves	(15.912)	
Additional Grant Income	(12.467)	
Additional unbudgeted income	(8.363)	
Other identified material changes	(3.231)	
Other unidentified changes	(0.122)	
2023-24 Outturn budget overspend	21.655	

4.20 It is noteworthy that, of the £24.721m overall improvement from the Q1 forecast to actual Q4 2023-24 Outturn, certain areas of expenditure were less than forecast by £14.291m, whilst other areas of expenditure increased by £29.665m. The Council had planned reserve use of £23.707m in the 2023-24 approved budget and used an additional £15.912m of departmental reserves to support the departmental position than was additionally included in the forecast at Q1. The Council received an additional £20.830m of income.

4.21 Material reductions in expenditure included:

- £1.1m reduction in Childrens Services staffing (vacancy control).
- £1m reduction in Adult Care service pressure funding for invest to save transformation projects (not all required due to reduced implementation time/work or alternative funding).
- £1m reduction in Health and Communities service pressure funding for the Derbyshire Discretionary Fund (not all required due to alternative funding).
- £2m cost reduction due to a redesign of Learning Disability day opportunities.
- £1m reduction in mental health and enhanced care packages.
- £1.8m additional capitalisation of Highways expenditure.
- £0.3m reduction in consultants.
- £1.2m reduction in Corporate Services staffing (vacancy control).
- £3m reduction in Property expenditure.
- £1.5m reduction in ICT expenditure, partly due to capitalisation.

4.22 Material increases in expenditure included:

- £7.7m placements for children.
- £0.9m increased demand for Special Educational Needs and Disabilities (SEND) and Education Psychology services.
- £6.8m savings in Adult Care not achieved.
- £5m adult care packages.
- £0.9m additional interest payable on renewed loans at high rates of interest.
- £0.9m expected credit loss relating to loan interest.

4.23 There was additional use of reserves (not planned in the 2023-24 Revenue Budget) across all departments to support in year expenditure and non-delivery of savings. Additional grant income has also been recognised including:

- £2.7m Contain Outbreak Management Fund.
- £0.9m Bus Grant.
- £7.7m non-ringfenced grants.
- Additional contributions from the Dedicated Schools Grant and Better Care Fund grants. This is to fund specific activities in line with the grant conditions.

4.24 Additional income included:

- £0.5m fines for missing school.
- £3.3m Business Rates pool gain.
- £4.6m additional interest on investments due to continued higher interest rates and balances.

4.25 Other material changes identified included:

- Additional utilisation of the Household Support Fund for eligible administration costs.
- £2.9m reduced utilisation of the Corporate Contingency budget.

4.26 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. Cost pressures and demand for services are expected to remain high in 2024-25.

Budget Variances

4.27 Of the overall £21.655m 2023-24 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

- 4.28 The £9.296m overspend on the Adult Care portfolio relates mainly to Purchased Services costs (£17.9m overspend) and allocated savings targets which haven't been achieved in 2023-24. 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 short-term placements into residential homes whilst people await the availability of care at home. As a result, expenditure on independent sector placements has increased further in excess of budget.
- 4.29 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 underspend on Direct Care is £6.1m.
- 4.30 The outturn for this portfolio includes the draw-down of £7.091m of departmental Earmarked reserves.

Children's Services and Safeguarding (£15.228m overspend) and Education (£5.526m overspend)

- 4.31 The £20.754m 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 (£17.335m overspend) and demand for safeguarding services (£1.269m overspend). There are also significant pressures on Education budgets relating to Home to School Transport (£2.490m overspend) and School and Learning Services (£3.036m overspend). One-off factors such as non-recurrent grant income and drawdowns from Earmarked reserves have been used to reduce the portfolio overspend.
- 4.32 Expenditure on placements for children in care or alternatives to care has continued 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 has also grown 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. To demonstrate the financial pressures the service faced in 2023-24, the number of looked after children in care increased from 994 at 1 April 2023, to 1,056 at 31 March 2024. 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.

- 4.33 Demand for Children’s Social Care services are high, which has resulted in a £1.269m overspend primarily on support for children and families. A 32% increase in contacts to the service this year has led to a 4% increase in child protection plans, a 6% increase in children in care and a 2% increase in children in need. Overall, the service works with around 5,000 children. To respond to the high level of demand, an appropriate level of skilled workforce is required, which has necessitated the use of agency workers to cover vacancies and has contributed £0.580m to the overspend.
- 4.34 The SEND and Educational Psychology (EP) Services have seen an unprecedented rise in demand, resulting in significant increases in assessments and Education Health Care Plans (EHCPs), as shown in Table 4 below.

Table 4: SEND and Educational Psychology Services Increased Demand

	Calendar Year* 2022	Calendar Year* 2023	Percentage Increase %
EHCPs			
Assessment Requests	1,528	2,034	33%
EHCPs	4,997	6,325	27%

*In line with Special Educational Needs SEN2 return.

The rise in demand has resulted in an overspend for EP assessments and SEND officers to administer the statutory assessment process. The growth in EHCPs issued has also resulted in an increase in staffing for the Annual Review Teams. Schools and Learning budgets have overspent by £3.036m, which includes an overspend on SEND and EP Services of £2.428m and a £0.926m overspend on catering (after contribution to corporate overheads). This is offset by underspends on the Education Welfare Service (£0.229m), Development (£0.092m) and other school-related budget net underspends making up the balance. Transport demand is directly impacted by SEND and EP demand. As such the demand on SEND Home to School transport is high, resulting in an overspend of £1.828m.

- 4.35 The outturn for this portfolio includes the draw down £1.544m of departmental Earmarked reserves.

Corporate Services and Budget

- 4.36 The £2.685m underspend on the Corporate Services and Budget portfolio is a net position, reflecting both under and overspends across different service areas.
- 4.37 Underspending areas included:
- Capitalisation of Azure Cloud costs as part of the SAP HANA project £1.6m, offset by £0.7m of unachieved process savings originally anticipated from the introduction of the SAP HANA system.
 - Additional £0.5m of controllable recharges achieved by Finance for additional work undertaken.
 - Underspends on training budgets (£0.3m in Human Resources and £0.2m in Transformation and Strategy).
 - Underspends on salaries resulting from vacancies in multiple services areas, including Finance (£0.1m), Human Resources (£0.4m), Legal Services and Transformation and Strategy (over £1.2m).
- 4.38 These underspends were partially offset by an overspend of £1.3m on County Property due to a £2.1m deficit on the Building Maintenance Service, offset by an underspend of £0.6m on the repairs and maintenance budget. Overspends of £0.4m on the Asset Optimisation budget and £0.3m on the Industrial Development budget were offset by £0.9m of unspent service pressure funding. A separate analysis of the Property Budget has been conducted, which identified a structural imbalance in the costs of running property assets and the budgets allocated to Property as the Corporate Landlord. This imbalance will be addressed in Q1 2024-25. A further analysis of the costs incurred by the Building Maintenance Service is ongoing, following the Council's decision restructure the service.
- 4.39 The forecast outturn for this portfolio includes the drawdown of £1.621m of departmental Earmarked reserves.

Health and Communities

- 4.40 The underspend of £1.693m on this portfolio is a consequence of additional funding, from the Contain Outbreak Management Fund and Public Health ringfenced grant and recharges made to Household Support Fund, applied to the Prevention budget (£1.4m). Also, because of vacancies in the Trading Standards service (£0.2m) and not undertaking one-off Community Safety projects (£0.2m).

Highways, Assets and Transport

- 4.41 The £0.421m overspend on the Highways Assets and Transport portfolio reflects a number of areas of pressure, including:
- The cost of agency staff covering key posts in the Network Planning team (£0.7m overspend).
 - The cost of the Accelerated Capital Delivery Team (£0.6m overspend).
 - Winter maintenance costs in excess of the allocated budget (£0.5m overspend after £0.3m from the Winter Maintenance Earmarked reserve has been utilised).
 - Prior year savings targets not achievable (£2.8m overspend).
- 4.42 However, overspends in Highways services are partially offset by underspends in Public and Community Transport (£2.031m) due to the receipt of additional grant funding, Council Fleet Services (£0.6m) due to higher than budgeted income from the Police Contract and the Highways Administration/Hub (£0.4m) due to the recovery of aged debt previously provided to be written off.
- 4.43 The outturn for this portfolio includes the draw down £2.407m of departmental Earmarked reserves, including the Winter Maintenance reserve.

Corporate Budgets

- 4.44 There was an underspend of £3.333m 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

- 4.45 There was an underspend of £6.084m on the Risk Management budget. Budgets allocated to departments for the Local Government Pay award and other pay related pressures exceeded the budgeted contingency by £5.7m and budget allocated to Children's Services for inflation was £3.9m in excess of the budgeted contingency. This was offset by £1.5m of specific contingency and £3.6m of general contingency not allocated and £8.0m of additional non-ringfenced grant income received. Further

detail on the allocation of the risk management budget is set out in Table 5 below.

<u>Table 5: Risk Management budget</u>	2023-24 Over / (Under) Spend £m
Pay Pressures	5.638
Departmental Specific Service Pressures	2.431
General Contingency	(3.557)
Savings Targets not achievable/duplicated	0.773
Total Contingency Funding	5.285
Business Rates Relief Grant Adjustment	(4.937)
Business Rates Levy Account Surplus	(0.947)
Business Rates Reconciliation Grant	(0.910)
Local Reform and Community Voices	(0.520)
Services Grant 2023-24	(0.181)
Extended Rights to Home to School Transport	(0.171)
War Pensions Disregard	(0.166)
Social Care in Prisons	(0.098)
BRR for Green Plant and Machinery Exemption	(0.056)
Redmond Review Local Audit Grant 2023-24	(0.045)
Transparency Code New Burdens	(0.013)
Additional Non-ringfenced Grants	(8.044)
Business Rates Pool Gain	(3.325)
Total Risk Management Budget	(6.084)

- 4.46 The Risk Management Budget has changed from a forecast breakeven position to an underspend since Q3 due to recognising an additional £3.3m of income from the Business Rates Pool and the receipt of £2.8m of additional non-ringfenced grants that had not been announced when the 2023-24 Revenue Budget was approved by Council on 15 February 2023.

4.47 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 9.5% 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 equated to a total ongoing cost to the Council of £15.990m. 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 2023-24 left the Council with a shortfall of £5.534m in 2023-24 and an ongoing pressure of that amount in each subsequent year.

Debt Charges (Cost of Borrowing)

4.48 The Debt Charges budget was overspent by £9.992m in 2023-24, of which £6.0m 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.

4.49 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 in July 2023 (£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

- 4.50 There was a favourable variance of £10.354m on the Interest and Dividends budget. The Council utilised a range of investments to maximise its income on cash balances. As interest rates have risen, income from short-term lending increased, but this income was offset by an increase in the interest the Council paid to meet its temporary borrowing needs. The Council held £29.743m for and on behalf of the East Midlands Combined County Authority (EMCCA) at 31 March 2024; whilst the Council earned interest income on funds held for EMCCA in 2023-24, this interest income has been offset by interest which will be payable to EMCCA on release of these funds, recognised in the Debt Charges budget.

Corporate Adjustments

- 4.51 There was a forecast overspend of £3.113m on Corporate Adjustments in 2023-24. This was 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), reserve movements attributable to the ring-fenced Dedicated Schools Grant (£2.4m) which relate to interest paid on school balances (offset by additional interest income), amortisation of premiums and interest on restructured loans (£0.3m), less £0.5m in respect of interest receivable on schools' balances.

Dedicated Schools Grant

- 4.52 In addition to the Council's general fund revenue budget, the Council manages the Dedicated Schools Grant. The Dedicated Schools Grant (DSG) is the ring-fenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils. The DSG contains four blocks determined by a separate national funding formula which calculates the total funding due to Local Authorities:
- The Schools Block: provides funding for individual mainstream schools and academies using an agreed funding formula.
 - The High Needs Block: provides funding for the education of pupils subject to Education, Health and Care Plans from age 0 – 25 in a range of provision including special schools, mainstream schools, alternative provision, independent specialist provision and council centrally retained expenditure for high needs support and inclusion.

- The Early Years Block: provides funding for two-year olds, early years funding in schools and in the Private, Voluntary and Independent (PVI) sector as well as centrally retained expenditure for under 5s.
- The Central Schools Services Block: provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies.

4.53 At the end of 2022-23, there was a net deficit on the Council's DSG balances of £4.775m, which represented an accumulated overspend against the allocated grant of £8.042m, partially offset by other Earmarked DSG Reserves. This deficit had arisen due to expenditure pressures on the High Needs Block.

4.54 In 2023-24 there was a further in-year deficit on the High Needs block of £13.156m due to ongoing increases in the numbers of children and young people requiring support. There has been an unprecedented rise in demand, resulting in significant increases in Education Health Care Plans (EHCPs). This has resulted in a significant increase in top up funding to support children (also known as element 3 funding), which is £14.158m overspent. Within this figure the most significant overspend is £6.557m, relating to those children educated within independent and non-maintained special schools. This deficit is being partially offset by some small underspends on other DSG blocks but has resulted in a net deficit of £12.170m in 2023-24, which will increase the cumulative deficit to £16.945m, as shown in Table 6 below.

Table 6: Movement in DSG Deficit 2023-24

	£m
DSG Net Deficit at 1 April 2023	4.775
2023-24 (Surplus)/Deficit:	
Schools Block	0.325
High Needs Block	13.156
Early Years Block	(1.035)
Central Block	(0.276)
Total Net (Surplus)/Deficit in 2023-24	12.170
Cumulative Net DSG Deficit at 31 March 2024	16.945

- 4.55 The DSG income and expenditure does not form part of the Council's general fund revenue budget, but any surplus or deficit on the DSG funding held by the Council forms part of the Council's reserves. Whilst previously any deficit on these balances was funded by the Council, temporary regulations introduced in 2020 require that these balances are held separately. These regulations expire in 2026, at which point any deficit on the DSG balances will need to be funded by the Council. Local authorities with a DSG deficit are required to have a DSG management plan. This plan should identify the strategy, key areas and decisions that are required to bring spending back in line with funding and to repay the deficit. The plan will be designed to bring the DSG back into balance and will be shared and discussed with the Education and Skills Funding Agency (ESFA) and with the Schools Forum.
- 4.56 Further detail for variances on the DSG blocks is provided at Appendix 12.

Public Health Grant

- 4.57 The Council also manages the Public Health Grant (PHG). This is a ringfenced grant from Government for local authorities to provide services to improve health in local populations. Any residual funding from the grant is carried forward to future years in the Public Health earmarked reserve. In 2023-24 there was an overall contribution from the Earmarked reserve of £0.258m. The significant variances were a contribution of £1m one-off funding to the Children's Services and Safeguarding and Education portfolio to support Children's Centres and the Early Years offer to achieve Public Health outcomes, which was offset by £0.4m from holding vacancies in Public Health funded posts to support the Council's overall financial position and £0.5m underspends on substance abuse rehabilitation and inpatient detox, due to lower demand for placements and uncertainty in respect of the conditions of additional funding provided to increase utilisation of these services. A summary of variances on the PHG is provided at Appendix 13.

General and Earmarked Reserves

- 4.58 The Council's General Reserve was £40.209m at 31 March 2024 (Q3 report, £27.684m). This is after the Council's 2023-24 overspend of £21.655m and is also after the agreed release of £31.803m from Earmarked Reserve balances to the General Reserve, which was reported to Cabinet on 1 February 2024. The budget report for 2024-25 approved by Council in February 2024 commented the general reserve balance cannot fall below £25m.

4.59 Considering the current challenges of the Council's overall financial position, it is not proposed to allocate portfolio underspends to departmental Earmarked reserves for 2023-24, beyond the ring-fenced commitments detailed in Table 7 below. Any decisions on the use of departmental Earmarked reserves containing underspends will continue to be subject to appropriate approvals by the relevant Cabinet Member in consultation with the Director of Finance. At 31 March 2024, there were £0.506m of portfolio ring-fenced commitments. These commitments were:

Table 7: Commitments at 31 March 2024

Portfolio	Detail	Commitments £m
CSB	Remainder of funding allocated to support the resourcing of the Property Asset Valuation team	0.050
CSB	Remainder of funding allocated to fund agents, solicitors and consultants required to deliver the five-year Property Disposal Programme	0.150
CSB	To support the decommissioning of County Hall North block; part of the County Hall project	0.306
TOTAL		0.506

4.60 The balance on the General Reserve, before commitments, is 5.6% of the Council's Net Budget Requirement for 2024-25. The minimum level of General Reserve for an organisation the size of the Council is around 3% of a council's net spending. If there was a similar level of overspend in 2024-25 as in 2023-24, this would see the General Reserve fall below the minimum level. Table 8 below shows the balance on the General Reserve at 31 March 2024, after commitments.

Table 8: General Reserve Balance after Commitments
General Reserve at 31 March 2024

	£m
Balance in Pre-Audit Accounts*	40.209
Less: Allocations to Portfolios	
Corporate Services and Budget	(0.506)
Balance After Commitments	39.703

* The Pre-Audit Accounts have not been finalised at the time of writing.

4.61 The next review of Earmarked reserve levels is scheduled to be reported in January/February 2025.

- 4.62 A summary of outstanding balances on the Council's Earmarked reserves as at 31 March 2024 is set out in Appendix 16.
- 4.63 Approval is sought for a contribution of £0.678m from the Public Transport budget to an Earmarked reserve to fund additional capacity to improve the SEND Transport service's fulfilment of its statutory duties and ability to achieve best value from its contracts. This contribution has already been allowed for in the reported outturn and reserves positions.
- 4.64 Not all the funding awarded for Early Years and Virtual School grants had been spent at 31 March 2024. Approval is sought to contribute the underspends on these grants, which total £0.542m, to Earmarked reserves, to enable the purpose of these grants to be fulfilled. This contribution has already been allowed for in the reported outturn and reserves positions.

Budget Savings

- 4.65 A summary of the achievement of budget savings targets for 2023-24 is provided at Appendix 17. The budget savings target for 2023-24 was £16.190m, with a further £12.038m target brought forward from previous years. Of the in-year savings target, £5.796m was delivered in the current financial year, with delays in the delivery of Adult Care savings being mitigated through the use of Earmarked reserves. There has been an improvement in the achievement of the in-year savings target since the Q3 forecast of around £0.4m.
- 4.66 Where there is non-achievement of savings brought forward from previous years, 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, therefore mitigations and alternative savings delivery are being considered.
- 4.67 The Council has reviewed all of its savings initiatives and has developed a programme of savings proposals which will follow their own timescales and processes to address the estimated funding gap identified as part of the budget for 2024-25 over the medium term. This has helped in identifying substantial additional savings proposals, which were reported to Cabinet on 1 February 2024 and Full Council on 14 February 2024. In many cases the proposals will be subject to consultation and equality analysis processes. No assumptions, including potential cost savings, have been made as to the outcome of

those consultations or the outcome of final decisions which have yet to be made. With regard to the savings proposals which have not yet been considered by Cabinet for approval to consult, the necessary consultation exercises will be undertaken, and any equality implications will be assessed before final decisions are made. Throughout the process it will be essential to ensure that the Council continues to meet its statutory and contractual obligations. However, in headline terms the Council has now identified measures which should help achieve the budget gap over the period of the Five Year Financial Plan (FYFP). Where any savings proposals are not able to proceed, alternative saving initiatives will need to be identified to meet the shortfall.

Debt Age Profile

- 4.68 The age profile of debts owed to the Council and the value of debts written off is disclosed in Appendix 18. This information is collected on a departmental rather than on a portfolio basis.

Traded Services

- 4.69 A trading area is where the Council receives income in return for providing discretionary services to external organisations and/or individuals.
- 4.70 '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. On fully traded services there was a net deficit position of £2.893m in 2023-24. This is mainly due to Property Direct Service Organisation (DSO) Operations and the Schools Catering Service. The Property DSO has lost some key income streams and are also holding vacancies pending a staffing review. This has reduced the number of available productive hours and therefore the absorption of overheads. A further analysis of the costs incurred by the Building Maintenance Service is ongoing, following the Council's decision restructure the service. Early results of this analysis indicates that the overhead costs of delivering the service are significant, which may make the service less attractive to external organisations who are able to choose where to buy their services.

- 4.71 '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. There was an overall surplus of £1.652m compared to the budgeted income target for 2023-24 on partially traded areas across the Council as a whole. In particular, Fleet Services has generated significant additional income above its budgeted target; this service will have a higher income target for 2024-25, which will assist the Council in meeting its savings targets.
- 4.72 Appendix 15 summarises the financial performance of the separate trading areas.

5. Alternative Options Considered

- 5.1 N/A – the Council is required to outline its 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 outturn positions to be reported to Cabinet after the end of the Financial Year.

6. Implications

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

7. Background Papers

- 7.1 None identified.

8. Appendices

- 8.1 Appendix 1 – Implications
- 8.2 Appendix 2 – Key to Performance Ratings
- 8.3 Appendix 3 – Performance Report 2023-24 Council Overview
- 8.4 Appendix 4 – Adult Care - Portfolio Summary
- 8.5 Appendix 5 – Children's Services and Safeguarding and Education - Portfolios Summary
- 8.6 Appendix 6 – Clean Growth and Regeneration - Portfolio Summary

- 8.7 Appendix 7 – Corporate Services and Budget - Portfolio Summary
- 8.8 Appendix 8 – Health and Communities - Portfolio Summary
- 8.9 Appendix 9 – Highways Assets and Transport - Portfolio Summary
- 8.10 Appendix 10 – Infrastructure and Environment - Portfolio Summary
- 8.11 Appendix 11 – Strategic Leadership, Culture, Tourism and Climate Change - Portfolio Summary
- 8.12 Appendix 12 – Dedicated Schools Grant (DSG)
- 8.13 Appendix 13 – Public Health Grant (PHG)
- 8.14 Appendix 14 – Summary of Revenue Budget Underspends/ Overspends, Commitments and General Reserves Impacts
- 8.15 Appendix 15 – Traded Services
- 8.16 Appendix 16 – Earmarked Reserves
- 8.17 Appendix 17 – Budget Savings Monitoring 2023-24
- 8.18 Appendix 18 – Aged Debt

9. Recommendations

That Cabinet:

- 9.1 Notes and agrees the Council Plan performance and the Revenue outturn position for 2023-24.
- 9.2 Notes the cumulative deficit on the Dedicated Schools Grant at 31 March 2024 as set out in paragraph 4.54.
- 9.3 Notes the position on General and Earmarked Reserves.
- 9.4 Approves the allocation of underspend amounts and commitments to Portfolios as set out in paragraph 4.59.
- 9.5 Approves the contribution of £0.678m from the Public Transport budget to an Earmarked reserve to fund additional capacity within the SEND Passenger Transport service as detailed in paragraph 4.63.

- 9.6 Approves the contributions to Earmarked reserves of £0.218m Virtual School grant and £0.324m Early Years grant funding as detailed in paragraph 4.64.
- 9.7 Approves that any underspends arising in future financial years on the Virtual School and Early Years grants may be contributed to an Earmarked reserve to fund future expenditure consistent with the purpose of the respective grants.

10. Reasons for Recommendations

- 10.1 The outturn report provides a summary of the 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.
- 10.2 The Council has a net cumulative deficit on the Dedicated Schools Grant (DSG) of £16.945m at 31 March 2024. The DSG income and expenditure does not form part of the Council's general fund revenue budget, but any surplus or deficit on the DSG funding held by the Council forms part of the Council's reserves. Whilst previously any deficit on these balances was funded by the Council, temporary regulations introduced in 2020 require that these balances are held separately. These regulations expire in 2026, at which point any deficit on the DSG balances will need to be funded by the Council.
- 10.3 Consideration of the balances of both the General and Earmarked Reserves supports good financial planning.
- 10.4 Underspends can be carried forward with the approval of Cabinet as set out in the Council's Financial Regulations.
- 10.5 Allocations to the Corporate Services and Budget portfolio for unspent services pressures allocated in 2023-24 will provide the resources to continue in-flight Property consolidation programmes and projects.

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

11.1 No

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Appendix 1

Implications

Financial

- 1.1 There was an overall Council overspend of £21.655m for 2023-24, which is a £12.416m improvement on the forecast reported at Q3 (£34.071m overspend). This position is after substantial one-off support from the use of £37.108m 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 Earmarked Reserve for planned service pressures. A further £13.401m of Earmarked Reserves (£14.290m forecast at Q3) has been drawn down from departmental reserves to support the Adult Care (£7.091m), Children's Services and Safeguarding and Education (£1.544m), Corporate Services and Budget (£1.621m) and Highways Assets and Transport (£2.407m) and Infrastructure and Environment (£0.738m) portfolio outturn positions.
- 1.2 The 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.
- 1.3 Paragraphs 4.27 to 4.51 describe the reasons for the overspend, the main factors being continued inflationary and demand pressures in adult 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 was higher than estimated.
- 1.5 As at 31 March 2024, the Council's General Reserve balance was £40.209 and there were £0.506m of portfolio ring-fenced commitments. A similar level of overspend in 2024-25 as in 2023-24 would result in the General Reserve falling below 3% of the Council's Net Budget Requirement for 2024-25, which is considered the minimum level for an organisation the size of the Council.

Appendix 1

- 1.6 The Council has a net cumulative deficit on the Dedicated Schools Grant (DSG) of £16.945m at 31 March 2024. The DSG income and expenditure does not form part of the Council's general fund revenue budget, but any surplus or deficit on the DSG funding held by the Council forms part of the Council's reserves. Whilst previously any deficit on these balances was funded by the Council, temporary regulations introduced in 2020 require that these balances are held separately. These regulations expire in 2026, at which point any deficit on the DSG balances will need to be funded by the Council.
- 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.

Appendix 1

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 reserve.

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.	