



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

17 September 2024

Joint Report of the Director of Finance and Managing Director

**Performance Monitoring and Budget Monitoring/Forecast Outturn
2024-25 as at Quarter 1 (30 June 2024)**

1. Purpose

- 1.1 To provide Members with an update of Council Plan performance and the Revenue Budget/forecast outturn for 2024-25, as at 30 June 2024 (Quarter 1). The recommendations in this report are subject to approval by Cabinet on 18 September 2024.

2. Information and Analysis

- 2.1 This report provides information on performance against the Council Plan priorities and financial performance against the 2024-25 Revenue Budget and savings plan.
- 2.2 As at Quarter 1, the Council is forecasting a net overspend of £20.163m against the approved Revenue Budget for 2024-25. Savings delivery is on track in most areas but continuing demand and cost pressures in Adult's and Children's Social Care services are resulting in forecast expenditure being significantly in excess of budget.
- 2.3 As at Quarter 1, progress against the 33 Strategic Objectives outlined in the 2024-25 Council Plan shows that 1 (3%) has been completed, 19

(58%) have good progress, and 12 require review (36%). The Strategic Objective relating to a Digital Improvement Programme is being reviewed, following the establishment of a new Digital Division at the start of this year, and progress will be assessed for Quarter 2.

Performance Report

- 2.4 The Council Plan sets out the direction of the Council and was refreshed for 2024-25 with a Base Plan of 33 Strategic Objectives identified. The Quarter 1 performance report is included at **Appendix 3**.
- 2.5 A summary of the progress of the 33 Strategic Objectives and details of the associated measures are included in the performance report, with brief narrative of any specific issues.
- 2.6 Key achievements during Quarter 1 are:
- The East Midlands Combined County Authority (EMCCA) became a legal entity in March 2024, and quarter 1 saw the election of the Mayor in May 2024. This will bring increased power and funding to the East Midlands, focusing initially on economic growth and transport improvements.
 - Initiatives supported by the Bus Service Improvement programme have led to a significant increase in bus passenger numbers, reaching almost pre-pandemic levels, alongside high satisfaction rates. As well as increased bus usage, the programme has led to an improved public transport network, with greater accessibility.
 - Our 3-year, £120 million highways programme to improve road conditions throughout Derbyshire has been completed.
 - We have remained on target for 1 million trees planted in the county by 2030, with over 500,000 trees planted to date, enhancing the environment and helping support the Council's aim for net zero carbon emissions by 2032.
 - 90% of our children's homes are rated as good or better by Ofsted, with 63% rated as outstanding compared to a national average of 10%.
 - Through the Holiday Activity Fund, we supported 124 holiday clubs with 4,491 young people engaging. There were 12,756 meals provided, with 80% of those attending eligible for free school meals.
 - The roll out of our Mind of My Own participation app, to gain the voice of children, young people and families, has won national recognition as one of the fastest growing implementations with over 1,000 feedback statements from service users.

- Our property rationalisation programme is continuing, supporting better working conditions and service delivery transformation. The programme is achieving reductions in maintenance costs, running costs, carbon emissions and debt charges, whilst also gaining capital receipts from sales.
- We are continuing to pursue social value through procurement, seeking a positive impact on local people and communities, the local economy and the environment, through the way we buy goods and services. Over the period leading to the end of June 2024, we delivered £9 million in social value through our procurement activities.
- Paying invoices promptly is vital in helping small businesses to thrive; during Quarter 1 we surpassed our 10-day target for payment of undisputed invoices from Derbyshire small and medium sized enterprises (SMEs), with an average of 4.6 working days.

Revenue Budget Forecast Outturn 2024-25

- 2.7 As at Quarter 1, the Council is forecasting a net overspend of £20.163m against the approved Revenue Budget for 2024-25. Savings delivery is on track in most areas but continuing demand and cost pressures in Adult's and Children's Social Care services are resulting in forecast expenditure being significantly in excess of budget. A summary of financial performance for each portfolio area is included below and in more detail in **Appendices 4 to 11**.

Forecast Outturn for 2024-25 as at 30th June 2024 (Quarter 1)	Net Budget	Forecast	Variation
	£m	£m	£m
Adult Care	300.500	324.538	24.038
Childrens Services and Safeguarding and Education	153.940	167.225	13.285
Clean Growth and Regeneration	0.857	0.574	(0.283)
Corporate Services and Budget	70.641	72.152	1.511
Health and Communities	10.979	10.579	(0.400)
Highways and Transport	49.005	48.235	(0.770)
Infrastructure and Environment	50.792	50.676	(0.116)
Strategic Leadership, Culture, Tourism and Climate Change	10.242	10.028	(0.214)
Portfolio Total	646.956	684.007	37.051
Corporate Budgets	81.170	64.282	(16.888)
TOTAL NET BUDGET	728.126	748.289	20.163

2.8 There is a significant forecast overspend of £24.038m on the Adult Care portfolio. This is due mainly to expenditure on care packages in excess of budget because of increased cost and demand (a 13% increase on 2023-24), combined with reductions in funding from health and one-off grant funding no longer being available, and shortfalls on the delivery of some efficiencies. The overspend is being partially mitigated by underspends on block contracts, day care services and direct home care.

- 2.9 The Children's Services and Safeguarding and Education portfolio is also forecasting a significant overspend of £13.285m. This is after assuming £10m of contingency budget is transferred to Children's Social Care to offset ongoing cost and demand pressures in respect of placements. Continued demand pressures and a scarcity of placements is resulting in expenditure on placements exceeding budget by £11.9m. Pressures also continue due to high demand for Education Health and Care Plans (EHCPs), which results in an increasing number of children being eligible for funded home to school transport. Pressures remain in catering due to increased costs and delays with delivery of some savings is resulting in budget pressures.
- 2.10 There is a forecast overspend of £1.511m on the Corporate Services and Budget portfolio due to a structural budget deficit in Property and property running costs exceeding budgets due to legacy budget issues and energy price inflation. Energy forecasts are under review and initial indications suggest falling energy prices could reduce expenditure by up to £1.5m (but this is not reflected in forecasts at Q1).
- 2.11 All other portfolios are forecasting small net underspends. There are some areas of minor overspend being offset by underspends commonly due to vacancies and additional grant income. Further detail can be found in **Appendices 4 to 11**.
- 2.12 Given the significant levels of forecast overspends across departments, Executive Directors are required to reduce expenditure to ensure they operate within their cash limited budgets. The position will continue to be monitored closely throughout the financial year and reported to Cabinet.

Corporate Budgets

- 2.13 Corporate Budgets is forecasting a net underspend of (£16.888m). This assumes that £10m of contingency budget is transferred to Children's Social Care to offset ongoing cost and demand pressures in respect of placements.
- 2.14 There is a forecast underspend of £5.2m in respect of the employee pay award, which assumes the national employers pay offer is accepted. Debt charges, net of interest and dividend income, are also forecast to be lower than budget (net £3.3m underspend) due to slippage on the Capital Programme and working capital balances being more favourable than assumed when the budget was set. Additional income of £8.3m is also forecast in respect of a business rates pool gain and business rates related grants, which were notified after the budget was set.

2.15 A summary of financial performance for Corporate Budgets is included in **Appendix 12**.

Savings Delivery

- 2.16 The 2024-25 Revenue Budget includes savings targets totalling £31.339m. As at the end of Quarter 1:
- Total savings forecast to be delivered is £30.211m, or 95% of target (total of Delivered, Green and Amber). The total forecast delivery includes some savings lines where the forecast delivery exceeds the original target.
 - £2.792m of savings (9% of the original target) are rated Red. There are significant risks to delivery and the forecast does not therefore assume these will be delivered. Where this is the case, departments are developing alternative savings proposals to ensure the total value of savings is delivered across the Council.
- 2.17 Further analysis by portfolio is summarised in **Appendix 13**. The Council has introduced a programme management approach to the delivery of savings in 2024-25. This has improved the delivery and monitoring of savings proposals across the organisation.

Dedicated Schools Grant (DSG)

- 2.18 **Appendix 14** provides further detail on the forecast position on the Dedicated Schools Grant (DSG) in 2024-25.
- 2.19 There is a forecast in-year deficit on the DSG in 2024-25 of £17.428m. Adding this forecast to the existing brought forward balance would result in a total cumulative deficit of £34.373m by 31 March 2025. As in previous years, the pressure on the DSG is coming from the High Needs Block, which is forecast to be overspent by £18.736m in 2024-25. Other blocks are either within budget or have small underspends contributing to the overall DSG position. Whilst each block of the DSG has its own regulations around what it can and cannot fund, the Council has to report the overall DSG balance within its annual accounts.
- 2.20 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.

- 2.21 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. Officers of the Council met with the ESFA during June 2024 to discuss Derbyshire's approach to the development of the plan, with a follow up meeting planned later in the year once Derbyshire's plan is finalised.

Reserves

- 2.22 When the 2024-25 budget was approved at Council in February 2024 it was commented that the General Reserve for the Council cannot fall below £25m. The Council's General Reserve was £35.938m as at 30 June 2024. The forecast 2024-25 overspend would reduce the reserve to a balance of £15.794m, which is 2.2% of the Council's net spending. This is clearly unacceptable and the Council needs to take corrective action to reduce its forecast expenditure in 2024-25.
- 2.23 The General Reserve cannot fall below £25m. If the actual revenue expenditure as at 31 March 2025 requires a further call on reserves then those Earmarked Reserves established for budget management will be used to protect the General Reserve.
- 2.24 The forecast 2024-25 overspend of £20.163m is after one-off support from the use of £17.727m of the Council's Earmarked Reserves, of which £10.977m was planned use included in the Revenue Budget approved by Council in February 2024. An additional £6.750m of drawdowns from General and Earmarked Reserves have been included in the forecasts.
- 2.25 The forecast position follows outturn positions for 2022-23 and 2023-24 which resulted in the Council utilising £54.789m and £58.763m of reserves in each financial year respectively, in order to balance the budget and meet inflationary and demand pressures, particularly in respect of Social Care services.
- 2.26 The next review of Earmarked Reserve levels is scheduled to be reported in January/February 2025.
- 2.27 A summary of balances on the Council's Earmarked Reserves as at 30 June 2024 is set out in **Appendix 15**.

Aged Debt Profile

- 2.28 The age profile of debts owed to the Council and the value of debts written off is disclosed in **Appendix 16**. This information is collected on a departmental rather than on a portfolio basis.

3. Alternative Options Considered

- 3.1 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 in line with the Budget Monitoring Policy.

4. Implications

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

5. Background Papers

- 5.1 None identified.

6. Appendices

- 6.1 Appendix 1 – Implications
- 6.2 Appendix 2 – Key to Performance Ratings
- 6.3 Appendix 3 – Performance Report Quarter 1 2024-25
- 6.4 Appendix 4 – Adult Care Finance Summary
- 6.5 Appendix 5 – Children’s Services and Safeguarding and Education Finance Summary
- 6.6 Appendix 6 – Clean Growth and Regeneration Finance Summary
- 6.7 Appendix 7 – Corporate Services and Budget Finance Summary
- 6.8 Appendix 8 – Health and Communities Finance Summary
- 6.9 Appendix 9 – Highways Assets and Transport Finance Summary
- 6.10 Appendix 10 – Infrastructure and Environment Finance Summary
- 6.11 Appendix 11 – Strategic Leadership, Culture, Tourism and Climate Change Finance Summary
- 6.12 Appendix 12 – Corporate Budgets Summary
- 6.13 Appendix 13 – Savings Delivery Summary
- 6.14 Appendix 14 – Dedicated Schools Grant Summary
- 6.15 Appendix 15 – Earmarked Reserves Summary
- 6.16 Appendix 16 – Outstanding Debt Summary

7. Recommendations

- 7.1 That Audit Committee, subject to the approval of Cabinet of these recommendations at its meeting on 18 September 2024:
- a) Notes the update of Council Plan performance, progress with the delivery of savings, and the Revenue Budget position/forecast outturn for 2024-25 as at 30 June 2024 (Quarter 1).
 - b) Notes the position on Reserves.
 - c) Notes the significant actions, set out in the report, which will be undertaken across the Council, and are required to reduce the significant revenue overspend detailed in this report, and to ensure the delivery of planned savings.

8. Reasons for Recommendations

- 8.1 The forecast outturn report provides a summary of the expected overall financial performance and use of resources against the Council's approved Revenue Budget for the financial year 2024-25. The forecast outturn position supports the development of the financial plan in both the short and medium term.
- 8.2 To ensure the Council maintains a balanced budget during the financial year 2024-25 and the Council maintains its financial standing. This includes a minimum level of General Reserve of £25m as set out in this report.

Report Authors:

Heather Green
Sam Holmes
Eleanor Scriven
Matthew Walters
Esther Croll

Contact details:

Heather.Green@derbyshire.gov.uk
Samuel.Holmes@derbyshire.gov.uk
Eleanor.Scriven@derbyshire.gov.uk
Matthew.Walters@derbyshire.gov.uk
Esther.Croll@derbyshire.gov.uk

Implications

Financial

- 1.1 As at Quarter 1, the Council is forecasting a net overspend of £20.163m against the approved Revenue Budget for 2024-25. This position is after the planned use of reserves included in the 2024-25 budget of £10.977m and the forecast includes the use of a further £6.750m from Earmarked and General reserves.
- 1.2 The forecast position follows significant overspends reported in 2022-23 and 2023-24, which resulted in the Council utilising £113.552m of reserves over two financial years in order to balance the budget and meet inflationary and demand pressures, particularly in Social Care services.
- 1.3 Section 2 of the report and the Appendices 4 to 11 provide further details on the reasons for the forecast overspend. There continues to be inflationary and demand pressures across Adult's and Children's Social Care services. The 2024-25 budget included significant investment in these areas to support pressures, but also required delivery of significant savings to balance the budget. Progress on savings delivery is good in most areas, but there are areas of risk in respect of savings delivery, which are contributing to the forecast overspend.

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. In the event that the Chief Finance Officer issues a section 114(3) report, this 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 The impact of the budget savings programme on the workforce is being monitored and regular updates provided through the Budget Savings Programme Board.

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 In common with many Local Authorities, the Council has faced significant cost pressures and increased demand for services over recent years which has presented financial challenges. The Council is committed to ensuring that it sets a balanced budget over the medium-term, ensuring good financial management and sustainable use of reserves.

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

- 7.1 The Council has introduced a programme management approach to the delivery of savings in 2024-25 in order to manage the risk of non-delivery. This has improved the delivery and monitoring of savings proposals across the organisation.

- 7.2 There is a forecast total cumulative deficit on the Dedicated Schools Grant (DSG) of £34.373m by 31 March 2025. 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. Officers of the Council met with the Education and Skills Funding Agency (ESFA) during June 2024 to discuss Derbyshire's approach to the development of its DSG management plan, which will identify the strategy, key areas and decisions that are required to bring spending back in line with funding and to repay the deficit, bringing the DSG back into balance. The plan will be shared and discussed with the ESFA and with the Schools Forum.