

DERBYSHIRE COUNTY COUNCIL
CABINET MEMBER FOR CORPORATE SERVICES

10 December 2020

**Joint Report of the Executive Director of Commissioning, Communities
and Policy and the Director of Finance & ICT**

**PERFORMANCE AND BUDGET MONITORING/FORECAST OUTTURN
2020/2021 AS AT QUARTER 2**

1 Purpose of the Report

To provide the Cabinet Member with an update of the Council Plan performance position and the revenue budget position of the Corporate Services portfolio for 2020/2021 up to the end of September 2020 (Quarter 2).

2 Information and Analysis

2.1 Integrated Reporting

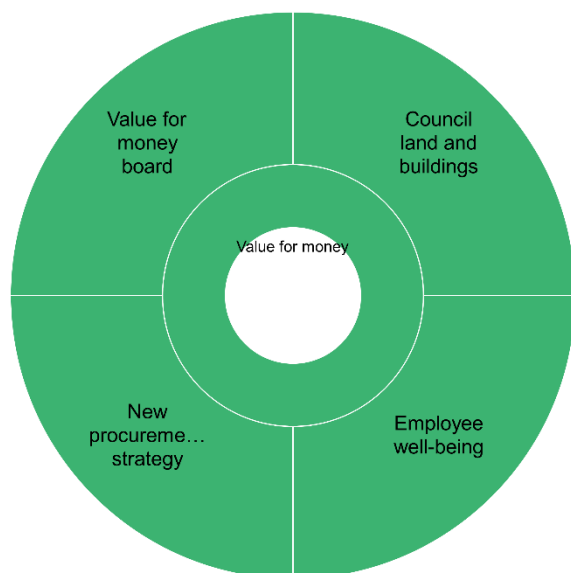
This report presents both financial and Council Plan performance data. The performance summary sets out progress on the Council Plan deliverables and measures led by the Corporate Services portfolio. The remainder of the report gives a summary and detail on the revenue budget position for the portfolio.

As an overview, the report shows that progress is "good" for all of the Council Plan deliverables led by the portfolio. After the use of additional Covid-19 funding, the budget forecast position for 2020/2021 is an overspend of £3.711m. It is forecast that £2.513m of savings will have been achieved by the year end. This compares to target savings of £5.800m and the value of savings initiatives, which have been identified for implementation in the current year, of £4.931m.

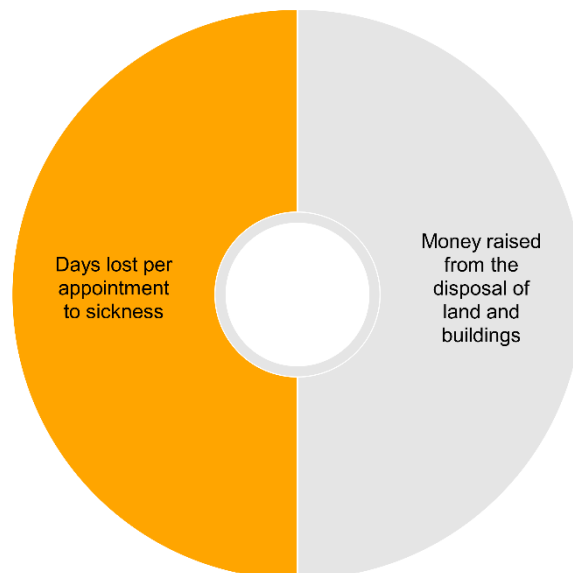
2.2 Performance Summary

The following shows an overview for Quarter 2 of progress on the Council Plan deliverables and measures relating directly to Corporate Services.

Deliverable Progress



Performance Measures Against Target



Performance Measures Against Target

	2018/2019	2019/2020	2020/2021	Target	Performance
Average number of days lost per appointment to sickness (Not including schools)	9.9	10.4	10.3	10.0	Review
Amount of money raised from the disposal of land and buildings		£2,898,546	£2,652,381		

Key ★ Strong ✓ Good ○ Review 📌 Action ■ Data not available/Target not set

Progress is "good" for all of the Council Plan deliverables led by the portfolio.

Key areas of success are:

- Remote working has been supported by an upgrade to Microsoft Office, a network of 600 Digital Champions and Microsoft Teams training for over 1,500 system users.
- The first business cases for asset rationalisation have been approved by the Limited Liability Partnership. Sales of land and buildings has raised over £2.6m so far this year.
- Two joint ventures Vertas (Derbyshire) Limited and Concertas (Derbyshire) Ltd. went live in September 2020, taking responsibility for the delivery of non-core property services.
- The Council remains on track to achieve its target of 10 days lost per appointment to sickness across the Council. There was only a marginal

increase to 10.3 days in quarter 2 from 10.0 at quarter 1, however the CCP average for quarter 2 is 11.7 days.

Key areas for consideration are:

- Covid-19 caused initial delays to the Procurement Strategy and Value for Money Board however progress is now being made.

Further information on the portfolio's Council Plan performance are included at Appendix A.

2.3 Budget Forecast Summary

The net controllable budget for the Corporate Services portfolio is £43.445m. An additional £1.812m Covid-19 funding will be added to the budget to give a total of £45.257m.

The Revenue Budget Monitoring Statement prepared for quarter 2 indicates that there is a forecast year-end overspend of £5.523m.

This overspend will be supported by the use of £1.812m of additional Covid-19 funding which has been allocated to the Council to support the costs incurred as a result of the pandemic. After the use of this funding the forecast position is an overspend of £3.711m.

Forecast outturn against target budget

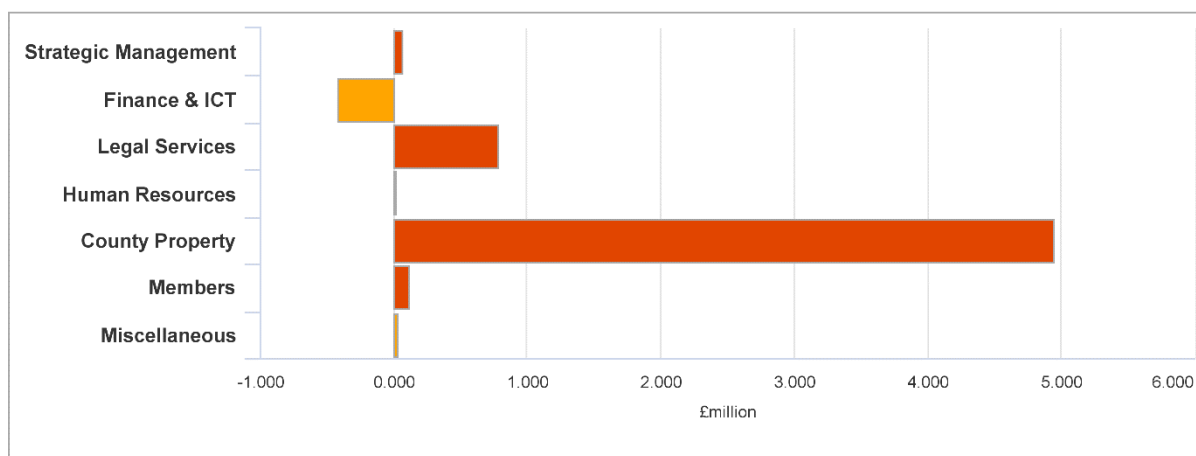


The significant areas which make up this forecast are shown in the following table and graph below:

Corporate Services Budget Items

	Controllable Budget £m	Full Year Forecast £m	Forecast Under (-)/ Over Spend £m	Percentage Under (-)/ Over Spend	Budget Performance
Strategic Management	0.237	0.298	0.061	25.7%	🔴
Finance & ICT	17.563	17.141	-0.422	-2.4%	🟡
Legal Services	4.311	5.098	0.787	18.3%	🔴
Human Resources	8.063	8.073	0.010	0.1%	🟡
County Property	10.157	15.100	4.943	48.7%	🔴
Members	1.889	2.006	0.117	6.2%	🔴
Miscellaneous	1.225	1.252	0.027	2.2%	🟡
Total	43.445	48.968	5.523	12.7%	🔴
Covid-19 Funding	1.812				
Total after use of additional funding	45.257	48.968	3.711	8.2%	🔴

Forecast Under (-)/Over Spend



2.4 Key Variances

2.4.1 Finance & ICT, underspend £0.422m

The ICT section is planning to make significant savings from restructuring various parts of the business over the next three years, with the first tranche of the review being implemented in 2020/21. The underspend is as a result of vacancy control, which will assist in managing the ICT restructure more effectively. Corporate Finance are also reporting underspends as a result of vacancy control in preparation for the finance review.

2.4.2 Legal Services, overspend £0.787m

Legal Services savings of £0.375m will not be achieved until the new Legal Services model is introduced when the new Director of Legal Services is in post. The finalisation of the Democratic Services savings target of £0.050m has yet to be determined.

The majority of the remainder of the overspend is on salaries; £0.150m in Legal Services, £0.130m in Coroners, £0.039m in Members and Management PA's and £0.017m in Democratic Services. There is an ongoing cost of £0.016m for the Audio Visual system in the Council Chamber and a reduction of £0.030m in costs on equipment rental in the Business Unit.

2.4.3 Human Resources, overspend £0.010m

The savings target in respect of the HR Review has been re-profiled to reflect the position previously agreed by Cabinet in September 2019. It will be met through use of the CCP underspend reserve for 2020/21.

2.4.4 County Property, overspend £4.943m

In order to help balance the budget in the short to medium term, approval is being sought to fund capital expenditure on the planned maintenance programme for 2020/21, estimated to be £1.236m, from borrowing as an alternative to the planned revenue contributions. If approved this will be reflected in the next monitoring. Approval will be sought from Cabinet on 10 December 2020. As it stands, the overspend consists of a budget reduction of £1.893m which is not expected to be realised in the current financial year. This savings target is based upon expected building running cost reductions following the review and rationalisation of the Council's property portfolio. Whilst the partnership with Public Sector PLC has now been established to deliver these savings, projects will require reporting and validation before they can commence.

Expenditure is also at the same rate as in previous years yet income is substantially lower and Covid-19 is having an additional impact primarily by reducing the rate at which fee income can be earned on capital construction projects and Disabled Facilities Grant Scheme Design work.

There is a significant overspend on Industrial development units of £1.1m. This is partly down to the income target not being adjusted after asset sales or other actions which reduced long term rental income in previous years. This problem is further exacerbated by Covid-19 costs as there is a further reduction in rent expected to be recovered on some industrial and small business units. Some units are also occupied by charities paying lower rates of rent. Additionally rent-free periods are sometimes granted to new tenants in exchange for the completion of essential maintenance work.

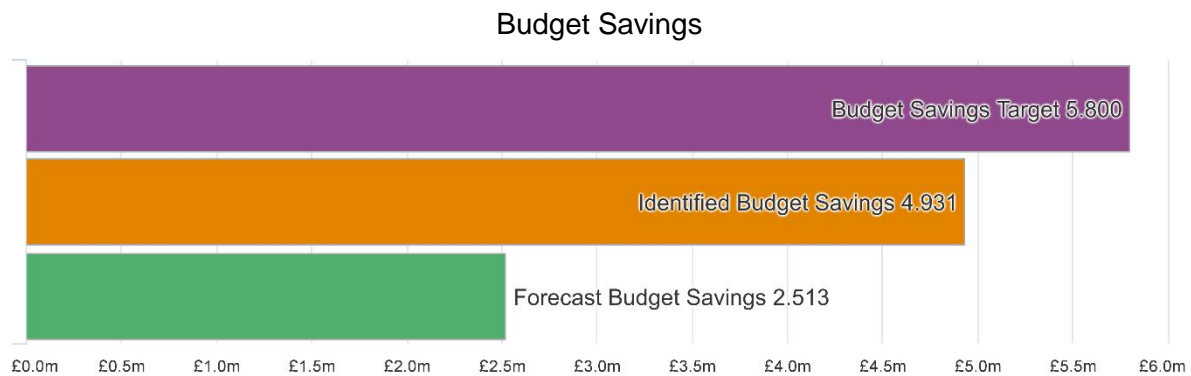
County Buildings are £0.645m overspent. In the main this is due to outstanding service charges on the South Normanton hub which may require back-payments to 2016. However, negotiations are ongoing. In addition County Property assume responsibility for the running costs of a building if the asset is not sold or brought into new use after 18 months.

2.5 Budget Savings

Budget reduction targets totalling £5.124m were allocated for the year. Further reductions allocated in prior years, totalling £0.676m, had not been achieved and were brought forward to the current year. This has resulted in total reduction targets to be achieved of £5.800m at the start of the year.

The value of the savings initiatives which have been identified for implementation in the current year is £4.931m.

The shortfall between the total targets and the identified savings initiatives is £0.869m.



The shortfall between the total reductions expected to be achieved and the identified savings initiatives at the start of the year is £2.513m. This includes Property's target of £1.893m which will be achieved by introducing PSP Derbyshire LLP (Public Sector PLC Derbyshire Limited Liability Partnership). The LLP is now established and projects will require reporting and validation before they can commence. Legal savings of £0.375 will not be achieved this year due to delays in implementing the Legal Services Delivery Model (Core/Core Plus offer) and increased work due to Covid-19. HR savings are supported by £0.723m from reserves as this will not be achieved until phase two of the review on 1st April 2021. Savings achieved include £0.250m on additional interest receipts in Corporate Finance that will be covered by Covid-19 funding this year.

It is forecast that £2.513m of savings will have been achieved by the year-end. The table below shows performance against the target.

Budget Savings Initiatives

	Budget Reduction Amount £m	Forecast to be Achieved by the end of 2020/21 £m	Shortfall (-)/ Additional Savings Achieved £m	
ICT Contract review	0.075	0.075	0.000	✓
ICT Benefit from new business systems	0.100	0.100	0.000	✓
ICT Restructure	0.500	0.500	0.000	✓
ICT Rationalisation of systems	0.100	0.100	0.000	✓
Corp Fin-Insurance fund contributions	0.350	0.350	0.000	✓
Corp Fin-Additional interest receipts	0.250	0.250	0.000	✓
Corporate Finance restructure	0.140	0.140	0.000	✓
Corp Fin VR/VER Budget	0.018	0.018	0.000	✓
Legal Services	0.375	0.000	-0.375	✗
Legal-Democratic Services	0.050	0.000	-0.050	✗
Legal-Business Centre	0.050	0.050	0.000	✓
Property-Introduction of PSP Derbyshire LLP	1.893	0.000	-1.893	✗
Review HR structures	0.930	0.930	0.000	✓
Channel Shift	0.100	0.000	-0.100	✗
Total Position	4.931	2.513	-2.418	✗
Shortfall/(Surplus) of Identified Savings	0.869			
Budget Savings Target	5.800			
Prior Year B/f	0.676			
Current Year	5.124			

2.6 Growth Items and One-Off Funding

The portfolio received the following additional budget allocations in 2020/2021:

2.6.1 ICT strategy - £0.200m ongoing

To ensure that ICT is aligned with the requirements of the business, in particular in delivering the Enterprising Council programme.

2.6.2 Grade 9 legal assistant - £0.023m ongoing

The assistant will support the Adult Care team in Legal services.

2.6.3 Legal Services - £0.300m one-off

To support the provision of service due to the level of demand.

2.6.4 GDPR (General Data Protection Regulation) - £0.180m one-off

To fund the completion of the GDPR project.

2.6.5 IKEN (Legal case management platform) - £0.042m one-off

To fund the replacement of the Solcase system in Legal services.

2.7 Financial Risks

There is a risk that the following issues could negatively impact on the portfolio's forecast outturn position reported in the Forecast Summary above:

Financial Risks

Service	Risk	Sensitivity* £m	Likelihood 1 = Low, 5 = High
All	There is a risk that Covid-19 could negatively impact on the portfolio's forecast outturn position reported in the Forecast Summary above. It is difficult to quantify the risk at present.	0.500	2

*Sensitivity represents the potential negative impact on the outturn position should the event occur.

2.8 Earmarked Reserves

Earmarked reserves totalling £57.648m are currently held to support future expenditure. Details of these reserves are as follows:

Reserves		£m
Insurance and Risk Management	↑	20.085
Planned Building Maintenance	↑	6.525
Commissioning, Communities and Policy	↑	4.754
Corporate-Business Rates Pool	▼	4.672
Uninsured Financial loss	=	3.500
Computer Reserve Fund	↑	2.828
Budget Management	▼	2.615
PFI/BSF	↑	2.340
Property DSO	↑	2.299
Property IMP 2018	▼	2.064
Change Management	▼	1.778
Communities Priorities Programme	▼	0.901
Exchequer	↑	0.850
Core Systems	▼	0.618
Property IMP scheme	↑	0.591
Property Package Reserve	↑	0.513
Demolition of buildings	↑	0.377
Equal Pay	▼	0.277
Local Authorities Energy Programme	↑	0.060
Total Reserves		▼ 57.648

Key

- ↑ Reserve has increased over the quarter
- = Reserve is unchanged over the quarter
- ▼ Reserved has decreased over the quarter

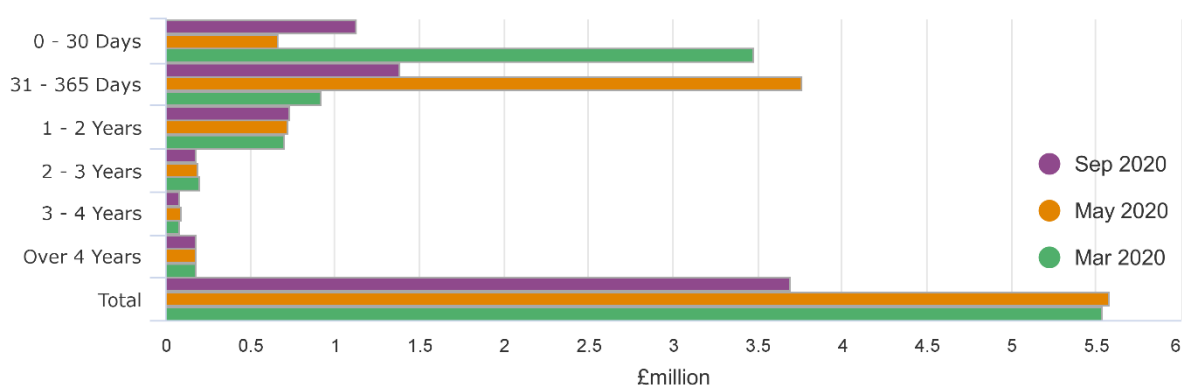
2.9 Debt Position

The profile of the debt raised, relating to income receivable by services within the department, is as follows:

Debt Position

0 - 30 Days £m	31 - 365 Days £m	1 - 2 Years £m	2 - 3 Years £m	3 - 4 Years £m	Over 4 Years £m	Total £m
1.129	1.381	0.735	0.180	0.082	0.181	3.688
↑	↓	↑	↓	↓	↑	↓
30.6%	37.4%	19.9%	4.9%	2.2%	4.9%	100.0%

Aged Debt over Time



In the year up to 30 September 2020 the value of debt that has been written off totals £0.015m.

3 Financial Considerations

As detailed in the report.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, legal and human rights, equal opportunities, human resources, environmental, health and property and transport considerations.

5 Key Decision

No.

6 Call-In

Is it required that call-in be waived in respect of the decisions proposed in the report? No.

7 Background Papers

Held on file within the Commissioning, Communities and Policy Department. Officer contacts – Julia Wilks (finance), Matthew Walters (performance).

8 Officers' Recommendation

That the Cabinet Member notes the report and considers whether there are any further actions that should be undertaken to improve the budget position moving forwards or to address performance, where it has not met the desired level.

EMMA ALEXANDER

Executive Director
Commissioning, Communities and
Policy

PETER HANDFORD

Director
Finance & ICT

Corporate Services Quarter 2 Performance Report 2020/2021

Progress on Council Plan deliverables and key measures

Value for Money

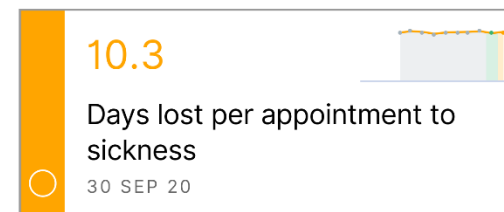
✓ Ensured Council contract decisions deliver value for money through the Council Value for Money Board

Unfortunately, the Value for Money Board scheduled for September 2020 was cancelled and is to be rescheduled for late October/November. The onboarding of the Social Value Portal has taken longer than expected, however engagement Terms and Conditions are now almost finalised. The intention and proposals submitted to the Value For Money Board members remain the same, which is to widen the scope of this group to ensure Value For Money considers whole life costing models to assess and evaluate costs and benefits (including Social Value) over the lifetime of our goods, works and services contracts.

✓ Improved employee well-being by redefining and reprioritising the Wellbeing Action Plan

The average number of days lost to sickness was 10.3 for the 12 months up to the end of September 2020 slightly higher than the target for 2020/21 of 10.0. This is a marginal increase from 10.0 at June 2020. There is a wide range in the departmental figures with Adult Social Care and Health at 14.1, Commissioning, Communities and Policy at 11.7, Economy, Transport and Environment at 6.6 and Children's Services at 6.5.

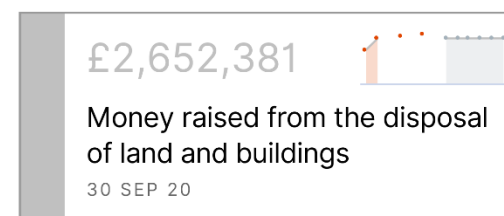
A new Health, Safety and Wellbeing plan focussing on Systems Resources and Data, with short medium and long term targets has been produced along with a sickness absence delivery plan to sit alongside it. Sickness absence delivery and wellbeing delivery working groups have been set up.




✓ Maximised the opportunities presented by Covid-19 to reduce our operating footprint, enabling increased operational efficiency through rationalisation of our land and building assets






The rationalisation of the Council's property portfolio is progressing. In September, Cabinet approved the priorities to be reviewing the Council's administrative buildings, countryside assets, industrial estates and business centres. In addition opportunities to support the delivery of the Council's Older People's Accommodation, Housing and Support Strategy are also to be explored. Two joint ventures Vertas (Derbyshire) Limited and Concertas (Derbyshire) Limited went live in September 2020, taking responsibility for the delivery of non-core property services. Also in September the Partnership Board overseeing the Limited Liability Partnership (LLP) approved the first asset rationalisation business cases from the LLP. Further asset rationalisation business cases will be brought to the next meeting of the Partnership Board.

£2.65m was received from a property sale initiated during 2019/20 and completed in April 2020. A further £2,381 was received in July 2020.



 **Achieved key milestones in the implementation of the Procurement Strategy to help the Council to procure goods and services at reduced costs which achieve value for money**

Projects which support the implementation of the Procurement Strategy are now operational following delays due to Covid-19. Our key tool, Pro-Contract has a dedicated stream of development activity and significant improvements have now been implemented. However, several key deliverables, are dependent on further IT developments, a pilot of possible solutions has been undertaken but further work is currently on hold whilst Office 365/Teams is implemented across the Council. These will be picked up when IT staff can be made available to support further developments.

Key  Strong  Good  Review  Action  Data not available/Target not set