BARNSLEY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Director of Finance, Assets and Information Services

CORPORATE FINANCIAL PERFORMANCE – QUARTER ENDING 30th SEPTEMBER 2016

1. Purpose of Report

1.1 To consider the financial performance of the Authority during the quarter ended September 2016 and assess the implications against the Council's Medium Term Financial Strategy (MTFS). The key headlines are:

- The position for Council services is a projected operational overspend of £7.8M in 2016/17;
- The overall position for the Council including Corporate budgets is a projected operational underspend of £18.2M in 2016/17;
- After allowing for grant fall out and other non-recurrent savings there is an underlying overspend of £0.9M that will materialise in 2017/18 without corrective action;
- The position on agreed savings is 90.5% against target, amounting to an adverse variance of approximately £0.939M mainly within the Place Directorate;
- The potential impact of the monitoring position on the Council's MTFS is shown at paragraph 7.

2. Recommendations

2.1 It is recommended that Cabinet:

- Request that Executive Directors/ Directors (where appropriate) provide detailed plans on how their forecast overspends will be brought back into line with existing budgets on a recurrent basis;
- Approve the write off of £0.594M of historic bad debts as shown at paragraph 6;
- Approve the budget virements at Appendix 1;
- Note the potential impact of the Quarter 2 monitoring position on the Council's MTFS at paragraph 7;
- Note the updated reserves position as outlined at paragraph 8, which will be transferred to strategic reserves at year end when the final position is known; and
- Approve the further Invest to Grow schemes totalling £0.891M provided in the table at Section 8.

3. Overall Position to the Quarter Ending September 2016

3.1 The table below provides the monitoring position for the Council as at the end of September broken down between the 'in year' operational position for 2016/17 and the FYE 2017/18 position taking into account one-off funding (e.g. Care Act Funding) and non-recurrent savings dropping out as well as the assumptions that have already been factored into the Council's 2017-2020 Medium Term Financial Strategy.

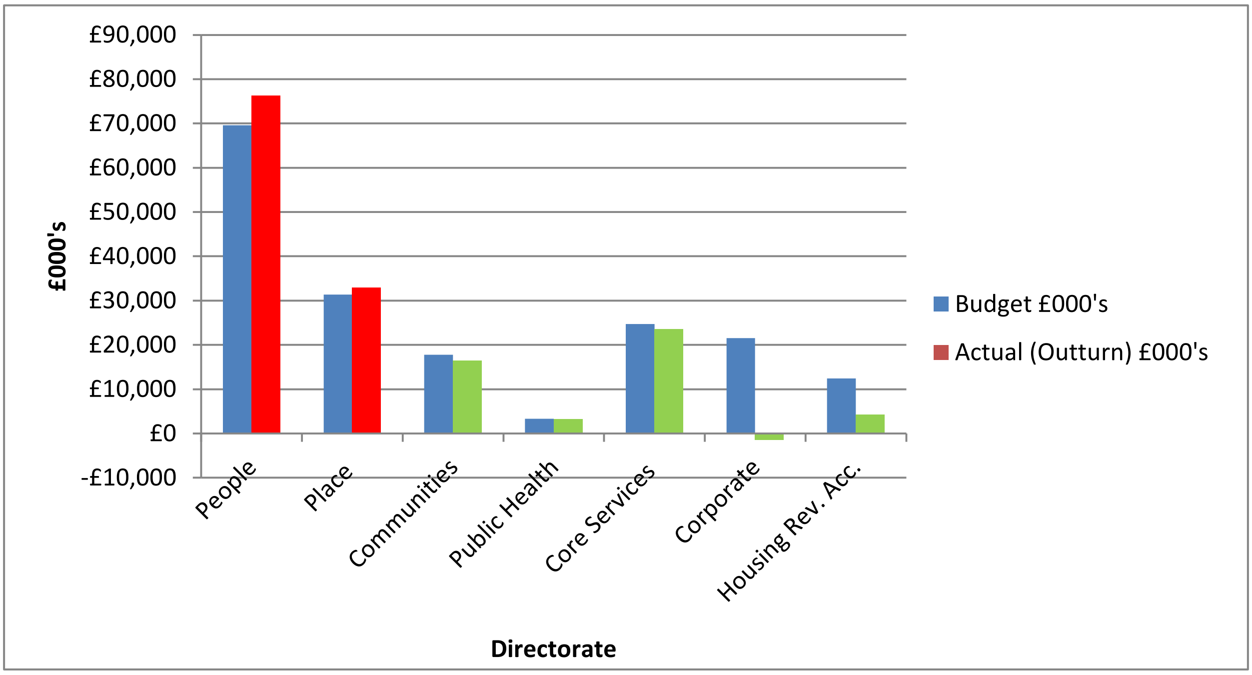
3.2 There is a projected overspend on Directorate budgets of £7.8M in 2016/17, mostly relating to anticipated social care pressures. This is offset by an anticipated underspend on Corporate Budgets of £26.0M mostly relating to the previously reported change in debt accounting. This gives an overall Council underspend of £18.2M.

3.3 The major part of this underspend is one-off in nature and and after allowing for the assumptions currently built into the Council's 2017-2020 MTFS, there will be an unplanned overspend of approximately £0.9M in 2017/18 unless corrective actions are put into place to rectify this situation.

DIRECTORATE	Approved Gross Expenditure Budget 2016/17 (after Virements) £'000	Approved Gross Income Budget 2016/17 £'000	Approved Net Budget 2016/17 £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
People	213,277	(143,689)	69,588	76,323	6,735	35	6,770	753
Place	73,947	(42,577)	31,370	32,841	1,471	45	1,516	183
Communities	35,919	(18,132)	17,786	16,422	(1,364)	1,202	(162)	-
Public Health	9,261	(5,914)	3,347	3,143	(204)	204	-	
Core Services	173,762	(149,069)	24,693	23,695	(998)	670	(328)	
Service Totals	**506,166**	**(359,381)**	**146,781**	**152,424**	**5,640**	**2,156**	**7,796**	**936**
Corporate / General Items	30,323	(8,828)	21,495	(4,483)	(25,978)	0	**(25,978)**	-
Sub Total – Council	**536,489**	**(368,209)**	**168,276**	**147,796**	**(20,338)**	**2,156**	**(18,182)**	**936**
Housing Revenue Account			49,496	40,566	(8,930)	7,344	(1,586)	-

3.4 The chart below provides an overview of the overall position for the Council which breaks down the budget against actuals for People, Place, Communities, Public Health, Core Services and Corporate budgets.

Summary Directorate Position – Budget v Actual



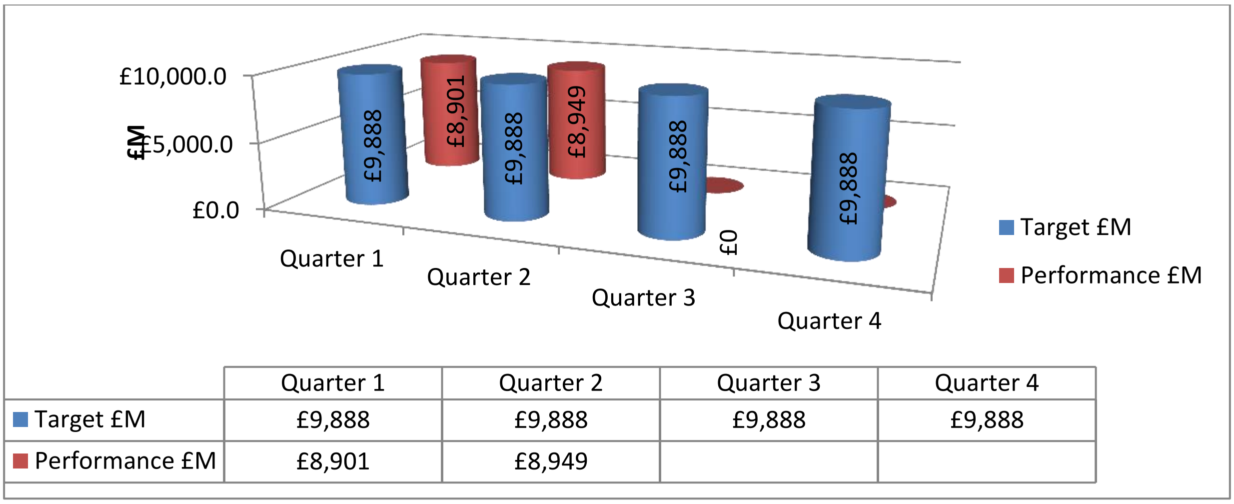
4. **<u>Delivery of 2016/17 Future Council Savings Proposals</u>**

4.1 The Council's 2016/17 budget is dependent upon the delivery of its budgeted savings proposals. The 2016/17 approved savings target is £9.888M with Directorates currently reporting 90.5% delivery against target at the end of the 2nd quarter, resulting in an adverse variance of £0.939M. This is an improvement on Quarter 1 as shown below:-

	Directorate	**Quarter 1 £M**	**Quarter 2 £M**
Waste PFI savings/HWRC	Place	0.350	0.110
Additional income generation from selling recycled materials	Place	0.120	0.120
Creation of transfer loading station	Place	0.140	0.140
Contract management savings e.g. surface dressing, grit	Place	0.114	0.114
Culture – fees & charges	Place	-	0.050
Customer Services – council interaction	Communities	0.051	0.051
Safer Barnsley restructure	Communities	-	0.050
Other proposals	Place	0.212	0.304
Sub Total		***0.987***	***0.939***

4.2 The following chart summarises the Quarter 2 savings position against target for 2016/17:

Overall Position for Approved Savings –second quarter



5. <u>Corporate Resources</u>

5.1 The Council's major sources of discretionary income are Business Rates and Council Tax. The Council's financial health is therefore almost completely reliant upon the collection of both Council Tax and Business Rates. The following table shows the estimated collection rates for Quarter 2 compared to the stretch targets that have been set:

	2015/16 Actual	2016/17 Stretch Target	Quarter 1	Quarter 2	Quarter 2 Variance
Council Tax	96.01%	96.4%	96.12%	96.11%	-0.29%
Business Rates (local share)	97.08%	97.4%	97.22%	97.06%	-0.34%

5.2 Current Council Tax collection rates are forecast to fall slightly short of the stretch target by around 0.3% in 2016/17. Although the current collection rate would allow the Council to meet its budget requirements, there is potential to generate a further £0.1M for every 0.1% improvement in collection.

5.3 Despite estimating a shortfall against target, it is still estimated that the Council Tax collection rate (on current projections) will outstrip 2015/16 performance which previously benchmarked 2nd in its comparator cohort. The service is currently working on new initiatives to improve collection rates for maximum LCTS recipients and is now utilising previously unused remedies for those that won't pay e.g committals and bankruptcy.

5.4 Business Rates collection is slightly below the 2015/16 performance, but it is expected to increase at the end of quarter 3, due to the targeted approach we are currently taking to collect high value debts and utilising Greenhalgh Kerr to pursue legal avenues to collect unpaid business rates in year.

5.5 This is reflective of the investment in both time and resources in this area over the last 18 months to improve and develop processes and recovery methods. Moreover, the new methods adopted by the Council (including charging orders, a new enforcement framework and bankruptcy and petitions) should over time help us to move ever nearer to our challenging stretch target for 2016/17 and beyond.

5.6 However, it should be noted that business rates remain volatile due to a number of issues outside of the Council's direct control (e.g appeals, reliefs, business failures etc). These issues continue to be monitored and any significant changes that impact on the collection rates / levels will be reported into a future Cabinet.

5.7 It is hoped that the Council's 2020 plans and investment to accelerate growth in jobs and businesses will result in increased business rate yield over the period of the MTFS. However, there are also a number of other issues on the horizon that could potentially impact on the levels of business rates collected namely:-

Business Rate Revaluation

The ratable value of business properties within the Borough are reviewed and adjusted by the Valuations Office every 5-7 years. The next revaluation is currently taking place with revised rateable values to be implemented from 1st April 2017. A draft list of revised ratable values has now been published which will impact on the bills for our local businesses and on the bills for the Councils own properties. We are currently undertaking an analysis of the data to forecast out the income to the authority based on the new list.

100% Business Rate Retention

Under the current Business Rate Retention scheme, the Council is able to retain 50% of business rates collected from within the area. The Chancellor announced in his 2015 Autumn Statement that by 2020 all Local Authorities will be able to retain 100% of business rates collected. In addition, Sheffield City Region is currently exploring piloting the new scheme in advance of full roll out in 2020. The implications of this are currently being assessed but it will be clearly critical that we have the right people, processes and systems in place to effectively manage these resources moving forward.

Brexit

Following the move to 100% retention of business rates, the Council will become more exposed to fluctuations in tax revenue resulting from economic downturns. Whilst it is still early to determine what the economic impact of the vote to leave Europe will be, economists are still largely indicating that it will create a negative impact on economic growth in the longer term.

Arrears Management

6.1 Bearing in mind the uncertain economic climate, it has become more important than ever to manage the Council's debtors effectively. It is equally important to recognise that the overall debt position is constantly changing as debt moves through the various stages of recovery and new debts are raised.

6.2 The table below shows that the overall overdue debt position at September was £30.2M. This is comprised of old debt of £22.2M and new year debt of £8.0M. Some £1.9M of old debt has been collected during this quarter which remains positive.

6.3 The performance target for historic debt is to collect 50% of all arrears, of which 34% has been delivered as at the end of quarter two. However historic debt is traditionally much more difficult to collect and for this reason, makes it much harder to predict, at this stage, whether the final target can be achieved.

6.4 For the reasons outlined above, it remains good financial management to provide for non-recovery of some of these debts and the current provision for bad debts stands at £17.9M. The Director of Finance, Assets and Information Services is now also seeking approval to write off historic debt amounting to £0.594M which have become uneconomical to pursue. This is summarised in the table below:

Type of Debt	Pre-16/17 Arrears £M	2016/17 Arrears £M	TOTAL Arrears £M	Bad Debt Provision £M	Write Offs For Approval £M
Opening 2016/17 Position (position as at 31.03.2016)	33.773	n/a	33.773	15.523	
Total as at end of June	24.072	7.388	31.460	17.808	0.997
Total as at end of Sept.	22.198	8.024	30.222	17.940	0.594
MOVEMENT	(1.874)	0.635	(1.239)	0.132	

7. <u>Impact on MTFS</u>

7.1 The updated MTFS for the period 2017-2020 reflects the initial savings that were recently submitted to Cabinet in September. However this report has highlighted other pressures that have not been reflected in the latest forecast position and to the extent that these remain uncorrected will impact on the MTFS as follows:-

	2017/18	2018/19	2019/20	TOTAL
Previously Approved MTFS	**£4.6M**	**£6.4M**	**£6.9M**	**£17.9M**
Phase 1 savings agreed	-£4.0M	-£3.7M	-£4.9M	-£12.6M
Revised MTFS position (Cabinet Sept)	**£0.6M**	**£2.7M**	**£2.0M**	**£5.3M**
Underlying implications of Q2 monitoring	£0.9M	-	-	£0.9M
Revised MTFS position if uncorrected	**£1.5M**	**£2.7M**	**£2.0M**	**£6.2M**

8. <u>Impact on the Council's Reserves Strategy</u>

8.1 The updated reserves strategy reported separately to Cabinet in September has identified 'banked' revenue reserves of £20.9M which are now available for one-off investment opportunities linked to achieving the Council's 2020 outcomes and / or as a temporary bridging strategy for the funding gaps identified in the MTFS.

8.2 Over and above this and again in line with the updated Reserves Strategy, the latest projection for 2016/17 is for a further increase in revenue reserves of around £18.2M (an increase of £3.1M from Quarter 1). It should be noted that this is a one-off situation relating to the 2016/17 financial year only as any ongoing savings have been built into the updated MTFS for 2017/18 and beyond.

8.3 Finally, there still remains the risk of unexpected expenditure items to materialise in the remainder of this financial year which may impact on the levels of available reserves. This positon will be updated throughout the year before being finalised as part of 2016/17 accounts closure / audit procedures. In addition, there is anticipated to be a £0.9M overspend in 2017/18 which has not currently been built into the updated MTFS. If uncorrected this would reduce the reserves potentially available by this amount in that year. This position is summarised in the table below:

	2016/17	**2017/18**	**TOTAL**
Revised position as at end of 2015/16	£20.9M	-	£20.9M
2016/17 underspend as projected at Q1	£15.1M	-	£15.1M
2016/17 underspend as projected at Q2 (change from Q1)	£3.1M	-	£3.1M
Potential overspend at outturn	-	-£0.9M	-£0.9M
Revised Total	**£39.1M**	**-£0.9M**	**£38.2M**

8.4 The above position reflects the revised available revenue reserves. Previous Cabinet reports have highlighted the total available combined reserves (including capital) at £57.6M. The position above would add another £2.2M to the overall total.

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SECTIONS

APPENDICES

SECTION 1 - Executive Director's Statement for People

Executive Director's Statement

i. Overview

The latest revised 2016-17 approved budget envelope for the People Directorate is £69.6M and includes schools balances (£4.7m) brought forward from 2015/16. Based on current projections, the Directorate is anticipating a net operational overspend of **£6.7M** in the current financial year. The FYE position in 2017/18 shows an additional cost pressure of in excess of £0.7M compared to the provision already built into the MTFS.

The projected overspend is mainly attributable to ongoing recurrent pressures on Looked After Children (LAC) placement costs and demographic pressures on Adult Social Care (i.e. Older People, Disabilities and Mental Health). It should be noted that the Care Act grant (£1.8M) and additional CCG funding (£0.7M) used to mitigate Adult social care pressures in 2015/16 are no longer available.

The key significant variances across the People Directorate are explained below.

Quarter 2 position to the end of the quarter ending September 2016

DIRECTORATE	Approved Net Budget 2016/17 £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to Reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
Education, Early start & Prevention	13,951	13,937	-13	-	-13	-
Adult Social Care & Health	35,492	38,475	2,983	35	3,018	
Children Social Care & Safeguarding	19,862	23,627	3,765	-	3,765	753
ED People	283	283	-	-	-	-
Total – People	**69,588**	**76,323**	**6,734**	**35**	**6,770**	**753**

ii. Key Variances

Education, Early Start & Prevention

An overall overspend of £50k is currently forecast for the Education, Early Start & Prevention Business Unit. The following are the key budget variances projected for the year:

- Commissioning, Partnership & Governance (-£100k) – an underspend has been forecast for the service due to one-off savings from commissioned short breaks contracts although this has been partly offset by unachieved budgeted income from Governor Clerking activities with schools.

- Inclusion Services (+£150k) – the forecast cost pressure represents the increased cost of the interim management cover arrangements in place as well as agreed maternity cover within the team. These arrangements are required to provide necessary management oversight and capacity to meet statutory responsibilities associated with rising number of SEN assessments/reviews and the move to Education, Health & Care plans (EHCP).

Adult Social Care & Health

An overall net financial risk of **£3m** is currently projected for the Adult Social Care & Health Business Unit. This is a reduction of £0.3m (and an improvement) against the reported position for Q1. The cost pressure is mainly attributable to recurrent demographic pressures associated with cost of care packages for Older People and people with Disabilities and Mental Health. The projected forecast takes into account the additional council tax precept funding of £1.5m incorporated into the budget in 2016/17, which has mainly been used in mitigating the impact of the uplift in fee rates to care providers (residential / nursing and domiciliary care as agreed by the Council).

An explanation of the key financial risks / pressures faced by the Business Unit are outlined below:-

- Assessment & Care (Older People) – (+£1,678k) – this projected overspend (consistent with the reported position for quarter 1) is an ongoing recurrent pressure mainly attributable to the increased cost of care packages and placements for older people receiving care / supported by the Council. It should be noted that a proportion of the reported pressure is attributable to the ongoing effect of the non-achievement of the 2015-16 KLOE savings (£0.5m) aligned against the OP purchasing budget.

The overall number of Older People (aged 65+) in receipt of care and supported by the Council (both in residential and community based support) has increased over the last 12 months. Although the overall number of older people in residential care has increased, the new admission rates have been in line with the corporate performance target, which aims to bring our performance in line with the national average. The objective is to reduce the rate of admissions, at a time when the over 65 population is increasing. The rate of admissions locally has fallen over the last five years.

	Q1 15-16	Q2 15-16	Q3 15-16	Q4 15-16	Q1 16-17	Q2 16-17
RES/NUR	862	872	875	880	891	902
COMM	1171	1144	1119	1125	1159	1161

A major contributory factor to the cost pressure is the increased number of high cost residential care placements, where 1-1 supervision is required to manage challenging behaviours. There is also an increased pressure linked to the rise in number of care packages (most of which are high cost) to support more people with complex needs to stay in their homes / within the community. The increased number of these high cost placements (net of the anticipated contribution from health i.e. s117 funding) is exerting pressure on the Older People care cost budget.

- Assessment & Care (Disabilities) (+£1,078k) – this forecast overspend reflects the ongoing recurrent demographic pressures within learning and physical disabilities purchasing budgets. There is a continuing increase in the number of people supported (and therefore cost) within the community when compared to residential / nursing care – which is a more cost effective care provision option.

	Q1 15-16	Q2 15-16	Q3 15-16	Q4 15-16	Q1 16-17	Q2 16-17
RES/NUR	74	75	79	80	80	80
COMM	512	525	528	527	531	529

The increasing number of service users / client costs can partly be explained by the increasing number of young people with disabilities transitioning into Adults services, particularly young people with autism and challenging behaviour requiring intensive support.

- Assessment & Care (Mental Health) (+£470k) – this forecast position reflects ongoing pressure against the care budgets due to a small but steady increase in the number of high cost care placements (full year effects of last year placements plus new admissions). It should be noted that efforts are continuing in reviewing these high cost placements (through the use of the care funding calculator) to ensure value for money as well as maximising funding contributions from health towards care costs e.g. s117 funding.

	Q1 15-16	Q2 15-16	Q3 15-16	Q4 15-16	Q1 16-17	Q2 16-17
RES/NUR	25	24	25	26	25	25
COMM	38	40	43	65	65	63

- Deprivation of liberty safeguards DOLS (+£523k) – a financial cost pressure is currently forecast in relation to DOLS – due to the fall out of non-recurrent funding available in 2015/16 (including Government grant funding). The forecast cost pressure reflects the anticipated approved increase in staffing capacity (Best Interest Assessors and business support) to deal with the current backlog and expected increase in number of reviews / assessments to be undertaken. There are significant pressures in this area including rising numbers of applications as well as more demand for paid representatives and more Court of Protection challenges to DOLs authorisations. It is envisaged that this requirement would be funded from currently uncommitted BCF (Care Act) monies – see paragraph below.

- Uncommitted BCF funding (-£658k) – total Better Care Funding assumed within the overall revenue budget for Adult Social Care for 2016/17 is £9.5m (same level as in 2015/16). Included within this allocation is £700k to cover ongoing commitments of the new burdens under the Care Act, which is currently uncommitted and has been set aside to cover the funding requirement for DOLS. The above uncommitted amount reflects additional interim management costs that have been offset against the BCF monies.

Children's Social Care & Safeguarding

A net financial risk of £3.7m is projected for the Children Assessment and Care Management Business Unit (an increase of £0.9m compared to the reported position for Q1), which is mainly attributable to the following:

- Children in Care (+£3,095k) - a net financial pressure of £3.1m is currently forecast for the year and is mainly attributable to looked after children placement costs (+£3.4m), which has been offset by underspends within the Adoptions and Fostering teams (-£0.2m). The current forecast pressure (based on the existing LAC numbers across all provision types e.g. residential care homes, foster carers, independent fostering agencies, etc.) exceeds the estimate assumed in the refreshed sufficiency strategy and in the Council's MTFS i.e. £2.9m. The period to 30th September has seen some fluctuation in the numbers of children coming into care, which appears to have stabilised at around 300 (LAC number as at the end of September is 301 compared to 308 at Q1). Although the current position exceeds the average number for the year (290) assumed in the revised placement strategy, it nevertheless remains significantly below those for our statistical neighbours. Latest data (based on 2014/15) showed Barnsley's LAC numbers to be in line with the national average, however, it should be noted that the picture nationally is one of increasing demand on children social services, with increased numbers of children on protection plans and a rise in the number of children going into care.

  The table below compares fostering and residential care LAC numbers specifically as they are the main placement cost drivers, as well as the total projected LAC placement costs (NB the approved LAC budget is **£9.2m)**:

	Plan	Q1	Q2
Total fostering / residential care placements	251	249	260
	£8.5m	£8.3m	£9.4m
Other Placements costs (SGOs, ROs, Stayput, etc.)	£3.6m	£3.4m	£3.2m
Forecast LAC Costs	**£12.1m**	**£11.7m**	**£12.6m**
Forecast LAC overspend	**£ 2.9m**	**£ 2.5m**	**£ 3.4m**

  The following are the key performance issues in relation to the above and the position as set out in the sufficiency strategy:

  1. The increase in the forecast cost pressure is mainly attributed to the increased use of Independent Fostering Agencies (IFAs) as opposed to in-house foster carers. The issue is the under-performance against the targets assumed in the sufficiency strategy for the number of IFAs / in-house carers;

  2. The strategy assumes circa 60% of the LAC population would be placed in BMBC foster carers (corporate indicator); actual performance for Q2 stands at 45% and reflects the under-performance in the recruitment of new foster carers. In contrast, the actual number of placements in external fostering agencies is twice as many as originally forecast in the strategy.

  3. Since April 16 the service has approved 9 new foster carers, however the impact of this has been limited as during the same period the service has lost

12 foster carers. The majority of those leaving have resigned from the service as a result of moving on to become Staying Put Carers. This explains the in-house care placements remaining static since Q1 and behind the target outlined in the Strategy. Going into Q3 we anticipate 10 foster carers currently undergoing the assessment being approved;

Further details on the actual performance on LAC placements against the action plan and targets are detailed in the **Q2 Sufficiency Strategy report** to be submitted to SMT.

- Assessment & Care - Legal Fees (+£352k) – a forecast recurrent pressure is anticipated in Assessment & Care due to increased legal costs – a consequence of the increase in LAC numbers and in legal proceedings necessary to safeguard children. Legal Services are looking to reconfigure the child care legal team and revise the approach to the management of that team to ensure that more advocacy is delivered in house. It is expected that this would significantly reduce the cost of Counsel's fees to Children's Social Care and Safeguarding by 50% over a two year period (25%+ within this plan period). The introduction of a framework agreement will ensure that where it is necessary to outsource legal work, the client will benefit from a transparent process that will deliver best value for money.

- Assessment & Care – Other Costs (+£200k) – an overspend is currently forecast across the main Assessment & Care district teams due to increased car allowances / mileage; use of agency staff to cover vacancies / absences; and accommodation costs (related to the occupation of LIFT PFI funded buildings).

- Leaving Care costs (+£189k) - an overspend is currently reported due to increased costs (s24 payments, supported accommodation, etc.) for care leavers and young people presenting as homeless. This is consistent with the reported position in 2015/16.

Schools

The revised approved schools budget for 2016/17 totals **£109.4M**, comprised of actual Dedicated Schools Grant funding of £108.4M (as confirmed by DfE in July 2016) and the Council's base budget contribution of £1.0M. The above excludes budgets relating to schools that have converted to academies (35 schools in total). The budget delegated directly to maintained schools to manage is £94.7m, with the balance i.e. £14.7m managed centrally by the Council on behalf of schools. The above excludes the carry forward of £4.7m (inclusive of ICT refresh funding) from 2015/16 and other grant funding to schools such as pupil premium grant, post 16 funding, etc.

Delegated schools' budgets:

Total funding delegated to maintained schools for the year is **£94.7m** and comprises of elements allocated to individual schools through the local schools funding formula, as well as high needs and early years funding. Latest financial submissions from all schools showed a forecast surplus balance of **£1.2m** for the current financial year. (made up of £1.3m for primary schools and a deficit balance of £0.1m for secondary schools).

The above reported surplus position needs to be considered in the context of the £2.9m adjusted surplus position reported at year end 2015-16 (after adjusting for ICT lifecycle refresh funding devolved to secondary schools). It shows a marked reduction in forecast surplus balance position for schools, and is reflective of the increasing financial challenges faced by schools such as pension and national insurance costs and the use of carry forward balances to mitigate these pressures.

The above position includes 4 schools that have submitted deficit budgets for the year and would be taking actions during the year to manage down such deficits to achieve sustainability within the agreed timeframe. Financial support would be provided to these schools from the DSG contingency fund to meet any severance or redundancy costs that may arise as part of implementing a recovery plan to address deficit budgets.

Centrally retained schools budget

There are a number of DSG budgets/ funding **(£14.7m** in total) that are managed centrally by the Council where it is cost-effective to do so as opposed to delegating them to schools directly. The nature of expenditure that can be charged against centrally retained DSG is regulated by statute (School Finance Regulations), whilst the decision making responsibility rests with the Schools' Forum.

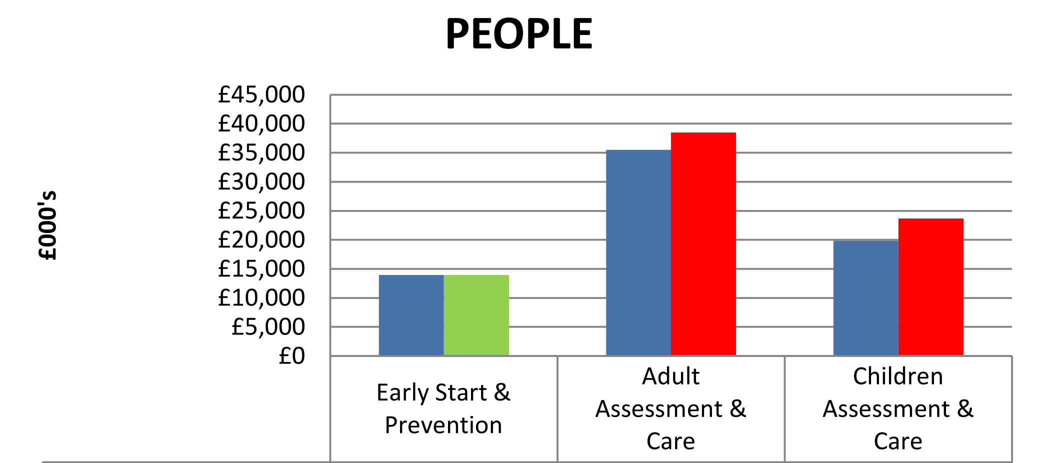
A net cost pressure of £1.7m is currently anticipated within the centrally retained DSG budgets. The following are the key forecast budget variances:

- Out of authority SEN placements (+£1.7m) - The increased cost pressure is a consequence of the increasing number of high needs pupils / learners that are being placed in external specialist schools mainly due to lack of specialist places within the authority or in some cases the complex / challenging needs presented can only be met in particular specialist institutions;

- Post 16 / FE colleges high needs learners (+£0.1m) - a financial risk of £88K is anticipated against the post 16 high needs budget. The cost pressure is due to an increase in the number and associated high cost of post 16 high needs learners in FE colleges in Barnsley and other independent specialist providers;

It is envisaged that slippage on the use of 2015-16 carry forward DSG resources (£0.5m) and underspends across some DSG centrally managed budgets should provide some flexibility for managing the above financial risks. In the event of an overspend, current regulations allow the authority to carry forward DSG overspends to the following year. This will represent the first call on DSG resources in the following year (subject to approval of the Schools Forum).

Directorate Position – Budget v Actual



	Early Start & Prevention	Adult Assessment & Care	Children Assessment & Care
Budget £000's	£13,951	£35,492	£19,862
Actual (outturn) £000's	£13,937	£38,475	£23,627

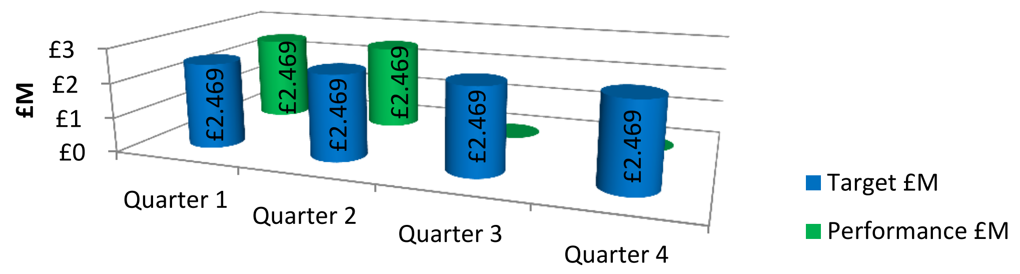
iii. Approved savings position

The total approved savings target for the People Directorate for 2016/17 is **£2.469M**, made up of the following:

- Reconfiguration of Early Childhood Provision £2M;
- Reconfiguration of Integrated Adolescent Support Service £150k;
- Contract management related savings (e.g. Young carers, short breaks) £119k;
- Independent Living at Home reduction in contract value £200k

All savings are on target for full delivery in the year.

Forecast Efficiency – Performance v Target



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Target £M	£2.469	£2.469	£2.469	£2.469
Performance £M	£2.469	£2.469	0	0

iv. Corrective Actions

The following outlines the key actions being undertaken by the Directorate to address the identified pressures on a recurrent basis:

Children Assessment & Care

- Work is ongoing in legal services aimed at reducing the use of external counsel for advocacy and thereby reducing legal fees on LAC and children safeguarding work.

Children in Care – LAC costs

- There are numerous strands of activity underway to try and relieve some of the pressure associated with the above overspend before the end of the financial year:

  (a) A restructure and expansion of the Fostering and Adoption teams, including Placements. The restructure will improve the journey of potential foster carers from initial enquiry to approval. The additional resources allocated to the Placement team will enable us to track more closely expenditure on placements and ensure all placements are reviewed regularly to ensure the most appropriate care package is in place for our children.

  (b) Establishment of a Placement Sufficiency, Oversight and Resource Panel which will meet on a weekly basis to monitor placements across both in-house and external, including Care Leavers.

  (c) A review of Fostering Services which will be conducted by an external consultant and look at all processes related to recruitment and retention of Foster Carers. The review will provide a list of key actions, deliverable within this financial year, to improve the service.

  (d) Targeted recruitment campaign, designed in partnership with colleagues from our Communications team and Communities Directorate, to attract Long Term Foster Carers, particularly those willing to take adolescent placements.

  (e) Early conversations with regional partners to establish a Yorkshire and Humber Fostering Consortium to look at potential for joint working/promotional activity.

  (f) Continued work within the early help strategy and action plan for the Borough, to assist in further reducing the demand for statutory intervention and the costs of care.

  (g) Continuing to work with neighbouring local authorities and as part of the newly established Yorkshire and The Humber Adoption Consortium with a view to developing a Regional Adoption Agency, in response to central government policy and which will aim to improve resources, capacity, skills and placements that could benefit children and young people, in Barnsley. The Sufficiency & Placement strategy has recently been refreshed and now reflects latest projections on growth in LAC numbers and cost. The revised strategy now includes an action plan with clear measurable targets.

.Adult Social Care & Health

- Reviewing team - a reviewing team consisting of 2 experienced social worker/health practitioners and 4 assistant social care practitioners has been established to review care packages. Latest data indicates 112 reviews have been completed since June/July 2016 with efficiencies identified against a number of care packages. Work is ongoing to verify reported efficiencies and impact on the monitoring position.

- Maximisation of health funding / contribution to care costs. This involves ensuring that all health funded clients in relation to continuing health contributions and s117 funding are identified in a timely manner and the correct level of contributions reflected against their care plans.

- Continue with the review (that commenced in 2015/16) of expensive MH residential placements using the Care Funding Calculator (CFC), with a view of negotiating down placement fees with providers.

- Resource Allocation Panels in relation to Older People, Disabilities and Mental Health will continue to be held on a regular basis to consider all high cost packages of care and placements to provide checks and challenge to ensure the support to be provided is both appropriate and cost effective.

- A new respite policy is currently being developed which should lead to greater consistency and potentially reduce the cost of some care packages.

- Monthly meetings are in place with finance and the service along with managers who hold budgetary responsibility to monitor expenditure in relation to care packages, placements, reviews and cases approved at the resource allocation panel to ensure more accurate budget projections.

iv. Future Outlook

The main risks in 2016/17 and for future years mainly relate to demand-driven pressures. The following summarises the future outlook for the directorate going forward:

Education, Early Start, & Prevention
Main pressures for the Business Unit in 2017/18 mainly relate to fall in government grant funding, particularly the Education Services Grant (ESG) and the Youth Justice Board (YJB) funding. It should be noted that the anticipated cessation of ESG funding has been addressed by the Council through the MTFS process. Nevertheless, the proposed ESG funding cut and increasing academisation of schools in Barnsley would require a strategic response from the Council on how it fulfils and discharges its statutory duties / roles in respect of schools as outlined in the Government White Paper.

Adult Social Care & Health
A net recurrent cost pressure of £4.8m is currently forecast for 2017/18, and reflects forecast increase in recurrent demographic pressures across the main client groups i.e. Older People, people with Disabilities and Mental Health (increasing client numbers and cost of care packages) and the ongoing impact of the introduction of the national living wage. This forecast cost pressure has already been reflected within the Council's Medium Term Financial Plans (2020 Council). In the interim, efforts are continuing within the Directorate to manage down these pressures and includes a number of 'invest to improve' proposals that have been put forward (e.g. creation of the reviewing team) to help in identifying efficiencies and managing demand.

Children social care & safeguarding
A FYE recurrent cost pressure of £3.7m is currently forecast for 2017/18, which is mainly attributable to the LAC placement costs. This is an increase of £0.7m compared to the cost pressure assumed in the Council's MTFS and outlined in the refreshed Placement Strategy.

SECTION 2 - Executive Director's Statement For Place

Executive Director's Statement

i. Overview

The latest revised 2016-17 approved budget envelope for the Place Directorate is £31.370M. Based on current projections, the Directorate is anticipating a net operational overspend of **£1.516M** in the current financial year, with £0.633M estimated for 2017/18 (an excess of £0.183M compared to MTFS). This position assumes that the cost pressures identified across all business units are mitigated as described. If these mitigations do not materialise the Directorate will overspend by £1.516M.

Quarter 2 Position to the end of the quarter ending September 2016

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage, Grant balances & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
Executive Director	188	143	(45)	45	0	-
Economic Regeneration	2,786	2,786	0	-	0	-
Culture, Housing & Regulation	1,515	1,515	0	-	0	-
Environment & Transport	26,881	28,397	1,516	-	1,516	183
Total – Place	**31,370**	**32,841**	**1,471**	**45**	**1,516**	183
Housing Revenue A/C	49,496	40,566	(8,930)	7,344	(1,586)	-

ii. Key Variances

There are a number of contributing factors that have resulted in this position. The key variances by Business Unit are set out below:

Executive Director
An underspend of -£0.045M is expected against the Public Health budget allocation for the service. It is proposed to earmark this saving to continue the funding of the illicit tobacco post in Regulatory Services in 2017/18.

Economic Regeneration

Economic Regeneration is currently forecasting a breakeven position at the end of the financial year. The key issues and variances are highlighted below:

- Employment & Skills - The service began the financial year facing cost pressures of around £0.261M as a result of costs associated with running the authority's Resource Centres and the increased costs of accommodation following the move to Wellington House. However, it has already made great strides to address this and has been able to successfully 'manage out' £0.171M of the deficit through vacancy management and by identifying new income streams and funding. It is currently envisaged that the remaining shortfall of £0.090M will be contained by the end of the financial year.

- Building Control Fees - fee income receipts during the second quarter have improved in comparison to the budget profile resulting in a projected breakeven position at the end of the financial year. In addition, vacancy management within the team is expected to result in a -£0.034M saving and after taking into account some minor overspends the Building Control service is expected to contribute an underspend of -£0.031M.

- Planning Fee Income Shortfall (£0.074M) - the budget for Planning application fees was increased by a further £50k in 2016/17 as part of Future Council savings proposals. Fee income levels during June and July dropped significantly in comparison with the budget profile and although they improved again in August and September an income shortfall for the year of around £0.074M is now thought likely.

- Market Stall Income
Proposals for reducing the rents charged to market stall traders during the development period of the 'Better Barnsley' project are currently being considered. The financial impact of this will be incorporated into the authority's Medium Term Financial Strategy and will not therefore fall upon the Business Unit.

- Technical Refresh Budget (-£0.020M)
It is now envisaged, due to the retendering process for IT hardware by Information Services that the Business Unit's refresh programme will not be completed during the year. An earmarking will be requested, if the business unit underspends sufficiently at the end of the financial year, to allow the refresh to take place once the tendering exercise is complete.

Culture, Housing & Regulation

Culture, Housing & Regulation is currently projecting a breakeven position at the end of the year. The key issues within the service are highlighted below:-

- PLACE 13 Income generation in Culture – This income shortfall (£0.153M) reflects difficulties in generating commercial income. The reported position is considered to be a 'worst case' and the service are optimistic that additional income will be generated in the second half of the financial year through planned events, especially over the Christmas period to turn things around. In addition, it is expected that shop sales, currently forecast at the same level as last year will improve significantly. The income budget will continue to be closely monitored and until an improvement in the position is evident, other measures have been put in place to mitigate the shortfall. These include a combination of vacancy management (-£0.048M) and other efficiency savings within Culture (-£0.030M). Overall, the Culture & Visitor Economy Service are working towards achieving a balanced budget by the end of the year budget.

- Regulatory Services Fee Income – Regulatory Services is forecasting a shortfall in fees and licensing income of £0.044M during the year. However, this shortfall will be more than offset by managing staff vacancies throughout the year (-£0.117) resulting in a forecast net underspend for the service of -£0.073M.

Environment & Transport

At the end of the first quarter Environment & Transport identified cost pressures of £2.133M but also put forward mitigating actions totalling -£0.800M which resulted in a net forecast outturn for the service of £1.333M. During Quarter 2 additional cost pressures totalling £0.336M have arisen due to the continued fall in the national market for recycled glass and a further loss in income in Neighbourhood Services. The total cost pressure now facing the business unit is therefore £2.469M. However, during Quarter 2 the Service has delivered forecast savings of -£0.953M against the previously reported position at Quarter 1, an additional £0.153M. This includes effectively managing vacancies within Neighbourhood Services as a consequence of the forecast reduction in workload. The projected budget shortfall at the end of Quarter 2 is therefore £1.516M.

The key variances and corrective action proposals are highlighted below:

- Service Director Management Account (£0.247M)
  The Management account now shows a £0.247M overspend. This shortfall relates to the partial non achievement of the following kloes:

  - PLACE 24 Revised Strategy for Non Core Services (£0.075M)
  - PLACE 39 CSO Saving (£0.094M) (£0.045M Delivered)
  - PLACE 30 Casual Vacancy Factor (£0.090M) (Delivered elsewhere within the service)

- Transport (£0.533M) – This overspend is the result of an increased demand for Home to School Transport (£0.233M) and the non-delivery of certain KLOE related savings initiatives. These include:

  - PLACE 26 Post 16 Transport (£0.040M)
  - PLACE 28 Travel Training (£0.225M)
  - PLACE 29 Route Optimisation (£0.035M) (£0.040M Delivered)

  As mentioned in the Quarter 1 report, a Task and Finish group has been established with participants from Place, Communities, People, Finance/Procurement, HR & Legal. Four key work streams are focusing on; i. reducing present operating costs to mitigate the forecast overspend; ii re-procurement of a new framework; iii re-writing the present Home to School Transport Policy; and iv. Collaborating with the ongoing transport review with SYPTE.

  Specifically to reduce the forcast overspend the T&F group is focused on reducing demand for expensive taxi's and escorts; challenging and educating schools about what journeys are reimbursable; a review of all existing routes to aggregate and reduce the numbers; and seek to travel train a cohort of children. So far this year the group has achieved savings of £0.040M but this would have been more (£0.060M) if some additional proposals put forward to cut costs by reducing the number of routes had been supported by the parents and schools of the children concerned. In addition to this, whilst the September school intake has seen a fall in the number of zero passes issued from 478 to 448, there has been an increase in the number of children entitled to statutory transport provsion under SEN from 501 to 519.

  To counter this the current transport policy is currently under review. It is intended that, following consultation and approval, a new policy will be in place from 1st April 2017. This will complement a new procurement framework that will seek to increase competition and reduce costs per route thus providing a more sustainable service. It is expected that this will further reduce the number of journeys currently being conducted with an estimated cost saving of £0.350M from 2017/18.

- Construction (£0.196M) – The current estimated shortfall in Construction Services represents a much improved position to the one reported at the end of Quarter 1 (£0.379M). This is mainly due to additional staff turnover in non fee earning roles (£0.153M) and projected savings on materials due to the trialing of the cold mix footpath surfacing treatment. The use of cold mix is estimated to reduce our material costs by £0.075M per annum.

- Transportation & Design (-£0.143M) – Savings on staffing (-£0.205M) partially offset by reduced fee income (£0.055).

- Highways Maintenance (-£0.106M) This underspend primarily relates to forecast savings on electricity charges following the completion by the Council and verification by the supplier (Npower) of an asset register of the new LED street lights.

- Highways ,Engineering & Transportation Management (-£0.197M) – This saving relates primarily to the vacant Head of Service post (-£0.055M) and the grant received from Central Government towards the cost of the zero fares policy (-£0.100M).

- Contracts Management (£1.152M) - This overspend is due in part to a shortfall in the income from the sale of recyclable materials (£0.414M). This is as a direct consequence of a number of factors;
    - the recycling income target has been increased (by £200k) over the last 2 years;
    - the forecast tonnage of the key income generating stream (kerbside collected paper) continues to decline annually; and
    - national and global commodities prices for glass, metals, plastics, continue to be suppressed resulting in lower sale prices for the authority.The forecast outturn is based on the assumption that the Council will no longer generate any income from the sale of glass moving forwards. However, recent enquiries suggest that rather than deriving an income from the sale of glass, in the future, the Council could be charged £16 per ton for its disposal. This would have an adverse effect on the reported position and increase the shortfall by an additional £0.086M.

  During the 2015/16 financial year a re-tendering of the contract for Organic Waste Disposal realised a gate fee reduction in the disposal price per tonne which has generated a saving of £0.100M which has helped to mitigate these losses.

  The outturn also includes £0.160M additional cost of leasing an increasing number of replacement wheeled bins. Whilst the number of leased bins is expected to fall over time to reflect a reduction in the number of replacements bins being procured it is anticipated that the cost of the existing bins in circulation will continue at this level for the short to medium term.

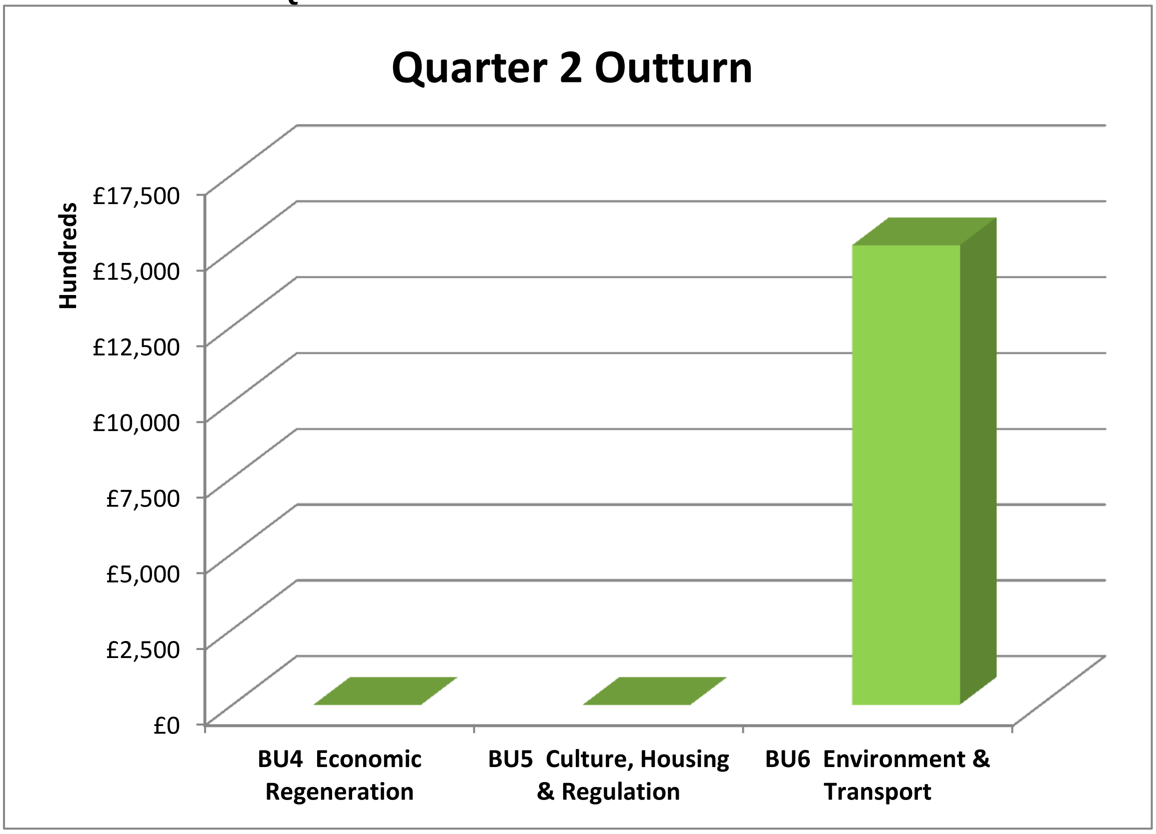
  In addition, whilst the efficiency savings in respect of the Waste PFI Contract were realised in 2015/16, a forecast increase in the waste disposal costs in 2016/17 will mean that the 2016/17 savings proposal on the contract will not be achieved this year (£0.350M). Delays in the delivery of the transfer loading station Kloe have also resulted in a further budget shortfall of £0.140M. There are also a number of other minor overspends in the service totaling £0.088M.

- Neighbourhood Services (£0.016M) – This overspend is due to an estimated shortfall in internal and external income (0.247M). The service has a total income target in 2016/17 of £1.9M. During 2015/16 £0.320M of environmental work was commissioned by Berneslai Homes.However, during 2016/17 only £0.060M has been commissioned to date and it is unlikely that this will exceed £0.150M, a minimum loss of £0.170M. This cost pressure is currently being managed by the service by freezing vacancies (-£0.156M) and from savings on materials due to the reduction in workload (-0.055M).

- Waste Collection (-£0.084M) – This underspend primarily relates to additional income generated by the service from special collections and wheeled bin deliveries.(-£0.081M).

The balance of the outturn for the business unit is made up of additional staff vacancies totalling -£0.098M.

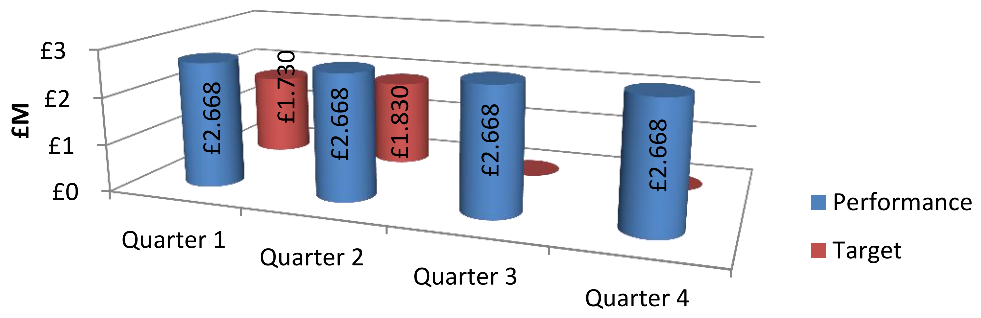
Directorate Position – Quarter 2 Outturn



iii. Approved savings position

The 2016/17 budget reductions target for the Directorate totals £2.668M. The current position is that £0.838M is currently not on target to be delivered during the financial year. Key variances are highlighted above.

Forecast Efficiency – Performance v Target



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Performance	£2.668	£2.668	£2.668	£2.668
Target	£1.730	£1.830		

Housing Revenue Account

The latest forecast outturn shows an improvement of £1.586M in the financial position compared to the approved budget.

The major variations are outlined below:-

Savings

- Reduced Impairment Charges (-£0.500M)
- Reduced Bad Debt Provision (-£0.305)
- Reduced Debt Repayment (-£0.354M)
- Increase in RTB Administration Income (-£0.098M)
- Increase in Renewable Heat Incentive Income(-£0.140M)
- NPS Profit Share (-£0.104M)
- Reduced Interest Charges (-£0.100M)
- Increase in Rental Income (-£0.100M)

Additional Costs

- Reduced Heating Charge Income (+0.100M)
- Other Net Changes (+0.015M)

Revenue Contributions to Capital

At this update £7.344 of the planned revenue contribution to capital, has been carried forward in the HRA working balance to fund commitments on the 5 year approved programme. This is mainly due to slippage on the HRA residential investment fund.

iv. Corrective Action

As highlighted above a number of budget reduction proposals are not currently expected to deliver against their targets. However, to mitigate this, a number of alternative proposals and initiatives have been implemented. These can be summarised as follows:

Summary of Mitigations to Place Quarter 2 Outturn	
	£M
Quarter 1 Outturn Projection 2016/17 (before mitigations)	**2.133**
Quarter 2 Additional Cost Pressures	**0.336**
	2.469
2016/17 Mitigations	
Transport – Stricter enforcement of existing transport policy	-0.040
Car Parking – review of fees and charges policy	TBD
Vacancy Management/Staff Turnover	-0.699
Replacement Efficiency Savings Proposals	-0.083
Contracts Review – Highways	0.000
Highways Maintenance – Reduction in costs	-0.131
Quarter 2 Reporting position	**1.516**
2017/18 Mitigations	
Delayed implemention of 2016/17 Efficiencies	-0.533
Delayed Implemention of revised Transport Policy	-0.350
2017/18 Delayed implementation of Savings	**-0.883**
Ongoing Cost Pressure	**0.633**
2017/18 Ongoing Cost Pressure	
Transport service demographic pressures	0.219
Fall in the demand for Recyclates	0.414
Ongoing Cost Pressure	**0.633**

In addition, a review of car parking provision across the borough will report shortly. A number of options and proposals will be submitted for member scrutiny in due course. These may lead to further savings to mitigate the Service's projected budget shortfall.

v. Future Outlook

Whilst the Directorate is forecasting an in-year deficit of £1.5M it is expected that the majority of this will be mitigated by the start of 2017/18. However, there remains a number of service pressures that still need addressing, in particular costs associated with the increase in service users of the Home to School Transport service together with a fall in the commodities price of recyclable materials resulting in a fall in income.

SECTION 3-Executive Director's Statement Communities

Executive Director's Statement

i. Overview

The total net budget for the Directorate is £17.786M. Total forecast net expenditure is £16.422M, resulting in a forecast underspend before earmarking's of £1.364M. Of this sum £1.202M is proposed for earmarking, resulting in an estimated operational underspend for the year of £0.162M.

Quarter 2 Position to the end of the quarter ending 30 September 2016

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
Customer Services	9,060	9,002	(58)	-	(58)	-
Safer, Stronger, Healthier	8,726	7,420	(1,306)	1,202	(104)	-
Total – Communities	**17,786**	**16,422**	**(1,364)**	**1,202**	**(162)**	**-**

ii. Key Variances

Customer Services

Customer Services are currently projecting an underspend of £0.058M after proposed earmarking's as follows:-

- Customer Services £0.047M – this overspend relates to unachievable income within the Contact Centre and Customer Services due to a downturn in multimedia income and library fines. This will be part mitigated by overachievement of income by Registrars.

- Staffing – (£0.105M) – the Customer Services Business Unit has had to deal with a range of staffing pressures throughout the year with both Day Services and Customer Services & Development teams retaining significant vacancies - leading to projected underspends of (£0.128M) and (-£0.076M) respectively.

  Of most significance however are the staffing pressures being felt within Supported Living where an over spend for the year of £99k is currently estimated.

  Supported Living will be outsourced from April 17 and as a consequence the service is experiencing increasing levels of staff absence which is in turn increasing the requirement to engage agency staff for cover purposes.

  By contrast staff are now beginning to exit the service in order to seek alternative employment which has to some extent reduced the overspend previously reported.

  Mitigations are being considered with commissioners in the People Directorate.

Safer, Stronger & Healthier Communities

The Business Unit is currently projecting an operational underspend of (£0.104M) after earmarking's, this is primarily due to:

- Safer, Stronger and Healthier Communities – Part Year Vacancies (£0.076M) – This underspend is associated with part year vacancies. This is a non-recurrent under spend.

- Contract Savings (£0.028M) – This underspend represents an overachievement of savings on Advocacy/Prevention and Supporting People contracts.

The service has proposed earmarking's of £1.202M comprising:

- Think Family £0.399M – This position reflects the longer term nature of the programme and funding which is linked to a multiyear financial forecast and for which any unutilized resources will be earmarked and carried forward into future financial years for the ongoing delivery of the Think Family programme.

- Local Welfare Assistance Scheme £0.221M – The Government funding for provision of this scheme ended in 2014/15. It was agreed that the balance of funding at that point in time would be carried forward into subsequent years to maintain some provision pending the outcome of a wider review of welfare provision which is likely to be implemented in full from 2017/18.

- Community Health Improvement £0.026M – Represents the Public Health funding that was allocated against Public Health Practitioner that has slipped and will not be filled until December. The service wish to ear mark the balance of the slippage to contribute towards the Samaritan & Bereavement Counselling service for an additional 12 months, at which point the contribution will be reviewed within the whole Be Well Barnsley contract.

- Safer Communities £0.017M – Represents the balance of unspent ear marking from 2015/16 for the temporary 12 month post of a licensing officer, due to late recruitment. In subsequent years this post will either come to an end or with ratification, from the DCLG, the service will be able to undertake a Rented Property Licensing Scheme and be self-financing through the new licensing fees that will be able to be charged, subject to a further Cabinet report.

- Devolved Area Council / Ward Alliance Funding £0.429M – Represents the balance of devolved funding which is still in the process of being committed and spent. It was previously agreed that any balances would be earmarked and carried forward into subsequent years. The balances held have been reducing year on year.

- ED Communities £0.110M - Transformation funding which is committed against specific projects into 2017/18.

Directorate Position – Budget v Actual (FYE)

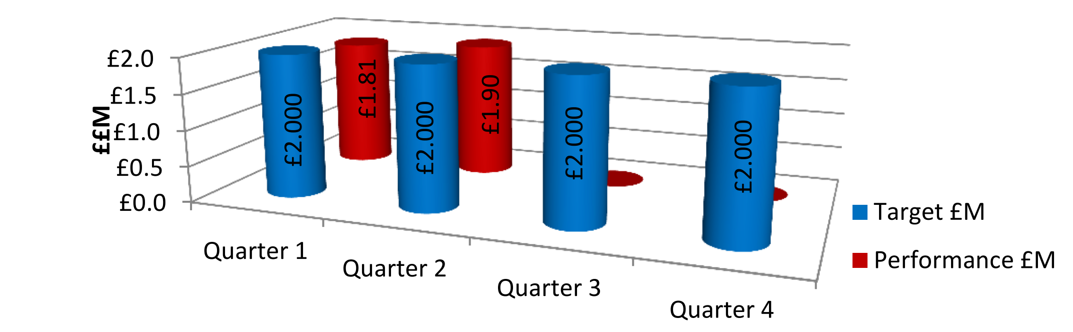
<u>iii. Approved Savings</u>

The Directorate had total approved savings of £2M to deliver in 2016/17.

Whilst there has been a delay in the delivery of COM 3 – Customer Service Interaction (£0.051M) this will be mitigated by vacancy retention within the Customer Services Development service. There is also a delay in delivery of COM11 – Review of Health Improvement (£0.137M) - arising due to the implementation of Safer Barnsley restructure (£0.050M) being moved to April 2017. This should however be mitigated by vacancy retention and the achievement of contract savings of £0.087M by Healthier Communities.

All other savings have either all been delivered in full or are on target to be delivered by the end of 2016/17.

Forecast Efficiency – Performance v Target



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Target £M	£2.000	£2.000	£2.000	£2.000
Performance £M	£1.812	£1.899	£0.000	£0.000

iv. Corrective Action

As indicated above Supported Living, in its present form, represents the most significant area of potential overspend. This service is currently under review. Progress against that review will be reported into the Quarter 3 monitoring report

The above aside, there are currently no major corrective actions required in relation to the financial forecasts outlined in this report.

The achievability of KLOEs will continue to be reviewed on an ongoing basis.

v. Future Outlook

There is an expectation that the Directorate will take the necessary measures to ensure that it operates within its approved resource envelope for 2016/17.

It should be noted however that the following represents an additional financial risk that will require management during 2016/17 and beyond:

- Independent Living at Home (ILAH) Trading 2016/17 estimated trading deficit £0.478M – the ILAH company continues to face some significant financial pressures.

  A service review is currently being undertaken to consider the options for cost reductions and a report setting out the future options for the company is currently being compiled.

  Whilst £0.330M has been earmarked to support a significant proportion of the ILAH deficit, based on the company's latest outturn a further £0.148M may be required in 2016/17.

SECTION 4- Executive Director's Statement Public Health

Executive Director's Statement

i. Overview

The total net budget for the Directorate is £3.347M, which represents the carry forward balance from 2015/16 with the main Public Health spend being net nil, fully funded from Public Health grant. Total forecast net expenditure is £3.143M resulting in a net forecast underspend before ear markings of £0.204M. This amount will be proposed for earmarking as it is fully committed against future year requirements, resulting in an operationally balanced position for the year.

Quarter 2 Position to the end of the quarter ending September 2016

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) £'000
BU10 – Healthcare & Partnerships	3,347	3,143	(204)	204	-	-
	3,347	**3,143**	**(204)**	**204**	-	-

ii. Key Variances

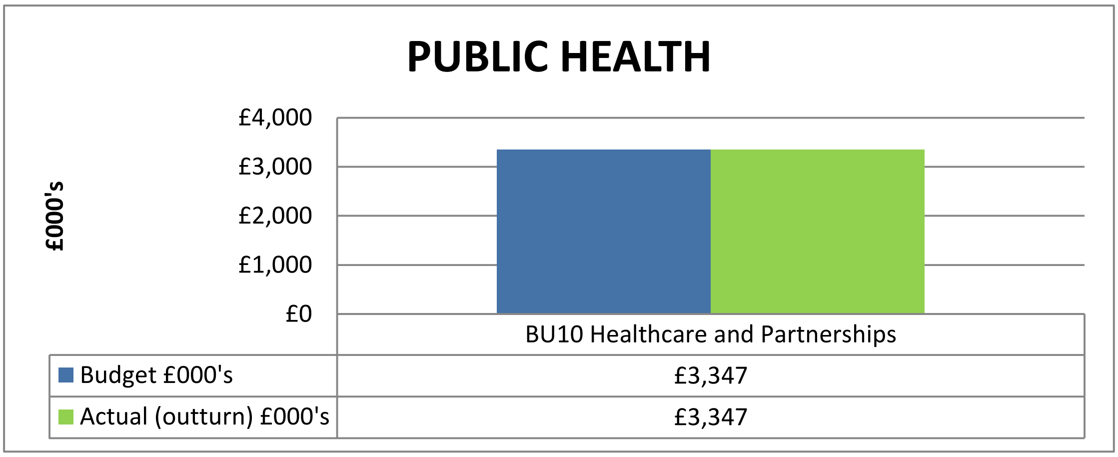
As set out above there is a forecast under spend of £0.204M for the current year, however this is a planned under spend as part of the Public Health 4 year plan and is required to be carried forward into future years to meet existing spend commitments.

The service was given responsibility and specific funding for the provision of 0-5 services from October 2015. A single service 0-19 Years Healthy Child Programme transferred from SWYPFT to BMBC on the 1st October 2016. The transition of the service has unfortunately created a one off pressure of £0.442M which has been subsumed within the overall plan.

There is some uncertainty over the future year spending levels for the 0-19 provision; however the service is currently considering options for funding the whole 0-19 service provision and is likely to take a prudent approach when determining the spend programme against the final resource envelope.

In addition to the 0-19 contract the service has also undertaken a one off project relating to the creation of a Smoke Free Generation which has been funded from current ear markings of £0.110M and again this has been subsumed within the overall in year plan.

Directorate Position – Budget v Actual



<u>iii. Approved Savings</u>

The Directorate has no approved savings to deliver in 2016/17.

<u>iv. Corrective Action</u>

There are no current major corrective actions required in relation to the financial forecasts for the current financial year.

<u>v. Future Outlook</u>

The current 4 year plan currently has a balanced position but the service is fully aware that government funding can change and will consider how this might be addressed across all service areas funded through Public Health grant.

SECTION 5- Director's Statement Legal and Governance

Director's Statement

i. Overview

The latest total net budget for 2016/17 for Legal and Governance is £3.186M. The latest total projected outturn forecast as at the end of quarter 2 is £3.147M, resulting in a total net under spend for the service of £0.039M.

Quarter 2 Position to the end of the quarter ending 30th September 2016

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) £'000
Legal Services	1,106	1,106	0	-	0	-
Elections	507	517	9	-	9	
Council Governance	1,573	1,524	(48)	-	(48)	-
Total – Legal	**3,186**	**3,147**	**(39)**	**-**	**(39)**	-

ii. Key Variances

Legal

Legal services are projecting a balanced position for 2016/17. A recent staffing restructure has been implemented to backfill substantive posts which resulted in an ongoing pressure to the service. This has been funded in 2016/17 from one off earmarking's brought forward from 2015/16, the ongoing pressure will be addressed in full from 2017/18 as part of the council's medium term financial strategy plans.

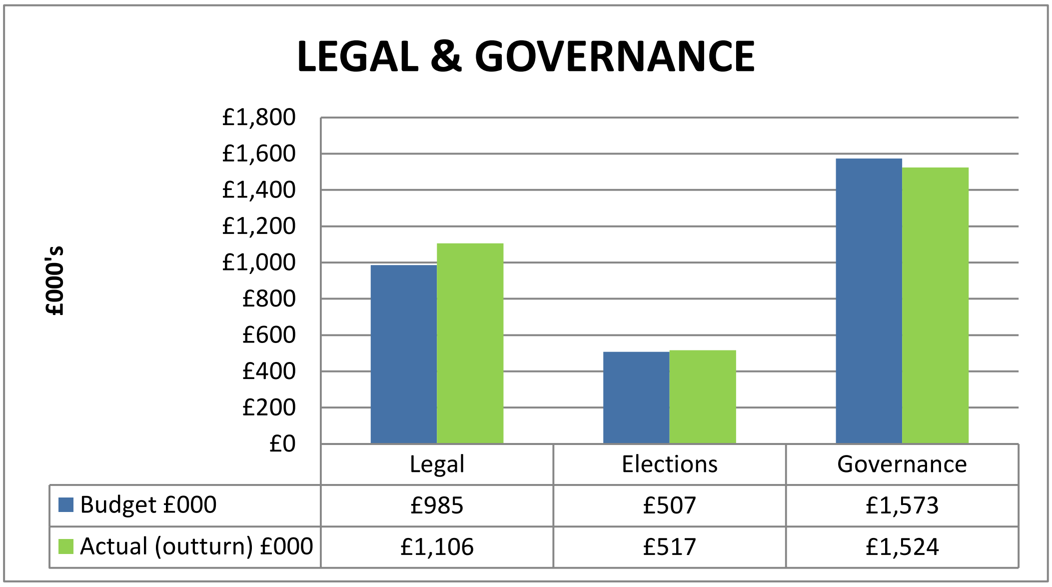
Elections

Elections are projecting an over spend of £0.009M for 2016/17, which is largely related to the an unexpected legal cost for Land Charges netted off by lower than expected salary costs due to the downgrading of newly established posts.

Council Governance

Council governance is forecasting an under spend of £0.048 due to current vacancies and the restructure in support of the Lord Lieutenancy service.

Directorate Position – Budget v Actual



iii. Approved Savings

The Directorate has no approved savings to deliver in 2016/17.

iv. Corrective Action

Legal Services are currently looking to implement a further restructure of the service to enable them to operate on a commercial basis and provide the core offer the council requires, this should realise a small in year saving. Any other minor pressures will be managed across the financial position for the overall Directorate.

v. Future Outlook

There are no further 2016/17 approved KLOE savings to be delivered.

The Directorate has identified a number of specific pressures moving into 2017/18, which have been reported into SMT, as detailed below, these will be addressed in full as part of the council's wider 4 year planning from 2017/18 onwards.

Elections

- Staffing requirements associated with the Annual Write Out (Canvass) process and registration requirements leading up to elections £0.077M
- Additional Printing and Postage costs associated with the Annual Write Out (Canvass) process £0.030M

There is potential to mitigate some of these costs in 2016/17 and 2017/18 through claims for elections, however the full additional cost would likely need to be met in 2018/19 when there are no combined elections and the cost of the local elections would also need to be met.

Legal Services

- The staffing pressures associated with high levels of commercial and related advice and significant increases in resource around child protection work is likely to place an ongoing annual financial pressure of £0.107M over the next few years as referred to above. A further restructure of the service is currently in consultation in order to attract the right calibre of staff and negate the use of locums. Some of the increased cost associated with child protection should result in reduced costs of Legal Counsel charges passed to ‘People’ Directorate. All of the above will be addressed as part of the Councils 4 year financial plan.

SECTION 6 - Director's Statement For Finance, Assets & IT

Director's Statement

i. Overview

The latest total net budget for 2016/17 for the Directorate is £15.384M. The total projected outturn forecast as at quarter 2 is £14.692M, resulting in a total under-spend, before earmarking's of £0.692M for the year. Of this £0.670M is proposed for earmarking resulting in an overall operational under spend for the year of £0.022M. This is non-recurrent so the FYE position for the Directorate is break-even.

Quarter 2 Position to the end of the quarter ending 30th September 2016

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
Assets	4,907	4,956	49	71	120	-
Information Technology	5,661	5,770	109	-	109	-
Finance	4,816	3,966	(850)	599	(251)	-
Total – Finance	**15,384**	**14,692**	**(692)**	**670**	**(22)**	

ii. Key Variances

Assets

Assets are currently forecasting an operational over spend for the year after earmarking's of £0.120M, the key variances associated with this are:

- Building Services £0.127M - Financial pressures associated within the running of the Council's assets portfolio, namely repairs and maintenance. Corrective action being investigated to address this ongoing pressure.

- NPS Contract £0.098M - Additional pressures associated with pensions for TUPE staff, as a result of rising contributions.

- Strategic Assets £0.087M – loss of rental income associated with the Carlton Depot.

- Various Other (-£0.203M) – the above key pressures are mitigated against underspends across the directorate as a result of vacancies and increased profit share associated with the Norse contract.

The earmarking of £0.071M is in relation to underspends against Building Schools for the Future, which contributes to the affordability of the whole life cost model.

Information Technology

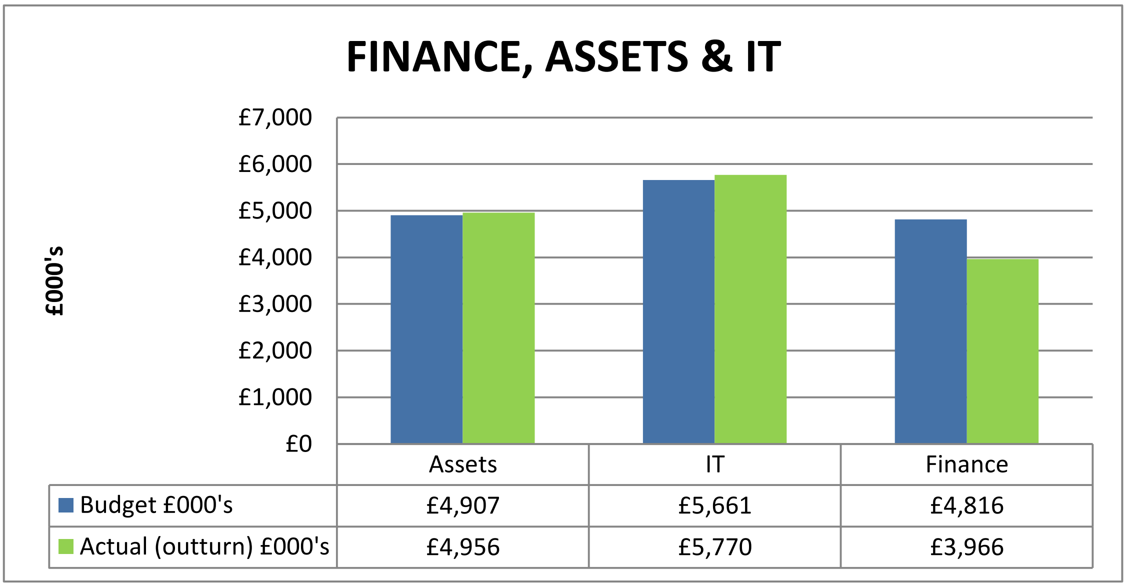
Information Technology are currently forecasting an over spend of £0.109M. This is largely associated with increased costs for computer licences and the use of agency staff £0.197M due to the delays in recruiting to the new structure. This is mitigated by savings against vacancies and the filling of vacant posts over the next quarter £0.090M.

Finance

Finance are currently forecasting an underspend of £0.850M, as a result of high staff turnover and vacant posts pending a restructure to support the Business Unit's 2020 plan together with delays in the transfer of Housing Benefits to the DWP.

It is proposed to earmark £0.599M of the underspend to manage the impact of the reduction in Council Tax and Housing Benefit administration grant and the transition of Housing Benefit to the DWP.

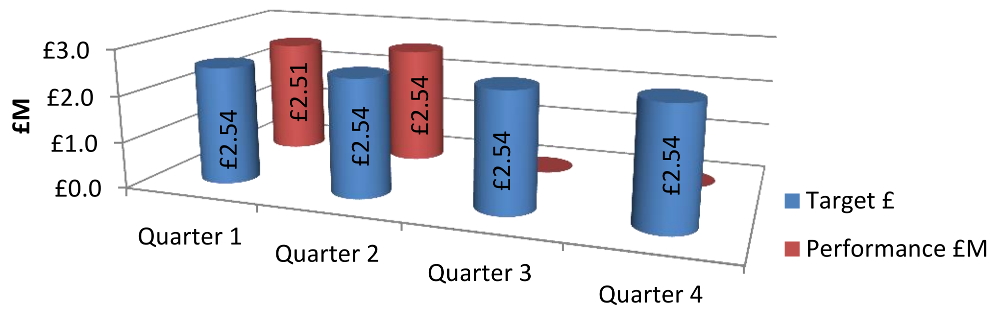
Directorate Position – Budget v Actual



iii. Approved Savings

The Directorate had total approved savings of £2.554M to deliver in 2016/17. All savings have either all been delivered in full or are on target to be delivered by the end of 2016/17.

Forecast Efficiency – Performance v Target



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Target £	£2.544	£2.544	£2.544	£2.544
Performance £M	£2.505	£2.544		

<u>iv. Corrective Action</u>

There are no major corrective actions required in relation to the financial forecasts for the current financial year.

The Directorate is expecting to deliver against its approved savings target position for 2016/17.

<u>v. Future Outlook</u>

A detailed review is being finalised across the Council's portfolio of properties to consider the costs of operating the various properties and the income levels where these are subject to rental charges. This will inform financial planning moving into 2017/18.

There is a risk that the current transfer of housing benefit functions to the DWP will have a financial impact in the future with a potential reduction in grant funding for administration of the scheme that is in effect used to fund the whole Benefits and Taxation team, not just the administration of housing benefit. Funding is proposed to be earmarked as outlined above to assist with the financial impact and any implementation requirements in the first year.

There are no further adverse issues within the Directorate that will impact on the future year financial position.

SECTION 7- Director's Statement HR, Performance and Communication

Director's Statement

i. Overview

The total net budget for 2016/17 for the Directorate is £5.978M. The total latest projected outturn forecast as at the end of quarter 2 is £5.711M, resulting in a total net underspend for the year of £0.267M.

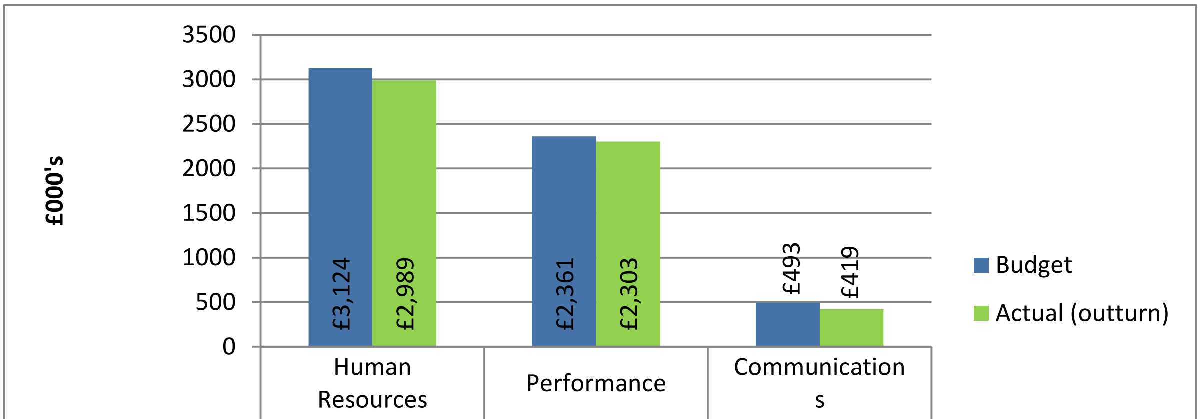
Quarter 2 Position to the end of the quarter ending September 2016

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) £'000
Human Resources	3,124	2,989	(135)	-	(135)	-
Performance	2,361	2,303	(58)	-	(58)	-
Communications	493	419	(74)	-	(74)	-
Total - HR	**5,978**	**5,711**	**(267)**	**-**	**(267)**	**-**

ii. Key Variances

The Directorate is forecasting an overall under spend for the year of £0.267M. This is largely related to part year vacancies across the service as a result of staff turnover and the time taken to fill vacant posts.

Directorate Position – Budget v Actual

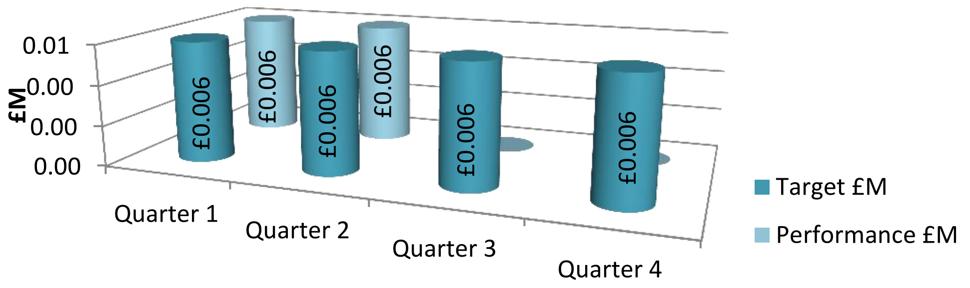


	Human Resources	Performance	Communications
Budget	3124	2361	493
Actual (outturn)	2989	2303	419

iii. Approved Savings

The Directorate had total approved savings of £0.006M to deliver in 2016/17. These have all been delivered in full.

Forecast Efficiency – Performance v Target



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Target £M	£0.006	£0.006	£0.006	£0.006
Performance £M	£0.006	£0.006		

iii. Corrective Action

There are no major corrective actions required in relation to the financial forecasts for the current financial year.

iv. Future Outlook

There are no adverse issues within the Directorate that will impact on the future year financial position.

SECTION 8 - Commentary on Corporate/ Authority Wide Budgets

i. Overview

The total net budget for Corporate items is £21.495M broken down as follows:-

Quarter 2 Position to the end of the quarter ending September 2016.

BUDGET	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage, Grant balances & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) £'000
Capital Financing	38,054	22,382	(15,672)	-	(15,672)	-
CDC	766	766	-	-	-	-
Levies	1,098	1,098	-	-	-	-
Corporate Items	(2,757)	(2,757)	-	-	-	-
Provisions	24,892	14,586	(10,306)	-	(10,306)	-
Provisions – Pension Deficit	7,668	7,668	-	-	-	-
Contributions from Balances	(48,226)	(48,226)	-	-	-	-
Total – Corporate Budgets	**21,495**	**(4,483)**	**(25,978)**	**-**	**(25,978)**	-

ii. Key Variances

Capital Financing (-£15.7m)

It is currently forecast that the operational Capital Financing budget will underspend in 2016/17 by £1.2M as a result of being able to take advantage of low interest rates and short term borrowing.

However in addition to this and as previously reported to Cabinet, the Council changed its MRP policy during 2015/16. It was estimated that this would release a £14.5M saving during 2016/17. This estimate remains accurate and will contribute to corporate reserves but only in 2016/17. Any ongoing savings relating to MRP beyond 2016/17 have already been factored into the MTFS.

Other One-off Corporate Items & Grants (-£10.3m)

The Council has recently received confirmation of the New Homes Bonus (NHB) to be awarded in 2016/17 which totals £6.7M. A review of NHB is currently the subject of Government consultation and whilst this has not been finalised it is anticipated that future levels of NHB available to local authorities could reduce significantly. In addition there is a forecast underspend on PFI contract inflation (£0.400M) together with a delay in the implementation of the apprenticeship levy which was expected to be implemented in 2016/17 (£0.200M).

Finally there is forecast to be an underspend against Corporate Budgets of £3.0M, this relates to a base budget review which amongst other things released a sum relating to downsizing costs which are now funded through one-offs. This saving is one year only and has already been factored into the Council's MTFS from 2017/18 onwards.

Debt Collection & Management

Bearing in mind the uncertain economic climate, it has become more important than ever to manage the Council's debtors effectively. It is equally important to recognise that the overall debt position is constantly changing as debt moves through the various stages of recovery and new debts are raised. The table below shows that the overall overdue debt position at September was £30.2M. This is comprised of old debt of £22.2M and new year debt of £8.0M. Some £1.9M of old debt has been collected during this quarter which remains positive.
The performance target for historic debt is to collect 50% of all arrears, of which 34% has been delivered as at the end of quarter two. However historic debt is traditionally much more difficult to collect and for this reason, makes it much harder to predict, at this stage, whether the final target can be achieved.
For the reasons outlined above, it remains good financial management to provide for non-recovery of some of these debts and the current provision for bad debts stands at £17.9M. The Director of Finance, Assets and Information Services is now also seeking approval to write off historic debt amounting to £0.594M which have become uneconomical to pursue. This is summarised in the table below:-

Type of Debt	Pre-16/17 Arrears £M	2016/17 Arrears £M	TOTAL Arrears £M	Bad Debt Provision £M	Write Offs For Approval £M
Opening 2016/17 Position (position as at 31.03.2016)	33.773	n/a	33.773	15.523	
Total as at end of June	24.072	7.388	31.460	17.808	0.997
Total as at end of Sept.	22.198	8.024	30.222	17.940	0.594
MOVEMENT	(1.874)	0.635	(1.239)	0.132	

iv. Future Outlook
The Council will continue to monitor corporate resources and seek to implement proactive actions to minimise future costs.

v. Other Items
External Trading
During 2015/16 the Council set up a number of subsidiary companies for the purposes of trading with the wider external marketplace. The narrative below details the Quarter 1 position:-

BMBC Services Ltd
BMBC Services Ltd continues to project a forecast year end profit after tax of £0.260M. The position with regards the company's main customers (schools) contiunes to be monitored. The next Quarter will prove vital with existing contracts with Schools coming up for renewal.

ILAH Barnsley Ltd
Independent Living at Home (ILAH) estimated trading deficit £0.478M – the ILAH company continues to face some significant financial pressures. A service review is currently being undertaken to consider the options for cost reductions and a report setting out the future options for the company is currently being compiled.Whilst £0.330M has been earmarked to support a significant proportion of the ILAH deficit, based on the company's latest outturn a further £0.148M may be required in 2016/17.
A number of options are currently being considered including action around restructuring and/or alternative delivery methods.

£3 Million Invest to Grow Fund

As part of the 2015/16 final accounts process, Members approved the earmarking of a £3M invest to improve fund. The Quarter 1 report sought approval for schemes against the fund totalling £0.810M. Further schemes totalling £0.891M have now been put forward by services/SMT which are subject to Cabinet approval. This leaves approximately £1.3M remaining of the £3M fund.

Proposal Theme	Investment £
Reducing double headed care	92,450
Direct Payment surplus draw-back and monitoring	36,045
TOTAL PEOPLE	**128,495**
Adopt Community Infrastructure Levy	65,000
Business Improvement Districts	50,000
Heritage Action Zones	20,000
Great Places	20,000
Customer Strategy	100,000
Signs & Fab Shop	30,000
TOTAL PLACE	**285,000**
Customer Insight	67,288
Growth in demand for universal information– Advice & Guidance	90,000
TOTAL COMMUNITITIES	**157,288**
Learning Management & Appraisal Solution	320,000
TOTAL CORE (HR/ PERFORMANCE & COMMUNICATIONS)	**320,000**
TOTAL	**890,783**