

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

Report Ref No:

Cabinet: 30th July 2014

Report of the Director of Finance, Property & Information Services

CORPORATE FINANCE SUMMARY - MONTH ENDING 30th JUNE 2014

1. Purpose of Report

1.1 The purpose of this report is to provide Members with an update on the Authority's 2014/15 budget and Key Lines of Enquiry (KLOE) position for the quarter ending 30th June 2014. The report covers the following areas:

- variations ("virements") to approved Service budgets;
- the forecast year end surplus / deficit and corrective action proposals for General Fund Services (including schools and trading activities);
- an update on the KLOE savings position for 2014/15; and
- a summary of the Housing Revenue Account (HRA) position.

2. Recommendations

2.1 It is recommended that:

- a) the budget virements in Appendix 1 be noted;
- b) the forecast outturn, including the latest position on the 2014/15 KLOE contained within this report, be reviewed within the context of the Future Council planning processes;
- c) Members receive periodic updates on issues relating to the Waste Collection Service including any financial implications; and
- d) Members receive periodic updates on the progress of the Looked After Children Placement & Sufficiency Strategy (paragraph 4.3.13 refers); and
- e) Executive Directors report into Cabinet on any other adverse budgetary or performance issues.

3. Introduction / Background

3.1 Introduction

3.1.1 Members approved the 2014/15 General Fund Revenue budget on 27th February 2014. Under established budgetary procedures, all Services are required to monitor and review their approved budgets during 2014/15.

3.1.2 A forecast of the likely year-end position has been prepared by all Services, based on a comparison of profiled budgets to the actual position as at 30th June 2014, together with known commitments.

3.2 Variations ("Virements") to Service Budgets

3.2.1 Appendix 1 shows the quarter 1 Service budget virements in three sections. Section A identifies virements that are now recommended for Cabinet approval. For information purposes, Sections B and C identify other virements that during the period have either

been specifically approved by Cabinet (Section B) or are within delegated powers defined under Financial Delegations (Section C).

4. Current Position

4.1 Summary Position – Total Authority Budget and Projected General Fund Outturn

4.1.1 Appendix 2 and the table below identify each Directorate's forecast outturn position compared to budget. At an Authority level, this identifies a potential year end operating surplus of approximately £2.9M.

4.1.2 However, it should be noted that this includes a non-recurrent underspend in the region of £3.7M on the Council's debt and pension costs which have been factored into the updated Medium Term Financial Strategy for 2015/16 – 2017/18.

4.1.3 The anticipated 2014/15 operational underspend is being offset by budget pressures in the Children, Young People and Families Directorate (£0.467M) mainly related to issues within the Community Learning and Information Service. There are also pressures reported in Development, Environment and Culture (£0.4M) mainly related to a shortfall in expected profits in the Engineers Service and income shortfalls within Culture & Regulatory Services. Mitigating actions are planned to rectify these deficits in this and future financial years as explained within the body of the report.

4.1.4 Included within the above totals is slippage or non-delivery on three KLOE, which total £0.365M. Further detail and the proposed mitigating actions are contained within the body of the report (paragraphs 6.1 to 6.4 refer).

DIRECTORATE	Approved Net Budget 2014/15 (After Virements) £	Projected Net Outturn 2014/15 £	Forecast Deficit / Surplus (-) £	Adjustments for Slippage, Grant Balances & Transfer to Reserves £	Operational Deficit / Surplus (-) £
CYPF	63,322,145	65,168,145	1,846,000	(1,379,000)	467,000
Adults & Communities	59,045,741	59,045,741	-	-	-
Development, Environment & Culture	37,239,781	37,639,781	400,000	-	400,000
Corporate Services	21,064,952	20,936,002	(128,950)	-	(128,950)
Public Health	2,706,170	(246,242)	(2,952,412)	2,952,412	-
Service Totals	183,378,789	182,543,427	(835,362)	1,573,412	738,050
Capital Financing Costs	(12,857,460)	(13,557,460)	(700,000)	-	(700,000)
Levies	13,829,335	13,829,335	-	-	-
Corporate / General Balances & Reserves	10,394,534 (7,483,078)	7,394,534 (7,483,078)	(3,000,000)	-	(3,000,000)
TOTAL	187,262,120	182,726,758	(4,535,362)	1,573,412	(2,961,950)

4.2 General Fund Services: Projected Surpluses / Deficits & Corrective Action

4.2.1 Appendix 3 provides more detail on the reasons for each Directorate's projected surpluses / deficits. The narrative which follows provides for each Directorate:

1. A Directorate overview;
2. An explanation of key service variances;
3. An update on the 2014/15 KLOE; and
4. An explanation of any on-going financial impact of current year variances in 2014/15 and beyond.

4.3 **CHILDREN, YOUNG PEOPLE AND FAMILIES**

1. Directorate Overview

- 4.3.1 The revised 2014/15 budget for the CYPF Directorate is £63.3M. This includes schools balances (£5M) brought forward from 2013/14.
- 4.3.2 Based on current projections, the Directorate is anticipating a net operational over-spend of **£0.5M** in the current financial year. This mainly relates to anticipated cost pressures within Community Learning & Information Services (and includes Moorland Plastics) - further explanation is provided in the report.
- 4.3.3 The forecast position excludes non-operational / non-recurrent expenditure, mostly relating to specific grants such as Troubled Families funding (this is an upfront payment dependent on sufficient outcomes being achieved over the financial year). There is a need to ensure that this funding is earmarked to ensure delivery continues over the duration of the 3 year programme and especially for next year when the funding will reduce but the activity needs to remain to achieve the outcomes.
- 4.3.4 In high level terms, the operational over-spend of £0.5M can be explained as follows:
1. Anticipated cost pressures within the Community Learning & Information Service (CLIS), due to reduced contract income and activity levels.
 2. Non-achievement of the KLOE efficiency target for 2014/15, mainly attributable to reduced sales income and increase operational costs at Moorland Plastics; offset by.
 3. Anticipated under-spends and savings across a number of service areas within the Directorate.
- 4.3.5 It should be noted that the above operational position for CYPF excludes previously reported budget pressure relating to looked after children / children in care as well as any over or under-spends against the Dedicated Schools Grant (DSG). Current projections indicate a net surplus against schools' delegated budgets of £1.4M, whilst significant financial risk is currently forecast and anticipated against the centrally retained schools DSG budgets.
- 4.3.6 A summary of the forecast operational position by Assistant Director is shown in the table below:

<u>Children, Young People & Families</u>	Latest Net Budget	Over (+) / Under (-) spend	Non-Recurrent & Grant Slippage	Operational Over (+) / Under (-) Spend
	£M	£M	£M	£M
Directorate Management	5.366	-0.171	0.226	0.055
Lifelong Learning, Achievement & Enterprise	16.253	-0.050	0.273	0.223
Safeguarding, Health & Social Care	20.045	3.467	-3.278	0.189
	41.664	3.246	-2.779	0.467
Schools	21.658	-1.400	1.400	-
TOTAL CYPF	63.322	1.846	1.379	0.467

2. Explanation of Key Service Variances

4.3.7 The key projected year end budget variations within the Directorate are explained below:

Directorate Management

4.3.8 A net operational over-spend of **£0.055M** is currently projected for this service against a revised net budget of £5.4M. Under the approved CYPF restructuring, a number of functions / services previously managed under the defunct Strategic Services, Partnership and Commissioning (SSPC) are now subsumed within Directorate Management service area. The projected overspend excludes certain non-operational items such as academy conversions legal costs and the Mi-Card Concessionary Travel scheme. The key variances are explained in the paragraphs below.

4.3.9 School Organisation & Governance (+£0.087M): - the projected overspend mainly relates to cost pressures within the Home to School Transport service (due to increased demand for the service) and lower than anticipated income from Governor clerking services.

4.3.10 Business Support & Admin (+£0.150M): - this forecast over-spend is mainly attributable to non-recovery of management costs / other overheads through the recharge to SWYPFT (for support staff used in integrated service delivery) and particular grant funding programmes. A review of the charging agreement with SWYPFT is being reviewed as well as grant funding conditions with a view to identifying scope for recovering these overheads.

4.3.11 Strategic Management (-£0.212M): - this underspend mainly comprises uncommitted funding (particularly Education Services Grant) held in abeyance to address anticipated reductions in ESG funding during the year as more schools convert to academy status. The academy project plan currently anticipates the conversion of 4 secondary schools and 2 special schools in the current financial year, resulting in reduced ESG funding to the local authority.

Safeguarding, Health & Social Care

4.3.12 A net operational over-spend of **£0.189M** is currently forecast at year end for this service. This position excludes previously reported recurrent budget pressures relating to looked after children costs, which is being addressed through the implementation of the

Placement & Sufficiency Strategy. Explanations of the key delivery elements of the placement strategy and some of the other key pressures in this service area are detailed below:

- 4.3.13 Looked After Children Placement & Sufficiency Strategy (+£3.2M): - Cabinet on 12th March 2014 approved the Placement & Sufficiency Strategy for Looked after Children and accompanying delivery plan. The strategy takes a medium to long term approach, based on robust needs analysis, benchmarking and care costs modelling, to planning the commissioning and provision of placements for Children in Care aligned to expected demand and need. The strategy is aimed at securing appropriate accommodation of sufficient quality that supports an improvement in outcomes as well as reducing costs.
- 4.3.14 An action plan has been approved with a number of clear objectives / targets, namely: to reduce external / internal residential placements; reduce reliance on external fostering placements; increase the number / choice of internal foster placements; maintain the number of children in care and improve value for money in the costs of care. The plan and performance against targets is closely monitored by the Directorate leadership team on a monthly basis.
- 4.3.15 The net overspend on looked after children costs in 2013/14 was £3.4M. It is envisaged that implementing the strategy and the action plan as set out will achieve savings and therefore a reduction of the overspend of £1.2m over a 3 year period (to 2016/17). The balance of funding (+£2.2m) will be provided by the Council as part of the Medium Term Financial Strategy process. The forecast net overspend of +£3.2m for the current financial year is in line with the financial target set out in the placement strategy approved by Cabinet.
- 4.3.16 Care Leaver costs (+£0.122M): - this projected over-spend relates to increased support costs to care leavers and rising supported accommodation costs for 16 and 17 year olds.

Lifelong Learning, Achievement & Enterprise (LLAE)

- 4.3.17 A net operating over-spend of £0.223M is currently forecast for the LLAE service. This excludes the forecast non-operational expenditure relating to the Primary School PFI and BSF projects and anticipated slippage on the Troubled Families programme. The key variances are as follows:
- 4.3.18 Early Years & Childhood Services (-£0.050M): - a net under-spend is currently forecast arising from slightly reduced take up of places / entitlement across certain children centres.
- 4.3.19 Open Access / Integrated Youth Support Services (-£0.060M): - the forecast under-spend can be attributed to staff turnover savings within the Youth Service.
- 4.3.20 CLIS & Supported Employment (+£0.363M): - the forecast net over-spend is comprised of a cost pressure of +£0.176M on Community Learning & Information Services (that has arisen from reduced contract income / external funding) and +£0.187M on Moorland Plastics (due to reduced trading income and increased operating costs). A Moorland Plastics business plan has been developed and will be reported to SMT / Cabinet in due course that will outline clear options actions required to be implemented to ensure a financially sustainable business.

3. 2014/15 Key Lines of Enquiry

- 4.3.21 The 2014/15 financial year represents the final year of the Council's 4 year efficiency programme. The Directorate has 13 KLOE efficiency proposals approved in the current financial year with a total value of £2.291M.
- 4.3.22 Latest projections indicate that all the KLOE within the Directorate are on target to deliver the required savings, with the exception of 'SSPC/A5 – Supported Employment' where a shortfall of £0.150M is projected for the year. This savings shortfall is a consequence of the delay in the development and implementation of the business plan (as well as anticipated capital investment for Moorland Plastics).
- 4.3.23 The table below summarises the latest position relating to the KLOE within CYPF:

<u>CYPF</u>	No of KLOE	Total Value of KLOE £M	Savings Shortfall £M
DM	5	0.602	-
SHSC	1	0.020	-
LLAE	7	1.669	0.150
	13	2.291	0.150

4. Ongoing Financial Issues for 2015/16 and Beyond

- 4.3.24 The following paragraphs highlight key ongoing issues from the current financial year as well as emerging issues that will need to be considered and addressed in 2015/16 and beyond:
1. Looked after Children Costs: - this is the main recurrent financial pressure within the Directorate, which is being addressed via the implementation of the Placement & Sufficiency strategy. As per the approved plan a re-balancing of the budget of £2.2M via the Council's MTFs process has been agreed, with the Directorate expected to deliver the balance of required savings via the plan (£1.2M over a 3 year period to 2016/17). The reduction in net costs will be dependent on achieving the targets / objectives within the action plan as approved by Cabinet;
 2. Grant Funding Issues: - the Directorate currently receives Education Services Grant (ESG) of £3.4M for 2014/15, which is non-ring fenced and used to support a number of education services provided to schools. As the number of schools in Barnsley converting to academy status increases, there will be a proportionate reduction in the ESG (based on pupil numbers). A reduction of £0.7M is currently anticipated by the end of 2014/15 if all school academy conversions go according to plan. This situation will be exacerbated by the recent Comprehensive Spending Review announcement, which will see a reduction from 2015/16 in the ESG per pupil funding rate. The Directorate will be expected to manage / address any resulting impact from the reduction in grant funding – estimated at £0.4M.

SCHOOLS' BUDGETS

- 4.3.25 The revised approved schools budget for 2014/15 is £134.9M comprised of Dedicated Schools Grant funding of £133.9M (as notified and confirmed by DfE recently) and the Council's base budget contribution of £1.0M. The above also excludes budgets relating to schools that have converted to academies by April 2014 (23 schools in total). It should be

noted that the actual DSG funding for 2014/15 will be adjusted for any academy conversion during the year.

4.3.26 The overall revised schools budget (£133.9M DSG funding plus £1.0M Council base budget) can be analysed by funding blocks as follows:

	Delegated Budgets to Schools £M	Centrally Retained Budgets £M	Total £M
Schools Block	102.8	2.5	105.3
High Needs Pupils	11.3	6.2	17.5
Early Years	5.2	2.9	8.1
Other	-	4.0	4.0
	119.3	15.6	134.9

4.3.27 It should be noted that in addition to the above DSG budgets, the following grant funding is also available to schools in the current financial year; Pupil Premium Grant (£8.7M) and Education Funding Agency grant for post 16 provision (£1.6M).

Delegated DSG Budgets to Schools

4.3.28 DSG funding has been delegated directly to individual schools through the local schools funding formula. The total DSG funding delegated to maintained schools / governing bodies to manage is **£119.3M**.

4.3.29 The forecast schools' surplus balances position for 2014/15 as indicated in the latest submitted approved budgets is summarised in the table below:

	2013/14 Outturn £M	2014/15 Original Budget £M
Primary	3.6	2.0
Secondary	1.1	-0.7
Special	0.4	0.1
	5.1	1.4

4.3.30 The following are the key points to note from the latest reported schools financial position:

- Total surplus balances as reported by schools in their submitted approved budgets amount to £1.4M. This needs to be considered in the context of the £5.1M surplus balance reported at year end for 2013/14;
- The reduction in balances is an indication of the financial challenges faced by schools and the increasing use of carry forward balances to mitigate inflationary pressures and in-year deficits. Cost pressures identified by schools for 2014/15 include; reduced high needs top up funding; increased pension costs; living wage costs and general inflationary pressures on pay and services.

- The net position above includes 3 secondary schools and 1 primary school with planned deficit budgets for 2014/15; Shafton ALC (-£364k); Horizon College (-£553k); Darton College (-£139k) and St Michaels & all Angels primary (-£26k).
- The above is a culmination of detailed discussions and review of budgets and action plans by the Authority and the schools concerned. Agreement has been reached with the schools of the actions to be undertaken to address or mitigate the deficits. With the exception of Darton College, most of the approved actions for the other schools include staff reduction proposals, which will result in redundancy costs – to be funded from the schools contingency budget. The deficit budget for Darton College will be managed down through income generation / other productivity measures.
- There are a few schools with reported balanced positions, which have been achieved through the implementation of approved actions (e.g. staff reductions) to avoid a deficit situation in 2014/15 and address future sustainability issues. The schools are as follows: Netherwood ALC; Penistone Grammar and Thurlstone Primary.
- A number of schools have submitted budgets with very low balances – an indication of the level of financial pressures being experienced across schools. The positions of these schools will need to be monitored and assessed throughout the year.

Centrally Retained DSG Budgets

4.3.31 These comprise a number of schools' DSG budgets that are managed by the CYPF Directorate, 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 central DSG budgets is regulated by statute (School Finance Regulations), whilst the decision making responsibility rests with the Schools' Forum.

4.3.32 The total DSG budget that is centrally retained and managed by the Council is £15.6M - this excludes funding that has been recouped for schools that have converted to academies. The forecast financial risk across all central budgets is currently estimated at **£0.7M**. Most of the pressures are within the schools block (contingency budget) - see summary table below:

<u>Centrally Retained DSG Budgets</u>	Budget	Forecast	Over (+) / Under (-) spend
	£M	£M	£M
Schools Block	2.5	3.0	0.7
High Needs Block	6.2	6.2	-
Early Years	2.9	2.9	-
Other	4.0	4.0	-
	15.6	14.5	0.7

4.3.33 The following are the key financial risks anticipated within the centrally retained budgets

Schools Block

1. **Schools Contingency – Deficit Budgets (+£0.3M):** - this net cost pressure mainly relates to the financial support / assistance that will be provided to the identified secondary schools in financial difficulties – mainly to help address deficit positions and to avoid the respective schools' bank accounts getting over-drawn. Efforts will be expended

during the year to assist schools to achieve efficiencies / value for money thereby managing down these deficits.

2. Schools Contingency - Redundancy Costs (+£0.4M): - this pressure relates to the estimated redundancy costs associated with the staff restructuring actions being implemented by schools with approved recovery plans.

4.3.34 Efforts are ongoing to try to contain the above pressures within the budget envelope, such as: working with the secondary schools with deficits to ensure that actions are taken to reduce the reported deficits; continue to drive savings / underspends from other centrally retained DSG budgets; applying effective commissioning practices in the commissioning of high needs places in schools with a view of ensuring value for money and driving efficiencies.

4.3.35 It should be noted that in the event of an overspend on the centrally retained budgets, such balances would be carried forward to the following year and would be the first call against 2014/15 DSG funding.

4.4 ADULTS & COMMUNITIES

1. Directorate Overview

4.4.1 The approved 2014/15 revised net budget for the Directorate is £59.0M. In overall terms the Directorate is currently projecting a balanced operational position at the year-end, made up of the following key issues:

- £0.2M – Risk associated with delivery of KLOE relating to the review of terms and conditions around 5 in 7 working;
- £0.3M – Financial risk associated with the judgment of the Supreme Court in relation to Deprivation of Liberty Safeguards; offset by
- £0.5M – Projected under spend on the Local Welfare Assistance Scheme.

4.4.2 A summary of the position by Assistant Director is shown in the table below:

AD Level	Budget £M	Forecast £M	Over (+) / (-) Under-spend £M	Grant / Approved Slippage / Earmarkings £M	Operational Over (+) / (-) Under-spend £M
Disability & Provider Services	19.0	19.2	0.2	-	0.2
Vulnerable Adults	25.2	25.5	0.3	-	0.3
Neighbourhoods, Access and Support	14.8	14.3	(0.5)	-	(0.5)
Total Adults and Communities	59.0	59.0	-	-	-

2. Explanation of Key Service Variances

Disability and Provider Services (+0.2M)

4.4.3 Terms and Conditions KLOE (5 in 7 Working) +£0.2M: - The service identified a potential key line of enquiry around considering changes to terms and conditions, specifically around stopping enhanced payments for weekend working where the total hours are within the normal weekly contracted hours. This was intended to make the Supported Living service more competitive when compared to the independent sector and to provide the Disability provider services with greater flexibility to utilise staff in a more dynamic way moving forward in line with service user choices around the services they wish to receive.

- 4.4.4 Work is ongoing in accordance with Council's agreed protocol to work through a series of complex issues which have resulted in a delay in delivering these proposals.
- 4.4.5 To the extent that this cannot move any further forward it will represent a financial pressure as the budgets were reduced as part of the approved budget setting process.

Vulnerable Adults (+£0.3M)

- 4.4.6 Judgment of Supreme Court in relation to Deprivation of Liberty Safeguards (DOLS) +£0.3M: - A report has been to Cabinet setting out the financial risks associated with the above judgment. The DOLS were introduced under the Mental Capacity Act in 2007. The Local Authority is the designated supervisory body for DOLS in the Barnsley area. The safeguards provide a legal framework by which individuals lacking the mental capacity to consent to care or treatment in either a registered care home or hospital (the 'managing authorities') can be kept there in circumstances that amount to an interference with their Article 5 and Article 8 rights under the Human Rights Act.
- 4.4.7 The Supreme Court judgment distilled the 'test' for determining whether an individual is deprived of their liberty into a simple formula, referred to as the 'acid test' in the judgment. Under this, an individual in a care home or a hospital setting, lacking capacity who is under continuous supervision and control and is not free to leave, meets the criteria for a DOLS. Furthermore the judgment was broadened out to encompass children in care in certain circumstances and adults in placements such as Supported Living and Shared Lives services.
- 4.4.8 The result is that there will be a significant increase in requests for authorisations and hence assessments, and for people deprived but not in a care home or hospital, the local authority will have no option but to apply to the Court of Protection in order to comply with the Human Rights Act.
- 4.4.9 The financial implications associated with this are estimated at up to £0.3M in 2014/15 as a result of the expected additional assessments required in the first instance. It is currently expected that any ongoing requirements will be considered alongside the reconfiguration of Assessment and Care Management and the Future Council business planning process.

Neighbourhoods, Access and Support (-£0.5M)

- 4.4.10 Local Welfare Assistance Scheme (-£0.5M): - From April 2013, the Council was transferred the responsibility, along with grant funding of £1.011M to establish a local welfare assistance scheme to help people with needs which are difficult to meet from regular income. This was previously administered by the Department for Work and Pensions (DWP).
- 4.4.11 A scheme was established from the start of 2013/14, with clear eligibility criteria, which included provision of emergency loans to people and grants to support vulnerable people to return or to remain in the community or to ease exceptional pressures on families. Take up has not been as high as anticipated and the scheme is currently forecasting an under spend of £0.5M.
- 4.4.12 The Government have announced that the funding will cease from 2015/16, and any subsequent service provision from 2015/16 forwards will have to be considered as part of the Future Council business planning process in relation to what the Councils offer might be around this moving forward.

3. 2014/15 Key Lines of Enquiry

4.4.13 All of the Directorate specific KLOE within Adults and Communities are currently on target to achieve their financial savings with the exception of the Terms and Conditions KLOE referenced under paragraph 4.4.3. This equates to total savings being delivered of £4.4M out of a total target of £4.6M.

4. Ongoing Financial Impact in 2015/16

4.4.14 It is currently considered that the impact of the key variances, annual demographic pressures, health funding and other associated issues will be picked up as part of the Future Council business planning processes.

4.5 DEVELOPMENT, ENVIRONMENT AND CULTURE

1. Directorate Overview

4.5.1 The approved 2014/15 budget for the Directorate is £37.240M. The current position shows a net operational over-spend of £0.400M.

4.5.2 This position is shown in the table below:

	Approved Budget (Net) £M	Forecast Expenditure (Net) £M	Over + / (-) Under-Spend £M	Requested Earmarkings £M	Operational Over / Under- Spend £M
	col. 1	col. 2	col. 3=2-1	col. 4	col. 5=4+3
Directorate Management	-0.026	-0.026	0.000	0	0.000
Development	5.575	5.515	-0.060	0.000	-0.060
Environmental Services	26.029	26.229	0.200	0.000	0.200
Culture and Regulatory Services	5.662	5.922	0.260	0.000	0.260
Total DEC	37.240	37.640	0.400	0.000	0.400

2. Explanation of Key Service Variances

Directorate Management

4.5.3 There are no variations anticipated.

Development

4.5.4 An under-spend of £0.060M is anticipated. Building Control income continues to be around £0.090M less than the budget set, but this will be offset by the equivalent savings in salary costs. Other vacancy savings total £0.060M.

Environmental Services

- 4.5.5 The shortfall in income in the Engineers trading account in 2013/14 is continuing into 2014/15, resulting in an anticipated shortfall of £0.200M as at the end of the first quarter. Work is being undertaken within the service to review productivity, pricing and income generation, which should correct this shortfall by year end.
- 4.5.6 Waste management has undertaken a major change to round redesign and types of waste collected, which has caused extensive disruptions in the early part of this financial year. There is now a plan of action underway to rectify these issues. Any additional costs incurred will be contained within the service at this stage, however a close eye is being kept on the situation and any uncontained costs will be reported in the next quarter when the impact of the action plan changes become clearer.

Culture and Regulatory Services

- 4.5.7 The service is currently forecasting an over-spend of £0.260M. Within Culture the pressure on the service to achieve income targets continues and a shortfall of £0.100M is expected. However, the appointment of a Commercial Manager will begin to address this issue during the current year. In addition, improvements at Cannon Hall and Worsbrough Mill car parks will also provide additional spaces which will help generate additional income. There are current vacancies within the service which will be held and also the potential to move existing staff into externally funded posts is currently being explored. This together with a moratorium on non essential expenditure will serve to negate the projected overspend.
- 4.5.8 Elsewhere within the service a shortfall in car park income of £0.220M is currently forecast. Additional income is expected from the commissioning of bus lane enforcement cameras, but the level is difficult to predict until their introduction. Other cost reductions will be considered in the current year, but that will be in the context of the budget in Development, Environment and Culture as a whole. In the longer term, this shortfall has been taken into account as part of the Future Council planning sessions. In other words, from 2015/16, the shortfall will have been managed out of the budget. The above income shortfalls are however offset in part by a forecast underspend in salary costs of £0.060M.

3. 2014/15 Key Lines of Enquiry

Cross Cutting

- 4.5.9 One KLOE is on target to achieve savings of £0.218M.

Development

- 4.5.10 A total of seven KLOE will achieve most of the £0.486M savings. The only minor exception relates to Building Control income which is covered by salary savings as mentioned above.

Environment

- 4.5.11 It is expected that all sixteen KLOE will deliver the savings previously identified that total £2.825M.

Culture and Regulatory Services

- 4.5.12 It is expected that all nine KLOE will be on target, saving £0.285M.

4. Ongoing Financial Impact in 2015/16

4.5.13 The key issues to consider moving forward into 2015/16 and beyond are:

1. Generating income for trading services will continue to be challenging;
2. The waste disposal budget will need to be monitored closely before the commencement of the PFI contract in the summer of 2015;
3. Other income streams need to be closely monitored to ensure that they are on target overall; and
4. The income shortfall in car parking will be rectified as part of the 2015/16 business planning and budget setting process.

4.6 CORE SERVICES

Directorate Overview

4.6.1 The approved 2014/15 net expenditure budget for Core Services is £21.065M. Actual expenditure for the Directorate is forecast to be £20.936M resulting in a forecast year-end under-spend against budget of £0.129M.

4.6.2 The variations for each service at Director Level are shown in the table below, with a description of the key variances given in paragraphs 4.6.3 to 4.6.24.

Corporate Services Directorate Outturn Position 2014/15					
	Approved Budget	Forecast	Over / (-) Under-Spend	Grant Slippage / Earmarkings	Operational Over / (-) Under-Spend
	£M	£M	£M	£M	£M
	col. 1	col. 2	col. 3 = 2-1	col. 4	col. 3 = 4-3
Finance, Property & Information Services	17.280	17.321	0.041	0.000	0.041
Legal & Governance	2.591	2.621	0.030	0.000	0.030
HR, Performance & Partnerships & Communications	1.194	0.994	-0.200	0.000	-0.200
Service Net Expenditure	21.065	20.936	-0.129	0.000	-0.129

Finance, Property & Information Services

1. Department Overview

4.6.3 The approved 2014/15 budget for the Department is £17.280M. In overall terms, there is currently estimated to be a minor over spend in the region of £0.041M.

4.6.4 There are continuing cost pressures within Property & Procurement where a £0.580M over-spend is currently projected.

4.6.5 However, this is being more than offset by under-spends in Financial Services (£0.250M), Information Services (£0.139M); all of which have arisen due to planned staff turnover and vacancy management. There is also an under-spend relating to the deletion of the Corporate Services Director post (£0.150M), following the senior management restructure.

2. Explanation of Key Service Variances

- 4.6.6 There are a number of issues across Property & Procurement which are contributing to the £0.580M projected over-spend.
- 4.6.7 Within the Printing and Reprographic Service, there is an anticipated shortfall in income combined with a delay in the roll out of the new photocopier fleet, which has resulted in a projected over-spend of £0.086M. The delay and technical issues have resulted in the reduction of the existing fleet not being achieved as originally planned, reducing the anticipated savings in 2014-15.
- 4.6.8 There are also other pressures relating to reduced income within the Resource and Business Centre portfolio, combined with reduced income in the Market units pending the Town Centre redevelopment (£0.264M). There are also increased NNDR costs arising from the vacant units (£0.085M) and unbudgeted security costs across the portfolio (£0.025M).
- 4.6.9 There are also issues around superannuation costs incurred by NPS, following the actuarial valuation of the pension fund. This could lead to a potential cost pressure to the Council of in the region of £0.120M, although discussions are ongoing with NPS to try and mitigate the full impact.
- 4.6.10 Within Financial Services, there is an anticipated under-spend of £0.250M, predominately arising from reduced employee costs (£0.288M) due to staff turnover and vacancy management pending the Future Council restructure of the service.
- 4.6.11 Within Information Services, a forecast under-spend of £0.139M is predicted, again mainly arising from staff savings from staff turnover and unfilled vacancies following the recent restructure.

3. 2014/15 Key Lines of Enquiry

- 4.6.12 On the whole, it is anticipated that the Department is in line to deliver its KLOE target of £1.703M for 2014-15.

4. Ongoing Financial Impact in 2015/16

- 4.6.13 In 2015/16 and beyond, there are potential pressures relating to the ongoing costs (business rates and security costs) associated with delays in building closures and asset disposals which are being temporarily funded from reserves in the current financial year. Although plans are in place and work is ongoing to close and dispose of these buildings, it remains likely that there will be some residual costs in 2015/16. Furthermore, whilst the Town Centre development takes place there is a potential for current income levels from lettings, to be lower than budgeted.

Human Resources, Performance & Partnerships & Communications

1. Department Overview

- 4.6.14 The approved 2014/15 budget for the Department is £1.194M. In overall terms, the Department is currently estimating an under-spend of in the region of £0.200M by the financial year-end.

2. Explanation of Key Service Variances

- 4.6.15 Within Human Resources, an under-spend of £0.094M is forecast, predominately arising from employee cost savings relating to staff turnover and planned vacancy management.
- 4.6.16 There is a projected under-spend within the Communications section of £0.029M, again as a consequence of employee cost savings due to vacancies.
- 4.6.17 Within Performance, Partnerships and Improvement, the projected employee under-spend totals £0.032M.
- 4.6.18 The Health, Safety and Emergency Resilience unit also has an under-spend due to a vacant post, totaling £0.045M.

3. 2014/15 Key Lines of Enquiry

- 4.6.19 The Department's 2014/15 KLOE of £0.420M are on target to be achieved in full in this financial year.

4. Ongoing Financial Impact in 2015/16

- 4.6.20 Whilst there is a forecast under-spend in 2014/15, there is a potential threat to income budgets within the Department as more maintained schools convert to academy status and potentially choose alternative service providers. The establishment of a wholly owned trading company to provide HR traded services to schools and other entities is anticipated to mitigate this, with the potential for existing business to grow.

Legal and Governance

1. Department Overview

- 4.6.21 The approved 2014/15 budget for the Department is £2.590M. In overall terms, the Department is currently estimating a minor over-spend in the region of £0.030M by the financial year-end.

2. Explanation of Key Service Variances

- 4.6.22 The minor over-spend within the Department is predominately due to increased costs within Legal Services (£0.060M) arising from agency costs incurred to cover the workload relating to school academy conversions. These additional costs are offset by a minor underspend within Council Governance and Member Support (£0.010M) and additional income within the Land Charges section (£0.020).

3. 2014/15 Key Lines of Enquiry

- 4.6.23 The Legal and Governance 2014/15 KLOE's of £0.154M are on target to be achieved in full in 2014-15.

4. Ongoing Financial Impact in 2015/16

- 4.6.24 Whilst there are no immediate cost pressures impacting on the Department into 2015/16, it should be noted that the impact of Individual Electoral Registration will need to be closely monitored to assess any potential increase in administration costs. Finally, should

school academy conversions continue, then there will be additional staffing resource required to cope with the increased workload.

4.7 PUBLIC HEALTH

1. Directorate Overview

- 4.7.1 The approved 2014/15 gross expenditure budget for the Public Health Directorate is £16.9M. Actual expenditure for the Directorate is forecast to be £13.997M, resulting in a forecast year-end under-spend against budget of £2.952M.

Public Health Directorate Outturn Position 2014/15							
	Approved Expenditure Budget £M col. 1	Approved Income Budget £M col. 2	Approved Net Budget £M col. 3 = 1 +2	Forecast Expenditure £M col. 4	Forecast Income £M col. 5	Over / (-) Under-spend £M col. 6 = 4+5-3	Grant Slippage / Earmarkings £M col. 7
Public Health	16.949	-14.243	2.706	13.997	-14.243	-2.952	2.952
Service Net Expenditure	16.949	-14.243	2.706	13.997	-14.243	-2.952	2.952

2. Explanation of Key Service Variances

- 4.7.2 The under-spend on the ring-fenced Public Health grant is largely due to staff vacancies pending appointments to the Public Health structure (£0.450M), together with funding totaling £2.494M which is currently unallocated to Public Health priorities. The Council's MTFS and Future Council planning process currently assumes that this will be used to meet future years saving targets and contribute to the Authority's Medium Term Financial Strategy. This is over and above the £1.5M 'switch funding' that has already been undertaken to help support the Council's financial position.

3. 2014/15 Key Lines of Enquiry

- 4.7.3 Public Health has no KLOE's in 2014/15.

4. Ongoing Financial Impact in 2015/16

- 4.7.4 The Directorate has drawn together a four year delivery plan 2014/15 to 2017/18, which whilst delivering and improving upon the Public Health outcomes identified in the Corporate Plan, also contributes to the Council's overall financial shortfalls identified in the latest Medium Term Financial Strategy. The four year plan is being monitored and updated on a monthly basis as updates to the 2014/15 planned spend are made and more detailed plans for future years are confirmed.

5. CORPORATE & AUTHORITY WIDE ITEMS

Treasury Management & Other Corporate Items

- 5.1 It is currently forecast that there will be an under-spend on the capital financing budget of around £0.7M in the current financial year, predominantly as a result of the strategy of using internal cash resources rather than borrowing externally. The Authority has a significant capital financing requirement for the remainder of 2014/15, and depending on how this borrowing need is addressed, there is potential for this under-spend to marginally increase throughout the remainder of the financial year. This level of under-spending will not be recurrent in 2015/16 and beyond as the budget has been realigned as part of the recently updated Medium Term Financial Strategy (MTFS).
- 5.2 There is also anticipated to be an under-spend of in the region of £2M due to lower than anticipated pension costs following finalisation of the actuarial valuation for 2014-2017. In addition, lower than anticipated contract inflation and higher than budgeted dividend income are contributing to a further £1M underspending. Again, this will not continue into 2015/16 as the combined £3M budget has been factored into the updated MTFS as described above.

6. KEY LINES OF ENQUIRY

- 6.1 As part of setting its budget on the 27th February 2014, the Council agreed a package of key lines of enquiry (KLOE) totalling £13.1M for the 2014/15 financial year.
- 6.2 Rigorous monitoring of the KLOE has been on-going, with a detailed position now reported at Appendix 4.
- 6.3 In summary, the latest position indicates that there is a total estimated shortfall against the combined 2014 target of just £0.365M relating to 3 KLOE:
- (DEC/DEV/02)- Increased income Targets – Building Control - This KLOE is currently showing non-achievement due in the main to lower than anticipated levels of applications (£0.015M);
 - (SSPC/A5) – Supported Employment (Moorland Plastics) – This relates to delays in the development and implementation of the business plan (£0.150M); and
 - (CC/TC/1) – 5/7 Working – This relates to a delay in implementing changes to employee terms and conditions (£0.200M).
- 6.4 SMT is currently reviewing the above KLOE list to determine possible mitigating actions.

7. HOUSING REVENUE ACCOUNT (HRA)

- 7.1 The latest forecast outturn shows an improvement of £1.151M in the financial position. This sum, if realised, will be available to support the 30 year Self Financing Business Plan. The latest financial position on the HRA has recently been reported to Cabinet as part of establishing the budget for 2014/15 (Cab 15.1.2014 8.1).

The major variations are outlined below:-

Reduced Costs/Increased Income

- Lower capital financing costs of £1.184M due largely to the impact of lower interest rates on variable rate debt than assumed in the budget; and
- Reduced income of £0.025M from Leaseholder Service Charges following changes to the methodology for calculating the leaseholder management fee as determined by the Leaseholder Valuation Tribunal.

7.2 In addition, as a result of savings and re-profiling on the Council Housing Capital Programme, £20.78M of the planned revenue contribution to capital will not be utilised in 2014/15. This balance will be carried forward in the HRA working balance to fund commitments on the programme in 2015/16.

8. Local Area Implications / Human Rights / Social Inclusion / Crime & Disorder

8.1 No direct implications arising from the report.

9. Financial Implications

9.1 On the basis of current projections, it is currently estimated that there will be an operational General Fund budget surplus of in the region of £2.9M in the current financial year. However, this balance has been fully factored into the financial planning for the 2015/16 budget so on that basis is non-recurrent.

10. Risk Management Considerations

10.1 The delivery of a sustainable medium term financial strategy (MTFS) is recognised as a significant risk within the Authority's Strategic Risk Register (Risk 3034: 'Failure to deliver the MTFS').

10.2 Corrective action proposals to address individual deficits (including robust financial monitoring, of which this report forms part of), are either being implemented, or considered, in order to mitigate the identified risk to tolerable levels, which evidences the Authority's drive for an embedded risk management culture.

10.3 With support from Financial Services (through the on-going development of the SAP desktop and the provision of advice and guidance), it is the responsibility of Directorates to achieve balanced budgets within the 2014/15 budget guidelines.

10.4 Failure to achieve a balanced budget is a key trigger to risk 3034 manifesting, in terms of the negative impacts on the assumed level of reserves and balances available to support the Authority's Medium Term Financial Strategy.

11. Consultations

11.1 The information in this report has been provided by service budget holders in conjunction with Executive Directors and Financial Services support staff.

12. Appendices

12.1 The report contains the following appendices:

- Appendix 1 – Budget Virements for Quarter 1;
- Appendix 2 – Summary Directorate Budget Position 2014/15;
- Appendix 3 – Detailed Service Budget Variances 2014/15;
- Appendix 4 – Key Line of Enquiry Financial Position 2014/15.

13. Background Papers

13.1 Various working papers are available for inspection in the Finance & Property Directorate.

Officer Contact: Neil Copley Telephone No. 773237

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