

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: 5<sup>th</sup> November 2014

Report of the Director of Finance, Property & Information Services

## CORPORATE FINANCE SUMMARY - QUARTER ENDING 30<sup>th</sup> SEPTEMBER 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 savings (KLOE) position for the quarter ending 30<sup>th</sup> September 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 savings contained within this report, be reviewed within the context of the Future Council planning processes;
- c) that the one-off balances identified in paragraphs 5.2 to 5.4 of £7.5M be transferred to strategic reserves pending further consideration of the Council's one-off investment needs related to the Town Centre Redevelopment, the Jobs & Growth Plan and other emerging priorities stemming from the work to deliver 'Future Council';
- d) approval is given to write off bad debts totalling £210,334 relating to uncollectable income as outlined in paragraph 5.9;
- e) approval is given to establish a prize draw incentive of cash or goods up to the maximum value of £1,000 in relation to the Authority's Direct Debit Campaign (paragraphs 5.10 to 5.12 refer);
- f) Members receive further updates on the budgetary issues in the Children, Young People and Families Directorate, including a progress report on the Looked After Children Placement & Sufficiency Strategy; and
- g) 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 27<sup>th</sup> 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 30<sup>th</sup> September 2014, together with known commitments.

### 3.2 Variations (“Virements”) to Service Budgets

3.2.1 Appendix 1 shows the quarter 2 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 £0.3M.

4.1.2 However, it should be noted that this includes a non-recurrent underspend in the region of £1.0M on the Council’s debt costs which has been factored into the updated Medium Term Financial Strategy for 2015/16 – 2017/18.

4.1.3 The anticipated underspend is being offset by budget pressures in the Children, Young People and Families Directorate (+£1.4M) mainly related to issues within the Community Learning and Information Service and higher than budgeted social worker costs related to the Ofsted improvement plan. These pressures are being offset to some extent by non-recurrent underspends in Adults & Communities and Core Services where savings are being delivered in advance of Future Council business plans. Mitigating actions are planned to rectify areas of concern in this and future financial years as explained within the body of the report.

4.1.5 Included within the above totals is slippage or non-delivery on five KLOE, which total £0.485M. 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	63,364,295	67,336,295	3,972,000	(2,532,000)	1,440,000
Adults & Communities Development,	58,981,561	58,377,561	(604,000)	-	(604,000)
Environment & Culture	37,299,461	37,099,461	(200,000)	300,000	100,000
Corporate Services	20,593,282	20,468,272	(125,010)	-	(125,010)
Public Health	2,706,170	(508,893)	(3,215,063)	3,215,063	-
<b>Service Totals</b>	<b>182,944,769</b>	<b>182,772,696</b>	<b>(172,073)</b>	<b>983,063</b>	<b>810,990</b>
Capital Financing Costs	(12,857,460)	(13,857,460)	(1,000,000)	-	(1,000,000)
Levies	13,829,335	13,829,335	-	-	-
Corporate / General Balances & Reserves	10,394,534	2,740,734	(7,653,800)	7,500,000	(153,800)
	(7,483,078)	(7,483,078)	-	-	-
<b>TOTAL</b>	<b>186,828,100</b>	<b>178,002,227</b>	<b>(8,825,873)</b>	<b>8,483,063</b>	<b>(342,810)</b>

## 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 2015/16 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 £63.4M. 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 **£1.4M** in the current financial year – this represents an increase of £0.9M compared to the June 2014 reported position. The increase is mainly due to a worsening position on a number of service areas previously highlighted i.e. Community Learning & Information Services; Moorland Plastics; and Children Social Care - further explanation is provided in the report.

4.3.3 The forecast position excludes non-operational / non-recurrent expenditure, mostly relating to specific grants and one-off expenditure such as Troubled Families funding (see paragraph 4.3.7 for details of these non-operational items).

4.3.4 In high level terms, the operational over-spend of £1.4M can be explained as follows:

1. Ongoing cost pressures within the Community Learning & Information Service (CLIS), due to reduced contract income and activity levels;
2. Ongoing cost pressures within Moorland Plastics due to reduced sales income and turnover following the loss of certain manufacturing contracts;
3. Increased placement / supported accommodation costs for other looked after children, i.e. 16 – 18 young people that present themselves homeless;
4. Higher than anticipated staffing costs, mainly due to increasing use of agency staff across the Children Assessment & Safeguarding teams to address capacity issues and increased caseloads levels.

4.3.5 The above operational position for CYPF excludes any over or under-spends against the Dedicated Schools Grant (DSG). This is ring fenced grant funding with specific grant conditions that requires it to be used specifically for schools related expenditure. Current projections indicate a net surplus against schools' delegated budgets of £1.7M, whilst significant financial risk is currently forecast and anticipated against the centrally retained schools DSG budgets (further explanation provided in the report).

4.3.6 A summary of the forecast operational position by Assistant Director is shown in the table below:

<b><u>Children, Young People &amp; Families</u></b>	Latest Net Budget	Over (+) / Under (-) spend	Non-Recurrent & Grant Slippage	Operational Over (+) / Under (-) Spend
	£M	£M	£M	£M
Directorate Management	6.488	+0.167	-0.087	0.080
Lifelong Learning, Achievement & Enterprise	16.106	-0.113	0.767	0.654
Safeguarding & Social Care	19.112	+5.418	-4.712	0.706
	<b>41.706</b>	<b>5.472</b>	<b>-4.032</b>	<b>1.440</b>
Schools	21.658	-1.500	1.500	-
<b>TOTAL CYPF</b>	<b>63.364</b>	<b>3.972</b>	<b>-2.532</b>	<b>1.440</b>

4.3.7 The table above highlights non-recurrent / non-operational expenditure that has been excluded from the CYPF operational position, comprised of the following:

- Troubled Families: - an anticipated slippage of £727k has been excluded and earmarked to be carried forward into 2015-16. There is a need to ensure that this funding is earmarked to ensure delivery continues next year when the funding will significantly reduce but the activity needs to remain to achieve the outcomes;
- Legal costs associated with the academy conversion process:- net of any reimbursement funding from the Department of Education (for PFI schools conversions). Similar to previous years it is anticipated that the forecast net cost (£300k) would be met by the Council from its reserves;
- Looked After Children Placement Costs: - The above position reflects the impact of the re-balancing of the budget / use of reserves to address the budget pressure relating to looked after children;
- Back Pay Costs for Children Residential Homes Staff: - the above operational position excludes the settlement costs associated with meeting the terms & conditions (back-pay) issue relating to children's residential homes staff (currently forecast at £1.6M);
- SEN Reforms Grant Funding: - slippage of £205k is currently anticipated against the grant funding. It is expected that this would be earmarked and carried forward to meet planned commitments associated with implementing the Government's Education, Health and Care plan reforms;
- PFI / BSF Project Costs: - the above position excludes the recurring deficit against the primary schools PFI project (£102k) – slightly reduced due to the receipt of an insurance rebate from the PFI contractor.

## 2. Explanation of Key Service Variances

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

## Directorate Management

- 4.3.9 A net operational over-spend of **£0.080M** is currently projected for this Division against budget. 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 key variances are explained in the paragraphs below.
- 4.3.10 School Organisation & Governance (+£0.080M): - 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.
- 4.3.11 Business Support & Admin (+£0.136M): - 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 other grant funded programmes. A review of the charging arrangements is being undertaken as well as grant funding conditions with a view to identifying scope for recovering these overheads.
- 4.3.12 Strategic Management (-£0.150M): - 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

- 4.3.13 A net operational over-spend of **£0.706M** is currently forecast at year end for this service. This position excludes previously reported recurrent budget pressures £3.2M 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:
- 4.3.14 Care Leavers and other children in care (+£0.258M): - this projected over-spend relates to increased support costs to care leavers and rising supported accommodation costs for 16 and 17 year olds. The council has a duty to provide suitable accommodation and support for any young person who may need to come into care or who presents as homeless or potentially homeless. Barnsley has had a considerable rise in the number of vulnerable 16 and 17 year olds presenting as homeless over the past year. It has increased tenfold from around four a year to 40 in the last year. This recurrent cost pressure is being addressed through the Future Council business planning proposal to create a small, discrete team (Intensive Adolescent Support) that will focus on teenagers where there is a genuine risk of family breakdown/ displacement likely to lead to care/homelessness.
- 4.3.15 Safeguarding & Stronger Families teams (+£0.205M): - Children's Social Care Service, together with partner agencies, has revised the Threshold of Need as part of the Ofsted improvement plan. The objective was to ensure that children were appropriately safeguarded and that the most vulnerable children were identified, their needs understood and responded to through a statutory assessment. Consequently this has led to a significant increase in contacts to social care and assessment activity. This is evidenced in the performance management information, which reports that the number of contacts to CSC in September 2014 was higher than in any month over the last year. The service is also undertaking more assessments of children's needs, than undertaken previously. Due

to the volume of work, assessments are taking longer to complete. Equally, the numbers of children who are the subject of a formal Child Protection Plan (CPP) has significantly increased, with 304 children being on a CP Plan in September 2014 compared to 198 in September 2013.

- 4.3.16 Increased absence levels (e.g. staff vacancies, maternity cover) across the various teams has resulted in an increasing use of agency staff in order to respond to and meet the needs of children requiring a statutory assessment of need and, complete assessments in a timely manner. Efforts are ongoing to manage down increasing agency staff costs (despite additional resources) through an active recruitment drive to fill existing vacant posts. A number of newly qualified Social Workers have been recruited and will be taking up appointments soon and a number of temporary Social Worker posts in lieu of agency staff have also been created. On a recurrent basis, the Future Council business planning process has allowed for the investment and creation of additional posts (and therefore capacity) to address the rising caseload situation. This additional investment is not included within the financial envelope until April 2014; however, agency workers are now in post, at a financial cost, to meet the demands of service needs. The performance of the service is still a priority, given Ofsted's 'requires improvement' judgement. The action plan from the recent 2014 inspection sets out significant improvements required to be made to the service. The risk to the Council of not making these improvements must be considered alongside the financial risks.
- 4.3.17 Disabled Children & Short Breaks (+£0.139M): - the forecast pressure currently identified mainly relates to increased cost of care packages and short breaks provision to families with disabled children. The reported position is also exacerbated by the increased staffing cost at Newsome Avenue, related to the revised terms & conditions issue (i.e. shift allowance costs).

### **Lifelong Learning, Achievement & Enterprise (LLAE)**

- 4.3.18 A net operating overspend of £0.654M 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:
- 4.3.19 Open Access / Integrated Youth Support Services (-£0.060M): - the forecast under-spend is mainly attributed to staff turnover savings particularly within the Youth Service and Targeted Information Advice & Guidance (Connexions).
- 4.3.20 Community Learning & Information Services (+£0.269M): - the forecast net over-spend within CLIS has arisen due to reduced contract income / external funding (reduced outcomes / outputs) relating to the various work programmes managed within the service. Under the Future Council business planning process, proposals have been put forward to address the 2014/15 projected overspend which includes delivering the £300k efficiency savings.
- 4.3.21 Supported Employment (+£0.529M): - the increased fall in sales income / turnover at Moorland Plastics coupled with a rise in operating costs (due to increasing losses on the value of stock) has resulted in a worsening deficit position. The reported position has been exacerbated recently through the loss of the significant windows contract (which contributes around 35% to the turnover / profitability of the business). This position has been highlighted and reported recently to SMT and to Cabinet. Cabinet's decision to pursue the decommissioning of Moorlands Plastics over an eighteen months period will

enable exploration of alternative operating models with third parties and / or sale of assets. The external consultant's report estimates that the current value of these assets is sufficient enough to meet the current shortfall and associated costs of decommissioning.

### 3. 2014/15 Key Lines of Enquiry

- 4.3.22 The 2014/15 financial year represents the final year of the Council's current 4 year efficiency programme. The Directorate has 13 KLOE efficiency proposals approved in the current financial year with a total value of £2.291M.
- 4.3.23 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).
- 4.3.24 The table below summarises the latest position relating to the KLOE within CYPF:

<b><u>CYPF</u></b>	No of KLOE	Total Value of KLOE <b>£M</b>	Savings Shortfall <b>£M</b>
Directorate Management	5	0.602	-
Safeguarding, Health & Social Care	1	0.020	-
Lifelong Learning, Achievement & Enterprise	7	1.669	0.150
	<b>13</b>	<b>2.291</b>	<b>0.150</b>

### 4. Ongoing Financial Issues for 2015/16 and Beyond

- 4.3.25 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. This will result in an additional funding loss of £0.4M, bringing the total grant fallout to £1.1M. This would have to be managed across the services currently aligned and in receipt of the ESG funding as part of the Future Council business planning process.

## SCHOOLS' BUDGETS

4.3.26 The revised approved schools budget for 2014/15 totals £135.4M, comprised of Dedicated Schools Grant funding of £134.4M (as notified and confirmed by DfE recently) and the Council's base budget contribution of £1.0M. This is an increase of £0.5M from the previously reported position, mainly attributable to increased early years pupil count for Barnsley. The above also excludes budgets relating to schools that have converted to academies by September 2014 (24 schools in total). It should be noted that the actual DSG funding for 2014/15 will be continue to be adjusted for any academy conversion during the year.

4.3.27 The overall revised schools budget of £135.4M 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	10.6	7.0	17.6
Early Years	5.2	3.3	8.5
Other	-	4.0	4.0
	<b>118.6</b>	<b>16.8</b>	<b>135.4</b>

4.3.28 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

4.3.29 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 **£118.6M**.

4.3.30 The forecast schools' surplus balances position for 2014/15 as indicated in the latest submitted financial returns from schools is summarised in the table below:

	2013/14 Outturn £M	2014/15 Original Budget £M	2014/15 Latest Outturn £M
Primary	3.6	2.0	2.0
Secondary	1.1	-0.7	-0.5
Special	0.4	0.1	0.2
	<b>5.1</b>	<b>1.4</b>	<b>1.7</b>

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

- Total surplus balances as reported by schools in their latest financial returns amount to £1.7M. 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 procured services.
- The net position above includes 3 secondary schools and 2 primary schools with forecast deficit budgets for 2014/15; Shafton ALC (-£339k); Horizon College (-£395k); Darton College (-£160k); St Michaels & all Angels primary (-£39k) and Lacewood Primary (-£9k);
- The above is a culmination of detailed discussions, 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. It should be noted that most of the approved actions put forward by schools to manage the planned deficits mainly relate to staff reduction (mostly voluntary). This will result in redundancy costs, which initially would be a charge against the schools contingency budget.
- 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 as well as to address future sustainability issues. The schools are as follows: Netherwood ALC; Penistone Grammar and Thurlstone Primary.
- The above position equally includes a number of schools with extremely low surplus balances or contingency – 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

4.3.32 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.

4.3.33 The total DSG budget that is centrally retained and managed by the Council is £16.8M - 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 **£0.1M**. Most of the pressures are within the schools block (contingency budget) - see summary table below:

<b><u>Centrally Retained DSG Budgets</u></b>	Budget <b>£M</b>	Forecast <b>£M</b>	Over (+) / Under (-) spend <b>£M</b>
Schools Block	2.5	3.0	0.5
High Needs Block	7.0	6.7	-0.3
Early Years	3.3	3.3	-
Other	4.0	3.9	-0.1
	<b>16.8</b>	<b>16.9</b>	<b>0.1</b>

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

### **Schools Block**

The forecast budgetary pressure of £0.5M against the schools block centrally retained budgets can be attributable to the following main issues:

1. Deficit Budgets Funding: - It is currently anticipated that £0.5M of financial support / assistance would be provided to the identified secondary schools in financial difficulties – mainly to avoid the respective schools' bank accounts getting over-drawn and to ensure that schools can meet their contractual obligations. This is within the context of schools continuing to implement actions to achieve efficiencies / value for money and therefore managing down these deficits; and
2. Redundancy Costs: - this cost pressure relates to the estimated redundancy costs associated with the staff restructuring actions being implemented by schools within approved recovery plans. It is currently estimated that £842k funding would be provided to schools to meet redundancy and employment termination costs.

### **High Needs Block**

1. A net surplus of resources £0.3M is currently forecast against the high needs block, mainly due to: lower than expected top up payments to Barnsley College for post 16 high needs pupils; staff turnover savings within the SEN support services; reduced commitments against the hospital tuition budget; and reduced number of additional statemented pupils and demand from mainstreamed schools than originally anticipated.
2. The above savings / underspend is offset by increased budgetary pressure on the SEN out of borough placement budgets – increasing cost of placements with external specialist SEN providers.

4.3.35 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 to ensuring value for money and driving efficiencies.

4.3.36 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 2015/16 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 an operational underspend at the year-end of £0.6M which is made up of an overall underspend of £3.0M offset by proposed earmarking's of £2.4M. The operational underspend is as a result of the following key issues:

- £0.1M – 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
- £0.3M – Projected under spends as a result of part year vacancies across various parts of the service pending Future Council restructures and demand changes;
- £0.6M – Projected under spends on service areas effectively delivering 2015/16 savings in advance through vacancies and other reduced spend; and
- £0.1M – Various other minor under spends.

The proposed earmarking's of £2.4M are largely related to the following:

- £1.4M – Local Area Council and Ward delegated budgets;
- £0.4M – Local Welfare Assistance Scheme – Linked to the cessation of DWP funding from 2015/16;
- £0.4M – Balance of social care transformation funding to be used for the ongoing costs of implementing the Care Act in 2015/16 and implementing the new target operating model for social care; and
- £0.2M – Various other minor earmarking's associated with Health funding.

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

<b>AD Level</b>	Budget <b>£M</b>	Forecast <b>£M</b>	Over (+) / (-) Under-spend <b>£M</b>	Grant / Approved Slippage / Earmarking' s <b>£M</b>	Operational Over (+) / (-) Under-spend <b>£M</b>
Disability & Provider Services	19.0	18.5	(0.5)	0.2	(0.3)
Vulnerable Adults	25.2	25.3	0.1	-	0.1
Neighbourhoods, Access and Support	14.8	12.2	(2.6)	2.2	(0.4)
<b>Total Adults and Communities</b>	<b>59.0</b>	<b>56.0</b>	<b>(3.0)</b>	<b>2.4</b>	<b>(0.6)</b>

## 2. Explanation of Key Service Variances

### **Disability and Provider Services (-£0.3M)**

4.4.3 Terms and Conditions KLOE (5 in 7 Working) +£0.1M: - The service identified a potential key line of enquiry of £0.2M 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. Work is ongoing in accordance with the Council's agreed protocol to work through a series of complex issues which have resulted in a delay in delivering these proposals.

4.4.4 In the meantime, given the risks around the delivery of this, the service have mitigated it through an ongoing review, which has resulted in the potential risk reducing from £0.2M to £0.1M. It is currently anticipated that the service may be able to mitigate this in full by year end.

4.4.5 HART Re-ablement – Vacancies (-£0.1M): - This forecast under spend is as a result of part year vacancies in the service. This has not had an adverse impact operationally as demand has been below capacity, however as this increases, the vacancies will need to be filled.

- 4.4.6 Learning Disability Provider Services – Vacancies (-£0.2M): - This forecast under spend is as a result of part year vacancies in the service. These are vacancies that will contribute towards savings proposals for 2015/16 and hence will not be filled.
- 4.4.7 Workforce Development – Income Generation (-£0.1M): - This forecast underspend is as a result of additional income being generated within the service, providing workforce development and training to a variety of organisations.
- 4.4.8 Earmarking's £0.2M – Proposed earmarking's relate to Health funding required over 2 financial years to finalise the review of high cost placements in the Learning Disability service (£0.1M); and funding associated with setting up the Independent Living at Home Service trading company, which will be required for ongoing implementation in 2015/16 (£0.1M).

### **Vulnerable Adults +£0.1M**

- 4.4.9 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.
- 4.4.10 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.
- 4.4.11 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.
- 4.4.12 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.
- 4.4.13 Substance Misuse (-£0.2M): - The substance misuse service is under spending in relation to prescribing costs and reduced activity in residential rehabilitation. The service is subject to a review linked to contract reduction savings over the next two years and this position will be factored into that review position.

### **Neighbourhoods, Access and Support (-£0.4M)**

- 4.4.14 Supporting People (-£0.2M): - The supporting people service is forecast to underspend as a result of reduced contracts and costs for provision of housing related support functions. This is subject to a wider review as part of the Future Council proposals and hence will be factored into the savings proposals in 2015/16.

- 4.4.15 Various Other (-£0.2M): - Various other minor underspends across the service amount to £0.2M. These are as a result of part year vacancies and reduced contract costs in relation to 2015/16 savings requirements.
- 4.4.16 Earmarking – Local Welfare Assistance Scheme (£0.4M): - 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).
- 4.4.17 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 £0.4M.
- 4.4.18 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. In light of this it is proposed to earmark £0.4M to sustain the function through 2015/16.
- 4.4.19 Earmarking – Community Delegated Budgets (£1.4M): - In total £3.1M of funding was delegated in 2014/15 to Area Councils, Wards, and Ward Alliances, to be spent based on local needs and priorities. The current forecast is that by the end of the year £1.7M of that funding will have been spent resulting in a forecast underspend of £1.4M that will be earmarked for carrying forward into the new financial year.
- 4.4.20 Earmarking – Social Care Transformation (£0.4M): - Additional funding has been made available to meet the significant needs associated with the implementation of the Care Act in 2015/16 and for the implementation of the revised Target Operating Model (TOM) for social care. It is currently expected that by the end of the year the balance of this funding will be £0.4M which will require earmarking in order to continue to meet the requirements associated with the implementation of the changes throughout 2015/16.

### 3. 2014/15 Key Lines of Enquiry

- 4.4.21 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 £4.5M out of a total target of £4.6M. As referenced under 4.4.3 it is hoped by year end this will be delivered in full.

### 4. Ongoing Financial Impact in 2015/16

- 4.4.22 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 £37.3M. The current position shows a net operational overspend of £0.100M. This is a significant improvement on the position reported in June 2014, as the service has introduced measures to ensure that the budget comes in on target at the financial year end.

4.5.2 The operational 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	2.786	2.636	-0.150	0.000	-0.150
Environmental Services	26.269	26.219	-0.050	0.300	0.250
Culture and Regulatory Services	8.270	8.270	0.000	0.000	0.000
<b>Total DEC</b>	<b>37.299</b>	<b>37.099</b>	<b>-0.200</b>	<b>0.300</b>	<b>0.100</b>

### 2. Explanation of Key Service Variances

#### **Directorate Management**

4.5.3 There are no variations anticipated.

#### **Development**

4.5.4 An underspend of £0.150M is anticipated. Building Control income continues to be around £0.080M less than the budget set, but this will be offset by the equivalent savings in salary costs. Other vacancy savings total £0.070M. Planning fee income is also expected to be around £0.070M more than the budget.

#### **Environmental Services**

4.5.5 The shortfall in income in the Engineers trading account in 2013/14 is still expected to continue into 2014/15. This will result in a shortfall of around £0.150M. However, that forecast assumes that there will be high productivity in the delivery team for the remainder of the year and that the entire Highways capital programme will be completed by 31<sup>st</sup> March 2015. If either is not achieved, it is highly likely that the shortfall will increase.

4.5.6 Neighbourhood Services are expected to underspend by around £0.250M. This includes the effect of additional income and savings on equipment purchases, together with planned reductions in non-essential expenditure.

- 4.5.7 Highways fees and charges income is expected to be around £0.050M more than the target set. This is the continuation of additional income received, in particular from section 74 of the New Roads and Streetworks Act.
- 4.5.8 The capital investment in respect of the replacement of lamps with energy efficient L.E.D bulbs is expected to show savings in street lighting energy of £0.050M. As more bulbs are replaced, further savings are expected which is in line with the business case that supported the investment.
- 4.5.9 Waste management has undertaken a major change to round redesign and types of waste collected, which caused extensive disruptions in the early part of this financial year. In addition, the residual waste collected has risen by 2.33% compared to last financial year; predominantly as a result of an improving economy i.e. more purchases leading to more waste; and an additional 300 or so properties from which waste needs to be collected. The combined effect is a net operational overspend of £0.5M. This has been dealt with as part of the Future Council business planning process. Over and above this a sum of £0.3M has been earmarked to fund inflationary pressures in the Waste Service in 2015/16.
- 4.5.10 Other net savings are expected to be £0.050M.

### **Culture and Regulatory Services**

- 4.5.11 The service is currently forecasting a balanced budget.
- 4.5.12 Income from museums is expected to be £0.030M less than the budget, which is an improvement on the position previously expected.
- 4.5.13 Parking income continues to be problematic in terms of the amount of income generated. Income from de-criminalised parking is expected to be £0.140M less than the budget set and other parking income is expected to be £0.110M less than the budget. Changes in demand patterns around the town centre that have been previously reported appear to be continuing.
- 4.5.14 The service will save £0.240M from vacant posts, which is partly due to some posts being kept vacant deliberately to help to address the financial position.
- 4.5.15 The funding of £0.180M that was brought forward from 2013/14 to fund the Tour de France will not be required in total and an underspending of £0.050M is expected.
- 4.5.16 Income from Staincross Golf Club is expected to be £0.035M lower than the income target.
- 4.5.17 A vacancy and additional income in Bereavement Services is expected to save an additional £0.050M.
- 4.5.18 Other net costs are expected to be £0.025M above the budget.

### **3. 2014/15 Key Lines of Enquiry**

#### **Cross Cutting**

- 4.5.19 Two KLOE are on target to achieve savings of £0.222M.

## **Development**

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

## **Environment**

- 4.5.21 It is expected that sixteen KLOE will deliver savings of £2.560M compared to the target of £2.825M. Two KLOE are not on target – the first relates to efficiency savings from the Waste service which will fall short of the target by £0.200M. Secondly, the additional trading surplus of £0.065M in Engineers will not be achieved.

## **Culture and Regulatory Services**

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

### 4. Ongoing Financial Impact in 2015/16

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

1. Generating income for trading services in Environment and Transport will continue to be challenging, bearing in mind that many of the capital funded income streams such as L.S.T.F. come to an end in 2014/15;
2. The waste disposal budget will need to be monitored closely before the commencement of the PFI contract in the summer of 2015. The base budget issue that emerged in 2014/15 has been rectified as part of the Future Council planning process.
3. Other income streams need to be closely monitored to ensure that they are on target overall. This is of particular importance, given that part of the budget strategy that the service put forward as part of the Future Council business planning process includes a significant amount of additional income.
4. The income shortfall in car parking will be rectified as part of the 2015/16 Future Council process, as will the income shortfall at Staincross Golf club.

## **4.6 CORE SERVICES**

### Directorate Overview

- 4.6.1 The approved 2014/15 net expenditure budget for Core Services is £20.594M. Actual expenditure for the Directorate is forecast to be £20.315M resulting in a forecast year-end under-spend against budget of £0.279M.
- 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	16.808	16.881	0.073	0.000	0.073
Legal & Governance	2.591	2.632	0.041	0.000	0.041
HR, Performance & Partnerships & Communications	1.194	0.955	-0.239	0.000	-0.239
<b>Service Net Expenditure</b>	<b>20.593</b>	<b>20.468</b>	<b>-0.125</b>	<b>0.000</b>	<b>-0.125</b>

## **Finance, Property & Information Services**

### **1. Department Overview**

- 4.6.3 The approved 2014/15 budget for the Department is £16.808M. In overall terms, there is currently estimated to be an over spend in the region of £0.073M.
- 4.6.4 There are continuing cost pressures within Property & Procurement where a £0.647M overspend is currently projected.
- 4.6.5 However, this is being more than offset by underspends in Financial Services (£0.426M), Information Services (£0.148M); all of which have arisen due to planned staff turnover and vacancy management, and an increase in external income.

### **2. Explanation of Key Service Variances**

- 4.6.6 There are a number of issues across Property & Procurement which are contributing to the £0.647M 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 overspend of £0.071M. 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 from market units pending the Town Centre redevelopment (£0.270M). There are also increased business rate costs arising from vacant units (£0.100M) and unbudgeted security and other running costs across the portfolio (£0.126M).
- 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 £0.080M.
- 4.6.10 Within Financial Services, there is an anticipated under-spend of £0.426M, predominately arising from reduced employee costs (£0.441M) due to staff turnover and vacancy management pending the Future Council restructure of the service. There is also higher than budgeted income within Internal Audit (£0.100M), relating to services provided to the

Joint Authorities. These underspends are offset by a reduction in the Benefits Admin Grant (£0.045M) and All Pay transactional costs (£0.070M).

- 4.6.11 Within Information Services, a forecast underspend of £0.148M is predicted, again mainly arising 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 underspend of in the region of £0.239M by the financial year-end.

### 2. Explanation of Key Service Variances

- 4.6.15 Within Human Resources, an under-spend of £0.089M 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 £0.055M, 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 £0.047M.
- 4.6.18 The Health, Safety and Emergency Resilience unit also has an under-spend due to a vacant post, totaling £0.048M.

### 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 £2.591M. In overall terms, the Department is currently estimating a minor overspend in the region of £0.041M by the financial year-end.

### **2. Explanation of Key Service Variances**

- 4.6.22 The minor overspend within the Department is predominately due to increased costs within Legal Services (£0.070M) arising from agency costs incurred to cover the workload relating to school academy conversions. There is also a minor overspend within Council Governance and Member Support (£0.023M) predominately due to reduced income. These overspends are offset by additional income within the Land Charges section (£0.052M).

### **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 £13.7M, resulting in a forecast year-end under-spend against budget of £3.2M.

**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	13.734	-14.243	-3.215	3.215
<b>Service Net Expenditure</b>	<b>16.949</b>	<b>-14.243</b>	<b>2.706</b>	<b>13.734</b>	<b>-14.243</b>	<b>-3.215</b>	<b>3.215</b>

2. Explanation of Key Service Variances

- 4.7.2 The underspend on the ring-fenced Public Health grant is largely due to staff vacancies pending appointments to the Public Health structure (£0.274M), together with funding totaling £2.814M 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**

- 5.1 It is currently forecast that there will be an underspend on the capital financing budget of around £1.0M 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 underspend to marginally increase throughout the remainder of the financial year. This level of underspending 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).

## **Other One-off Corporate Items & Grants**

- 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.
- 5.3 In addition, the Council will receive £4.5M in New Homes Bonus monies during the year. In line with the Council's financial strategy this money is effectively treated as one-off and utilised to fund the Council's one-off investment needs.
- 5.4 As all of these monies are effectively one-off and do not contribute to the operational budget position of the Authority on a recurring basis, it is recommended that the combined total of £7.5M be held in strategic reserves in cognisance of the varying priorities stemming from the delivery of 'Future Council', including the Town Centre Redevelopment and Job & Growth Plan.

## **Provision for Bad Debts / Debt Write Offs**

- 5.5 In cognisance of the recent economic climate it has become more important than ever to manage the Council's debtors effectively.
- 5.6 The Council's latest debtor's position indicates total General Fund trade debt of £13.1M with HRA debt standing at £1.1M.
- 5.7 As the debts are at various stages of recovery and in light of the uncertain economic situation, it is good financial management to provide for the non-recovery of some of these debts.
- 5.8 Based on the age and status of the debts, provisions of £0.638M and £0.144M for the General Fund and HRA respectively have been set. These are included within the outturn position reflected elsewhere in the report.
- 5.9 Within this position the Director of Finance, Property & Information Services is also seeking approval to write off historic debts totaling £210,334 (£77,790 General Fund & £132,544 HRA). These historic debts are many years old and full provision for non-collection has been made within the accounts.

## **Direct Debit Campaign**

- 5.10 Following the success of the BACS direct debit big break campaign in March 2014, the Council is planning to run a second campaign during Autumn 2014.
- 5.11 This campaign will help support the customer services project channel shift agenda by encouraging and providing an incentive for bill payers to change from their current payment methods (for example Allpay, cheques, cash, etc.) to a more efficient and cost effective Direct Debit method.
- 5.12 As part of this campaign, the Director of Finance, Property & Information Services is also seeking approval to introduce a prize draw of cash / goods up to a maximum value of £1,000 as an incentive for participation.

## **Corporate Director**

- 5.13 There is also an under spend relating to the deletion of the Corporate Services Director post (£0.154M), following the senior management restructure.

### **6. KEY LINES OF ENQUIRY**

- 6.1 As part of setting its budget on the 27<sup>th</sup> 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 £0.485M relating to 5 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);
  - (DEC/ENV/16) Efficiencies in Waste Service – a shortfall of £0.2M is forecast as explained within the body of the report. This issue has been addressed as part of the Future Council business planning processes;
  - (DEC/ENV/15) Engineers Trading Surplus – the targeted increase in surplus of £0.065M will not materialise in the current year;
  - (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 complexities relating to implementing changes to employee terms and conditions. The total targeted reduction in cost of £0.2M is being mitigated by staff vacancies (£0.055M).
- 6.4 SMT is currently reviewing the above KLOE list to determine possible mitigating actions.

### **7. HOUSING REVENUE ACCOUNT (HRA)**

- 7.1 The latest financial position on the HRA is the subject of a separate mid-year review report, also on the 19<sup>th</sup> November Cabinet agenda.

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

- 8.1 No direct implications arising from the report.

### **9. Financial Implications**

- 9.1 Current projections indicate an operational General Fund budget surplus of in the region of £0.3M in the current financial year.

### **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 2;  
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**

**Date: 31/10/2014**

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