

BARNSLEY METROPOLITAN BOROUGH COUNCIL

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

Report of the Director of
Finance, Assets and
Information Technology

CORPORATE FINANCE SUMMARY FOR THE 2015/16 FINANCIAL YEAR

1. Purpose of Report

- 1.1 The purpose of this report is to provide details of the 2015/16 draft revenue final accounts position for General Fund Services (including Schools).
- 1.2 In addition, separate reports have been prepared detailing the Authority's final accounts positions for the Capital Programme and the Housing Revenue Account (HRA).
- 1.3 It should be noted that the accounts are draft subject to external audit scrutiny during July and August although no significant changes are anticipated.

2. Recommendations

2.1 It is recommended that:

- a) the 2015/16 draft revenue final accounts position be noted;
- b) the service operational overspend of £3.387M be a call on the Authority's strategic reserves;
- c) the additional net 'one off' resources received during the year and savings on capital financing costs of £16.799M be transferred into the Authority's strategic reserves;
- d) it is noted that the total strategic reserves available for investment/ budget support now stands at £26.9M subject to a review of all balances and reserves following the closure of the accounts;
- e) agreement is given to set aside £3M of the total strategic reserves balance as an Invest to Improve fund, with approval to spend this fund being delegated to the Invest to Improve board to be established;
- f) agreement is given to earmark the carry forward revenue resources as identified in Sections 1 to 8 and Appendices A and B, subject to further reports being submitted for individual approvals where necessary;
- g) A review of the reasoning behind the operational overspend be undertaken in the context of the 2016/17 budget and the plans currently being drawn up for our 2020 Council;

- h) approval is given to write off historic bad debt totaling £2.042M as detailed in section 8; and
- i) the Director of Finance, Assets and Information Services submits a further report on the overall outturn position if any significant adjustments arise following external audit scrutiny.

3. Introduction/Background

- 3.1 The Authority's Statement of Accounts has to be 'placed on account' with the external auditor prior to the 30th June 2016 statutory deadline. The format of the Statement of Accounts is largely prescribed under statute and CIPFA's Accounting Code of Practice which is based on International Financial Reporting Standards (IFRS). This report contains the same accounting information but in a format that reflects the Authority's management structure as it existed during 2015/16.

4. Overall Position for the 2015/16 Accounts

2015/16 Outturn

- 4.1 The Authority's overall General Fund Service outturn, prior to any earmarking of revenue resources, is an underspend of £16.7M. However, it should be noted that after adjusting this position for slippage and earmarkings, the actual service outturn is an **operational overspend of £3.387M**.
- 4.2 The operational overspend has been mitigated by underspends on corporate budgets and the overall position for the Council after earmarkings is a £16.799M underspend. Section 8 provides a full analysis on the final position for corporate budgets but the main variance that was not reported in quarter 3 is the underspend generated from a change in the Minimum Revenue Provision (MRP) Policy. This was approved by Cabinet in February 2016 and has realised an unbudgeted underspend of £14.5m in 2015/16.
- 4.3 The Authority's General Fund outturn can be summarised as follows:-
- A Service net operational overspend of £3.387M against Directorate budgets, after taking account of £15.052M related to the receipt of one-off grants and contributions and specific project slippage;
 - A cumulative under-spend against available school balances of £5.055M;
 - An under-spend of £16.791M (after proposed earmarkings) on capital financing costs; and
 - A cumulative under-spend against corporate budgets, levies and provisions of £3.395M (after proposed earmarkings) largely resulting from one-off events during the course of the year.

DIRECTORATE	Approved Gross Expenditure Budget 2015/16 (after Virements) £'000	Approved Gross Income Budget 2015/16 £'000	Approved Net Budget 2015/16 £'000	Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) * £'000
People	113,519	(52,426)	61,093	60,672	(421)	4,065	3,644	4,259
Place	79,514	(45,866)	33,648	32,994	(654)	650	(4)	-
Communities	37,310	(19,175)	18,135	12,020	(6,115)	5,828	(287)	-
Public Health	9,629	(6,088)	3,541	1,609	(1,932)	1,932	-	-
Core Services	147,215	(149,580)	(2,365)	(4,908)	(2,543)	2,577	34	-
Service Totals	387,187	(273,135)	114,052	102,387	(11,665)	15,052	3,387	4,259
Schools	106,710	(100,506)	6,205	1,150	(5,055)	5,055	-	-
Total inc. Schools	493,897	(373,641)	120,257	103,537	(16,720)	20,107	3,387	4,259
Corporate / General Items	63,202	(8,334)	54,868	6,564	(48,305)	28,119	(20,186)	-
Total –Full Council	513,591	(289,803)	175,125	110,101	(65,025)	48,226	(16,799)	4,259

2015/16 Earmarkings

- 4.4 As in previous years, earmarking of resources to finance specific expenditure items in 2016/17 and beyond has been necessary as part of the final accounts process.
- 4.5 Earmarkings recommended for approval at this time fall into 2 categories:
- (i) earmarkings previously approved by Cabinet or required by statute; and
 - (ii) earmarkings relating to project / scheme slippage now requiring approval.
- 4.6 These are separately listed in Appendices 1 and 2 with a summary given in the table below:

Summary of Earmarkings Proposed for Carry Forward into 2016-17		
	£M	£M
Appendix 1 - Total of Proposed Earmarkings Previously Approved by Cabinet / Statutorily Required (including School Balances)	35.945	
Appendix 2 – Total of Proposed Earmarkings Related to Grant / Scheme Slippage now requiring approval	12.281	
Grand Total - All Proposed Earmarkings		48.226

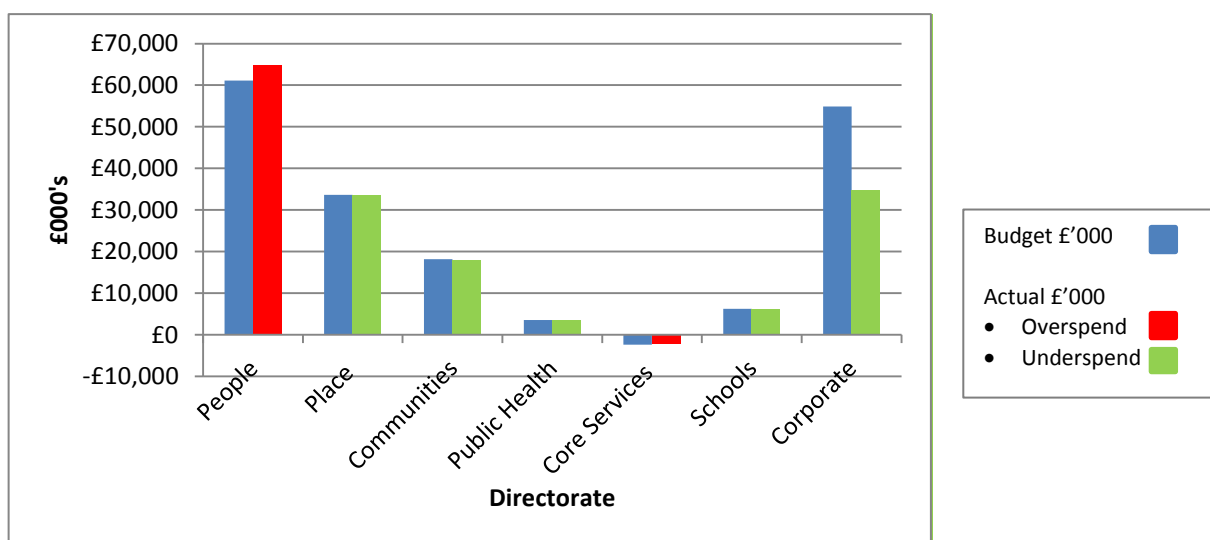
4.7 The Authority's overall 2015/16 outturn position is summarised in the table below:

2015/16 Overall Outturn Position - Summary		
	£M	£M
Total Service Operational Overspend	3.387	
Total Service Slippage (Grants/One-Off)	-15.052	
Total Schools Underspend	-5.055	
Total Corporate Items underspend (One-off/Unbudgeted)	-20.186	
Total Corporate Items Slippage (Grants/One-off)	-28.119	
<i>Sub-Total Underspend 2015/16</i>		-65.025
GF Earmarkings Recommended for Approval	43.171	
Carry Forward of Schools Balances (DSG)	5.055	
<i>Sub Total Earmarkings 2015/16</i>		48.226
Grand Total Surplus (-) /Deficit 2015/16		-16.799

4.8 Assuming that approval is given to set aside reserves to fund all proposed earmarkings as set out at paragraph 4.6 & 4.7 (£48.226M in total as detailed in Appendices A, B and C) the Authority's total net additional under-spending in 2015/16 is £16.799M.

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

Summary Directorate Position – Budget v Actual



5. Delivery of 2015/16 Future Council Savings Proposals

5.1 The Council's 2015/16 (and 2016/17) budget is dependent upon the delivery of its budgeted savings proposals. The 2015/16 approved budgeted savings total is £17.065m with Directorates achieving 95.6% delivery against target at the year end leaving an adverse variance of £0.753M. By contrast the Quarter 3 estimated position was 95.4% delivery with a £0.792M adverse variation.

5.2 The overall adverse variance is broken down as follows and detailed in Appendix 3C:

	Directorate	Quarter 1 £M	Quarter 2 £M	Quarter 3 £M	Quarter 4 £M
Reduction in Mental Health Contract (SWYPFT)	People	0.200	0.035	0.120	0.092
Cease provision of medication checks in People's Homes	People	0.200	0.200	0.200	0.200
Reduction in residential care beds	People	-	0.300	0.300	0.300
Various Waste & Recycling savings	Place	0.166	0.152	0.152	0.141
Travel Training	Place	0.125	0.125	0.125	0.125
Other 'Place' savings (net)	Place	0.208	0.245	(0.135)	(0.135)
Legal savings (printing / income generation)	Legal	-	0.057	0.030	0.030
Total		0.899	1.114	0.792	0.753

6. Impact on the Council's MTFS / Reserves Strategy

6.1 The quarterly position to the end of December reported an estimated service overspend of £1.356M. It was assumed that this overspend would be dealt with at year end although a £3.4M service overspend has materialised mainly due to an unexpected variance on Adult Social Care spend. This is currently being investigated along with other operational spends. Nevertheless the position on Corporate Budgets has resulted in a balance of £20.2M (after earmarkings) so the service overspend can still be covered and leave an available balance of £16.8M to transfer to strategic reserves.

6.2 The overall reserves position for the Council has been reported as part of the 2016/17 budget setting process and 2015/16 performance monitoring reports to Cabinet. Members approved an increase to the Council's Minimum Working Balance from its current £10m to £15m as a contingency for unforeseen events. This left a balance of £10.1M available to support Council wide investment priorities at that point in time.

6.3 The additional £16.8M generated since that time brings total available strategic reserves to £26.9M as at the end of the 2015/16 financial year.

6.4 The additional balances largely reflect the change in MRP policy approved by Council in March which created an underspend of £14M to supplement the Council's Strategic Reserves position. A similar level of balances will also be realised in 2016/17 which reflects the MRP policy that anticipated creating a sizeable reserve in 2015/16 and 2016/17 prior to establishing ongoing budget savings from 2017/18 onwards. This is also the case for other mitigations proposed for 2017/18.

- 6.5 It is the intention to carry out a full review of all other reserves and balances as part of an updated Medium Term Financial Strategy which will be submitted to Cabinet for approval in the summer. However, it is recommended at this stage that agreement be given to set aside £3M of the revised strategic reserve balance as an “Invest to Improve” fund with approval to spend against this fund being delegated to the Invest to Improve Board to be established.

7. Future Outlook

- 7.1 The updated reserves position and the imminent review of the Reserves Strategy needs to be set within the context of Government funding cuts and known and looming pressures (eg Adult Social Care , funding pressures around the 0-19 Service).
- 7.2 As such, there is likely to be a pressing need to cover off significant future spending pressures and it is therefore crucial that corrective action is undertaken by Directorates and Business Units to ensure that the existing 2016/17 KLOE's are achieved and that 2015/16 operational overspends are reviewed and any future deficits are eliminated in order to ensure that the next four year plan/ MTFs is deliverable.

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SECTION 1 - Executive Director's Statement for People

Executive Director's Statement

i. Overview

The final 2015-16 approved budget envelope for the People Directorate is £67.3M and includes schools balances (£4M) brought forward from 2014/15. The actual net operational position for the Directorate excluding school/DSG balances and other carry forward resources, is an overspend of **£3.6M**.

The above position reflects adjustments of £9.1m for the following:-

- Schools' DSG balances and other schools' specific grant funding (e.g. pupil premium grant). The total year-end surplus balances reported by schools against delegated budgets is £5.0M, whilst the balance of funding relating to central DSG budgets and other schools related funding amounts to £0.7M
- Unutilised non-recurrent funding, which is envisaged would be carried forward into 2016/17 - as they mainly represent slippage on planned or approved activities or funded programmes e.g. SEN reform grant and funding associated with the partnership arrangement (children and adult social care with Barnsley CCG).

It should be noted that the net operational overspend for the Directorate of £3.6M includes the use of uncommitted (and non-recurrent) funding to manage down recurrent cost pressures in 2015/16. For example uncommitted care act grant (£1.8m) and additional CCG funding (£0.7m) has been applied in the year to cover demographic related cost pressures in Adult Social Care & Health.

The final operational outturn position represents a net overall increase of £0.7M when compared to the reported position at Quarter 3 (December 2015). Explanation of the movement in the reported position is outlined in section iv of this report. The key significant variances across the People Directorate are explained below.

Final position for the financial year ending March 2016

DIRECTORATE	Approved Net Budget 2015/16	Final Outturn 2015/16	Forecast Deficit / Surplus (-)	Adjustment for Slippage & Transfer to Reserves	Operational Deficit / Surplus (-)	FYE (16/17) *
	£'000	£'000	£'000	£'000	£'000	£'000
Education, Early start & Prevention	16,049	9,607	-6,442	5,891	-551	-
Adult Social Care & Health	31,751	30,320	-1,430	2,873	1,442	2,139
Children Social Care & Safeguarding	19,602	22,297	2,695	28	2,723	2,120
ED People	-104	-402	-298	328	30	-
Total - People	67,297	61,821	-5,476	9,120	3,644	4,259

ii. Key Variances

Education, Early Start & Prevention

A final operational underspend of **-£551k** (excluding expected carry forward of the slippage on the SEN reforms funding and schools related balances) is currently reported for the Education, Early Start & Prevention Business Unit.

An explanation of the key variances within the Business Unit are detailed below:

- Commissioning, Partnership & Governance (-£50k) – the underspend has arisen from increased external income although this has been partly offset by reduced income forecast from Governor Clerking activities with schools.
- Targeted Youth Support (-£119k) – the underspend for this service area has mainly arisen from staff vacancy savings as well as reduced spend within the Targeted Youth Justice Service and the Youth Service.
- Early Start & Family Centres (-£370k) – this underspend has arisen mainly from staff turnover and vacancies. There has been increased staff turnover as a number of schools / governor-led children centres have transferred back into Council ownership / management, a consequence of the impending early years / children centres reconfiguration (implementation of the 2016/17 KLOE savings).

Adult Social Care & Health

An overall net overspend of **+£1,442k** (an increase of £446k compared to Q3 position) is currently reported for the Adult Social Care & Health Business Unit. Whilst there are significant demographic pressures in 2015/16, these have been managed down in-year through the use of available non-recurrent funding e.g. care act monies. An explanation of significant cost pressures faced by the Business Unit are outlined below:-

- Assessment & Care (Older People) – (+£1,672k) – this overspend has arisen from the following factors: non-achievement of the KLOE savings aligned against the OP purchasing budget and an increased number of clients in receipt of care support in the year and associated increased cost.

The approved efficiency targets in 2015/16 comprised of: the expected reduction in OP residential beds (£300k KLOE savings) linked to the implementation of the redesigned operating model for adult social care; and the cessation of the homecare medication checks visits KLOE (£200k) were not achieved in the year.

The above has been exacerbated by the net increase in the number of high cost OP placements or admissions in residential care and associated cost. Overall, the number of older people in care has increased compared to the previous year, with physical support and memory & cognition support accounting for the majority of primary support need for older people admitted into care. The increased cost of these placements (net of the anticipated contribution from health i.e. s117 funding) is exerting pressure on the care cost budget.

Non-recurrent funding has been used to partly manage this pressure in 2015/16, with efforts continuing to ensure that health funding / contribution to care costs is being maximized.

- Assessment & Care (Disabilities) (+£985k) – this forecast overspend is the result of demographic pressures within learning and physical disabilities purchasing budgets. There has been a significant increase in the cost of supporting people within the community, which is more cost effective compared to residential long term care (that cost £45k per annum per client on average). The increased costs can partly be explained by the increasing number of young people with disabilities transitioning into Adults services.
- Assessment & Care (Mental Health) (+£333k) - In respect of MH, the KLOE savings £200k aligned against the care budget and partly achieved through the review of a number of high cost placements has been negated by a number of MH residential admissions / increased costs in the second half of the financial year. It should be noted that efforts were made during the year to maximise funding contributions from the CCG towards care costs e.g. S117 funding.
- Deprivation of liberty safeguards (+£174k) – this is a recurrent cost pressure that has arisen following the Cheshire West court judgement in 2014. Although one-off grant funding (£132k) was been made available by the Government, this is insufficient to cover the staffing and associated costs of reviewing / assessing cases and undertaking the required health assessments.
- Better Care Fund (+£988k) – the BCF is a single pooled resource provided by the Government (£18m) to the CCG to incentivise an integrated approach to health and social care provision. The BCF funding arrangement (as outlined in the S75 agreement) with Barnsley CCG includes a performance risk element linked to a target reduction in total emergency hospital admissions. The maximum level of risk assumed by each partner based on an agreed 50:50 ratio is £988k for the full year. The reported data by Barnsley CCG (via the Health & Wellbeing Board) showed that the target reduction in hospital admissions has not been achieved in 2015 (full year to December). The reported cost pressure represents the reduction in the 2015/16 BCF funding to Barnsley based on the shortfall against the target.
- Non-recurrent funding (-£2,516k) – this comprised the balance of uncommitted resources set aside for the implementation of the Care Act (£1.8m) and the additional funding provided by the CCG (£0.7m). The deferment by the government of the implementation of phase 2 of the Care Act as well as the lower expected costs in 2015/16 has resulted in the increased level of uncommitted resources. In addition, some funding (£700k) has been provided by the CCG to mitigate adult social care pressures in lieu of the impact of the BCF risk assumed by the Council. The above funding has been applied against the reported cost pressures across Older People, Disabilities and Mental Health purchasing budgets as outlined above. It should be noted that this is one-off funding that will fall out in 2016/17 leaving an ongoing spending pressure in this business unit of £2.2m.

Children's Social Care & Safeguarding

A net financial risk of £2.7m is projected for the Children Assessment and Care Management Business Unit mainly attributable to:

- Children in Care placement costs (+£1,621k) - a financial pressure of £1.6m is currently reported for the year that has arisen from the non-achievement of the cost reduction target assumed within the placement & sufficiency strategy. This can be explained by the rise in Looked after Children numbers in 2015/16. Whilst the number of LAC had been relatively stable (around 250) in the first 2 quarters of the year, the

recent spate of admissions in the last 4 months of the year has resulted in the overall LAC numbers rising to 285 by year end. This has meant an increased number of out of authority residential and fostering placements than originally anticipated or allowed for in the plan. Equally, there is a significant change in the demographic / profile of the placements, with an increasing number of teenagers / adolescents needing to be 'placed' who are costlier and more difficult to place with in-house foster carers. Despite this Barnsley's rate of LAC is still well below the average for its statistical neighbours, although now stands closer to the national average. Good performance of permanency planning, adoption and Special Guardianship Order's continues to help manage the numbers of children in care.

- Assessment & Care agency staff costs (+£789k) – an overall overspend has been reported across the various fieldwork teams within Assessment & Care and Stronger Families services mainly due to agency staff costs. Increased absence levels (vacancies, maternity cover), as well as capacity issues due to increased caseloads has meant a greater use and reliance on agency staff. The volume of children's contacts, referrals and assessments to Children's Social Care (CSC) remains high. Performance data clearly identifies a rise in workload within the Social Care Services in recent months. Numbers of open assessments rose to a peak during the year, the vast majority of which were allocated within the Assessment Teams. Children subject to child protection plans had risen during the year, which also represents a significant increase on the previous year. This has put significant pressure on the Front Door to Children's Social Care. In order to meet the increase in demand, agency social workers have been commissioned, which has led to a significant cost pressure. Had this external resource not been commissioned, children's cases would have been unallocated and the LA would have been unable to fulfil its statutory responsibility to safeguard children. It should be noted that a step down of agency staff was put in place in the last quarter of the year in anticipation of the implementation of the service review and reallocation of resources.
- Other Children in Care costs (+£288k) - The increase in numbers of looked after children and increase in public law care proceedings, necessary to safeguard children, has resulted in a significant budget pressure in legal costs. Existing resources in Legal Services are not equipped to meet demand and there is no internal advocacy. The latter results in barristers being instructed to represent the LA in court. Legal Services are improving management oversight and have commissioned agency solicitors, with a view to reducing the reliance upon barristers and expert witnesses.

Schools

The final approved schools budget for 2015/16 totals **£114.9m**, of which the budget delegated directly to maintained schools to manage is £100.4m (after adjustment for academies), with the balance i.e. £14.5m managed centrally by the Council on behalf of schools. The above excludes the carry forward of £4m from 2014/15 and other grant funding to schools such as pupil premium grant, post 16 funding, etc.

Delegated schools' budgets:

Delegated funding has been allocated to individual schools through the local schools funding formula as well as high needs and early years funding. The final 2015/16 outturn position for all maintained schools following the closure of accounts showed a surplus balance of - **£5,055M** (£2.6M previously reported).

This needs to be considered in the context of the £4.1m surplus position reported at year end 2014-15. The above position includes 2 schools with year-end reported deficit positions -

Penistone Grammar school (£216k) and Hoylandswaine Primary school (£3k). This represents an improvement in the financial positions of Barnsley schools, especially when compared to the forecast planned deficits agreed at the beginning of the year (for 4 secondary and 1 primary schools). This improvement reflects recovery actions taken by these schools with support from the local authority to manage down planned deficits.

It should be stressed that there are still challenges for some of these schools going forward as the improvement in year-end positions may have been achieved through the use of one-off non-recurrent funding. However, it is envisaged that the implementation of the national funding formula from 2017/18 may result in increased funding to Barnsley schools.

Centrally retained schools budget

There are a number of DSG budgets/ funding (£14.5m in total) that are managed centrally by the Council where it is cost-effective to do so as opposed to delegating them to schools directly. The nature of expenditure that can be charged against centrally retained DSG is regulated by statute (School Finance Regulations), whilst the decision making responsibility rests with the Schools' Forum. The final position showed a net balance of resources of **£500k**, with the key variances analysed as follows:

- schools causing concern / improvement -£321k
- staff cover costs (maternity cover) +£357k;
- high needs / SEN placements +£534k
- 2 year old free entitlement -£479k
- Early years pupil premium funding -£170k
- Early years contingency -£135k

Under the current regulations, the authority is required to carry forward any underspend and apply this against school expenditure in the following year. Responsibility for agreeing the use of carry forward DSG resources rests with the School Forum following recommendations from the Council.

iii. Approved savings position

The total approved savings target for the People Directorate for 2015/16 is **£2.560M** and includes additional net investment of £0.450M (for the establishment of the Intensive Adolescent Support Service and Quality & Assurance capacity within the Safeguarding Unit).

All savings targets have been achieved with the exception of the following:

- Reduce Mental Health Contract with SWYPFT (£92k) – there was an under-achievement of £92k against the approved savings target £500k. This shortfall was against the element of the savings aligned against the MH purchasing budget. Increased MH placements costs in the year negated savings achieved through the review of high cost residential care placements. It should be noted that on a recurrent basis, staff restructuring of the MH team managed by SWYPFT (i.e. deletion of 6 posts) has been implemented to address this KLOE;
- Reduction in Older People residential beds / placements (£300k) – the planned reduction in residential admissions on the backdrop of the TOM implementation was not realised in the current year. Increased admissions into care and increased costs meant that this KLOE was unachieved.
- Cease provision of medication checks in people's homes (£200k) – This KLOE target was aligned against the Older People community based purchasing budget and was unachieved in the year. It is envisaged that the new domiciliary care service

procurement contract to take effect from 2016/17 would offer opportunities for delivering this KLOE.

iv. Explanation of the movement of the forecast outturn position reported in December 2015 and March 2016

The Directorate reported a total forecast operational over-spend of £2.9M as at the end of December compared to the final actual operational over-spend of £3.6M. This represents a net movement of £0.7M (Table 8 refers).

Business Unit	Dec 2015 forecast £'000	Mar 2016 Outturn £'000	change £'000
Education, Early Start & Prevention	-363	-551	-188
Adult Social Care & Health	996	1,442	446
Children social care & Safeguarding	2,258	2,723	465
ED People	0	30	30
	2,891	3,644	753

The key movements in the reported position since December are as follows:-

Education, Early Start & Prevention

Early Years & Children Centres (-£0.2m): - represents improvement in the reported position attributable to further reduced operating spend and increased staff vacancies across Children Centres;

Safeguarding, Health & Social Care

Children in care costs (+£0.4m): - attributable to unanticipated increase in placements between December and March 2016, which saw LAC numbers rising to 284 by year end;

Care Leavers (+£63k): - unanticipated s17 payments / allowances to care.

Adult Social Care & Health

Older People (+£0.3m) – movement is mainly attributable to OP dementia block contract £200k that was erroneously excluded from the Q3 forecast outturn (it was assumed it has been accounted for within the Joint Commissioning forecast outturn);

Disabilities (+£1.4m) – the change in the reported position relates to a number of community based care framework contracts that were not charged against the accounts till the last quarter of the year and were not reflected in the previous reported forecast outturn.

Non-recurrent funding (-£1.3m) – additional uncommitted funding was applied in year as a consequence of the above changes / increased spend in the business unit.

v. Summary of Earmarking Requests

Cabinet Approved / Statutory Items (£5.733m)

The earmarking proposals put forward under this category relate to year end school surplus balances (£5.0m); centrally retained DSG resources (£0.5m) and other schools devolved grant funding e.g. pupil premium grant (£0.2m).

The DSG funding terms / conditions require that balances at year end be carried forward into the following year and be applied specifically for schools expenditure. Under the grant conditions the Government can claw back any DSG resources that are not used for the purposes of the schools' budget.

Slippage (£3.387m)

The proposals included in this category relate to slippage on the use of non-recurrent grant or external funding – that was provided for specific programmes or activities. A summary of the key earmarking proposals are set out below:-

1. CCG Funding transformation funding (£2.6m): - this amount comprised a number of funding allocations provided by the CCG to be set aside for 2016/17 for transformational change activities and programmes across the health and social care system. The set aside requirement is underpinned by a signed agreement between CCG/BMBC;
2. S75 Agreement / Aligned Budget with the CCG (£0.3m): - comprising the balance of funding / contribution from the CCG under the s75 partnership arrangement with the Council. The funding is committed to cover the jointly commissioned activities with SWYPFT e.g. eating disorders; enhanced SPA; support to YOT.
3. Adults commissioning unit – transformation / resilience funding (£0.2m): - comprised of a number of health funding aimed at enhancing capacity within the commissioning unit to undertake the following: Building & Right Support Programme; LD transformation project work; build mental health resilience in schools;
4. Early years ICT projects (£0.1m): - earmarking relates to a number of urgent ICT works (relating to Children Centres servers and NGFL connectivity) that should have been completed by March 2016 but which will now take place in the new financial year.

v. Future Outlook

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

Education, Early Start, & Prevention

The key issue facing the Business Unit in 2016/17 is the planned reconfiguration of the Early Years / Children centres and the deliverability of the £2m savings target. The revised staffing structure already approved and put in place mean that the savings target will be achieved. In addition, the Business Unit continues to face recurring pressures from cuts and reduction in government grant funding, particularly the Education Services Grant (ESG) and the Youth Justice Board (YJB) funding.

Adult Social Care & Health

A net recurrent cost pressure of £2.1M is currently forecast for 2016/17 after allowing for the following pressures and additional funding:

- ongoing demographic pressures within Older People, Disabilities and Mental Health care costs budgets;
- increased resource requirement to address the DOLS issue;
- impact of the national living wage on provider / contract fee and the move towards the payment of a 'fair' fee to external service providers for homecare / residential care to address wider concerns about provider viability and sustainability (and care quality issues);
- additional council tax 2% precept funding and investment of £1.5M to mitigate the above cost pressures.

The business unit would need to put in place or implement robust cost reduction strategies in order to mitigate the risk of an overspend in 2016/17. The revised MTFS will also be reviewed for 2017/18 onwards to determine ways of mitigating these forecast cost pressures.

Children social care & safeguarding

A recurrent cost pressure of £2.1m is currently forecast for 2016/17. It is envisaged that LAC placement costs would continue to present a challenge in 2016/17 and beyond. A refresh of the placement & sufficiency strategy (including specific Adult Social Care pressures) is underway to better understand the financial challenge facing the business unit and the impact of the existing action plan. As above, the revised MTFS will also be reviewed for 2017/18 onwards to determine ways of mitigating these forecasted cost pressures.

SECTION 2 - Executive Director's Statement for Place

Executive Director's Statement

Directorate Overview

The approved 2015/16 net budget for the PLACE Directorate is £33.648M. Actual expenditure for the Directorate of £32.994M resulted in a total under-spend against approved budget of £0.654M. However, within this figure is grant and scheme slippage of **£0.650M**, meaning that the actual operational position was an underspend of **£0.004M**.

In summary the operational underspend of £0.004M was a result of:

- The increased cost of providing the statutory Home to School Transport Service together with the non-delivery of a number of savings proposals causing an overspend of £0.450M.
- An overall overspend in Highways, Engineers and Transport of £0.406M
- Offset by savings on the Waste Disposal contract including additional Waste PFI credits -£0.491M, and other smaller individual savings against budget totaling -£0.369M

The proposed earmarking's of **£0.650M** relate to:-

- An underspend on the grant to the Wentworth Trust (£0.051M);
- Scheme slippage including Technical Refresh of IT equipment £0.030M, Grant funded projects £0.327M, Taxi Demand Survey £0.022M, Planning Fees £0.030M
- An allocation to cover the implementation costs associated with the delivery of the Environment & Transport 2016/17 KLOE's/provision for remedial works on Highways Schemes £0.190M.

The major variations for each service within the Directorate are summarised in Table 2 with detailed explanation of the key variances provided in paragraphs 4.2.5 to 4.2.25.

Table 2 -PLACE Outturn 2015/16						
	Approved Budget (net)	Actual Expenditure (net)	Over + / (-) Underspend	Grant / Scheme Slippage	Operational over/underspend	FYE
	£000	£000	£000	£000	£000	£000
Executive Director	212	169	-43	45	2	-
Economic Regeneration	3,894	3,558	-336	299	-37	-
Culture, Housing and Regulatory Services	2,007	1,736	-271	101	-170	-
Environment & Transport	27,535	27,531	-4	205	201	-
PLACE TOTAL	33,648	32,994	-654	650	-4	-

Detailed Service Analysis

Economic Regeneration

Economic Regeneration underspent by -£0.037M in 2015/16 a movement of £0.013M from the position reported as at the end of December (-£0.050M). In the main this is as a result of grant slippage.

The key variances are highlighted below:

- Building Control Income Shortfall (£0.117M) - Applications for Building Control inspections continued to be lower than originally forecast even after a concerted marketing campaign. However they were in line with the third quarter monitoring position of £0.114M. As a consequence of the drop in work, vacant posts were frozen during the year giving an estimated saving of (-£0.107M).
- Planning Fee Income (-£0.045M). – The budget for Planning fee income was increased in 2015/16 by £0.075M as part of Future Council. The final position for the year shows that this target was over achieved by -£0.045M. The planning fee income budget has been further increased by £0.025M in 2016/17 as part of the 2 year financial planning process
- Car Parking Income – (Multi Storey) (£0.037M) / Stall Income (£0.051M) – Following a reduction in footfall in the Market and Metropolitan Centre as a result of the public perception of the ongoing works within the Town Centre there was a shortfall in income from the Multi-Storey car park and from market stall rents. These shortfalls were in line with those predicted at the end of the third quarter (£0.047M and £0.038M respectively). Efforts will continue to be made moving forward to increase footfall including better advertising of the market and a series of planned events and activities held in the town centre.
- Other Vacancy Management (excluding Building Control) (-£0.197M) - This saving is as a result of delays in the recruitment to positions under new Future Council structures and holding posts vacant in light of the anticipated shortfall in Planning Fee Income which was originally projected at the start of the financial year. This position is in the most part non-recurrent.

Culture, Housing & Regulation

Culture, Housing and Regulatory Services underspent by -£0.170M in 2015/16. This is an improved position on the third quarter monitoring position where an underspend of -£0.048M was forecast. Detailed variances are explained below:

- Shortfall in Income in Culture (£0.119M) – The final position on income from within Cultural Services shows an improvement of -£0.031M on the reported third quarter position mainly due to a concerted effort in February and March resulting in increased visitor numbers across the boroughs cultural venues. This effort will continue into 2016/17 together with the implementation of the new commercial business plan for the service to ensure this trend continues moving forwards.

- Criterion Race – (£0.042M) – The additional cost to the Council of underwriting this cycling event was £0.051M. This has been partly offset by a refund from the Tour de France Hub (-£0.009M).
- Bereavement Fee Income (-£0.060M) Additional burial and crematorium fees during the year. This is a growing area for the business unit and a number of commercial opportunities to grow the service are currently being considered.
- Vacancy Management (-£0.104M) – there was an overall underspend on salary costs of £0.295M as a result of planned delays in the recruitment to positions under new Future Council structures and holding posts vacant in light of the shortfall in projected income. This position is in the most part non-recurrent. This has been offset by specific slippage and investment earmarking requests totaling £0.191M as detailed in appendices A-C.
- Other Underspends (-£0.167M) including delays in the replacement of IT hardware and grant slippage.

Environment & Transport

Environment & Transport overspent by £0.201M during the year compared with a forecast underspend of -£0.105M at the end of the third quarter. There are a number of reasons for this movement which are discussed in detail below.

Commercial & Operational Services Support

Commercial & Operational Services Support division underspent -£0.628M compared with a third quarter projection of -£0.151M. This in the main was as a result of:

Contracts Management -£0.421M A -£0.225M saving was achieved as a result of additional Waste PFI credits together with a £0.792M saving on contract payments to Shanks (the Waste PFI provider). This however was partially offset by reduced income from the sale of recyclates (£0.359M) as a result of a fall in household recycling. This is evidenced in the performance data available in this area.

Purchasing & Supplies -£0.066M there was an operational surplus on the purchasing and supplies trading account due in part to the increased private sales to local businesses (15% above budget target). This underspend were however offset by overspends in a number of key areas including a shortfall in fee income (£0.017M) in commercial waste due to the loss in the year of the major NHS contract together with a shortfall in pest control fees as a result of 3 out of 6 team members being unavailable for work. The new Commercial Services Manager will provide a consistent sales and market push in 2016/17 in these areas.

Vacancy Management -£0.141M this underspend was as a result of delays in the appointment of key posts within the business unit. It should be noted that these posts have since been filled and this savings is therefore non-recurrent.

Operations, Recycling, Neighbourhoods & Transport

The service overspent by £0.508M in 2015/16 compared to a third quarter projection of a £0.294M overspend. Key variances are explained below.

Transport & Fleet Services £0.446M Transport and Fleet Services overspent by £0.446M in

2015/16 compared with a third quarter monitoring forecast of £0.135M. The reasons for the overspend are as follows:

- The home to school transport function overspent by £0.250M including £0.050M of costs that related to prior years. This increase in cost was as a result of an increase in school locations from 45 to 52, 21 of which are outside the Boroughs boundaries. In addition 40 new students are using the service when compared to 14/15.

Route optimisation for the service has been undertaken during the year which has resulted in the number of contracts/routes being reduced from 107 to 95. Whilst this should deliver efficiencies moving forwards (based on current usage), a full review of the service is also currently being undertaken, with any recommendations including any changes to policy, to be proposed in due course.

- There were delays in the delivery of 2015/16 savings proposals in the Transport Function totaling £0.195M including the non-delivery of the Travel Training efficiency (£0.125M) as reported throughout the financial year. The new Transport Manager has been tasked with the delivery of these savings proposals together with the additional 2016/17 efficiency savings around transport.
- There was also an overspend in Fleet services (£0.048M) due to additional overtime payments made during the year. New shift working patterns are to be implemented in 2016/17 which will address this along with a better definition of planned and unplanned work.

Neighbourhood Services £0.016M The overspend at the end of the financial year shows an improvement on the one forecast at the end of the third quarter (£0.140M) due to additional income generated by the service in the final quarter. The income target for the service was increased by £0.250M in 2015/16 but only £0.097M of additional income was actually achieved during the year leaving a shortfall of £0.153M. This shortfall was partly offset by savings on employee costs (-£0.053M) and Grounds Maintenance costs (-£0.062M).

Operations & Recycling £0.046M During the year the service overspent by £0.156M on Contract Hire charges including £0.135M for vehicle repairs "Adds & Tads" (defect reporting/accident investigation reporting/vehicle park checks). Controls are to be put in place during 16/17 and beyond to address the cost of "Adds & Tads".

This cost was offset by savings on vehicle running costs and additional income generated from increased fees and charges for the collection of bulky waste following the introduction of new price mechanism for the service.

Highways, Engineering & Transportation

The Service overspent by £0.405M compared with a third quarter monitoring position which forecast a £0.167M underspend. Key variances include:

Network Management & Resilience £0.075M The shortfall is due in part to a reduction in income from Fees and Charges (£0.084M) from Highway Licensing/Vehicle Crossings and the Yorkshire Common Permit Scheme. In addition there was a £0.118M increase in the cost of infrastructure works. This includes 84 lamp column knockdowns (£0.080M), some of which would historically have been capitalised. These additional costs were partially offset by

savings on staffing costs of -£0.064M.

Car Parking -£0.046M Increased parking fee income during the year (-£0.061M) mainly from the Courthouse Car Park. This was partially offset by additional expenditure on the Boroughs numerous Residents Parking schemes (£0.016M).

Construction £0.724M The Construction Service overspent by £0.724M in 2015/16 compared to a third quarter monitoring position of £0.103M. This overspend was as a result of ongoing staff absences within the unit which has affected productivity and profitability and poor work package planning. This resulted in an increase in the use of subcontractors at the end of the year in order not to defer work. Further work is therefore required during 16/17 to ensure that programme planning and prioritisation is embedded within the service to smooth the flow of work efficiently through to the construction team.

Winter Maintenance £0.063M This overspend is the result of an unexpected late charge for salt relating to 2014/15 (£0.050M).

Vacancy Management -£411K This was due to delays in the recruitment of key positions within the division which have since been filled.

iii. Approved savings position

There were a total of 73 efficiency proposals put forward by the directorate in 2015/16 totaling £3.469M. 55 proposals are either delivered in full or have exceeded the original target set. This has delivered savings in excess of £2.9M. In contrast however there have been deliverability issues for the remaining 18 proposals meaning around £0.5M of savings proposals put forward have not been delivered. Key variances are highlighted above with full details provided in Appendix 4 to this report. This position has been mitigated in part this year by vacancy management and other underspends meaning that the directorate overall has underspent. However these mitigations are one off in nature. Plans have been put in place to ensure these proposals together with the savings target for 2016/17 deliver in the full or are replaced with alternative proposals.

iv Explanation of the Movement of the Forecast Outturn Position Reported in December 2015 and March 2016

The movement between the forecast operational underspend now reported compared to the under-spend reported in December 2014 is shown in Table 3:

<u>Table 3 Place</u>	Dec 2015 Reported Position £'000	Final Outturn Position £'000	Variance £'000
Directorate Management	0	2	2
Economic Regeneration	-50	-37	13
Culture, Housing & Regulatory Services	-48	-170	-122
Environment & Transport	-105	201	306
Operational Underspend	-203	-4	199

The total outturn predicted in December was an operational under-spend of -£0.203M

compared to a final underspend of £0.004M. The movement of £0.199M was as a result of the following:-

- The movement in Economic Regeneration is as a result of a continued fall in car park and market stall income offset in part by increased planning fee income and staff vacancies.
- The movement in Culture, Housing & Regulatory Services was due to increased staff turnover and savings on service overhead budgets within Regulatory Services;
- The movement in Environment & Transport was due to the increased cost of Home to School Transport, a worse than anticipated outturn for Construction Services offset by increased income generation from Neighbourhood Services.

v. Summary of Earmarking Requests

Cabinet Approved / Statutory Items (£0.051M)

The approved grant to the Wentworth Trust was not all drawn down in 2015/16 but will be required in 2016/17 (£0.051M).

Slippage (£0.650M)

In addition to the above the following earmarking's are requested

- £0.030M for Planning Fees Planning fee income totalling £0.030M has been received in year which is required to be paid over to payable to Sheffield Council in 16/17 following completion of a cross boundary development.
- £0.030M IT Investment. Due to a delay in the rollout of the Council's Technical refresh programme it is requested to slip forward the resources set aside during 15/16 for the Directorate's IT requirements;
- £0.018M Passport to Leisure. A revision to the Passport to Leisure scheme has been made during 2015/16. ASOS have provided the Council with funding to assist with the re-launch of the scheme in 16/17.
- £0.022M for a taxi demand survey. Taxi drivers have made a contribution to undertake a survey in relation to the demand for taxis within Barnsley. If this survey is not carried out the funds will either need to be repaid to the taxi drivers or donated to a charity of their choice;
- £0.264M grant slippage Grant income has been received in 2015/16 that is required to funded projects that will be carried out in 2016/17;
- £0.045M Public Health Funding This underspend in public health funding is required to continue to fund the illicit tobacco post in Regulatory Services in 2016/17;
- Environment and Transport £0.190M to partly fund remedial works on Highways schemes and implementation costs associated with delivery of the 2016/17 savings.

vi. Future Outlook

The following summarises the future outlook for the directorate going forward:

Economic Regeneration

The Local Plan is currently being finalised. Whilst it is not expected to cause additional cost or operational issues, the implementation of the plan will have wide reaching implications for the Borough and the Council, particularly in relation to the identification of potential development land for housing and other economic development.

The Sheffield City Region Devolution deal will also have a major impact on the business unit in particular the areas of Economic Regeneration and Learning and Skills. The Business Unit is working hard to ensure Barnsley is extremely well represented within SCR. In particular this has been evidenced by leading the New Business Starts ESIF programme and South Yorkshire Broadband programs across the region.

Finally the Learning and Skills division is heavily reliant on external funding from the education sector. In particular £200k is currently provided via the Dedicated Schools Grant. The schools acadamisisation programme could potentially put this funding at risk.

Culture Housing and Regulatory Services

Income from Culture venues continues to be a significant risk. Although the position has improved in the final quarter of 2015/16, the increase in income required in 2016/17 will place an additional pressure on the service. A commercial business plan for the service is to be implemented during the year to counter this together with an exploration of business opportunities within Bereavement Service.

There are no forecast risks within Housing or Regulatory services.

Environment & Transport

The delivery of the £2M savings target in 2016/17 is high on the agenda for the Business Unit especially following the delay/failure to deliver £0.2M from the 15/16 efficiency programme. Whilst the recent appointment of a number a number of key posts within the business should help drive delivery of these efficiencies, this will need to be reviewed moving forwards especially as the in year saving generated from vacancy management on these key posts will be non-recurrent.

In addition to this the 2015/16 shortfall on income from recyclates together with the overspend on construction services will need to be closely monitored during 2016/17 with any ongoing pressures highlighted early so that a recovery plan can be put in place.

SECTION 3 - Executive Director's Statement For Communities

Executive Director's Statement

i. Overview

The final 2015/16 revised net budget for the Directorate was £18.1M. In overall terms the Directorates final position was an operational under spend of **£0.3M**. This figure is made up of an under spend of £6.1M offset by proposed earmarking's of £5.8M, which have either been previously approved or represent slippage in planned schemes that require completion.

In high level terms the operational under spend of £0.3M broadly comprises:

- Early delivery of 2016/17 KLOE requirements; and
- Minor under spends related to part year staff vacancies that existing whilst structures were fully recruited to following the Future Council re-organisation.

The proposed earmarking's of £5.8M are predominantly related to:

- Delegated Area Council and Ward budgets £1.8M;
- Provision to mitigate 2016/17 contract reduction in Independent Living at Home Barnsley Ltd and other financial pressures associated with the company £0.3M;
- Provision for ongoing delivery of a local welfare assistance scheme in 2016/17 and maintenance of a number of welfare related schemes pending a review of overall welfare provision across the Borough for 2017/18 £0.5M;
- Balance of transformation funding committed to a number of specific programmes of work to support the communities agenda £0.4M;
- Health funding for Substance Misuse agreed with the CCG for 2016/17 £1.6M;
- Balance of funding in the Troubled Families programme which is managed over a multi-year period aligned to future year commitments £0.7M;
- Surplus generated in School catering service for re-investment in an electronic kitchen management system £0.1M; and
- Various other earmarking's of £0.4M linked in the main to funding from partner agencies.

A summary of the final Directorate position by business unit is shown in the table below:

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Outturn 2015/16 £'000	Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17)* £'000
Customer Services	9,787	7,240	(2,547)	2,584	37	-
Safer, Stronger, Healthier	8,348	4,780	(3,568)	3,244	(324)	-
Total – Communities	18,135	12,020	(6,115)	5,828	(287)	-

ii. Key Variances

Customer Services

Customer services have a more or less balanced financial position (after proposed earmarking's) made up of the following key variances:

- Part Year Vacancies (-£0.288M) – A net under spend on staffing across a number of areas within Customer Services arose as a result of the Future Council restructure and time taken to fully recruit to all posts.
- Catering Surplus (-£0.093M) – Catering had a final year surplus of £0.093M after the proposed earmarking for implementation of an electronic kitchen management system.
- KLOE Delivered in Advance (-£0.117M) – Under spend from KLOE's relating to 2016/17 being delivered in 2015/16.
- The above under spends were offset by an additional payment to ILAH (Barnsley) Ltd of £0.168M to mitigate the 2015/16 financial position and the earmarking of £0.331M in relation to managing the financial position of the company in 2016/17.
- Other minor variances (+£0.038M) – Various other minor over spends across the Business Unit amounted to £0.038M.

Safer, Stronger & Healthier Communities

Safer, Stronger and Healthier Communities have an under spend of £0.324M after proposed earmarking's made up of the following key variances.

- KLOE Delivered in Advance (-£0.074M) – Under spend from KLOE's relating to 2016/17 being delivered in 2015/16.
- Part Year Vacancies (-£0.110M) – A net under spend on staffing across a number of areas within Safer, Stronger and Healthier Communities arose as a result of the Future Council Restructure and time taken to fully recruit to all posts.
- Various Other (-£0.140M) – various other underspends across service areas within Safer, Stronger, Healthier Communities amounted to £0.140M.

The Earmarking's within this Business Unit are largely related to slippage in specific schemes or programmes that are managed over a multi-year period. Details of earmarkings are provided below.

ii. Approved Savings

The Directorate has total approved savings of £2.650M to deliver in 2015/16. These have all been delivered in full.

iv. Explanation of the Movement of the Forecast Outturn Reported in December

The Directorate reported a total forecast operational under-spend of £0.6M as at the end of December compared to the final actual operational under spend of £0.3M. This represents a movement of +£0.3M as set out in the table below.

<u>Communities</u>	Dec 2015 reported position £M	Final Outturn Position £M	Variance £M
Customer Services	-0.5	0.0	0.5
Safer, Stronger, Healthier Communities	-0.1	-0.3	-0.2
Total	-0.6	-0.3	0.3

Whilst there are variances within the individual service areas above, the key movement in the bottom line final position was the agreement to earmark £0.3M of the previously reported under spend to support Independent Living at Home (Barnsley) Ltd as part of an agreed forward looking plan.

v. Summary of Earmarking Requests

Cabinet Approved / Statutory Items £0.570M

- Independent Living at Home Trading Company £0.331M: - Underspend in Customer Services to be used to mitigate the forecast loss in the company in 2016/17.
- Catering Electronic Kitchen Management System £0.140M: - Proposal to earmark the 2015/16 surplus in Catering for investment in a new electronic kitchen management system with improved service delivery and potential for future year efficiencies.
- Substance Misuse £0.027M: - Proposal to earmark the small underspend to mitigate financial pressures in 2016/17 from significant reductions in funding from the CCG and move to re-tendering all services for 2017/18.
- Safer Barnsley Salary Commitments £0.052M: - Previously approved earmarking for fixed term staffing requirements.
- Safer Barnsley Increased Support for Legal Caseloads £0.020M: - Funding required to meet significant increase in the number of enforcement cases going to court.

Slippage/Requests for Investment £5.258M

- Various schemes funded from external funding £0.210M: - Funding for specific programmes of work that have slipped but which require completing to achieve original objectives or risk of funding having to be repaid.
- Local Welfare Assistance Scheme £0.450M: - Funding to continue to provide a local welfare assistance scheme following the cessation of the Government funding in 2015/16, pending the outcome of the review of welfare provision across the Borough for 2017/18.
- Community Shop £0.050M: - Funding set aside for additional 'Community Shop' provision.
- Think Family £0.738M: - Balance of funding for Troubled Families programme which is planned over a multi-year period and requires funding from earlier years to be carried over to future financial years.
- Area Council Budgets £1.820M: - Represents the balance of funding delegated to Area Councils for locally determined spend.

- Transformation Funding £0.444M: - Balance of transformation funding which is committed to specific programmes of work that are being undertaken to support the communities agenda.
- Health Funding for 2016/17 £1.546M: - Health funding for Substance Misuse agreed with the CCG to support the transition to re-tendering for services during 2016/17 and the ongoing delivery requirements; and funding for Social Prescribing requirements.

vi. Future Outlook

There are no adverse issues within the Directorate in the current year that will impact on the future year financial position. None of the under spends highlighted above will be recurrent in future financial years as they are either one off in nature or represent existing savings targets.

There is an expectation that the Directorate will operate within its approved resource envelope for 2016/17. However, following revised financial planning the Directorate now has a current gap of £0.163M which it will continue to consider in relation to further efficiencies and cost reductions that can be made.

The following also represent risks the service is managing through as part of its 2016/17 service and financial planning.

- Independent Living at Home (ILAH) Trading Deficit £0.2M – the ILAH company has been reviewing its financial position for 2016/17 following the first year trading as a company. The latest financial forecasts show a funding gap of £0.2M to break even. The service will consider options for dealing with this throughout the year and updates will be provided in the quarterly monitoring reports.

SECTION 4 - Executive Director's Statement For Public Health

Executive Director's Statement

i. Overview

In 2016/17 the approved budget for the Directorate was £3.5m. In order to prepare for a funding shortfall expected to be in excess of £5m over the next 4 years (2016/17 to 2019/20) a strategic decision was taken to reduce spend throughout 2015/16. Planned underspends combined with vacancy management and a degree of programme slippage has enabled the Business Unit to retain £1.9m to support PH's 4 year plan.

A summary of the final position is shown below.

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Outturn 2015/16 £'000	Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) £'000
Healthcare & Partnerships	3,542	1,610	(1,932)	1,932	-	-
	3,542	1,610	(1,932)	1,932	-	-

ii. Key Variances

In addition to a planned reduction in expenditure of £1.248m a further £0.684 reduction was achieved in respect of the following;

- Health Checks - £0.290m;
- Part year vacancies - £0.132m; and
- Programme slippage - £0.262m.

As indicated above the balance of funding at year end will be used to meet the requirements of the public health 4 year plan.

iii. Approved Savings

The Directorate had total approved savings of £3.906M to deliver in 2015/16. These were all delivered in full.

iv. Explanation of the Movement of the Forecast Outturn Reported in December

The Directorate reported a forecast balanced position after planned reductions as at the end of December which is the final actual position.

Public Health	Dec 2015 reported position £M	Final Outturn Position £M	Variance £M
Healthcare and Partnerships	0.0	0.0	0.0
Total	0.0	0.0	0.0

An in-year reduction in Public Health grant of £1.039M has been partially offset by an increase in spending reductions for the reasons given above.

v. Summary of Earmarking Requests

Slippage/Requests for Investment £1.932M

- As set out above the final Public Health under spend is required to be earmarked to support the overall 4 year financial plan.

vi. Future Outlook

The current Public Health 4 year plan is as set out below.

4 Year Plan	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Mandated Services	7.756	7.756	7.756	7.756
Essential Core Services - Health Inequalities	5.203	5.203	5.203	5.203
Preventative Services - Council	5.015	5.015	5.015	5.015
Preventative Services - Voluntary Sector	0.302	0.258	0.258	0.258
Preventative Services - Equipment	0.129	0.129	0.129	0.129
Public Health Staffing	1.903	1.903	1.903	1.903
Other Public Health	0.512	0.487	0.487	0.487
Planned Spend	20.820	20.751	20.751	20.751
Public Health Grant	-17.888	-17.447	-16.984	-16.419
Funding Gap	2.932	3.304	3.767	4.332
Council Additional Funding	-1.400	-1.878	-2.341	-2.906
c/f	-1.932	-0.400	0.000	0.000
Balance	-0.400	1.026	1.426	1.426

A small surplus is forecast in 2016/17. This is as a result of the increase in the planned reductions in spending achieved in 2015/16 and additional funding from the Council of £1.4M to mitigate the 2015/16 and 2016/17 Public Health grant reductions.

Additional funding is also being made available from the Council to mitigate the grant reductions from 2017/18 through to 2019/20.

With the above additional funding the service will be facing a funding gap of £1.026M in 2017/18 supported from the earmarking at the end of 2016/17; rising to £1.426M from 2018/19.

In order to start to address the future year funding gaps from 2017/18 onwards the service is currently undertaking a prioritisation exercise of all public health spend against the public health framework to start to consider where the impact of the funding gap might fall. This exercise will impact across all Directorates as public health funding is used to fund services across the Council. An update report is due to go to SMT in February. This will then need to be considered alongside the Councils medium term financial position for 2017/18 onwards.

SECTION 5 - Director's Statement For Legal and Governance

Director's Statement

i. Overview

The final revised total net budget for the Directorate was £2.9M. Total net expenditure was £3.0M resulting in an overspend of £0.1M for the year.

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Outturn 2015/16 £'000	Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) £'000
Legal Services	942	1,115	173	-	173	-
Elections	470	324	(146)	-	(146)	-
Council Governance	1,547	1,638	91	-	91	-
Total – Legal	2,959	3,077	118	-	118	-

ii. Key Variances

Legal

Legal services over spent by £0.173M associated in the main with:

- Printing costs for the production of court bundles;
- Unachieved income targets; and
- External legal advice required on a number of key issues.

Elections

Elections under spent by £0.146M which is largely related to the following:

- Land Charges - New Burdens Income (-£0.320M) – This is a one off payment from the government in relation to claims for fees for personal searches of the local land charges register, interest and legal costs. The Council took a provision for these costs in previous years as there was no certainty as to whether any funding would be made available. As such this income offers a one year only benefit to the service.

This under spend has enabled a financial pressure of £0.144M associated with provision of the elections, and the need to engage an elections consultant £0.030M, to be contained within the overall resource position of the Business Unit. Some of these costs being incurred in 2015/16 will potentially reduce the need to incur some expenditure in 2016/17.

Council Governance

Council governance over spent by £0.091M as a result of the following:

- Printing Costs (£0.039M) – A delay in the roll out of providing Members with tablet devices has resulted in printing costs not being able to be reduced to expected levels per the KLOE savings target of £0.030M. In addition to this the service has printing cost pressures associated with School Appeals. The KLOE is expected to be delivered for 2016/17.

- Increase in Costs (£0.024M) – Cost increases of salaries from the point the resource envelopes were set to the final staffing structures being put in place have placed a financial pressure on the service which is being mitigated from cost reductions in other areas. This will be considered as part of the 2016/17 planning process.
- Reduction in HRA Income (£0.019M) – A reduction in income from the Housing Revenue Account (HRA) has resulted in reduced income of £0.019M.
- Various Other (£0.009M) – Various other variances across the service has resulted in a net over spend of £0.009M.

iii. Approved Savings

The Directorate has total approved savings of £0.210M to deliver in 2015/16. As set out above the KLOE associated with printing costs is not being delivered this year but is expected to be delivered in full for 2016/17.

iv. Explanation of the Movement of the Forecast Outturn Reported in December

The Directorate reported a total forecast operational under-spend of £0.1M as at the end of December compared to the final actual operational over spend of £0.1M. This represents a movement of +£0.2M as set out in the table below.

<u>Legal Services</u>	Dec 2015 reported position £M	Final Outturn Position £M	Variance £M
Legal Services	0.0	0.1	0.1
Elections	-0.2	-0.1	0.1
Council Governance	0.1	0.1	0.0
Total	-0.1	0.1	0.2

The key movements are in relation to

- Additional external legal advice required in relation to a number of key issues; and
- Additional legal costs incurred in 2015/16, which should result in reduced costs in 2016/17.

v. Summary of Earmarking Requests

There are no proposed earmarkings.

vi. Future Outlook

Work is ongoing to consider how to balance a number of minor financial pressures across the Directorate for 2016/17.

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

The Directorate has identified a number of specific pressures moving into 2016/17, which have been reported into SMT as follows:

Elections

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

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

Legal Services

- Additional staffing costs associated with high level commercial and related advice and a significant increase in requirements associated with child protection work is likely to place a financial pressure of £0.108M on the service. These costs will be considered as part of the ongoing service and financial planning process.

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

Director's Statement

i. Overview

The final 2015/16 revised net budget for the Directorate was £11.3M. In overall terms the Directorates final position was an operational underspend of £0.1M. This figure is made up of an under spend of £2.1M offset by proposed earmarking's of £2.0M, which have either been previously approved or represent slippage in planned schemes that require completion.

In high level terms the operational underspend of £0.1M is largely related to vacancy management within the Finance, IT and Procurement business units (£0.3M) offset by an overspend of £0.2M in the Asset's business unit which related to the costs of maintaining the Council's premises pending closure.

The proposed earmarking's of £2.2M are predominantly related to:

- IT under spend of £0.489M earmarked for future year investment in the Councils IT infrastructure;
- Building Schools for the Future (BSF) balance of funding of £1.278M which is required to fund the overall funding model for BSF over a 25 year period; and
- Finance under spend of £0.250M to manage the impact of a reduction in Council Tax and Housing Benefit administration grant in 2016/17 and to mitigate the transition of Housing Benefit to DWP.

A summary of the final Directorate position by business unit is shown in the table below:

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Projected Net Outturn 2015/16 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) * £'000
Assets	(22,737)	(23,839)	(1,102)	1,278	176	-
Information Technology	7,680	7,209	(471)	489	18	-
Finance	3,461	3,034	(427)	250	(177)	-
Procurement	309	208	(101)	-	(101)	-
Total - Finance	(11,287)	(13,388)	(2,101)	2,017	(84)	

ii. Key Variances

Assets

Building Services (£0.443M) – Building Services over spent as a result of the costs of maintaining the Councils building stock. This is related to inflationary cost pressures associated with utilities that have increased costs over the last few years together with the costs of maintaining buildings earmarked for closure but have yet to be closed.

Mail / Printing (-£0.274M) - The above over spend in Building Services has been mitigated by an under spend as a result of efficiencies delivered in the Mail and Printing service. Consideration will be given to adjusting the budgets in 2016/17.

Various Other (£0.007M) – Various other minor over spends amount to £0.007M.

Information Technology

IT under spent by £0.471M as a result of staff vacancies resulting from the significant staffing re-structure undertaken throughout 2015/16. This is to meet a budget reduction of £2m in 2016/17 following the service coming back into the Council from Bull. A sum of £0.489M has been proposed for earmarking to address some significant issues in terms of the current IT infrastructure and the need to replace it to make it fit for purpose moving forward. This was reported to Cabinet at Quarter 3

Finance

Finance under spent by £0.427M largely relating to part year vacancies resulting from the time taken to fully recruit to the new structure and ongoing high turnover of staff compared to previous years. A sum of £0.250M of this underspend is proposed for earmarking to manage the impact of a reduction in Council Tax and Housing Benefit administration grant in 2016/17 and to mitigate the transition of Housing Benefit to DWP, pending the implementation of the forward plan for 2020.

Procurement

The Procurement service under spent as a result of part year staffing vacancies, associated with difficulties in terms of recruiting to the new posts following the Future Council restructure. A revised operating model and recruitment process is due to commence shortly.

iii. Approved Savings

The Directorate had total approved savings of £2.840M to deliver in 2015/16. These have all been delivered in full.

iv. Explanation of the Movement of the Forecast Outturn Reported in December

The Directorate reported a total forecast operational under-spend of £0.3M as at the end of December compared to the final actual operational under spend of £0.1M. This represents a movement of +£0.2M as set out in the table below.

<u>Assets, IT and Finance</u>	Dec 2015 reported position £M	Final Outturn Position £M	Variance £M
Assets	0.0	0.2	0.2
Information Technology	0.0	0.0	0.0
Finance	-0.2	-0.2	0.0
Procurement	-0.1	-0.1	0.0
Total	-0.3	-0.1	0.2

Whilst there are variances within the individual service areas above, the key movement in the bottom line final position from forecast was in relation to the following:

- Assets (£0.2M) – Significant work has been undertaken to re-establish the baseline income and expenditure positions across all Council premises. This work hadn't been completed as at the end of Quarter 3 and hence the forecasts were based on the previous planned spend positions. The actual position was £0.2M worse than reported at that time.

v. Summary of Earmarking Requests

Cabinet Approved / Statutory Items (£1.278M)

- Assets (£1.278M) – Balance on the BSF funding model required as part of the overall 25 year funding model.

Slippage/Requests for Investment (£0.739M)

- IT (£0.489M) – Under spend earmarked against requirement to review and replace a significant amount of the Council's IT existing infrastructure ensuring it is fit for purpose moving forward; and
- Finance (0.250M) – System requirements associated with managing through the impact of a reduction in Council Tax and Housing Benefit administration grant and the transition of Housing Benefit to DWP.

vi. Future Outlook

A detailed review is being finalised across the Council's portfolio of properties to consider the costs of operating the various properties and the income levels where these are subject to rental charges. This will inform financial planning moving into 2016/17 and beyond.

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

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

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

Director's Statement

i. Overview

The final 2015/16 revised net budget for the Directorate was £6.0M. In overall terms the Directorates final position was an operational balanced position. This figure is made up of an under spend of £0.6M offset by proposed earmarking's of £0.6M, which have either been previously approved or represent slippage in planned schemes that require completion.

The proposed earmarking of £0.6M relate in the main to:

- Funding set aside for system replacements; and
- Funding for corporate training and the leadership programme.

DIRECTORATE	Approved Net Budget 2015/16 (after Virements) £'000	Outturn 2015/16 £'000	Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (16/17) £'000
Human Resources	3,314	3,113	(201)	239	38	-
Performance	2,186	1,882	(304)	304	-	-
Communications	463	407	(56)	18	(38)	-
Total - HR	5,963	5,402	(561)	561	-	-

ii. Key Variances

The Directorate under spent during the year as a result of part year vacancies across the service resulting from staff turnover and the time taken to initially fill all the posts associated with the restructure. This under spend has been earmarked to progress a number of key requirements for the Council moving into 2016/17. In addition to this specific under spends relating to the corporate training budget and system change requirements have been earmarked in order to complete these areas of work.

iii. Approved Savings

The Directorate had total approved savings of £1.430M to deliver in 2015/16. These have all been delivered in full.

iv. Explanation of the Movement of the Forecast Outturn Reported in December

The Directorate reported a total forecast operational under-spend of £0.4M as at the end of December compared to the final actual operational balanced position. This represents a movement of +£0.4M as set out in the table below.

<u>HR, Performance and Communications</u>	Dec 2015 reported position £M	Final Outturn Position £M	Variance £M
HR	-0.2	0.0	0.2
Performance	-0.2	0.0	0.2
Communications	0.0	0.0	0.0
Total	-0.4	0.0	0.4

The key movement from December to the final position is as a result of the proposed earmarkings for the specific items as set out above. These were not included in the December position and hence the position has moved when these have been taken into account.

v. Summary of Earmarking Requests

Cabinet Approved / Statutory Items (£0.194M)

- Equality and Diversity (£0.050M) – Funding to support additional equality and diversity work associated with the Councils ongoing change processes.
- Corporate Programme posts (£0.103M) – Funding to support Corporate Programme Management requirements associated with Councils ongoing change processes.
- Health and Safety (£0.041M) – Requirement for an additional civil contingencies advisor.

Slippage/Requests for Investment (£0.367M)

- Replacement IT Requirements (£0.146M) – Balance of HR Replacement IT funding of £0.010M and funding for recruitment and safeguarding replacement system which couldn't be undertaken in 2015/16 due to IT commitments £0.136M.
- Corporate Training (£0.175M) – Balance of corporate training budget for ongoing requirements associated with the Leadership programme and other training commitments.
- Workforce Development (£0.046M) – Monies held on behalf of other Local Authorities for regional training programmes.

vi. Future Outlook

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

SECTION 8 - Commentary on Corporate/ Authority Wide Budgets

i. Overview

The total net budget for Corporate items is £54.868M broken down as follows:-

Final Outturn Position

BUDGET	Approved Net Budget 2015/16 (after Virements)	Projected Net Outturn 2015/16	Forecast Deficit / Surplus (-)	Adjustment for Slippage, Grant balances & Transfer to reserves	Operational Deficit / Surplus (-)	FYE (16/17)
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Financing	53,780	23,720	(30,060)	13,269	(16,791)	-
CDC	766	386	(380)	-	(380)	-
Levies	632	620	(12)	-	(12)	-
Corporate Items/Provisions	20,558	3,074	(17,485)	14,850	(2,635)	-
Provisions – Pension Deficit	7,734	7,365	(369)	-	(369)	-
Contributions from Balances	(28,602)	(28,602)	-	-	-	-
Total – Corporate Budgets	54,868	6,563	(48,305)	28,119	(20,186)	-

*£3.9M relates to balances arising from 2014/15 closedown.

ii. Key Variances

The net underspend on Corporate Budgets after earmarkings is £20.2M which is a combination of:-

- Capital Financing -£16.8M
- Other Corporate Budgets/ Provisions (net) -£3.4M

The variances are explained in more detail below:-

Capital Financing

The overall capital financing budget underspent by £16.8M. This was as a result of:-

- An 'in year' underspend £2.3M
- MRP adjustments £14.5M

The in year underspend was reported to be £1.0M at December. This increased to £2.3M because the Council continued to take advantage of historically low short term interest rates rather than locking into higher fixed rate borrowing. However, the Council will have to consider fixing out its debt in the near future when rates start to increase. This will push up the cost of borrowing and therefore reduce the Council's ability to generate this level of saving in the future.

As previously reported to Cabinet, the Council has also changed its MRP policy during 2015/16 realising a saving of £14.5M in 2015/16 that can be released to Strategic Reserves. A similar level of balances are likely to be released in 2016/17 until the budget saving is implemented in 2017/18 to mitigate MTFs pressures.

Financial Services continue to actively review the capital financing budget to identify further options for making savings that will benefit the Council. These include refinancing debt relating to the BSF schools scheme and the Council's current debt portfolio particularly in relation to its LOBO's.

Other One-off Corporate Items & Grants

The Q3 December report approved £14.1M of balances to be earmarked and made available to support the Council's reserves strategy. In addition a further £3.4M balances (net) have been generated on corporate budgets reflecting items such as the Civic Hall insurance claim reimbursement, additional unbudgeted grant, lower than anticipated corporate and democratic core costs and switch funding between capital and revenue budgets.

The net position of the Council's 2015/16 outturn is that £20.2M is available from Corporate budgets after earmarkings. Part of this amount is required to fund the Service overspend of £3.4M leaving £16.8M available for the Council's reserves strategy .

Corporate Resources

The Council's major sources of discretionary income are Business Rates and Council Tax. The Council's financial health is therefore very reliant upon the collection rates for Council Tax and NNDR. The following table compares actual collection rates for the year against the stretch targets that were set.

	Annual Target	Quarter 4	Variance
Council Tax	96.5%	96.01%	-0.49%
NNDR (local share)	98.0%	97.08%	-0.92%

Although Council Tax collection rates fell short of the stretch target the performance for 2015/16 represented the highest collection rate for several years, particularly encouraging given the amended Local Council Tax Support Scheme introduced during the year. This is reflective of the investment in time over the last 12 months to improve and develop processes and recovery methods. Moreover, the new methods adopted by the Council (including charging orders, new enforcement framework and bankruptcy and petitions) should ensure that the collection rate is maintained and potentially improved upon for 2016/17.

Again, although the Business Rate collection rate fell short of the stretch target (0.9% below the stretch target) the collection rate was maintained in line with last year.



The unexpected shortfall against target largely reflects the volatile nature of the business rate system; in particular the significant dependency on business cash flows. The Council had projected to receive £3.2 million of business rate income in March which would have been sufficient to achieve the 98% stretch target. Despite the teams best efforts only £2.7 million was actually collected, resulting in a £0.5 million shortfall. This is predominantly explained by timing issues on collection (due to cash flows) and permitting payment by installments over 12 rather than the historic 10 months. As at the end of April 2016 £250k of the £0.5 million expected to be received in March had been collected, again confirming the timing issues referred to above.

The team have worked hard to analyse the debt to increase our knowledge around reasons for non-payment and are in daily contact with businesses to work with them regarding payment. Next year the Council will also engage a number of debt collection agents (rather than just one) and following recent Cabinet approval now have an increased range of remedies available should tax payers choose not to pay. It is hoped that these new measures will move the performance nearer to the stretch target in 2016/17. Despite this it should be again noted that Business Rate income remains an extremely volatile income source subject to unpredictable and significant swings.

Debt Collection & Management

Bearing in mind the uncertain economic climate, it has become more important than ever to manage the Council's debtors effectively. Whilst the debt position is constantly changing as debt moves through the various stages of recovery, the table below shows that the overall arrears position at March at £22.087M, an improvement of £3.997M on the position at December and £8.380M since the beginning of the year. The position for pre-2015/16 debt has improved by some £2.209M since December and £17.650M since the beginning of the year.

Historic debt is traditionally much more difficult to collect and this quarterly improvement indicates that the measures being introduced to improve debt recovery are starting to have an effect. Nevertheless, it remains good financial management to provide for non-recovery of some of these debts and the current provision for bad debts stands at £13.4M. The Director of Finance, Assets and Information Services is now seeking approval to write off some of the historic debt amounting to £2.042M which have become uneconomical to pursue. This is summarised in the table below:-

Reported Position	Pre-15/16 Arrears £M	2015/16 Arrears £M	TOTAL Arrears £M	Bad Debt Provision £M	Write Offs For Approval £M
Opening 2015/16 Position (as at 31st March 2015)	30,467	N/A	30,467	15,357	
Total as at end of June	19.715	9.795	29.510	17.310	1,109,421
Total as at end of September	17.009	11.544	28.553	17.410	237,113
Total as at end of December	15.026	11.058	26.084	17.875	1,341,219
Total as at end of March	12.817	9.270	22.087	13.410	2,042,151
MOVEMENT (from April to March)	 17.650	9.270	 8.380	1.947	

iii. Corrective Action

The Reserves Strategy will be reviewed as part of a revised MTFS.

iv. Future Outlook

The balances and reserves position will be impacted by the changes to the revenue monitoring position and an updated Reserves Strategy will be reported in the near future