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 Executive Director – Core Services

CORPORATE FINANCE SUMMARY FOR THE 2016/17 FINANCIAL YEAR

1. **Purpose of Report**

1.1 The purpose of this report is to provide details of the 2016/17 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, Treasury Management 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 2016/17 draft revenue final accounts position be noted;**

b) **the service operational overspend of £9.847M 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 £30.790M leaving a balance of £20.943M to be transferred into the Authority's strategic reserves;**

d) **it is noted that the total strategic reserves available for investment/ budget support have increased by £2.2M since December, the MTFS and reserves strategy will be refreshed over the summer to take this into account;**

e) **agreement is given to earmark the carry forward revenue resources as identified in Sections 1 to 8 and Appendices 1,2, and 3, subject to further reports being submitted for individual approvals where necessary;**

f) **approval is given to write off historic bad debt totaling £3.061M as detailed in section 8;**

g) **approval is given to the further Invest to Grow schemes totaling £0.166M outlined at section 8 and that Cabinet notes that the £3M fund is now fully committed; and**

h) **the Executive Director – Core 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 2017 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 2016/17.

4. Overall Position for the 2016/17 Accounts

2016/17 Outturn

4.1 The Authority's overall General Fund Service outturn, prior to any earmarking of revenue resources, is an underspend of £0.741M. However, it should be noted that after adjusting this position for slippage and earmarkings, the actual service outturn is an **operational overspend of £9.847M**.

4.2 The operational overspend has been mitigated by underspends on corporate budgets and the overall position for the Council after earmarkings is a £20.943M underspend. Section 8 provides a full analysis on the final position for corporate budgets but the main variance relates to an underspend on the capital financing budget, the change in the Minimum Revenue Provision (MRP) and the receipt of one off grants such as New Homes Bonus received during the year.

4.3 The Authority's General Fund outturn can be summarised as follows:-

- A Service net operational overspend of £9.847M against Directorate budgets, after taking account of £10.588M related to the receipt of one-off grants and contributions and specific project slippage;
- A cumulative under-spend against available school balances of £3.6M although the position across centrally retained DSG budgets showed an overspend of £1.6M (mainly relating to the high needs funding block);
- An under-spend of £19.9M on capital financing costs; and
- A cumulative under-spend against corporate budgets, levies and provisions of £10.9M (after proposed earmarkings) largely resulting from one-off events during the course of the year.

DIRECTORATE	Approved Gross Expenditure Budget 2016/17 (after Virements) £'000	Approved Gross Income Budget 2016/17 £'000	Approved Net Budget 2016/17 £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000
People (exc schools)	102,051	(39,089)	62,962	69,850	6,888	1,399	8,287
Schools	113,772	(106,488)	7,284	5,054	(2,230)	2,230	0
Place	70,655	(40,752)	29,903	30,823	921	836	1,756
Communities	36,124	(18,098)	18,026	14,594	(3,431)	3,043	(388)
Public Health	9,261	(5,914)	3,347	2,499	(848)	848	-
Core Services	169,695	(169,903)	(208)	(2,250)	(2,041)	2,233	192
Service Totals	**501,558**	**(380,244)**	**121,314**	**120,570**	**(741)**	**10,588**	**9,847**
Corporate / General Items	66,386	(19,422)	46,964	13,221	(33,743)	2,953	**(30,790)**
Sub Total – Council	**567,944**	**(399,666)**	**168,278**	**133,791**	**(34,484)**	**13,541**	**(20,943)**
Housing Revenue Account			12,435	(961)	(13,396)	9,839	3,557

2016/17 Earmarkings

4.4 As in previous years, earmarking of resources to finance specific expenditure items in 2017/18 and beyond has been necessary as part of the final accounts process.

4.5 Earmarkings recommended for approval at this time fall into 3 categories
(i) earmarkings previously approved by Cabinet or required by statute;
(ii) earmarkings relating to project / scheme slippage now requiring approval; and
(iii) earmakings relating to specific investments.

4.6 These are separately listed in Appendices 1-3 with a summary given in the table below:

Summary of Earmarkings Proposed for Carry Forward into 2017-18		
	£M	**£M**
Appendix 1 - Total of Proposed Earmarkings Previously Approved by Cabinet / Statutorily Required (including School Balances)	2.230	
Appendix 2 - Total of Proposed Earmarkings Related to Grant / Scheme Slippage now requiring approval	8.431	
Appendix 3 – Total of Proposed Earmarkings related to Specific Investments	2.880	
Grand Total - All Proposed Earmarkings		**13.541**

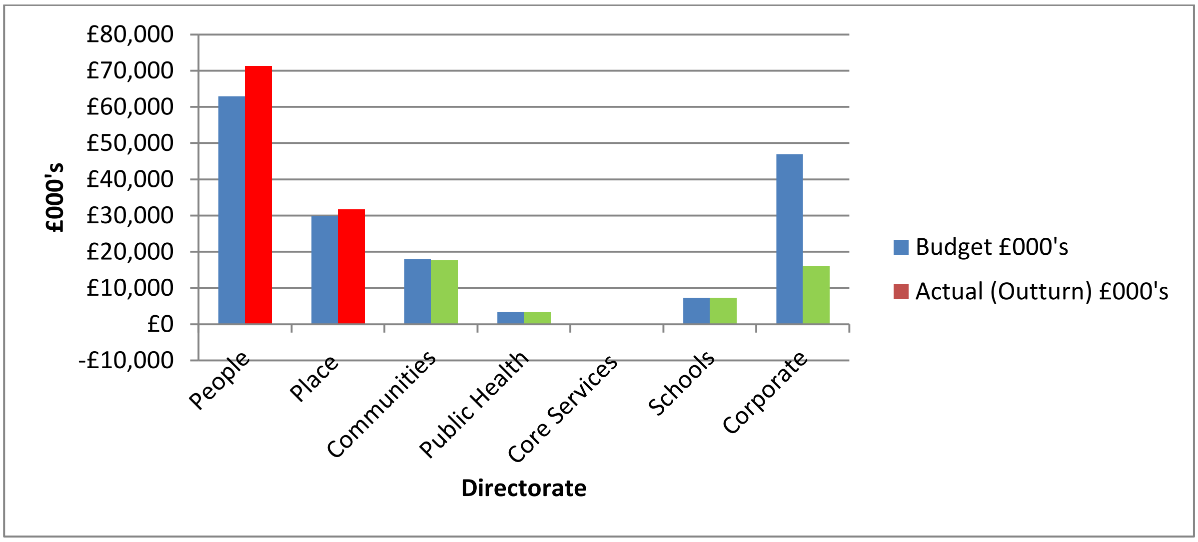
4.7 The Authority's overall 2016/17 outturn position is summarised in the table below:

2016/17 Overall Outturn Position - Summary		
	£M	**£M**
Total Service Operational Overspend	9.847	
Total Service Slippage (Grants/One-Off)	-8.358	
Total Schools Underspend	-2.230	
Total Corporate Items underspend (One-off/Unbudgeted)	-30.790	
Total Corporate Items Slippage	-2.953	
Sub-Total Underspend 2016/17		-34.484
GF Earmarkings Recommended for Approval	11.311	
Carry Forward of DSG/Other School Resources	2.230	
Sub Total Earmarkings 2016/17		13.541
Grand Total Surplus (-) /Deficit 2016/17		**-20.943**

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 (£13.541M in total as detailed in Appendices 1-3) the Authority's total net additional under-spending in 2016/17 is £20.943M.

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.

<u>Summary Directorate Position – Budget v Actual</u>



5. Delivery of 2016/17 Future Council Savings Proposals

5.1 The Council's 2016/17 (and 2017/18) budget is dependent upon the delivery of its budgeted savings proposals. The 2016/17 approved budgeted savings total is £10.917m (including undelivered KLOEs carried forward from 2015/16) with directorates achieving 84.6% delivery against target at the year end leaving an adverse variance of £1.681M. By contrast the Quarter 3 estimated position was 83.6% delivery with a £1.790M adverse variation.

5.2 The overall adverse variance is broken down as follows :-

2016/17 KLOE's only	Directorate	Quarter 1 £M	Quarter 2 £M	Quarter 3 £M	Quarter 4 £M
Waste PFI savings/HWRC	Place	0.350	0.110	0.200	0.200
Creation of transfer loading station	Place	0.140	0.140	0.140	0.140
Highways Materials	Place	-	-	0.240	0.240
Travel Training	Place	0.200	0.200	0.060	0.060
Additional income generation from selling recycled materials	Place	0.120	0.120	0	0
Contract management savings e.g. surface dressing, grit	Place	0.114	0.114	0	0
Culture – fees & charges	Place	-	0.050	0.050	0
Other proposals	Place	0.012	0.104	0.059	0
Sub Total Place		**0.936**	**0.838**	**0.749**	**0.640**
Customer Services – council interaction	Communities	0.051	0.051	0.051	0.051
Safer Barnsley restructure	Communities	-	0.050	0.050	0.050
Sub Total Communities		**0.051**	**0.101**	**0.101**	**0.101**
Sub Total 2016/17 KLOE's		**0.987**	**0.939**	**0.850**	**0.741**

2015/16 KLOE's	Directorate	Quarter 1 £M	Quarter 2 £M	Quarter 3 £M	Quarter 4 £M
Waste PFI savings/HWRC	Place	0.300	0.300	0.300	0.300
Travel Training	Place	0.140	0.140	0.140	0.140
Total Place		**0.440**	**0.440**	**0.440**	**0.440**
Cease provision of med Checks in peoples homes	People	0.200	0.200	0.200	0.200
Reduction in residential care beds	People	0.300	0.300	0.300	0.300
Total People		**0.500**	**0.500**	**0.500**	**0.500**
Sub Total 2015/16 KLOE's		**0.940**	**0.940**	**0.940**	**0.940**
Grand Total		**1.927**	**1.879**	**1.790**	**1.681**

6. Impact on the Council's MTFS

6.1 The MTFS for the period 2017-2020 reflects a broadly balanced position. However, this report has highlighted other pressures that may impact on the forecast particularly around demographic demands. Further work is required to firm up the position in relation to addressing a number of known issues / pressures relating to:-

- future demographic pressures especially in relation to Adult Social Care and the additional one off Social Care grant that the Authority has received;
- delivery of existing KLOE's especially in the Place Directorate that may still not be fully realised in 2017/18; and
- the delivery of new KLOE's in 2017/18.

6.2 It is recommended that a further report is submitted into Cabinet in the near future to determine the impact of these issues on the MTFS.

7. Impact on the Council's Reserves Strategy

7.1 The quarterly position to the end of December reported an estimated service overspend of £8.3M. This overspend has increased to a year end position of £9.8m overspent. Nevertheless the position on Corporate Budgets has resulted in a balance of £30.8M (after earmarkings) so the service overspend can still be covered and leave an available balance of £20.9M to transfer to strategic reserves.

7.2 The anticipated additional reserves generated during the year from reported underspend as at quarter 3 stood at £18.7m. As at the end of March 2017 this is now at £20.9M which adds a further £2.2M to the previously reported position.

7.3 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, identified above, which will be submitted to Cabinet for approval in the summer/ early autumn.

8. Future Outlook

8.1 The updated reserves/ MTFS position and their imminent review needs to be set within the 4 year plan, known pressures and possible further government cuts post general election in June.

8.2 Whilst there is a balanced MTFS position in place this is based on the delivery of a number of saving assumptions not least the need to deliver £15M of KLOE's. As such a future balanced position can only be delivered if Directorates take corrective action to ensure existing service gaps are eliminated in order to ensure that the next four year plan/ MTFS is deliverable.

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APPENDICES

SECTION 1 - Executive Director's Statement for People

i. Overview

The final 2016-17 approved budget envelope for the People Directorate is £70.2M and includes schools balances (£5M) brought forward from 2015/16. The actual net operational position for the Directorate excluding school / DSG balances and other carry forward resources, is an overspend of **£8.3M.**

The above position reflects adjustments of £3.6m 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 £3.5M, whilst net deficit balance of -£1.3M is reported relating to centrally retained DSG budgets and other schools related funding;

- Unutilised non-recurrent funding (£1.4M), which is envisaged would be carried forward into 2017/18 - as they mainly represent slippage on planned activities or funded programmes e.g. SEN reform grant, ICT developments, funding associated with the partnership arrangement (children and adult social care) with Barnsley CCG, etc.

The final operational outturn position represents a net overall increase of £0.8M when compared to the reported position at Quarter 3 (December 2016). 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 2017

DIRECTORATE	Approved Net Budget 2016/17 £'000	Final Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to Reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
Education, Early start & Prevention	6,848	6,256	(592)	369	(223)	-
Adult Social Care & Health	36,001	39,873	3,872	936	4,808	800
Children Social Care & Safeguarding	19,849	23,615	3,766	31	3,797	640
ED People	264	106	(158)	62	-96	-
	62,962	**69,850**	**6,888**	**1,398**	**8,287**	**1,440**
Schools	7,284	5,054	-2,230	2,230	0	-
Total - People	**70,246**	**74,904**	**4,658**	**3,628**	**8,287**	**1,440**

ii. Key Variances

Education, Early Start & Prevention

A final operational underspend of **-£0.223M** (after allowing for expected carry forward of slippage on a number of non-recurrent funding) is currently reported for the Education, Early Start & Prevention Business Unit. The following are the key budget variances for the year:

- Commissioning, Partnership & Governance (-£0.094M) – the underspend has arisen from one-off savings from commissioned short breaks contracts, which has been partly offset by unachieved traded income target from Governors Clecking activities with schools.

- Inclusion Services (+£0.209M) – the reported overspend is attributable to the increased cost of the interim management cover arrangements in place for most part of the year as well as agreed maternity cover within the team. These arrangements were necessary to provide management oversight and capacity in order to meet statutory responsibilities associated with implementing the new education, health & care plans.

- Targeted Youth Support (-£0.082M) – the underspend for this service area has mainly arisen from staff vacancy savings as well as planned reduced spend within the Targeted Youth Service.

- Early Start & Family Centres (-£0.149M) – this underspend has arisen mainly from staff turnover / vacancies and reduced operating spend across a number of the recently reconfigured family centres (a consequence of the reconfiguration of the early years / family services).

- Other variances (-£0.103M) – this is comprised of a number of reported underspends in the following service areas: school improvement / evaluation; Sufficiency; etc.

Adult Social Care & Health

An overall net overspend of **+£4.808M** is currently reported for the Adult Social Care & Health Business Unit after adjusting for the expected carry forward of unutilised health funding (due to slippage on planned activities). The overspend represents recurrent demographic pressures associated with the cost of care packages for older people and working age adults with disabilities and mental health as identified in the Council's medium term financial strategy (£3.351M).

An explanation of the significant cost pressures faced by the Business Unit are outlined below:-

- Assessment & Care (Older People) – (+£3.573M) – this overspend is a recurrent demographic / demand pressure and relates to the increased cost of care provision for older people aged 65 and above. However, an element of the budgetary cost pressure (£0.500M) is due to the ongoing effect of the non-achievement of the planned reduction in the number of admissions into residential care and cessation of homecare medication checks (efficiency targets in 2015/16).

  The overall number of Older People (aged 65+) in receipt of care and supported by the Council has reduced when compared to 2015/16, however the reduction is mainly in community based support (i.e. domiciliary care and direct payments). The number of supported older people in residential / nursing care has remained broadly stable and comparable to previous year - with admission rates into care homes in line with the corporate performance target. The objective is to reduce the rate of admissions, which is proving difficult at a time when the over 65 population is increasing.

The cost pressure in Older People is mainly attributable to the increased number of high cost care packages and people with complex needs being admitted into residential / nursing care (although this is slightly offset by reduced cost of community based support provision due to fall in numbers). The number of high cost placements in care / nursing homes, where one-to-one supervision is required to manage challenging behaviours is increasing – a consequence of the ageing population and people living longer. The average unit cost of residential / nursing care placement (£0.015M) has increased by 10% (after adjusting for inflationary increase) compared to previous year. The increased number of these high cost placements is exerting pressure on the Older People care cost budget.

- Assessment & Care (Disabilities) (+£1.117M) – this overspend is a recurrent demographic pressure from 2015/16 within the learning and physical disabilities care provision budgets. Whilst the number of people with disabilities supported in residential / nursing care has remained stable / consistent during the year, there has been a noticeable increase in the number and cost of provision for adults supported in the community (e.g. supported living). The overspend reflects the increasing cost of meeting the complex and multiple needs of people with disabilities including those transitioning into Adults services, particularly young people with autism and challenging behaviour requiring intensive support in the community. The cost pressure has been slightly negated through increased health contributions in the year and reflects intensive effort / work undertaken by the Business Unit to maximise the following health income: continuing health care, free nursing care, S117, etc.

  The increased demographic cost has been exacerbated by the non-achievement of the planned efficiencies (£0.800M) from the learning disabilities transformation programme. This is due to slippage of the new procurement contract for the supported living service and the development of Enablement services (for transitioning young people). Both elements of work are expected to come on stream in 2017/18.

- Assessment & Care (Mental Health) (+£0.344M) – the year end overspend reflects the ongoing 2015/16 pressure against the MH care budgets due to a small but steady increase in the number of high cost care placements (full year effects of last year placements plus new admissions). It should be noted that efforts are continuing in reviewing these high cost placements (through the use of the care funding calculator) to ensure value for money as well as maximising funding contributions from health towards care costs e.g. s117 funding.

- Assessment & Care (Other Working Age Adults) (+£0.480M) – this reflects the overall year end positions across a number of service areas including Professional Support; Transitions; and the Emergency Duty Team (EDT). Whilst there is a reported cost pressure in the EDT team (+£0.65M), the net overspend mainly relates to Deprivation of Liberty Safeguards (DoLS). This is attributable to the fallout of the 2015/16 grant funding and the planned increase in staffing capacity (Best Interest Assessors and business support) to deal with the backlog and expected increase in number of reviews / assessments. The overall net position has been offset by staff vacancy savings (-£0.103M) within the Transition team.

- Better Care Fund (-£0.548M) – the total Better Care Funding assumed within ASC budget for 2016/17 is £9.9m and includes £0.7M to cover ongoing commitments of the new burdens under the Care Act. The above underspend represents the element of the BCF care act monies that was uncommitted in 2016/17 – and was set aside to cover the cost pressure relating to the increase staffing capacity in DoLS.

- Adult Joint Commissioning (-£0.158M) – an underspend is currently reported for the Commissioning Unit due to staff vacancies and turnover within the Unit.

Children's Social Care & Safeguarding

A year end overspend of **£3.797M** is reported for the Children Assessment and Care Management Business Unit (a reduction of £0.3m compared to the reported position for Q3). The following are the main variances for the year:

- Children in Care (+£3.145M) - this net overall financial pressure for the Children in Care service is mainly attributable to Looked After Children (LAC) placement costs (£3.3m), which has been slightly offset by underspends e.g. Newsome Ave respite home. The year-end position represents a reduction of £0.1m when compared to the Q3 position.

  The LAC placement cost pressure of £3.3m exceeds the estimate assumed in the refreshed sufficiency strategy and in the Council's MTFS i.e. £2.9m. There have been some fluctuations during the year in the number of children coming into care, however it appears to have stabilised below 300 (LAC numbers as at the end of March 2017 is 291 – which is a reduction to the 292 reported for Q3). The year-end LAC number is consistent with the average number for the year (290) assumed in the updated placement strategy and reflects concerted actions by the Business Unit to manage numbers in an effective and safe manner. It should be noted that Barnsley's LAC numbers still remains significantly below those for our statistical neighbours and the Y&H regional average. However, the picture nationally is one of increasing demand on children social care, with increased numbers of children on protection plans and a rise in the number of children going into care. The following are the key financial issues in relation to the LAC placement strategy for the year:

  1. LAC number has reduced during the year, and is particularly evident in the number of placements in external independent fostering agencies which has reduced from 106 at Q2; 89 in Q3 to 84 in Q4.

  2. An increasing trend in the number of in-house foster carers is becoming evident – 133 as at March 2017 compared to 127 reported at Q3, although still short of the target within the strategy.

  3. Spend on residential care for the year is significantly higher than planned - this is due to a small number of high cost placements (e.g. secure accommodation), which are by their nature are unpredictable and a reflection of exceptional complex needs. It should be noted that there are no secure accommodation placements as at March 2017.

  4. Good placement planning has resulted in the effective use of the council's in-house residential provision (negating some of the impact of high cost placements).

  5. The increase use of Independent Fostering Agencies (IFAs) as opposed to in-house foster carers still continues to be an issue (compared to the targets assumed in the sufficiency strategy). The strategy assumes circa 60% of the LAC population would be placed in BMBC foster carers (corporate indicator); actual performance for Q4 stands at 46% (43% in Q3).

- Assessment & Care Management (+£0.397M) – represents recurrent pressure due to legal fees / court costs arising from legal proceedings necessary to safeguard children. Whilst the outturn is an improved position compared to the reported Q3 forecast, nevertheless it does not reflect the expected cost reductions from the actions put in place by the Council's Legal services. Legal Services have reconfigured the child care legal team and revise the approach to the management of that team to ensure that more advocacy is delivered in house. The expectation is that this would significantly reduce the cost of Counsel's fees to Children's Social Care and Safeguarding by 50% over a two year period (25%+ within this plan period).

- Assessment & Care – Other Costs (+£0.173M) – this reported cost pressure is mainly attributable to the following; staff travelling / mileage costs; printing/ stationery; s17 payments and accommodation costs (location of locality teams in LIFT PFI funded buildings). The above cost has been negated by staff turnover savings during the year. The Business Unit has successfully implemented the recruitment strategy, which has minimised the use of agency staff across all assessment & care teams (there are no agency staff in posts at the end of March 2017). This has enabled the service address the significant agency staff cost pressure incurred in 2015/16.

- Leaving Care costs (+£0.244M) - an overspend is currently reported due to increased costs (s24 payments, supported accommodation, etc.) for care leavers and young people presenting as homeless. This is a recurrent cost and is reflective of the final year reported positon for 2015/16.

- Other cost variances (-£0.163M) – comprised of underspends in the following services Education Welfare service (-£0.068M staff vacancy savings / traded income); Children Disability & Short Breaks service (-£0.058M increased contribution from the Health service towards care packages) and the Service Director management (-£0.034M unplanned ICT refresh funding / income).

Schools

The final approved schools DSG budget for 2016/17 totals **£108.2M**, comprised of actual Dedicated Schools Grant funding of £107.2M (as confirmed by DfE in March 2017) and the Council's base budget contribution of £1.0M. The above excludes budgets relating to schools that have converted to academies (35 schools in total). The budget delegated directly to maintained schools to manage is £93.7m, with the balance i.e. £14.5m managed centrally by the Council on behalf of schools. The above excludes the surplus schools balances carry forward from 2015/16 and other grant funding to schools such as pupil premium grant, post 16 funding, etc.

Delegated schools' budgets:

Total funding delegated to maintained schools for the year is **£93.7M** and comprises of elements allocated to individual schools through the local schools funding formula, as well as high needs and early years funding. Final year position across all schools showed a surplus balance of **£3.6M** for the current financial year, an increased compared to the reported position for 2015/16. This is in spite of the financial challenges faced by schools. The 2016/17 schools surplus balances is made up of

- Primary schools £2.2m
- secondary schools £1.4m

The above position includes 3 schools with reported year end deficits – Penistone Grammar school (-£0.145M); Hunningley Primary (-£0.041M); and Hoylandswaine Primary (-£0.020M). It should be noted that the reported deficits are planned and already agreed with the Council (with agreed recovery plans in place to manage the deficits over a set timeframe). Work will commence with schools to review the surplus balance positions with a view of ensuring that balances are within the 5% carry forward guideline limit.

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 net financial position across all the centrally retained DSG budgets showed an overspend of £1.6M, primarily relating to the high needs funding block. The following are the key cost pressures within the centrally retained budgets;

- External SEN placements (+£1.7m) – an overspend is reported against the out of authority SEN placements budget and is a significant increase from the cost pressure reported in 2015/16 (+£0.6M). The increased overspend is a consequence of the increased number of high needs pupils / learners placed in external specialist institutions / schools mainly due to lack of places within the authority. In some cases the complex / challenging needs presented by such pupils can only be met in particular specialist institutions outside the borough;

In the event of an overspend on the central expenditure component of the schools' budget, the local authority is allowed to carry forward all the overspend to the following year or the year after that (unless it chooses to fund such overspend from its general resources). Any carry forward will represent the first call on DSG resources in the following year (subject to approval of the Schools Forum).

iii. Approved savings position

The approved 2016/17 savings target for PEOPLE directorate totals £2.469M, and excludes undelivered savings carried forward from 2015/16 totaling £0.500M. The gives a revised savings target of £2.969M comprised of the following.

- Reconfiguration of Early Childhood Provision £2M;
- Reconfiguration of Integrated Adolescent Support Service £0.150M;
- Contract management related savings (e.g. Young carers, short breaks) £0.119M;
- Independent Living at Home reduction in contract value £0.200M
- Undelivered savings from 2015/16 made up of: reduction in residential care beds (£0.300M) and cessation of medication checks in homecare provision (£0.200M)

All 2016/17 approved savings proposals have been fully delivered in the year, with the exception of the carry forward savings from 2015/16.

iv. Explanation of the movement of the forecast outturn position reported in December 2016 and March 2017

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 below refers).

	Dec 2016 forecast Variance £'000	Mar 2017 Outturn Variance £'000	Change £'000
Education, Early Start & Prevention	-134	-223	-88
Adult Social care & Health	3,473	4,809	1,335
Children social care & Safeguarding	4,094	3,797	-297
ED People	79	-96	-175
	7,512	**8,287**	**775**

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

<u>Education, Early Start & Prevention</u>
The change from Q3 is mainly due to movements in the outturn positions, particularly in early starts & family centres and targeted youth support service;

<u>Adult Social Care & Health</u>
The change from Q3 can be explained by changes in cost of care packages and costs of 'new' clients or care packages not reported / captured in the Q3 forecast due to profiling of spend / payments. It should be noted that the change to commitment forecasting / reporting should address such variation in forecast spend..

<u>Children Social Care & Safeguarding</u>
The variance from Q3 is attributable to the following: (1) reduced spend on inter-agency adoption fees than previously forecast / reported £65k (2) unanticipated DfE adoption grant funding received in the last quarter; (3) level of legal fees charged to the business unit was less than forecast in Q3 (£70k); and (4) unanticipated savings released by ICT to children social care for the refresh of IT equipment (de-commissioning of wintern). It should be noted that the outturn position for the LAC placement budget is as reported in Q3.

v. Summary of Earmarking Requests

Cabinet Approved / Statutory Items (£2.230M)

The earmarking proposals put forward under this category relate to the use of the dedicated schools grant funding as follows:

- Year-end school surplus balances (£3.582M);
- Deficit balance on the centrally retained DSG budgets (-£1.625M); and
- Other schools devolved grant funding e.g. pupil premium grant (£0.273M).

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 (£1.398M)

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. <u>CCG Funding transformation funding (£0.850M):</u> - this amount comprised a number of funding allocations provided by the CCG to be set aside for 2017/18 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. Early years ICT projects (£0.116M): - earmarking relates to a number of urgent ICT commitments across the early start / family centres service as follows: works to servers/network and replacement of IT kit that should have been completed by March 2017 but was deferred; upgrade to the capita system to address the headcount requirement of the new additional 15 hours childcare entitlement; planned ICT refresh of the disabled children register and family service directory.

3. Inclusion services – high needs strategic planning funding (£0.097M): - funding provided by the DfE to fund the strategic review of the council's high needs provision. Funding is to be used to fund capacity to undertake this review and to publish the outcome of the review in the form of strategic plans.

4. Funding for transforming care – (£0.073M): - balance of funding provided by the CCG to adult social care for the following (1) £0.048M increased staff capacity within assessment & care disabilities to support the delivery of the new supported living service model as part of the LD transformation programme; (2) £0.025M funding slippage for enhanced capacity within the joint commissioning unit to manage and undertake the Care and Treatment Review process (transforming care programme).

5. S75 children services partnership funding – (£0.062M): - represents slippage on the use of funding available for jointly commissioned children services (with health).

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 main financial risk for the Business Unit in 2017/18 mainly relate to the potential reduction / fallout of government grant funding, particularly the Education Services Grant (ESG) and the Youth Justice Board (YJB) funding. It should be noted that the anticipated cessation of ESG funding has been addressed by the Council through the MTFS process.

Adult Social Care & Health

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

Children social care & safeguarding

A FYE recurrent cost pressure of £3.6m is currently forecast for 2017/18, which is mainly attributable to the LAC placement and care leavers costs. This is an increase of £0.6m compared to the cost pressure assumed in the Council's MTFS and outlined in the refreshed Placement Strategy.

SECTION 2 - Executive Director's Statement for Place

i Directorate Overview

The final 2016/17 approved budget envelope for the PLACE Directorate is £29.903M. Actual net expenditure for the Directorate of £30.823M resulted in an over-spend against approved budget of £0.920M. However, this excludes slippage of grant funding and other resources of **£0.836M**, meaning that the actual operational position was an overspend of **£1.756M**.

In summary this was a result of:

- The increased demand for the statutory Home to School Transport Service and Waste Disposal Service (£0.798M)
- Delayed/Non delivery against 2015/16 and 2016/17 KLOE targets (£1.090M), however the Directorate is in the process of mitigating this with alternative savings moving forwards.
- a shortfall in the income from the sale of recyclable materials and other service pressures (£0.480M).
- A trading overspend by Construction Services (£0.570M).

The above has however been offset in part as a result of:

- Savings achieved by Construction Service following the introduction of LED Street Lighting (-£0.346M).
- Savings achieved on the Mi Card and Zero Fares schemes (-£0.299M)
- Vacancy management and other one-off savings (-£0.707M).

The proposed earmarking's of **£0.836M** relate to:-

- Slippage of grants and contributions funding work that will not take place until 2017/18 (£0.688M). This includes funding from our South Yorkshire partners for the Superfast Broadband project (£0.227M), grants provided on an academic year basis from the Skills Funding Agency, Arts Council etc. towards the Employment & Skills Service (£0.373M) and other minor grants and contributions totaling £0.088M.
-
- Funding slippage of £0.148M including the continued funding of the Illicit Tobacco post in Regulatory Services.

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.

DIRECTORATE	Approved Net Budget 2016/17 £'000	Final Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to Reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
Executive Director	244	203	(41)	45	4	-
Economic Regeneration	3,531	2,850	(681)	645	(36)	-
Culture, Housing and Regs	1,563	1,307	(256)	136	(120)	-
Environment & Transport	24,565	26,463	1,898	10	1,908	283
Total Place	**29,903**	**30,832**	**920**	**836**	**1,756**	**283**
Housing Revenue Account	12,435	(961)	(13,396)	9,839	(3,557)	

Detailed Service Analysis

Economic Regeneration

Business Unit 4 had an operational underspend of -£0.036M in 2016/17, a reduction of £0.043M from the position reported as at the end of December (-£0.079M). In the main, this is as a result of the decision to fund expenditure incurred on the local plan examination from the underspends achieved in Planning and Building Control.

The key variances are highlighted below:

- Employment & Skills
  At the start of the financial year the service reported potential cost pressures totaling £0.261M arising from the cost of running the Authority's Resource Centres and the additional accommodation costs associated with the move into Wellington House. These pressures have been managed during the year and subject to the approval of the earmarkings mentioned below, the service will return a balanced budget position.

- Building Control (-£0.111M)

  Building Control had a successful trading year generating an additional -£0.062M in fee income. In addition, the service delivered savings in staff turnover and other operational running costs of -£0.049M.

- Development Management (-£0.058M)

  The budget for Planning application fees was increased by £0.050M in 2016/17 as part of the Future Council savings proposals. Fee income levels at the start of the financial year were significantly down on the comparable period in 2015/16 and as a result a forecast at the end of Quarter 3 of £0.049M was reported. However, following impressive income levels during the winter months the financial position was turned around and a budget surplus of -£0.062M was achieved. In addition, savings on staff turnover (-£0.031M) would partly offset the earmarking recommended below (£0.035M).

- Planning Policy (£0.190M)

  This overspend is the result of the decision to fund expenditure on the Local Plan Examination in Public from the under spends achieved by the rest of the service rather than use the resources earmarked within the Jobs and Business Plan.

- Other savings across the Business Unit

  Finally, other minor savings totaling -£0.057M were achieved. These savings were generated by the operation of the Council's District Markets (-0.012M), additional income generated in the town centre (-£0.022M) and other turnover and overhead savings across the business unit (-£0.023M).

Proposed Earmarkings

The Business Unit generated a surplus of -£0.681M before earmarkings. It is requested that £0.645M of this underspend be earmarked as detailed below:

- Contributions from the South Yorkshire Authorities used as match funding for the Superfast Broadband Project. (£0.227M)
- Employment & Skills - Grants funding received from (SFA/EFA/ACE) as this funding is managed on a academic year basis (£0.373M).
- Planning – Neighbourhood Plan Grant. Slippage of expenditure into 2017/18 (£0.010M).

- Planning – Slippage of technical refresh of ICT equipment (£0.015M)
- Planning – Slippage of fees relating to a planning appeal lodged in 2016/17 (£0.020M).

If these earmarkings are approved the operational surplus will be reduced to -£0.036M.

Culture, Housing & Regulation

Business Unit 5 generated an operational underspend of -£0.120M in 2016/17. This is an improvement on the third quarter monitoring position where a balanced budget was reported. Detailed variances are explained below:

- Culture & the Visitor Economy (£0.090M)

  The service over spent by £0.090M in 2016/17. This compares to a projected overspend at the end of Quarter 3 of £0.111M. The main reason for this is the continued difficulties faced by Cultural Services in meeting its commercial income target during the financial year. The year end position showed a shortfall against budget of £0.174M compared to a forecast outturn of £0.161M. It became increasingly obvious during the year that the income target was not realistically achievable and would represent a permanent cost pressure on the service moving forwards. Therefore, steps have been taken to address this in setting the 2017/18 budget by permanently reducing the income target. In addition to this there was a shortfall in the income generated by the Council's Golf course of £0.039M. These income shortfalls were partly offset by staff savings across the service (-£0.141M).

- Housing & Energy (-0.052M)

  Housing & Energy had an operational underspend of -£0.052M compared with a reported outturn of -£0.029M at the end of Quarter 3. The under spend was the result of staff turnover savings (-£0.066M) and savings on running costs (-£0.013M) being partly offset by a reduction on the income recharged to the HRA (£0.027M).

- Regulatory Services (-£0.130M)

  The outturn includes a shortfall in license fee income of £0.049M. This is the result of the introduction of 3 year taxi licenses at a discounted rate and the requirement to issue part refunds of historic Sex Shop License fees following a court case. This income shortfall was covered by staff vacancies across the Service (-£0.133M) and savings on overheads (-£0.046M).

Proposed Earmarkings

The Business Unit generated a surplus of -£0.256M before earmarkings. It is requested that £0.136M of this underspend be earmarked as detailed below:

- Housing & Energy – Slippage of fees on solar farm project (£0.010M).
- Housing & Energy – Slippage of Pioneer grant funding (£0.025M) associated with the fuel poverty scheme.
- Sport – Slippage of ASOS contributions to the Passport to Leisure Scheme (£0.018M).
- Culture – Slippage of funding earned by the Museums Learning Service which is required as match for ACE and DFE grants in 2017/18 (£0.025M).
- Bereavement – Funding to progress the development of a pet crematorium (£0.058M).

If these earmarkings are approved the operational surplus for the Business Unit will be reduced to -£0.120M.

Environment & Transport

Environment & Transport over spent by £1.908M during the year compared with a forecast overspend of £1.522M at the end of the third quarter. This revised outturn position is discussed in detail below:

- Commercial & Operational Services Support

  Commercial & Operational Services Support overspent by £1.311M in 2016/17 in line with the third quarter projection. This overspend was as a result of:

- Contracts Management (£1.163M)

  There has been a slight improvement in the projected overspend within Contract Management since Qtr 3. As previously reported this over-spend relates in the main to a shortfall in the income from the sale of recyclable materials (£0.278M) as a direct consequence of the suppression of the national and global prices for glass, metal and plastics and the continued and forecasted reduction in tonnages from the kerbside collection of paper, together with an additional cost of waste disposal as a result of an increase in the boroughs homes.

  In addition to the above there has been a delay in the delivery of £0.640M savings as reported at Qtr3. A follow up report has since been presented to Cabinet on proposed future mitigations to this position moving forwards.

- Purchasing & Supplies (£0.101M)

  This overspend is due in part to the one-off costs associated with concluding the repair and maintenance programme for the main depot building outside the responsibilities of the Assets Business Unit.

  In addition the service was exposed to the unforeseen costs associated with exposing the base of the on-site electricity pylon as mandated by Northern Power Grid. This work included the hire of equipment to excavate and sort material in to a product which can now be sold. The approach taken to recycle and reuse this material resulted in the service mitigating the cost of the activity by around £75,000.

- Operations, Recycling, Neighbourhoods & Transport

  The service overspent by £0.550M in 2016/17 an increase of £0.093M when compared to the third quarter projection of £0.457M. Key variances are explained below.

- Operational management (-£0.067M)

  This underspend relates to the vacant Head of Service position. At the beginning of the financial year the saving was partially offset by the employment of an interim consultant. Recruitment activity has yet to be successful for this position.

- Transport (£0.841M)

  The Transport division overspent by £0.841M in 2016/17 compared with a third quarter monitoring forecast of a £0.676M deficit.

  This overspend is the result of a continued increase in demand for Home to School Transport and the non-delivery of efficiency savings associated with Travel Training (£0.225M). Over the past 2 years the function has seen a 37% increase (an additional 148 pupils) in the number of users accessing the Home to School Service, with a further increase of 16 users from the position reported at Quarter 3. This significant increase in demand which is outside the control of the business unit has been partially mitigated in 2017/18 through the Medium Term Financial Strategy.

To further mitigate this additional cost the service has concentrated its efforts on reducing demand for expensive taxis and escorts;
challenging and educating schools about what journeys are reimbursable;
reviewing all existing routes to aggregate and reduce the numbers; and
seeking to travel train a cohort of children. Unfortunately, the savings achieved to date have been limited due to a lack of support from key stakeholders (parents and schools) resulting in pressure to re-instate journeys.

However to counter this the revised Travel Assistance policy has been drafted which will complement a new procurement framework. The policy and the framework will provide a wider choice to parents, increase indpendence, increase competition between private hire companies, reduce the number of journeys and deliver a lower cost per route thus providing a more sustainable service

- Fleet (-£0.086M)

  The end of year position for Fleet Services (-£0.086M). This outturn reflects an overspend on vehicle maintenance costs of £0.452M which is partly offset by additional fee recharges of -£0.246M.

  There was a further saving on operating lease rentals of -£0.288M resulting from the decision to purchase 15 of the old refuse collection vehicles in 2015/16. A procurement exercise for replacement vehicles is currently ongoing to reduce the prices previously paid 18 months ago. Delivery will hopefully commence from August.

- Neighbourhood Services (-£0.085M)

  The underspend with Neighborhood Services at the end of the financial year was as a result of holding vacant posts within the division together with reducningf the cost of materials and other overheads. This however was offset by the loss a reduction in environmental work commissioned by Berneslai Homes (£0.170M) as reported in Qtr3.

- Waste Collection (-£0.040M)

  The Waste Collection service showed a positive outturn position for the financial years. However, within this outturn there was an increase in the cost of repairs for the Council's refuse collection vehicles due to the vehicles being used to the point of their economical repair. This additional expenditure was offset by savings on fuel due to lower oil prices and additional income earned from special collections and the delivery of replacement bins.

Highways, Engineering & Transportation

Whilst the service overall reported an underspend of -£0.140M, there has been a significant movement (£0.379M) when compared with the position reported at quarter 3. This movement was in the main within the Construction Division as explained below:

- Construction (£0.494M)

  The Construction Division overspent by £0.840M (gross) in 2016/17 compared to a third quarter monitoring position of £0.190M. This overspend is a direct consequence of the lack appreciation with the division of how costs, specifically sub-contractor costs, are offset against income in the financial envelope. An all-encompassing review of the systems and procedures within the division has subsequently commenced. This review will consider current charging methods for work undertaken to ensure that the total cost is fully recovered whilst ensuring value for money is undertaken.

However, to offset the above during the year the Division successfully updated its inventory of 20,000 street lights following the major replacement programme to introduce energy efficient LED lights. As at Quarter 3 it was forecast that this replacement program would deliver energy savings in the region of around -£0.100M per annum. Following negotiations with the Council's energy supplier (NPower), a revised calculation of cost savings on energy has since been undertaken. The year-end position therefore reflects this position, with annual savings in the region of -£0.346M being estimated. The final net out-turn position for the Construction division therefore stands at overspend of £0.494M

- Highways, Engineering & Transportation – Management (-£0.382M)

  The saving reflects an underspend on the Council's contribution to the Mi Card scheme (-£0.199M) due to lower usage of the card and the grant received from Central Government towards the zero fares policy (-£0.100M). In addition, savings have been achieved on the vacant Head of Service post (-£0.055M).

- Design & Transportation (-£0.252M)

  The final position for 2016/17 shows an improvement of -£0.042M to the one reported at the end of Quarter 3 (-£0.210M). This underspend relates mainly to staff vacancies held through the year (-£0.218M) and an overachievement of the fee income (-£0.024M).

Proposed Earmarkings

It is requested that £0.010M be earmarked in reserves to cover slippage in the Eco Stars grant.

iii Explanation of the Movement of the Forecast Outturn Position Reported in December 2016 and March 2017

The movement between the forecast operational underspend now reported compared to the under-spend reported in December 2016 is shown in Table 3:

Table 3 Place	Dec 2016 Reported Position	Final Outturn Position	Variance
	£'000	£'000	£'000
Directorate Management	0	4	4
Economic Regeneration	-79	-36	43
Culture, Housing & Regulatory Services	0	-120	-120
Environment & Transport	1,522	1,908	386
Operational Underspend	**1,443**	**1,756**	**313**

The total outturn predicted in December was an operational over-spend of £1.443M compared to a final overspend of £1.756M. The movement of £0.313M was as a result of the following:-

- The movement in Economic Regeneration is as a result of the decision to fund the expenditure incurred on the local plan from the increased underspends achieved by Building Control and Development Management via staff turnover and the generation of additional fee income.

- The movement in Culture, Housing & Regulatory Services was due to savings achieved on IT, Training and other running costs across the service ;

- The movement in Environment & Transport was due to the increased cost of Home to School Transport and a worse than anticipated outturn for Construction Services. This was offset in part by savings achieved in Highways Maintenance and Contracts Management.

iv Forecast Efficiency – Performance v Target

The Directorate savings target for 2016/17 was £2.668M with undelivered savings carried forward from 2015/16 totalling £0.720M giving a revised saving target of £3.388M. The final position was that £1.090M was not delivered during the financial year. This related to:

Waste PFI - £0.500M

The original saving was £0.600M over 2 years was based on opportunities to increase income from the sale of spare capacity in the facility (0.400M) and other VFM opportunities. The current position is that tonnages have not reduced to the expected levels and therefore costs to date have not reduced: also only £0.100M loyalty payment has been achieved. The service will continue to work with partners to persue savings through the contract.

Travel Training - £0.200M

The original saving of £0.225M was based on training 150 clients to travel to care providers independently. Currently only 11 clients have been trained.

Transfer Station - £0.140M

This saving was based on the provision of facilities to transfer waste more efficiently resulting in savings on transport costs, income from recycling highways waste and potentially sale of the service to commercial waste businesses. Delays have been experienced due to site investigation works. It is expected that the station will be delivered during 2017/18, subject to overcoming any practical issues associated with delivery, for example statutory licenses, with savings exceeding the original £0.140M target.

Highways Materials - £0.240M

The service is currently working with procurement and investigating with adjacent districts any opportunities to achieve savings through economies of scale approach for materials.

The Directorate is currently in the process of identifying a number of mitigating proposals to ensure that the savings identified above are delivered in full moving forwards.

v. Summary of Earmarking Requests

Slippage/Investments (£0.836M)
In addition to the above the following earmarking's are requested

a) An earmarking of £0.045M is required to continue funding of the Illicit Tobacco post in Regulatory Services ;
b) £0.227M slippage in contributions from the South Yorkshire Authorities towards the Superfast Broadband scheme;
c) £0.373M slippage in grant funding (ACE/SFA/EFA) awarded to the Employment & Skills Service;
d) £0.010M slippage of Neighbourhood Plan grant into 2017/18;
e) £0.015M, slippage of the Technical Refresh of IT equipment in Planning;
f) £0.020M is required to fund fees relating to a Planning Inquiry relating to an appeal lodged in 2016/17;
g) £0.010M is required by Housing & Energy to fund the slippage of fees on the Council's solar farm project;
h) £0.025M slippage of NHS Pioneer grant funding awarded to Housing & Energy for the Fuel Poverty Scheme ;
i) £0.018M slippage of ASOS contributions towards the Passport to Leisure Scheme,
j) £0.025M slippage of contributions earned by the Museums Learning Service which is required as match funding for ACE and DFE grants in 2017/18;
k) £0.058M is required by the Bereavement Service to progress the development of a pet crematorium; and finally,
l) £0.010M slippage in Eco Stars grant awarded to Highways & Transportation

vi. Future Outlook

Whilst the Directorate is forecasting an in-year deficit of £1.756M. This includes the delay in the delivery of previously approved efficiencies. Plans remain to deliver these where possible. In addition, as mentioned previously, work is also continuing to permanently mitigate any ongoing cost pressure moving forwards with the directorate identifying a number of opportunities to reduce cost/increase income. These include options various invest to grow initiatives, a full review of all fees and charges in line with the commercial market and wider service re-engineering options.

However, a number of pressures remain that continue to cause concern. In particular the service is continues to experience increased demographic pressures as result of the increase in users of the Home to School Transport service together with an increase in Waste Collection and Disposal Costs due to housing growth. Whilst these pressures are currently being considered within the context of the Council's Medium Term Financial Strategy, they will continue to be monitored with any further increases being considered alongside other demographic pressures of the Council as part of the ongoing work in this area.

In addition there remains volatility of the recyclable materials market which the service will continues to monitor.

Finally it is forecast that there will be a shortfall in the rental income received for the business units at the new R-Evolution industrial development at Junction 36 which the Council holds under a 25 year lease as part of the PIF initiative. This is as a result of delays in the securing tenants for all the units. An estimated budget shortfall in 2017/18 of around £0.080M is currently forecast due to the rent free periods and incentives offered under the terms of the agreements. As previously agreed by Cabinet, any shortfall in letting income for these units will represent an additional cost pressure against the Authority's Medium Term Financial Strategy.

SECTION 3 - Executive Director's Statement for Communities

i. Overview

The total net budget for the Directorate is £18.025M. In overall terms the Directorates final position was an operational under spend of (**£0.388M)**. This figure is made up of an under spend of (£3.431M) offset by proposed earmarking's of £3.043M.

The earmarkings largely comprise slippage in planned schemes/spend (£2.865m) along with a small number of emerging requests for investment (£0.178m).

Section v. below provides details of Directorate's the proposed earmarking's.

The final outturn positon of £0.388m represents a reduction in the operational underspend when compared to the Quarter 3 (£0.574m) budget monitoring report - this is a result of an increase in earmarkings and Customer Services fulfilling a prior commitment to support year end pressures relating to the BMBC Trading Company ILAH Barnsley.

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

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18)* £'000
Customer Services	9,198	8,989	(209)	100	(109)	-
Safer, Stronger, Healthier	8,827	5,605	(3,222)	2,943	(279)	-
Total – Communities	**18,025**	**14,594**	**(3,431)**	**3,043**	**(388)**	**-**

ii. Key Variances

Customer Services

- Customer services have achieved an underspend of (£0.109M), after earmarking's.

  Vacancy management within Day Services, Catering and Customer Services & Development teams led to a combined under spend of £0.288m. This has however been largely offset by pressures generated by the Supported Living service where, there was an overspend of £0.249M. In terms of the latter, it is felt that the imminent outsourcing of the function and resultant staffing issues has been the key contributors to the overspend position reported.

Safer, Stronger & Healthier Communities(SSH)

Safer, Stronger and Healthier Communities have an under spend of (£0.279M) after proposed earmarking's made up of the following key variances.

- SSH Part Year Vacancies (£0.176M) underspend – this underspend is associated with part year vacancies and is non-recurrent.

- Contract Savings (£0.103M) underspend – representing a saving on the Supporting People contract.

iii. Approved Savings

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

Whilst there has been a delay in the delivery of COM 3 – Customer Service Interaction (£0.051M) this was mitigated by vacancy retention within the Customer Services Development service.

There was also a delay in delivery of COM11 – Review of Health Improvement (£0.137M). This was due to the implementation of Safer Barnsley restructure (£0.050M) being moved to April 2017. This was mitigated by vacancy retention and the achievement of contract savings within Healthier Communities.

All other savings have 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 (£0.574M) as at the end of December compared to the final actual operational under spend of (£0.388M). This represents a movement of £0.186M.

Communities	Dec 2016 reported position £M	Final Outturn Position £M	Variance £M
Customer Services	-0.248	-0.109	0.139
Safer, Stronger, Healthier Communities	-0.326	-0.279	0.047
Total	-0.574	-0.388	0.186

Whilst there are some variances within the individual service areas above, the key movements in the final outturn position relates largely to:

- **Customer Services (£0.139m)** – of this variance £0.100m relates to increased requests for earmarking – these have been summarized below. The remainder of the variance being relatively modest fluctuations in the outturn of several budget heads (i.e. minor underspends on salaries, income fluctuations).

- **SSH (£0.047m)** – as above the variance largely relates to increased earmarking requests which have been offset to a degree by relatively minor underspend across a number of budget heads.

v. Summary of Earmarking Requests

Slippage/Requests for Investment (£3.043M)

- Area Council Budgets £1.380M: - Representing the balance of funding delegated to Area Councils for locally determined spend.
- Local Welfare Assistance Scheme £0.312M: - Provision for ongoing delivery of a local welfare assistance scheme in 2017/18 and maintenance of a number of welfare related schemes pending a review of overall welfare provision across the Borough for 2017/18.

- Think Family £0.816M: - 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.
- Transformation Funding £0.219M: - Balance of transformation funding which is committed to specific programmes of work that are being undertaken to support the communities' agenda.
- Catering Electronic Kitchen Management System £0.055M: - Proposal to earmark the slippage of the 2016/17 surplus in Catering for continued investment in a new electronic kitchen management system with improved service delivery and potential for future year efficiencies.
- Various temporary staffing requirements £0.132M:- Investment in temporary staffing to help support specific projects in 2017/18;
- Samaritan & Bereavement Provision £0.026M:- Investment in order to continue 12 months provision to assist partner in transition to sustainability;
- Safer Barnsley Increased Support for Legal Caseloads £0.029M: - Funding required in order to meet the significant increase in the number of enforcement cases going to court.
- Various schemes funded from external funding £0.074M: - 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.

vi. Future Outlook

At this time there are considered to be no adverse issues within the Directorate that will impact on the future years financial position.

The pressures described above around Supported Living were largely attributable to the imminent outsourcing of the service e.g. facilitating a growing requirement to engage agency staff to cover increasing levels of staff absence.

Mitigations to address these issues will now be considered with commissioners in the People Directorate - the service transferred to the People Directorate on 1 April 2017.

It should be noted however that the following represents an ongoing financial risk that will require close monitored.

Independent Living at Home (ILAH) Barnsley - a trading deficit of £0.250M is currently estimated for ILAH from trading activities in 2017/18 based on its current operating model.

It is important to note that ILAH has recently undergone a comprehensive business review to address its ongoing financial pressures.

As a consequence of this review Company has been restructured, resulting in a reduction in operating costs and a more effective and customer focused structure.

Work continues to find ways to improve the financial performance of the company and a report is scheduled to go to Cabinet in May 2017 that will contain recommendations that, if agreed, should help to further improve ILAH's trading positon.

SECTION 4 - Director's Statement For Public Health

i. Overview

The total net budget for 2016/17 for the Public Health Directorate is £3.347M and the total forecast net expenditure for 2016/17 is £2.499M. The result is a forecast under spend for the year of (£0.848M).

The underspend relates to the Council's base budget contribution to the Directorate to support Public Health activities (PH Grant being fully utilised in year on public health activities across the Authority). The underspend is proposed for earmarking as it is fully committed against future year requirements contained within the Public Health 4 year plan (£0.551M) and to support the costs associated with the transfer in-house of the 0-19 Service (£0.297m).

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) £'000
BU10 – Healthcare & Partnerships	3,347	2,499	(848)	848	-	-
	3,347	**2,499**	**(848)**	**848**	-	-

ii. Key Variances

As indicated above there is a forecast under spend of £0.848M for the current year. This represents a £0.297m increase on the underspend forecast in Quarter 3 (£0.551m). The increased underspend being the result of lower than expected spend/slippage in respect of the in-house transfer of the 0-19 from SWYFT in October 2016.

It should be noted that the £0.848M underspend represents a planned underspend amount that is intrinsic to the fulfilment of the Public Health 4 year plan – the intention being to carry the underspend forward into future years to meet identified commitments.

iii. Approved Savings

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

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.

v. Summary of Earmarking Requests

Slippage/Requests for Investment £0.848M

- As set out above the final Public Health under spend is required to be earmarked to support the overall 4 year financial plan (£0.551m).
- To support the effective transfer and delivery of the 0-19 Service (£0.297m)..

vi. Future Outlook

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

4 Year Plan	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Mandated Services	7.526	7.291	7.195	7.195
Essential Core Services - Health Inequalities	3.908	3.908	3.908	3.908
Preventative Services - Council	5.113	5.113	5.113	5.113
Preventative Services - Voluntary Sector	0.259	0.259	0.259	0.259
Preventative Services - Equipment	0.129	0.129	0.129	0.129
Public Health Staffing	1.787	1.787	1.787	1.787
Other Public Health	0.371	0.232	0.232	0.232
Planned Spend	**19.093**	**18.719**	**18.623**	**18.623**
Public Health Grant	-17.447	-16.984	-16.419	-16.419
Funding Gap	**1.646**	**1.735**	**2.204**	**2.204**
Council Additional Funding	-1.373	-1.581	-2.050	-2.050
c/f	-0.848	-0.575	-0.421	-0.267
Balance	**-0.575**	**-0.421**	**-0.267**	**-0.113**

After taking into account the £0.848m carry forward from 2016/17 a carry forward surplus of £0.575k is forecast for 2017/18.

Over the entire four year plan period (to 2020/21) additional funding will be made available from the Council to help to mitigate the impact of planned reductions in Public Health Grant.

It is envisaged that the provision of additional funding from the Council, use of earmarkings and delivery of identified savings will enable the service to continue to maintain a modest surplus position to 2020/21.

SECTION 5 - Director's Statement For Legal and Governance

i. Overview

The final revised total 2016/17 net budget for the Directorate was £3.293M. Total net expenditure was £3.361M resulting in an operational over-spend of £0.068M for the year.

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) £'000
Legal Services	1,013	1,087	74	-	74	-
Elections	600	605	5	-	5	
Council Governance	1,680	1,669	(11)	-	(11)	-
Total – Legal	**3,293**	**3,361**	**68**	**-**	**68**	-

ii. Key Variances

Legal Services:

Legal services over spent by £0.074M associated in the main with:

- Use of Locums to resource workloads as a result of being unsuccessful in recruiting to the new structure;
- In year regrading of posts within the structure;
- High levels of printing costs for the production of court bundles.

Elections

Elections over spent by £0.005M, largely attributable to canvassing costs which are mitigated against reduced spend on salaries as a result of lower than anticipated grades of newly established posts and the transition costs associated with new IT software.

Council Governance

Council governance under spent by (£0.011M) as a result of current vacancies and the restructure in support of the Lord Lieutenancy service during the year.

iii. Approved Savings

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

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

The Directorate reported a total forecast operational under-spend of (£0.037M) as at the end of December compared to the final actual operational over spend of £0.068M. This represents a movement of +£0.105M as set out in the table below.

Legal Services	Dec 2016 reported position £M	Final Outturn Position £M	Variance £M
Legal Services	0.0	0.1	0.1
Elections	0.0	0.0	0.0
Council Governance	0.0	0.0	0.0
Total	0.0	0.1	0.1

The key movements are in relation to:

- Increase in staffing costs due to poor successes in recruiting to the new restructure resulting in continued use of Locums within Legal Services;
- Canvassing required by Elections;
- Increased costs for printing and postage across all services;
- Unplanned IT costs relating to Regent St for work undertaken for SYPA.

v. Summary of Earmarking Requests

There are no proposed earmarkings for the Directorate.

vi. Future Outlook

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

Elections

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

These costs have been mitigated in 2016/17 through electoral claims; however the full additional cost pressure of £0.107M has been considered as part of the 2017/18 budget process.

Legal Services

- Resourcing pressures associated with high levels of commercial and related advice and the significant increases in child protection work is likely to place an ongoing annual financial pressure of £0.108M over the next few years as referred to above.
  Some of the increased costs associated with child protection should result in reduced costs of Legal Counsel charges passed to 'People' Directorate.
- The service has achieved a KLOE savings target of £0.025m for 2017/18 by implementing a more efficient and effective staffing structure to support service delivery.
- The service will benefit from £0.077m Invest to Grow funding to allow investment in enabling technologies to drive efficiencies in printing and postage costs, of which £0.055m investment anticipated in 2017/18. This investment should reduce cost pressures in this area of spend, reducing the risk of overspending in future years.

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

Director's Statement

i. Overview

The final 2016/17 revised net budget for the Directorate was (£10.054M). In overall terms the final position was an operational overspend of £0.339M. This comprises of an under spend of (£1.413M) offset by proposed earmarking's of £1.752M, which have either been previously approved or investment proposals to support future service delivery.

In high level terms the operational overspend of £0.339M is largely related to an over spend of £0.487M in the Asset's business unit associated with the costs of maintaining the Council's premises, and an overspend of £0.162M in IT relating to increased costs in computer hardware and contractors, offset by an underspend of (£0.310M) within Finance.

The proposed earmarkings of £1.752M predominantly relate to:-

- Assets - Building Schools for the Future (BSF) in year underspend, required to fund the overall affordability model for BSF over the 25 year contract;
- IT – Tuscan Connects accrual to enable closedown of their accounts in 2017/18;
- Finance - to manage and mitigate the transition of Housing Benefit to DWP;
- Finance - investment in enabling technologies to drive efficiencies

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) * £'000
Assets	(20,959)	(21,207)	(248)	735	487	-
Information Technology	6,154	6,147	(7)	169	162	-
Finance	4,751	3,593	(1,158)	848	(310)	-
Total – Finance	**(10,054)**	**(11,467)**	**(1,413)**	**1,752**	**339**	

*Reflects non re-current savings

ii. Key Variances

Assets

Assets final position for 2016/17 was an operational over spend after BSF earmarking's of £0.487M, the key variances associated with this are:

- Building Services £0.476M - Financial pressures associated with the running of the Council's assets portfolio, namely repairs and maintenance, rent losses from low occupancy, and the earlier than anticipated closure of units within the Met Centre as a result of the Town Centre re-development.

- Various Other £0.011M – Various other minor over spends across the service amounting to £0.011M.

Information Technology

Information Technology over spent by £0.162M after ear markings. This is largely associated with increased costs for computer hardware and contractors of £0.421M due to greater investment being required for the data centre, mitigated by vacancies of (£0.224M) and overachievement of the Code Green Service income (£0.035M).

Finance

The service under spent by £1.158M as a result of high staff turnover and vacant posts pending a restructure to support the Business Unit's 2020 plans, together with delays in the transfer of Housing Benefits to the DWP. £0.848M has been earmarked to progress a number of key requirements for the Council moving into 2017/18. In addition to this specific under spends relating to system change requirements have been earmarked in order to complete these areas of work to further support the delivery of the finance function.

iii. Approved Savings

The Directorate had total approved savings of £2.554M to deliver in 2016/17. 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 over-spend of £0.188M as at the end of December compared to the final actual operational over spend of £0.339M. This represents a movement of +£0.151M as set out in the table below.

Assets, IT and Finance	Dec 2016 reported position £M	Final Outturn Position £M	Variance £M
Assets	0.4	0.4	0.0
Information Technology	0.1	0.2	0.1
Finance	-0.3	-0.3	0.0
Total	0.2	0.2	0.0

Whilst there are variances within the individual service areas above, the key movement in the final position from forecast is associated with the following:

- Information Technology £0.1M - An ear marking for Tuscan Connects was required when it was previously thought it would be dealt within year, which was mitigated by funding received for projects that had been corporately agreed which had been previously treated as IT spend;

v. Summary of Earmarking Requests

Slippage/Requests for Investment (£1.752M)

- Assets (£0.735M) – Balance on the BSF funding model required to support the overall 25 year programme;
- IT (£0,169M) – Requirement to close down the Tuscan Connects Accounts in 2017/18;
- Finance (£0.250M) - System requirements associated with managing the impact of the transition of Housing Benefit to DWP;

- Finance (£0.588M) – IT system enhancements and further investment in enabling technologies to support the delivery of the function with reduced resources;
- Finance (£0.010M) – Investment in training for audit staff in order to deliver high quality professional audit service.

vi. Future Outlook

Assets:
A detailed review is being finalised across the Council's portfolio of properties to consider the associated operating costs and income streams to assist with future planning and identifying mitigating actions where any ongoing pressures are found.

Reduced income pressures as a result of the town centre development and the closure of the met centre equating to £1m will be addressed in full as part of the council's wider 4 year planning from 2017/18.

The service has achieved KLOE savings target of £0.103m for 2017/18 through staffing reductions, deletion of vacant posts and more leaner ways of working with regards printing and photocopying.

The service will benefit from £0.050m Invest to Grow funding to allow investment in Energise Barnsley partnership which will allow return on investment in future years, bringing in income to support the delivery of the function, and potential to explore new opportunities through the partnership arrangements.

The service will continue to invest capital resources into the redevelopment of the town centre, with planned spend of £32.876m for 2017/18, supporting future council priorities.

In terms of managing our assets we need to maximise growth and regeneration opportunities by continuing to dispose of surplus assets but also look to acquire new assets where these better support our corporate priorities, which will be addressed as part of the Council's Asset Management Strategy.

A key aspect here will be the Government's One Public Estate agenda, which aims to bring partners together through the City Region to develop ideas that make better use of public assets.

IT:
During 2017/18 a review of computer hardware and software needs across the Council in order to consider the cost of provision will be undertaken. In addition to this it is proposed that the end user device programme be centralised to allow IT to operate a more robust replacement strategy which should allow the team to prioritise resources to services and thus provide better financial planning.

There will be a procurement exercise undertaken mid-year, regarding the authority's telecommunications contracts, which should enable the service to make further savings. However there is a risk that penalty fees could be applied to the existing contracts due to underachievement of contract values but it is hoped that this can be mitigated by transferring existing contracts to one supplier in the short term to meet these values.

Finance:.
The service will be investing heavily in enabling technologies, the commissioning of independent service reviews and workforce development (funded through the use of 2016/17 earmarked underspends) to support the implementation of the business units delivery plan and the revised operating model. This will not only deliver the approved efficiency savings for 2017/18 of £284k, but will further improve the services it provides to

both its internal and external customers.

It is important to note the fundamental change that the Business Unit will be working towards with the DWP throughout 2017/18 and beyond to begin the transition of the Housing Benefit administration function to the DWP. This is no insignificant task and the transition will need to be carefully managed over the next 3 years; particularly to ensure that there are no adverse impacts on the Council's residual responsibilities or financial position, i.e. administration of Housing Benefit for pensioners and the Local Council Tax Support scheme.

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

i. Overview

The total net budget for 2016/17 for the Directorate is £6.287M. In overall terms the Directorates final position was an operational underspend of (£0.186M). This figure is made up of an under spend of (£0.667M) offset by proposed earmarking's of £0.481M, which have either been previously approved or represent slippage in planned schemes that require completion.

The proposed earmarkings of £0.481M relate in the main to:-

- Investment in online enabling technologies;
- Continuation of corporate training – IODA;
- Staffing to support mat leave and corporate initiatives;
- Grant funding held on behalf of third parties

DIRECTORATE	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18) £'000
Human Resources	3,324	3,104	(219)	212	(7)	-
Performance	2,470	2,073	(398)	256	(141)	-
Communications	493	443	(50)	12	(38)	-
Total - HR	**6,287**	**5,620**	**(667)**	**481**	**(186)**	**-**

ii. Key Variances

The service as a whole underspent by (£0.186M) after proposed ear markings. This is largely related to part year vacancies across each business unit as a result of high staff turnover and the time taken to fill vacant posts.

iii. Approved Savings

The Directorate had total approved savings of £0.006M to deliver in 2016/17. 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 (£0.278M) as at the end of December compared to the final actual operational under spend of (£0.186M). This represents a movement of +£0.092M as set out in the table below.

HR, Performance and Communications	Dec 2016 reported position £M	Final Outturn Position £M	Variance £M
HR	0.0	0.0	0.0
Performance	-0.2	-0.1	0.1
Communications	-0.1	0.0	0.0
Total	-0.3	-0.2	0.1

The key movement from December to the final position is as a result of an increase in the proposed earmarkings by Performance & Communications for the third party funding and corporate training as set out below. These were not included in the December outturn and hence the position has moved when these have been taken into account.

v. Summary of Earmarking Requests

Cabinet Approved / Statutory Items (£0.155M)

- Corporate Programme posts (£0.109M) – Funding to support Corporate Programme Management requirements associated with Councils ongoing change processes.

- Organisational Development (£0.046M) – Requirement for a strategy officer to support work around the national apprenticeship levy scheme.

Slippage/Requests for Investment (£0.326M)

- Replacement IT Requirements (£0.134M) – Further development of online technologies of £0.076M and funding for recruitment and safeguarding replacement system which couldn't be undertaken in 2016/17 due to IT commitments £0.058M.

- Equality and Diversity (£0.050M) – Slippage of project to support additional equality and diversity work associated with the Councils ongoing change processes.

- Health and Safety (£0.044M) – Requirement for the continuation of an additional civil contingencies advisor.

- Corporate Training (£0.040M) – Funding for delivery of mental health training £0.030M and other professional training commitments of £0.010M.

- Workforce Development (£0.045M) – Monies held on behalf of other Local Authorities for regional training programmes.

- Barnsley HR Services (£0.005M) – Investment in a marketing campaign to increase the customer base.

- Communications (£0.008M) – Investment to part fund a digital apprentice post within Culture.

vi. Future Outlook

The Directorate as a whole has achieved a KLOE savings target of £0.480m for 2017/18 through staffing reductions, deletion of vacant posts and more leaner ways of working; this will be supported by the proposed investments from earmarkings in enabling technologies to drive efficiencies.

Performance will benefit from £0.383m Invest to Grow funding to allow investment in IT to support the delivery of the function with reduced staffing, and to further improve the service it provides to its customers. £0.111m investment will be incurred in 2017/18

The service will also be investing heavily in training and development from the use of 2016/17 earmarking's to allow continuation of 'Leaders at Every Level' (IODA) to be rolled down through the organisation and support future council objectives.

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 spend and total net budget for Corporate items is £46.963M broken down as follows:-

Final Outturn Position

BUDGET	Approved Net Budget 2016/17 (after Virements) £'000	Projected Net Outturn 2016/17 £'000	Forecast Deficit / Surplus (-) £'000	Adjustment for Slippage, Grant balances & Transfer to reserves £'000	Operational Deficit / Surplus (-) £'000	FYE (17/18 £'000
Capital Financing	56,548	36,655	(19,893)		(19,893)	-
CDC	709	469	(240)	-	(240)	-
Levies	1098	781	(317)	-	(317)	-
Corporate Items	(2,434)	(2,517)	(82)	210	127	-
Provisions	11,963	(1,046)	(13,009)	2,743	(10,266)	-
Provisions – Pension Deficit	7,668	7,466	(202)	-	(202)	-
Contributions from Balances	(28,589)	(28,589)	0	-	-	-
Total – Corporate Budgets	**46,963**	**13,219**	**(33,744)**	**2,953**	**(30,790)**	-

ii. Key Variances

The net underspend on Corporate Budgets after earmarkings including is £30.8M which is a combination:-

- Capital Financing -£19.9M
- Other Corporate Budgets/ Provisions (net) -£10.9M

The variances are explained in more detail below:-

Capital Financing

The overall capital financing budget underspent by £19.9M. This was mainly as a result of:-

- An 'in year' underspend £2.9M
- MRP adjustment £15.7M

The in year underspend was reported to be £2.3M underspent at December. This has increased to £2.9M because the Council has 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 future.

As previously reported to Cabinet, the Council has also changed its MRP policy during 2016/17 realising a saving of £15.7M in 2016/17 that can be released to Strategic Reserves. 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. Phase 2 has just completed with a saving of around £100k per annum that will be realised in 2017/18. Phases 1 and 3 will commence and hopefully complete during 2017/18 and thereby make further savings to the Council's PFI refinancing budget from 2018/19 onwards.

Other One-off Corporate Items & Grants

The previous December report identified that £10.3M of balances (including £6.7M relating to New Homes Bonus) could be earmarked and made available to support the Council's reserves strategy. In addition a further £0.6M balances (net) have been generated on corporate budgets, the majority of this (£0.7M) is as a result of lower than anticipated planned maintenance costs and switch funding between capital and revenue budgets.

The net position of the Council's 2016/17 outturn is that £30.8M is available from Corporate budgets after earmarkings. Part of this amount is required to fund the Service overspend of £9.8M leaving £20.9M available for the Council's reserves strategy.

It should be noted however that these level of one off resources will not materialise in 2017/18. Both the saving relating to MRP and a further £3M saving resulting from a base budget review of Corporate Budgets have already been factored in Council's MTFS from 2017/18 onwards and will not be available to support Council's balances going forward.

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 Business Rates. The following table compares actual collection rates for the year against the stretch targets that were set.

	Annual Target	Quarter 4	Variance
Council Tax	96.4%	95.78%	-0.62%
NNDR (local share)	97.4%	97.34%	-0.06%

Council Tax collection rates fell short of the stretch target set for 2016/17 (0.62% below) and in addition were just below (0.23%) last years collection rate. This resulted from a fall in collection rates during the final quarter of the year. Whilst this is a disappointing result, the budget position is unaffected because it is set on a prudent collection rate and the stretch target, if achieved, would deliver additional undbudgeted income. In addition, 2016/17 was a transitional year whereby new debt and recovery methods were implemented and as these are embedded fully during 2017/18 we would expect to see an increase in performance moving closer to the stretch target.

Business Rates collection rates also fell slightly short of the stretch target (0.06% below) although they did exceed last years collection by 0.26%. 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 team are currently looking at analysing the debt to increase our knowledge around reasons for non-payment and are in daily contact with businesses to work with them regarding payment. The Council also engage a number of enforcement and debt collection agents (rather than just one) and now have increased the range of remedies available should tax payers choose not to pay including placing a charge on a property; declaring someone bankrupt; winding a company up; automated messaging; committal to prison and effecting a customer's credit rating by non-payment of council tax. These measures are currently being embedded in our processes and hopefully will move the performance nearer to the stretch target in 2017/18,

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 totalled £24.234M, an improvement of £2.013M on the position at December and £9.539M since the beginning of the year. The position for pre-2016/17 debt has improved by some £4.134M since December and £20.853M 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 £13.258M.
The Executive Director of Core Services is now seeking approval to write off some of the historic debt amounting to £3.307M (£0.246M of which relates to former tenant rent arrears for the 2016/17 financial year) which have become uneconomical to pursue. This is summarised in the table below:-

Reported Position	Pre-16/17 Arrears £M	2016/17 Arrears £M	TOTAL Arrears £M	Bad Debt Provision £M	Write Off Appro £M
Opening 2016/17 Position (as at 31st March 2016)	33.773	N/A	33.773	15.523	
Total as at end of June	24.072	7.389	31.461	15.582	
Total as at end of September	22.198	8.024	30.222	17.940	
Total as at end of December	17.054	9.193	26.247	15.414	
Total as at end of March	12.920	11.314	24.234	13.258	
MOVEMENT (from April to March)	20.853	11.314	9.539	2.265	

<u>iii. Corrective Action</u>
The Reserves Strategy will be reviewed as part of a revised MTFS.

<u>iv. Future Outlook</u>
The balances and reserves position will be impacted by the changes to the revenue monitoring position and an updated position has been included to Cabinet as part of the 2016/17 budget papers.

<u>v. Other Items</u>

External Trading

During 2015/16 the Council set up a number of subsidiary companies for the purposes of trading with the wider external marketplace. The narrative below details the year end position:-

<u>BMBC Services Ltd</u>
BMBC Services Ltd generated a higher than anticipated, year end profit after tax of £0.408M as a result of increased sales from Code Green. The position with regards the company's main customers (schools) will continue to be monitored in the new financial year for IT services. With regards Finance and HR services these will no longer trade through the

company from 1st April 2017. The Board are currently considering issuing a dividend on the back of the reported financial performance.

Independent Living at Home (ILAH) Barnsley - a trading deficit of £0.250M is currently estimated for ILAH from trading activities in 2017/18 based on its current operating model.

It is important to note that ILAH has recently undergone a comprehensive business review to address its ongoing financial pressures.

As a consequence of this review Company has been restructured, resulting in a reduction in operating costs and a more effective and customer focused structure.

Work continues to find ways to improve the financial performance of the company and a report is scheduled to go to Cabinet in May 2017 that will contain recommendations that, if agreed, should help to further improve ILAH's trading positon.

£3 Million Invest to Grow Fund

It is recommended that the Council:-

- introduces the Barnsley Deal (£30,000 investment), which builds upon the work undertaken with our communities to date and enables us to share with our communities how the Council's role has changed, what local people can get involved in and what we need help with;
- supports the continued installation and rollout of SharePoint across the Council (£136,430 investment over 2 years).

The £3M fund is now fully committed. Future reports will update on progress against the individual schemes.