

BARNSELY 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 FINANCIAL PERFORMANCE – QUARTER ENDING 30th June 2018

1. Purpose of Report

1.1 To consider the financial performance of the Authority during the first quarter ended June 2018 and assess the implications against the Council's Medium Term Financial Strategy (MTFS). The key headlines are:

- The position for Council services is a projected operational underspend of £0.245M in 2018/19;
- The overall position for the Council in 2018/19 is a projected operational underspend of £0.745M including Corporate budgets.

2. Recommendations

2.1 It is recommended that Cabinet:

- Request that Executive Directors/Service Directors (where appropriate) provide detailed plans on how their forecast overspends will be brought back into line with existing budgets on a recurrent basis;
- Approve the write off of £1.402M historic debt as shown within the Corporate Budgets section;
- Approve the budget virements at Appendix 1.

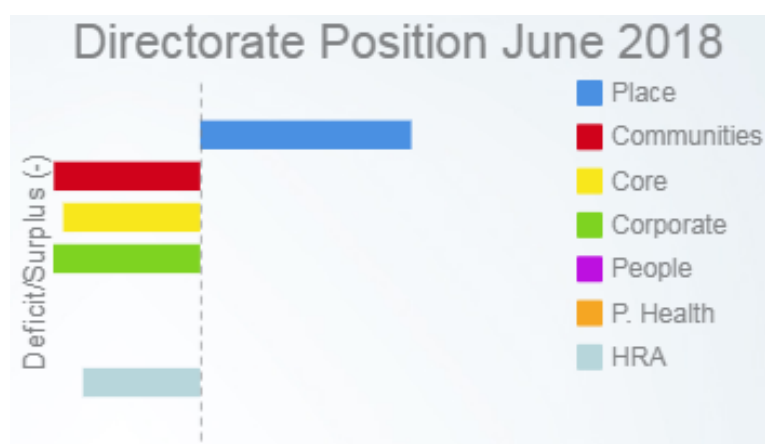
3. Overall Position to the Quarter Ending June 2018

There is a projected underspend on Directorate budgets of £0.245M in 2018/19, combined with an underspend of £0.500M in Capital Financing resulting in an overall Council underspend of £0.745M.

The table below provides the monitoring position for the Council as at the end of June 2018 broken down between the 'in year' operational position for 2018/19 and the FYE 2019/20 position. This takes into account one-off funding and non-recurrent savings dropping out, as well as the assumptions that have already been factored into the Council's 2017-2020 Medium Term Strategy. As at Quarter 1, there is no expected impact on the 2019/20 position.

DIRECTORATE	Approved Net Budget 2018/19	Projected Net Outturn 2018/19	Forecast Deficit / (Surplus)	Adjustment for Slippage & Transfer to reserves	Operational Deficit / (Surplus)	FYE (19/20)
	£'000	£'000	£'000	£'000	£'000	£'000
People	72,685	72,685	-	-	-	-
Place	40,842	40,345	(497)	1,216	719	-
Communities	21,845	18,935	(2,910)	2,412	(498)	-
Public Health	3,566	1,831	(1,736)	1,736	-	-
Core Services	16,102	15,618	(484)	18	(466)	-
Service Totals	155,040	149,414	(5,627)	5,382	(245)	-
Corporate / General items	13,948	13,448	(500)	-	(500)	-
Sub Total – Council	168,988	162,862	(6,127)	5,382	(745)	-
HRA	52,067	48,069	(3,998)	3,599	(399)	-

- 3.1 The chart below provides an overview of the overall position which breaks down the Deficit/Surplus (-) position across Council Directorates.



4. Delivery of 2018/19 Future Council Savings Proposals

- 4.1 The target for 2018/19 is £4.404M. Excluding the Selective Licensing KLOE which has replacements KLOE's proposed, the Q1 position is forecasting a 100% delivery rate;
- 4.2 The Councils 2018/19 budget is dependent on the delivery of our efficiency savings. These targets are reviewed on a regular basis with Budget Managers.



5. Corporate Resources

Collection Rates

- 5.1 The Council's major sources of discretionary income are Business Rates and Council Tax. The Council's financial health is therefore almost completely reliant upon the collection of both Council Tax and Business Rates. The table below shows the estimated collection rates for Quarter 1 compared to the stretch targets that have been set:

	2017/18 Actual	2018/19 Stretch Target	Quarter 1	Variance Q1 to Target
Council Tax	96.07%	96.1%	96.23%	+0.13%
Business Rates (local share)	98.36%	97.6%	98.64%	+1.04%

- 5.2 The current Council Tax collection rates are forecast to exceed to current target by 0.13% in 2018/19. Although the current collection rate would allow the Council to meet its budget requirements, there is potential to generate a further £0.1M for every 0.1% improvement in collection.
- 5.3 The current Business Rate collection rate exceeds the stretch target set for 2018/19 by 1.04%, which is due to using a more targeted approach to collecting high value debts. It is important to understand that this debt type is extremely volatile and although we expect to exceed our 2018/19 target, we also have to consider external pressures which may have a negative impact throughout the financial year.

- 5.4 It is hoped that the Council's 2020 plans and investment to accelerate growth in jobs and businesses will result in increased business rate yield over the period of the MTFs, with increased joint working across Council Departments and other agencies/partners.
- 5.5 This is particularly relevant since under the current Business Rate Retention scheme, the Council is able to retain 50% of business rates collected from within the area and the Chancellor has announced that this will rise to 75% by 2020. This increases the significance of collection rates.
- 5.6 The decision on Brexit may have a major impact on the economy. Whilst it is still early to determine what the exact impact of the vote to leave the EU will be, economists are continuing to indicate that it will create a negative impact on economic growth over the medium term especially as the prospect of a 'no deal' outcome looms.

Arrears Position

- 5.7 A summary of the current debt position is shown in table below. This shows the opening balance of debt at the beginning of the year of £26.945M and a snapshot as at June 2018 of £30.276M showing an increase of £3.3M. This is expected in the first quarter of a new financial year as new bills/invoices are issued.

Type of Debt	Pre-18/19 Arrears £M	2018/19 Arrears £M	TOTAL Arrears £M	Bad Debt Provision £M	Write Offs For Approval £M
Opening 2018/19 Position (position as at 31.03.2018)	26.945	n/a	26.945	14.752	-
Total as at end of June	23.093	7.183	30.276	18.295	1.402
MOVEMENT April to June	(3.852)	7.183	3.331	3.543	1.402

- 5.8 The table above also shows the opening balance of the bad debt provision at the beginning of the year of £14.8M and a current provision at £18.3M, showing an increase of £3.5M. Although this is a significant increase it is again expected that this will begin to reduce at the end of Quarter 2 when our collections process commences on 2018/19 arrears. The bad debt provision is currently estimated to be £12.2M by year end which would be an improvement on the 2017/18 position.
- 5.9 The Service Director Finance (Section 151 Officer) is now also seeking approval to write off debt amounting to £1.402M which has become uneconomical to pursue. This is summarised in the table below:

Type of Dept	Value of Write off (£M)
Council Tax	0.778
Business Rates	0.184

Trade Debt General Fund	0.218
Trade Debt HRA	0.084
Housing Benefit Overpayment	0.138
Total (Collected by BMBC)	1.402
Former Tenant Rent Arrears- HRA	0.00
Total (Including Tenant Rent Arrears)	1.402

- 5.10 Historic debt is traditionally much more difficult to collect, yet we have seen a reduction in arrears debt of 66% this quarter, with only a small proportion (3.71%) being written off. A reduction of this size indicates that the measures being taken to improve debt recovery are having a positive effect. It remains good financial management to provide for non-recovery of some of these debts; however we expect to see the provision for bad debts reduce as we continue through the financial year to a final position which is expected to be lower than the closing position in 2017/18.

Impact on MTFS/Reserves

- 6.1 An updated 2018-20 MTFS forecast was presented into Cabinet in February 2018 for approval.
- 6.2 This has been updated in May which rolled the forecast forward to 2021/22. The position before efficiencies is provided below:-

	2019/20	2020/21	2021/22
Revised MTFS at May 2018 pre efficiencies	£6.530M	£13.340M	£18.840M

- 6.3 Work is ongoing to ensure that the existing KLOE's in 2019/20 remain deliverable and to identify new savings to deliver the shortfall in 2020/21.
- 6.4 To the extent that an underspend is currently forecast for 2018/19 which is one-off in nature, there is no impact on the MTFS although this will be closely monitored to ensure that there are no adverse variances in future.
- 6.5 The Council's Reserves position has also been updated and consideration is currently being given to reviewing existing priorities against new ones with a view to providing a revised Reserves Strategy.

Background Papers

- Service and Financial Planning 2018/19 – Revenue Budget, Capital Programme and Council Tax (Cab.7.2.2018/6)

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SECTION 1 - Executive Director's Summary for People

Highlights

The latest 2018-19 approved budget envelope for the People Directorate is **£72.685M** and includes schools related budgets of -£1.600M (carry forward schools balances and DSG deficit). An operational **balanced budget** position is currently forecast for the Directorate, excluding schools balances.

Quarter 1 position to the end of the quarter ending June 2018

DIRECTORATE	Approved Net Budget 2018/19 (after Virement)	Projected Net Outturn 2018/19	Forecast Deficit / (Surplus)	Adjustment for Slippage, Grant balances & Transfer to reserves	Operational Deficit / (Surplus)	FYE (19/20)
	£'000	£'000	£'000	£'000	£'000	£'000
Education, Early start & Prevention	7,830	7,830	-	-	-	-
Adult Social Care & Health	41,475	41,475	-	-	-	-
Children Social Care & Safeguarding	24,980	24,980	-	-	-	-
Sub-Total	74,285	74,285	-	-	-	-
Schools	-1,600	-1,601	-	-	-	-
Total - People	72,685	72,685	-	-	-	-

Key Variances

Education, Early Start & Prevention - a balanced budget position is currently forecast for the Education, Early Start & Prevention Business Unit. An explanation of the key variances for the year are detailed below:

Early Start & Family Centres (£0.066M)

- The forecast underspend has arisen mainly from staff turnover / vacancies and planned reduced operating spend for the year.

Targeted Youth Support £0.058M

- The estimated overspend primarily relates to funding cut pressures faced within the Youth Offending Team (YOT), which has been offset by staff vacancy savings within Youth Services.

Adult Social Care & Health - An operational balanced budget position is currently reported for the Adult Social Care & Health Business Unit. This reflects the continued improvement in the financial position of the BU from 2017/18. The following explains the underlying budget position and key issues:

Older People (aged 65 plus)

- A net balanced position is reported for the service area against a net budget of £21.8M;
- This follows the realignment of budgets to reflect the number of clients currently in receipt of support and the baseline cost of care packages.

Working Age Adults (aged 18 – 64)

- A balanced position is currently forecast for the budget (£17.9M) for the 18 – 64 client age group (learning disabilities and mental health);
- The increase in baseline care provision costs has been offset by increases in forecast income (health contributions) and staff vacancy savings.

Children's Social Care & Safeguarding - a balanced budget position is forecast for Q1 for the Children Social Care & Safeguarding Business Unit. This represents an improved position compared to the reported overspend in the previous financial year and reflects concerted efforts to stabilise the looked after children (LAC) population in line with the LAC Sufficiency Strategy target.

Children in Care

- No significant pressures are currently forecast against the looked after children placement budgets;
- Barnsley's LAC population at the end of the quarter is 293, which compares favorably to 311 reported at the end of March 2018 (and the LAC target of 300);
- The number of LAC placed in external care homes have reduced and are in line with the current target;
- However, it should be noted that there are still challenges in placing older children (with challenging needs) with foster carers, which means the continued use of external / more expensive residential care provision.

Other variances

- Cost pressures within Assessment and Care (LIFT accommodation and travel costs) have been offset by underspends in other service areas e.g. Safeguarding and Quality Assurance.

Schools DSG - The latest Dedicated Schools Grant (DSG) budget for 2018/19 totals £106.4M, comprising of delegated to schools / academies of £86.7M and £19.7M retained centrally by the Council.

Delegated DSG budgets - Total £86.7M

- Comprises of elements allocated to schools through the local schools funding formula, as well as high needs and early years funding;
- Latest reported schools balances showed a projected net surplus of £0.6M for the current financial year;
- The position includes 3 schools (Hoylandswaine primary, Penistone Grammar school, and Dearne ALC) with approved planned deficit budgets for the year;
- Recovery plan or actions have been agreed with these schools to address deficits over set timeframes.

Centrally retained schools DSG budget – Total £19.7M

- A DSG overspend of £7M is currently forecast across all the centrally retained budgets, mainly relating to the high needs funding block;
- This deficit is made up of £5.2M carried forward from 2017/18 plus a recurrent net pressure of £1.8M (increasing numbers and cost of Out of Borough Special Educational Needs placements);
- The planned reduction in Out of Borough Special Educational Needs costs as outlined in the approved SEND Strategy/Financial Plan has yet to be fully realised in the current year.

Approved Savings Position

The approved 2018/19 savings target for PEOPLE directorate totals £2.187M, analysed across the respective business units as follows:

- £0.985M - BU1 Education, Early Start & Prevention;
- £1.202M - BU2 Adult Social and Health care.

All 2018/19 approved savings proposals are on track and expected to be delivered fully in the current year.

Current Actions and Future Risks

The main risks in 2019/20 and beyond mainly relate to demand-driven pressures in children and adult social care.

- Education, Early Start, & Prevention
The business unit would continue to face pressures from reduction in external funding e.g. Youth Justice Board (YJB) grant and trading income from schools (Education Psychology, Schools Governor services).
- Adult Social Care & Health
Pressures from care providers for fee increases to meet national living wage commitments and cost of care (to address market sustainability) would pose the greatest challenge to the Council in 2019/20.
- Children social care & safeguarding
The required actions / measures to manage LAC numbers over the medium term are set out in the recently refreshed LAC Sufficiency Strategy. The ongoing work to better track / plan LAC placements would ensure the stability of Barnsley's LAC numbers around the 300 mark.

SECTION 2 – Executive Director’s Summary for Place

Highlights

The latest revised 2018/19 approved budget envelope for the Place Directorate is **£40.842M**. Based on current projections, there is an under-spend against the approved budget before earmarking’s of (£0.497M). Of this, £1.216M is proposed for ear marking resulting in a net operational overspend of **£0.719M** in the current financial year.

Quarter 1 position to the end of the quarter ending June 2018

DIRECTORATE	Approved Net Budget 2018/19 (after Virement)	Projected Net Outturn 2018/19	Forecast Deficit / (Surplus)	Adjustment for Slippage, Grant balances & Transfer to reserves	Operational Deficit / (Surplus)	FYE (19/20)
	£'000	£'000	£'000	£'000	£'000	£'000
*Regeneration & Property	10,462	9,217	(1,245)	1,216	(29)	-
Culture, Housing & Regulation	1,594	1,594	-	-	-	-
Environment & Transport	28,786	29,534	748	-	748	-
Total – Place	40,842	40,345	(497)	1,216	719	-
Housing Revenue A/C	52,067	48,069	(3,998)	3,599	(399)	-

**Includes schools BSF/PFI net budgets of (£1,283) ring-fenced from the Directorate*

Key Variances

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

Regeneration & Property – a small underspend is forecast for Quarter 1 with the main variances being:

- Running costs of Resource Centres £0.122M;
- Vacancy management/additional income (£0.122M);
- Staff vacancies within the Planning & Building Control Support team (£0.029M);
- PFI (£0.151M) and BSF (£1.065M), both of which to be earmarked to support the overall affordability of the whole life cost models.

Culture, Housing & Regulation – a breakeven position is forecast for Quarter 1 comprising:

- A forecast shortfall in commercial income £0.066M;
- Staff savings across the service (£0.066M).

Environment & Transport – An overspend of £0.748M is forecast for Quarter 1 with the main variances being:

Operations, Recycling, Neighbourhoods & Transport £0.059M

- Transport £0.432M – Continued significant rise in demand for Home to School transport together with the increased cost of out of borough placements and a rising demand for the use of escorts;
- Neighbourhood Services (£0.223M) – This saving relates primarily to staff vacancies within the team and the part year effect of the restructure of the service which is due to be implemented from November 2018 (£0.183M);
- Waste Collection (£0.081M) – The underspend relates to delays in filling the new staffing structure, forecast savings on contract hire charges and fuel following the purchase of new refuse collection vehicles in 2017/18.

Highways, Engineering & Transportation Services (£0.732M)

- Construction Services (£0.277M) – delays in appointing to management posts within the service, a continuation of the same productivity levels as in 2017/18;
- Highways / Engineers / Highways Maintenance (£0.455M) – underspend relates to staffing costs (£0.145M) and a non-recurring increase in fee income (£0.265M).

Commercial & Operational Services £1.321M

- Contracts Management / TLS (Waste Disposal) £1.301M – overspend relates to the delay in delivery of mitigating actions (see below) to offset previous undelivered efficiencies from the waste PFI contract (£0.600M) and a continuation of the problems encountered by the service due to the fall in the market price of recyclates (£0.701M).

Approved Savings Position

2018/19 Efficiency Savings

A total of £1.215M additional approved savings for 2018/19 have all been delivered.

Mitigation from prior years (£1.844M total target)

£1.034M of efficiencies have been delivered. The target for 2018/19 is £0.810M with the following proposals still to be delivered in future:

Efficiency Saving	£M
Transfer Loading Station *	0.300M
Travel Training**	0.075M
Highways Materials (cold mix) ***	0.075M
Contract Procurement	0.250M
TOTAL	0.700M

* The TLS is currently forecast to be delivered in December 2018

** Travel Training is delivered by the People/ Communities Directorates

*** The cold mix pilot is currently being evaluated to determine whether to be continued

Housing Revenue Account (-£0.399M)

- Increase in dwellings rent (£0.242M) due to lower RTB sales and void properties than anticipated and savings against the provision for bad debts (£0.258M) due to lower arrears than forecast. This is offset in part by a lower than anticipated NPS profit share and a forecast increase in Management costs in relation to the transfer of the HRA function.
- At this update, £3.599M of the planned revenue contribution to capital has been rolled-forward in the HRA working balance to fund commitments on the 5 year approved programme, mainly due to re-phasing of capital schemes with RCCO funding sources.

Current Actions and Future Risks

As highlighted above, a number of mitigating actions have been put forward. Some progress has already been made in delivering on this. Further action will continue to be progressed with a view to delivering a balanced budget.

- The Home to School Transport is highlighted as an area for concern and has received additional provision this year. We will closely monitor this area, with updates provided to Cabinet as necessary.
- Household Waste levels of recycled household waste combined with a shortfall in the income from the sale of recyclable materials are both areas that need to be monitored and addressed where possible.
- Markets Income there may be a shortfall in markets income in 2018/19 due to the ongoing construction programme of the new development. Market stall lettings will continue to be actively progressed. A separate report will be presented to Cabinet with an update later in the year.
- Council Buildings programme the rationalisation of Council buildings programme is expected to deliver significant savings following the closure and hand back of buildings. This will contribute towards future efficiencies. However there remains the risk of significant cost pressures, potentially giving rise to an over-spend within Property services should planned efficiencies not happen or delays occur. In addition there are unknown costs relating to the break in at Worsborough Mill and a woodworm infestation at Cannon Hall together with property maintenance generally continuing to be area of concern. Finally a review unoccupied spaces across the asset portfolio will continue, particularly in Lift Buildings and Business Centres, to ensure we are maximising the use of our assets.

SECTION 3 - Executive Director's Summary for Communities

Highlights

The total net budget for the Directorate is **£21.844M**. Total forecast net expenditure is £18.933M, resulting in a forecast underspend before earmarking's of £2.911M. Of this sum £2.413M is proposed for earmarking (*primarily relating to multi-year grant allocations and Commissioning and Ward Alliance budgets*) resulting in an operational underspend for the year of **£0.498M**.

Quarter 1 position to the end of the quarter ending June 2018

DIRECTORATE	Approved Net Budget 2018/19 (after Virement)	Projected Net Outturn 2018/19	Forecast Deficit / (Surplus)	Adjustment for Slippage & Transfer to reserves	Operational Deficit / (Surplus)	FYE (18/19)*
	£'000	£'000	£'000	£'000	£'000	£'000
Customer Services	3,101	2,457	(644)	(46)	(598)	-
Safer, Stronger, Healthier	8,879	6,512	(2,367)	(2,367)	-	-
IT	9,864	9,964	100	-	100	-
Total – Communities	21,844	18,933	(2,911)	(2,413)	(498)	-

Key Variances

Customer Services are currently projecting an operational underspend of £0.598M for the year. The key contributors to this position are:

- Day Opportunities (£0.382M) – the recent closure of the Keresforth Centre and vacancy retention across the service are key contributors to the expected underspend.
- ALT & Reablement (£0.139M) – the forecast underspend is as a result of increased income following the recent price increase for Assisted Living Technology services.

Safer, Stronger & Healthier Communities (SSH) expect spend to be in line with budget allocations.

IT Services are currently projecting an over spend for the year of £0.100M. The reasons for this are as follows:

- Software License and Equipment Costs £0.581M - factors such as the increase in license costs and changes in the contracting arrangements offered by external providers continue to provide significant challenges for the service. In terms of equipment there is currently insufficient funding available to support a growing requirement to upgrade/replace hardware and infrastructure. This is an area that is being further considered as part of the future service redesign to ensure that the implementation of the Digital First strategy can be delivered within its existing programme/budget.

- Vacancy Retention (£0.481M) – this is partially offset by the overspend on software license and equipment costs.

Approved Savings Position

The Directorate has total approved savings of £0.241M to deliver in 2018/19.

The total savings target will be achieved in year however the Selective Licensing KLOE has now been withdrawn and from 2019/20 onwards savings will accrue from three new KLOE's. As an interim measure in 2018/19 all savings attributable to Selective Licensing in 2018/19 will be met from a planned earmarking brought forward from 2017/18.

Current Actions and Future Risks

Several service reviews will be ongoing during 2018/19 across Communities to ensure Business Units continue to provide economic, efficient and effective services and are fully prepared to meet the £1.7m KLOE savings that are due for delivery in 2019/20.

Reviews include:

- Remodeling of Customer Services which notably includes the Library Review;
- Leading the Council's Digital First Strategy;
- Provider Services Reviews including Day Opportunities, Reablement and Assisted Living Technology.

Within Safer Communities the requirement to deal with the additional burdens of the latest Homelessness Reduction Act, Holden House and the provision of support services for young people are all expected to bring some significant challenges.

From an IT perspective, uncertainty remains regarding software license cost increases along with changes in contracting arrangements from external suppliers. Work is ongoing to monitor these arrangements with a view to mitigating these pressures and drive out value for money wherever possible.

Excepting the above, there are considered to be no immediate issues within the Directorate that will impact adversely on Communities ability to operate within its budgetary envelope during 2018/19.

SECTION 4 - Director's Summary for Public Health

Highlights

The total net budget for the Directorate is **£3.566M**. Based on financial performance to date and forecast activity for the remainder of the year, an operational under-spend of **(£1.736M)** has been estimated.

This underspend largely comprises of a planned underspend of £1.553M to be earmarked to support future year Public Health Commitments (as per the PH 4 year plan) along with staff vacancies and contract savings.

Quarter 1 position to the end of the quarter ending June 2018

DIRECTORATE	Approved Net Budget 2018/19 (after Virement)	Projected Net Outturn 2018/19	Forecast Deficit / (Surplus)	Adjustment for Slippage & Transfer to reserves	Operational Deficit / (Surplus)	FYE (18/19)
	£'000	£'000	£'000	£'000	£'000	£'000
BU10 – Healthcare & Partnerships	3,566	1,830	(1,736)	1,736	-	-

Key Variances

The forecast underspend of £1.736M for the current year largely comprises:

- **The Planned Underspend Against 4 Year Plan Commitments (£1.553M)** – this is intrinsic to the fulfilment of the Public Health 4 year plan – the intention being to carry forward the underspend into future years to meet identified commitments.
- **Staff Vacancies (£0.140M)** - the service transferred from SWYFT to BMBC in October 2016 and since the transfer a considerable number of staff have left the service. Vacancies have been largely retained during this period pending the outcome of a full review of the staffing structure of the service. Savings identified from the review will be used to support the delivery of KLOE PH E2 'Review of Contracts and Commissioning' (see below).

Approved Savings Position

The Directorate had total approved savings of £0.255M to deliver in 2018/19. All savings have either been delivered in full or are on target to be delivered by the end of 2018/19.

Current Actions and Future Risks

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 - Executive Director's Statement For Core

Highlights

The latest approved budget for 2018/19 for the Core Directorate is **£16.102M**. Based on current projections the Directorate is forecasting an outturn of £15.618M as at the end of Quarter 1, resulting in an under-spend, before earmarking's of £0.484M. Of this, £0.018M is proposed for earmarking resulting in an overall estimated operational under-spend of **£0.466M** for 2018/19.

Quarter 1 Position to the end of the quarter ending June 2018

DIRECTORATE	Approved Net Budget 2018/19 (after Virement)	Projected Net Outturn 2018/19	Forecast Deficit / (Surplus)	Adjustment for Slippage & Transfer to reserves	Operational Deficit / (Surplus)	FYE (18/19)
	£'000	£'000	£'000	£'000	£'000	£'000
Finance	5,474	5,324	(150)	0	(150)	-
HR	3,969	3,940	(29)	18	(10)	-
Business Imp & Comms	3,398	3,367	(32)	0	(32)	-
Legal Services	885	851	(34)	0	(34)	-
Elections	688	498	(190)	0	(190)	-
Council Governance	1675	1,625	(50)	0	(50)	-
Joint Authorities	13	13	0	0	0	-
Total – Core	16,102	15,618	(484)	18	(466)	-

Key Variances

An underspend of £0.466M is forecast for the current year which largely comprises:

Finance – an underspend of £0.150M as a result of:

- Staff turnover and vacant posts pending a restructure due to be implemented in October 2018 to support the Business Unit's plans and delivery of 2020 efficiency targets.

HR & Business Support – an underspend of £0.010M comprising:

- Staff turnover and vacant posts;
- £0.018M earmarking requested to continue to fund Trade Union post in 2019/20.

Performance, Business Improvement & Communications – an underspend of £0.032M:

- Staff turnover and vacant posts pending a restructure to support the Business Unit's plans and delivery of 2020 efficiency targets.

Legal Services – an underspend of £0.034M is forecast which comprises:

- (£0.085M) additional income received court fees as a result of an increase in the number of fines raised;
- (£0.016M) general under-spending of supplies & services;
- £0.028M unforeseen cost pressures associated with a complex legal case;
- £0.039M high levels of a printing due to the delays in implementing the new electronic case management system.

Elections – an underspend of £0.190M:

- Overachieved income as a result of the Sheffield City Region Mayoral election which resulted in 50% of the total election costs being reimbursed to the Council.

Council Governance – an underspend of £0.050M is forecast which comprises:

- Part year vacant post, improved efficiencies to cost management and the transfer of Members expenditure to the Police and Crime Commissioner grant held within the Joint Authorities service.

Approved Savings Position

The Directorate had total approved savings of £0.505M to deliver in 2018/19. All savings have either been delivered in full or are on target to be delivered by the end of 2018/19.

Current Actions and Future Risks

- Technology -There is a common risk across the Core Directorate where there is reliance on technology to support delivery of future year KLOE's, that IT will not be able to provide the required support or technology to support the solutions proposed. This presents a risk to both the quality of service provision as well as the achievement of anticipated savings. This risk cannot be mitigated by the Directorate alone and will be predicated around the re-design of IT services and the ongoing work in support of the Digital First Strategy.
- Capacity and staff turnover continues to be a problem in particular within the Finance and Legal Business Units. Legal are in the process of implementing a minor restructure to increase capacity within the key demand areas Commercial, Planning and Safeguarding to ensure the service is equipped to support the Council effectively.
- The Finance Business Unit is currently undergoing a major re-design of the functions it delivers, with a new structure planned to go live in October 2018. This will allow delivery of 2020 efficiency targets and ensure the service is equipped to continue to support our Future Council and contribute towards setting a sustainable landscape for the future.
- The Joint Authorities Service are reviewing their income streams to ensure current grant funded schemes are maximised and are also exploring opportunities for new income streams.
- The transfer of Housing Benefits to the DWP will be further delayed; however funding has been earmarked in 2018/19 and may need to be requested again in 2019/20 to continue to support this transition.
- A major re-design of the Core Directorate is planned to be implemented over the next 2 years commencing April 2019 impacting on BU14 HR and BU19 Council Governance. The changes will ensure that we maintain a 'Strong and Lean Core' to support our Future Council.

SECTION 6 - Commentary on Corporate Budgets

Highlights

The latest 2018-19 approved corporate budget is **£13.948M**. Corporate budgets includes for example, Capital Financing, Pension costs, Insurance, Levy's etc. The operational budget position currently forecasts a **£0.500M** underspend specifically relating to Capital Financing costs.

Quarter 1 position to the end of the quarter ending June 2018

Corporate Area	Approved Net Budget 2018/19 (after Virement)	Projected Net Outturn 2016/17	Forecast Deficit / (Surplus)	Adjustment for Slippage, Grant balances & Transfer to reserves	Operational Deficit / (Surplus)	FYE (18/19)
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Financing	16,364	15,864	(500)	-	(500)	-
CDC	766	766	-	-	-	-
Levies	1,731	1,731	-	-	-	-
Corporate Items	(2,529)	(2,529)	-	-	-	-
Provisions	17,720	17,720	-	-	-	-
Provisions – Pension Deficit	7,068	7,068	-	-	-	-
Contributions from Balances	(27,171)	(27,171)	-	-	-	-
Total – Corporate	13,948	13,448	(500)	-	(500)	-

Key Variances

- Current operations relating to capital financing, are expected to result in an underspend of £0.500M due to taking advantage of the low interest rate environment. Such savings will reduce as the Council fixes more of its debt in line with its Treasury Management Strategy.
- The 2018/19 budget includes some new elements for the digital first project budgets, earmarkings approved from 2017/18 and some new elements from the re-organisation (formally included in the Core Directorate).
- The 2018/19 corporate provisions budget includes specific earmarkings relating to the town centre project c. £6.6M; the library review of £1.0M, and employment related budget specifically for the graduate programme and LD Employment opportunities £0.430M. It is expected all of the provisions earmarked will be utilised within this year although some slippage into 2019/20 may occur.

Other Items

External Trading - BMBC Services Ltd

- As from 1st April 2017 HR and Financial services ceased trading through the company and the only remaining service that trades through BMBC Services Ltd is now IT – Code Green. HR and Financial services are still trading with schools and a handful of other external clients which they are able to do through the Council's own trading powers as set out in the Localism Act 2011.
- BMBC Services is forecasting a profit after tax of approximately £0.150M. The approximate after tax profit of £0.150M will be utilised by the Digital First programme.

£3 Million Invest to Grow Fund

- A total of £1.466M is estimated to be spent during 2018/19, with a further £0.039M in 2019/20;
- There is currently £221k (18%) of budget unallocated, this will be subject to new bids to be decided by SMT during Aug 2018;
- To date a total of £0.283M (23%) has been incurred during 18/19 with £0.773M (62%) committed and expected to be spent;
- A significant proportion of the allocation is expected to be utilised in 2018/19 although some slippage into 2019/20 is expected, current uncommitted expenditure is £0.121M (10%).

Invest to grow fund	Total	2016/17	2017/18	2018/19	2019/20
	£M	£M	£M	£M	£M
Fund allocated	3.000	0.305	2.199	0.457	0.039
Carry Forward			(1.009)	0.788	
Unallocated				0.221	
Total Allocation Q1	3.000	0.305	1.190	1.466	0.039