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 &
Service Director – Finance (Section 151)

CORPORATE FINANCIAL PERFORMANCE QUARTER ENDING 31st December 2018

1. Purpose of Report

1.1 To consider the financial performance of the Authority during the third quarter ended December 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 £2.418M in 2018/19;
- The position on Corporate Budgets shows an operational underspend of £2.530M;
- Although quarter 3 is reporting a positive position, the Council still has some significant savings to deliver over the next 3 years within a financial climate that remains both uncertain and challenging.

2. Recommendations

2.1 It is recommended that Cabinet:

- Requests that Executive Directors for Place reviews the plans in place within Environment & Transport to ensure a balance position and sustainable budget in 21019/20 and beyond.;
- requests that the Executive Director of People brings forward a further report on the specific interventions planned in relation to Special Educational Needs outlining the impacts that these are projected to have on both the outcomes for children and the associated cost profile'
- Approves the earmarking of £4M of the projected underspend for SEN on the basis that this is a known commitment.
- Note the anticipated slippage in expenditure/transfer to reserves required to fund known expenditure commitments in 2019/20 as shown in Appendix 2 Column 7;
- Approve the write off totalling £1.549M of historic debt (£1.423M General Fund/ £0.126M HRA) as shown at para 5.11 of this report;
- Approve the budget virements at Appendix 1;
- Note the challenging financial environment facing the Council despite the positive quarter 3 position;

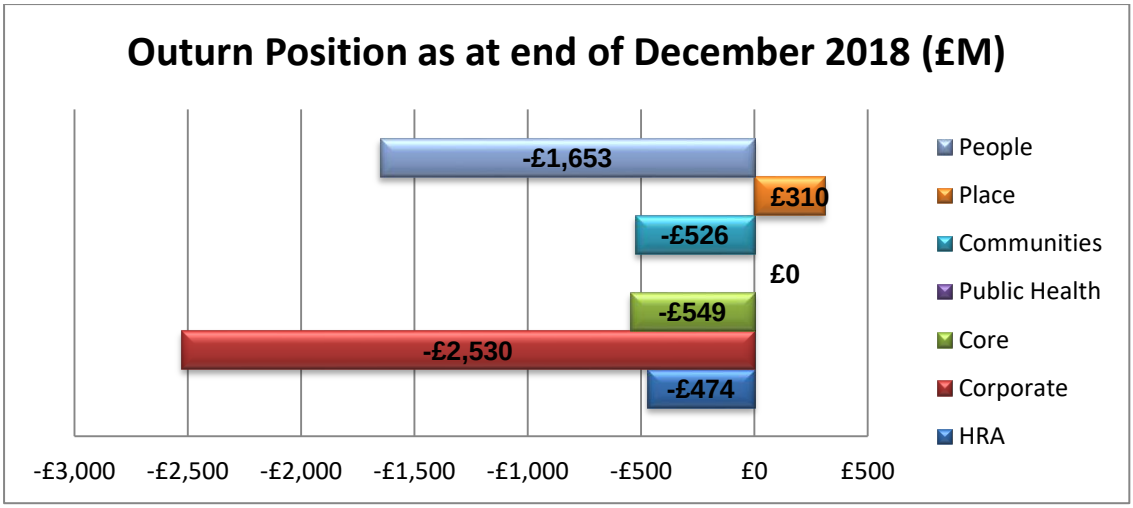
Overall Position to the Quarter Ending December 2018

There is a projected underspend on Directorate budgets of £2.418M in 2018/19. Corporate Budgets are currently reporting an underspend of £2.530M in an overall Council underspend of £4.948M. As at September the reported position showed an underspend of £2.760M which has subsequently been reflected in the Council's updated Reserves Strategy. However, since that time there has been a further deterioration in relation to the SEN budget position that will result in the need to earmark £4M of the overall underspend, and consequently reduce the BREXIT contingency approved in the budget papers by £1.8M.

The table below provides the monitoring position for the Council as at the end of December 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 3, there is no expected impact on the 2019/20 position.

DIRECTORATE	Approved Net Budget 2018/19 £'000	Projected Net Outturn 2018/19 £'000	Forecast Deficit / (Surplus) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / (Surplus) £'000	FYE (19/20) £'000
People	72,792	69,244	(3,548)	1,895	(1,653)	-
Place	40,760	38,950	(1,809)	2,120	310	-
Communities	21,447	18,711	(2,736)	2,210	(526)	-
Public Health	4,190	2,171	(2,019)	2,019	-	-
Core Services	15,964	13,835	(2,129)	1,580	(549)	-
Service Totals	**155,153**	**142,912**	**(12,241)**	**9,823**	**(2,418)**	**-**
Corporate / General items	13,835	7,513	(6,322)	3,792	**(2,530)**	-
Sub Total – Council	**168,988**	**150,425**	**(18,563)**	**13,615**	**(4,948)**	**-**
HRA	**52,067**	**45,507**	**(6,560)**	**6,087**	**(474)**	**-**

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 Q3 position is forecasting a 100% delivery rate against the target for 2018/19 of £4.404M.

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 and any issues are highlighted early so that recovery plans can be put in place where necessary.

5. Corporate Resources

Collection Rates

5.1 The Council's major sources of discretionary income are Business Rates and Council Tax. The Council's ongoing financial health is therefore almost completely reliant upon the collection of both these major sources of income. The table below shows the estimated collection rates for Quarter 3 compared to the stretch targets set at the start of 2018/19:

	2017/18	2018/19	Quarter 3	Variance

	Actual	Stretch Target		Q3 to Target
Council Tax	96.07%	96.1%	96.05%	-0.05%
Business Rates (local share)	98.36%	97.6%	97.54%	-0.06%

5.2 The current Council Tax collection rates are forecast slightly to be slightly below the current stretch target by 0.05% (equivalent to £57k in income) in 2018/19. Every effort will be made during the final quarter to ensure that this shortfall is collected to try and ensure that the stretch target is achieved by the end of quarter 4.

5.3 The current Business Rate collection rate is also slightly below the stretch target set for 2018/19 by 0.06% (equivalent to £33k). As the budget is set on a more prudent basis this shortfall does not present a major concern at this stage. The reasons for the reduced collection rate reflect a number of factors including the following:-

- Appeals - Following a successful appeal to the Valuation Office Agency (VOA) a particular hereditament was split into 1889 individually rated 'pods'. This has resulted in the rating assessments becoming more difficult to determine. A number of the accounts have been placed on hold until ratings assessments have been completed by the VOA, meaning 0.15% of the net business rate debit is awaiting collection.

- Payment Delays – Expected payments in December from a number of businesses have yet to be received (0.26% of net collectable debit). We expect the payment owed for December to be paid in January along with the January instalment. If received, the collection rate would be higher than the stretch target set although there is no guarantee at this stage that this will be the case.

5.4 However, it is important to understand that business rate income remains extremely volatile. To counter this, there are monitoring and collection processes in place to ensure that external pressures and any potential risks are considered throughout the financial year.

5.5 The Council's 2020 capital investment plans, to accelerate growth in jobs and businesses are expected to provide an increased business rate yield over the period of the MTFS.

5.6 There is also an enhanced framework in place of joint working across Council Departments and other agencies/partners to ensure the plans and investment are effective. 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 but Chancellor has since announced that this will rise to 75% by 2020. This increases the significance of the business rate base and subsequent collection rates.

5.7 It seems likely that the final deal (including the 'no deal' option) on Brexit will have a major impact on the economy. Until the deal is agreed, it is still very difficult to determine what the exact impact will be but economists continue to indicate that it could create a negative impact on economic growth over the medium term.

Arrears Position

5.8 A summary of the current debt position is shown in the table below. The opening balance of debt at the beginning of the year stood at £26.9M with the current balance at the end of December 2018 being £23.8M. This shows a reduction of £3.1M from the opening balance.

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 September	15.530	8.344	23.874	15.952	-
Total as at end of December	13.413	10.367	23.780	14.326	1.512
MOVEMENT September to December	(2.117)	**2.023**	**(0.094)**	**(1.626)**	**1.512**

5.9 The table above also showed an opening bad debt provision balance at the beginning of the year of £14.752M. The current provision as at the end of December stands at £14.326M, a reduction of £0.426M.

5.10 Historic debt is traditionally much more difficult to collect so the position on pre-2018/19 debt is particularly encouraging. The service has already collected 50% of pre 2018/19 debt at the end of quarter 3. A reduction of this size indicates that the measures being taken to improve debt recovery are having a positive effect although it remains good financial management to provide for non-recovery of some of these debts

5.11 The Service Director Finance (Section 151 Officer) is now also seeking approval to write off debt amounting to £1.549M which has become uneconomical to pursue. This is summarised in the table below:

Type of Dept	**Value of Write off (£M)**
Council Tax	1.095
Business Rates	0.252
Trade Debt General Fund	0.025
Trade Debt HRA	0.089
Housing Benefit Overpayment	0.051
Total (Collected by BMBC)	**1.512**
Former Tenant Rent Arrears- HRA	0.037
Total (Including Tenant Rent Arrears)	**1.549**

Impact on MTFS/Reserves

6.1 An updated 2019-22 MTFS forecast will be presented into Cabinet in February 2019 for approval. This reflects a number of pressures and mitigations and will show a balanced position for the period 2019-2021 with a modest deficit remaining for 2021/22.

6.2 This position does make some provision for future demands on services but largely assumes that the current service pressures, outlined in this report, will be contained prior to 2019/20. To the extent that these are not fully contained by services there will be a corresponding adverse impact on the updated MTFS position.

6.3 An updated reserves position/ strategy will also be included in the 2019/20 budget papers and this position will be continually monitored particularly when the final 2018/19 outturn is known.

6.4 It should be noted that the current underspend reported at Q3 is predominantly as a result of one-off funding received for Adult Social Care, as explained in more detail in Section 1 below. This underspend position is not sustainable moving forwards with the funding for Adult Social Care being uncertain MTFS reflects where possible any future pressures in relation to Adults Social Care.

	2019/20	2020/21	2021/22
Revised MTFS at December 2018 pre efficiencies	**£-M**	**£0.028M**	**£4.857M**

6.4 Full plans are in place to deliver the approved 2019/20 KLOE's and detailed delivery plans are currently being worked up for the 2020/21 KLOE's (subject to final approval) to ensure a balanced position over these two years. An approach to deliver the remaining shortfall in 2021/22 of £4.9M will be identified in due course.

6.5 It is anticipated that the current forecast underspend in 2018/19 is one-off in nature. The underspend position as at end of September (£2.7M) has been included within the Council's 2019-2022 Reserves Strategy. However, since this time the underlying budget pressures on SEN have worsened. It is now recommended that £4M of the underspend position highlighted within this report (£5M) is earmarked for to offset this pressure. This means the BREXIT contingency set aside within the Reserves Strategy will reduce by £1.7M.

Background Papers

- Service and Financial Planning 2018/19 – Revenue Budget, Capital Programme and Council Tax (Cab.7.2.2018/6)
- The Council's Medium Term Financial Strategy -2019/20 (Cab.6.2.2019/6)

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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 **£72.792M** and includes schools related budgets of -£2.334M (schools balances and DSG deficit). An underspend is reported against the approved budget before earmarking's of £3.548M. It is proposed to earmark £1.895M, resulting in a net operational underspend of **£1.653M** in the current financial year.

Quarter 3 position to the end of the quarter ending December 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	8,544	8,169	(375)	114	(261)	-
Adult Social Care & Health	41,525	37,884	(3,641)	1,781	(1,859)	-
Children Social Care &Safeguarding	25,057	25,525	468	-	468	-
Sub-Total	**75,126**	**71,578**	**(3,548)**	**1,895**	**(1,653)**	**-**
Schools	(2,334)	(2,334)	-	-	-	-
Total - People	**72,792**	**69,244**	**(3,548)**	**1,895**	**(1,653)**	**-**

Key Variances

Education, Early Start & Prevention – a net underspend of (£0.261M) after proposed earmarkings of £0.114M. The increased underspend of £0.011M when compared to Q2 is due to an improved financial performance in Targeted Youth and Education Welfare services. An explanation of the key variances for the year are detailed below:

Education Welfare underspend (£0.075M)

- An improved financial position is currently reported for the Service compared to Q2 due to continuing staff vacancies and turnover in the service.

School Sufficiency Services underspend(£0.073M)

- The reported underspend relates to staff savings from the early implementation of the Early Start Services staffing review KLOE for 2019/20.

Targeted Support Services underspend (£0.112M)

- The reported underspend compares favorably to the Q2 position (-£0.018M) and is attributable to staff vacancies and turnover within Youth Services as well as reduced operating costs (ICT spend) within the Youth Offending Team (YOT).

Adult Social Care & Health – A balance of resources (£1.859M) is currently reported for ASC after allowing for a proposed earmarking of £1.781M. The latest position represents a significant change (£1.5M) from that reported in Q2, and is mainly attributable to the impact / use of non-recurrent one-off Government funding such as the Improved Better Care Fund (IBCF), Adult Social Care support grant and the Winter Pressures funding. The use of one-off funding by the Government (in advance of the ASC Green Paper) is not sustainable moving forward and makes it difficult to plan effectively for the long term (i.e. managing significant future risks relating to demographic and cost of care).

Whilst the use of one-off grant funding has had a significant impact on the reported position for the Older People and Working Age Adult client groups, there has also been a noticeable reduction in care provision costs as well as increased health funding / client contributions in the current year. The following explains the key variances for the year:

<u>Older People aged 65+ underspend(£0.946M)</u>

- Staff vacancies and turnover savings of £0.096M – across the various social care locality teams;
- Reduction in care provision costs (residential & nursing care) for the year. The number of clients in receipt of supported care has fallen, with lower rate of admission into residential / nursing care homes since the beginning of the year (16% reduction by Q3 compared to 2017/18). Residential / nursing care home admissions are expected to be below target for 2018/19.
- Higher than expected (£1.6M) contributions from clients, health funding (e.g. continuing health care) as well as funding clawed back from direct payments managed accounts. The increased income is a result of: positive outcome from a number of financial assessments of clients recently undertaken; full year impact of the removal of the £150 weekly fee cap on non-residential care and continuing challenge of the level of health contributions to care packages.
- Proposed earmarking's of (£0.723M) to cover the estimated cost of the uplift of the weekly residential care fee (yet to be formally agreed).

<u>Working Aged Adults aged <65 underspend (£0.831M)</u>

- Staff vacancies and turnover savings of £0.123M – across the Learning Disabilities and Mental Health specialist locality teams;
- An increase in the level of funding contributions from health for joint funded care packages (particularly s117 funding) and increasing level of funding clawed backed for direct payments managed accounts.

<u>Joint Commissioning Unit underspend (£0.112M)</u>

- The forecast underspend has arisen mainly from staff turnover / vacancies and minor savings on commissioned contracts.

Children's Social Care & Safeguarding – an overspend of £0.468M is forecast for Q3 for the Children Social Care & Safeguarding Business Unit and is mainly attributable to increased children in care (placement) costs.

Children in Care overspend (£0.563M)

- An increase in the number of looked after children (LAC) and associated costs of £0.2M since Q2, mainly attributable to higher external residential care costs offset by reduced spend on fostering and other placement costs over the same period.
- Barnsley's overall LAC population at the end of Q3 is 317, which represents an increase of 31 since Q2. The LAC sufficiency strategy assumes numbers during the year would be managed around the guideline target of 300.
  It should be noted that Barnsley's 2018 LAC numbers (62 per 10k population aged <18) still compares favorably to its statistical neighbours (98) and national average (64).
- Whilst the number of residential care placements has remained stable over the quarter, the overall cost continues to exert pressure on the budget, with 16 residential placements including 2 secure welfare and 8 semi-independent placements for young people requiring housing placed at the end of Q3. Included in the above are a number of Unaccompanied Asylum Seekers Children (UASC) recently taken into care by the Authority in the last quarter. It should be noted that UASC grant funding and contribution from health has been secured to mitigate placement costs where possible.

Safeguarding & Quality Assurance underspend (£0.065M)

- The above forecast underspend is mainly due to staff vacancies and higher than anticipated training income.

Other Variances underspend (£0.030M)

A net underspend is reported across a number of service budgets including: Assessment & Care (staff vacancies offset by LIFT accommodation / staff travel costs); Leaving Care (staff vacancy savings); and Short Break (cost pressures relating to childminding / direct payments spend).

Schools DSG - The latest Dedicated Schools Grant (DSG) budget for 2018/19 totals £99.5M, comprising of £79.3M delegated to schools / academies and £20.2M retained centrally by the Council. The DSG budget includes the recently announced additional high needs funding of £0.528M. The following outline the forecast position for schools' budgets:

Delegated DSG budgets underspend (£1.2M)

- Comprises of elements allocated to schools through the local schools funding formula, as well as high needs and early years funding. The latest reported schools balances position showed a projected net surplus of £1.2M for the current financial year.

- The position includes 3 schools (Hoylandswaine primary, Penistone Grammar school, and Springvale primary) with reported deficit positions for the year. Recovery plans or actions have been agreed with these schools to address or manage down these deficits over set timeframes.

Centrally retained schools DSG budget overspend £8.4M

- A DSG overspend of £8.4M is currently forecast across all the centrally retained budgets and includes the additional high needs funding allocated by the Government of £0.5M. The reported position represents a worsening position when compared to the £7.3M

deficit reported for Q2 position (a change of £1.5M after adjusting for the additional Government funding). The increase in the forecast deficit is attributable to increased external SEN placements in the 2018 autumn term (new academic year), plus assumed underspend in the early years block was less than the level forecast in Q2.

- The above net overspend, which mainly relates to the high needs block, is made up of £5.2M carried forward from 2017/18 plus an in-year net pressure of £3.2M (mitigated by underspends in the early years funding block). The pressures faced in the high needs block are mainly due to the following: out of borough SEN placements costs; increased termly adjustments and exceptional funding allocations to schools/academies – due to rise in pupils with EHC plans);

- Also, the planned reduction in Out of Borough SEN costs as outlined in the approved SEND Strategy/Financial Plan has not been realised in the current year.

Approved Savings Position

The approved 2018/19 savings target for the 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 fully delivered in the current year.

Current Actions and Future Risks

The following outline the **key actions** being undertaken by the Directorate to address the identified pressures in Children Social Care & Safeguarding:

- Continue to manage placements in an effective and safe manner and ensure that costs are managed down through the following: tracking of placements by the Placement Oversight Resource Panel; implementing the action plan from the review of the fostering service; and continuation of the targeted recruitment campaign to attract in-house foster carers.

The main **risks in 2019/20** relate to demand-driven pressures in children services, adult social care as well as the escalating cost of SEN placements in external provision. The following summarises the key risks facing the Directorate :

- BU1: Education, Early Start, & Prevention
  The business unit will continue to face pressures from reductions in external funding e.g. Youth Justice Board (YJB) grant, SEN implementation grant and trading income from schools (Education Psychology, Education Welfare and Schools Governor services).

- BU1: Schools Budgets (High Needs)

An in-year net budgetary pressure of £3.2M (excluding the carry forward deficit) is currently forecast against the high needs budget in 2018-19. Whilst this in-year pressure is expected to reduce over the coming years (due to the impact of the implemented actions in the SEN strategy), there is still an ongoing sustainability issue with projected deficits forecast in future years. There is a DfE requirement for LAs to put in place a 3 year recovery plan to address sustainability issues. This would be very challenging for Barnsley to deliver a sustainable plan within 3 years given the cost pressures in the high needs budget. As a longer timescale would be required to turn things around following recent investments and implementation of agreed actions.

- BU2: Adult Social Care & Health

  Pressures from care providers for fee increases to meet national living wage commitments, cost of care (to address market sustainability) and our need to improve the quality of care provision will pose the greatest challenge to the Council in 2019/20. This is in addition to significant demand risks that might arise from projected growth in the adult population, particularly in the 65+ age group. The delay of the Government's Adult Social Care Green Paper and the continued use of non-recurrent and one-off funding (e.g. IBCF, Winter Pressures funding) makes long term planning difficult.

- BU3: Children social care & safeguarding

  The increasing forecast LAC cost, particularly in relation to residential placements reflects some of the challenges facing the Council in finding suitable / appropriate placements, such as: increasing competition for limited placements both locally and within the region (a catalyst for driving up costs) and difficulty in placing older children (with challenging needs) with foster carers.

  The required actions / measures to manage LAC numbers over the medium term are set out in the recently refreshed LAC Sufficiency Strategy, however rising unit cost of placements is beginning to exert pressure on budgets. The ongoing work to track / plan LAC placements would ensure the stability of Barnsley's LAC numbers around the 300 mark and maintain costs within affordable limits

SECTION 2 – Executive Director's Summary for Place

Highlights

The latest revised 2018/19 approved budget envelope for the Place Directorate is £**40.760M**. Based on current projections, there is an under-spend against the approved budget before earmarking's of (£1.809M). Of this, £2.119M is proposed for ear marking resulting in a net operational overspend of **£0.310M** in the current financial year. This represents an improvement of (£0.199M) on the position reported at the end of Quarter 2.

Quarter 3 position to the end of the quarter ending December 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**	10,514	8,276	(2,238)	2,120	(119)	-
Culture & Housing	1,095	1,039	(56)	-	(56)	-
Environment & Transport	29,151	29,636	485	-	485	-
Total – Place	**40,760**	**38,950**	**(1,809)**	**2,120**	**310**	**-**
Housing Revenue A/C	52,067	45,507	(6,560)	6,087	(474)	-

**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 – underspend of (£0.119M) is forecast at quarter 3 after proposed earmarking's of £2.120M, an increase of (£0.082M) from quarter 2. Predominately as a result of increases in vacancies across the structure.

The main variances contributing to the forecast underspend are:

- Staff vacancies Planning & Building Control (£0.157M);
- Undeliverable Planning Fee Income £0.127M;
- Delays in progressing the Strategic Transport Feasibility study (£0.160M);
- (£0.309M) savings across the Authority's Asset portfolio as a result of lower than anticipated utilities due to a change of supplier; NNDR savings relating to the town centre redevelopment and a more prudent approach to repairs and maintenance across the estate to ensure maximization of the planned maintenance resource envelope.
- After earmarking's of £1.670M associated with the PFI whole life cost models, a further £0.450M is proposed to be earmarked to mitigate in year pressures identified in 2019/20 as a result of under occupancy across the estate whilst the town centre is under development and the wider buildings rationalisation review is completed.

Culture & Housing – an underspend of (£0.056M)

- A forecast shortfall in commercial income £0.056M;
- Staff savings across the service (£0.068M).
- Bereavement Fee Income (£0.050M).
- Contributions & Overheads £0.006M.

Environment & Transport – An overspend of £0.485M is forecast for Quarter 3, an improvement of £0.098M from quarter 2 as a result of savings against fleet vehicle leasing.

The key variances are detailed below:

Operations, Recycling, Neighbourhoods & Transport £0.083M overspend

- Transport £0.401M – 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 (provision made in 2019/20 MTFS for increased costs);
- £0.225M undelivered KLOE from previous periods – mitigation below.
- Neighbourhood Services (£0.207M) – primarily relates to staff vacancies within the team and the part year effect of the restructure of the service to be implemented from February 2019;
- Fleet (£0.052M) – The under-spend relates to the additional cost of repairs to the authorities fleet of vehicles being offset by savings on operational leasing rents;
- Waste Collection (£0.230M) – The under-spend 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.
- Staff Vacancies and other savings (£0.041M).

Highways, Engineering & Transportation Services (£0.823M)

- Construction Services (£0.378M) – delays in appointing to management posts within the service, a continuation of the same productivity levels as in 2017/18;
- Highways / Engineers / Highways Maintenance (£0.463M) – underspend relates primarily to staffing costs (£0.289M) and a non-recurring increase in fee income (£0.135M).

Commercial & Operational Services £1.228M

- Contracts Management / TLS (Waste Disposal) £1.288M – 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 (£0.814M).

Approved Savings Position

2018/19 Efficiency Savings

The planned efficiency savings for 2018/19 totaling £1.215M from across the directorate have all been delivered.

Mitigation from prior years (£1.844M total target)

£1.034M of efficiencies has been delivered. The target for 2018/19 is £0.810M with the following proposals still to be delivered for 2019/20:

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

* The TLS is currently forecast to be delivered in April 2019
** Travel Training is delivered in conjunction with the People Directorate
*** The cold mix pilot has been terminated following evaluation

Housing Revenue Account (-£0.474M)

- The Housing Revenue Account is currently forecasting an operational underspend at the end of December of (£0.474M). This anticipated position is after adjusting for slippage on the capital programme and service earmarking's. See Appendix 5 for a detailed HRA position.

- There are minor adverse variances forecasted across a number of areas of both income and expenditure totalling £0.156M, which represents an overall pressure on the HRA budget. These individual elements will be monitored accordingly during the remainder of the financial year.

- The above is offset by an increase in dwellings rent of (£0.372M) compared to the budgeted position as a result of lower RTB sales and fewer void properties than anticipated. Although the number of voids has started rise in the past month, the current forecast remains prudent as this includes a tolerance for further increases to void rates.

- There is also an expected underspend on the provision for bad debts (£0.258M) due to lower than forecasted arrears, as a result of the delay in rolling out Universal Credit within the Borough. Interest costs are also expected to be lower (£0.200M) as a result of debt maturing within the HRA portfolio.

- The repairs and maintenance budget is currently forecasted to breakeven. Trend analysis and detailed monitoring reports from the PRIP Finance Task Team shows an overspend could materialise. Corrective actions are currently being undertaken to ensure a balanced position is maintained. However, there is no provision in the budget to cover the impact of a severe winter and possible increased required maintenance. The forecasted position includes proposals to earmark £0.295M for the Electrical Testing and Legionella programmes not expected to complete in 2018/19.

- It is proposed to earmark £0.200M to fund the impact of the Homelessness Act over the two year period 2018/19 through 2019/20.

- Finally, £6.087M of the planned revenue contribution to capital is forecasted to be 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 by 2020 and beyond, however there remains a number of ongoing pressures:

- The Home to School Transport is highlighted as a key area for concern and has received additional budget provision through the MTFS this year. However, since the start of the September term there has been a rise in transport provision and costs by much more than was originally predicted. This has impacted most on the average cost per day of transporting children to outer borough locations which now includes a number of looked after children, a cohort that has not previously been identified as a pressure. A report will therefore be submitted to update Cabinet on the latest forecast position for 2019/20 and considered as part of 2019/20 Service and Financial Planning.

- Household Waste & Recycling levels will continue to be monitored and address where possible. Whilst recycling remains encouraging with the current position being 2.1% higher than last year's levels, the income associated with this has fallen due to volatile, competitive markets.

- Markets Income there is an anticipated shortfall in markets rental income in 2019/20 due to the ongoing construction programme of the new development, resulting in unoccupied stalls. Market stall lettings will continue to be actively progressed. The £0.150M earmarking proposed above will contribute to alleviate this pressure.

- Council Buildings programme the rationalisation of Council buildings programme is expected to deliver significant savings following the closure and hand back of buildings to contribute towards mitigating future funding gaps. However, there remains the risk of significant cost pressures, potentially giving rise to an overspend within Property services should the programme not happen or delays occur. In addition potential unknown costs relating to the ongoing property maintenance across the estate continues to be a concern, this continues to be monitored and managed as far as possible. Finally a review unoccupied spaces across the asset portfolio will continue, particularly in relation to the Lift Buildings and Business Centres, to ensure we are maximising the use of our assets.

The directorate continues to work hard to bring forward necessary mitigations for all of the above pressures and concerns. A plan is currently in place to achieve a balanced budget by 2020. Progress against the plan will be carefully monitored with any ongoing issues being reported to Cabinet as required.

SECTION 3 - Executive Director's Summary for Communities

Highlights

The total net budget for the Directorate is **£21.447M**. Total forecast net expenditure is £18.711M, resulting in a forecast underspend before earmarking's of £2.736M. Of this sum £2.210M 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 **£0.526M**.

Quarter 3 position to the end of the quarter ending December 2018

DIRECTORATE	Approved Net Budget 2018/19 (after Virement) £'000	Projected Net Outturn 2018/19 £'000	Forecast Deficit / (Surplus) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / (Surplus) £'000	FYE (19/20) £'000
Customer Services	2,953	2,205	(748)	103	(645)	-
Safer, Stronger, Healthier	8.885	6,663	(2,222)	2,107	(115)	-
IT	9,609	9,843	234	-	234	
Total – Communities	**21,447**	**18,711**	**(2,736)**	**2,210**	**(526)**	**-**

Key Variances

The overall forecast overspend for the Communities Directorate has improved by £0.290M since the reported position at quarter 2, this is predominately as a result of reduced contract costs and careful vacancy management. Key variances are summarized below.

Customer Services are currently projecting an operational underspend (£0.645M) for the year. The key contributors to this position are:

- Day Opportunities (underspend £0.332M) – the recent closure of the Keresforth Centre and vacancy retention across the service are key contributors to the expected outturn position.

  It should be noted that £0.120M of the underspend has been transferred to Adult Social Care - (People Directorate)and has been reflected in their Q3 reporting figures.

- ALT & Reablement (underspend £0.303M) – the underspend expected is as a result of increased income following the recent price increase for Assisted Living Technology services along with vacancy retention within ALT (£0.040M) and Reablment (£0.082M).

Safer, Stronger & Healthier Communities (SSH) *(underspend £0.115M) – the underspend expected is as a result of vacancy retention.*

IT Services are currently projecting an over spend for the year of £0.234M, the reasons for this are as follows:

- Software License and Equipment Costs - (£0.482M overspend), a £0.124m reduction in the estimated outturn when compared to quarter 2. This is as a result of a review of contract costs and cost projections. Factors such as an increase in license costs and changes in contracting arrangements offered by external providers continue to cause significant challenges for the service. Software License and Equipment costs will continue to be reviewed as part of the future service redesign and the overarching implementation of the Digital First strategy.

- Vacancy Retention (£0.248M underspend) – it is important to note that £0.342M in salary and vacancy related savings were transferred in Q2 and earmarked to support the delivery to the Digital First programme, these are reflected in the Corporate budget monitoring report

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. 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. From 2019/20 onwards savings will accrue from three new replacement KLOE's.

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 extensive (£1.7m) in 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 & Regulation

Highlights

The total net budget for the Directorate is **£4.190M**. Based on financial performance to date and forecast activity for the remainder of the year, an operational under-spend of (**£2.018M)** has been estimate, of which is proposed to be earmarked.

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

Quarter 3 position to the end of the quarter ending December 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 (19/20)
	£'000	£'000	£'000	£'000	£'000	£'000
BU10 – Public Health & Regulation	**4,190**	**2,172**	**(2,018)**	**2,018**	**-**	**-**

Key Variances

The forecast underspend of £2.018M for the current year largely comprises:

- **The Planned Underspend against the 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.

- **Contract Slippage (£0.127M)** – slippage on planned contract spend has resulted in a requests for earmarking in respect of a number of contracts including Suicide Prevention, Flu Vaccination, Plus Me and Food Inspections.

- **Staff Vacancies (£0.165M)** – this largely relates to the 0-19 service where an underspend in the region of £0.135m is expected due to staff leaving the service and subsequent vacancies.

- **Budget Re-profiling/Early Achievement of KOE Savings (£0.128m) –** representing the preparatory work undertaken to support the effective delivery of future KLOE savings and includes the early achievement of targets.

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), the Council's MTFS includes additional provision to enable the service 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 £15.964M. Based on current projections the Directorate is forecasting an outturn of £13.836M as at the end of Quarter 3, resulting in an under-spend, before earmarking's of £2.130M. Of this £1.579M is proposed for earmarking resulting in an overall estimated operational under-spend of **£0.549M** for 2018/19.

Quarter 3 Position to the end of the quarter ending December 2018

DIRECTORATE	Approved Net Budget 2018/19 (after Virement) £'000	Projected Net Outturn 2018/19 £.000	Forecast Deficit / (Surplus) £'000	Adjustment for Slippage & Transfer to reserves £'000	Operational Deficit / (Surplus) £'000	FYE (19/20) £'000
Finance	5,474	4,367	(1,107)	750	(356)	-
HR	2,005	1,683	(322)	322	0	-
Business Imp & Comms	3,398	2,964	(434)	405	(29)	-
Legal Services	770	683	(87)	0	(87)	-
Elections	688	633	(55)	55	-	-
Council Governance	1,675	1,640	(35)	0	(35)	-
Joint Authorities	1,954	1,865	(89)	47	(42)	-
Total – Core	**15,964**	**13,835**	**(2,129)**	**1,580**	**(549)**	**-**

Key Variances

An under-spend of £0.549M is forecast for 2018/19, a slight decrease from the underspend reported at quarter 2 by £0.105M. This is largely as a result of the increase in ear marking requests across the Directorate.

Finance – underspend of (£0.356M) after proposed earmarkings of £0.750M:

- A combination of staff turnover and vacant posts as a result of the new staffing structure implemented in October 2018, along with the early delivery of 2019/20 efficiency savings.
- Unspent earmarking's as a result of ongoing projects to further enhance financial systems and other digital technologies to support delivery of the business unit objectives – requested to be carried forward into 2019/20.
- Additional earmarking request of £0.250M to support Council wide business case proposals via the Commercial Investment Fund.

HR– breakeven position after proposed earmarkings of (0.322M)

- High levels of staff turnover and vacant posts pending a wider restructure, along with unspent earmarking's due to delays in the implementation of digital solutions;
- £0.322M earmarking proposed to continue to fund temporary staffing provision to 2020 and ongoing delivery of technological enhancements.

Performance, Business Improvement & Communications – underspend (£0.029M) after proposed earmarkings of £0.405M:

- Staff turnover and vacant posts pending a restructure to support the Business Unit's plans and delivery of 2020 efficiency targets and underspend of Corporate Training;
- £0.405M earmarking requested to continue to fund temporary staffing provision and technological enhancements.

Legal Services – underspend of (£0.087M):

- (£0.144M) additional income received through entertainment licences and court fees as a result of an increase in the number of enforcements;
- (£0.024M) general under-spending of supplies & services;
- £0.041M unforeseen cost pressures associated with a complex legal case;
- £0.040M high levels of a printing due to the delays in implementing the new electronic case management system.

Elections – breakeven position after proposed earmarkings of (£0.055M):

- Reinvestment of the income received from the Sheffield City Region Mayoral election to purchase new polling booths.
- £0.055M proposed to be ear marked to contribute towards costs associated with the 2019/20 Local Election.

Council Governance - underspend of (£0.035M):

- Part year vacant post netted off against early introduction of new post that will be funded by reinvestment in 2019/20 as part of the wider KLOE Core restructure.

Joint Authorities - underspend of (£0.042M) after proposed earmarkings of £0.047M:

- Vacancy factor of the Business Support team which transferred to the service in October 2018;
- £0.047M proposed to be ear marked to continue to fund relief posts.

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 the technology does not provide the solutions anticipated presenting 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 has under taken a major re-design of the functions it delivers, with a new structure operational from 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 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 **£13.835M**. Corporate budgets include for example, Capital Financing, Pension costs, Insurance, Levy's etc. A underspend of **£2.530M** is currently forecast (after earmarkings).

Quarter 3 position to the end of the quarter ending December 2018

Corporate Area	Approved Net Budget 2018/19 (after Virement) £'000	Projected Net Outturn 2018/19 £'000	Forecast Deficit / (Surplus) £'000	Adjustment for Slippage, Grant balances & Transfer to reserves £'000	Operational Deficit / (Surplus) £'000	FYE (19/20) £'000
Capital Financing	16,264	14,764	(1,500)	-	(1,500)	-
CDC	789	789	-	-	-	-
Levies	1,730	1,730	-	-	-	-
Corporate Items	(2,529)	(2,529)	-	-	-	-
Provisions	17,684	12,862	(4,822)	3.792	(1,030)	-
Provisions – Pension Deficit	7,068	7,068	-	-	-	-
Contributions from Balances	(27,171)	(27,171)	-	-	-	**-**
Total – Corporate	**13,835**	**7,513**	**(6,322)**	3,792	**(2,530)**	-

Key Variances

- As reported at Quarter 2 the capital financing budget is expected to underspend by £1.500M due to taking advantage of low interest rates. Such savings will reduce as the Council fixes more of its debt in line with its Treasury Management Strategy.

- A £4.822M underspend is currently forecast against the Corporate Provision budget. As reported at Q2 this includes a forecasted £1.2m underspend against a provision that was set aside for reinvestment into Adult Social Care to meet potential additional demographic pressures. A further £3.6M had also been provisionally earmarked within the budget in relation to general spending pressures across the social care service. Since this assumption was made additional specific government grants have been confirmed, meaning that this sum will not be required in the current financial year.

- However, a number of commitments / investment priorities have already been made against this underspend including:

    - Tour De Yorkshire 2019;
    - Pressures within Special Educational Needs;
    - Town Spirt;
    - Town Centre Anti-Social Behaviour;
    - Assets Rationalisation programme;
    - CPO land at Carlton;
    - Funding previously earmarked for Digital First

Other Items

External Trading - BMBC Services Ltd

- BMBC Services is forecasting a 'profit after tax' of approximately £0.150M which will be used to support the Digital First programme.

£3.5 Million Invest to Grow Fund

- A total of £1.875M is estimated to be spent during 2018/19, with a further £0.202M in 2019/20, and £0.088M in 2020/21;

- £0.633M (34%) has been incurred to date during 2018/19 with a further £0.433M (23%) committed and expected to be spent in the final quarter of this financial year. The remaining £0.809M (mainly relating to new schemes approved in August), is expected to slip into 2019/20.

Invest to grow fund	Total	2016/17	2017/18	2018/19	2019/20	2020/21
	£M	£M	£M	£M	£M	£M
Fund allocated	3.000	0.305	2.199	0.457	0.039	0.088
Carry Forward			(1.009)	0.788		
Re-allocated				0.221		
New Allocation	0.660			0.409	0.163	0.088
Total Allocation Q3	**3.660**	**0.305**	**1.190**	**1.875**	**0.202**	**0.088**