REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30th SEPTEMBER 2014 – ADDENDUM COMMENTARY FOR OVERVIEW & SCRUTINY MANAGEMENT COMMITTEE

A. Members of the Committee requested that we provided some additional commentary on the following report. This commentary is needed because the discussions in monthly budgetary reports tend to explain movements month by month, Consequently these discussions would benefit from some additional context when only received quarterly (as by Scrutiny) rather than every month.

B. The aim of this commentary is provide explanatory detail from existing sources, rather than to provide additional or new information.

C. The following commentary therefore provides additional detail on the following areas:
- Movements since month 3
- Trends
- Levels of variance
- Risks
- Comments made by Cabinet.

Movements since Month 3

D. The Revenue Monitoring report at 30 June 2014 showed an overall forecast overspend of £11.4m. This has improved to a forecast overspend of £3.0m in the report below. The main areas of improvement are as follows:
- CYPF £0.4m – mainly due to reduced spend on bus passes and additional grant income
- Communities £2.3m – improvements across most services, but particularly Care & Support reflecting purchasing savings, and in Commissioning through a receipt of funding for pension liabilities and a reduction in spend on Housing Related Support contracts
- Place £1.8m - mainly due to additional forecast income as well as forecast cost reductions in staffing through vacancy management, contracts and local growth funded projects within Regeneration & Development Services
- Resources £0.6m – temporary use of Invest to Save reserve to fund ICT pressures in BCIS and Customer Services which was agreed since Month 3, pending the outcome of Capita Sourcing Strategy proposals
- Corporate £3.3m – mainly additional corporate grant income.

E. Paragraph 3 below breaks down the remaining overspend across the Portfolios. The graph below paragraph 2 shows the monthly trend.

Trends

F. The graph following paragraph 2 in the main report below shows the monthly trend. As can be seen the forecast overspend reduces steadily month by month. As discussed under “levels of variance” below, principal causes are unexpected items occurring during the year (often additional grant income) and savings plans being delivered within year, resulting in overspends reducing as savings are delivered.

G. The reports for months 7 & 8 are available, but have not yet completed their approval process, so information from them cannot be presented to Overview and Scrutiny Committee in this report. However, in summary, the trend in reductions in the forecast overspend continues over these two months.

H. The table below shows the trend in forecast out-turns by portfolio.

	Budget £’m	Month 3 £’m	Month 4 £’m	Month 5 £’m	Month 6 £’m
CYPF	71.5	71.5	71.5	71.6	71.5
Communities	156.3	161.8	161.0	160.8	160.0
Place	161.3	165.4	163.7	163.6	163.6
PPC	2.6	2.7	2.7	2.7	2.6
Resources	85.5	84.3	83.1	84.7	86.1
Corporate	(477.3)	(474.3)	(473.5)	(478.9)	(480.8)
Total	**0.0**	**11.4**	**8.5**	**4.5**	**3.0**

Levels of variance

I. The Council does not set an “acceptable” level of variance in its budgetary process. Clearly, for example, the receipt of unexpected grant income, is acceptable at any level. Large positive variances (ie underspends) might be an indicator that the budget was not set with sufficient rigour, but equally could simply indicate that savings plans have been more successfully implemented than anticipated, and have been over-achieved.

J. Significant forecast overspends should always be pursued. However as budgets may include elements of savings which are delivered during the year, there is a tendency for forecasts for early months of the year to show higher predicted overspends than later months. The alternative approach, ie to recognise savings before they have been firmly achieved, clearly would have considerable dangers.

Risks

K. The Committee asked for additional detail on contracts' and pension bodies' risks.

L. Paragraph 81 below comments that the high and increasing proportion of Council budgets that are committed to major contracts impairs the Council's flexibility to reduce costs or reshape services. The Council is seeking to mitigate these risks by negotiating contract variations and cost reductions where possible and desirable.

M. Paragraph 75 below discusses pensions' risks, and in particular draws attention to the additional costs the Council faces due to the increased pension contributions required by SY Pensions Authority. Over the medium-term, with increasing life expectancy, pensions' costs are likely to remain a significant risk to all bodies with defined benefit pension schemes.

Comments made by Cabinet

N. Publicly available comments made by Cabinet are available in the decision records and are reproduced below for ease of reference.

Decision:

10.1 The Executive Director, Resources submitted a report providing the month 6 monitoring statement on the City Council's Revenue and Capital Budget for 2014/15.

*10.2 **RESOLVED:** That Cabinet:-*

(a) notes the updated information and management actions provided by the report on the 2014/15 Revenue budget position and approves:-

- *The proposed use of £300-400k of Public Health forecast reduction, as noted in paragraph 68 of the Public Health section of the report*
- *The balance of the Public Health underspend be considered in the context of the 2015/16 budget savings on public health*
- *The carry-forward of any underspend of the Local Assistance Scheme (LAS) be carried forward to assist with sustaining a LAS scheme in 2015/16, subject to balancing the overall budget;*

(b) in relation to the Capital Programme:
(i) approves the proposed additions to the Capital Programme listed in Appendix 2 of the report, including the procurement strategies and delegations of authority to the Director of Commercial Services, or nominated officer, as appropriate, to award the necessary contracts following stage approval by

Capital Programme Group;
(ii) approves the proposed variations and slippage requests listed in Appendix 2 of the report; and

(c) notes:-

- *The latest position on the Capital Programme including the current level of delivery and forecasting performance;*
- *The four projects listed in Appendix 2 of the report which were due to close and where savings had been achieved and will be returned to the Housing Revenue Account;*
- *There was no exercise of delegated emergency approval by the Executive; and*
- *The instances where Cabinet Members, EMT or Directors of service exercise their delegated authority to vary approved amounts.*

11.3 ***Reasons for Decision***

11.3.1 To formally record changes to the Revenue Budget and Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the Capital Programme in line with latest information.

11.4 ***Alternatives Considered and Rejected***

11.4.1 A number of alternative courses of action were considered as part of the process undertaken by Officers before decisions were recommended to Members. The recommendations made to Members represented what Officers believed to be the best options available to the Council, in line with Council priorities given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

10.5 ***Any Interest Declared or Dispensation Granted***

None

10.6 ***Reason for Exemption if Public/Press Excluded During Consideration***

None

10.7 ***Respective Director Responsible for Implementation***

Eugene Walker, Executive Director, Resources

10.8 ***Relevant Scrutiny and Policy Development Committee If Decision Called In***

Overview and Scrutiny

Report author: *Allan Rainford*

Publication date: *19/12/2014*

Date of decision: *17/12/2014*

Decided at meeting: *17/12/2014 - Cabinet*

Effective from: *30/12/2014*

REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30th SEPTEMBER 2014

Purpose of the Report

1. This report provides the Month 6 monitoring statement on the City Council's Revenue Budget and Capital Programme for September. The first section covers Revenue Budget Monitoring and the Capital Programmes are reported from paragraph 100.

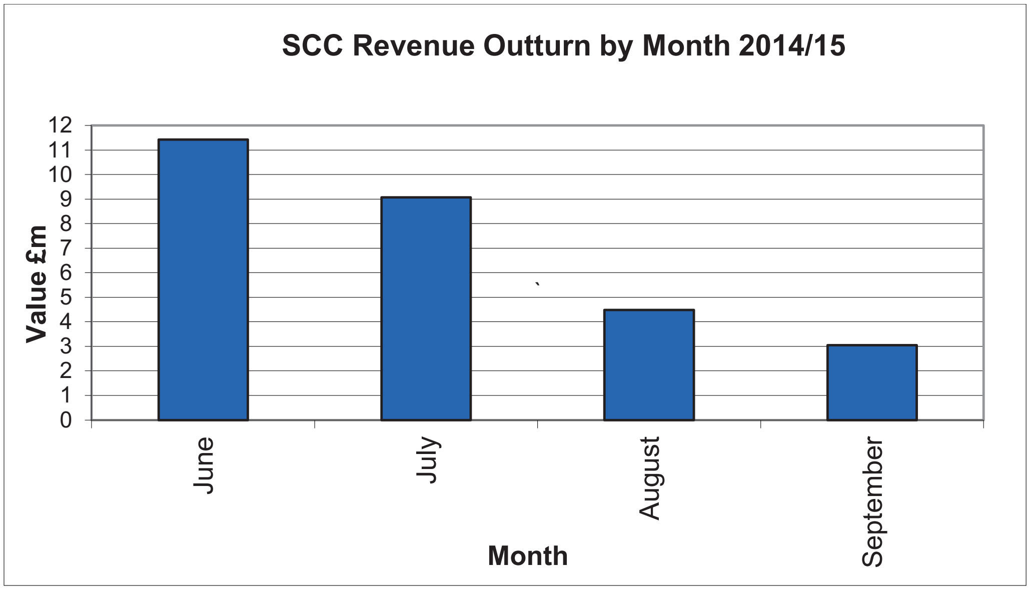
REVENUE BUDGET MONITORING

Summary

2. At month 5 the overall Council position was for a potential overspend of £4.5m. This largely reflected areas where action is intended to be taken to implement corrective action but where the forecasts of managers do not yet reflect this. The position at month 6 shows an improvement of around £1.5m on the previous month, with a forecast potential overspend of £3m to the year end. This is summarised in the table below:

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 5
CYPF	71,491	71,492	(1)	⇩
COMMUNITIES	159,964	156,321	3,643	⇩
PLACE	163,643	161,338	2,306	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,619	2,601	18	⇔
RESOURCES	86,107	85,499	608	⇔
CORPORATE	(480,780)	(477,252)	(3,528)	⇔
GRAND TOTAL	**3,045**	**-**	**3,045**	⇩

- The forecast outturn shows a reducing overspend from the £11.4m overspend reported in month 3 to the £3m in the current month 6. This improvement reflects Portfolios attempts to reduce spending but also the receipt of additional grant income within the Corporate budget area to help offset the significant pressures within the Communities portfolio. Further work is being undertaken to deliver a balanced position at year end. The position month by month is shown in the following chart:



3. In terms of the month 6 overall forecast position of a £3m overspend, the key reasons are:

- Place are showing a forecast overspend of £2.3m, due to an estimated £1.5m in risk associated with contract negotiations to deliver the full £3.3m waste management savings in Business Strategy and Regulation and £781k forecast overspend due to income and cost pressures within Markets (Capital & Major Projects).
- Communities are showing a forecast overspend of £3.6m, due predominately to a £4m overspend in Care and Support relating to Learning Disability Services and the purchase of Older People's care
- Resources are showing a forecast overspend of £600k, due to a £305k forecast overspend in Commercial Services (Savings) due to reduced forecast income from cashable procurement savings, a £152k overspend in Central costs, mainly due to Bank Charges (£81k), a £213k over spend in Housing Benefit, mainly Rent Rebates that are forecasting a lower income from overpayment recovery, partially off-set by a £113k under spend in Human Resources due to increased income in the Moorfoot Learning centre.
- The above is partially off-set by Corporate budgets showing a forecast reduction in spending of £3.5m, due mainly to the receipt of additional grant income awarded to the Council as

compensation for business rates related measures introduced or extended in the 2013 Autumn Statement.

4. In terms of the main variations since Month 5 these are:

   - Children Young People and Families are forecasting an improvement of £189k, which is mainly due to forecast reduced spend of £118k on bus passes and the receipt of £68K in additional Education Services Grant.

   - Communities are forecasting an improvement of £1m, which is due to improvements in forecast spend of £456k (Business Strategy), £421k (Care and Support) and £138k in Commissioning Services.

5. Also shown in paragraph 65 is the position on the Public Health ring-fenced grant, which is a potential £1.6m underspend. Proposals from the Cabinet Member lead on Public Health are included in the report to spend between £300k and £400k of this underspend on food bank and fuel poverty projects. It is recommended that the balance of the underspend be considered in the context of the 2015/16 budget savings on public health.

6. The original proposal was to fund the food bank and fuel poverty projects from the Local Assistance Scheme (LAS) underspend, but the government grant for LAS is being cut in full in 2015/16. It is therefore recommended that any LAS underspend be carried forward to assist with sustaining a LAS scheme in 2015/16, subject to balancing the overall budget.

Individual Portfolio Positions

Children Young People and Families (CYPF)

Summary

7. As at month 6 the Portfolio is forecasting a balanced full year outturn on cash limit (shown in the table below), and the position on DSG is a forecast reduction in spend of £840k. The key reasons for the forecast outturn position are:

   - **Business Strategy** - £58k forecast reduction in spending due to additional Education Services Grant (ESG) income to that budgeted of £398k due to the timing of academy conversions and a reduced level of pump priming of £79k for Vulnerable Groups with activity now being picked up by schools. This reduction in spend is partly offset by a forecast £40k over spend on Bus Passes due to demand increase, a pressure on SEN Transport £275k, £63k on the Catering Premises and Equipment Budget as a result of a required revenue contribution to develop schools capacity to deliver UIFSM and the delay in implementing the MER in Business Strategy £29k.

- **Children and Families -** £389k forecast over spend. Over spending areas are: - Management and Business Support £231k due to delay in the Business Support MER, Legal Fees £151k (based on previous year's trends), Fieldwork Service Areas and Permanence and Throughcare £481k net overspend (following some mitigation) mainly due to difficulties in achieving vacancy monitoring targets, Asylum £128k due to costs being significantly greater than the external funding available, Adoption £321k due to additional placements particularly via Special Guardianship Orders and Inter Agency and Direct Payments £63k due to increased costs. These over spends are being partially offset by a reduction in spending of £422k on the combined Early Years and MAST Service as a result of an effective integration and an appropriate commissioning strategy for external contracts, Contact Contracts; £345k due to more efficient management using contact centres, Placements; £251k reflecting the positive trends in the numbers and costs of placements in the first half of the year. The service is continuing to review activities and funding streams to find mitigating action to offset the remaining over spend.
- **Inclusion and Learning Services -** £304k forecast under spend due to £123k as a result of additional traded income in Educational Psychologists. £50k in Advocacy and Challenge and £132k in SEN Placement Team due to vacancies.
- **Lifelong Learning and Skills** – £28k forecast under spend due to an under spend in Youth Teams £217k which is partly offset by over spends in the Training Units £189k.
- **DSG Budgets** – Overall a £840k reduction in spending made up of a £1.3m reduced spend in Business Strategy due mainly to a corresponding £1.3m reduction in spending on 2 Year Old FEL, which will be spent when capital works are completed. A reduced spending of £68k in Children and Families in the combined Early Years and MAST Service as a result of an appropriate

commissioning strategy. An anticipated over spend of £440k in Inclusion and Learning overall, made up of overspends of £453k in Banded Funding and £160k Independent Placements due to demand pressures, partially offset by reduced spending on Sensory Services £24k and £90k Inclusion and Learning Services due to vacancies. An overspend in Lifelong Learning and Skills of £122k due mainly to increased numbers of Post 16 High Needs learner placements.

Financials (Non-DSG activity)

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 5
BUSINESS STRATEGY	(2,367)	(2,309)	(58)	⇔
CHILDREN & FAMILIES	61,504	61,115	389	⇔
INCLUSION & LEARNING SERVICES	2,378	2,682	(304)	⇔
LIFELONG LEARN, SKILL & COMMUN	9,976	10,004	(28)	⇔
GRAND TOTAL	**71,491**	**71,492**	**(1)**	⇩

Commentary

8. The following commentary concentrates on the key changes from the previous month.

Non-DSG Budgets

9. As at month 6 the Portfolio is forecasting a balanced full year outturn on cash limit. This compares with last month's position of £188k over budget, a favourable movement of £188k.

DSG Budgets

10. The month 6 position is £840k forecast reduction in spend, which is an improvement of £246k from the position reported at Month 5. This improvement is predominantly due to the reduced year to date expenditure on 2 Year Old FEL against budget. This improvement is partly offset by adverse movements on the combined Early Years and MAST Service of £37k, £22k in Banded Funding, £57k on Independent Placements, £31k on Sensory Services and £138k forecast overspend on learning placements for Post 16 High Needs students.

Place

Summary

11. As at month 6 the Portfolio is forecasting a full year outturn of an overspend of £2.3m, which is in line with the month 5 position. The key reasons for the forecast outturn position are:

    - **Business Strategy & Regulation:** £1.5m forecast overspend largely due to risks associated with contract negotiations to deliver the full £3.3m waste management savings in the 2013-14 and 2014-15 Budgets.

    - **Capital & Major Projects:** £781k forecast overspend largely due to income and cost pressures within markets.

12. All directors continue to review current spending plans to prepare options to further reduce the overspend which will be reported in the Month 7 forecast.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 5
BUSINESS STRATEGY & REGULATION	29,844	28,381	1,463	⇔
CAPITAL & MAJOR PROJECTS	1,041	260	781	⇔
CREATIVE SHEFFIELD	2,792	2,830	(38)	⇔
CULTURE & ENVIRONMENT	44,384	44,451	(67)	⇔
MARKETING SHEFFIELD	945	777	168	⇔
PLACE PUBLIC HEALTH	(12)	0	(12)	⇔
REGENERATION & DEVELOPMENT SER	84,649	84,639	10	⇔
GRAND TOTAL	**163,643**	**161,338**	**2,306**	⇔

Commentary

13. The following commentary concentrates on the key risks and changes from the previous month.

Business Strategy & Regulation

14. The forecast for this activity is an overspend of £1.5m, broadly in line with the previous period. This reflects an assumed £1.2m risk pending agreement with the Contractor on new terms to reflect the revised waste collection arrangements.

15. Other cost pressures have to a large extent been mitigated, through one-off savings/additional income including the finalisation of the prior year sale of heat income due to the Council. However, risks remain around underlying waste volumes and additional costs associated with diversion of waste should further maintenance be required on the Energy Recovery Facility.

16. Work is progressing on developing further the range of options for negotiation with the contractor with a view to implementation in the second half of the year. Should there be slippage on this timescale this may result in a further adverse movement.

Capital & Major Projects

17. The forecast for this activity is an overspend of £781k, broadly in line with the previous period.

18. The forecast position largely reflects income pressures within the markets service (£0.7m). There may be further risk here if stall lettings cannot be held at current levels. The business model for the market is currently under review balancing lower rents against the need for more flexibility in location to ensure let space is maximised.

Culture & Environment

19. The forecast for this activity remains broadly balanced.

20. The Service is currently working with SIV to finalise a three year funding commitment which will enable them to deliver a significant package of savings. The three year funding commitment should remove the requirement for the Council to pick up risks associated with reductions in profit at the Motorpoint Arena or trading deficits within the SCT/SIV group, which would be absorbed by the Trust as part of their 3 year plan. The Director continues to work closely with SIV to ensure that these plans are progressed and risks are mitigated.

Communities

Summary

21. As at month 6 the Portfolio is forecasting a full year outturn of £3.64 million in excess of budget. The key reasons for the forecast outturn position are as follows:

- **Business Strategy:** Currently reporting a forecast reduction in expenditure of £488k against the full-year budget.
- **Care & Support:** A overspend of £4.1m is currently forecast due to ongoing pressures and issues in Adult Social Care primarily relating to care purchasing budgets. These budgets are currently the focus of recovery action led by the Adult Social Care Savings Board, overseeing several initiatives to contain the overall cost of care purchasing.
- Significant improvements have been made in the Adults Care Provision, which is forecasting an under-spend of £514k in this financial year. However this is almost entirely offset by a corresponding reduction in service user income, which is currently forecasting a shortfall of £475k due to numbers of contributing service users falling more significantly than anticipated.
- The significant over spend forecast is now within the Learning Disabilities Service (currently standing at £4.7m overspent) relating to care purchasing with an expected over-spend of £3.5m and increased expenditure of in-house care provision of £1.2m.

Financials

	Outturn £000s	Budget £000s	Variance £000s	from Month 5
BUSINESS STRATEGY	3,791	4,279	(488)	⇩
CARE AND SUPPORT	115,449	111,369	4,080	⇩
COMMISSIONING	31,908	32,036	(128)	⇩
COMMUNITY SERVICES	8,816	8,637	179	⇔
GRAND TOTAL	**159,964**	**156,321**	**3,643**	⇩

Commentary

22. The forecast out-turn position of a £3.6m overspend, is an improvement of £1.m from the previous month. The improvement this month is due to:

Business Strategy

23. There has been a favourable move in the month of £456k, primarily as a result of the realignment of Senior Management budgets (£104k) and additional funding (£300k) made available from corporate resources to cover the increases costs arising from the Deprivation of Liberty legislative changes.

Care & Support

24. There has been a favourable movement of £421k in the month, primarily from: action being taken to accelerate care purchasing strategies (£25k), revisions in service users' contributions and efficiencies arising within the Social Care Accounts Service (£64k), lower than expected take-up of the Local Assistance Scheme (£74k), a favourable movement of £138k arising from the cessation of 2 high cost LD packages and additional Direct Payment audit income and a favourable movement of £118k due to the confirmation of some specific funding within the Community Support Service that had been previously removed from budgets in August.

25. As at month 6, there is a forecast reduction in spend of £403k on the Local Assistance Scheme (LAS). The scheme is funded exclusively by a grant from Central Government called the Local Welfare Provision Grant. It has been made clear in a recent consultation document published by Central Government that this grant will not be paid to local authorities in 2015/16. Although the Council has no statutory duty to provide welfare support, officers are preparing proposals to carry forward any underspend on LAS into 2015/16 in order to partially offset the loss of grant and thereby extend the scheme beyond 2014/15 (subject to the overall balancing of the budget).

Commissioning

26. The favourable movement of £138k primarily relates to: a £115k reduction in expenditure on Housing Related Support Contracts; an increase of £37k in Mental Health Purchasing contracts; and a reduction in forecast staffing expenditure of £58k.

Resources

Summary

27. As at month 6 the Portfolio is forecasting a full year outturn of an overspend of £609k, an improvement of £100k from the month 5 position. The key reasons for the forecast outturn position are:

- £106k over spend in Business Change & Info Solutions due in the main to an under recovery in traded income in both BCIS Core and BCPD;
- £305k overspend in Commercial Services (Savings) due to reduced forecast income from cashable procurement savings;
- £154k over spend in Central costs due to Bank Charges (£81k) and CDC Recharges (£80k);
- £213k over spend in Housing Benefit, mainly Rent Rebates that are forecasting a lower income from overpayment recovery;

Offset by:

- £113k reduced spending in Human Resources due to increased income in the Moorfoot Learning centre, offset by additional short term costs related to the new occupational health contract.

Financials

	Outturn £000s	Budget £000s	Variance £000s	from Month 5
BUSINESS CHANGE & INFORMATION SOLUTIONS	603	497	106	⇔
COMMERCIAL SERVICES	806	866	(60)	⇔
COMMERCIAL SERVICES (SAVINGS)	(1,146)	(1,451)	305	⇔
CUSTOMER SERVICES	3,601	3,554	47	⇔
FINANCE	6,773	6,779	(6)	⇔
HUMAN RESOURCES	3,535	3,648	(113)	⇔
LEGAL SERVICES	3,339	3,322	17	⇔
RESOURCES MANAGEMENT & PLANNING	185	205	(20)	⇔
TRANSPORT AND FACILITIES MGT	42,027	42,062	(35)	⇔
TOTAL	59,724	59,482	242	⇩
CENTRAL COSTS	25,444	25,290	154	⇔
HOUSING BENEFIT	940	727	213	⇧
GRAND TOTAL	**86,107**	**85,499**	**609**	⇔

Commentary

28. The following commentary concentrates on the key changes from the previous month.

Housing Benefit

29. A forecast £213k overspend. This is an adverse movement of £102k from the previous month, due to lower than forecast income from overpayment recovery on Rent Rebates and a worsening position in terms of bad debt provision for rent allowances.

Policy, Performance and Communications

Summary

30. As at month 6 the Portfolio is forecasting a full year outturn of an overspend of £18k, an improvement of £71k on the month 5 position. The key reasons for the forecast outturn position are:

- £51k over spend in Communications mainly due to insufficient income to cover employee costs;
- £22k over spend in CEX office due to LGYH costs;
- £42k over spend in Electoral registration due to the costs of canvas staff and IT support costs consistent with previous years;

Offset by savings in:

- reduced supplies & services spend;
- vacancy management and salary sacrifice.
- recharge income from LEP.

Financials

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 5
ACCOUNTABLE BODY ORGANISATIONS	0	0	0	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,754	2,736	18	⇔
PUBLIC HEALTH	(135)	(135)	0	⇔
GRAND TOTAL	**2,619**	**2,601**	**18**	⇔

Commentary

31. The following commentary concentrates on the key changes from the previous month.

Policy, Performance and Communications

32. A forecast £18k overspend. This is an improvement of £71k from the previous month. This is due to revised forecasts in supplies and services spend to reflect decisions taken over spend on specific projects.

Corporate items

Summary

33. The table below shows the items which are classified as Corporate and which include:

- **Corporate Budget Items & Corporate Savings:** (i) corporate wide budgets that are not allocated to individual services / portfolios, including capital financing costs and the provision for redundancy / severance costs, and; (ii) the budgeted saving on the review of enhancements and the budgeted saving from improved sundry debt collection.
- **Corporate income:** Revenue Support Grant, locally retained business rates and Council tax income, some specific grant income and contributions to/from reserves.

Financials

	FY Outturn £'000	FY Budget £'000	FY Variance £'000
Corporate Budget Items & Savings Proposals	69,154	69,566	(412)
Income from Council Tax, RSG, NNDR, other grants and reserves	(548,254)	(545,138)	(3,116)
Total Corporate Budgets	**(479,100)**	**(475,572)**	**(3,528)**

Commentary

34. The position has improved by £55k since month 5. This is due to improved interest on investments due to the availability of higher cash balances with grant funds being received in advance.

Collection Fund

Introduction

35. Following the implementation of the Government's Business Rates Retention Scheme on 1 April 2013, steps have been taken to monitor the Collection Fund more closely however the overall position is subject to change due to the impact of national austerity measures on Business Rates income and the impact of the introduction of the local Council Tax Support (CTS) Scheme on Council Tax collection rates.

36. There have also been a variety of challenges accurately forecasting the collection fund in 2014/15 to date; some of these are new issues, some longer term. These include, in brief, difficulty in capturing information around changes to appeals and CTS, challenges in reconciling Capita reports to each other and therefore OEO and difficulties over the formatting of reports. Officers are working with Capita to resolve these issues. The figures that follow therefore need to be caveated by the above.

Summary

37. In 2014/15 approximately £268m of our expenditure is forecast to be financed directly through locally collected taxation, out of a total of £454m. This taxation is initially collected by the Council and credited to the Collection Fund. The Government receives 50% of the business

rates collected (the "Central Share") and uses this to finance grant allocations to local authorities. The Fire Authority receives 1% of Business Rates collected and the Council retain the remaining 49% as below:

Income Stream	2014/15 Budget £m	Year to Date £m	Forecast Year End Position £m	Forecast Year End Surplus £m
Council Tax	-164.38	-92.37	-166.78	-2.40
Business Rates Locally Retained	-100.84	-61.80	-101.38	-0.53
	-265.22	-154.17	-268.15	-2.93
RSG/Business Rates Top Up Grant	-185.80	-92.90	-185.80	0.00
TOTAL	**-451.02**	**-247.07**	**-453.95**	**-2.93**

38. As at the end of quarter 2 the collection fund is forecasting a £2.4m year-end surplus on Council Tax primarily due to student exemptions showing a £1.6m reduction in spend against budget and an increase of 589 properties since the tax base was set resulting in a £0.6m rise in the gross chargeable dwellings income.

39. As at the end of quarter 2 the collection fund is forecasting a £0.5m year-end surplus on locally retained Business Rates. There has been significant growth in the potential Business Rates yield in 14/15 but this has been largely offset by expected increases in reliefs and appeals.

Business Rates

40. The following table shows in more detail the elements involved in the determination of the business rate position. This examines the current position and then compares the resultant year end forecast with the 2014/15 budget for business rates income.

Collection Fund - Business Rates		Budget 2014/15 £m	Year to Date £m	Forecast Year End Position £m	Variance £m
Gross Business Rates income yield		-249.96	-256.65	-256.58	-6.62
- Additional yield from small business supplement		-5.12	-5.17	-5.17	-0.05
		-255.08	-261.82	-261.75	-6.67
LESS	Estimated Reliefs	36.89	32.94	38.34	1.45
	Small Business Rate Supplement	5.12	5.17	5.17	0.05
	Losses and Cost of Collection	2.24	1.55	2.05	-0.19
	Losses on Appeals re Current Year Bills	5.03	2.41	9.30	4.27
Net Collectable Business rates		**-205.80**	**-219.75**	**-206.89**	**-1.09**
Appropriation of net business rates:					
1%	SY Fire Authority	-2.06	-2.20	-2.07	-0.01
50%	Government	-102.90	-109.88	-103.44	-0.54
49%	Sheffield City Council	-100.84	-107.68	-101.38	-0.53
Additional SCC Income from Government:					
	Section 31 Grant Income	-4.20	-4.22	-4.38	-0.19
	Enterprise Zone retained income	-0.06	0.00	0.00	0.06
	Cost of collection allowance	-0.78	-0.78	-0.78	0.00
Total SCC Appropriations		**-105.87**	**-112.68**	**-106.54**	**-0.67**

Gross Rate Yield

41. The Gross Rate Yield (GRY) represents the Rateable Value of the City multiplied by the Business Rates Multiplier. This is a measure of the total business rates billed in the city before taking account of reliefs, discounts and other adjustments.

42. The gross income of the city has increased significantly by around £6.8m compared with the estimated gross income forecast at the start of the year. This is due to several factors including a prudent forecast at the beginning of the year and some substantial new entries into the ratings list. An example of additional Rateable Value additions in quarter 2 are:

Property Type	Area	Rateable Value
Superstores	Abbeydale, Bradway, Beighton	£2m
Shops	City Centre	£650,000
Moor Market	City Centre	£630,000
Leisure	City Centre	£150,000
Education	City Centre	£460,000
Offices	Pitsmoor, City Centre	£190,000

Reliefs and Discounts

	Budget 2014/15 £m	Year to Date £m	Forecast Year-End Outturn £m	Variance £m
Small Business Rates Relief	5.06	5.41	6.01	0.95
Mandatory Charity Relief	18.98	17.97	18.97	-0.01
Discretionary Relief	0.51	0.19	1.09	0.58
Empty Property / Statutory Exemption	9.79	8.05	9.55	-0.24
Partly Occupied Premises Relief	1.34	0.22	1.32	-0.02
New discretionary reliefs	1.20	1.10	1.40	0.20
	36.89	**32.94**	**38.34**	**1.45**

43. Most reliefs and discounts are awarded in full at the point of billing at the start of the year. The total level of reliefs awarded in the first half of the year amounts to £32.9m which is below the £36.9m assumed in the budget. However, due to the significant rise in the rateable value in quarter 2 reliefs have now been forecast to rise by £4.5m to £38.3m by year end, £1.5m over budget.

44. The level of reliefs and discounts awarded can be affected by economic conditions, court rulings and businesses' behaviour and will be closely monitored throughout the remainder of the year.

Appeals

45. Appeals are notoriously difficult to forecast due to the lack of available information. The way that appeals are applied and then recognised in the system is significantly undermining the collection fund monitoring framework. If refunds due to appeals were always paid in cash to tax payers at the point of award, then the system would be straight forward. However, the system of refunds is more complicated and refunds due to appeal are awarded through a variety of means.

46. The 2014/15 Council budget anticipates £5m of refunds in year resulting from appeals. This is based on historical trend analysis. So far in year the Council have paid out £2.4m refunds as a result of appeals. This has now been forecast to reach £9.3m by year end. This is due to estimated refunds for appeals in the Castle market area for decline in footfall due to

the Castle Market Closure, superstore appeals from those surrounding newly built superstores within their vicinity, rateable value reductions made to schools, appeals lodged by Ponds Forge, hospitals and health centres, and an increase in appeal decisions due to increased number of appeals heard between now and March 2015 as the VOA aim to meet their target of clearing the back log of appeals by July 2015.

47. There is also a prudent provision of £13.6m carried forward into 2014/15. This should cover the back dated element of any appeals refunds in 2014/15 or later years which relate to 2013/14 income or earlier. The Business Rates Retention Scheme brought with it a requirement to account for these back dated appeals.

Collection Rates

48. The Net Collectable Debit (NCD) is the Gross Rate Yield less any discounts and reliefs applied. The amount of Business Rates collected at the end of quarter two stands at £126.1m, of which £61.8m is the Council's share. This represents a collection rate of 57.8% of the Net Collectable Debt. This is comparable to previous year's figures so we are well placed to achieve budgeted levels of collection.

Losses in Collection

49. Write offs to date amount to £0.8m. This is forecast to increase to £1.3m which will bring us close to the budgeted figure for Losses in Collection. We will be able to forecast this more accurately as the year progresses but avoidance remains a significant risk to business rates income. This is in addition to the £0.8m cost of collection calculated by the government.

Overall Forecast Outturn for Business Rates

50. Bringing together the elements identified above results in an improvement of £0.5m compared to budget. If this position materialises it would result in an additional surplus to the £1.3m SCC surplus already carried forward from 2013/14 on the Collection Fund.

Council Tax

51. Council Tax is being monitored closely by the Revenues and Benefits team. This monitoring involves analysis of the discounts and exemptions, movements on the tax base and collection rates. Deductions for elements such as student exemptions can swing the year end forecast significantly from month to month.

52. The number of student exemptions currently awarded is around 1000 below the prudent level assumed in the budget. This means there is the potential for more council tax income to be collected. It is anticipated that the number of exemptions granted will increase to similar levels to previous years due to student numbers increasing throughout the remainder of the year but this will remain under the number budgeted for in the tax base.

Collection Rates

53. Council Tax collected to quarter two of this financial year stands at £107.2m, of which £92.4m is the Councils share. This is slightly down on the same point last year, due to issues with Council Tax Support collection and related bailiff costs.

Overall Forecast Outturn for Council Tax

54. The outturn for Council Tax is forecast to be £2.4m in surplus, compared to budget. If this position materialises, the SCC share of the surplus will be available for planning as non-recurrent funding, as with the £2m SCC surplus already carried forward from 2013/14 on the Collection Fund.

New Homes Bonus Fund

		£m
Income	Reserves as at 1/04/14	-5.1
	2014/15 NHB Grant Received	-1.9
	14/15 Anticipated NHB Grant	-4.5
	Total Income	-11.5
Expenditure	2014/15 Spend to date at Month 6	1.8
	Forecast to Year End	4.4
	Future Years' Commitments	3.2
	Total Expenditure	9.4
	Funds Available for Investment	**-2.0**

55. During the month £0.6m was spent on capital projects funded by the New Homes Bonus. This sum included £0.4m on the cycle way between Park Square and Norfolk Park, £0.1m on the Arbourthorne redevelopment and £0.1m on cosmetic improvements to shop fronts in Darnall as part of the initiative to improve neighbourhoods to attract in housing investment.

56. Future expenditure forecast and commitments from the fund have risen by £2.2m being principally:

    - Don Valley Stadium Remediation project, now authorised by Cabinet. This will require £1.8m support from the NHB fund in order to help transform the Attercliffe neighbourhood and make it attractive for regeneration ;
    - £250k to cover design work for bids to the Sheffield City Region Investment Fund for future projects to develop the city centre (this may be recoverable from the SCRIF Fund).

57. The uncommitted NHB funding earned to date now stands at £2.0m and officers are currently drafting proposals for approval which would commit up to £6.9m over the next three years. This will be funded from anticipated future years’ payments.

Housing Revenue Account

Summary

58. The HRA Business Plan is based on the principle of ensuring that investment and services required for council housing is met by income raised in the HRA.

59. The 2014/15 budget is based on an assumed in year surplus of £6.9m which is to be used to fund the HRA capital investment programme. In accordance with the HRA's financial strategy any further in- year revenue surplus / savings generated by the account will be used to provide further funding for the future HRA capital investment programme.

60. As at month 6 the full year forecast outturn is a predicted £2.6m overall improvement from budget. As such, funding for the capital investment programme will be revised from £6.9m to £9.5m (shown in the table below) and this will be factored into the planned update of the Business Plan and capital investment programme later in the year.

61. The areas contributing to the improvement are a forecast reduction of (£283k) in capital financing costs due to a small reduction in the interest rate, lower than budgeted for bad debt provision mainly resulting from revised predictions of year-end debt bandings (£207k) and a forecast saving of (£940k) on repairs spend. In addition a (£958k) saving is a forecast on an overall reduction in running costs primarily due to staff vacancies and lower than expected recharges to the HRA budget. A net forecast of (£207k) is predicted at this stage on rental and other income.

Financial Results

HOUSING REVENUE ACCOUNT (EXC COMMUNITY HEATING)	FY Outturn £000's *	FY Budget £000's *	FY Variance £000's *	Movement from Month 5
1.RENTAL INCOME	(149,663)	(149,670)	7	⇓
2.OTHER INCOME	(4,932)	(4,718)	(214)	⇓
3.FINANCING & DEPRECIATION	52,528	52,811	(283)	⇔
4.OTHER CHARGES	5,564	5,771	(207)	⇓
5.REPAIRS	36,058	36,998	(940)	⇑
6.TENANT SERVICES	50,925	51,883	(958)	⇓
7.CONT TO CAPITAL PROG	9,520	6,925	2,595	⇓

*subject to roundings

Community Heating

62. The budgeted position for Community Heating is a draw down from Community Heating reserves of £348k. As at month 6 the forecast position is a draw down from reserves of £168k resulting in a decrease in expenditure of (£180k). This is a positive movement of £271k from last month.

63. The main reason for this favourable movement is a revision in full year outturn forecast now that we are 6 months into phase 1 of the new heat metering system. Tenant's energy consumption is envisaged to be considerably lower than budgeted for coupled with the previous 6 months being mild again resulting in lower energy consumption.

COMMUNITY HEATING	FY Outturn £000's *	FY Budget £000's *	FY Variance £000's *	Movement from Month 5
INCOME	(3,300)	(3,440)	140	⇑
EXPENDITURE	3,468	3,788	(320)	⇑
Total	**168**	**348**	**(180)**	⇑

Public Health

64. Public Health remains a ring fenced grant in 2014/15 and any reductions in spend are subject to carry forward requirements as per the grant conditions.

65. At month 6 the overall position was a forecast under spend of £1.6m. The position shows an increased underspend of £161k on the previous month. This is summarised in the table below.

All figures £000s

Portfolio	Forecast outturn expenditure	Full year expenditure budget	Full year variance	Month 5 variance	Movement from prior month
CYPF	11,255	11,281	(26)	(36)	10
COMMUNITIES	12,820	13,033	(213)	(198)	(15)
PLACE	2,816	3,702	(886)	(797)	(89)
DIRECTOR OF PUBLIC HEALTH (inc PH Intelligence)	2,283	2,716	(433)	(366)	(67)
TOTAL EXPENDITURE	**29,174**	**30,732**	**(1,558)**	**(1,397)**	**(161)**

66. Key reasons for the forecast under spend are:

- Contract slippage in Director Public Health (DPH) (£140k);
- Lower than budgeted take up on GP Health checks (£104k);
- Unallocated vacant post budget (£298k);
- £207k under spend on Drug and Alcohol Substance misuse purchasing and DACT contracts;
- £767k under spend on Stop Smoking Service contracts and £100k on slippage due to vacancies.
- This is offset by:
- £135k savings target (under DPH) to be met from under spends across all public health spend.

67. The forecast is an improvement of £161k from month 5 and the key reasons for the movement are:

- Reduced forecast spend on GP Health checks (DPH);
- Slippage of new contracts in DPH.
- Vacancy management in Place.

68. It is proposed to use up to £400k of the forecast reduction in spend for two activities - Food Banks (£300k) and Fuel Poverty (£100k) – both of which are considered to be priorities for Members and officers. Further details of the food bank activities can be found in **Appendix 1**, and a summary is outlined below.

69. The first activity (Food Banks) would involve providing £300k of support to the following schemes:

- Emergency food relief grant pot (£60k) - open to food banks and other organisations which are able to demonstrate that they are helping with crisis food interventions;
- Match funding for Food Banks Lottery Bid (£180k) – this bid is being made in conjunction with the Sheffield Citizens Advice and Law Centre (SCALC). The purpose of this bid is to enable SCALC to establish an advice service for users of food banks, as well as for them to train food bank volunteers in providing wider financial

advice themselves. There is scope to combine this with advice on fuel poverty, as described below.

- Food Donation & Supply Fund (£30k) - this would support the establishment of an underlying 'base level' food supply for the city's food banks.
- Archer Project (£30k) – to enable additional support to homeless people during the winter months.

70. The second activity (Fuel Poverty) would involve providing £100k of support to suitable VCF organisation(s) in the City to enable them to employ advisors to work with residents and groups on reducing energy use and costs. This would enable continuation of previous fuel poverty initiatives. An element of this funding would cover debt advice referrals, some of the recipients of which are the likely also to be users of food banks and hence beneficiaries of the service described in the paragraph above. This would mean that the full amount allocated (£100k) may not be needed.

71. If Members agree these proposals, there would still be around £1.2m underspend available for alternative public health investments. It is recommended that further consideration be given to the options for public health investment as part of the 2015/16 budget before determining any investments in 2014/15.

Corporate Financial Risk Register

72. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. The most significant risks are summarised in this report for information together with a summary of the actions being undertaken to manage each of the risks.

2014/15 Budget Savings & Emerging Pressures

73. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2014/15 are achieved, especially given the cumulative impact of £240m of savings over the last four years (2011-15), and furthermore the backdrop of even larger reductions in Government grant in 2015/16.

74. Whilst preparing the budget, officers have identified numerous pressures which, if left unchecked, could lead to significant overspends in 2014/15 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

75. The position on pension costs remains a significant risk and increasing cost in 2015/16 when we face an even higher reduction in grant than in 2014/15. In March the South Yorkshire Pensions Authority determined the annual deficit contribution for the next three years. An additional budget provision of £9m was made to cover pension costs in 2014/15, however £4m of this amount is a contribution from reserves. Obviously, this only provides a short-term solution, so further work is being undertaken to look at longer term options. A surplus on the Kier pension pot set up to manage pension risk is now likely to be available from January 2015 to smooth the impact to some extent.

76. Corporate savings of £4m from capital financing costs have been offered up to balance the 2014/15 budget, on the assumption that market conditions will remain favourable to the Council next year, i.e. interest rates and borrowing requirements will not exceed those stated in the Treasury Management Strategy.

77. Following the advent of the Government's Business Rates Retention Scheme in April 2013, a substantial proportion of risk has been transferred to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth. The issue of appeals dating back to the 2005 rating list is the greatest risk causing concern across all authorities. As at the end of December 2013, there were properties with a rateable value of £158m under appeal in Sheffield, with an allowance for £5m of refunds next year. Actual trends on appeals are monitored in year, and revised estimates of the impact of appeals have been made as part of the 2014/15 budget process. The Government has made various amendments to business rates regulations in order to support local businesses and stimulate the economy. One such measure is the extension of small business rates relief, for the cost of which the Government has promised to compensate all billing authorities.

78. The risk of delivering adult social care savings in 2014/15 is considerable, given that the Communities portfolio is forecasting an overspend of around £4.5m for care and support services.

Medium Term Financial Position

79. In the future the Council's financial position will be significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility and will require close monitoring. Based on the Spending Review in June 2013, the funding position is especially difficult from April 2015 and will require a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners. An example of the latter is funding of £38m in respect of the Pooled NHS and LA Better Care Fund for 2015/16. But access to this will be an issue for the Council and should be seen in the context of likely reductions in specific grant support in 15/16 elsewhere. In general the Government's Indicative Finance Settlement for 2015/16 does not suggest a significant change on the above analysis. The Government has not provided any details regarding local government funding beyond March 2016 however. But a number of leading think tanks have warned that there are likely to be further spending reductions and that the period of austerity could run until 2020.

Pensions Liabilities

80. Bodies whose Pension liability is backed by the Council are likely to find the cost of the scheme a significant burden in the current economic context. If they become insolvent the resulting liability may involve significant cost to the Council.

Contract Spend

81. The high and increasing proportion of Council budgets that are committed to major contracts impairs the Council's flexibility to reduce costs or reshape services. This is exacerbated by the fact that in general these contracts carry year-on-year inflation clauses based on RPIx which will not be available to the Council's main funding streams, e.g. Council Tax, RSG and locally retained Business Rates.

Economic Climate

82. There is potential for current adverse economic conditions to result in increased costs (e.g. increased homelessness cases) or reduced revenues.

83. The Council seeks to maintain adequate financial reserves to mitigate the impact of unforeseen circumstances.

External Funding

84. The Council utilises many different grant regimes, for example central government and EU. Delivering projects that are grant funded involves an element of risk of grant claw back where agreed terms and conditions are not stringently adhered to and evidenced by portfolios. Strong project management skills and sound financial controls are required by project managers along with adherence to the Leader's Scheme of Delegation in order to minimise risk.

Treasury Management

85. The ongoing sovereign-debt crisis continues to subject the Council to significant counterparty and interest-rate risk. Counterparty risk arises where we have cash exposure to banks and financial institutions who may default on their obligations to repay to us sums invested. There is also a risk that the Eurozone crisis will impact upon the UK's recovery and would in turn lead to higher borrowing costs for the nation. Whilst this is still a possibility, the UK recovery is beginning to take hold and the associated risk is beginning to ease.

86. The Council is mitigating counterparty risk through a prudent investment strategy, placing the majority of surplus cash in AAA highly liquid and diversified funds. Ongoing monitoring of borrowing rates and forecasts will be used to manage our interest-rate exposure.

87. The Co-op Bank have notified us that they will be withdrawing from the Local Authority banking market with effect from the ending of their contract with us, which is due to end in March 2015. Despite the well-publicised issues with the bank, work on retendering the banking contract is progressing to timescale.

88. A tender has been issued for core banking service with contract start date in accordance with initial timescales and work has started looking at contracting for the bill payment service via a PfH framework.

Welfare Reforms

89. The government is proposing changes to the Welfare system, phased in over the next few years, which will have a profound effect on council taxpayers and council house tenants in particular. The cumulative impact of these changes will be significant. Changes include:

- **Abolition of Council Tax Benefit:** replaced with a local scheme of Council Tax Support from April 2013. The Council approved the replacement scheme, based on the reduced funding available from Government, and set up a hardship fund in January 2013, but there are risks to council tax collection levels and pressures on the hardship fund which are being closely monitored.
- **Housing Benefit changes**: there have been a number of changes, including the implementation of the 'bedroom tax', from April 2013 where the impacts are that a significant number of claimants are now receiving fewer benefits, thereby impacting on their ability to pay rent.
- **Introduction of Universal Credit**: originally scheduled from October 2013 but now delayed until further notice. Along with the impact of reducing amounts to individuals and the financial issues that might cause, the biggest potential impact of this change is the impact on the HRA and the collection of rent. This benefit is currently paid direct to the HRA; in future this will be paid direct to individuals. This will potentially increase the cost of collection and rent arrears. There will also be an impact on the current contract with Capita and internal client teams.

Children, Young People and Families Risks

Education Funding

90. In 2014/15 in is anticipated that 10 of the Council's maintained schools will become independent academies (6 primary / 4 secondary). Academies are entitled to receive a proportion of the Council's central education support services budgets. Based on projected academy conversions it is estimated that:
    - Up to £1.8m of DSG funding will be deducted from the Council and given to academies to fund support services.
    - Up to £2.6m will be deducted from the Council's DCLG funding, under the new Education Services Grant (ESG), and given to academies.

91. If an academy is a sponsored conversion then the Council will have to bear the cost of any closing deficit balance that remains in the Council's

accounts. It is estimated that this may be up to £467k based on known academy conversions during 2014/15.

92. Where new independent schools (free schools) or Academies are set up and attract pupils from current maintained PFI schools, then the funding base available to pay for a fixed long term PFI contract would reduce, leaving the Council with a larger affordability gap to fund. There are also further potential risks if a school becoming an academy is a PFI school, as it is still unclear how the assets and liabilities would be transferred to the new academy and whether the Council could be left with residual PFI liabilities.

Communities Risks

NHS Funding Issues

93. There are significant interfaces between NHS and Council services in both adults' and children's social care. The Council has prioritised these services in the budget process, but savings have nevertheless had to be found. Working in partnership with colleagues in the Health Service efforts have been made to mitigate the impact of these savings on both sides. However, ongoing work is required now to deliver these savings in a way that both minimises impacts on patients and customers and minimises financial risks to the NHS and the Council.

94. The Council is participating in the Right First Time (RFT) programme with the Clinical Commissioning Group (CCG) and Hospital Trust. This programme aims to shift pressures and resources from the hospital to community settings over the longer term, which should assist the Council in managing adult social care pressures, but there are risks to programme delivery at the same time as delivering funding cuts.

Resources Risks

Electric Works

95. The running costs of the business centre are not covered by rental and other income streams. The approved business plan set-aside contingency monies to cover potential deficits in its early years of operation. However, there remains a risk that the occupancy of units within Electric Works might be slower (lower) than that assumed within

the business case, such that the call on the contingency is greater (earlier) than planned.

96. A full review of the options for the future is underway and will be reported to Members as soon as possible.

Housing Revenue Account Risks

Housing Revenue Account (HRA)

97. There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. As well as the introduction of Universal Credit, outlined in the risk above, the main identified risks to the HRA are:

- **Interest rates**: fluctuations in the future levels of interest rates have always been recognised as a risk to the HRA.
- **Repairs and Maintenance**: existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions).

Capital Programme Risks

Capital Receipts and Capital Programme

98. Failure to meet significant year on year capital receipts targets due to reduced land values reflecting the depressed market, the impact of the Affordable Housing policy or the failure to carry through initiatives to reduce the size of the Council's property estate. This could result in over-programming / delay / cancellation of capital schemes.

Housing Regeneration

99. There is a risk to delivering the full scope of major schemes such as Parkhill because of the cooling in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved.

CAPITAL PROGRAMME MONITORING

Summary

100. At the end of September 2014, the end of year position forecasts a variance of £18.8m (8%) below the approved Capital Programme. Project managers are forecasting to deliver a capital programme of £203.7m. This has been reduced by £9.2m from the previous forecast of £212.9m. The main reductions are in Highways (£6.1m), Place (£2.2m) and Housing (£0.8m).

101. The Year to Date position shows spending to be £17m below the approved programme profile. The Housing programme is 48% (£8.3m) below profile, Place 37% (£3m) below profile and Highways 23% (2.5m).

102. The programme continues to spend at an underlying rate of £7- 8m per period (consistent with that seen over the last two years). Assuming that major schemes like Don Valley School, Streets Ahead or new Leisure Facilities and programmes such as the Housing Roofing achieve their forecast, on current trends, the Outturn is likely to be in the range of £175m assuming the NRQ purchases complete in 2014/15.

103. This is some £29m below that currently forecast by project managers. Project managers have requested £3.9m of slippage deferrals which will be considered by Cabinet in November and have requested a further £5.1m this month bringing the declared slippage awaiting approval to £9m. So, based on the extrapolation above, there is potentially another £20m to be declared unless there is a substantial acceleration in spend rates.

104. Finance and the Capital Delivery Service are working together to review financial results and relate this to physical progress in order to gain an informed understanding of capital delivery performance and in doing so identify areas for improvement.

105. Slippage in the programme is still present but this is less due to poor profiling and more due to proactive work to manage costs. For example:

- Part of the £3m underspend in the CYPF programme is due to challenging the tender prices from the contractor. This has been made before building work commences thus avoiding costly standing charges, re-works and variations payable once the contractor starts on site;

- Reductions in the Housing programme reflect a conscious review of potential projects awaiting development. This helps to inform the HRA of the likely timing and scope of the call on resources; and
- A further £348k of savings have been identified in the programme where anticipated costs will be less than the approved sum enabling these resources to be reinvested elsewhere.

106. This reflects how there is an improved understanding of the programme which is starting to pay dividends.

107. This improvement, plus the disciplined consideration of projects through the Gateway Approvals process gives further quality assurance that projects to be delivered in the latter half of 2014/15 and from 2015/16 onwards have sound business cases underwritten by an Outcome Board, realistic delivery profiles and are consistent with Council policies.

Financials 2014/15

Portfolio	Spend to date £000	Budget to Date £000	Variance £000	Full Year forecast £000	Full Year Budget £000	Full Year Variance £000	Change on last Month £000
CYPF	11,488	13,670	(2,182)	35,846	38,837	(2,992)	(198)
Place	5,025	7,985	(2,960)	46,708	55,066	(8,358)	(5,306)
Housing	9,075	17,416	(8,341)	46,214	54,009	(7,795)	(1,954)
Highways	8,129	10,603	(2,474)	30,277	29,486	790	(6,167)
Communities	997	1,400	(403)	1,844	2,123	(279)	(138)
Resources	1,819	2,465	(646)	9,945	10,089	(144)	169
Corporate	6,576	6,576	-	32,883	32,883	-	-
Grand Total	**43,110**	**60,116**	**(17,006)**	**203,716**	**222,493**	**(18,777)**	**(13,594)**

Capital Programme

	2014-15 £m	2015-16 £m	Future £m	Total £m
Month 5 Approved Budget	**218.1**	**158.7**	**322.3**	**699.1**
Additions	**3.5**	**13.9**	**0.3**	**17.6**
Variations and Slippage	**1.0**	**-12.2**	**-3.4**	**-14.7**
Month 6 Approved Budget	**222.5**	**160.4**	**319.1**	**702.0**

108. The capital programme has been increased by a net £3m following the approval by Cabinet of £2m of additional schemes delivering New Council Housing (£7.5m), remediation of the former Don valley Stadium site, and the Grey-to-Green regeneration scheme for the West Bar area (£3.8m).

109. The majority of the variations relate to reductions in the Housing programme where specific schemes have not yet been developed and funds are being returned to the Housing Revenue Account for future schemes as and when these are devised.

Approvals

110. A number of schemes have been submitted for approval in line with the Council's agreed capital approval process.

111. Below is a summary of the number and total value of schemes in each approval category:

- 4 additions to the capital programme with a total value of £1,613k.
- 8 variations to the capital programme creating a net decrease of £1,124k.
- 14 slippage requests moving £4,600k into future years.
- 4 identified project savings decreasing the value of the programme by £348k

- No emergency approvals.
- 1 director variation with a total value of £10k.

Further details of the schemes listed above can be found in **Appendix 2**.

Implications of this Report

Financial implications

112. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2014/15 and, as such it does not make any recommendations which have additional financial implications for the City Council.

Equal opportunities implications

113. There are no specific equal opportunity implications arising from the recommendations in this report.

Legal implications

114. There are no specific legal implications arising from the recommendations in this report.

Property implications

115. Although this report deals, in part, with the Capital Programme, it does not, in itself, contain any property implications, nor is there any arising from the recommendations in this report.

Recommendations

116. Members are asked to:

    a) Note the updated information and management actions provided by this report on the 2014/15 Revenue budget position, and approve;

        - The proposed use of £300k-£400k of Public Health forecast reduction in spend, as noted in paragraph 68 of the Public Health section of the report

- The balance of the Public Health underspend be considered in the context of the 2015/16 budget savings on public health

- The carry-forward of any underspend on the Local Assistance Scheme (LAS) be carried forward to assist with sustaining a LAS scheme in 2015/16, subject to balancing the overall budget

b) In relation to the Capital Programme:

(i) Approve the proposed additions to the capital programme listed in **Appendix 2**, including the procurement strategies and delegations of authority to the Director of Commercial Services or nominated Officer, as appropriate, to award the necessary contracts following stage approval by Capital Programme Group;

(ii) Approve the proposed variations and slippage requests listed in **Appendix 2**;

(iii) and note;

- The latest position on the Capital Programme including the current level of delivery and forecasting performance;

- The four projects listed in **Appendix 2** which are due to close and where savings have been achieved and will be returned to the Housing Revenue Account;

- There was no exercise of delegated emergency approval by the Executive; and

- The instances where Cabinet Members, EMT or directors of service exercised their delegated authority to vary approved amounts.

Reasons for Recommendations

117. To formally record changes to the Revenue Budget and the Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.

Alternative options considered

118. A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

Andrew Eckford
Interim Director of Finance

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