FORM 2

# SHEFFIELD CITY COUNCIL

Agenda Item 11

## Cabinet Report

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| **Report of:** | Eugene Walker |
| **Report to:** | Cabinet |
| **Date:** | 16 September 2015 |
| **Subject:** | Revenue and Capital Budget Monitoring 2015/16 – As at 30th June 2015 |
| **Author of Report:** | Dave Phillips |
| **Key Decision:** | YES |
| **Reason Key Decision:** | Expenditure/savings over £500,000 |

**Summary:**
This report provides the month 3 monitoring statement on the City Council's Revenue and Capital Budget for 2015/16.

**Reasons for Recommendations:**
To formally record changes to the Revenue Budget and gain Member approval for changes in line with Financial Regulations.

| | |
|---|---|
| **Recommendations:** | Please refer to paragraph 22 of the main report for the recommendations. |
| **Background Papers:** | |
| **Category of Report:** | **OPEN** |

# Statutory and Council Policy Checklist

| Financial Implications |
| --- |
| YES Cleared by: Andrew Eckford |
| **Legal Implications** |
| NO |
| **Equality of Opportunity Implications** |
| NO |
| **Tackling Health Inequalities Implications** |
| NO |
| **Human Rights Implications** |
| NO |
| **Environmental and Sustainability implications** |
| YES/NO |
| **Economic Impact** |
| NO |
| **Community Safety Implications** |
| NO |
| **Human Resources Implications** |
| NO |
| **Property Implications** |
| NO |
| **Area(s) Affected** |
| |
| **Relevant Cabinet Portfolio Lead** |
| |
| **Relevant Scrutiny Committee** |
| Overview and Scrutiny Management Committee |
| **Is the item a matter which is reserved for approval by the City Council?** |
| NO |
| **Press Release** |
| NO |

# REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30th JUNE 2015

## Purpose of the Report

1. This report provides the Month 3 monitoring statement on the City Council's Revenue Budget and Capital Programme for June 2015. The first section covers Revenue Budget Monitoring and the Capital Programmes are reported from paragraph 15.

## REVENUE BUDGET MONITORING

### Summary

2. At month 2 the overall Council position was a forecast overspend of £16.6m. The position at month 3 shows an improvement of £3.2m on the previous month, with a forecast potential overspend of £13.4m to the year end. It should be stressed that this is the forecast position before the delivery of various agreed savings for the year and other mitigating actions are taken. The position is summarised in the table below.

3. Although the latest position shows what is currently believed to be the worst case scenario, a significant amount of work will be required to bring forecast expenditure into line with budget. It should be noted that the latest forecast position exceeds the General Fund reserve of £11.3m.

| Portfolio | Forecast Outturn £000s | FY Budget £000s | FY Variance £000s | Movement from Month |
|---|---|---|---|---|
| CYPF | 71,030 | 69,062 | 1,968 | ⇔ |
| COMMUNITIES | 159,671 | 155,731 | 3,940 | ⇩ |
| PLACE | 161,914 | 155,727 | 6,187 | ⇩ |
| POLICY, PERFORMANCE & COMMUNICATION | 3,404 | 2,494 | 910 | ⇔ |
| RESOURCES | 56,103 | 55,687 | 416 | ⇩ |
| CORPORATE | (438,760) | (438,701) | (59) | ⇔ |
| **GRAND TOTAL** | **13,362** | **(0)** | **13,362** | ⇩ |

4. Portfolios have worked up proposals to mitigate the pressures that emerge during the year and to reduce the level of forecast overspend. Where plans for these mitigations are in place, the forecast overspend above reflects their anticipated impact. However in addition £3.0m of proposals have been declared, where outline have been developed. Assuming these proposals are successfully implemented, then the forecast overspend would reduce to £10.3m. There is also considerable focus on the large contracts for highways (Streets Ahead) and waste

collection, where the Council still expects to negotiate further savings through contractor efficiencies.

5. It should be noted that this level of forecast overspend is not unusual at this stage of the process. For example last year the forecast overspend was £11.4m at month three, whilst the final out-turn was broadly balanced. This is because, as the austerity programme continues, the process of finding savings becomes more difficult, and some anticipated savings prove to be undeliverable. In response mitigating savings proposals have to be worked up during the year, leading to a forecast over-spend until these savings are delivered. Consequently the Council remains confident that by the 2015-16 year-end an approximately balanced overall position will be achieved.

6. The full key reasons for the month 3 overall forecast position of £13.4m overspent are as follows:

    - Children, Young People and Families (CYPF) are showing a forecast overspend of £2.0m due to various factors including: recruitment of additional social workers of £1.0m, increased demand pressures on Direct Payments and Short Breaks of £600k, unachievable planned savings of £753k (in Multisystemic Therapy, Provider Services and Youth Justice), reduction in grant funding of £250k and slippage in the delivery of planned staffing reductions of £298k. These forecast overspends are partially offset by forecast reductions in spend as a result of an anticipated fall in Placement numbers and unit costs of £546k and Contact Contracts of £400k.
    - Communities are showing a forecast overspend of £3.9m, due predominately to a £3.5m overspend in Care and Support relating to Learning Disability Services, Provider Services and a reduction in the projected level of Client Contributions receivable, as well as demand pressures in Mental Health services of £684k.
    - Place are showing a forecast overspend of £6.2m predominantly due to combination of factors including delays in delivering waste cost reductions of £2.5m, delays in implementing cost savings in the Streets Ahead programme of £3m, reduction in income of £700k from the sale of recyclable materials and increased household waste volumes costing £500k.
    - Policy Performance & Communications (PPC) are showing a forecast overspend of £910k, due mainly to a reduction in the Public Health

Grant of £454k and under recovery of income in Communications of £457k.

- Resources are showing a forecast overspend of £416k, primarily resulting from a projected shortfall in income from cashable procurement savings of £652k, under recovery of other income in Commercial Services of £224k and underfunding of the Howden House PFI unitary charge and rates of £303k. These overspends are partly offset by £803k of additional income within the Housing Benefit area which is predominantly as a result of a DWP data-matching initiative.

7. The main variations since Month 2 are:

- Communities are forecasting an improvement of £455k, which is mainly due to service restructure savings within the LD provider service of £104k and staff savings within the Reablement Services and Care4You Business of £158k and £122k respectively.
- Place are forecasting an improvement of £2.3m, which is due predominantly to a £707k improvement as a result of a decision to defer a number of proposed changes in the waste management service, which is pending further review, the identification of £410k of additional funding within Marketing Sheffield as highlighted in the 3 year City Branding business plan and £1.1m of savings within Regeneration and Development Services mainly as a result of the continuation of sustained improvements in Highways and Highway Network Management activities.
- Resources are forecasting an improvement of £672k, which is mainly due to increased income forecasts across a number of areas in the portfolio. This income includes £291k from the DWP data-matching initiative, £102k of traded income within BIS and £90k additional income received in Commercial Services (savings).

## Approval Requests

8. No request to be considered this month.

## Public Health

9. The Public Health ring-fenced grant is currently forecasting a potential £579k underspend. The main reasons for the reduction in spending is a direct response to government consultations on in-year cuts to the Public Health grant and therefore the likely need to cope with grant reductions in

2015/16. Further details of the forecast outturn position on Public Health is reported in **Appendix 2**.

## Housing Revenue Account

10. The 2015/16 budget assumes an in year surplus of £10.9m will be generated which will 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.

11. As at month 2 the full year outturn position is a forecast overspend of £426k. Further details of the HRA forecast outturn can be found in **Appendix 3** of this report.

## New Homes Bonus Fund

| | | £m |
|---|---|---|
| Income | Reserves as at 1/04/15 | -6.0 |
| | **Total Income** | -6.0 |
| | | |
| Expenditure | 2015/16 Spend to date at Month 2 | 0.7 |
| | Forecast to Year End | 3.7 |
| | Future Years' Commitments | 2.0 |
| | **Total Expenditure** | 6.4 |
| | | |
| | **Funds Required for Investment** | **0.4** |

12. The current forecast expenditure for the year is up £0.3m on the previous month because of a re-profiling of spend on the Norton Aerodrome project. Although the fund appears in deficit, this will be cleared once the 15/16 payment is applied.

## Collection Fund

13. The Collection fund will be reported in month 4 to give time for a full appraisal of the current position to be carried out. Appendix 4 has been retained for the collection fund as blank for continuity for future months.

## Corporate Risk Register

14. 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 **Appendix 5** along with any actions being undertaken to manage each of the risks.

## Capital Summary

15. At the end of June 2015, the end of year position forecasts a variance of £10.4m (4%) below the approved Capital Programme. Project managers are forecasting to deliver a capital programme of £291.1m, the highest for five years.

16. The bulk of the variance in the forecast is in the Housing (£7.2m below budget), Highways (£3.9m above pending approval of new projects) and the Lower Don Valley Flood Defence project (£5.5m below) budget. These variances are discussed in greater detail below.

17. The Year to date position shows spending to be £8.0m (17%) below the approved programme profile. The programme has slipped £7m behind budget in the period with approximately £2m slippage in each of the Housing, Highways and Place programmes, £0.7m in Schools and £400k in Resources.

## Financials 2015/16

| Portfolio | Spend to date £000 | Budget to Date £000 | Variance to date £000 | Full Year forecast £000 | Full Year Budget £000 | Full Year Variance £000 | Change on last Mth Bud £000 |
|---|---|---|---|---|---|---|---|
| CYPF | 10,345 | 11,790 | (1,445) | 39,098 | 39,509 | (411) | 89 |
| Place | 7,523 | 10,931 | (3,408) | 96,282 | 101,805 | (5,523) | (3,103) |
| Housing | 12,338 | 13,839 | (1,502) | 89,700 | 96,860 | (7,159) | 875 |
| Highways | 1,820 | 2,510 | (690) | 17,492 | 13,566 | 3,927 | (1,957) |
| Communities | 74 | 301 | (227) | 332 | 352 | (20) | (0) |
| Resources | 299 | 1,040 | (741) | 7,212 | 8,419 | (1,208) | (1,086) |
| Corporate | 7,644 | 7,644 | - | 30,574 | 30,574 | - | - |
| | | | | | | | |
| **Grand Total** | **40,043** | **48,055** | **(8,013)** | **280,691** | **291,086** | **(10,395)** | **(5,182)** |

## Implications of this Report

### Financial implications

18. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2015/16, and as such it does not make any recommendations which have additional financial implications for the City Council.

### Equal opportunities implications

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

### Legal implications

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

### Property implications

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

## Recommendations

22. Cabinet are asked to:

(a) Note the updated information and management actions provided by this report on the 2015/16 Revenue Budget position.

(b) Note the latest positon on the Capital Programme.

### Reasons for Recommendations

23. To record formally 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

24. 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.

**Dave Phillips**
**Interim Director of Finance**

# Portfolio Revenue Budget Monitoring Reports 2015/16 – As at 30th June 2015

## Children Young People and Families (CYPF) Portfolio

### Summary

1. As at month 3 the Portfolio is forecasting a full year outturn of an overspend of £2 million, which is consistent with the month 2 position. The key reasons for the forecast outturn position are:

    - **Business Strategy & Children's Commissioning Unit** - £39k forecast over spend, this is due to £61k overspend in Transport Services, mainly due to price increases for travel passes. This has been partially offset by small reduction in spends in other parts of the service.

    - **Children and Families** – £1.5m forecast overspend.

      Over spending areas are:

        - Fieldwork Services - Management and Business Support £298k due to delay in the services' MER, Fieldwork Service Areas and Permanence and Throughcare £995k net overspend mainly due to the recruitment of additional social workers, Multi-systemic Therapy £181k due to the full business planning saving not being achieved this year. These have been partially offset by a £501k ongoing saving on Contact Contracts as a result of specific action being taken to reduce costs.

        - Direct Payments and short breaks - £600k due to increased demand pressures.

        - Provider Services – £322k due to the business planning saving not being achievable on the integrated approach to service delivery between Health and Social Care and Youth Justice £129k because the business planning saving of £250k from the regionalisation of Youth Justice will not be realised this year, this is being partially mitigated by £111k savings in the service.

        - Early Intervention & Prevention - £211k because of a reduced expected contribution of £250k from the CCG towards Early Intervention and Prevention.

      Areas of forecast reduction in spending are:

- Placements - £946k due to the assumption that funds set aside to fund a potential increase in Special Guardianship Orders (£400k) may not be required in 2015/16 and that the longer term positive trend in Placement numbers and unit costs will drive spend down by year end.

- **Inclusion and Learning Services** – £120k forecast overspend due to £71k in SEN budgets as a result of additional places, £30k overspend in Vulnerable Groups as a result of a shortfall of £64k against the additional income built into business planning, which is partially offset by staff savings and £23k overspend in Outdoor Education due to additional repairs and maintenance costs.

- **Lifelong Learning, Skills and Communities** – £345k forecast overspend, £402k relating to the Training Units, due to an unexpected reduction in government grant funding, which is being partially offset by savings from the MER which is in progress. This is being offset by £69k net under spend on Youth services, as a result of £38k staff vacancies, additional rental income of £26k and underspend in supplies and services budget of £39k in the Internal Community Youth Teams.

## Financial Results

| Service | Forecast Outturn £000s | FY Budget £000s | FY Variance £000s | Movement from Month |
|---|---|---|---|---|
| BUSINESS STRATEGY | 688 | 649 | 39 | ⇔ |
| CHILDREN & FAMILIES | 59,175 | 57,712 | 1,463 | ⇔ |
| INCLUSION & LEARNING SERVICES | 1,803 | 1,683 | 120 | ⇔ |
| LIFELONG LEARN, SKILL & COMMUN | 9,364 | 9,018 | 346 | ⇔ |
| **GRAND TOTAL** | **71,030** | **69,062** | **1,968** | ⇔ |

## DSG

The following is a summary of the variance position on DSG budgets at month 3:

| | Month 2 £000 | Month 3 £000 |
|---|---|---|
| Business Strategy | (24) | (49) |
| Children and Families | (24) | (121) |
| Inclusion and Learning Services | (21) | (5) |
| Lifelong Learning, skills and Communities | 0 | 0 |
| | **(69)** | **(175)** |

## Commentary

2. The following commentary concentrates on the changes from the previous month.

### Business Strategy

3. As at month 3, Business Strategy is currently forecasting an over spend of £39k (shown in the table above) relating to cash limit and a reduction in spending of £49k on DSG. This is consistent with the position reported at month 2.

### Children and Families

4. As at month 3, Children and Families is currently forecasting a £1.5m overspend (shown in the table above) relating to cash limit and a £121k underspend on DSG. This is an increase in spend of £100k on cash limit and an improvement of £100k on DSG.

5. The overall forecast position on cash limit is mainly consistent with the month 2 position, however there a couple of movements that need highlighting. The key reasons for the movement from month 2 are:

   - Provider Services - £129k forecast overspend relating to Youth Justice, this position reflects that the £250k Business Planning saving for regionalisation of Youth Justice will not be realised this year, but is being mitigated by savings of £111k in the service and also a saving of £139k within Secure Placements.

   - Placements - - £346k improved position from month 2. This reflects an improving position in the number and unit cost of placements.

   - Early Intervention and Prevention - £223k increase in the overspend from the month 2 position. This position reflects that £250k of the £500k anticipated contribution from the CCG is not expected to be received, resulting in a £210k forecast overspend in this area.

   - The £100k improved position on DSG is due mainly to £58k underspend in LDD Strategy Staffing because of a staff vacancy which is not planned to be filled. The balance is made up of small movements across a number of heads including Health Strategy, Placements and Early Intervention and Prevention.

### Inclusion and Learning Service

6. As at month 3, Inclusion and Learning Service is currently forecasting £120k overspend (shown in the table above) relating to cash limit and a £5k reduction in spend on DSG. This is consistent with the month 2 position.

### Lifelong Learning Skills and Communities

7. As at month 3, Lifelong Learning Skills and Communities is currently forecasting a £345k overspend (shown in the table above) relating to cash limit and a balanced DSG position. This is consistent with the month 2 position.

## Place Portfolio

### Summary

8. As at month 3 the Place Portfolio is forecasting a full year outturn of an £6.2m overspend, an improvement of £2.3m from the month 2 position. The key reasons for the forecast outturn position are:

   - **Business Strategy & Regulation:** £3.8m over budget largely due to delays in delivering the planned cost reductions to the waste contract as a result of protracted negotiations with the provider (£2.5m) and emerging cost pressures from increased household waste volumes (£0.6m) and reductions in income from the sale of materials due to falling market prices (£0.7m) caused by movements in the global economy.

   - **Regen & Development Services**: £2.4m over budget largely due to delays in delivering the planned cost reductions in the Streets Ahead programme (net £3m), less a continuation of sustained improvement in Highways and Highway Network Management (£0.9m), plus additional staffing and income pressures forecast largely within the Transport and Parking Services activity (£0.3m).

9. At the Place Leadership Team meeting on 18 June 2015 Directors approved a Recovery Plan to significantly improve upon and mitigate the £8.5m forecast overspend reported at Month 2, with the outcome to be incorporated into the month 3 forecast. This included implementing an estimated £2.8m of immediate actions and Directors identifying key areas of employee and discretionary spend to raise further savings in 15-16 which will carry through to future years.

10. The key reasons for the improvement of £2.3m this period are :-

    - Implementing £2.1m of the £2.8m ‘immediate actions’ agreed in the Directors’ Recovery Plan.

    - A further £0.2m of relatively small cost reductions over a number of service areas.

## Financial Results

| Service | Forecast Outturn £000s | FY Budget £000s | FY Variance £000s | Movement from Month |
|---|---|---|---|---|
| BUSINESS STRATEGY & REGULATION | 32,798 | 29,037 | 3,761 | ⇩ |
| CAPITAL & MAJOR PROJECTS | 923 | 506 | 417 | ⇔ |
| CREATIVE SHEFFIELD | 2,426 | 2,426 | - | ⇔ |
| CULTURE & ENVIRONMENT | 42,260 | 42,667 | (407) | ⇔ |
| MARKETING SHEFFIELD | 612 | 612 | - | ⇩ |
| PLACE PUBLIC HEALTH | - | 0 | 0 | ⇔ |
| REGENERATION & DEVELOPMENT SER | 82,895 | 80,479 | 2,416 | ⇩ |
| **GRAND TOTAL** | **161,914** | **155,727** | **6,187** | ⇩ |

## Commentary

11. The following commentary concentrates on the changes from the previous month.

### Business Strategy & Regulation

12. The forecast for this activity is £3.8m over budget, an improvement of £0.7m on the previous period.

13. As identified in para 3 above, the position is largely due to delays in delivering the planned cost reductions to the waste contract as a result of protracted negotiations with the provider (£2.5m). There are also emerging pressures from increased household waste volumes (£0.6m) and reductions in income from the sale of materials due to falling market prices (£0.7m). It should be noted that should the current trend in market price not begin to stabilise, the current forecast may still be at risk.

14. The £0.7m improvement this period is largely attributable to cost reductions following the decision to defer at this stage a number of proposed changes in the waste management service, pending further review. The forecast had previously included the one-off costs associated with these changes.

### Capital & Major Projects

15. The forecast for this activity is £417k over budget, an improvement of £68k this period.

16. The forecast position largely reflects income pressures within the markets service (£0.5m). This arises from the market being only 70% let as Traders have surrendered tenancies due to difficult trading conditions. The low viability of the market businesses has led to a high level of bad debt. There may be further risk here if stall lettings cannot be held at current levels, or rent collection levels don't improve. 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. External agents have been engaged to promote the letting of vacant stalls and recover monies due to the Council.

### Culture & Environment

17. The forecast for this activity is £407k under budget, broadly in line with the previous period.

18. The position largely reflects a continuation of prior year improvements that are forecast to continue within the Bereavement Services, Parks and City Centre Management activities (£300k). A further cost reduction has arisen within the Sports Trusts due to recent rating revaluation on a number of premises (£94k) although half of this saving will be offset by lower Non Domestic Rate income to the Council.

### Marketing Sheffield

19. The forecast for this activity is now balanced, an improvement of £410k this period.

20. It should be noted that the budget plan for this activity included a proposal to move to an alternative business model with no general fund allocation. Work is progressing in order to secure the various funding streams identified in the 3 year City Branding business plan and based on latest information the forecast now assumes a balanced position can be achieved.

**Regeneration & Development Services**

21. The forecast for this activity is £2.4m over budget, an improvement of £1.1m on the previous period.

22. As identified in para 3 above, the forecast position is largely due to delays in delivering the planned cost reductions in the Streets Ahead programme (£4.7m), less estimated (largely one-off) cost reductions (£1.7m), giving a net pressure of £3m. Whilst work has continued to develop options, a number of these have not progressed as originally planned due to Treasury concerns about the proposals being incompatible with the principles of the PFI contract or an unacceptable level of risk transfer to the council.

23. The cost pressure above is being offset to some extent by a continuation of sustained improvements in the Highways and Highway Network Management activities (£0.9m), less additional staffing and income pressures within the Transport and Parking Services activity (£0.3m).

24. The improvement this period largely reflects £0.9m of the £1.5m agreed actions are now reflected in the forecast positions for Transport and Parking

Services (£0.8m) and Highways (£0.1m). Work continues within the service to secure further improvements.

## Communities Portfolio

### Summary

25. As at month 3, the Portfolio is forecasting a full year outturn of an over spend of £3.94m. The key reasons for the forecast outturn position are:

**Business Strategy (forecasting an over spend of £8k)**:

- The major contributory factors relating to this small over-spend are: an element of prior year and current year staff savings targets, now forecast as not being wholly deliverable, offset by reduction in Communities staffing budgets when compared to the pay uplift budgeted at the start of the year, together with reductions in the contract expenditure with two providers relating to the Communities Quality Team.

**Care & Support (forecasting an over spend of £3.5m)**:

- Care and Support expenditure is forecasting an over spend of £3.5m. This primarily relates to over-spends in Learning Disabilities, Provider Services and a reduction in the level of Client Contributions receivable in the year.
- Learning Disabilities is forecasting an over spend of £1.67m. This is primarily based on the non-delivery of 2015/16 savings, particularly around the work being done with the providers of Supported Living and Respite Care to bring prices in line with the LD Provider Framework. The work on reducing LD expenditure is being overseen by the LD Commissioning Board and remains a key financial risk facing Communities for the new financial year.
- Provider Services are showing an over spend against budget of £1.1m, which has primarily arisen as a result of the service incurring additional staff costs relating to planned efficiencies not yet realised.
- Contributions to Care is showing an over spend of £0.61m against budget, which includes a shortfall of £1.27m on fairer contributions due to the numbers of service users being less than the original budget assumptions because of business demand management and the application of eligibility criteria offset by increases in Property Income £0.56m and Continuing Health Care Income £0.29m.

- Long Term Support is showing an over spend of £0.2m. This is the net result of an increased demand pressure on the adults purchasing budget of £0.7m and the under spend on employees across the service, predominantly a saving of £0.4m achieved in a 14/15 MER and brought forward into 15/16.
- Access Prevention & Reablement is showing an under spend of £0.1m, primarily due to external funding awarded in respect of increased activity in short term intervention assessments. This is partially offset by a small over spend on Occupational Therapists in Adaptations, Housing and Health.

**Commissioning (forecasting an over spend of £383k)**:

- The over spend in Commissioning is primarily as a result of demand pressures in Mental Health services of £684k, as well as the delay of some 2015/16 savings relating to the re-commissioning of the OP Dementia Unit into 2016/17 of £261k. Additionally, an additional provider payment relating to pay inflation of £25k has also been forecast. The Public Health area is showing small over spends relating to the non-achievement of savings from the delivery of the Mental Health Programme and the Community Pharmacy contract (£48k in total). There are staff overspends forecast of £40k mainly within the Housing Related Support Team, relating to additional costs not budgeted for.
- These increases are offset by reductions in expenditure arising from contract negotiations on Housing Related Support Contracts £574k and surplus income from Water Rates collection services £90k.

**Community Services (forecasting an over spend of £197k):**

- There is a forecast overspend of £205k in Locality Management, primarily relating to the anticipated non-achievement of 2015/16 savings targets related to reductions in the level of Grants paid to Voluntary Bodies and in regard to Ward Pots.

**Housing General Fund (forecasting an under spend of £152k):**

26. The Housing General Fund is a new Division, established this year to have all of the Housing General Fund revenue expenditure in one place within the General Ledger. The net budget for 2015/16 is £3.1m.

- As at month 3, the Housing General fund is forecasting an under-spend of £152k, comprising: a reduction in demand for the Local Assistance Scheme, reduction in spend Homelessness Prevention Fund, reduced employee related costs across the team. These are offset by increased staffing budgets within the Safer Communities Partnership.

## Financial Results

| Service | Forecast Outturn £000s | FY Budget £000s | FY Variance £000s | Movement from Month |
|---|---|---|---|---|
| BUSINESS STRATEGY | 6,187 | 6,179 | 8 | ⇔ |
| CARE AND SUPPORT | 114,282 | 110,778 | 3,504 | ⇩ |
| COMMISSIONING | 30,374 | 29,990 | 384 | ⇔ |
| COMMUNITY SERVICES | 5,846 | 5,650 | 196 | ⇔ |
| HOUSING GENERAL FUND | 2,982 | 3,134 | (152) | ⇔ |
| **GRAND TOTAL** | **159,671** | **155,731** | **3,940** | ⇩ |

## Commentary

27. The following commentary concentrates on the changes from the previous month.

- Access, Prevention and Reablement and Review and Reassessment have improvements of £153k and £143k, Case Management and Service Management have adverse movements of £104k and £148k. These service areas are currently subject to some realignment of staffing budgets following MER's. There were also some budget adjustments implemented in 2014/15 which should have been on a temporary basis and are now in the process of being reversed.

- LD Provider has an adverse movement of £238k and Locality 2 Core Business is showing an improvement of £342k due to realignment of services within LD which is work ongoing. The service is continuing to work towards reducing the overall over spend.

- Adult Social Care Purchasing £187k emerging budget pressure which has created a further over spend.

- Care4You Business £122k improvement as a result of staffing savings

- Reablement Services £158k reduction in staffing costs due to a vacant post and budgeted staff paid for from other service areas has resulted in a reduced forecast over spend.

## Resources Portfolio

### Summary

28. As at month 3 the Portfolio is forecasting a full year outturn of an in spending of £416k, an improvement of £672k from the month 2 position. The key reasons for the forecast outturn position are:

    - £224k over spend in Commercial Services due to under recovery of income;
    - £652k over spend in Commercial Services (Savings) due to a shortfall in income from cashable procurement savings;
    - £303k over spend in Transport and FM due mainly to underfunding of the Howden House PFI unitary charge and rates;
    - £242k over spend in Central Costs due mainly to an overspend of £346k on Council Tax and Business Rates Collection;

    Offset by:

    - £155k under spend in Finance due mainly to savings on Employees from unfilled vacancies;
    - £803k under spend in Housing Benefit due to the recovery of high value over payments as a result of a DWP data-matching initiative.

## Financial Results

| Service | Forecast Outturn £000s | FY Budget £000s | FY Variance £000s | Movement from Month |
|---|---|---|---|---|
| BUSINESS CHANGE & INFORMATION SOLUTIONS | 761 | 792 | (31) | ⇩ |
| COMMERCIAL SERVICES | 809 | 585 | 224 | ⇔ |
| COMMERCIAL SERVICES (SAVINGS) | (976) | (1,628) | 652 | ⇩ |
| CUSTOMER SERVICES | 1,760 | 1,802 | (42) | ⇔ |
| FINANCE | 4,565 | 4,720 | (155) | ⇔ |
| HUMAN RESOURCES | 3,405 | 3,415 | (10) | ⇔ |
| LEGAL SERVICES | 3,455 | 3,408 | 47 | ⇔ |
| RESOURCES MANAGEMENT & PLANNING | 295 | 308 | (13) | ⇔ |
| TRANSPORT AND FACILITIES MGT | 15,825 | 15,522 | 303 | ⇔ |
| TOTAL | 29,898 | 28,924 | 974 | ⇩ |
| | | | | |
| CENTRAL COSTS | 26,281 | 26,036 | 245 | ⇔ |
| HOUSING BENEFIT | (76) | 727 | (803) | ⇩ |
| **GRAND TOTAL** | **56,103** | **55,687** | **416** | ⇩ |

## Commentary

29. The following commentary concentrates on the changes from the previous month.

### Business Change and Information Solutions

30. A forecast £31k reduction in spending, due to a planned over spend on subscriptions offset by an over reallocation of invoiced expenditure in relation to MFDs. This is an improvement of £113k from the previous month.

31. The improvement this month is due to:

- £102k improvement in BCPD – Traded as result of over recovery of traded income.
- £11k improvement in BCPD- non-Traded as a result of an under spend on Employees as a result of salary sacrifice.

### Commercial Services (Savings)

32. A forecast £652k overspend, due to a shortfall in income from cashable procurement savings. This is an improvement of £145k from the previous month.

33. The improvement this month is largely due to an additional £90k of income not included last month for a prior year asset. The forecast income has

been prepared conservatively and only includes reasonably certain income streams.

**Housing Benefit**

34. A forecast £803k reduction in spending. The underspend position on both Rebates and Allowances is largely due to a DWP led data-matching initiative which has generated high value overpayments to be recovered. The trend during 2014/15 was for an improving position month on month. As this was a new initiative last year the forecast value was difficult to judge so the position was closely monitored. This is an improvement of £291k from the previous month.

35. The forecast outturn position in May was amended to the 2014/15 outturn position to determine if last year's trend is set to continue. The improvement this month is the result of verification work carried out during June that strongly indicates that this trend is set to continue and is borne out by similar experiences in other local authorities.

## Policy, Performance and Communications

## Summary

36. As at month 3 the Portfolio is forecasting a full year outturn of an overspend of £910k, an adverse movement of £68k from the month 2 position. The key reasons for the forecast outturn position are:

- £457k over spend in Communications due to under recovery of income as a result of a delay in the implementation of the new advertising contract.
- £107k over spend in Electoral Registration due to an increase in supplies and services costs and employee costs offset by an under spend of £68k in Local Elections.
- £454k over spend in Public Health – DPH due mainly to a reduction in the Public Health RF Grant.

## Financial Results

| Service | Forecast Outturn £000s | FY Budget £000s | FY Variance £000s | Movement from Month |
|---|---|---|---|---|
| ACCOUNTABLE BODY ORGANISATIONS | 0 | 0 | 0 | ⇔ |
| POLICY, PERFORMANCE & COMMUNICATION | 3,085 | 2,629 | 456 | ⇔ |
| PUBLIC HEALTH | 319 | (135) | 454 | ⇔ |
| **GRAND TOTAL** | **3,404** | **2,494** | **910** | ⇔ |

## Commentary

37. The following commentary concentrates on the changes from the previous month.

### Policy, Performance and Communication

38. A forecast £456k overspend, due to the Advertising contract within Communications being delayed until January 2016 resulting in income being underachieved. This is an adverse movement of £77k from the previous month.

39. The adverse movement this month is due in the main to the delayed Advertising contract (£114k) offset by small underspends in the other service areas (£38k).

# PUBLIC HEALTH BUDGET MONITORING AS AT

# AS AT 30th JUNE 2015

## Purpose of the Report

1. To report on the 2015/16 Public Health grant spend across the Council for the month ending 30 June 2015.

2. This report provides details of the forecast full year spend of Public Health grant compared to budget and key variances are explained.

3. The net reported position for each portfolio/service area would normally be zero as public health spend is matched by a draw down of public health grant. For the purposes of this report, and in order to identify where corrective action may be necessary, we have shown actual expenditure compared to budget where there is an underspend position.

## Summary

4. At month 3 the overall position was a forecast underspend of £579k which is summarised in the table below.

All figures £000s

| Portfolio | Forecast full year expenditure | Full year expenditure budget | Full year variance | FY Variance Forecast at M2 | Movement from Prior Month |
|---|---|---|---|---|---|
| CYPF* | 10,688 | 10,688 | 0 | (37) | 37 |
| COMMUNITIES | 13,727 | 13,929 | (202) | (22) | (180) |
| PLACE* | 2,971 | 3,348 | (377) | 0 | (377) |
| DIRECTOR OF PUBLIC HEALTH (inc PH Intelligence) | 1,917 | 1,917 | 0 | (612) | 612 |
| **TOTAL EXPENDITURE** | **29,303** | **29,882** | **(579)** | **(671)** | **92** |

Key reasons for the forecast under spend are:

- £202k underspend in Communities of which £100k is uncommitted funds that will be clawed back as part of in-year savings.
- £377k underspend in Place as a result of projects which have been put on hold.

# HRA Revenue Budget Monitoring 2015/16
# as at June2015

## Purpose of this Report

1. To provide a summary report on the HRA 2015/2016 revenue budget for the month ending 30th June 2015, and agree any actions necessary.

2. The content of this report will be used as the basis of the content of the budget monitoring report to the Executive Management Team and to Members.

## Summary

3. 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.

4. The 2015-16 budget is based on an assumed in year budgeted surplus of £10.9m which is to be used to fund the ongoing HRA Capital Investment Programme.

5. As at month 3 the full year outturn position is a projected £0.4m overspend compared to budget. However, this is based on early assumptions and the position is expected to recover over the next few months.

6. Main areas contributing to the outturn include reduced rental income of £222k mainly due to a higher turnover of vacant properties in the first quarter of the year, partly offset by a forecast reduction in the provision for bad debts. A reduction in other service charge income of £113k and a £270k potential increase in vacant repairs costs due to an unexpected increase in volume is forecast along with an  anticipated saving of  (£179K on overall running costs.

### Financial Results

| HOUSING REVENUE ACCOUNT (EXC COMMUNITY HEATING) | FY Outturn £000's * | FY Budget £000's * | FY Variance £000's * | Movement from Month 2 |
|---|---|---|---|---|
| 1.NET INCOME DWELLINGS | (149,205) | (149,427) | 222 | ⇓ |
| 2.OTHER INCOME | (6,710) | (6,824) | 113 | ⇓ |
| 3.HOMES-REPAIRS & MAINTENANCE | 32,141 | 31,871 | 270 | ⇑ |
| 4.HOMES-FUNDING CAPITAL PROG | 38,973 | 38,973 | - | ⇔ |
| 5.TENANT SERVICES INCL MANAGEMENT | 59,743 | 59,922 | (179) | ⇓ |
| 6.INTEREST ON BORROWING | 14,579 | 14,579 | - | ⇔ |
| **Total** | **(10,479)** | **(10,905)** | **426** | |
| 8.CONT TO CAPITAL PROG | 10,479 | 10,905 | -426 | ⇓ |

## Community Heating

7. The budgeted position for Community Heating is a draw down from Community Heating reserves of £338k. As at month 3 the position is a draw down from reserves of £203k resulting in a decrease in expenditure of (£135k) primarily as a result of the warmer weather and the introduction of heat metering.

| COMMUNITY HEATING | FY Outturn £000's * | FY Budget £000's * | FY Variance £000's * | Movement from Month 10 |
|---|---|---|---|---|
| INCOME | (2,790) | (2,760) | (30) | ⇓ |
| EXPENDITURE | 2,993 | 3,098 | (105) | ⇑ |
| **Total** | **203** | **338** | **(135)** | ⇑ |

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# CORPORATE RISK REGISTER

## AS AT 30th JUNE 2015

1. This Appendix provides a brief overview of the main financial risks facing the Council in 2015/16. A more detailed schedule of these risks will be monitored by the Executive Management Team to ensure that the risks are mitigated.

## Corporate Risks

### 2015/16 Budget Savings & Emerging Pressures

2. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2015/16 are achieved, especially given the cumulative impact of £300m of savings over the last five years (2011-16), and furthermore the backdrop of continuing reductions in Government grant from 2016/17 onwards.

3. Whilst preparing the budget 2015/16, officers identified numerous pressures which, if left unchecked, could lead to significant overspends in 2015/16 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

Capital financing costs

4. Corporate savings of £3.4m from capital financing costs have been offered up to help balance the 2015/16 budget, on the assumption that market conditions will not be materially different to those assumed in the approved Treasury Management Strategy.

5. The Council currently maintains a substantial but prudent under borrowed position to help support the revenue budget and mitigate residual counterparty default risk on cash investments. In operating with an under borrowed position the Council exposes itself to interest-rate risk. Recognising this, Treasury maintain a regular dialogue with the Director of Finance and the Executive Director of Resources to monitoring the risk and review mitigation opportunities.

Business Rates

6. 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 as far back as the 2005 rating list is the greatest risk causing concern across all authorities.

7. As at 30th June 2015, there were properties with a rateable value of approximately £356m under appeal in Sheffield. On the 1st April 2015 new government legislation was introduced to cut off any further backdated appeals prior to the 31st March 2015. The impact of this announcement resulted in 1140 new claims being made in March 2015. In addition, a significant national appeal is under investigation for Virgin Media which would have a significant impact for Sheffield.

8. Due to the uncertainty around these factors a prudent provision was taken during 2014/15 to mitigate the loss of income as a result of successful appeals. Actual trends on appeals will be monitored in year, with any revised estimates of the impact of appeals forming part of the 2016/17 budget process. The risk from appeals will be significantly lower in future years once the backdated element has been finalised.

Implementation of savings proposals

9. The risk of delivering savings in 2015/16 in specific areas such as adult social care and waste management is considerable, given that the Communities and Place portfolios overspent by £2.0m and £967k respectively in 2014/15. To mitigate this, officers are working on the safe and legal implementation of budget proposals by:

   - Ensuring that there is a thorough understanding of the impact of proposals on different groups and communities, including undertaking Equality Impact Assessments for budget proposals and discussed with Cabinet Members
   - Carrying out appropriate, meaningful consultation activity with affected communities and stakeholders, and ensuring that where the proposal affects a supplier or provider, that they undertake appropriate consultation and equalities work with service users.
   - Discussing budget proposals with affected members of staff in advance of them being made public, and putting in place MER processes where required, in consultation with HR.

One-off funding

10. There is a significant risk about the high level of one-off funding and reserves to balance the budget, particularly with regard to the Better Care Fund. At £9.3m, this is the highest level of one-off funding that the Council has had to use in recent years. However, officers will continue to work with colleagues at the CCG to find more sustainable ways to generate the required level of savings or income, by the end of this financial year and throughout next year so that real savings are identified to replace the one-off use of resources.

## Medium Term Financial Position

11. The Finance Settlement for local authorities for 2016/17 and beyond will be affected by the outcome of the Spending Review in November 2015. To enable the Council to publish a revised Medium Term Financial Strategy 2016-21 in October 2015, officers are in the process of reviewing all available local government finance information as well as formulating saving proposals. The indicative savings target for 2016/17 is currently £16.8m, but is subject to review. Within this target is an assumption of an RSG reduction in the order of 20% per annum.

12. The Council's financial position is 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 and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

## Pension Fund

13. 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.

14. As at March 2013 the triennial review for pensions highlighted the total liability underwritten by the Council for external bodies was £9.3m. However more up to date information from the pension fund seems to suggest that these liabilities may have increased as a result of universally low bond yields in the fund. The full liability will not be known until March 2016 when the next triennial review is complete.

## Economic Climate

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

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

## External Funding

17. 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. In order to minimise risk strong project management skills and sound financial controls are required by Project Managers along with adherence to the Leader's Scheme of Delegation to approve external funding bids.

18. As SCC funding reduces, portfolios are increasingly seeking out new sources of external funding, both capital and revenue. EU funding contracts have more complex conditions, require greater evidence to substantiate expenditure claims and are less flexible on timescales and output delivery targets. This increases the inherent risk in projects which are EU funded. Furthermore as the Council reduces its staff resources a combination of fewer staff and less experienced staff increases the risk of non-compliance with the funding contract conditions and exposes the authority to potential financial claw back.

19. Moreover, the pressure on the General Fund means that Service Managers are forced to seek more external funding such that the general level of risk associated with grants is increasing because of the additional workload this creates amongst reduced and potentially inexperienced staff.

## Treasury Management

20. The Council has been proactively managing counter-party risk since the credit crunch of 2008. Counterparty risk arises where we have cash exposure to bank and financial institutions who may default on their obligations to repay to us sums invested. Counterparty risk has somewhat diminished over the last financial year as banks have been obliged to improve their capital funding positions to mitigate against future financial shocks. The Council is continuing to mitigate counterparty risk through a

prudent investment strategy, placing the majority of surplus cash in AAA highly liquid and diversified funds.

21. As part of the 2015/16 budget process, we have developed the Treasury Management and Investment Strategies; which was based on discussions with members and senior officers about our risk appetite. This will include a review of our counter-party risk to ensure it is reflective of the relative risks present in the economy without being unduly conservative for the improving UK economic position.

22. The Council is also actively managing its longer term need for cash. Cash flow requirements show that the Council will require new borrowing in the coming years to finance capital investment. With interest-rates expected to rise from their current historic lows the Council is remaining vigilant to interest-rate risk, and will draw down loans in a timely manner to mitigate against borrowing costs rising above our target rates.

23. Over the final quarter of 2014/15 we successfully move to Barclays Bank following the withdrawal of Co-op Bank from the Local Authority banking market. Our relationship with the Co-op effectively ended at the end of March 2015, except for a specific contract to take payments over counters at Post Offices and Pay Point outlets.

24. PCI DSS Compliance is a mandatory requirement of all organisations taking payments via Debit & Credit cards and is aimed at ensuring security of customer card data. We are currently non-compliant and as well as incurring circa £3-4k in additional transaction charges we potentially face unlimited fines in the event of a security breach. Officers are urgently pursuing actions to improve compliance.

### Welfare Reforms

25. In April 2013, the government began to introduce changes to the Welfare system, which have had and will continue to have a profound effect on Sheffield residents including council taxpayers and council house tenants. The cumulative impact of these changes is significant. They include:

    - **The Abolition of Council Tax Benefit:** replaced with a local scheme of local 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:** The Government has introduced various changes to the Housing Benefit System since 2013. These changes aim to reduce the level of benefit paid and hence potentially impact on recipient's ability to pay rent and council tax. Consequently there may be an adverse impact in the level of arrears.
- **Introduction of Universal Credit:** The planned roll out for new single claimants in Sheffield is to take place in early 2016. The timeline for existing claimants move to UC is still uncertain. The biggest potential impact is on HRA and collection of rent. Support towards housing costs is currently paid through housing benefit direct to the HRA; in future this will be paid through UC 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. Recent reports also suggest the UC IT system has stability issues which may add to the risks already identified.

## Children, Young People and Families Risks

### Education Funding

26. In 2015/16 it is currently anticipated that 9 of the Council's maintained schools could become independent academies (9 primary). However, the Government has recently announced new legislation on academy conversion and this could increase this number. Schools are entitled to receive a proportion of the Council's DSG which schools forum have decided can be de-delegated back to CYPF to fund central services. Academies can on conversion choose whether to buy into those services thus creating a potential funding gap. Based on academy conversions to date:

- up to £5m has now been deducted from the Council's DCLG funding, under the new Education Services Grant (ESG), and given to academies. Currently around £3.3m is still at risk if all schools choose to convert with the council retaining only £1.1m for retained duties only.
- Up to £500k could be at risk to centrally funded services should Academies choose not to buy back those services funded from de-delegated DSG from the local authority.

27. 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. In 2015/16 this cost to the Council is estimated at around £300k and remains a risk for any future conversions.

## Communities Risks

### NHS Funding Issues 2015/16

28. The Better Care Fund became fully operational on 1 April 2015, bringing together health and social care expenditure across Sheffield. The programme aims to shift pressures and resources from hospital and social care nursing and residential homes to community settings over the medium to longer term. This is supported by a couple of joint initiatives that will help keep people well within the community, first of all the additional £1.0m funding made available through the Transformation Challenge Award. Secondly the re-tendering for the Integrated Community Equipment Service resulted in a contract being awarded to the British Red Cross, which commenced on 1 July 2015. This contract pools around £2.5m of budgets for community equipment.

29. In 2014/15 monitoring of a shadow budget took place to determine the amounts expended both within the Sheffield Clinical Commissioning Group (CCG) and the Council. The 2015/16 Better Care Fund for Sheffield has an agreed baseline of £270.5m, of which the contribution by the Council is £105.0m, after pressures and savings. This takes into account of CCG funding of £12.4m, provided to support integration. Additionally there is a further £3.5m of capital expenditure available within the Better Care Fund.

30. The Fund is underpinned by a Section 75 agreement signed by both parties, which sets out how the agreement will operate. This agreement sets out the level of funding to be provided in the first year by each party. It also sets out how any under or over spends are to be handled for each section within the overall Fund.

31. As part of the overall requirement to balance the Council's budget for 2015/16, we assumed that £9.3m would be made available through a combination of additional BCF savings and/or funding transfers from the NHS, to be used to reduce the Council's overall budget gap. There is however a significant risk in relation to this and discussions with CCG continue to be ongoing. It is assumed at this stage that the Council will secure £5m of funding from the NHS. A key recommendation of the EMT

Report was to match this assumed £5m contribution from the NHS with £4.3m of one-off funding principally from the Council's reserves. This would, on a one off basis, mean that Adult Social care is held at cash standstill in 2015-16 after savings and pressures have been taking into account.

32. A 2-year plan is required, however, to ensure that these one-off funds can be replaced by more sustainable proposals from the Better Care Fund or Health: this £9.3m is not sustainable within the SCC budget. There will have to be a re-assessment of options once the 2016-17 funding cuts from Government are known.

## Place

### 2015/16 Revenue Budget savings

33. The Portfolio intends to achieve its target savings in 2015/16 and 2016/17 by reducing the cost of the Streets Ahead Programme and waste management contracts as well as seeking savings in the South Yorkshire Passenger Transport Levy. The portfolio faces a significant challenge in re-negotiating the contract payments which if not achieved will require compensating savings in other services.

### Electric Works

34. 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 which has now been fully utilised. From 2015/16 onwards, responsibility for Electric Works is being transferred to the Place portfolio. The risk of covering any potential deficit for 2015/16 has been addressed as part of Place's business planning process to the value of 200k. The forecasted deficit is lower than the budgeted deficit.

## Housing Revenue Account Risks

### Housing Revenue Account (HRA)

35. 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 elsewhere in the report the Government has recently announced an number of further changes in the July 2015 Summer Budget Statement and Welfare Reform and Work bill. These include a revision to social housing rent policy, which will reduce rents for the next four years.

This will have a considerable impact on the resources available to the HRA Business Plan. In addition, the Governments “Pay to Stay” policy announcement and other changes to Housing benefits will impact on both tenants and the HRA business plan. Work is currently underway to assess the financial impact of these. Other 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

36. Failure to meet significant year on year capital receipts targets due to reduced land values reflecting the depressed market and the impact of the Affordable Housing policy. This could result in over-programming / delay / cancellation of capital schemes.

#### Housing Regeneration

37. There is a risk to delivering the full scope of major schemes such as Parkhill because of the severe downturn in the housing market. This could result in schemes ‘stalling’, leading to increased costs of holding the sites involved.

#### Olympic Legacy Park

38. The Council supports the development of the Olympic Legacy Park to regenerate the Lower Don valley. Some parts of the infrastructure need private party or external funding to realise the vision. There is a very tight timescale to meet in order that the educational facilities can be operational in time for the academic year. If the funding cannot be put in place in time, the Council may have to step in with funding which will place additional strain on the funding of the programme.

#### Bus Rapid Transit (BRT) North

39. The project is significantly over budget and a year behind schedule due to the discovery of asbestos on land which was previously thought to have been decontaminated, and, an unchartered sewer which has had to be relocated. The latest estimate of the unfunded spend is £6.5m. A number

of options are being pursued, including applying for additional grant funding, litigation against those at fault and allocation of anticipated future planning related development fees.