

**REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 31st
OCTOBER 2015 – ADDENDUM COMMENTARY FOR OVERVIEW &
SCRUTINY MANAGEMENT COMMITTEE**

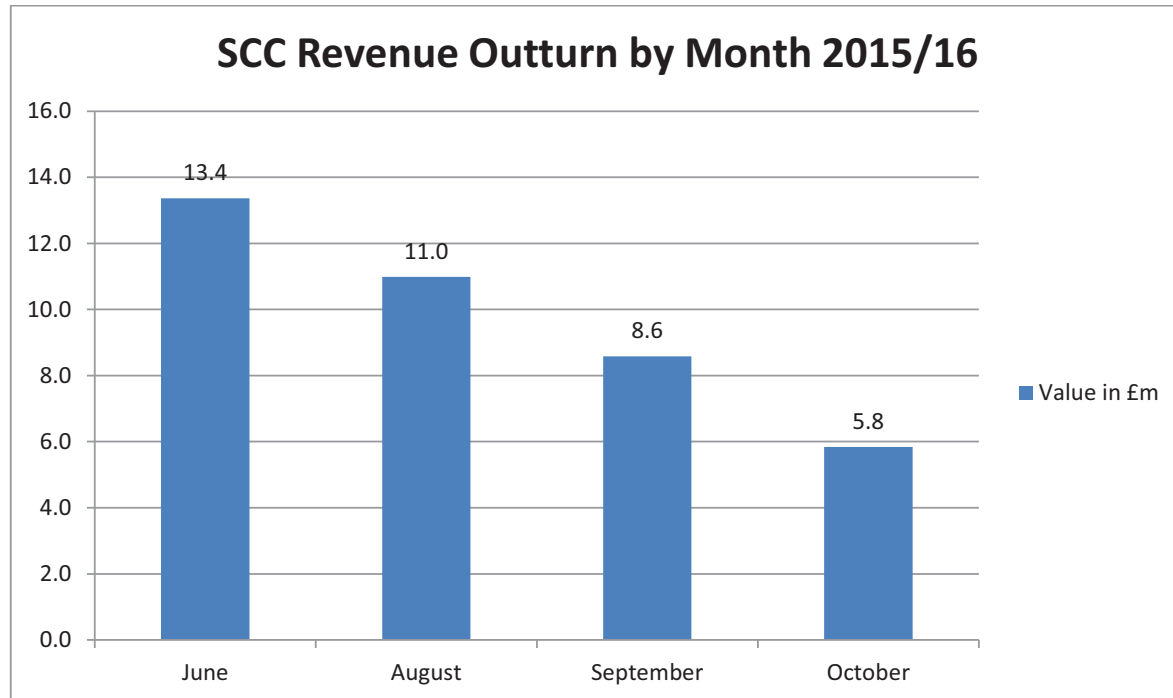
- 1) Members of the Committee have not previously been presented with budget monitoring reports for 2015/16. Consequently we have provided additional commentary at the front of the report to explain the movements from Month 3 to the current position.
- 2) The aim of this commentary is to provide explanatory detail from existing sources, rather than to provide additional or new information.
- 3) The following commentary provides additional detail on the following areas:
 - Movements since month 3
 - Trends
 - Comments made by Cabinet

Movements since Month 3

- 4) The Revenue budget monitoring report as at 30th June 2015 showed an overall forecast overspend of £13.4m. This position has improved to a forecast potential overspend of spending of £5.8m. The main areas of improvement are as follows:
 - CYPF £1.0m;
 - Communities £2.1m;
 - Place £1.6m;
 - Policy, Performance and Communications £528k;
 - Resources £946k; and
 - Corporate £1.3m

Trends

- 5) The graph below shows the monthly trend. As can be seen, the forecast overspend has consistently reduced from Month 3 to Month 7. We anticipate this trend will continue for the rest of the year.



- 6) The principal causes of the improved forecast position between Month 3 and Month 7 are as follows:
- There have been a number of improvements within the CYPF portfolio totalling £1.0m with the main factors being a £500k increase in retained Education Services Grant received due to slippage in the number of academy conversions and a £283k reduction in spend on legal fees;
 - There has been a £2.1m improvement in the Communities portfolio, £1.9m of the improvement is in Communities – Care and Support. This is predominantly due to a reduction in expenditure across the Long Term Support service of £585k; the realisation of £400k of planned savings previously thought unachievable within Reablement services and £446k reduction in staffing expenditure within Community Support and Heads of Service.
 - There has been a total improvement in Place of £1.6m. This is due to a £900k reduction in expenditure in Highways and Highways Network management activities as a result of prior year improvements and a reduction in expenditure across Culture and Environment of £666k (due to £400k of downwards ratings

revaluations, and £266k reduced expenditure on discretionary spend and staffing reductions).

- Resources have seen a £946k improvement mainly due to a reduction in the overspend on Commercial Services (Savings) of £450k, a reduction of expenditure in Finance of £291k due to vacancy management and increased income in the Moorfoot Learning Centre of £178k
- Corporate has seen an improvement of £1.3m due to a forecast reduction in expenditure on the Corporate redundancy budget of £1.2m and an improved position on Corporate capital financing costs of £335k.

7) The table below shows the trend in forecast outturns by portfolio, compared to budget.

Portfolio	Month				FY Budget £m
	June	August	September	October	
	Forecast Outturn £m	Forecast Outturn £m	Forecast Outturn £m	Forecast Outturn £m	
CYPF	71.0	71.2	71.0	70.0	69.0
COMMUNITIES	159.7	159.4	158.2	157.6	155.7
PLACE	161.9	161.3	160.5	160.3	155.5
POLICY, PERFORMANCE & COMMUNICATION	3.4	2.9	2.9	2.9	2.5
RESOURCES	56.1	55.9	55.1	55.2	55.8
CORPORATE	-438.8	-439.8	-439.1	-440.1	-438.6
GRAND TOTAL	13.4	11.0	8.6	5.8	0.0

Comments made by Cabinet

8) Publicly available comments made by Cabinet are available in the decision records on the Council's website. The latest available record - in respect of the Month 7 report presented to Cabinet on 9th December 2015 - is reproduced below for ease of reference.

9.) **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2015/16 MONTH 7 (AS AT 31/10/15)**

9.1) *The Interim Executive Director, Resources submitted a report providing the month 7 monitoring statement on the City Council's Revenue and Capital Budget for 2015/16.*

9.2) **RESOLVED:** *That Cabinet:-*

- (a) *notes the updated information and management actions provided by the report on the 2015/16 Revenue Budget position;*

- (b) *approves the carry forwards requested in paragraph 5 of the report;*
- (c) *approves and notes ongoing work to close the in-year Public Health gap as described in paragraph 8 of the report;*
- (d) *in relation to the Capital Programme:*
 - (i) *approves the proposed additions to the Capital Programme, listed in Appendix 5.1 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, deletions and slippages in Appendix 5.1 of the report; and notes:*
 - (A) *the variations in Appendix 5.1 of the report within the delegated authority of the Council's Executive Management Team (EMT);*
 - (B) *one variation of £5k authorised by a Director under the delegated authority provisions; and*
 - (C) *the latest position on the Capital Programme.*

9.3) Reasons for Decision

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.

REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 31st OCTOBER 2015

Purpose of the Report

- 10) This report provides the Month 7 monitoring statement on the City Council's Revenue Budget and Capital Programme for October 2015. The first section covers Revenue Budget Monitoring and the Capital Programmes are reported from paragraph 15.

REVENUE BUDGET MONITORING

Summary

- 11) At month 6 the overall Council position was a forecast overspend of £8.6m. The position at month 7 shows an improvement of £2.7m, with a forecast potential overspend of £5.8m 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.

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month
CYPF	70,008	68,990	1,018	↓
COMMUNITIES	157,559	155,726	1,833	↓
PLACE	160,344	155,516	4,828	↓
POLICY, PERFORMANCE & COMMUNICATION	2,914	2,532	382	↔
RESOURCES	55,157	55,840	(683)	↔
CORPORATE	(440,139)	(438,604)	(1,535)	↓
GRAND TOTAL	5,842	(0)	5,842	↓

- 12) In terms of the month 7 overall forecast position of £5.8m overspend, the key reasons are:
- **Children, Young People and Families** are showing a forecast overspend of £1.0m. This is due to slippage in the delivery of planned staffing reductions of £183k, £986k due to the recruitment of additional social workers, £735k due to delays in delivery of savings, £227k reflecting an increase in unaccompanied children, £192k due to an unexpected reduction in government grant funding and £850k in increased demand pressures within Direct Payments and Short Breaks services. These adverse forecasts are partly offset by a reduction in expenditure of £537k on Contact Contracts, £283k on legal fees, an increase in Education Services Grant income £500k and £668k due a reduction in Placement demand.
 - **Communities** are showing a forecast overspend of £1.8m. This is largely due to an overspend of £1.6m in Learning Disabilities, Provider Services, and Contributions to Care. There are also overspends of £1.1m within Commissioned

Mental Health Services and £427k in Social Care Commissioning. These overspends are partly offset by a £662k reduction in expenditure in Housing Related Support Contracts and £553k in Housing General Fund.

- **Place** are showing a forecast overspend of £4.8m. This is largely due to delays in delivering planned cost reductions on the waste contract of £2.6m and the Streets Ahead Contract of £2.5m. There are also emerging cost pressures from increased household waste volumes and reduced income from the sale of materials of £1.2m and additional Staffing and Income pressures within Transport and Parking Services of £300k. These overspends are partly offset by reductions in spending across a number of areas within the Culture and Environment Service of £666k and sustained improvement in the Highways and Highway Network management of £900k.
- **Resources** are showing a forecast reduction in expenditure of £683k. This is primarily due to the recovery of high value over payments in Housing Benefit of £584k, £178k increase in income for the Moorfoot Learning Centre and £291k within the Finance Service as a result of savings on employee costs from unfilled vacancies and over recovery of income from the 60 day bad debt. This reduction in expenditure is partly offset by an overspend in Commercial Services (Savings) of £202k from a shortfall in cashable procurement savings and £255k increase in Other Central Costs relating to the insourcing of the Revs and Bens Service.
- **Policy, Performance & Communication** are showing a forecast overspend of £382k. This is primarily due to a delay in the advertising contract resulting in an underachievement of income.
- **Corporate** are currently showing a forecast reduction in expenditure of £1.5m. The latest position reflects the recent outcome of the Place VER/VS scheme, as a result of which there is a forecast reduction in expenditure of £1.2m on the corporate redundancy budget.

Approval Requests

- 13) **CYPF** are requesting two carry forwards totalling £1.95m. The two requests are for the Strengthening Families programme (£1.5m) and the Innovation Programme (£450k).
- The Strengthening Families programme requires the carry forward to allow the programme to continue beyond the current financial year, and this will enable savings to be delivered in 2016/17 in line with the business planning process.
 - The carry forward for the Innovation Programme is to allow the 450k forecast reduction in expenditure to be used to continue the project in 2016/17. It should be noted that Sheffield is the accountable body for this Programme, hence this funding covers all South Yorkshire Authorities, not just Sheffield.

- CYPF have currently forecast these two carry forwards into their full year position, so if they were not approved the position for CYPF would improve by £1.95m. However by not approving the request, it would cause a corresponding pressure in 2016/17 of £1.95m.

Collection Fund

- 14) Collection Fund monitoring will be reported in month 9 and will include the third quarter results. **Appendix 4** has been retained for the Collection Fund as blank for continuity for future months.

Public Health

- 15) The Public Health ring-fenced grant is currently forecasting a potential £915k reduction in expenditure, the main reason for which 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 are reported in **Appendix 2**.

Public Health 2015/16 in-year cut

- 16) Notification of a potential Government-led in-year cut was announced in June and the consultation documentation issued in July with a closing date of August. Confirmation of the level of cut was received from Government in the first week of November and was confirmed as a 6.2% cut on the 2015/16 grant figure including the half year transferred function for 0-5 year old provision.
- 17) For Sheffield the cut amounts to £2.1m. In anticipation of this cut, the Council had been holding back on planned investment, freezing vacancies and not allocating all the potential investment from the planned 2014/15 underspend.
- 18) As at month 7 the amount held against the target cut is £1.9m, which is spread across all the portfolios. The table below lists the activities held due to the in-year cut. As noted above, this was planned investment and not allocating underspend, rather than a cut to existing services. These schemes at the time of the initial announcement (June) had not been committed or spent and therefore held pending the final notification.

One-off from 2014/15 underspend	£'000
Mental health champions, employment advice	200
Tackling physical inactivity	120
Tobacco – investment in community development action	125
Food poverty – small grants	50
Inc investment in C&Y People Smoke free Service	50
Children's emotional wellbeing – specialist equip & evaluation	37
Held Contracts in year	
Best Start	150
Health Checks	100
Alcohol Assessment & Intervention	100

- 19) In addition there will be a cap placed on the smoking cessation contract that will result in a reduced Service in the latter part of this financial year. Staffing vacancies have been running at around 10 posts and include two senior Public Health posts – Consultants posts in CYPF and Place. Work is continuing to find the variance of £200k.

Housing Revenue Account

- 20) 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.
- 21) As at month 7 the full year outturn position is a forecast reduction in expenditure of £4.1m. 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
		0.0
	Declared 15/16 NHB Grant	-7.3
	Total Income	<u>-13.3</u>
Expenditure	2015/16 Spend to date at Month 7	2.4
	Forecast to Year End	2.5
	Future Years' Commitments	2.1
	Total Expenditure	<u>7.0</u>
	Funds Available for Investment	<u><u>-6.3</u></u>

- 22) Expenditure of £0.1m in the period and the overall forecast for the year remains unchanged. Officers continue to develop and evaluate new proposals to deliver the housing developments the city needs. A full review of the New Homes Bonus programme is underway.

Capital Summary

- 23) At the end of October 2015, the end of year position forecasts a variance of £15.1m (5%) below the approved Capital Programme. Project managers are forecasting to deliver a capital programme of £264.3m. This is £3.3m lower than forecast last month following Cabinet approval of revised pending profiles whereby £6.9m of planned spend for 2015/16 has slipped into future years.
- 24) Further details of the Capital Programme monitoring and projects for approval are reported in **Appendices 5 to 5.1**.

Implications of this Report

Financial implications

- 25) 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

- 26) There are no specific equal opportunity implications arising from the recommendations in this report.

Legal implications

- 27) There are no specific legal implications arising from the recommendations in this report.

Property implications

- 28) 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

29) Members are asked to:

- (a) Note the updated information and management actions provided by this report on the 2015/16 Revenue Budget position.
- (b) Approve the carry forward requests in paragraph 5.
- (c) Approve and note ongoing work to close the in-year Public Health gap as described in paragraph 8.
- (d) In relation to the Capital Programme:
 - (i) Approve the proposed additions to the Capital Programme listed in **Appendix 5.1**, 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, deletions and slippage in **Appendix 5.1**;

And note

- (iii) The variations on **Appendix 5.1** within the delegated authority of EMT
- (iv) One variation of £5k authorised by a director under the delegated authority provisions; and
- (v) The latest position on the Capital Programme.

Reasons for Recommendations

30) 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

31) 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

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