REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 31st MARCH 2016

Purpose of the Report

1. This report provides the Financial Outturn statement on the City Council's Revenue Budget and Capital Programme. The first section covers Revenue Budget Monitoring. The Capital Programmes are reported from paragraph 32.

REVENUE BUDGET MONITORING

Summary

2. At month 10 the overall Council position was a forecast underspend of £523k. The actual outturn position is a slight improvement of £38k to £561k underspent.

3. It was approved at Cabinet on the 9th March 2016 that the month 10 forecast underspend of £523k would be invested in 2016/17. It was agreed that the Council Leader or delegated Cabinet Member in consultation with Cabinet colleagues will decide how specifically to allocate this funding.

4. The outturn by Portfolio is summarised in the table below:

Portfolio	Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 10
CYPF	77,754	77,443	311	⇧
COMMUNITIES	163,646	162,694	952	⇩
PLACE	165,868	162,893	2,975	⇩
POLICY, PERFORMANCE & COMMUNICATION	3,217	3,042	175	⇩
RESOURCES	58,018	58,948	(930)	⇩
CORPORATE	(469,063)	(465,020)	(4,043)	⇧
GRAND TOTAL	**(561)**	**(0)**	**(561)**	⇔
APPROVED 2016/17 CARRY FORWARD REQUESTS			**523**	
GRAND TOTAL			**(38)**	

5. In terms of the outturn position of £561k underspend, the key reasons are:

- **Children, Young People and Families** are reporting an outturn overspend of £311k. This overspend is primarily due to the recruitment of additional social workers £1.4m and £1.0m in increased demand pressures within Direct Payments and Short Breaks services. These adverse movements are partly offset by a reduction in expenditure of £553k on Contact Contracts, an increase in Education Services Grant income of £650k and £1.0m due to a reduction in Placement demand.

- **Communities** are reporting an outturn overspend of £952k, due largely to increased expenditure of £964k in Learning Disabilities and Contributions to Care and an overspend of £1.9m within Commissioned Mental Health Services. These overspends are partly offset by a £675k underspend in Housing General Fund and £925k within Housing Related Support contracts.
- **Place** are showing an outturn overspend of £3.0m. This is largely due to delays in delivering planned cost reductions on the waste contract of £2.6m and the Streets Ahead Contract of £2.6m. There are also emerging cost pressures from increased household waste volumes, reduced income from the sale of recyclable materials of £1.4m and £600k within the Market Services due to income pressures from difficult trading conditions. These overspends are partly offset by reductions in spending across a number of areas within the Culture and Environment Service of £900k, sustained improvement in the Highways and Highway Network management of £800k and £2.3m of discretionary spend reductions across the portfolio.
- **Resources** are showing a full year outturn reduction in expenditure of £930k. This is primarily due to the recovery of high value over payments in Housing Benefit of £645k, £377k increase in income for the Moorfoot Learning Centre and £268k reduction in expenditure in Legal due to recruitment delays. This reduction in expenditure partly offsets an overspend in Commercial Services (Savings) of £242k from a shortfall in cashable procurement savings and £227k overspend in Transport and FM.
- **Policy, Performance & Communication** are showing an overspend of £175k, primarily due to a delay in the advertising contract resulting in an underachievement of income.
- **Corporate** are reporting an outturn a reduction in expenditure of £4.0m. This is mainly due to lower than anticipated redundancies costs of £2.6m and an improved position of £3.0m on the Capital Financing budget as a result of continuing low interest rates, improved investment income, reduced borrowing costs and capitalisation on the Sheffield Retail Quarter expenditure. These reductions in spending have been partly offset by a £1.6m transfer to a risk reserve to cover any potential delays or non-delivery of savings proposals in 2016/17. This risk reserve will be vital in providing short term assistance to services which are struggling to deliver further savings, as a result of the ongoing government austerity cuts. The deployment of this reserve in 2016/17 will be a measure to ensure that the 2016/17 budget remains attainable.

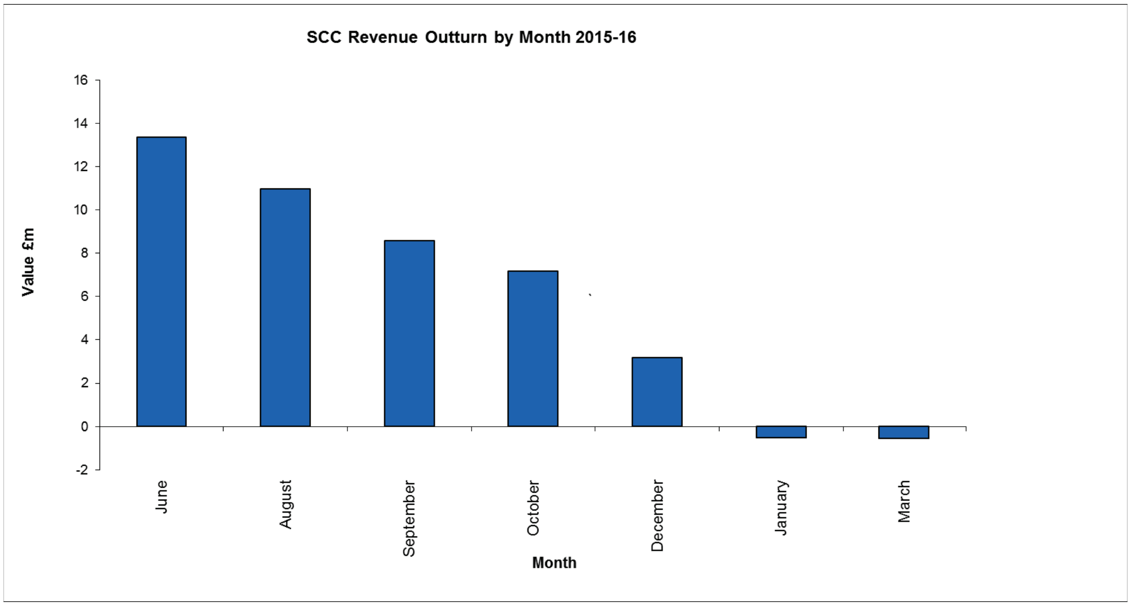
6. Full details of all reductions in spend and overspends within Portfolios are detailed in **Appendix 1**.

7. The main variations since Month 10 are:

   - **CYPF:** The outturn is broadly in line with the month 10 forecast position.
   - **Communities:** The outturn shows an improvement of £350k from the month 10 forecast, due mainly to a £654k improvement in Care and Support as result of an asset taken at year end in relation to monies owed by the CCG for Joint packages of care and £134k saving in Commissioned Housing due to delay in implementation of new contracts. This improvement is partly offset by and adverse movement of £522k with Mental Health Commissioning purchasing budgets.
   - **Place:** The outturn shows an improvement of £839k from the month 10 forecast. This is mainly due to income received from contracts and income penalties of £1.0m. This is offset by an adverse movement in Capital and Major Projects of £200k relating to property income.
   - **Resources:** The outturn shows an improvement of £194k, mainly due to reduction in spending of £313k within Central Costs on Former Employees' Pensions, Court Costs and additional BR Admin Grant income. In addition, the Housing Benefits service is reporting additional income of £257k as a result of improved recovery of overpayments arising from the 2 government led fraud initiatives. These improvements have been partly offset by increased costs on the Refine project of £229k and an adverse movement of £298k due to increases in premises occupancy at Moorfoot in the last quarter.
   - **Policy, Performance & Communication:** The outturn shows an improvement of £194k mainly due to receipt of £135k additional Public Health reserves to match expenditure.
   - **Corporate** are reporting an adverse movement of £1.4m since month 10. This movement is mainly the result of the aforementioned creation of the risk reserve required to support potential 2016/17 in-year pressures.

8. Movements from initial forecasts at month 3

   - The forecast outturn shows an improving position from the £13.4m forecast potential overspend reported in month 3 to the £561k reduction in spending at outturn. This improvement reflects Portfolios' attempts to reduce spending, lower than anticipated redundancies costs and an improved position on capital financing within the Corporate budget area, which have helped offset the significant pressures within the Communities and Place portfolios. The position month by month is shown in the following chart:



Carry Forward Requests

9. It is proposed that the slight increase on the underspend position of £38k be added to the 2016/17 investment funded as agreed at Cabinet on the 9th March 2016. As with the previous approval, the Council Leader or delegated Cabinet Member in consultation with Cabinet colleagues will decide how specifically to allocate this funding.

Public Health

10. The Public Health ring-fenced grant is showing a £2.1m reduction in expenditure against the original approved budget. This is a £478k improvement on the month 10 position. Further details of the outturn position on Public Health are reported in **Appendix 2.**

Housing Revenue Account

11. The 2015-16 budget is based on an assumed in year surplus position of £10.9m which is to be used to fund the ongoing HRA Capital Investment Programme. In accordance with the HRA's financial strategy any further in- year funds generated by the account will be used to provide further funding for the future HRA Capital Investment programme.

12. As at month 12 the full year outturn position is a £6.9m overall improvement from budget. Further details of the Housing Revenue Account can be found in **Appendix 3**.

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	-13.3
Expenditure	2015/16 Spend	4.3
	Future Years' Commitments	2.8
	Total Expenditure	7.1
	Funds Available for Investment	**-6.2**

13. During the year New Homes Bonus has been used to regenerate areas and develop additional housing within the city including:

    - Support to the Sheffield Housing Company in creating homes in locations which struggle to generate adequate returns for private sector developers.
    - Reducing the number of long term empty houses in the city.
    - Redevelopment of the Arbourthorne estate, regenerating local centres and clearing derelict sites to encourage local house building.
    - Regeneration of Attercliffe through the development of the Olympic Legacy park site creating new schools and ultimately employment. This has involved the remediation of the site and subsequent development into building plots for commercial development. Expenditure on this activity has increased slightly above budget and approval is sought for an additional £50k of expenditure.

Non-earmarked and earmarked Reserves

14. Within the existing statutory and regulatory framework, it is the responsibility of the Intermit Executive Director of Resources to ensure that the Council has an adequate level of reserves and that there are clear protocols for their establishment and use.

15. Included in the total is a figure of £12.6m or 3% of net revenue expenditure of non-earmarked reserves. This is considered to be low but not inadequate based on the requirements of the Council.

16. Work on the reserves balances as at 31 March 2016 is still being undertaken and is dependent on the completion of the statement of accounts. However, the estimated balance of revenue reserves as at 31 March 2015 is shown in **Appendix 4**.

17. Earmarked reserves are set aside to meet known or predicted future liabilities, such as equal pay claims. These liabilities mean that the earmarked reserves are not normally available to fund the budget.

18. Earmarked reserves also exist because of the need to smooth the significant payments made on programmes such as the Major Sporting Facilities (MSF) and PFI schemes over the 20 year plus terms of the underlying agreements. In both cases we currently have a temporary surplus. However, over time this position will change, and future payments will be higher than our resources, so the reserves will be needed to support their primary purpose (from around 2017/18 onwards).

19. Over the past few years, the Council has made significant use of the money from these reserves to fund expenditure on a temporary basis, and it is part of the financial plan to have the reserves refunded by the time the call on them is required. The main temporary use has been to support investment in key change projects through Invest to Save which has now been fully repaid during 2015/16.

20. During 2014/15 £22.9m was used to support the Pension Deficit early payment to deliver £2.6m of savings. These funds have been fully repaid in 2015/16. It is worth noting that the council plans to continue this strategy in 2016/17 by making an early payment of 2017/18 to 2019/20 pensions deficit contributions in return for a substantial saving. This utilisation of temporary balances can be seen in a number of the earmarked reserves movements for 2016/17 in **Appendix 4** attached.

21. The other substantial contribution to earmarked reserves in 2015/16 is the transfer of £25m to the MSF reserve following an accounting adjustment. These funds will be required to meet planned future expenditure.

22. Further details on reserves and their use can be found in **Appendix 4.**

Insurance Funds

23. An independent review of the Insurance Account has been undertaken to identify the level of fund required. This includes:

- Known outstanding liabilities.
- Incurred but not reported liabilities (IBNR)
- Claims previously paid by Municipal Mutual Insurance (one of the Council's Insurers who went in to a form of receivership in the 1990's)
- Emerging claims
- Uninsured asbestos related claims.

24. The Directors of MMI ‘triggered’ the scheme of arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The Scheme provides that following the occurrence of a Trigger Event, a levy may be imposed on all those scheme creditors which, since the record date, have paid an amount or amounts in respect of established scheme liabilities which, together with the amount of elective defence costs paid by MMI on its behalf, exceeding £50,000 in aggregate. Additionally, payments made after the imposition of a Levy in respect of established scheme creditors will be made at a reduced rate (the payment percentage).

25. Ernst Young are now responsible for the management of the MMI’s business, affairs and assets in accordance with the terms of the Scheme. Ernst Young have carried out a review of assets and liabilities of MMI and concluded that the initial rate of the levy would be 15%, which has now been paid. The levy has recently been revised to 25% and the additional 10% difference is due to be paid by 12 May 2016. The levy will continue to be reviewed at least once every 12 months.

26. The Council currently has a potential claw back of £4.2m with MMI and £582k relating to South Yorkshire Residuary Body (SYRB).

27. The Insurance Account as at 31 March 2016 contains £21.9m; whilst assessed potential liabilities as at 31 March 2016 are £24.2m. The Insurance Account is therefore 90% funded as at 31 March 2016. The council believes this is an adequate level of funding, given that not all potential liabilities will actually occur.

Corporate Risk Register

28. 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.

Annual Treasury Management Review

29. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury review of activities and the actual prudential and treasury indicators for 2015/16. This review is needed to meet the requirements of both the CIPFA Code of Practice on Treasury Management (the code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). During 2015/16 the Full Council received the Annual Treasury Strategy, whilst Cabinet were presented with the Outturn Report. Reports were also taken to the Cabinet Member for Finance during the year.

30. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

31. The Annual Treasury Management Review is attached to this report as **Appendix 6.**

Capital Summary

32. The Outturn for 2015-16 is £40.8m (15%) below the approved Capital Programme. Project managers delivered a capital programme of £227.4m against an approved budget of £268.2m. This is £4.1m lower than the Outturn forecast last month and reflects lower delivery on all programmes except Housing which is £1.7m above the last forecast.

33. Further details of the Capital Programme monitoring and projects for approval are reported in **Appendices 7 to 7.1**.

Implications of this Report

Financial implications

34. 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

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

Legal implications

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

Property implications

37. 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

38. Members are asked to:

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

(b) Approve the carry forward request detailed in paragraph 9.

(c) Approve a further £50k from the New Homes Bonus fund to support the development of the regeneration of Attercliffe through the development of the Olympic Legacy Park as detailed in paragraph 13.

(d) Approve the use of Public Health reserves to fund a number of projects as detailed in paragraph 8 of **Appendix 2**.

(e) Approve the spend request as shown in paragraph 19 of **Appendix 1**.

(f) In relation to the Capital Programme:

i) Approve the proposed additions to the Capital Programme listed in **Appendix 7.1**, including the procurement strategies and delegate to the Interim Director of Finance and Commercial Services, or her nominated officer, the authority to award the relevant contracts following stage approval by the Capital Programme Group;

ii) Approve the proposed variations, deletions and slippage in **Appendix 7.1**; and note

iii) The latest position on the Capital Programme.

Reasons for Recommendations

39. 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

40. 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 Head of Finance

Portfolio Revenue Budget Monitoring Reports 2015/16 – As at 31 March 2016

Children Young People and Families (CYPF) Portfolio

Summary

1. As at month 12 the Portfolio is reporting a full year outturn of an overspend of £311k, an adverse movement of £119k from the month 10 position. The key reasons for the forecast outturn position are:

Business Strategy

- This service is reporting a £697k reduction in spending. This includes additional Education Services Grant (ESG) income to that budgeted for of £650k. £147k reduction in spend in Information Systems due to staff vacancies and slippage in an upgrade project. These are partially offset by £118k overspend on Transport, due to increase demand pressures and a delay in anticipated savings due in the year.

Children and Families - £1.2m overspend

Over spending areas are:

- Fieldwork Services – A net overspend of £1.6m due to:
    - Management and Business Support service is overspent by £122k due to a delay in the services' MER, Fieldwork Service Areas;
    - Permanence and Throughcare are £1.4m net overspend mainly due to planned 2 year programme to recruit additional social workers in response to the pressure on and retention of social workers and review of Child Sexual Exploitation (CSE). This has been partially mitigated by a managed reduction in the numbers social workers, as the continued investment in early intervention and prevention through the Building Successful Families programme has reduced the total caseloads across the city;
    - Multi-systemic Therapy is £189k overspent due to delays in the delivery of anticipated savings during in the early part of the year; and
    - Specialist Support Teams are overspent by £306k, reflecting an increase in unaccompanied children.

    Offset by:

  - Contact Contracts reduction in spending of £553k resulting from ongoing specific action being taken to reduce costs; and
  - £185k reduction in spend on legal fees, as are result of collaborative working between the services to deliver more efficient working practices.

- Direct Payments and Short Breaks - £1.0m due to increase demand pressures, this also includes £250k as a result of the delay in anticipated savings during the year.
- Provider Services – due to delays in anticipated savings on the integrated approach to service delivery between Health and Social Care of £300k. This has been partially mitigated by an improved position in Fostering Service of £82k and a further £54k savings in the service, leaving a net overspend of £164k.

  Areas of reduction in spending are:

- Placements - £1.0m due to funds set aside to fund a potential increase in Special Guardianship Orders (£400k) has not been required In 2015/16 and the actual trend in the level of placement numbers and unit costs continued until the year end.
- Early Intervention and Prevention - £781k due to savings on contracts, this is being offset by a reduced expected contribution of £250k from CCG towards Early Intervention and Prevention, leaving a net underspend of £531k.

Inclusion and Learning Services and Children's Commissioning

- The service is reporting an outturn reduction in spending of £281k. This includes £171k reduction in spend in Education Psychology due to staff vacancies in the service, £52k reduction in spend in Advocacy and Challenge and £59k reduction in spend in CWLB following the transfer of activity to Learn Sheffield.
- **Lifelong Learning, Skills and Communities** - £43k overspend,
  - £365k overspend 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;
  - £50k overspend on the BIG Challenge because the expected income is not available and the planned expenditure for this project has been incurred.

    Offset by:

- Youth Services underspend of £180k, mainly due to a reduction in spending within the Internal Community Youth Teams, as a result of staff vacancies against the 4 year budget programme; and
- Strategic Support reduction in spending of £118k, due to staff vacancies and activities that have now ceased.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 10
BUSINESS STRATEGY	4,588	5,285	(697)	⇔
CHILDREN & FAMILIES	62,947	61,701	1,246	⇧
INCLUSION & LEARNING SERVICES	344	625	(281)	⇩
LIFELONG LEARN, SKILL & COMMUN	9,875	9,832	43	⇔
GRAND TOTAL	**77,754**	**77,443**	**311**	⇧

DSG

2. The following is a summary of the variance position on DSG budgets at month 12:

	Month 10 £000	Month 11 £000	Month 12 £000
Business Strategy	43	(45)	(1,089)
Children and Families	(71)	(77)	(106)
Inclusion and Learning Services	(273)	(253)	(287)
Lifelong Learning, skills and Communities	(10)	(9)	(111)
	(311)	**(384)**	**(1,593)**

Commentary

3. The following commentary concentrates on the changes from the month 10 position.

Business Strategy

4. A £697k reduction in spending (shown in the table above) relating to cash limit and £1.1m on DSG.

5. The cash limit position is consistent with the month 10 position. The DSG position is an improvement of over £1.0m from month 10. This is due to £509k reduction in spend on Schools PFI Schemes and £315k reduction in spend on school contingency budgets because the funding was not required in 2015/16.

Children and Families

6. A £1,2m overspend on cash limit (shown in the table above) and a £106k reduction in spend on DSG.
7. The DSG position is consistent with the month 10 position. The cash limit is an adverse movement of £158k from the month 10 position, this is mainly due to the service incurring additional legal fees associated with a litigation case.

Inclusion and Learning Service and Children's Commissioning Unit

8. A £281k reduction in spending on cash limit (shown in the table above) and a £287k reduction in spend on DSG.
9. The DSG position is consistent with the month 10 position. The cash limit is an improvement of 111k from month 10. The improvement is due to additional staff savings and a reduction in planned commissions in the service.

Lifelong Learning Skills and Communities

10. A £43k overspend on cash limit (shown in the table above) and £111k reduction in spend on DSG.
11. The cash limit position is consistent with the month 10 position. The DSG is an improvement of £101k from month 10. This improvement is due to the slippage in an upgrade to the IT systems. This funding will be required in 2016/17 to upgrade the systems in order to deliver the 2016/17 savings.

Communities Portfolio

Summary

12. As at month 12, the Portfolio has returned a full year outturn of an over spend of £952k. The key reasons for the outturn position are:

Business Strategy

- The minor overspend position for Business Strategy of £18k is mainly due to non-achievement of current and prior year savings in the Planning and Performance Service of £240k and additional legal fees on DoLs £101k. These overspends are partly offset by reduction in spend on Business Support salaries and mail/ insurance contracts of £241k and other minor movements.

Care & Support (over spend of £627k):

- Access, Prevention and Reablement is showing a reduction in spend of £113k, this is the net position of a £258k underspend on staff, partially offset by a £144k overspend on equipment and adaptations.

- Learning Disabilities returned an outturn of £963k overspent. This is made up of an over spend of £692k in purchasing and an additional £272k in LD Assessment and Care Management. The overspend in the purchasing budget is made up of £1.6m of 2015/16 savings which have not been delivered, particularly around the work being done with the providers of Supported Living and Respite Care bringing prices in line with the LD Provider Framework. The savings for 2015-16 have been partly offset by funded pressures which have not played out in full within the year. Work is continuing in this area and will result in savings for future financial years. There is also £272k overspend in LD Assessment & Care Management which is directly attributable to temporary staffing resources brought in from the Adults Service to increase review and re-assessment rates within the service.
- Long Term Support is showing an overspend of £1.1m. This comprises the net position of an overspend in adults purchasing of £1.6m, with an underspend across the remainder of the service of £476k; this underspend is predominantly the saving from social work vacancies of £379k in the current establishment and £97k against Forge Centre due to reduction in contracts.
- Provider Services is showing an underspend against budget of £333k. There is a £357k reduction in spend on Carers in the Adult Placement Shared Lives Service. City Wide Care Alarms reports an overspend of £392k as a result of lower income than budgeted. Care4You Business and Performance and Head of Service Budgets report a combined £318k reduction in spend on staffing. Community Support Services report an underspend of £107k on salary costs. Reablement Services report an overspend of £58k which has arisen as a result of the service incurring additional staff costs relating to planned efficiencies delivered later than expected.
- Contributions to Care has an over achievement of income £962k against budget. The main overachievements are in Property Income £1.2m and Continuing Health Care Income £1.8m. This over performance is offset by a shortfall of £1.0m on fairer contributions because the numbers of service users is lower than the original budget assumptions due to business demand management and the application of eligibility criteria. There is also a shortfall of £309k on ILF contributions, £446k Residential/Nursing income and £320k on Public Health Direct Payments.
- The assets taken against the CCG for JPOC income should be matched against related over spends for liabilities taken in purchasing LD and Adults Social Care. The net impact is £255k reduction in expenditure to that forecast.

Commissioning (overspend of £1.0m):

- A reduction in spend reported by Commissioned Housing of £925k against Housing Related Support Contracts due to contract changes and a delay in implementation of new contracts.
- An overspend against Commissioned Mental Health Services £1.9m. This is made up of a £1.8m overspend in Mental Health purchasing and £139k overspend in the Older People's Mental Health contract, both directly attributable to non-achievement of savings and increased demand. Further work is underway to assess increasing levels of demand with the purchasing budget for 2016-17.
- An overspend on Public Health Drug and Alcohol (DACT) of £39k. This is made up of overspends within the Drug treatment areas on contract £116k and non-contract of £132k, which is partly offset by an under spend in the DIP Contract payment of £118k.
- An overspend of £108k on Public Health Community. This is mainly attributable to a £61k overspend on the Public Health Mental Health budget together with a £21k overspend on the Community Wellbeing Programme and a £13k overspend on Health Trainers.
- Social Care Commissioning Service report a reduction in spend of £107k which relates to an under spend on staffing £203k partly offset by over spend with equipment provider £66k as a result of increased demand against that contract (net of CCG risk share contribution) and other minor overspends.

Community Services (under spend of £64k):

- There is an overspend of £213k in Locality Management, primarily relating to the anticipated non-achievement of 2015/16 savings targets. This is offset by pay savings and reduction of spend on materials in the Libraries Service of £277k.

Housing General Fund (under spend of £675k):

- The Housing General fund has out turned with an underspend £675k. This is mainly due to lower than expected uptake of grants from the Local Assistance Scheme of £235k and a reduction in salary costs of £157k due to a high number of vacancies as a result of an MER which is due to be completed in July. A reduction in spend in the Homelessness Prevention and Repossession Prevention Funds of £40k and an over achievement of income across several business units where other councils or grant funders are contributing to costs already budgeted £239k.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 10
BUSINESS STRATEGY	7,776	7,758	18	⇔
CARE AND SUPPORT	112,230	111,602	627	⇩
COMMISSIONING	31,901	30,855	1,046	⇧
COMMUNITY SERVICES	7,879	7,943	(64)	⇔
HOUSING GENERAL FUND	3,860	4,535	(675)	⇔
GRAND TOTAL	**163,646**	**162,694**	**952**	⇩

Commentary

13. The following commentary concentrates on the changes from the previous report at month 10.

Business Strategy

14. Has an adverse move in position of £29k which is predominantly due to increases in legal costs associated with Deprivation of Liberty cases.

Care and Support

15. Month 12 has shown movement in income and expenditure around JPOC clients of £201k (net) which impacts Contributions to Care £1.4m asset, Long Term Support £462k liability and LD £724k liability excluding this the main areas of movement are:-

- Care and Support has seen a positive movement of £654k which is net of:
    - The whole movement in Contributions to Care is attributable to the JPOC asset.
    - An underlying improvement in Learning Disabilities position £664k (without the inclusion of the JPOC liability) mainly due to a reduction in the outturn for TUPE and Void and Vacancies £362k and a recognition of £364k Health income from the CCG.
    - A favourable movement in expenditure of £32k in Access, Prevention and Reablement due to reduced staffing costs, predominantly agency costs.
    - Long Term support reports an adverse move of £438k (without the inclusion of the JPOC liability), the majority of which is due to the costs of provision of additional Home Care services £315k with the remainder being residential placements not previously registered.

- Provider Services has a favourable move in the financial position of £182k mainly as a result of reduction in staffing costs in the Reablement Service.

Commissioning

16. The outturn for this service is showing an adverse movement of £318k. The main reasons are as follows:
    - Mental Health Commissioning is showing an adverse movement of £522k caused by an increase in demand in the MH purchasing budget of £539k mainly due to additional demand resulting from discharges of Section 117 clients from Nursing Care into Community Care.
    - Public Health Drug and Alcohol has a favourable movement of £39k. This is as a result of previously forecast expenditure not being realised. This movement is being offset by an adverse movement of £32k in Public Health Community.
    - Commissioned Housing reports a favourable move of £134k as a result of a delay in implementation of new contracts.
    - Social Care commissioning reports a favourable move of £66k mainly due to the reduced staffing costs in the Social Care Commissioning Team.

Community Services

17. The outturn position is showing a favourable movement of £14k as a result of a £104k reduction in spend on non-pay in Libraries, particularly on materials, equipment and IT. There is an adverse movement in Locality Services of £91k as a result of additional expenditure including a payment to the Citizen's Advice Bureau.
18. Housing General Fund has a net favourable movement of £19k. This is mainly due to lower than expected demand from the Local Assistance Scheme.

Approval request

19. Adult social care had significant challenges over the last year, in particular financial pressure, greater integration with health and legislative change through the Care Act 2014.
20. To manage these changes, the portfolio brought together a single change programme to ensure that the complex activity and drivers continue to be managed coherently.

21. This report seeks approval for external spend of £180,000. The funding for this spend is met within budgeted resources.

22. The spend is with an organisation called Impower. Their work will support us to better understand future demand through all our services, enabling us to target our increasingly scarce resources. They will also provide expert advice on some specific aspects of managing demand for our services.

23. There is a robust programme business case behind the spend, supported by significant financial benefits of up to £10.9m per year if all elements are implemented. The appropriate procurement processes are in place. The implications of not approving the spend would be missed opportunity to make savings while making improvements in the experience of those we support – meaning that equivalent cuts would need to be identified and made elsewhere.

24. There are alternatives to this spend. The Council could not undertake the work, which means the lost opportunity to make significant savings when they are most needed. Alternatively the work could be resourced in a different way – by individual consultants on day rate, however the risk of being able to deliver on this basis is too great to be acceptable to the Council. The short term and specialist nature of the support required is not suitable for direct recruitment.

Place Portfolio

Summary

25. As at month 12 the Portfolio is forecasting a full year outturn of £3.0m overspend, an improvement of £839k from the month 10 position. The key reasons for the forecast outturn position are:

Business Strategy & Regulation

- This service is £3.0m over budget from delays in delivering planned cost reductions to the waste contract as a result of protracted negotiations with the provider of £2.6m and emerging pressures from the impact of increased households on waste volumes and reduced sale of materials income due to falling market prices caused by movements in the global economy of £1.4m. This is offset to some extent by cost reductions across the rest of the service of £1.0m.

Regen & Development Services

- This service is £1.8m over budget largely due to delays in delivering the planned cost reductions in the Streets Ahead programme (net £2.6m), offset by sustained net cost improvement trends in Highways and Highway Network Management of £800k.

Culture & Environment

- An outturn position of £1.4m under budget through a continuation of sustained net cost improvement trends within the Bereavement Services, Parks, City Centre Management and Sports Facilities activities of £900k and further cost reductions arising from staffing and discretionary spend reviews across the rest of the service of £500k.

Capital & Major Projects

- This service is showing an outturn of £100k over budget due to income pressures as a result of difficult trading conditions within the markets service of £600k, which were largely offset by cost reductions across the rest of the service of £500k.

Creative Sheffield

- This service is reporting an outturn position of £300k under budget as a result of both cost reductions and additional income across the whole service area.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 10
BUSINESS STRATEGY & REGULATION	33,238	30,285	2,953	⇩
CAPITAL & MAJOR PROJECTS	1,649	1,518	131	⇧
CREATIVE SHEFFIELD	3,692	4,039	(347)	⇔
CULTURE & ENVIRONMENT	42,673	44,116	(1,443)	⇔
MARKETING SHEFFIELD	677	748	(71)	⇔
PLACE PUBLIC HEALTH	-	0	0	⇔
REGENERATION & DEVELOPMENT SER	83,938	82,187	1,751	⇩
GRAND TOTAL	**165,868**	**162,893**	**2,975**	⇩

Commentary

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

Business Strategy & Regulation

27. A £600k improvement on the month 10 position, from additional income on the waste management contract and further reductions in spend across all other service areas following a review of commitments/balances.

Regen & Development Services

28. A £400k improvement on the month 10 position, primarily from additional income received and contract performance penalties.

Capital & Major Projects

29. A £200k adverse movement arising from a small reduction in property related income, compared to the forecast at month 10.

PPC Portfolio

Summary

30. As at month 12 the Portfolio is overspent by £175k, an improvement of £194k from the month 10 position. The key reasons for the outturn position are:

- £348k overspend in Communications, which is due to under recovery of income as a result of a delay in the implementation of the new advertising contract.

  Offset by:

- £123k reduction in spending in Policy and Improvement, due in the main to an £87k reduction in spending on PPC Business Support on employee costs and supplies and services.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 10
ACCOUNTABLE BODY ORGANISATIONS	17	17	0	⇔
POLICY, PERFORMANCE & COMMUNICATION	3,278	3,103	175	⇔
PUBLIC HEALTH	(78)	(78)	0	⇩
GRAND TOTAL	**3,217**	**3,042**	**175**	⇩

Commentary

31. The following commentary concentrates on the changes from the month 10 position.

Public Health

32. This service has a breakeven outturn position due to the expenditure for the full year being matched by an equivalent Public Health Grant drawdown and transfer from the Public Health Reserve. This is an improvement of £135k from the month 10 position.

Resources Portfolio

Summary

33. As at month 12 the Portfolio is reporting a full year outturn of a reduction in spending of £930k, an improvement of £156k from the month 10 position. The key reasons for the outturn position are:

- £242k overspend in Commercial Services (Savings) due to a shortfall in income from cashable procurement savings;
- £227k overspend in Transport and FM due to £436k overspend on Moorfoot in relation to Cleaning and Rates and £360k on Managed Sites offset by one-off savings on Transport and Workplace.

Offset by:

- £377k reduction in spending in Human Resources due to over recovery of income on The Moorfoot Learning Centre and Capita costs not incurred on Systems and Business Services which will cause a pressure in 2016/17;
- £268k reduction in spending in Legal mainly due to recruitment delays following the Achieving Change in September;
- £99k reduction in spending in Central Costs due to an over spend of £251k on Court Costs and BR Admin Grant and £160k due to project costs incurred in relation to the insourcing of the Revs and Bens Service, offset by £122k reduction in spending on CTS Admin grant and £321k reduction in spending on Former Employee Pensions; and
- £645k reduction in spending in Housing Benefit due to the recovery of high value over payments as a result of DWP data-matching fraud and error initiatives.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month
BUSINESS CHANGE & INFORMATION SOLUTIONS	1,071	1,096	(25)	⇔
COMMERCIAL SERVICES	102	112	(10)	⇔
COMMERCIAL SERVICES (SAVINGS)	(1,386)	(1,628)	242	⇧
CUSTOMER SERVICES	1,410	1,363	47	⇔
FINANCE	1,775	1,832	(57)	⇧
HUMAN RESOURCES	1,041	1,418	(377)	⇩
LEGAL SERVICES	3,161	3,429	(268)	⇩
RESOURCES MANAGEMENT & PLANNING	243	208	35	⇔
TRANSPORT AND FACILITIES MGT	35,431	35,204	227	⇧
TOTAL	42,848	43,034	(186)	⇧
CENTRAL COSTS	15,409	15,508	(99)	⇩
HOUSING BENEFIT	(239)	406	(645)	⇩
GRAND TOTAL	**58,018**	**58,948**	**(930)**	⇩

Commentary

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

Commercial Services (Savings)

35. An outturn of £242k overspend, due to a shortfall in income from cashable procurement savings. This is an adverse movement of £106k from the month 10 position.

36. The adverse movement from the month 10 position is due to the reversal of project charges that exceeded those approved for the Outdoor Advertising business case and other procurement savings identified that did not achieve their target.

Finance

37. An outturn of £57k reduction in spending, due to mainly to over recovery of income and savings on Employees from unfilled vacancies, reduced contractual hours and salary sacrifice. This is an adverse movement of £345k from the month 10 position.

38. The adverse movement from the month 10 position is due to slippage on the Refine project (£229k) and historic system write-offs in respect of the Litigation Court Account for which provision is across all the Services but which is unable to be directly identified to a Service because of the age of the debt (£97k).

Human Resources

39. An outturn of £377k reduction in spending, due to over recovery of income on The Moorfoot Learning Centre and Capita costs not incurred on Systems and Business Services which will cause a pressure in 2016/17. This is an improvement of £239k from the month 10 position.

40. The improvement from the month 10 position is mainly on HR Core in relation to Capita system costs which will now be incurred in 2016/17 and increased income from Moorfoot Learning Centre.

Legal Services

41. An outturn of £268k reduction in spending, due to recruitment delays following the Achieving Change in September. This is an improvement of £107k from the month 10 position.

42. The improvement from the month 10 position is due to improved income on Legal Governance and Social Care and also due to recruitment delays in Social Care.

Transport and Facilities Management

43. An outturn of £227k overspend, due to £436k over spend on Moorfoot in relation to Cleaning and Rates and £360k on Managed Sites offset by one-off savings on Transport and Workplace. This is an adverse movement of £298k from the month 10 position.

44. The adverse movement from the month 10 position is due to increases in premises occupancy at Moorfoot in the last quarter.

Central Costs

45. An outturn of £99k reduction in spending, due to £160k of project costs incurred in relation to the insourcing of the Revs and Bens Service and an overspend of £251k on Court Costs and BR Admin Grant. These are offset by £122k reduction in spending on CTS Admin grant and a £321k reduction in spending on Former Employee Pensions. This is an improvement of £313k from the month 10 position.

46. The improvement from the month 10 position is due to a reduction in spending on Former Employees Pensions, Court Costs and Business Rates Administration Grant.

Housing Benefit

47. An outturn of £584k reduction in spending, due to DWP data matching fraud and error initiatives which have generated high value overpayments to be recovered. This is an improvement of £257k from the month 10 position.

48. The improvement from the month 10 position is due in part to the improved recovery of overpayments arising from the 2 government led fraud initiatives.

Corporate

Summary

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

	FY Outturn £'000	FY Budget £'000	FY Variance £'000
Corporate Budget Items & Savings Proposals	12,748	16,061	(3,313)
Income from Council Tax, RSG, NNDR, other grants and reserves	(481,811)	(481,081)	(730)
Total Corporate Budgets	**(469,063)**	**(465,020)**	**(4,043)**

- **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.

Commentary

50. **Corporate** are reporting an outturn a reduction in expenditure of £4.0m. This is mainly due to lower than anticipated redundancies costs of £2.6m and an improved position of £3.0m on the Capital Financing budget as a result of continuing low interest rates, improved investment income, reduced borrowing costs and capitalisation on the Sheffield Retail Quarter expenditure. These reductions in spending have been partly offset by a £1.6m transfer to risk reserve to cover any potential delays or non-delivery of savings proposal in 2016/17. This risk reserve will be vital in providing short term assistance to services which are struggling to deliver further savings, as a result of the ongoing government austerity cuts. The deployment of this reserve in 2016/17 is a measure to ensure that the 2016/17 budget remains attainable.

PUBLIC HEALTH BUDGET MONITORING AS AT

31st March 2016

Purpose of the Report

1. To report on the 2015/16 Public Health grant spend across the Council for the month ending 31st March 2016
2. The report provides details of the full year spend of Public Health grant compared to budget.
3. The net reported position for each portfolio/service area would normally be zero as public health spend is matched by a drawdown 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. Overspends which will affect Portfolios' revenue positions are described in the narrative sections contained within **Appendix 1**.

Summary

4. At outturn the overall position was a reduction in spending of £2.1m which is summarised in the table below.

Table 1

Portfolio	Full Year Expenditure	Full Year Expenditure Budget	Full Year Variance at m12	FY Variance Forecast at m10	Movement from Prior Month
CYPF	14,874	15,663	(789)	(647)	(142)
Communities	13,603	13,997	(394)	(444)	50
Place	2,875	3,411	(536)	(515)	(21)
Director of PH	1,958	2,292	(334)	31	(365)
Total Expenditure	33,310	35,363	(2053)	(1575)	(478)

5. Key reasons for the underspend are:
   - CYPF has reported an underspend of £789k. This is due to the delayed start on the Best Start project of £150k, contract values being lower than budgeted to the value of £329k, reduction in spending of £111k on staffing due to vacancy management and staff leaving on VER/VS, unrealised accruals from 2014/15 of £105k within the Genitourinary Medicine (GUM) budget due to the activity commissioned no longer eligible for funding and not payable and the repayment to NHSE £75k less than anticipated.
   - The outturn position within the in Communities portfolio is £393k of which £193k is uncommitted funds that were planned to offset in-year grant savings.
   - Place reported a £492k reduction in spending in mainly as a result of projects being put on hold in anticipation of a requirement to fund the in-year grant cut.
   - £390k underspend in DPH mainly as a result of achieving the in year cuts and not realising a 2014/15 year end liability in respect of GP Health Checks.

Table 2

Public Health Financing

Income	Reserves as at 1/04/15	-2.0
	Original PH Grant Award	-34.2
	In-Year Cut	1.9
	Total Income	-34.3
Expenditure	2015/16 Spend	33.3
	Future Years' Commitments	0.8
	Total Expenditure	34.1
	PH reserve available for use	**-0.2**

6. Table 1 under paragraph 4 compares the total Public Health spend against the Council approved 2015/16 budget. It does not account for the in-year grant cut and revised allocations committed against Public health reserves.

7. Table 2 above shows the financing of the Public Health spend for the year, the in-year grant cut, future year’s commitments and the movement on the reserve. £0.2m of the public health reserve is still available for use.

Approval Requests

8. Approval is requested to use £0.8m of Public Health reserves to fund Future Years' Commitments as highlighted in table 2 above. A breakdown of the projects for approval is as follows:

	£000
Shortfall in grant to support 2016/17 investment	176
Investment pot for one off funding to Voluntary organisations	45
Re-phasing of Sheffield Hospital's savings	500
Communications budget	50
Temporary investment in to Communities team	59
One-off investment in to the Smoking & Tobacco Services	10
Total	**840**

Communities Portfolio

EXECUTIVE SUMMARY

HRA Revenue Budget Monitoring 2015/16– as at March

Purpose of this Report

1. To provide a summary report on the HRA 2015/2016 revenue budget for the month ending 31 March 2016, 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 surplus position of £10.9m which is to be used to fund the ongoing HRA Capital Investment Programme. In accordance with the HRA's financial strategy any further in- year funds generated by the account will be used to provide further funding for the future HRA Capital Investment programme.

5. As at month 12 the full year outturn position is a £6.9m overall improvement from budget. As such, the funding contribution to the capital investment programme will now be revised from £10.9m to £17.8m (shown in the table). This is in line with the HRA Business Plan which sets out the Council's plans and priorities for council housing over the next five years. Capital investment is to be made on improving council housing with a focus on works such as replacement heating systems, insulation and energy efficiency, new roofs, improvements to communal areas as well as building or buying new/replacement council housing.

6. Main areas contributing to the outturn include a net increase in income of £160k resulting from increased grant income and a reduced level of bad debt provision offset by a lower than budgeted service charge income. Expenditure on housing repairs and maintenance was £127k higher than budget mainly due to vacant property turnover. Final depreciation costs were also £114k higher than budget. However, these are offset by a £7m reduction in overall running costs. Of this £1.7m relates to staffing as a result of turnover and vacancy savings, £3.2m of general running and

operating expenses (£0.8m of this will be rolled forward to 2016/17 to cover expenditure commitments on projects such as Going Local and Allocations Policy) and £2.1m resulting from savings and the re-profiling of some projects into future years.

7. Financial Results

Housing Revenue Account (excluding Community Heating)	FY Outturn £000's	FY Budget £000's	FY Variance £000's	Movement from Month 11
1.NET INCOME DWELLINGS	(149,437)	(149,427)	(10)	⇑
2.OTHER INCOME	(6,983)	(6,823)	(160)	⇑
3.HOMES-REPAIRS & MAINTENANCE	31,998	31,871	127	⇓
4.DEPRECIATION-CAP FUND PROG	39,087	38,973	114	⇑
5.TENANT SERVICES	52,902	59,922	(7,020)	⇑
6.INTEREST ON BORROWING	14,615	14,579	36	⇓
Total	**(17,818)**	**(10,905)**	**(6,913)**	
7.CONTRIBUTION TO CAP PROG	17,818	10,905	6,913	⇑

Community Heating

The budgeted position for Community Heating is a draw down from Community Heating reserves of £338k. As at month 12 the position is a draw down from reserves of £37k resulting in a saving of £301k.

This is mainly due to re-profiling the implementation of the heat metering scheme and revised gas costs information.

Community Heating	FY Outturn £000's	FY Budget £000's	FY Variance £000's	Movement from Month 11
Income	(3,014)	(2,760)	(254)	⇑
Expenditure	3,051	3,098	(47)	⇓
	37	338	(301)	

Housing Revenue Account Risks

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, the Government has announced a number of further changes in the Housing and Planning bill 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. In addition, the Government's "Pay to Stay" proposals and other changes in the Housing and Planning bill will impact on both tenants and the HRA business plan. Work is continually ongoing 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) and future changes to contractual arrangements.

Reserves

Appendix 4

Description	Balance at 31/03/15 £000	Movement in 2015/16 £000	Balance at 31/03/16 £000	Movement in 2016/17 £000	Balance at 31/03/17 £000	Explanation
Non-earmarked Reserves						
General Fund Reserve	11,186	1,413	12,599	0	12,599	The Council's working balance: used as a last resort for emergency spend. Level at just under 3% of net spending benchmarks low compared to most Local Authorities. This reserve includes the 2015/16 underspend of £561k.
	11,186	**1,413**	**12,599**	**0**	**12,599**	
Earmarked Reserves						
Invest to Save Reserve:						
Projects	3,114	(3,114)	0	0	0	This reserve funded up front investment in the Capita contract (mainly ICT investment) and various Transformation projects (e.g. procurement savings; changes in finance including replacement of the council's finance system and Customer First). These projects have been funded on an invest-to-save basis with savings being used in two ways, to repay the reserve by 2015/16 and provide support to the revenue budget, £8.6m in 2016/17.
Capita Contract	(4,404)	4,404	0	0	0	
Customer First	(9,914)	9,914	0	0	0	
Investment Fund	3,959	(3,959)	0	0	0	
Total Invest to Save Reserve:	**(7,245)**	**7,245**	**0**	**0**	**0**	
Invest to Save Post 2015	0	(2,113)	(2,113)	2,477	364	The reserve replaces the original Invest to Save and will used to fund new transformation projects aimed at delivering long term revenue savings.
PFI Reserve	7,591	9,388	16,979	(32,210)	(15,232)	The PFI reserve represents grant we have received in advance of the need to make payments. It is set aside to ensure we can cover the cost of contracts in future years. During 2014/15 £9.9m was used to fund the Pension Deficit early payment which has now been fully repaid in 2015/16. The £28m Surplus on this reserve as at 31/03/2016 will be used to fund a Pensions Deficit early payment planned in 2016/17. This early payment will delivery substantial savings and the reserves will be fully repaid the during 2017/18.
Highways PFI Reserve	3,574	7,757	11,331	3,900	15,231	
Total PFI Reserve	**11,165**	**17,145**	**28,310**	**(28,310)**	**0**	
Major Sporting Facilities	**15,064**	**25,054**	**40,118**	**(8,830)**	**31,288**	This reserve is required to fund the future costs of the Major Sporting Facilities (re Ponds Forge, Don Valley Stadium and Hillsborough Leisure Centre). However, £8.5m of these funds were made available on a temporary basis for the Pension Deficit early payment in 2014/15 but have been fully repaid in 2015/16. Following an accounting adjustment, there has been a substantial contribution of £25m to this reserve in 2015/16. These funds will be required to meet planned future expenditure.
New Homes Bonus	**1,922**	**3,605**	**5,527**	**918**	**6,445**	This reserve is earmarked to support economic development across the City.
Insurance Fund Reserve	**11,519**	**(866)**	**10,653**	**0**	**10,653**	This reserve is set aside to cover potential insurance claims made against the council.
Public Health	**2,005**	**(973)**	**1,032**	**0**	**1,032**	During 2013/14 the DoH allocated Public Health Grant to enable local authorities (LA) to discharge their new public health responsibilities. Grant conditions for this funding requires the LA to transfer any unspent funds to reserves for use in futures years.
Other earmarked	**43,062**	**20,026**	**63,088**	**(19,970)**	**43,118**	Various earmarked funds including Equal Pay Provisions, Redundancies, Social Care Pressures, Business Rate Appeals and portfolio reserves as agreed by Cabinet in previous years for service specific issues e.g. Troubled Families Support. The reduction in 2016/17 is mainly a result of the planned temporary contribution towards the early pension deficit
Total Earmarked Reserves	**77,491**	**71,236**	**146,615**	**(53,715)**	**92,900**	
Total Revenue Reserves	**88,677**	**72,649**	**159,214**	**(53,715)**	**105,499**	

Appendix 5

CORPORATE RISK REGISTER

This Appendix provides a brief overview of the main financial risks facing the Council in 2016/17. A more detailed schedule of these risks will be monitored by the Executive Management Team to ensure that the risks are mitigated.

Corporate Risks

2016/17 Budget Savings & Emerging Pressures

1. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2016/17 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.

2. Whilst preparing the budget 2016/17, officers identified numerous pressures which, if left unchecked, could lead to significant overspends in 2016/17 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

Capital financing costs

3. 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

4. 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.

5. As at 31st March 2016, there were over 1500 properties with a rateable value of approximately £191m under appeal in Sheffield. There have been a large number of appeals lodged in the last two years relating to GP Surgeries, ATM's and Virgin Media. The decision by the Valuation

Tribunal to significantly lower the rateable value of GP's Surgeries in addition to the Government announcement to move to full academisation of schools will have a material impact on the business rates revenues collectable by Sheffield City Council in 2016/17 and beyond.

6. Due to the uncertainty around these factors a prudent provision was taken during 2016/17 to mitigate the loss of income as a result of successful appeals. Actual trends on appeals were monitored in 2015/16, with any revised estimates of the impact of appeals forming part of the 2016/17 budget process. The imminent revaluation by the VOA which will take affect from April 2017 means that there is potential for a large amount of appeals in the years to follow.

Implementation of savings proposals

7. The risk of delivering savings in 2016/17 in specific areas such as adult social care and waste management is considerable, given the increasing demand pressures and the levels of savings that have been achieved in previous years. 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.

Medium Term Financial Position

8. On 14 October 2015 Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Strategy (MTFS) 2016/17 to 2020/21. This report provided an update of the Council's MTFS to reflect the budget decision of the Council for 2015/16 and the potential impact on the next 5 years of the Government's plans for deficit reduction. This report sets the planning scenarios for the medium term.

9. The report on the MTFS indicated that there would be ongoing reductions in Revenue Support Grant (RSG) of 20% or £23.2m per annum over the five year period to 2020/21. Following the autumn statement released in

December 2015, the actual RSG cuts have been identified as circa £79m by 2019/20.

10. 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.

11. The Medium Term Financial Strategy for the next five years covering 2017/18 – 2021/22 is currently being reviewed and will be presented to Cabinet in September 2016.

Pension Fund

12. 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.

13. As at March 2013 the triennial review for pensions highlighted the total liability underwritten by the Council for external bodies was £17.2m. 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 be known following the results of the triennial review which is currently being undertaken.

Economic Climate

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

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

External Funding

16. 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.

17. 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.

18. 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

19. 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.

20. As part of the 2016/17 budget process, we are developing the Treasury Management and Investment Strategies, both of which were 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.

21. 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 militate against borrowing costs rising above our target rates.

22. The Council is continuing its efforts to ensure full compliance with the increasingly stringent requirements of Payment Card Industry Data

Security Standard (PCI DSS). PCI DSS is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes including Visa, MasterCard and American Express.

23. As part of the 15/16 and 16/17 savings challenge, the Council is exploring the options of making early payments to some of its major suppliers in return for a saving on the contract cost. To date agreements have been reached with 3 suppliers and others are being considered. There is a risk to the Council that having received payment that these companies may fail to deliver the services. This is mitigated by the existing contract protections, financial evaluations of the companies and parent company guarantees.

Welfare Reforms

24. 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 the recipient's ability to pay rent and council tax. Consequently there may be an adverse impact in the level of arrears particularly as a result of the introduction of Universal Credit.
- **Introduction of Universal Credit:** The roll out of UC for claimants in Sheffield started in January 2016 and initially only applies to new single jobseekers. Roll out of any other type of claimant will not take place until DWP move to their "Digital Platform" for which there is no known date for Sheffield. The migration of existing working age Housing Benefit claimants will follow but this is not expected until 2020/21. There are no known plans to discontinue Housing Benefit

for pensioners although future funding arrangements to cover administration and awards are uncertain.

- Potentially the biggest impact of the introduction of UC is on the 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. It is estimated that this could double or even treble the cost of collection and increase rent arrears by £12m by the end of 2020/21. However, impacts are uncertain at present as there is limited data available therefore estimates will be reined as we learn from the roll out. There will also be an impact on the current contract with Capita and internal client teams.

Children, Young People and Families Risks

Education Funding

25. As part of the Spending Review and Autumn Statement 2015, the Government has announced savings of £600 million to be made from Education Services Grant (ESG), including phasing out the additional funding schools receive through the ESG. The government has launched a consultation on changes to policy and funding proposals from 2017, this will reduce the Council's ESG by £3.3m, with only funding being received for retained duties only which is currently £1.1m, but changes to policy could impact on this funding.

26. Schools are entitled to receive a proportion of the Council's Dedicated Schools Grant (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. 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 2016/17 this cost to the Council is estimated at around £300k and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.

28. Also as part of the Spending Review and Autumn Statement 2015, the government announced that it will introduce a national funding formula for schools, high needs and early years. There will be a transitional phase to

help smooth the implementation of the new formula in 2017/18 and 2018/19, with a hard national funding formula introduced from 2019/20, with schools being paid directly from Central Government. The government has launched a detailed consultation; further details and the financial impact for Sheffield are expected later in 2016.

Communities Risks

29. In 2015/16 a recurrent gap of £9.3m in the council's funding was bridged using £5m of CCG funding and council reserves. For 2016/17, the CCG contribution so far identified is £3.5m although this may increase. As with last year, the remainder will need to be funded from temporary sources until such time as sustainable savings proposals are developed from within the Better Care Fund in order to balance the budget for future years. Work to identify these remains ongoing.

30. There has been increasing pressure in recent months on Mental Health purchasing budgets as a result of some changes to care packages managed by the Care Trust. Whilst these changes are the right thing to do from a system wide perspective, they have a disproportionate impact on SCC. Work is currently underway to assess the viability of managing these budgets under a pooled arrangement within the Better Care Fund.

Place

2016/17 Revenue Budget savings

31. The Place budget comprises three significant contracts - Streets Ahead programme, waste management contracts and the South Yorkshire Passenger Transport Levy – which together absorb 80% of the General Fund support. The Portfolio cannot meet projected reductions in local authority funding by cutting only the remaining 20% of the budget without a significant reduction in services. Thus in the 2015-16 Business Planning round, the Portfolio's strategy was based on reducing the cost of these contracts to preserve the other services.

32. The South Yorkshire Transport Levy has been successfully reduced but not the Streets Ahead or waste management contracts. The Portfolio has now embarked on a review of all the other services in order to bring a business-like approach to service delivery. Realising the efficiencies and opportunities within this review is crucial to maintaining the current Place savings. The review is at an early stage and requires swift implementation if the necessary revenue budget savings are to be

realised in 2017/18. Failure to so do will very probably create an overspend for the Council.

33. In light of the above risks, a review of waste services has taken place with a staged strategy agreed. As with any service change, there is a risk to the continuity of service delivery and in the longer term there is a potential financial risk if the expected investment does not result in better value services. There is also a risk to the sort term achievement of the 2016/17 budget savings if the project timetable slips. In order to mitigate the risks a robust governance structure has been put in place to review progress and issues and make decisions to ensure that the optimum solution is achieved.

Electric Works

34. The Council owns this building and uses it to provide high quality office accommodation to start-up businesses in order to grow the local economy. Once established, the businesses will move elsewhere creating a high turnover of tenants. As the landlord, the Council is responsible for the running costs of the business centre apportioned to the void floor space. The approved business plan set-aside contingency monies to cover potential deficits in its early years of operation which has now been fully utilised. Some provision has been made within the existing annual budget but should the void floor space exceed the budgeted provision, this will require compensating savings from the Place portfolio.

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. Major changes for social housing have been set out in the Welfare Reform and Work Bill and the Housing and Planning Bill. The full details and resource implications of the policy changes on the HRA are still emerging. In particular changes to the extension of Right to Buy to Housing Association tenants funded by the sale of “high value” council homes as they fall vacant, Pay to Stay proposals – Higher Rents for High Earners, the introduction of fixed term tenancies and further Welfare Reform changes. The impacts on the HRA are continually being assessed.

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. These are continually re-assessed as part of the overall debt HRA strategy.
- **Repairs and Maintenance:** existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions). The ongoing programme of proactive repair and improvement on roofing and heating systems in particular should help to mitigate this particular risk. This may be mitigated to some extent in the longer term by the insourcing of the Repairs and Maintenance service scheduled for April 2017.

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.

<u>Housing Regeneration</u>

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

<u>Olympic Legacy Park</u>

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. The Council has an obligation to provide a number of facilities to the educational establishment facilities on site against a very tight timescale. If the other site developments do not proceed in time, the Council may have to step in with funding which will place additional strain on the funding of the capital programme.

<u>Bus Rapid Transit (BRT) North</u>

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 £6.3 m. 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.

Sheffield Retail Quarter

40. The Council has committed to incur around £60m to acquire land, secure planning consent, and appoint a development manager to deliver the new retail quarter in the city centre. The scheme is being funded through prudential borrowing which will be repaid from the increased Business Rates that the completed scheme will produce (known as Tax Incremental financing (TIF). The financing costs are being capitalised while the scheme is in development. There is a risk that if the scheme ceases to be active that the financing costs of circa £3m pa will have to be provided for from existing budgets. There is also a longer term risk that if the scheme does go ahead that the business rates generated are not sufficient to cover the financing costs. In order to mitigate these risks the Council is working closely with its advisors and potential tenants to ensure that a viable scheme is being developed. It is also ensuring that the level of TIF is set at a prudent level.

41. In addition to the £60m already committed, the Council may in future have to invest substantial sums (potentially several hundred million pounds) to create the public realm and develop a proposition which an external investment developer would take forward. This may also involve the construction of buildings on a partly speculative basis with only part of the building pre let.

Schools Expansion programme

In February 2016 the Cabinet approved a report setting out the need to provide additional places in primary, secondary and Sixth Form establishments. The immediate demand for places in the next three years will require the Council to commit funds ahead of receipt from central government. In subsequent years it expects to receive sufficient funding to repay the cash flow by 2020/21. In March 2016 the Government announced its intention to convert all schools to academies by 2020. The detailed plans are not yet clear, but if this policy reduced the financial support available to local authorities' capital programmes, the Council will very probably be faced with an affordability gap in the Schools' capital programme.

Annual Treasury Management Review 2015/16

Executive Summary

This report reviews the performance of the treasury management function which manages the authority's debt and investment portfolios.

The treasury management function's activity is agreed by Council each year through the Treasury Management Strategy which details how we'll manage cash requirements, investments, and the need for debt to fund the capital programme.

Assessment of the performance is based upon indicators which are largely governed by the 'Prudential Code' set by the sector's accounting body – CIPFA – and approved by government.

Key Points

Overall Limits

- The Council operated within the Prudential Indicator Limits for 2015/16 set by the authority.
  - These limits include the amount of debt the Council can hold
  - This limit is set by Council each year and cannot be breached

The Council's Debt Position

- After adjusting for PFI liabilities, the overall underlying debt of the authority (referred to as the Capital Financing Requirement or CFR) was £918m
  - This is up £63m compared to last year's figure of £855m - but was below expectations set out in the TMS as the capital spend and in particular the proportion funded from borrowing, was lower than expected.
  - Debt has increased because we have borrowed to fund the capital programme, notably the Sheffield Retail Quarter programme and the capital contributions towards the Streets Ahead project
- Of this debt figure, £346m related to the HRA (unchanged on last year) which was also slightly below expectations set out in the TMS.
  - HRA debt relates to legacy housing investment, such as the Decent Homes programme.

The Council's Loan Portfolio

- As at 31 March 2016, the loans portfolio, excluding PFI liabilities, totalled £740m indicating that we are under borrowed by £178m – up slightly on 2014/15.
    - Under-borrowed means that rather than go to banks or other external bodies for loans, we have at various points used our own cash balances that weren't required at that time
    - This is efficient – as we avoid interest on loans – but does mean at some stage we will need to replace the cash we have 'borrowed' from ourselves in the short term (£178m)
    - It's important that we don't run up too large an under-borrowed position, as we would store up risk in doing so
- During 2015/16, £66m worth of borrowing was taken to help fund the capital programme and manage the under borrowed position
    - Borrowing now makes economic sense as were able to take advantage of historically low borrowing rates and to ensure the under borrowed level remains at manageable levels in line with the treasury management strategy.
    - However, £16m of this related to short term borrowing taken for cash flow purposes during the final quarter of the year and was repaid in April.
    - Despite the historically low borrowing levels we chose not to borrow more at this time because we felt that both market conditions (low interest rates) and our existing cash levels supported the current strategy.
- The average rate of interest paid on the Council's external debt has decreased slightly to 4.4% for 2015/16 compared to 4.6% for 2014/15 – partly as a result of loans with high interest rates maturing and the new loans being taken at lower levels.

Repaying Our Debt

- For capital expenditure financed by borrowing before 1 April 2007, full Council approved a change to the method by which we provide for the debt. The Council opted to move away from an optional method set by government to a straight line (equal instalment) method for a period of up to 50 years.
    - The impact of this decision is to slow down the amount of cash we set aside to repay debt in the short-term, but accelerate it in the longer term

- We chose to do this as the previous approach meant that the amount of cash we set aside for debt each year was unaligned to life of the assets they funded

- This meant that, often, assets were long since exhausted by the time we had finished paying for them. The new approach means we pay for assets in a timeframe better linked to their life-expectancy, and their supporting revenue grants and budgets.

Investment Portfolio

- As at 31 March 2016, investments totalled £87m, down from £101m last year. Among other things, the cash was used to secure early payment discounts with a small number of strategic suppliers – helping to secure savings to offset pressures on revenue budgets in the medium term.
  - Overall, a return of 0.56% was achieved, compared to a benchmark of UK Bank Base rate of 0.50%,
  - Investments have been made into high quality counterparties such as AAA rated Money Market Funds and UK Banks in line with the Council's investment priorities: which are security first, liquidity second and then return. This ensures we do not chase yield at the expense of the security of our investment.
  - The capital financing budget generated £1.5m of one off savings as a result of deferring some of the intended borrowing and earning interest on better than expected investment balances which averaged £163.2m over the year.

Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2015/16 the full Council received the Annual Treasury Strategy whilst Cabinet were presented with the Outturn Report. A Mid-Year Report was also taken to the Cabinet Member for Finance during the year.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

No Member training on treasury management issues was provided during the year. However, training took place in January 2015 to coincide with the revision of the Treasury Management Strategy 2015/16.

The Strategy for 2015/16

The expectation for interest rates within the treasury management strategy for 2015/16 anticipated a low but rising Bank Rate, (starting in quarter 1 of 2016), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

The Council sources the majority of its loans from the Public Works Loans Board, which is an executive agency of the Treasury. The loans available to the Council from PWLB are priced off the rates Central government pays to access cash in the capital markets from gilts.

During the year the cost of gilts – and thus the cost of loans from PWLB – rose in the early quarters, but then became increasingly volatile as markets reacted to global events. By the summer, borrowing costs had fallen back to historically low levels.

Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be influenced by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates. This reflects our strategy of placing the security of investments before the rate on offer, meaning we will only invest with the safest of counterparties.

In this context, the treasury strategy was influenced by a desire to avoid borrowing too much cash during the year. Taking on loans means we need to find safe places to invest the cash received until it is required. As borrowing rates (although historically low) are still generally higher than the rates we can achieve from holding cash on deposit, there is a cost as well as a risk in taking on more cash than we need.

However, as set out in the 2015/16 treasury management strategy, we planned to maintain the level of under borrowing at a prudent level, and therefore planned to take a little more borrowing than would be required by in-year capital expenditure.

During the year, we took £66m of borrowing, of which £16m was for short-term cash flow purposes, and the remaining £50m was used to fund capital investment. This has meant that the level of under borrowing has increased slightly during the year. If we take account of the short term nature of the £16m cash flow borrowing, then core under borrowing has actually increased by £18m to £194m – of which £54m relates to the HRA.

Overall Treasury Position as at 31 March 2015

At the beginning and the end of 2015/16 the Council's treasury (excluding debt from PFI and finance leases) position was as follows:

Authority	**31 March 2015 Principal**	**Rate/ Return**		**31 March 2016 Principal**	**Rate/ Return**
Total debt	*£679m*	*4.6%*		*£740m*	*4.4%*
CFR	*£855m*			*£918m*	
Over / (under) borrowing	*(£176m)*			*(£178m)*	
Total investments	*£101m*	*0.62%*		*£87m*	*0.56%*
Net debt	£578m			£653m	

General Fund	**31 March 2015 Principal**	**Rate/ Return**		**31 March 2016 Principal**	**Rate/ Return**
Total debt	*£385m*	*4.6%*		*£448m*	*4.2%*
CFR	*£509m*			*£572m*	
Over / (under) borrowing	*(£124m)*			*(£124m)*	
Total investments	*£101m*	*0.62%*		*£87m*	*0.56%*
Net debt	£283m			£361m	

HRA	**31 March 2015 Principal**	**Rate/ Return**		**31 March 2016 Principal**	**Rate/ Return**
Total debt	*£294m*	*4.6%*		*£292m*	*4.6%*
CFR	*£346m*			*£346m*	
Over / (under) borrowing	*(£52m)*			*(£54m)*	
Total investments	*£0m*	*0%*		*£0m*	*0%*
Net debt	£294m			£292m	

The Economy and Interest Rates

Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.

These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in the UK surged strongly during both 2013/14 and 2014/15 to make the UK the top performing advanced economy in 2014. However, 2015 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.

The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling materially. These rates continued at very low levels during 2015/16.

The volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since mid-2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been deferred. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.

The ECB announced in January 2015 that it would undertake a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015. The anti-austerity government in Greece, elected in January 2015 eventually agreed to implement an acceptable programme of cuts to meet EU demands after causing major fears of a breakup of the Eurozone. Nevertheless, there are continuing concerns that a Greek exit has only been delayed.

As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in

December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.

On the international scene, concerns have increased about the slowing of the Chinese economy and also its potential vulnerability to both the bursting of a property bubble and major exposure of its banking system to bad debts. The Japanese economy has also suffered disappointing growth in this financial year despite a huge programme of quantitative easing, while two of the major emerging market economies, Russia and Brazil, are in recession. The situations in Ukraine, and in the Middle East with ISIS, have also contributed to volatility.

The UK elected a majority Conservative Government in May 2015, removing one potential uncertainty but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

The CFR goes up when we use borrowing to fund capital projects, but falls as we put money aside each year to repay that debt. The money we put aside to repay the debt each year is known as our 'minimum revenue provision' (MRP), and mimics depreciation charges that are used in the private sector.

For capital expenditure financed by borrowing before 1 April 2007, full Council approved a change to the method by which we provide for the debt. The impact of this decision is to slow down the amount of cash we set aside to repay debt in the short-term, but accelerate it in the longer term.

The previous MRP approach meant that the amount of cash we set aside for debt each year was unaligned to life of the assets they funded. Whilst the new MRP approach means we pay for assets in a timeframe better linked to their life-expectancy, and help to support revenue grants and budgets.

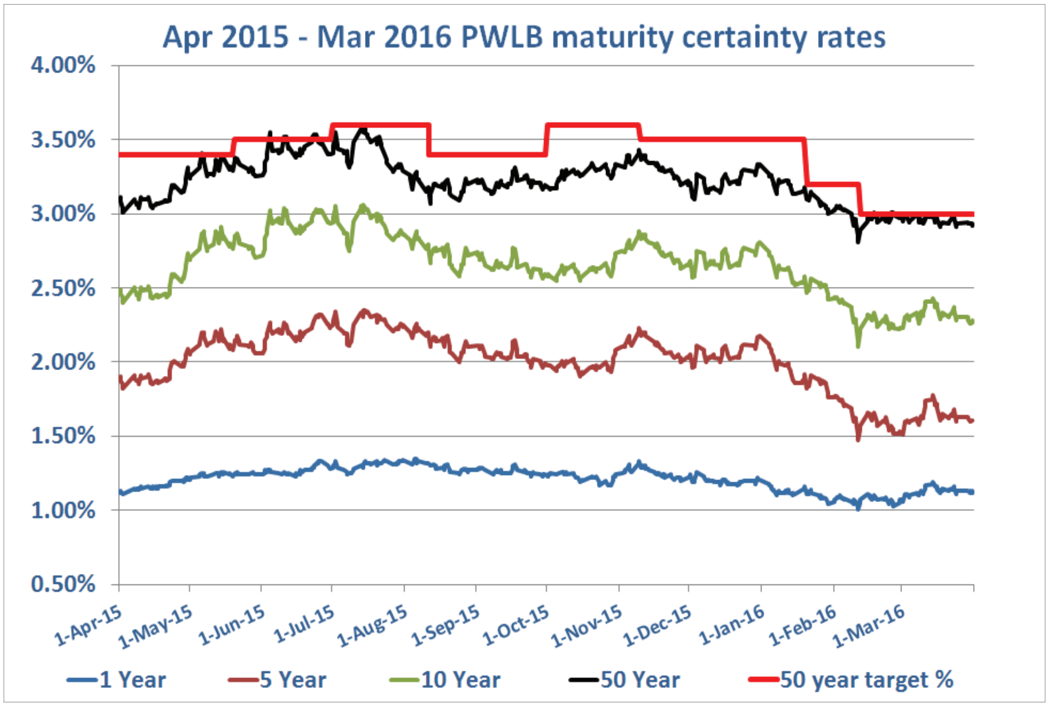
The table below shows the outturn for 2014/15 and 2015/16 and the 2015/16 budget position including PFI liabilities.

	31 March 2015 Actual	2015/ 2016 Budget	31 March 2016 Actual
General Fund CFR (£m) - excluding PFI Liabilities General Fund PFI Liabilities	 £509m £363m	 £582m £395m	 £572m £395m
Overall General Fund CFR (£m)	£872m	£977m	£967m
CFR HRA (£m)	£346m	£351m	£346m
Total CFR (£m)	**£1,218m**	**£1,328m**	**£1,313m**

Borrowing Rates in 2015/16

This section reviews the movement in borrowing rates over the year; showing the decline in rates over the period but also the volatility experience as markets have responded to a variety of economic factors (see Economy and Interest Rates section).

PWLB certainty maturity borrowing rates - the graph and table for PWLB rates below show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year



	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/15	1.13%	1.90%	2.49%	3.15%	3.11%
31/3/16	1.13%	1.61%	2.28%	3.11%	2.92%
Low	1.01%	1.47%	2.10%	2.98%	2.81%
Date	11/02/2016	11/02/2016	11/02/2016	11/02/2016	11/02/2016
High	1.35%	2.35%	3.06%	3.66%	3.58%
Date	05/08/2015	14/07/2015	14/07/2015	02/07/2015	14/07/2015
Average	1.21%	2.00%	2.65%	3.35%	3.22%

Borrowing Outturn for 2015/16

Borrowing

The Council took £66m worth of additional borrowing during the year to support the Council's capital investment programme. The table below shows the breakdown of capital investment being funded through prudential borrowing in 2015/16.

	£'m
Sheffield Retail Quarter	36.23
Streets Ahead	30.20
Leisure Improvements	3.51
Accommodation Strategy	2.52
Other Programmes	0.40
	72.86

The variance between the £72.86m of capital expenditure funded through borrowing and the actual loans taken of £66m reflects that we decided to use £6.86m of existing cash we weren't yet using rather than take additional loans. Doing this saves us on loan interest costs but means the under borrowed position (the cash we owe ourselves) has gone up.

Details of the borrowing taken are shown in the table below

Start Date	Maturity Date	Counterparty	Rate %	Principal O/S £'000s
13/07/15	13/07/20	Derbyshire County Council	2.05%	4,000
13/07/15	12/07/19	Derbyshire County Council	1.85%	4,000
13/07/15	13/07/18	New Forest District Council	1.35%	2,000
07/08/15	07/08/19	Sheffield City Region Combined Authority	1.90%	5,000
07/08/15	07/08/20	Sheffield City Region Combined Authority	2.10%	5,000
07/08/15	07/08/21	Sheffield City Region Combined Authority	2.30%	7,000
07/08/15	07/08/22	Sheffield City Region Combined Authority	2.45%	8,000
18/08/15	18/08/23	PWLB	2.58%	5,000
18/08/15	16/08/24	PWLB	2.68%	5,000
18/08/15	18/08/25	PWLB	2.77%	5,000
27/01/16	27/04/16	Surrey County Council	0.50%	10,000
27/01/16	27/04/16	North Hertfordshire District Council	0.50%	1,000
29/01/16	29/04/16	Basingstoke & Deane Borough Council	0.50%	5,000
		Total	**1.85%**	**66,000**

As stated above in the Strategy for 2015/16 section of the report, £50m of borrowing has been taken to fund the capital programme and maintain the level of under borrowing at a prudent level whilst £16m taken out in 2016 was short term borrowing for temporary cash flow purposes.

The overall borrow rate on these loans of 1.85% was below the budgeted level and has therefore resulting in revenue savings.

The Council chose not to borrow as much as we suggested we would in the Treasury Management Strategy for the year because we believe that market conditions (interest rates and cost of borrowing) will remain low in the short term, and we did not require as much cash as we estimated.

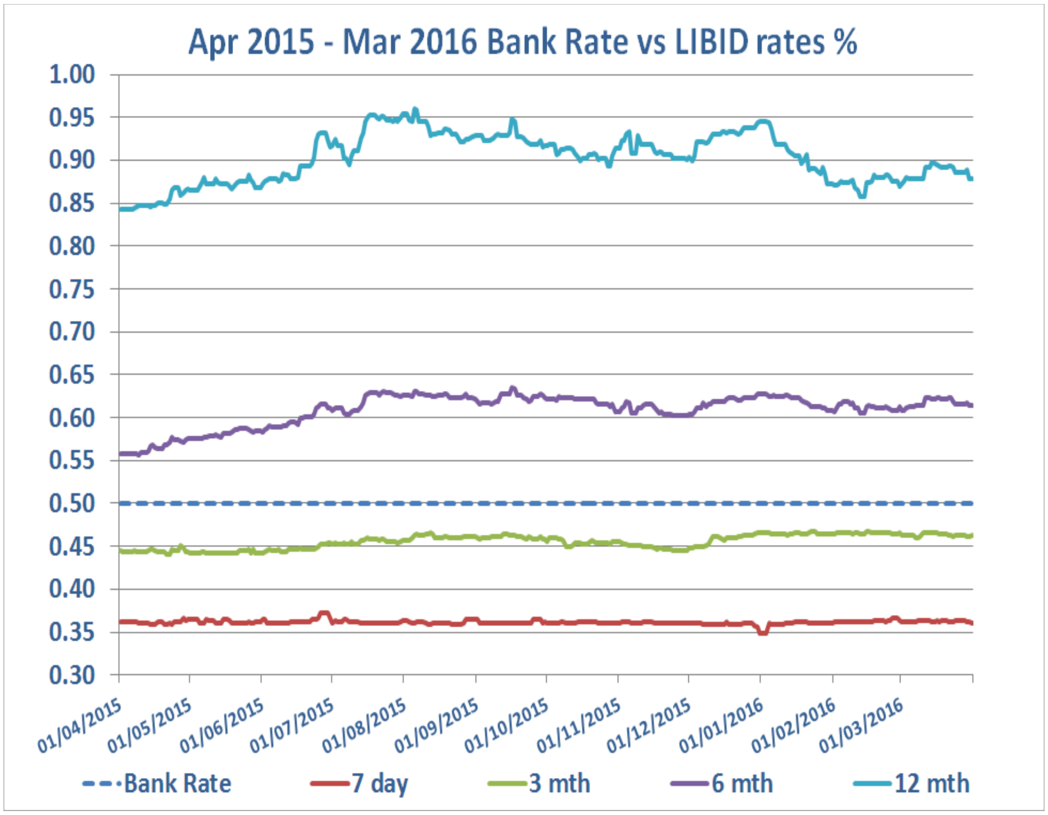
This mid-year decision was taken in consultation with the Director of Finance and meant that the capital financing budget underspent for the year. This underspend was used to help support the Corporate budget.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment Rates in 2015/16

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2016 but then moved back to around quarter 2 2018 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the continuing weak expectations as to when Bank Rate would start rising and to a lesser degree the effects of the Funding for Lending Scheme which has now been extended to January 2018.



LIBID is the London Interbank Bid Rate which reflects the average interest rate which major London banks borrow Eurocurrency deposits from other banks and is a key indicator of interest rates on short term deposits.

Investment Outturn for 2015/16

Investment Policy – the Council's investment policy, which is governed by government guidance, is set out in the annual investment strategy approved by full Council in March each year. This policy outlines the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, etc.).

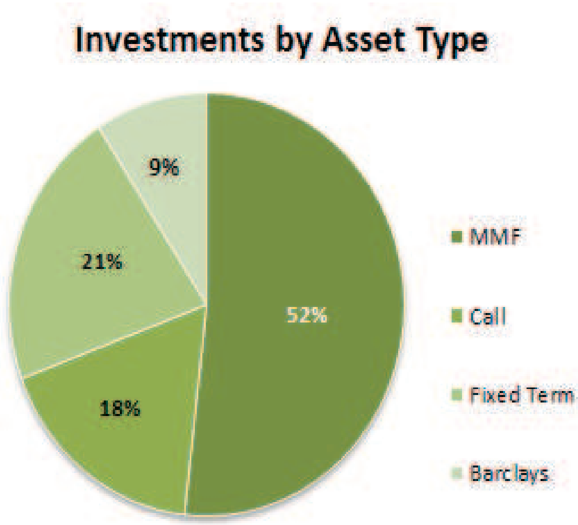
The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

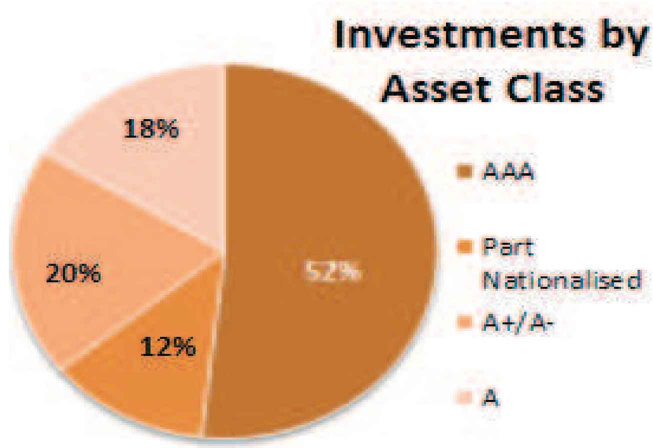
Investments held by the Council - the Council maintained an average balance of £163m of internally managed funds compared to the Council only having funds for day to day cash flow purposes. The internally managed funds earned an average rate of return of 0.55% against a budgeted return of 0.50%.

The Council would not normally plan to have such high cash balances but they have been bolstered by the additional borrowing taken to lock into historically low borrowing rates and the position continues to be affected by re-profiling of the capital programme.

The Council's decision not to borrow as much money as planned for through the treasury strategy reflects that these balances were higher than anticipated.

The pie charts below shows that we split our investments over a range of investment options, including AAA rated Money Market Funds and Fixed Term or Call accounts deposits with banks.





Throughout the year we only invested in money market funds with assets of over £1bn and monitored who these funds invested with themselves. Money market funds are an attractive counterparty to mitigate counterparty risk because they only invest in the most secure assets whilst they allow us to remove our investment day-by-day should we need to.

Annex: Prudential and Treasury Indicators

During 2015/16, the Council complied with its legislative and regulatory requirements including the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	**2014/15 Actual £000**	**2015/16 Original £000**	**2015/16 Actual £000**
Capital expenditure			
• General Fund	158,460	140,488	154,662
• HRA	26,369	92,165	72,718
• Total	184,829	232,653	227,380
Capital Financing Requirement:			
• General Fund	872,086	976,523	967,176
• HRA	346,308	351,023	346,281
• Total	1,218,394	1,327,546	1,313,457
Gross debt	1,042,125	1,171,594	1,153,336
Net External debt (gross debt less investments)	940,995	1,171,594	1,066,654
Investments			
• Longer than 1 year	Nil	Nil	Nil
• Under 1 year	101,130	Nil	86,682
• Total	101,130	Nil	86,862

Commentary

The Council's net external debt has increased by around £125.7m during the year, whilst our overall need for borrowing which is represented by the Capital Financing Requirement has increased by £95.3m.

The CFR increases when we use borrowing to fund capital projects, whilst external debt goes up when we take on new loans or other credit arrangements such as PFI liabilities.

Net debt has increased as a result of a decision taken by the Council to ensure the level of under borrowing (where the level of borrowing is lower than the underlying need to borrow as set out in the CFR) is maintained at prudent levels.

In order to lock into historically low borrowing rates, the Council has taken £66m of new borrowing (excluding PFI arrangements) – of which £16m related to short term borrowing for temporary cash flow purposes.

However, following the above strategy combined with an under spend on the capital programme meant that the Council continued to hold large sums of cash on deposit throughout the year. These deposits were placed with an array of AAA rated, instant access money market funds and fixed-term and call account deposits with banks. This investment policy meant that our deposits were very safe but deposit returns were low (marginally above the Bank Base Rate of 0.50% at 0.56%).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2015/16
Authorised limit	£1,520m
Maximum gross borrowing position	£1,154m
Operational boundary	£1,270m
Average gross borrowing position	£1,110m

Ratio of financing costs to net revenue stream	31 March 2015 Actual	2015/16 Original limits	31 March 2016 Actual
General Fund	15%	18%	16%
HRA	10%	9%	10%

Incremental impact of capital investment decisions	31 March 2015 Actual	2015/16 Original limits	31 March 2016 Actual
Increase in council tax (band D) per annum *	£12.51	£38.33	£35.77
Increase in average housing rent per week (council dwellings only)	£0.00	£0.06	£0.00

** The increase in Council Tax (band D) per annum for 2015/16 is lower than the 2015/16 limit because the borrowing was lower than forecast.*

The indicators shown above are an unsophisticated interpretation of our capital financing position that under regulation we are required to show

It is important to recognise that the Council aims to borrow to fund capital programme activity where that activity will in turn generate savings through more efficient working or income generation other than borrowing for major schemes e.g. new schools.

As such, though the amount of money we spend on things like interest costs may rise from one year to the next, these costs support borrowing that will enable larger savings to be made.

A good example of this is where borrowing is used to support the Streets Ahead project. Borrowing for this project incurs debt costs, but allows us to move away from expensive and inefficient responsive repairs to a cheaper more effective planned maintenance programme.

TABLE 1	31 March 2015 Principal	Rate/ Return	Average Life (Yrs)	31 March 2016 Principal	Rate/ Return	Average Life (Yrs)
Fixed rate funding:						
PWLB	£341m	4.67%	21	£351m	4.53%	22
Market	£140m	4.03%	53	£140m	4.03%	52
Local Authorities	£20m	2.43%	2	£71m	2.30%	3
Variable rate funding:						
PWLB	£0m	0%	-	£0m	0%	-
Market	£178m	5.07%	43	£178m	5.07%	42
Credit Liabilities:						
PFI Liabilities	£363m	10.41%		£395m	9.51%	
Total debt	***£1,042m***	***6.6%***	***30***	***£1,135m***	***6.1%***	***30***
CFR	***£1,218m***			***£1,313m***		
Over/ (under) borrowing	*(£176m)*			*(£178m)*		
Total investments	***£101m***	***0.6%***	***<1***	***£87m***	***0.6%***	***<1***
Net debt	**£941m**			**£1,048m**		

The maturity structure of the debt portfolio was as follows:

	31 March 2015 Actual	2015/16 Original Limits	31 March 2016 Actual
Under 12 months	27%	35%	27%
12 months & within 24 months	3%	15%	3%
24 months & within 5 years	2%	30%	4%
5 years and within 10 years	2%	40%	6%
10 years and above	66%	100%	60%

Included in the 'Under 12 month' figure are bank loans which have a "call option" that allows the bank to either re-set the interest rate or allow us to *repay the loan every six months. As these loans could be repayable in six months' time, we show them as being due under a year.*

The maturity structure of the investment portfolio was as follows:

Investments	2014/15 Actual £000	2015/16 Original £000	2015/16 Actual £000
Longer than 1 year	0	0	0
Under 1 year	101,130	0	86,862
Total	**101,130**	0	**86,862**

The exposure to fixed and variable rates was as follows:

	31 March 2015 Actual	2015/16 Original Limits	31 March 2016 Actual
Fixed rate debt	£864m		£957m
Fixed rate investments	-£45m		-£15m
Net fixed rate exposure	**£819m**	**£1,092m**	**£942m**
Variable rate debt	£178m		£178m
Variable rate investments	-£56m		-£72m
Net variable rate exposure	**£122m**	**£178m**	**£106m**

CAPITAL PROGRAMME MONITORING AS AT 31st MARCH 2016

Summary

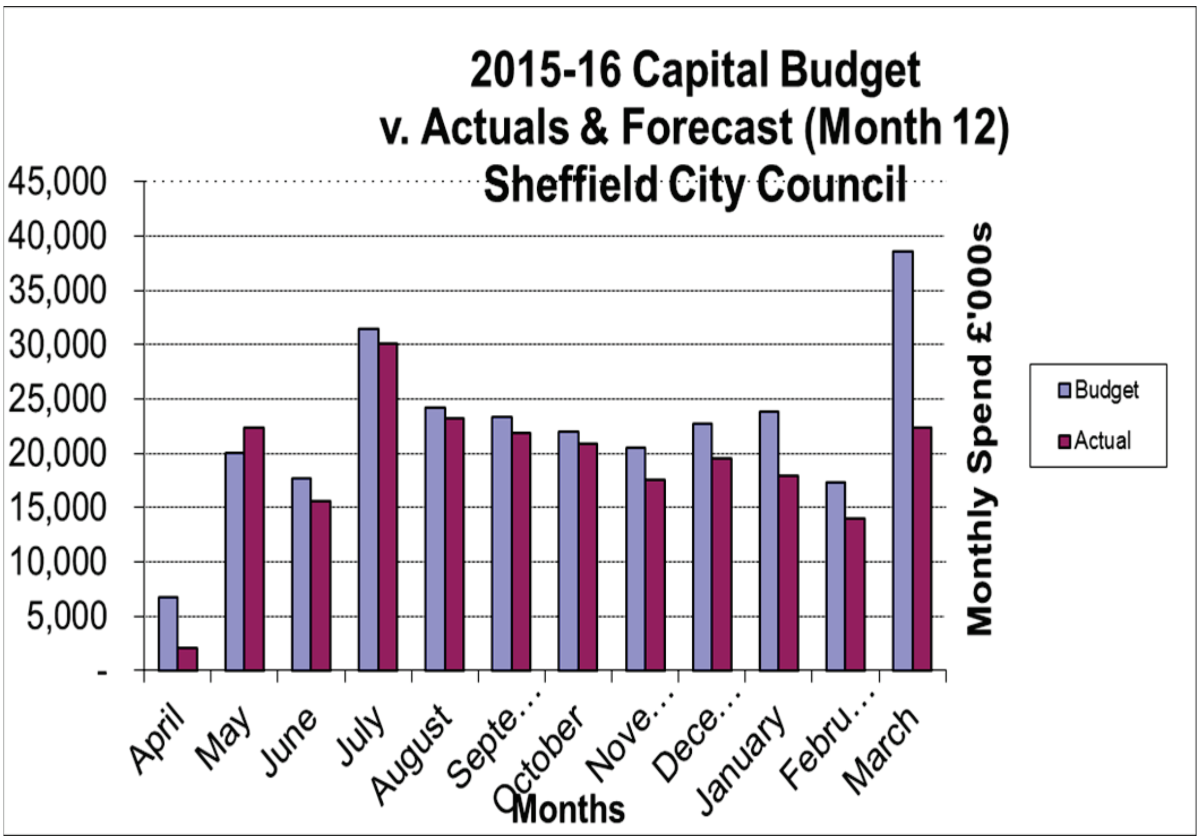
1. The Outturn for 2015-16 is £40.8m (15%) below the approved Capital Programme. Project managers delivered a capital programme of £227.4m against an approved budget of £268.2m. This is £4.1m lower than the Outturn forecast last month and reflects lower delivery on all programmes except Housing which is £1.7m above the last forecast.
2. The bulk of the £40.8m Outturn variance against the Approved programme is in the Place (£25.4m – 26% below budget) and Housing programmes (£9.0m – 11% below budget). Other significant variances occurred on the Resources programme (£0.7m – 18%), Highways (£1.7m – 10%) and Schools (£3.2m – 9%). These variances are discussed in greater detail below at paragraph 9.
3. In the month of March expenditure was £22.4m against the Month 11 forecast of £26.5m, a net shortfall of £4.1m or 15% of the forecast amount. No programme was within +/- 20% of the forecast – shortfalls in some forecasts were balanced out by spending above forecast in other programmes.

Financials 2015/16

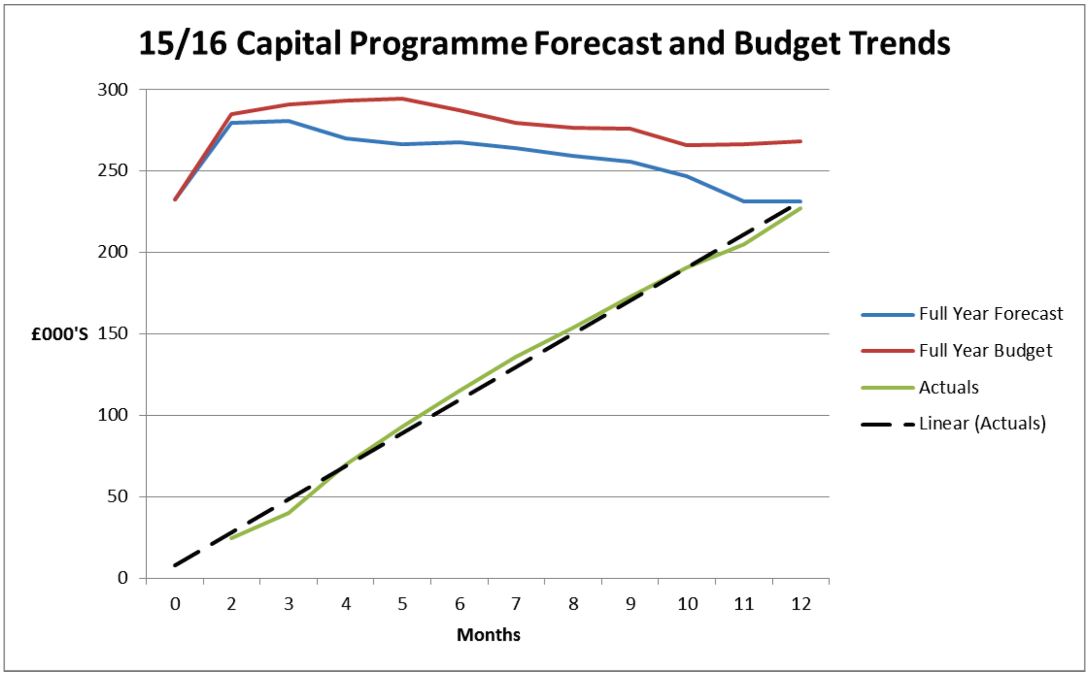
Portfolio	Outturn £000	Budget to Date £000	Full Year Variance £000	Change on last Forecast £000
CYPF	30,371	33,543	(3,172)	(1,276)
Place	71,981	97,426	(25,445)	(2,900)
Housing	72,718	81,711	(8,993)	1,704
Highways	15,599	17,348	(1,749)	(635)
Communities	334	362	(29)	27
Resources	5,003	6,073	(1,070)	(658)
Corporate	31,374	31,753	(379)	(379)
Grand Total	**227,380**	**268,217**	**(40,837)**	**(4,118)**

4. The shortfall on budget will be reviewed and Members will consider whether the budget should be rolled forward. Total net slippage approved in the year already approved at Month 9 amounted to £31.7m. The Outturn shortfall against budget was £40.8m of which £0.4m has been identified as a genuine cost saving. Thus the level of slippage in 2015/16 was £72m. This compares to a similar figure last year (£70.6m). However, the final year end budget was much smaller – £165m compared to £268m this year. Thus there has been some improvement in capital delivery.

5. The chart below shows expenditure over the year which also shows a much more even spread of actual expenditure compared to the year-end spike seen in previous years. This indicates that accruals are being taken throughout the year instead of being input only at year end.



6. The chart below compares the Approved Budget, Outturn Forecast and actual monthly spend over the year. The increase from the Approved Budget at Council of £232m to the current level is due to the slippage rolled forward from 14/15.



7. Budget and forecast tracked one another throughout the year until the last two months. When read in conjunction with the graph at paragraph 5, this indicates that project profiling is still the main cause of the shortfall against the approved programme. Throughout 2015/16 officers have developed reporting systems which will assist Project Sponsors and Programme Boards to receive better information on the progress of projects which should build upon the improvements achieved this year.

Capital Programme

Capital Programme	2015-16 £m	2016-17 £m	Future £m	Total £m
Month 11 Approved Budget	266.4	210.7	361.8	838.9
Additions	0.2	1.4	0.0	1.7
Variations	1.5	-0.1	2.4	3.8
Slippage & Acceleration	0.0	0.0	0.0	0.0
Month 12 Approved Budget	268.2	212.1	364.1	844.4

8. The revised programme shows a net increase of just under £6m. £3m has been added to the Schools programme to create more schools places and a further £1.7m to develop the Sheffield Retail Quarter.

Commentary

9. The Top 20 projects in the Capital Programme accounts for 72% of the current 2015/16 budget. £25.5m (63%) of that variance is accounted for by the Top 20 projects. Thus, proportionately, slippage has been higher on the remaining 176 projects in the programme.

10. Key variances across the programme were:

- The Sheffield Retail Quarter project is was £16.9m below the approved plan as a result of delays in property acquisitions, a six month delay in the appointment of a development manager and £1m slippage on the demolition works due to a challenge to the procurement process

- £4.2m of slippage on the building of the new Leisure Centres and football pitches. The forecast was ambitious in order to meet the grant funder's desire to meet its year end spending targets. However this was frustrated by wet and windy weather conditions in February and March.

- Within the Expansion of Council Housing Programme, £2.0m below programme on the acquisition of properties pending a value-for-money review of the programme.

- £0.7m slippage on the Roofing programme due to adverse weather delaying the programme.

- £1.9m of slippage on the Arbourthorne 5Ms refurbishment due to delays following the discovery of asbestos and delays on completing the contracts to acquire some properties.

- £1.4m below plan on the delivery of Bus route improvements.

- £1.2m below budget on the Brookhill area public realm improvements due to a transfer of responsibility for some works to the University of Sheffield

- £1.0m forecast slippage on the new Tinsley Primary school. This will be recovered next year and the school is expected to open on time. Hallam School if also £0.2m behind forecast due to delays caused by a revised specification.

- £1.7m slippage on the Communal Areas low rise flats due to late start of the surveying work.

Risks

11. Two projects currently have Amber Financial RAG ratings.

12. The BRT North project is over £6m over budget due to the need to move a previously unchartered sewer, asbestos contaminated land and unexploded WW2 ordnance. South Yorkshire Passenger Transport Executive, who are the lead party on the project, have secured in principle funding from the Sheffield City Region which will remove some £4m of the overspend. The remainder will be found from future Community Infrastructure Levy payments.

13. As described above, the Grey-to-Green project, which will convert redundant highway into shrub beds to improve the environment and attract investment, is running late and approximately £0.4m of ERDF funding will be lost. The project Sponsor is currently seeking alternative funding.

Approvals

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

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

    - 10 additions to the capital programme with a value of £8.1m.
    - 8 variations to the capital programme amounting to a net increase of £0.75m.

16. Further details of the schemes listed above can be found in **Appendix 7.1.**

Scheme Description	Approval Type	Value £000	Procurement Route
THRIVING NEIGHBOURHOODS AND COMMUNITIES			
GREAT PLACE TO LIVE :-			
Highways			
Streets Ahead Opportunities The Streets Ahead project is now three years into the initial five year “Core Investment Period”. Public satisfaction with the condition of the Highway Infrastructure has increased and there is a very clear public anticipation that the City Council will continue to support and augment the basic maintenance tasks with small scale accessibility improvements. The Capital allocation made within the Local Transport Plan settlement in respect of this project is £400,000 per year. This allocation is spread equally across between 22 and 25 treatment zones across the city and includes all direct works costs, all contract fees, and a commuted sum allowance to provide for future maintenance. The works include local improvements to the street layout which are most cost effectively done whilst the Streets Ahead team are in the area and undertaking the rebuild works.	Variation	624	Waiver Schedule 7 of the Highways PFI Contract
Citywide 20mph Zone Continuation of the rolling programme of 20mph speed limits in residential areas to tie in with the core investment programme work in the local area. The introduction of 20 mph zones is regarded as a key part of the city’s road safety strategy. Funded by LTP annual allocation for 16/17	Variation	250	Waiver Schedule 7 of the Highways PFI Contract

Penistone Rd Livesey Lowther A variation CAF was approved at December CPG and given Board approval in January but the procurement strategy wasn't with the CAF and therefore didn't get Cabinet approval.	Procurement Strategy	230	Waiver Schedule 7 of the Highways PFI Contract SYPTE for the supply of Bus Shelters
City Centre Cycle Routes **Sheaf Valley Central and University Central Cycle Route** Initial Business Case approved as part of the City Centre Cycle Routes programme. City Centre Cycle Routes covers 2 schemes University Central and Sheaf Valley Central), £100k of STEP funding will be used on both schemes for feasibility studies to estimate the cost to deliver the scheme. . Total cost of this part of the City Centre Cycle Route scheme is £550K funded by STEP and SCRIF	Feasibility	200	Internal SCC Team
Langsett/Forbes Road (Accident Savings) Total 16/17 budget £23k funded from LTP to carry out scheme feasibility work. This new BU code has been set up for 16/17 Hillsborough accident savings scheme previously under 92769. Approved at GP2L Board 26.02.16 Total allocation of this part of the Accident Savings scheme is £223k and funded by LTP.	Feasibility	23	Internal SCC Team
Chatham Street Cycle Scheme An Initial Business case has been approved to undertake a feasibility study to determine the likely costs of developing this cycle route as part of the Upper Don Valley Cycle Routes programme. The route is from Pitsmoor Road to Mowbray	Feasibility	16	Internal SCC Team

Street via Chatham Street. The allocation to the Upper Don Valley schemes is £100k all funded by STEP			
Accident Savings Schemes Accident Savings Schemes Programme - The £5k LTP 16/17 allocation is to be used if necessary of early investigation of 'Killed and Seriously' injured road collision sites through the year. The Programme Board has approved this as part of the feasibility work to identify options and estimate the costs.	Feasibility	5	Internal SCC Team
Housing			
Pipworth Rec SuDS Scheme This Feasibility study is designed to produce a project to deliver a Sustainable Drainage System (SuDS) to help accelerate new housing development in the Manor neighbourhood. This will be sited in the Pipworth Recreation Ground and will serve 301 new homes with the potential to expand capacity serve a further 172. The Sheffield Housing Company will build 181 of these homes at the Manor 10 and 11 sites, and Gleeson will build a further 120 at the Manor 8 site. Viable housing redevelopment on the Manor estate has struggled. By providing this infrastructure the Council will be assisting the successful development of future schemes. The use of sustainable drainage is a planning requirement to reduce flood risk to both onsite and downstream communities. It also captures and treats pollutants from surfaces such as roads before discharge to watercourses. Individual developments could aim to deliver these requirements via an on-site solution but this is likely to prove more costly to the developer and not lead to optimum performance for the city's flood strategy. A neighbourhood sustainable drainage feature, as proposed, would act as a facility for all developments delivering better practice and cost savings. This is best	Feasibility	27	N/A

delivered and coordinated by the Council as landowner and future manager of the facility. The sustainable drainage works would be undertaken in a phased programme as the housing developments are built out. The estimated costs of the whole project are below. The feasibility workwill be funded from the New Homes Bonus.			
Hillsborough Toilets The Council no longer operates public toilets in the city. The existing provision of public toilets ceased with effect from the end of 5 January 2016, and Holme Lane APC, Hillsborough now is now closed. The Council has an opportunity to assist in the creation of new facilities in the Hillsborough Exchange Arcade that will provide male and female toilets and a separate toilet for disabled person access and baby changing facilities.. This project is to work with the Landlord to provide a free public toilet facility that will be managed and maintained by the Landlord. The total cost of the project build is now estimated at £101,000. The Council's one-off contribution via a grant to the capital costs is £60,000, allocated from the approved budget for the Successful Centres Programme. .The Landlord will meet the on-going revenue funding for future management and maintenance costs. In order to protect the Council's investment and ensure the ongoing provisionof the facility there will be a Legal Charge on the property.	Addition	60	A Waiver of Standing Orders for Contracts has been completed and approved to enable the Council to provide a one off capital contribution by way of Grant to enable the build of the facility and in exchange Collier International will agree to manage and maintain the facility.
Parks			
FA Pitch Westfield This variation is to include the cost of completing the full project after the feasibility	Addition	7,557	Competitive tender for pavilion

stage which was approved earlier in the year. The proposal aims to improve existing football and rugby facilities at the former Westfield school by providing improvements to the natural turf pitches and the development of two new floodlit Artificial Grass Pitches (AGP) supported by changing, club house and gym facilities. This is a continuation of SCC working with the FA to develop a radical, but realistic approach to facility provision and the structure of play for football across the city in order to overcome challenges and improve quality. The proposed cost for the Westfield project is £7.5m. Funded by the following: • Sport England £3.8m • FA Grant Award £600k • SCC Corporate Resource Pool £1.3m • SCC Prudential Borrowing £1.8m • Sport England Feasibility Grant £57k The Council will work with the FA to establish a trust. The Sheffield Football Trust will provide strategic governance for the football hubs and play a key role in shaping the future football facilities in the City. The FA has procured, on behalf of the Football Trust, and in partnership with SCC an operator to carry out the day to day management of the facilities. More detail of this arrangement is detailed in the business case. If this pilot project is successful, the FA intends to establish similar football trusts in up to 30 of England's largest cities.			and associated works e.g. car park. Mini competition from FA Framework for 3G (via RLF as Framework Manager) and grass pitches (via TGMS as Framework Manager)
SUCCESSFUL YOUNG PEOPLE : -			
Basic Need Block Allocation – School Places Provision Projects: This block allocation is funded from annual grants from the Department for Education (DfE) in order to support the legal responsibility the Authority has to provide enough school places to meet the demand placed upon it.	Variation	-412.5	N/A

Providing sufficient school places is a statutory duty of the Council. The city is undertaking a programme of growth to meet this increasing demand and around 4,500 new places have been added to the primary sector in recent years. The following 4 projects request additional funding to cover capacity expansion works as noted in each case.			
1Form Entry Expansion – Ecclesall Infants The objective of this project is to support a temporary 1FE expansion of Ecclesall Infant School in 2016, to take it to a 3FE school. This request for an additional £260k for final design and construction work to take the project to delivery stage, following a previous approval of £103k for feasibility and design works. The variation also includes a request for slippage of £7k that was in the original feasibility budget. There is a need to undertake a procurement exercise for a two classroom modular building to provide a temporary 1Form Entry (FE) expansion at Ecclesall Infants School in time for the 2016 / 2017 academic year. The extremely tight timescales required for the installation of the temporary classrooms unit do not allow for a full competitive tender process. It is felt that the use of Kier via the SCAPE framework would provide the ability for the works to be completed prior to the start of the next academic year. Kier would act as the main contractor to provide co-ordination on the works and delivery of the Mobile Unit. Kier would also undertake any enabling works. A Cabinet Member Decision (signed 26th April 2016) was obtained to approve the procurement of a temporary classroom unit at Ecclesall Infants School via the SCAPE framework with Kier as the main contractor. The project is to be funded from the CYPF Basic Need Block Allocation.	Variation & Slippage	260 -7	Kier through SCAPE Framework

Totley Primary Bulge Year This project will provide for the expansion of Totley Primary School due to a “ bulge” year demand for school places in the area. Approval is sought to allow the expansion to be undertaken to accommodate an additional 30 pupils at Totley Primary from September 2016, by way of internal alterations and refurbishment to the existing school site to create one additional class base. The most cost effective method of procuring this relatively small level of capital works is via a direct appointment using a framework contractor. The project is to be funded from the DfE Basic Need Block Allocation as capital expenditure support at an Academy status school, to discharge SCC’s responsibility to provide capacity to meet the demand for extra pupil places.	Addition	60	Kier via SCAPE Framework: (combined PS for Totley & Springfield)
Springfield Primary Bulge Year This project will provide for the expansion of Springfield Primary School due to bulge year demand pressures for school places in the area. Approval is sought to allow the expansion to be undertaken to accommodate an additional 30 pupils at Springfield Primary from September 2016, by way of internal alterations and refurbishment to the existing school site to create one additional class base. The most cost effective method of procuring this relatively small level of capital works is via a direct appointment using a framework contractor. The project is to be funded from the DfE Basic Need Block Allocation.	Addition	60	Kier via SCAPE Framework: (combined PS for Totley & Springfield)
Firs Hill Bulge Year This project will deliver a temporary expansion at Firs Hill Primary School in order to ensure the council meets its statutory obligation for the provision of school places.	Variation	32.5	Competitive Quotes

Following initial feasibility work, approval is now sought for a £32.5k variation to develop additional teaching space (including an ICT solution), to be completed in time for the September 2016 intake. The project is to be funded from the DfE Basic Need Block Allocation.			
PROCUREMENT STRATEGIES			
Graves Leisure Centre Gymnastic Equipment The scope of works includes the procurement of various items of Gymnastic Equipment for the redeveloped Graves Leisure Centre. There is a specialist market of suppliers for this work and they will be engaged via a single stage competitive tender process utilising a Suitability Assessment. A financial check will be undertaken on the winning tenderer. The reason for the procurement recommendation stems from the specialist nature of the Gymnastic Equipment that needs to be provided. In order to obtain the best value for money it is expected that an open tender will give as many contractors as possible to tender on this opportunity. The Capital Project Budget was approved as part of the main Graves Leisure Centre Project. The equipment Costs is estimated to be £130,000.	Strategy	130	Competitive Tender
New Council Housing Phase 2 The New Build Council Housing Project Phase 2 aims to build 38 new general needs council homes for affordable rent comprising a mixture of 2 to 4 bedroomed properties. This follows on from Phase 1 which is delivering 51 homes. The project is part of a wider housing stock increase programme that aims to deliver 1,000 council homes, mostly through acquisition and refurbishment of existing properties.	Strategy	5,594	Competitive tender

Following a significant appraisal of the various methods of construction available it has become evident that, in this instance, a pre-fabricated timber framed construction will deliver the required outcomes within the limited timescales available and within budget. The original Procurement Strategy approved by Cabinet included the use of the same method of procurement as Phase 1, using a JCT Design & Build Contract via the Homes and Communities Agency DPP framework. Wakefield & District Housing Ltd were appointed to provide the preferred solution to a shorter programme and at an acceptable cost. Unfortunately the Council and WDH have failed to reach a mutually acceptable conclusion. After exploring different procurement options, it has been agreed to revert to the Design & Build procurement option used in Phase 1 but to explore the wider market to hopefully obtain a competitive tender level from experienced Contractors. The tender will therefore go through the full OJEU process.			

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