REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30th JUNE 2016

Purpose of the Report

1. This report provides the Month 3 monitoring statement on the City Council's Revenue Budget and Capital Programme for May 2016. The first section covers Revenue Budget Monitoring, and the Capital Programmes are reported from paragraph 20.

REVENUE BUDGET MONITORING

Summary

2. For the purpose of this report, we have presented the Council's financial position in two elements, namely the underlying position on the services commissioned/provided by the Council, and the position on services that are commissioned and funded jointly with the health service. This is on the basis that the approach to achieving a balanced outturn for 2016/17 will require parallel strategies.

3. The latest monitoring position at month 3 for the services commissioned / provided by the Council shows the potential for a forecast overspend of £7.0m to the year end. It should be stressed that this is the forecast position before any additional mitigating savings are found, and that mitigating savings plans are currently being identified. It is anticipated that the impact of some of these plans will be reflected in the next monitoring report as at month 5. It is therefore considered to be the worst case scenario and does not represent an overspend currently incurred. The position is summarised in the table below:

Portfolio	FY Variance: £000s
CYPF	2,593
COMMUNITIES	2,826
PLACE	785
POLICY, PERFORMANCE & COMMUNICATION	525
RESOURCES	357
CORPORATE	(52)
GRAND TOTAL	**7,034**

4. In terms of the month 3 overall forecast position of £7.0m overspend, the key reasons are:

    - Children, Young People and Families (CYPF) based on trends to date are forecasting to overspend by £2.6m. This is primarily reported in Fieldwork Services, resulting from pressures on social workers as a result of increased number of caseloads costing an additional £392k, increased transport costs and contact time for Looked After Children of £450k and 180k overspend on services to unaccompanied children over and above the Government grant received. Additional pressures include delayed savings of £582k on Short Break and Direct Payments and £237k on integrated residential and disability services with health.
    - Communities based on trends to date, shows a forecast overspend of £2.8m, due to demand pressures in Care and Support relating to Learning Disability Services and Long Term Support.
    - Place are showing a forecast overspend of £785k. This forecast overspend is primarily due to in-year budget pressures and a potential shortfall on delivering budget savings.
    - Policy, Performance and Communications are showing a forecast overspend of £525k due to lower than anticipated advertising income as a result of contract delays.
    - Resources are showing a forecast overspend of £357k due mainly to £274k of additional employee costs as a result of the Customer Engagement Programme being unachievable in this financial year and £304k of additional pressure within Transport and Facilities Management arising from additional costs on Burngreave New Deal for Communities Property and reduced income to support the Voluntary Registration of Land project. These overspends are partly offset by £156k reduction in spending within Central Costs due mainly to lower than anticipated Former Employee Pensions costs.

5. In parallel to the above position, the Council faces a series of significant challenges in delivering savings in conjunction with the health care system. Since the 2016/17 revenue budget was set, various cost pressures and risks to funding levels have emerged. These challenges are as follows.

    - Children, Young People and Families (CYPF) are showing a forecast overspend of £750k as a result of not yet securing agreement to joint contributions with the CCG for children's services.

- Communities are showing a forecast overspend of £4.0m, due mainly to an emerging overspend against Commissioned Mental Health Services of £3.5m and £500k of pressures arising from CCG activity in the Learning Disability Service, as the profile of demand has shifted to costs funded by SCC and not the NHS. A more integrated approach is being urgently explored.
- Corporate are showing a forecast overspend of £5.8m, which is due to an anticipated shortfall in the Better Care Fund (BCF). We and the CCG agreed when the BCF was set up that £9.3m of funds would be made available in total by the two partners. The NHS would fund £5m, and the Council would fund £4.3m as a one-off in 2015/16, with the aim that the BCF would identify savings to eliminate the need for this contribution after 2015/16, or the CCG would identify a source of funds for it. However we now have a significant concern that slippage on this approach is occurring without the underlying savings yet emerging on a joint budget of £280m. SCC is the junior financial partner in this arrangement. Consequently the £4.3m is now a corporate pressure, and in addition the CCG is currently only able to guarantee £3.5m of the £5m of its share of the funding. We and the CCG continue to discuss the funding and management of the BCF.

6. The combined impact of the forecast potential overspends in Council-run services and in services run jointly with the NHS is that the latest monitoring position at month 3 is a forecast overspend of £17.6m. The combined position is summarised in the table below.

Portfolio	Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
CYPF	70,338	66,995	3,343	⇧
COMMUNITIES	143,706	136,880	6,826	⇔
PLACE	145,886	145,101	785	⇩
POLICY, PERFORMANCE & COMMUNICATION	2,492	1,967	525	⇧
RESOURCES	52,661	52,304	357	⇧
CORPORATE	(397,498)	(403,247)	5,748	⇔
GRAND TOTAL	**17,585**	**(0)**	**17,585**	⇧

7. Although the latest position shows what is currently believed to be the worst case scenario, a significant amount of work will be required to bring forecast expenditure into line with budget. This is being approached at this stage in two parallel strands, namely revenue budget management to contain the position outlined in paragraph 3, and

bringing to a conclusion the discussions on the joint funding arrangements with the NHS. The forecast position would be an unsustainable outturn when compared to a General Fund reserve of £12.6m.

Commentary

8. The main variations since Month 2 are:

    - **CYPF** are forecasting an adverse movement of £1.1m since Month 2. This is due predominantly to an estimated £438k of additional costs on placements, £260k increase in non-staffing costs for transport and contact time for Looked After Children and £258k of additional costs relating to Social Worker activity as a result of increased case loads.

    - **Place** are forecasting an improvement of £210k, which is due predominantly to one-off cost reductions on the Streets Ahead contract.

    - **Policy, Performance & Communications** are forecasting an adverse movement of £544k due to the aforementioned lower than anticipated advertising income as a result of contract delays.

    - **Resources** are forecasting an adverse movement of £143k due mainly to the withdrawal of funding for the Voluntary Registration of Land project from New Homes Bonus of £254k. This adverse movement has been partly offset by an improvement within the Finance service relating to staff savings and the aforementioned reduced funding requirement for Former Employee Pensions.

9. Full details of all reductions in spend, overspends and movements from the previous month within Portfolios are detailed in **Appendix 1**.

Approval Requests

10. See Recommendations section of **Appendix 7** for further details.

Public Health

11. The Public Health ring-fenced grant is currently forecasting a £47k underspend against the original grant allocation. Further details of the forecast outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

12. The 2016/17 budget is based on an assumed in year surplus of £13m 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.

13. As at month 3, early indications suggest a £2.2m improvement in the full year outturn position. As such, the funding contribution to the capital investment programme will be revised from £13m to £15.2m. Further details of the HRA forecast outturn can be found in **Appendix 3** of this report.

New Homes Bonus Fund

		£m
Income	Reserves as at 1/04/16	-7.1
	Anticipated 16/17 NHB Grant	-9.3
	Total Income	-16.4
Expenditure	2016/17 Spend to Date	0.4
	Forecast to Year End	1.1
	Future Years' Approved Commitments	2.5
	Total Expenditure	4.0
	Funds Available for Investment	**-12.4**

14. Most of the expenditure to date has been on capital schemes improving London Road shop fronts and redeveloping the Arbourthorne area. Officers are working on a number of substantial projects which will utilise the unspent balance and accelerate housing development and regeneration. These will be brought forward for approval by Members when ready.

15. A review is currently being undertaken of the application of NHB so that it is directed to the Council's strategic priorities especially the promotion of growth within the city. One option would be to add the unallocated NHB to other capital funds to create a Growth Investment Fund with the capacity to fund substantial projects which would enable, and drive growth forward.

Collection Fund

16. As at the end of Quarter 1 the Collection Fund is forecasting an overall surplus of £0.8m made up of a £1.1m surplus on Council Tax and a £0.3m deficit on Business Rates.
17. The Valuation Office (VOA) is currently in the process of revaluing all the business properties in the country. This will form the basis of the rating list for 2017 onwards. However, as a result of this work there has been a slowdown in the processing of appeals. It is anticipated by the VOA that they will begin tackling the backlog in appeals in the second half of the year, which could have a negative impact upon the outturn position for Business Rates.
18. Further details about the Quarter 1 performance of the Collection Fund can be found in **Appendix 4**.

Corporate Risk Register

19. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. The most significant risks are summarised in **Appendix 5** along with any actions being undertaken to manage each of the risks.

Capital Summary

20. The forecast for 2016/17 has been increased by £1m on the Month 2 forecast to £235.4m. The Approved programme budget is £250.8m, a difference of £15.4m. The majority of the variation is in the Housing programme which is forecasting an underspend of £14.3m split equally between acquiring or building new council housing stock and refurbishment of existing properties.
21. Further details of the Capital Programme monitoring and projects for approval are reported in **Appendices 6 and 6.1**.

Implications of this Report

Financial implications

22. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2016/17,

and as such it does not make any recommendations which have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

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

Property implications

25. 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

26. Cabinet are asked to:

(a) Note the updated information and management actions provided by this report on the 2016/17 Revenue Budget position.

(b) Approval the additional funding required to support the implementation of the Refine project.

(c) In relation to the Capital Programme:

i) Approve the proposed additions to the Capital Programme listed in Appendix 6.1, including the procurement strategies and delegations of authority to the Director of Commercial Services or nominated Officer, as appropriate, to award the necessary contracts following stage approval by Capital Programme Group;

ii) Approve the proposed variations, deletions and slippage in Appendix 6.1; and note

iii) the variations authorised by directors under the delegated authority provisions and the latest position on the Capital Programme.

Reasons for Recommendations

27. 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

28. 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 AS AT 30th JUNE 2016

Children Young People and Families (CYPF)

Summary

1. As at month 3 the Portfolio is forecasting a full year outturn of a £3.3m overspend. The key reasons for the forecast outturn position are:

   - **Business Strategy -** £207k forecast overspend, the key reason is a forecast overspend of £117k on Transport, due to increased demand.
   - **Children and Families -** £3m forecast overspend, the key reasons are:
     - Fieldwork Services - a forecast overspend of £1.1m. This is mainly due to a forecast overspend on fieldwork staffing budgets of £392k, due to pressures on social workers and an increase in the number of caseloads, the planned tapering down model of social workers has been delayed and a number of temporary staff have been recruited to meet this increase in demand. £450k forecast overspend on non-staffing budgets, due to increased transport costs and contact time for Looked After Children and £180k overspend on services to unaccompanied children over and above the Government grant received.
     - Health Strategy – a forecast overspend of £582k on Short Break and Direct Payments, due to the delay in anticipated savings due in year.
     - Provider Services – a forecast overspend of £237k, due to delays in anticipated savings on integrated residential and disability services with health, due in year.
     - Early Intervention and Prevention – a forecast overspend of £550k due to anticipated savings of £245k on uncommitted contracts, offset by a reduced expected contribution of £750k from the CCG, leaving a net overspend of £550k
     - Placements – forecast overspend of £596k, this represents the overspend to date based on the number of placements and the costs of these placements.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS STRATEGY	2,592	2,385	207	⇧
CHILDREN & FAMILIES	60,874	57,875	2,999	⇧
INCLUSION & LEARNING SERVICES	13	(35)	48	⇔
LIFELONG LEARN, SKILL & COMMUN	6,859	6,770	89	⇔
GRAND TOTAL	**70,338**	**66,995**	**3,343**	⇧

DSG

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

	Month 2 £000	Month 3 £000
Business Strategy	(145)	(172)
Children and Families	(25)	42
Inclusion and Learning Services	312	679
Lifelong Learning, Skills and Communities	16	16
	158	**565**

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Commentary

3. The following commentary reports of the main movements from the month 2 position.

Business Strategy

4. A forecast £207k overspend (shown in the table above) relating to cash limit and £172k forecast reduction in spend on DSG. This is a movement of £112k on cash limit and the DSG position is consistent with month 2.

5. The main reason for the movement on cash is due to an increase in the forecast Transport overspend of £117k, this is due to an increase in demand for these services.

Children and Families

6. A forecast £3m overspend (shown in the table above) relating to cash limit and a £42k overspend on DSG. This is a £969k movement from month 2 on cash limit and the DSG position remains consistent with month 2.

7. The main reasons for the movement on cash limit is due to:

   - Fieldwork Services - a movement in the forecast overspend of £502k, this is due to an increase in the forecast overspend on fieldwork staffing budgets of £258k, due to pressures on social workers and an increase in the number of caseloads, the forecast now includes a number of temporary staff who have been recruited to meet this increase in demand and a £260k increase in non-staffing costs, due to an increase in transport costs and contact time for Looked After Children.

  - Placements – an increase of £438k in the forecast overspend, this represents the overspend to date based on the current number of placements and the costs of these placements.

Inclusion and Learning Service

8. A forecast £48k overspend (shown in the table above) relating to cash limit and £679k forecast overspend on DSG. The cash limit position is consistent with the month 2 position, the DSG forecast overspend has increased by £367k from month 2.

9. The main reason for the movement on DSG is due to an increase in the forecast overspend of £339k on SEN placements, this is due to an increase in the number of placements from the month 2 numbers and the extension of 1 high cost placement during month 3.

Lifelong Learning Skills and Communities

10. A forecast £89k overspend (shown in the table above) relating to cash limit and £16k forecast overspend on DSG. There are no significant movements from the month 2 position.

Communities Portfolio

Summary

11. As at month 3 the Portfolio is forecasting a full year outturn of an overspend of £6.8m. The key reasons for the outturn position are:

Performance, Information and Planning an underspend of £95k:

- The underspend position for PIPS is mainly due to reduction in spend on mail and insurance contracts of £150k and a small underspend of £22k on the Quality Service. These underspends are offset by additional cost on software licences and the Whole Family Case Management project of £69k. £250k of expenditure is also profiled for the BCF project which currently has no budget.

Care & Support overspend of £3.1m:

- Access, Prevention and Reablement forecasts a net underspend of £27k. There is a forecast overspend of £23k mainly as a result of use of agency social work staff, this is partly offset by an underspend of £49k due to pay savings in Occupational Therapy and Minor Works/Adaptations.

- A budget adjustment is required in Month 4 to allocate the Continuing Health Care income, currently recognised as over achievement of income in Contributions to Care, to the additional cost in Learning Disabilities and Long Term Care. The current treatment is inflating the overspend in these two areas which the budget adjustment will address.
- Learning Disabilities returned an outturn of £2.8m overspend. This is made up of:-
    - Purchasing LD is forecasting an overspend of £2.6m. This overspend is made up £1.7m of new client costs that have emerged in 2016/17 together with £50k of expected further growth, £664k of forecast unachieved savings, net of reduction in roll forward client costs from 2015/16 of £538k.
    - LD Assessment and Care Management is forecasting an overspend of £491k due to full year cost of additional review teams.
    - LD Provider Services is forecasting an underspend of £319k due to reductions in client hours and the subsequent reduction in use of agency staff and bank staff.
- Long Term Support is showing an overspend of £1.6m. This comprises the net position of an overspend in Adult Purchasing of £1.7m, with an underspend across the remainder of the service of £100k; this underspend is predominantly the saving against Forge Centre of £66k due to reduction in contracts along with a small net saving in social work costs.
- Provider Services is reporting an underspend against budget of £233k. The underspend is due to a £263k reduction in spend on Carers in the Adult Placement Shared Lives Service and combined underspends on salaries against Care4You Business and Performance £209k, Head of Service £7k and Community Support Services £145k. This is netted down by a reported overspends against City Wide Care Alarms £391k as a result of lower income than budgeted. Reablement Services report a position which is balanced to budget as a result of drawdown of corporate funding to cover salary costs until full implementation of the MER.
- Contributions to Care has an overachievement of income of £1.0m against budget. This figure is made up of overachievements in CHC income which will be addressed by the aforementioned budget adjustment to be actioned in Month 4, Integrated Charge income of £232k and Residential of £306k, offset by an underachievement of

£242k in Property Income and a further underachievement in CHC income of £397k together with a variance to budget on Public Health Direct payments of £52k.

Commissioning overspend of £3.5m:

- A forecast reduction in spend of £290k is reported by Commissioned Housing which is mainly due to slight delay in implementation of new Housing Related Support contracts coupled with annualised contracted savings.
- An overspend against Commissioned Mental Health Services of £3.4m. This is made up of a £3.9m overspend in Mental Health purchasing and £80k overspend in the S75 Mental Health contract offset by forecast underspends on the Older People Mental Health contract of £403k and the Partnership and Grant Aid budget of £104k. Further negotiations are on-going with the Care Trust to determine the cost of the S75 contract but the forecast overspend reflects current activity. There is an on-going conversation with the CCG to enable joint planning to be done in order to bring the overspend down within 2016/17. Future forecasting will be reflective of outcomes in this work.
- An overspend on Public Health Drug and Alcohol (DACT) of £147k. The majority of this is due to a forecast overspend on non-contract treatment costs of £130k.
- Social Care Commissioning Service forecasts an overspend of £158k. There is a forecast overspend of £234k on the British Red Cross contract for Independent Living Solutions (Equipment and Adaptations) partly offset by an underspend in quality contracts of £46k and a £46k saving due to vacancies.

Community Services overspend of £492k:

- There is an overspend of £200k in Locality Management, mainly as a result of Voluntary Sector overspend of £172k, £57k of which is due to £119k unachieved 15/16 savings on grants offset by a temporary saving of £62k which has been found this year. The remainder is a staffing overspend on Health and Social Care Integration budget of £56k and loss of income from Sheffield Teaching Hospitals of £57k.
- Locality Area is overspent by £28k as result of £45k unachieved 15/16 saving offset by £17k of temporary vacancy savings.
- Library Services are forecasting to overspend by £11k. The Libraries and Archives over recovery of income of £48k is eliminated by loss of

World Metal Index income £52k with the associated cost of redundancies (Service closes in July 2016).

- Public Health budgets are overspent by £282k as a result of contract values exceeding the budget by £55k, the remainder of £227k is as a result of an overspend on staffing due to slippage on the MER.

Housing General Fund underspend of £166k:

- Business Planning is showing a £2k underspend – a vacancy in Social Landlords creates a £19k underspend, reduced by a £16k shortfall in budget in Full Time Union Work. Remainder split in small amounts across other cost centres.
- Citywide Housing shows a £169k underspend. Within this, Local Assistance Scheme is £111k underspent due to low uptake of service, HRS Management is £33k underspent due to service manager vacancy following MER, increased income due to funding from Building Successful Families £26k and smaller variances across other lines.
- Neighbourhood Intervention is showing a £88k underspend created by £26k of extra income from Water Rates Commission, an overachievement of income of £644k and underspend against supplies of £74k. This is reduced by staffing costs and third party payment overspends - £212k and £440k respectively – and small variances in other areas.
- Sustainable City is showing a £93k overspend. This is a result of a underachieved recovery of income/prior year savings targets against a target of £113k and £19k underspend on staffing costs.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 1
PIP	5,167	5,261	(95)	⇧
CARE AND SUPPORT	100,173	97,035	3,138	⇩
COMMISSIONING	27,802	24,345	3,456	⇩
COMMUNITY SERVICES	6,911	6,418	493	⇧
HOUSING GENERAL FUND	3,654	3,820	(166)	⇩
GRAND TOTAL	**143,706**	**136,880**	**6,826**	⇔

Commentary

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

PIPS

13. A forecast £95k reduction in spend. This is a worsening position of £361k from the previous month.

14. The adverse movement this month is due to spend against the BCF project which currently has no budget and was not forecast in previous month £250k, budget removal for a post £90k and additional cost against the Whole Family Case Management project £20k.

Care and Support

15. A forecast £3.1m overspend. This is an improvement of £264k from the previous month.

16. The improvement this month is mainly due to an improvement in salary forecasting against Provider Services following June payroll in Reablement Services of £173k and a reduction in forecast Agency Spend in Access, Prevention and Reablement of £64k.

Commissioning

17. A forecast £3.5m overspend. This is an improvement of £142k from the previous month.

18. The improvement this month is mainly due to savings in Housing Commissioning on the slippage of projects for Homelessness, Single and Housing First saving of £200k this month and savings in Older People's Mental Health due to spot purchasing above the Hurfield contract of £304k. This is offset by the forecast trend of overspend in Independent Living Solutions overspend of £119k this month and Mental Health Purchasing due to inclusion of unbilled clients £360k.

Community Services

19. A forecast £493k overspend. This is a worsening movement of £183k from the previous month.

20. The adverse movement this month is mainly due to anticipate additional cost following slippage on the Public Health MER and increased contract costs of £228k netted down by a slight improvement in Libraries due to additional income of £38k.

Housing General Fund

21. A forecast £166k underspend. This is an improvement of £144k from the previous month.

22. The improvement is due to the following Citywide Housing Service £23k additional income, further underspend against the Local Assistance

Scheme of £38k and staff vacancies of £35k. Also Neighbourhood Intervention & Tenant Support improved bad debt provision of £36k in Private Sector Housing.

Place Portfolio

Summary

23. As at month 3 the Portfolio is forecasting a full year outturn of a £785k overspend, an improvement of £211k on the previous month. The key reasons for the forecast outturn position are:

- **Planned Budget Savings £432k overspend** – reflects a relatively small shortfall against the £9.9m planned savings approved at March Council.

- **Other Net Pressures £353k overspend** – includes a shortfall against planned income within the Moor market of £325k.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 1
BUSINESS STRATEGY & REGULATION	32,657	32,341	316	⇔
CREATIVE SHEFFIELD	3,024	2,669	355	⇔
CULTURE & ENVIRONMENT	30,040	29,997	43	⇔
DEVELOPMENT SERVICES	80,165	80,094	71	⇩
GRAND TOTAL	**145,886**	**145,101**	**785**	⇩

Commentary

24. The following commentary concentrates on the key risks and variances since last month.

Development Services

25. As at month 3 there is a £71k forecast overspend, which shows an improvement of £136k on the previous month as a result of one-off cost reductions on Streets Ahead.

26. However, it should be noted that this position assumes the delivery of £1.5m of approved budget savings within the Streets Ahead of £1.2m and Car Parking activities of £300k, which are forecast to be implemented in the second half of the financial year. Any slippage in these timescales for delivery would have a significant impact on the current reported position.

Resources Portfolio

Summary

27. As at month 3 the Portfolio is forecasting a full year outturn of an overspend of £357k, an adverse movement of £141k from the month 2 position. The key reasons for the forecast outturn position are:

- An overspend of £274k in Customer Services due to the Customer Engagement Programme being unachievable in this financial year and incurring additional employee costs in order to maintain operational KPIs.
- An overspend of £304k in T & FM due mainly to the Voluntary Registration of Land project no longer being eligible for funding from the New Homes Bonus and no alternative funding having been approved, together with rising costs in relation to the operation of Burngreave New Deal for Communities (BNDfC) for which no funding has been identified.
- A reduction in spending of £156k in Central Costs due mainly from reduced numbers requiring funding in relation to Former Employee Pensions.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 1
BUSINESS CHANGE & INFORMATION SOLUTIONS	1,007	1,034	(27)	⇔
COMMERCIAL SERVICES	694	715	(21)	⇔
COMMERCIAL SERVICES (SAVINGS)	(2,068)	(2,068)	0	⇔
			0	⇔
CUSTOMER SERVICES	2,798	2,524	274	⇔
FINANCE	4,524	4,536	(12)	⇩
HUMAN RESOURCES	3,425	3,450	(25)	⇔
LEGAL SERVICES	3,514	3,530	(16)	⇔
RESOURCES MANAGEMENT & PLANNING	210	174	36	⇔
TRANSPORT AND FACILITIES MGT	16,323	16,019	304	⇧
TOTAL	30,427	29,914	513	⇧
CENTRAL COSTS	21,828	21,984	(156)	⇩
HOUSING BENEFIT	406	406	(0)	⇔
GRAND TOTAL	**52,661**	**52,304**	**357**	⇧

Commentary

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

Finance

29. A forecast £12k reduction in spending. This is an improvement of £171k from the previous month.

30. The improvement this month is due to savings from vacancies for two Assistant Director posts of £96k and further income from the 60 day bad debt of £76k.

Transport and Facilities Management

31. A forecast £304k overspend, due to funding issues for the Voluntary Registration of Land project and BNDfC. This is an adverse movement of £254k from the previous month.

32. The adverse movement this month is due mainly to the withdrawal of funding for the Voluntary Registration of Land project from New Homes Bonus (agreed as part of the 2015/16 BIPS) and approval not yet being given to an alternative funding source.

Central Costs

33. A forecast £156k reduction in spending due mainly to a decrease in the forecast for Former Employee Pensions costs. This is an improvement of £103k from the previous month.

34. The improvement this month is due to decreased costs forecast for Former Employee Pensions of £52k and to the forecasting of income streams on the Capita ICT Core from H drive and mailbox charges of £56k.

Policy, Performance and Communications Portfolio

Summary

35. As at month 3 the Portfolio is forecasting a full year outturn of an overspend of £525k, an adverse movement of £544k from the month 2 position. The key reasons for the forecast outturn position are:

    - £545k overspend on Communications mainly due to the Clear Channel small format advertising contract still not being completed and delays to the JC Decaux contract means that no income will now be received in relation to the large format advertising until January 2017.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 1
ACCOUNTABLE BODY ORGANISATIONS	0	0	0	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,627	2,102	525	⇧
PUBLIC HEALTH	(135)	(135)	0	⇔
GRAND TOTAL	**2,492**	**1,967**	**525**	⇧

Commentary

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

Policy, Performance & Communication.

37. A forecast £525k overspend, due to under recovery of income in relation to the advertising contracts within the Communications Service. This is an adverse movement of £544k from the previous month.

38. The adverse movement this month is due to a £548k under recovery of income now forecast from the delays in agreeing the advertising contracts. This represents an in-year cash flow issue, rather than an underlying structural problem with the budget. In order to improve the position for Month 4, the Service are progressing discussions in the following areas:

    - Clear Channel have been approached with a view to them buying back at an agreed percentage the advertising space they have given to the Council for the Council's own use. Initial conversations with Clear Channel have indicated that this is something they are willing to consider.
    - Approval of a small I2S from Strategic Finance as there is recognition that the income shortfall is the result of cash flow delays in the small and large format income rather than a budget issue.
    - Reviewing the service as a whole for any economies, and identifying any additional sources of income.
    - Place have already had a number of budget issues resolved as a result of the transfer of the advertising budget to PPC. A further, late call on the advertising income budget of £232k from the City Centre Events Strategy may need to be renegotiated for this year, although this will be a last resort if the other measures detailed above are not successful.

Corporate

Summary

39. As at month 3, the Corporate portfolio is forecasting a full year outturn of a £5.8m overspend.

- **Corporate Expenditure:** Corporate wide budgets that are not allocated to individual services / portfolios, including capital financing costs and the provision for redundancy / severance costs.
- **Corporate income:** Revenue Support Grant, locally retained business rates and Council tax income, some specific grant income and contributions to/from reserves.

Financial Results

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

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
CAPITAL FINANCING	34,125	34,205	(80)
CORPORATE ITEMS	(431,624)	(437,452)	5,828
GRAND TOTAL	(397,498)	(403,247)	5,748

41. Corporate are showing a forecast overspend of £5.8m, which is due to the anticipated shortfall in the Better Care Fund (BCF). We have a significant concern that after 18 months the BCF has not realised any savings on a joint budget of £280m.

PUBLIC HEALTH BUDGET MONITORING AS AT

30th June 2016

Purpose of the Report

1. To report on the 2016/17 Public Health grant spend across the Council for the month ending 30th June 2016.
2. The report provides details of the forecast 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.

Summary

4. At month 3 the overall position was a forecast underspend of £47k which is summarised in the table below.

Portfolio	Forecast Full Year Expenditure	Full Year Expenditure Budget	Full Year Variance at m3	FY Variance Forecast at m2	Movement from Prior Month
CYPF	17,408	17,408	(0)	(3)	3
Communities	12,324	12,333	(9)	(10)	1
Place	2,787	2,783	4	(55)	59
Director of PH	2,121	2,163	(42)	155	(197)
Total Expenditure	34,640	34,687	(47)	87	(134)

5. Key reasons for the forecast under spend are:
   - CYP forecast to budget
   - £9k underspend in Communities virtually forecast to budget
   - £4k overspend in Place virtually forecast to budget

- £42k under spend in Director of PH due to reduced spend around GP Health Checks

6. Key Reason for month on month changes are:

   - £197k improvement in the position is due to the overspend of £155k reported last month against PH contingency has now been re-profiled and drawn down. The remaining balance is offset by savings on vacant post.

HRA BUDGET MONITORING AS AT

30th JUNE 2016

Purpose of this Report

1. To provide a summary report on the HRA 2016/17 revenue budget for the month ending 30 June 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 2016/17 budget is based on an assumed in year position of £13m 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 3 early indications suggest an improved full year outturn position of £2.2m. As such, the funding contribution to the capital investment programme will be revised from £13m to £15.2m (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 £254k primarily as a result of a reduced level of bad debt provision offset by a higher turnover of vacant properties; an increase in other income of £89k mainly due to an increase in service charge income; a reduction in overall running costs of £1.7m and a reduction of £161k due to revised borrowing assumptions.

Financial Results

Housing Revenue Account (excluding Community Heating)	FY Outturn £000's	FY Budget £000's	FY Variance £000's
1.NET INCOME DWELLINGS	(147,004)	(146,750)	(254)
2.OTHER INCOME	(6,613)	(6,524)	(89)
3.HOMES-REPAIRS & MAINTENANCE	32,865	32,870	(5)
4.DEPRECIATION-CAP FUND PROG	39,436	39,436	(0)
5.TENANT SERVICES	51,124	52,855	(1,731)
6.INTEREST ON BORROWING	14,969	15,130	(161)
Total	**(15,223)**	**(12,983)**	**(2,240)**
7.CONTRIBUTION TO CAP PROG	15,223	12,983	2,240

Community Heating

7. The budgeted position for Community Heating is a draw down from Community Heating reserves of £293k. As at month 3 the forecast position is a contribution to reserves of £10k, an improvement of £303k.

8. This is due to a delay in the metering project together with lower than expected usage due to the mild weather and a reduction in overall energy costs.

Community Heating	FY Outturn £000's	FY Budget £000's	FY Variance £000's
Income	(2,861)	(2,723)	(138)
Expenditure	2,851	3,016	(165)
Total	**(10)**	**293**	**(303)**

Housing Revenue Account Risks

9. 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 and changes to Housing Benefits, 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 three 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. These are managed through the Council's Treasury Management Strategy.

- **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.

Collection Fund 2016/17 – Quarter 1 Monitoring

Summary

1. In 2016/17 approximately £286.5m of SCC expenditure is forecast to be financed directly through locally collected taxation. This taxation is initially collected by the Council and credited to the Collection Fund.

2. The Government receives 49.4% of the Business Rates collected (the Central Share) and uses this to finance grant allocations to local authorities. The Fire Authority receives 1%, 0.6% of the business rates are retained to fund the Designated Areas and the Council retain the remaining 49% as below in table 2.

3. Council Tax is distributed approximately 86% to SCC, 10% to the Police and Crime Commissioners Office and 4% to the Fire Authority. The SCC share is detailed below.

Income Stream	Budget 2016/17 £m	Year to Date £m	Forecast Year End Position £m	Variance £m
Council Tax	-179.9	-51.5	-181.0	-1.1
Business Rates Locally Retained	-106.6	-33.8	-106.3	0.3
TOTAL	**-286.5**	**-85.3**	**-287.3**	**-0.8**
RSG/Business Rates Top Up Grant	-119.7	-29.9	-119.7	0.0
TOTAL	**-406.2**	**-115.2**	**-407.0**	**-0.8**

4. As at the end of Quarter 1 the local share of the Collection Fund Income Stream is forecasting an overall in-year surplus of £0.8m made up of a £1.1m surplus on Council Tax and a £0.3m deficit on Business Rates.

Council Tax

5. The forecast year end Gross Income chargeable to dwellings is £0.6m over budget due to a growth in the Council Tax Base (CTB) forecasts.

6. Exemptions and reductions are currently £2.4m under budget year to date. However it has been prudently forecast that this will drop to £0.5m under budget by year end. The forecast year end position is primarily due to a decrease in single person discount granted of £0.3m. A review of these exemptions is currently being undertaken to determine if this year-end position will be met.

Business Rates

7. The year to date position for Gross Rates Income Yield shows a deficit of £0.5m, whereas there is a surplus on Reliefs of £4.5m and a surplus on losses on appeals and losses on collection of £4.7m.

8. Appeals are proving to be an extremely problematic area to forecast both locally and nationally due to the current revaluation preparation that is taking place for 2017. The Valuation Tribunal has prioritised this over appeals and so the back log has increased with very few appeals settled in quarter 1, 2016. The valuation office has indicated that there will be a concerted effort to clear appeals from September onwards and so this is reflected in the anticipated increase in losses on appeals in the forecast position.

Collection Fund - Business Rates		**Budget 2016/17 £m**	**Year to Date £m**	**Forecast Year End Position £m**	**Variance £m**
Gross Business Rates income yield		-260.4	-259.9	-260.4	0.0
LESS	Estimated Reliefs	37.1	32.6	37.1	0.0
	Transitional Relief	0.0	0.0	0.0	0.0
	Losses and Cost of Collection	2.8	0.9	2.8	0.0
	Losses on Appeals re Current Year Bills	3.4	0.6	4.3	0.9
Increase (Decrease) due to appeals / bad debt provisions		0.0	0.0	-0.9	-0.9
Net Collectable Business rates		**-217.1**	**-225.8**	**-217.1**	**0.0**
Appropriation of net business rates:					
49.0%	Sheffield City Council	-106.3	-110.4	-106.3	0.0
1.0%	SY Fire Authority	-2.1	-2.2	-2.1	0.0
49.4%	Government	-107.4	-111.8	-107.4	0.0
0.6%	Designated Areas	-1.3	-1.3	-1.3	0.0
Total SCC Appropriations		**-217.1**	**-225.8**	**-217.1**	**0.0**

Gross Rates Income Yield

9. The Gross Business Rates Income Yield has, to date, decreased by £0.5m compared to total budget. There are a number of properties due to enter the ratings list toward the end of quarter 2 which should raise the yield up to the budgeted position.

10. The remaining health centres have not been settled to date however these have a provided for in the appeals provision and should not have a significant impact on the overall appropriations.

Reliefs and Discounts

11. The total level of reliefs awarded to the end of quarter 1 amounts to £32.6m which is £4.5m below the £37.1m assumed in the budget. These are expected to rise to £37.1m by year end.

12. Most reliefs and discounts are generally awarded in full at the point of billing at the start of the year. To date there are significant variations in relation to Empty Property Reliefs, Discretionary Relief and Mandatory Charity Relief. The reduction in Empty Property Relief granted which is £1.9m underutilised against budget appears to be an upturn in occupations at the lower end of the market however there are significant businesses that have recently entered administration such as Polestar and BHS which will attract relief from quarter 2.

13. The Discretionary Relief awarded has been reduced by the elimination of Retail Relief however there are a number of relief schemes that were announced as part of the budget that have not had significant take up to date. It is anticipated that there will be further promoting of these from quarter 2 onwards which will increase the utilisation.

Reliefs	Budget 2016/17 £m	Year to Date £m	Forecast Year-End Outturn £m	Variance £m
Small Business Rates Relief	5.4	5.5	5.4	0.0
Mandatory Charity Relief	21.6	20.3	21.6	0.0
Discretionary Relief	1.8	0.4	1.8	0.0
Empty Property / Statutory Exemption	7.9	6.0	7.9	0.0
Partly Occupied Premises Relief	0.3	0.2	0.3	0.0
New discretionary reliefs	0.1	0.2	0.1	0.0
	37.1	**32.6**	**37.1**	**0.0**

Appeals

14. Appeals are notoriously difficult to forecast due to the lack of available information. The 2016/17 Council budget anticipated £3.3m of refunds in year resulting from appeals. This was based on historical trend analysis.

15. Losses on Appeals are anticipated to be £0.9m over budget by year end. The levels of refunds currently granted stands at only £0.6m for the first quarter however it is anticipated that the VOA will increase the processing of appeals once revaluation work has been completed.

16. There is a provision of £23.7m carried forward into 2016/17. There have been no new significant appeals lodged in 2016/17 however several significant national appeals that emerged in previous years are still outstanding. There has been a reduction in the number of appeals at the moment given that it is the final year before revaluation. We are still awaiting the settlement of a number of cases for health centres but these have been provided for already. The current issues with regards to ATM's and Virgin Media have still not been settled but again these have been provided for in the above provision.

17. Health centres have cost £4.5m in refunds to date but a further £3.5m is expected. The likely removal of ATM's from the rating list is anticipated to cost around £2.5m. If Virgin Media is removed from the list a further £3.7m is at risk. Given these major individual factors and the fact around a third of RV in total is under appeal it is deemed prudent to increase the appeals provision significantly to account for this.

Conclusion

18. Whilst the forecast position of a £0.8m surplus is welcome, there are significant issues that could impact on this during the next 9 months. With regards to business rates, the length of time taken to complete the 2017 revaluation process could see a delay in the settling of appeals and lead to a greater appeals provision required. If the anticipated take up of reductions is not witnessed on Council Tax then we could see an improved position on this.

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.

<u>Capital financing costs</u>

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.

<u>Business Rates</u>

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 30th June 2016, there were over 1600 properties with a rateable value of approximately £215m 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. Not all of the £215m rateable value noted above is at risk and not all the appeals will be successful. However 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.

7. The 2017 revaluation process being undertaken by the VOA has seen a slowdown in the number of appeals processed so far in 2016/17. It is anticipated that this will increase towards the second half of the year.

<u>Implementation of savings proposals</u>

8. 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

9. 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.

10. 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.

11. 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.

12. 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

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

14. As at March 2013 the triennial review for pensions highlighted the total liability underwritten by the Council for external bodies was £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

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

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

External Funding

17. The Council utilises many different grant regimes, for example central government and EU. Delivering projects that are grant funded involves an element of risk of grant claw back where agreed terms and conditions are not stringently adhered to and evidenced by portfolios. In order to

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

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

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

20. The result of the recent referendum on EU membership does not in the short term change the risk profile of EU grants.

Treasury Management

21. 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 had diminished over the last financial year as banks have been obliged to improve their capital funding positions to mitigate against future financial shocks. However, the UK's decision to leave the European Union has the potential to intensify these risks as the UK's decision to exit the EU creates significant political, economic, legislative and market uncertainty which is unlikely to be resolved in the short term. 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.

22. 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. A cautious approach will be adopted whilst the uncertainties created by the exit from the EU are resolved and the level of market volatility returns to normal levels. Given the profound nature of the exit from the EU, we may need to review our Treasury Management and Annual Investment Strategies to ensure we have the ability to respond appropriately to market volatility

23. 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. Interest rates on borrowing have been affected by the EU referendum and the Council has drawn down some loans to lock into historically low rates where the expenditure is anticipated within the current financial year. The uncertainties caused by the UK exit from the EU will require the Council to remain vigilant to interest-rate risk, and will draw down loans in a timely manner to militate against borrowing costs rising above our target rates.

24. 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.

25. As part of the 15/16 and 16/17 savings challenge, we have undertaken a small number of 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

26. 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:** Since 2013 the Government has introduced, and will continue to introduce various changes to the Housing Benefit System. 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 2022/23. The Government has recently revisited the issue of discounting Housing Benefit for pensioners and has advised that no changes will be made until after Universal Credit has been fully introduced. There are no known plans to discontinue Housing Benefit for pensioners in the meantime future funding arrangements to cover administration and awards are still 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

27. 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.

28. 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.

29. 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.

30. 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. The government had planned to introduce this new funding formula from 2017/18; however, the new system will now apply from 2018/19. The government has launched a detailed consultation; further details and the financial impact for Sheffield are expected later in 2016.

Communities Risks

31. 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. 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.

32. 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

33. 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.

34. 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 seeking 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, along with a number of other strategic interventions, 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.

35. 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 short 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.

Housing Revenue Account Risks

Housing Revenue Account (HRA)

36. 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

37. 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>

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

Olympic Legacy Park

39. 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.

Bus Rapid Transit (BRT) North

40. 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 £1.3 m. A number of options are being pursued, including litigation against those at fault and allocation of anticipated future planning related development fees.

Sheffield Retail Quarter

41. 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.

42. 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 speculative basis with only part of the

building pre let. The Council has recently approved a further £86m for the construction of the first building in the Retail Quarter on this basis.

Schools Expansion programme

43. 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 would very probably be faced with an affordability gap in the Schools' capital programme.

CAPITAL PROGRAMME MONITORING AS AT 30th JUNE 2016

Summary

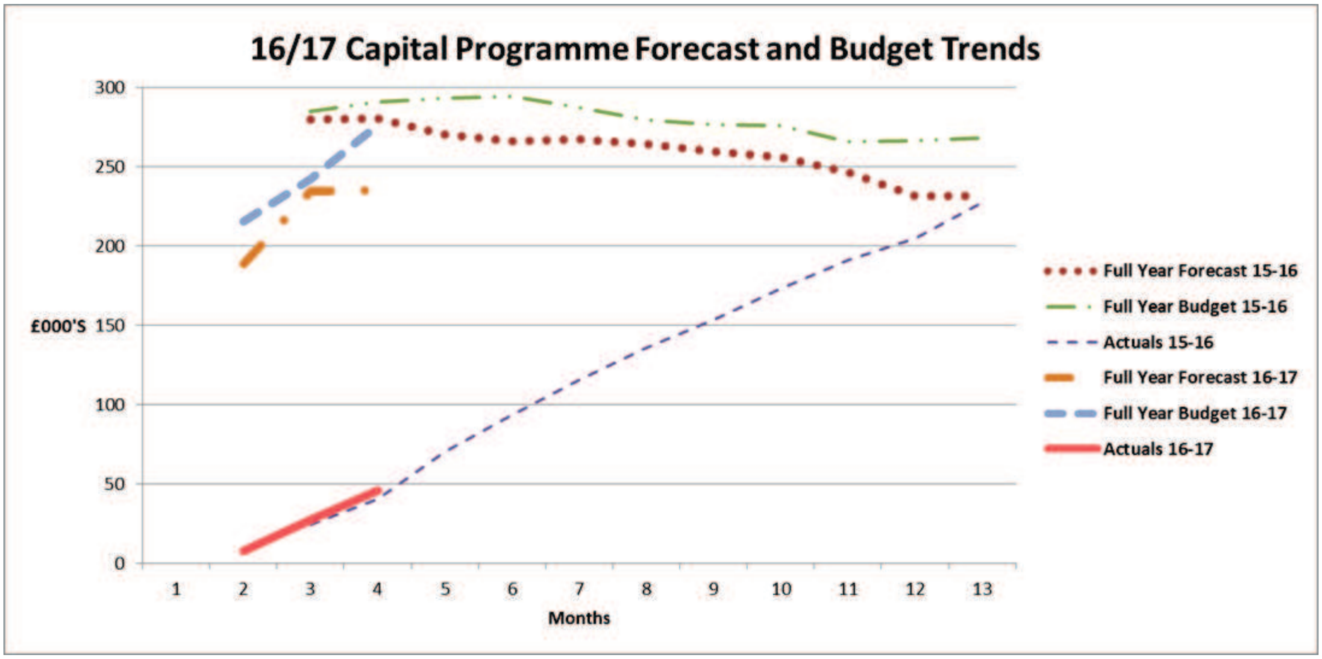
1. The forecast for 2016/17 has been increased by £1m on the Month 2 forecast to £235.4m. The Approved programme budget is £250.8m, a difference of £15.4m. The majority of the variation is in the Housing programme which is forecasting an underspend of £14.3m split equally between acquiring or building new council housing stock and refurbishment of existing properties.
2. The current forecast shortfall against budget includes £0.7m of cost savings against the approved budgets. When deducted from the £15.4m, this leaves a slippage figure of £14.7m which is 5.6% of budget.
3. The table below shows that at Month 3, the year to date spend is £5.6m table below programme, reflecting the forecast variances in the Housing programme but a further £4.8m is in projects outside the Top 20 projects.

Financials 2016/17

Portfolio	Spend to date	Budget to Date	Variance to date	Full Year forecast	Full Year Budget	Full Year Variance on Budget
	£000	£000	£000	£000	£000	£000
CYPF	4,479	6,566	(2,087)	34,009	36,064	(2,055)
Place	13,793	14,261	(468)	59,059	60,452	(1,392)
Housing	17,676	18,987	(1,311)	91,320	105,587	(14,267)
Highways	1,983	2,012	(30)	10,792	8,522	2,270
Communities	(8)	35	(43)	282	325	(43)
Resources	667	2,365	(1,698)	12,761	12,710	51
Corporate	7,080	7,080	0	27,182	27,182	0
Grand Total	**45,669**	**51,306**	**(5,636)**	**235,405**	**250,841**	**(15,436)**

Forecast trends

4. The chart below shows that capital programme spend rates in 2016/17 are almost identical to 2015/16 where the Outturn was £232m, very close to the current forecast of £235.4m.



Movement in the Capital Programme

Capital Programme	2016-17 £m	2017-18 £m	Future £m	Total £m
Month 2 Approved Budget	217.0	151.0	217.7	585.7
Additions	-0.3	0.3	0.1	0.1
Variations	0.1	3.5	10.6	14.1
Slippage & Acceleration	33.6	-2.4	0.0	31.2
Month 3 Approved Budget	250.4	152.4	228.3	631.1

5. The latest programme shows a net increase of £46.4m from the Month 2 position comprising £33.6m of slippage from uncompleted projects in 2015/16, £2.5m of additional investment in communal areas in Council Housing stock and £10.6m of additional investment in school capacity reflecting a recent grant award from the Department for Education.

PROJECT MANAGEMENT

6. From the start of 2016/17 the Council has introduced an improved system of reporting and monitoring project delivery. This will collect in one place all project highlight reports which will be accessible to all users and, from August, provide the basis for workflow driven meeting agendas for each stage of the Gateway Approval process. The progress of a project will be readily evident.

7. This should give better visibility of performance and lead to improved project controls because:

   - Project Managers will create their monthly highlight reports in SharePoint - showing key issues, risks and items for the Sponsor to review - and these will be visible to all as well as providing a central repository which can be used in future audit work from external funders;

   - Project sponsors can review and approve the reports within SharePoint; and

   - Programme Boards will receive a "dashboard" report showing the status of projects. This should lead to improved supervision, better control and thus improved delivery performance of projects.

Commentary

8. The key forecast variances from Budget at Month 3 include:

   - Housing programme is forecasting to be £14.3m below budget by the year end with the shortfall split equally between the New Build Council Housing/acquisitions programmes and refurbishing of the existing stock. The main contractor who was initially appointed to build the new houses went into administration. The new contractor is yet to submit its programme of works at which point a more realistic budget profile will be put in place;

   - The Highways programme is forecasting to be £2.2m above budget pending approvals of a number of schemes which will be submitted for approval to Cabinet in due course;

   - The CYPF programme is forecast to be £2.1m below Budget of which £1.4m is due to anticipated final costs being below the approved budget. Significant variances are at Pipworth Plant Room (£476k) and Rainbow Forge Heating replacement (£210k), where the tenders were below budget.

- Of the £5.6m year to date variance, £2.1m and £1.3m is on the Schools and Housing programme for the same reasons as the forecast variance above. There is a further £1.7m shortfall against budget on the Resources Fire Risk Assessment programme which requires reprofiling to reflect the latest physical delivery plan.

Approvals

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

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

- 11 additions to the capital programme with a value of £3.8m.

- 10 variations to the capital programme amounting to a net increase of £1.7m.

11. Further details of the schemes listed above can be found in **Appendix 6.1.**

Finance

September 2016

Scheme Description	Approval Type	Value £000	Procurement Route
THRIVING NEIGHBOURHOODS AND COMMUNITIES			
GREAT PLACE TO LIVE :-			
Highways			
Bus Rapid Transit North The BRT North project will provide a high speed Bus Link between Sheffield and Rotherham. The project was originally authorised at £26.6m in April 2014. Following the discovery of asbestos and a sewer running through the site, the authority was increased to £33.2m in July 15. The project is currently forecast to overspend by a further £1m over and above the last approved position bringing the overall increase on the original full delivery phase budget to £7.6m. The latest additional cost has been incurred due to various issues that have led to more costs and further delay. The Main issues are listed below: • Network Rail permit issues causing access restrictions - £188k • Additional Statutory undertakings work required – Videophone - £114k. • Change to Fitzwilliam bridge, deck parapet pour sequencing and mitigation measures to achieve best date. - £278k • Design amendments / fee's (Amy) - £75k • Additional drainage works at Sheffield Road - £50k • Additional site supervision fee's (Amy) due to the delay £100k • Legal costs £24k • Additional traffic signalling and works required. -£60k • Alterations to iron work Sheffield Road. - £20k Various minor variations below £10k - £90k The project was originally intended to be funded by grants from Department of Transport, the European Regional Development Fund and contributions from developers in the area. The accountable body for the grants is South Yorkshire Passenger Transport Executive but SCC is bound by a back-to-back agreement to abide by the terms of any grants and reimburse SYPTE for any	Variation	1,016	

clawback. The responsibility for funding overspends lies with the authority carrying out the works but, with the agreement of the parties, there are provisions to move underspends elsewhere in the project to mitigate the overspend. This variation seeks approval for sufficient additional expenditure to complete the project at the current expected level of costs and includes £207k contingency. The total increase in expenditure is currently expected to be funded by a mix of potential funding sources including: - Litigation claims against those responsible for the unchartered sewer - Underspends elsewhere in the overall project - Sheffield City Region Investment Funding - Additional Section 106 receipts - A contribution from Sheffield's Local Transport Plan funding allocation. Cabinet has agreed that any shortfall on funding will be met by the Community Infrastructure Levy (CIL) receipts. This figure could be as high as £1.6m. CIL has been charged on developments from July 2015 and the latest estimate from Planning is that it could yield £2m+ per year in the near future. Therefore it is possible that the first years of CIL receipts may be required to fund BRT rather than other infrastructure projects. To mitigate this, officers are also examining using future years' Local Transport Plan funds in place of CIL.			
CCTV Parking Enforcement (of Loading & Waiting Restrictions) - Local Network Mgt This project will deliver small scale locally requested programmes that help manage the highway to improve the reliability/consistency of journey times and reduce incidents that will cause delay on the highway. Traffic management through parking restrictions and their enforcement contributes to the management of traffic in the city. Enforcement (leading to Penalty Charge Notices – PCNs) is a key element in ensuring traffic flows are not impeded by inconsiderate parking. The Council's Civil Enforcement Officers enforce parking restrictions across the city. Enforcement is carried out via foot patrols and, since October 2013, via a camera enforcement vehicle (for certain restrictions only). The camera enforcement vehicle can be used to enforce school entrance	Variation	96	Signs and lines designed, manufactured and installed by Amey through single source tender in accordance with Schedule 7 of the PFI contract.

markings, loading and waiting restrictions within bus lanes and bus stop clearways. Many arterial routes have bus lanes and bus stops clearways that could benefit from this type of enforcement and maintaining the flow of traffic and minimising delays to other road users. Market research in 2013 showed a high level of understanding as to why we used cameras to enforce restrictions as well as 91% of residents thinking that cars, vans and lorries parking and loading in places where they are not meant to is a problem at least some of the time (65% thinking it was a problem all of the time). 86% of residents supported the need to keep the highways clear through fines for parking or driving in areas which are restricted. In this scheme the main interventions are to take place on Penistone Road, Neepsend Road, London Rd/Abbeydale Road. Funded by Revenue Budget Contributions to the Capital Budget.			
Double Yellow Lines (New Loading & Waiting Restrictions) - Local Network Management This project will deliver small scale locally requested programmes that help manage the highway to improve the reliability/consistency of journey times and reduce incidents that will cause delay on the highway. Traffic management through parking restrictions and their enforcement contributes to the management of traffic in the city. Enforcement is a key element in ensuring traffic flows are not impeded by inconsiderate parking. Many of these schemes are derived from local requests and are very small in their nature. However, it is a vital area of work where we can respond positively to public requests. There are currently have on record requests for over 1,100 single and double yellow lines. Taking an average request for a short length of lining, the implementation cost of each site will be around £860 . Loading and waiting restrictions are applied for may reasons: • Improving sightlines at junctions (this is the main area of request) • Safeguarding access to private driveways (parking outside and opposite) • Ensuring access to business premises (usually for deliveries) • Protecting dropped crossing for pedestrians – a very small minority	Variation	62	Signs and lines designed, manufactured and installed by Amey through single source tender in accordance with Schedule 7 of the PFI contract.

For implementation 10 to 20 schemes are batched together on a single Traffic Regulation Order. Management costs are high as objections are commonplace as these schemes as taking away parking places, is often very emotive. These small scale schemes will be delivered at various locations across the city. Funded by Local Transport Plan grant			
Heavy Goods Vehicle (HGV) Routing - Local Network Mgt This project will deliver small scale locally requested programmes that help manage the highway to improve the reliability/consistency of journey times and reduce incidents that will cause delay on the highway. The Council regularly receives complaints about the noise, emissions and safety concerns, arising from HGVs using ‘unsuitable’ or ‘inappropriate’ roads. Freight movements are key in facilitating business in and around the City. Dealing with these conflicts in a piecemeal fashion can simply move the problems elsewhere. The Council has sought a way of dealing with such complaints on a city- wide basis that takes into account the legitimate use of the road network by hauliers and the concerns of residents where the routes used are not suitable. Better management of HGV routes has the potential to reduce maintenance costs too. The Council has been a member of the South Yorkshire Freight Partnership (SYFP) for around five years. This has enabled us to negotiate with the freight industry as well as local communities to resolve such problems through joint action across the City Region. This request for funding will deliver a HGV ban at Strines and allow investigation into other existing HGV hotspots and development of solutions. Funded by Local Transport Plan funding.	Variation	49	Following standard orders: Feasibility (leading to zone boundaries) - TTaPS Subsequent design and build would be through Amey (schedule 7 of PFI contract) for works in the highway Software and data entry via other consultancy and suppliers
Taxi Facilities - Local Network Mgt This proposal will deliver small scale locally requested programmes that help manage the highway to improve the reliability/consistency of journey times and reduce incidents that will cause delay on the highway. Licensing and other Council policy recognises the role of taxis as part of the overall transport network. These vehicles provide access to central areas, facilitate shorter distance trips for local	Variation	31	Internal design (Traffic Regulations) build by Amey

shopping and other purposes, interchange with bus and rail, supplement provision to areas poorly served by public transport and are available in unsociable hours. A report by OVE Arup in 2005 identified the fact that some areas of the city centre had an overlapping supply of taxi ranks and there are also some areas lacking in taxi rank provision. The principal aim of the study was to improve taxi facilities and access in the city centre. The study proposed improvements (either to the number of bays or operational hours) at a number of sites. This approval will allow for improvements at the following locations: • High Street • Arundel Gate • Ecclesall Road • West Street (two separate ranks) Funded from Local Transport Plan Funding			
Housing			
Garage Strategy - Demolition £564k is requested to demolish 563 garages on 75 garage locations across the city including the clearance of the sites, boundary reinstatement, resurfacing where necessary and parking bay creating where possible and sites left safe and secured. The garage stock has suffered from a lack of investment over the years with dwellings taking a higher priority. The majority of garages and sites have not benefitted from a programme of major works and responsive repairs have been significantly curtailed. Many garages are in a state of disrepair, aesthetically poor due to a lack of decoration and a significant proportion have asbestos roof sheets which if damaged means garages cannot be let. The impact of this lack of investment has led to a lack of demand due to condition and can lead to the garages becoming run down and a magnet for anti-social behaviour. Vacant garage numbers have increased considerably over the last few years and this is impacting on the amount of rent collected and if not stemmed will have an impact on the Housing	Addition	564	Existing demolitions contract

Revenue Account business plan. The procurement route for this work will be via the existing Housing Demolition contract. saving time and additional tendering costs. The completion of this work will result in clearance of un-slightly unoccupied garage sites, with no demand for the garages, avoiding Anti-Social Behaviour and reducing Health & safety risks. It will also provide land for new build or capital receipts, when the demolitions are complete.			
Q00090 Garage Strategy HRA This submission is to drawdown £563k to fund the demolition of 563 garages in the project detailed above.	Variation	-564	
97838 Fire Safety - Compartmentalisation This is for work to ensure that properties are not in breach of the 2005 Regulatory Reform, (Fire Safety Act). This submission is for an additional £278k for the Compartmentalisation work to complete the project. Additional works in roof voids and an increase in both the number of doors and the cost of the doors to be fitted following the tender. The details of costs which make up the £278k have not yet been supplied. This work is being funded by HRA, drawn down from the funds allocated to Council Housing Essential Investments.	Variation	278	Continuation Existing Contract
Q00084 Essential Investments CHS This submission is to draw down a total of £314,216 from the funds allocated to Council Housing Essential Investments. Of this total £278,083 is for Fire Safety - Compartmentalisation business unit and £36,133 is for Fire Detection as detailed above.	Variation	(314)	
Fire Detection The 2015/16 Fire Risk Assessment (FRA) programme commissioned by Transport and Facilities Management (T&FM) has identified a number of potential non-compliant sites that require a capital solution. Kier FM have provided T&FM with estimates to install hard wired fire detection and emergency lighting to the properties listed below • Eskdale Community Centre - £5k	Addition	36	3 quotes

• Sky Edge Community Centre - £10k • Verdon Street Store - £12k • Spital Lane Store - £3k • Liberty Close Store. - £5k **Total Budget £36k (including 5% contingency)** SCC has a statutory responsibility under the Regulatory Reform (Fire Safety) Order 2005 (RRO) to manage fire safety. The order applies to virtually all premises and covers nearly every building type, structure and open space. For example care homes, community halls, shared communal areas, Offices and Schools. T&FM have been commissioned to carry out fire risk assessments (FRA) on the behalf of Housing Neighbourhood Services these assessments have identified a number of issues that not only render the properties non-compliant from the Fire regulations point of view, but also present a significant risk to the building occupants and the physical assets. The project is required for the reasons listed below: □ SCC has a duty of care to all employees and those who may be affected by the consequences of fire. □ Under Health and Safety at Work act 1974, the employer must provide a safe place of work, safe systems of work and safe access and egress to and from their place of work. □ Installing the control measures reduces the risk of exposure to prosecution, litigation etc. from third parties such as the HSE, Fire Authority and anyone affected by the consequences of fire. □ Provision of a means of alerting residents above the stores/welfare cabins in the event of fire when the stores are not in use; and □ insufficient funding is not seen by the HSE as a valid reason for not introducing control measures identified in the fire risk assessment. The contract for these works will be let through 3 quotes as required by Standing Oredrs for work of this value. The result of this work is to reduce the threat to life and property from a fire related incident occurring			

in a SCC property.			
Parks			
Greenhill Park Improvements Greenhill Park is a 12 ha District Park, located 7km from the City Centre, on the southern boundary of Sheffield. Acquired by the Council in 1956, its facilities currently include: a playground, a skate and BMX park, bowling green and pavilion, multi-use games area, football pitches and wildlife areas. Greenhill Park is home to the annual Lowedges Festival, a community managed festival which attracts 12,000 -15,000 people, run by the Friends of Greenhill Park and the local Tenants and Residents Association. This project was initiated by the Friends of Greenhill Park, who support the development and management of the park. They have raised funds to invest in the playground. In January 2016 the Parks service supported the Friends to consult with local people. The equipment which will be delivered by this project was chosen as a result of this consultation. The improvements delivered will be the installment of a zip wire, basket swing and climbing frame; along with the associated play surfacing.	Addition	28	3 Quotes approaching specialist contractors from the UK
Graves and Millhouses Parks Tennis Courts Graves and Millhouses parks are two of Sheffield's popular parks and green spaces. An opportunity has arisen to lever in Lawn Tennis Association (LTA) grant to refurbish the tennis courts and improve the city's recreational facilities in line with the city's Outdoor Sports strategy. In addition to providing better facilities the new courts should have lower annual maintenance costs. The project will be funded by a combination of LTA Grant (£85k), section 106 Planning agreement payments (£42k) and reinvesting capital receipts from the sale of charitable parks surplus assets. Procurement will be sourced via specialist contractors from the LTA's framework agreements. This is a condition of the funding.	Addition	145	LTA framework of specialist contractors
STRONG ECONOMY			
Knowledge Gateway The Council is developing a number of projects to transform the city centre's commercial, retail and entertainment offer to complement those already completed. These are substantial schemes	Addition	443	In house services and competitive

requiring several million pounds of investment which is beyond the current resources of the Council. The Knowledge Gateway scheme will improve the public realm from Fitzallan Square, along Pond Street, Paternoster Row, and Brown Street through to Matilda Street. It will complement third party investments such as those by Sheffield Hallam University in the former Head Post Office site in Fitzallan Square and, through the improved public realm, provide a setting for further investment in the area by the private sector which will increase employment and business rates for the city. The full cost of the scheme could be up to £5.6m which would be funded by a bid to the Sheffield City Region Investment Fund (£3.8m), private sector contributions (£1.4m) and some investment from the Council (£0.4m). In order to prepare the bid, authority is sought to fund the necessary work using Corporate Resource Pool funds. The CRP will be repaid on being granted the SCRIF funding.			sourcing in accordance with Standing Orders.
SUCCESSFUL YOUNG PEOPLE : -			
Basic Need Block Allocation This represents funding received from the Department for Education (DfE) for assisting the Council in its statutory duty to provide sufficient school places to meet the changes in demand across its estate. Accordingly, the following amounts, totaling £4.390m are to be distributed to the specific projects as described in more detail below: -£ 1.91m to North East New Secondary School -£ 0.60m to Southwest 6/8 Form New Secondary School - Bannerdale -£ 0.08m for Greystones Primary School Expansion -£1.796m (50%) for Mechanical Replacement MTC	Variation	-4,390	N/A
North East New Secondary School -Woodside This project aims to deliver a new 2 Form Entry Primary, 5FE Secondary and 6th Form School in the north east area of Sheffield on the site of the former Pye Bank Nursery & Infants School. Initial feasibility and scope of works will be undertaken before embarking on a final build solution at Woodside, that the cost could be in the order of £29m. Continued monitoring of future pupil place demand originally identified a need for expanded educational secondary provision in the north east area of Sheffield. The project now requires a variation for a budget increase of £1.9m for the Stage 2 Design works and Enabling Works (Groundworks and sub-station relocation), prior to any future construction. This will be a new build and refurbishment of an existing Grade 2 Listed building. Work is starting now to	Addition	1,911	Mini-competition under YORbuild Framework

engage in a collaborative design approach with the contractor allowing sufficient time to negotiate the contract and complete necessary accommodation for Sep 2018. The additional funds will be met from the DfE Basic Need grant allocation. The project will deliver a new secondary education provision at the former Pye Bank N&I site in the north east.			
Southwest 6/8 Form New Secondary School - Bannerdale This project aims to deliver a new 8FE secondary school in the south west area of Sheffield. Initial feasibility and scope of works will be undertaken before embarking on a final build solution at the Bannerdale site, that could be in the order of £26m total cost. Continued monitoring of future pupil place demand originally identified a need for expanded educational secondary provision in the south west area of Sheffield. The project now requires a variation for a budget increase of £607k to cover RIBA stage 3 services, including full design services, surveys and fees in line with the current programme, to deliver additional pupil places from September 2018. The additional funds will be met from the DfE Basic Need grant allocation. The project will deliver a new secondary education provision at the Bannerdale site in the south west.	Addition	607	Design Stage – In House delivery
Greystones Primary School Expansion This project will deliver an extension and refurbishment of the school dining room and construction of a 6 classroom new block with staffroom, toilets, offices, music room and library. Feasibility and scope of works have been completed to design a solution to meet pupil place provision requirements in this area and construction works are now nearly complete. Continued monitoring of future pupil place demand originally identified need for expanded educational provision in the Greystones area. Additional places are required by September 2015 although pupil phasing means building works can be completed by September 2016. The project has been delivered through the YORBuild Framework, using a competitive tender exercise. Additional funds of £77k (2% of original £4.05m budget) are now required to cover the final account in meeting previously unforeseeable cost pressures, resulting in this request to apply additional funding from the DfE Basic Need grant allocation. The project will deliver an expanded educational provision at the Greystones Primary school site.	Variation	77	N/A
Aldine House Secure Children's Home This site provides a highly secure accommodation facility, with a specialised learning environment, in which very high risk young people who cannot always mix with the other residents can live and develop safely. The unit has a very good reputation with the Department for Education (DfE) based on its previous standards of care and safety offered and, although currently at full capacity from			

demand from Sheffield LA, it is able to operate as a commercial service providing secure accommodation to other Authorities if required. The additional work will provide a flexible space offering multi-level security and independence, thus being able to enhance the quality of life of its residents. Listed below are brief details of three projects that have been successful in receiving DfE Secure Accommodation grant funding and which now wish to move to the build stage following any feasibility works: **- 2 Bed Extension:** This project will design and build a two bedroom corridor for accommodating either high or low risk young people. This variation represents a stepped increase to spend a further £675k on construction works, on top of an already allocated amount of £28.5k for feasibility work. The extension will be largely self-contained with a kitchenette /living area included. It will be useful in managing very high risk young people who cannot always mix with the other residents, or as a step-down provision to increase independence and life skills, such as cooking.	Addition	675	Mini-competition under Rebuild Framework for Construction
- Undercroft Area 2: The creation of new rooms at the Aldine House secure children's home, including a new sleeping-in room, a medical room, a staff workroom, a large room for mixed use (staff and residents) and also an extension to the dining room. This variation represents a stepped increase to spend a further £655k on construction works, on top of an already allocated amount of £31k for feasibility work. It will enhance the capacity of the accommodation unit and specifically, be largely self-contained with a kitchenette /living area included.	Addition	655	…as above …
- Security Minder: Upgrade the Minder System to integrated DECT handsets to improve emergency response times, thus providing a safer working environment and accommodation residence for the young people at the Home.	Addition	136	Competitive Tender
ESSENTIAL BUILDING WORKS			
Replacement Heating Measured Term Contract This programme will provide a Measured Term Contract to deal with emergency heating replacement requirements across the SCC estate (including schools). It will allow major heating replacement projects to be released in batched call off orders to a main contractor, allowing economies of scale and anticipated programmes of work to benefit the successful contractors by gearing up and planning ahead for the work, and so resulting in lower final contract costs for Sheffield City Council. The project sites will be identified based on priority need from Transport & Facilities Management (T&FM) Condition Surveys. This request is for an additional £3.591m on top of an already authorised	Addition	3,591	Full Competitive Tender

£9k for initial feasibility, bring the total cost to £3.6m , The extra £3.6m work will comprise £3.2m contractor costs, £360k fees and £40k direct cost. The work will be funded from Corporate Resource Pool and CYPF DfES Condition Grant sources. The desired outcome of this programme is to ensure that we continue to have fit for purpose buildings that have adequate heating and hot water. Efficiencies are expected to be gained from the use of an MTC, from reduced overheads and avoiding multiple tender exercises for individual projects.			
FRA (Fire Risk Assessment) Works 15-16 This programme covered Fire Risk Assessment works for 2015-16 at various sites across the SCC estate. The works, including the installation of a full audible fire detection system, emergency lighting, fire doors and improvements to fire compartments, have previously been approved by Cabinet for finance and procurement as an overarching programme of works. A variation is requested here to transfer the remaining £410k balance on this programme to a similar programme for the 2016-17 FRA works now that a more efficient MTC (Measured Term Contract) procurement route is to be used by the Council going forward.	Variation	-410	N/A
FRA (Fire Risk Assessment) Works 16-17 This programme covers Fire Risk Assessment works across the SCC estate as noted in the 2015-16 programmes above, but with the key difference being the use of an MTC (Measured Term Contract) for procurement in 2016-17 and beyond. This programme has previously been approved by Cabinet and this request is to move £410k of funding from the 2015-16 to the 2016-17 programme, in order to allow future FRA works to be more efficiently procured under an MTC arrangement.	Variation	410	Full Competitive Tender
PROCUREMENT STRATEGY			
King Edwards (Upper) School - Revised Procurement Strategy (Retaining Wall) This project will address the rebuilding work required to complete the retaining wall at King Edwards (Upper) School. The work is necessary to finish off further construction works to the wall in order to make it safe in the longer term, following an earlier emergency repair. The project is to be delivered using a full competitive tender exercise. No additional funds are required, as it proposed to use remaining funds in the Building Schools for the Future programme. The project will finalise the safe permanent construction of the retaining wall at the King Edward (Upper) School site.	Procurement Strategy		Full Competitive Tender

DIRECTOR VARIATIONS:- (Note only)			
Key Bus Route Sheffield-Woodhouse The Woodhouse Key Bus Route has been developed in discussion with SYPTE and bus operators. The aim being to improve bus reliability & punctuality along one of most frequent bus routes in Sheffield (52). Construction took place at Hands worth Rd/Parkway; Hands worth Rd/Richmond Rd; Badger Rd, Hands worth Grange/Bellfield Drive; Bellfield Drive/Redford Rd; as well as 'real-time detection' at all traffic signals ensuring restrictions can be enforced (signs and lines check) & improving accessibility at about 100 bus stops. This variation confirms £8k funding slipped from 2015/16 and an additional £4k to deliver Road Safety Audits Funded by Local Transport Plan Funding	12	N/A	N/A

Refine Resourcing and Business Case Update

Purpose

To gain Cabinet approval for additional implementation costs on the Refine Business Case via the budget monitoring report and officer delegations.

Summary

Cabinet approval in May 2015 for ReFine Programme to implement the Council's replacement Finance and Procurement System –Capita IBS Integra.

A significant and complex change programme impacting on all areas of the Council, our suppliers and our customers. It is critical that the final design meets the Council's requirements, the programme is resourced with the right expertise and users are supported to use the new functionality effectively when it goes live.

When Cabinet approved the business case the aspiration was to achieve full system implementation by 1st April 2016; this is now forecast for the first phase go live by 5th September 2016 and final go live by 12th December 2016.

Cashable benefits have increased from £2.63m to £3.12m over a 10 year period.

Project implementation costs have increased from £2.58m to £3.82m (an increase of £1.24m) which includes a further £200K contingency and proposals for meeting these costs are provided below. Ongoing costs have largely been protected.

As a contingency measure notice of termination for the Velocity contract has not yet been given so a further £110K is also required to provide cover until end March 2017. This may be less depending upon when confidence is sufficient to serve notice but assumes this would be by no later than end September 2016.

The business case remains positive with pay-back achieved after 6 years.

Cabinet approval is required for the additional project implementation costs, which are now recognised as necessary to deliver the new system successfully.

The Cabinet Member for Finance has been briefed on the revised business case and taking the update to Cabinet via the budget monitoring report and seeking officer delegations.

Options considered and recommendation

Abandoning the Programme at this stage is not recommended due to sunk costs, further cost implications of terminating the contract with Capita and the likely high cost of renewal with Velocity. A move to any alternative solution would incur the costs above as well as further costs in procuring and implementing a new solution.

As the programme is now well advanced with the first go live imminent with greater confidence in the time and costs for successful completion and as the business case remains positive the recommendation is that funds be found to allow the programme to deliver in line with the revised plan and forecast.

Appendix 7

EMT are asked to note the status of the ReFine Programme Business case and agree that Cabinet approval for this is secured from Cabinet through the budget report and that officer delegations be sought.

Annex A

Implementation Costs	Original Business Case	March Forecast	Latest forecast	Variance since March
Licence and setup costs	£830K	£1.040m	£1.064m	£24K
Internal resources	£994K	£1.190m	£1.343m	£153K
External resources	£521K	£1.049m	£1.212m	£163K
Contingency	£234K	£200K	£200K	£0
Total	**£2.58m**	**£3.48m**	**£3.82m**	**£340K**

Running costs (pa)	Original Business Case	March Forecast	Latest forecast	Variance since March
FSSG	£390K	£390K	£390K	£0
Development	£47K	£47K	£47K	£0
Licences and hosting	£187K	£204K	£200K	£-4K

Benefits (10 year period)	Original Business Case	March Forecast	Latest forecast	Variance since March
Cashable	£2.63m	£3.16m	£3.12m	£-40
Non-Cashable	£2.94m	£2.12m	£2.12m	£0

Payback Period	Original Business Case	March Forecast	Latest forecast	Variance since March
No of Years	5	6	6	0

Funding	Original Business Case	March Forecast	Latest forecast	Variance since March
HRA Contribution	£300k	£300k	£390k	£90K
OEO Upgrade Reserve *	£2.28m	£2.4m	£2.4m	£0
Finance Contingency	0	£486k	£486k	£0
2015/16 Finance Contribution	0	0	£229k	£229K
Total	£2.58m	£3.186m	£3.505m	£319K
Implementation Gap to Fund**	n/a	**£294k**	**£315k**	**£21k**
Running cost 16/17 Gap to Fund***	n/a	**£0**	**£110K**	**£110K**
Total Gap to Fund**	n/a	**£294**	**£425K**	**£131K**

* Note: In the original business case funding was to be made from the I2S Reserve. A transfer was made from the I2S reserve at the end of 2014/15 to the OEO Upgrade Reserve to earmark funding.

**Note: the gap includes £200k contingency. Figures may be revised up when Capita send RFC which will also increase the contingency sum.
*** Note: This is in effect a contingency for 3 months of Velocity time. The cost may be less than this depending upon when notice can be given with confidence about exit timing.