REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30 SEPTEMBER 2016

Purpose of the Report

1. This report provides the Month 6 monitoring statement on the City Council's Revenue Budget and Capital Programme for September 2016. The first section covers Revenue Budget Monitoring, and the Capital Programmes are reported from paragraph 18.

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 6 for the services commissioned/provided by the Council shows the potential for a forecast underspend of £5.2m to the year end. The position is summarised in the table below:

Portfolio	FY Variance: £000s
CYPF	5,152
COMMUNITIES	3,286
PLACE	(170)
POLICY, PERFORMANCE & COMMUNICATION	326
RESOURCES	93
CORPORATE	(13,877)
GRAND TOTAL	**(5,190)**

4. In terms of the month 6 overall forecast position of £5.2m underspend, the key reasons are:

- **Children, Young People and Families (CYPF**) based on trends to date are forecasting to overspend by £5.2m. Placements are reporting a £3.0m overspend; this reflects the full year impact on the current number of placements and the costs for the remainder of the year, Fieldwork Services forecast overspend of £1.0m resulting from pressures on social workers as a result of increased number of caseloads. Additional pressures within the service include delayed savings of £695k on Short Break and Direct Payments and £484k on integrated residential and disability services with health.
- **Communities** based on trends to date are forecasting an overspend of £3.3m, due primarily to demand pressures in Care and Support relating to Learning Disability Services and Long Term Support.
- **Place** are forecasting an underspend of £170k primarily due to small cost reductions over a number of service areas within Business Strategy and Regulation.
- **Policy, Performance and Communications** are forecasting an overspend of £326k due to lower than anticipated advertising income as a result of contract delays.
- **Corporate** are showing a forecast underspend of £13.9m due a number of factors resulting from a major review of corporate budgets: the release of £3.0m from the Better Care Fund contingency to relieve pressure on the Mental Health budget, £3.0m on the Corporate Redundancy budget due to lower than anticipated VER/VS applications, an anticipated £2.7m pressure relating to the Independent Living Fund not materialising in 2016/17, £2.0m reduction in borrowing costs as a result of an increase in cash balances available for investment, the use of £1.6m of Social Care reserves, and the release of £0.9m corporate contingencies set aside for potential city centre redevelopment costs as well as pay inflation in line with Living Wage Foundation rates.

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 underspend in Council-run services and the forecast potential overspend in services run jointly with the NHS is a forecast overspend of £5.4m at month 6. This is an improved position of £10.4m since the month 5 monitoring report. The combined position is summarised in the table below.

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 5
CYPF	73,029	67,127	5,902	⇧
COMMUNITIES	144,582	137,296	7,286	⇔
PLACE	144,776	144,946	(170)	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,393	2,067	326	⇔
RESOURCES	54,308	54,215	93	⇔
CORPORATE	(413,728)	(405,651)	(8,077)	⇩
TOTAL	**5,360**	**(0)**	**5,360**	⇩

7. The cumulative effect of funding cuts due to the national austerity programme, combined with emerging social care pressures and the challenge of securing funding from Health are making the Council's current financial predicament

extremely difficult. Based on the current trajectory, and in spite of a major review of corporate budgets, it would appear highly likely that the Council is going to overspend this year. Although emergency measures are being considered, and plans are being put in place to balance the budget for 2017/18, the strategy to bring social care pressures under control will take at least a year to implement.

Commentary

8. The main variations since Month 5 are:

- **CYPF** are forecasting an adverse movement of £133k since Month 5. This is due predominantly to £3.0m of additional costs on placements; this reflects the full year impact on the current number of placements and the cost of these placements for the remainder of the year.

- **Corporate** are showing a forecast improvement of £10.5m due to the release of £3.0m from the Better Care Fund contingency to relieve pressure on the Mental Health budget, £3.0m on the Corporate Redundancy budget due to lower than anticipated VER/VS applications, £2.0m reduction in borrowing costs as a result of an increase in cash balances available for investment, the use of £1.6m of Social Care reserves, and the release of £0.9m corporate contingencies set aside for potential city centre redevelopment costs as well as pay inflation in line with Living Wage Foundation rates.

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

Public Health

10. The Public Health ring-fenced grant is currently forecasting a £302k underspend against the original grant allocation. Further details of the forecast outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

11. 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.

12. As at month 6, early indications suggest an improved full year outturn position of £4.1m. As such, the funding contribution to the capital investment programme will be revised from £13m to £17.1m. Further details of the HRA forecast outturn can be found in **Appendix 3** of this report.

New Homes Bonus Fund

		£m
Income	Reserves as at 1/04/16	-7.1
	Anticipated 16/17 NHB Grant	-9.3
	Total Income	-16.4
Expenditure	2016/17 Spend to Date	0.8
	Forecast to Year End	1.0
	Future Years' Approved Commitments	2.2
	Total Expenditure	4.0
	Funds Available for Investment	**-12.4**

13. Progress continues on the delivery of the approved programme. There has been no significant variance in the period.

Collection Fund

14. As at the end of Quarter 2 the Collection Fund is forecasting an overall deficit of £0.1m made up of a £1.7m surplus on Council Tax and a £1.8m deficit on Business Rates.

15. The Valuation Office Agency (VOA) has revalued all the business properties in the country and produced a draft list that 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 of appeals in the second half of the year, which could have a negative impact upon the outturn position for Business Rates.

16. Further details about the Quarter 2 performance of the Collection Fund can be found in **Appendix 4**.

Corporate Risk Register

17. 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

18. The forecast for 2016/17 has decreased by £5.1m on the Month 5 forecast to £236.3m. The Approved programme budget is £250.2m, a difference of £13.8m. This represents a slippage rate of 5.5% which is up from 3.4% at Month 5. The majority of the difference is in the Housing programme which is forecasting an underspend of £9.0m arising on acquiring or building new council housing stock and refurbishment of existing properties.

19. Further details of the Capital Programme monitoring are reported in **Appendices 6 and 6.1.**

Implications of this Report

Financial implications

20. 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

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

Legal implications

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

Property implications

23. 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

24. Members are asked to:

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

(b) 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 Interim Director of Finance and 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 slippages in **Appendix 6.1**;

And note:

(iii) the variation authorised by directors under the delegated authority provisions; and

(iv) the latest position on the Capital Programme.

Reasons for Recommendations

25. 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

26. 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
Head of Strategic Finance

PORTFOLIO REVENUE BUDGET MONITORING AS AT 30 SEPTEMBER 2016

Children Young People and Families (CYPF)

Summary

1. As at month 6 the Portfolio is forecasting a full year outturn of an overspend £5.9 million, an adverse movement of £133k from the month 5 position. The key reasons for the forecast outturn position are:

- **Business Strategy -** £104k forecast overspend, the key reason is a forecast overspend of £107k on Transport, due to increased demand.
- **Children and Families -** £5.8million forecast overspend, the key reasons are:
- **Fieldwork Services -** a forecast overspend of £1m, this is mainly due to a forecast overspend on fieldwork staffing budgets of £329k, 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. £446k forecast overspend on non-staffing budgets, due to increased transport costs and contact time for Looked After Children. £206k forecast overspend on legal fees, due to an increase in the number of cases.
- **Health Strategy** – a forecast overspend of £695k on Short Break and Direct Payments, due to the delay in anticipated savings due in year.
- **Provider Services** – a forecast overspend of £484k, 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 £530k due to anticipated savings of £246k on uncommitted contracts, offset by a reduced expected contribution of £750k from the CCG, leaving a net overspend of £530k.
- **Placements** – forecast overspend of £3m, this reflects the full year impact on the current number of placements and the costs of these placements for the remainder of the year. Also includes £250k overspend due to a reduction in the expected contribution from the CCG.
- **Inclusion and Learning Service –** A forecast reduction in spend of £115k which is a number of small underspends across the service.

- **Lifelong Learning, Skills and Communities –** A forecast overspend of £122k, which is due to a number of overspends across the service.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month
BUSINESS STRATEGY	2,477	2,373	104	⇔
CHILDREN & FAMILIES	63,852	58,061	5,791	⇔
INCLUSION & LEARNING SERVICES	(138)	(23)	(115)	⇔
LIFELONG LEARN, SKILL & COMMUN	6,838	6,716	122	⇔
GRAND TOTAL	**73,029**	**67,127**	**5,902**	⇧

DSG

2. The following is a summary of the position on DSG budgets at month 6:

	Month 5 £000	Month 6 £000
Business Strategy	(173)	(187)
Children and Families	149	149
Inclusion and Learning Services	1,060	1,057
Lifelong Learning, Skills and Communities	334	368
	1,370	**1,387**

Commentary

3. The following commentary concentrates on the changes from the month 5 position

Business Strategy

4. A forecast £104k overspend (shown in the table above) relating to cash limit and £187k forecast reduction in spend on DSG. Both cash limit and DSG are consistent with the month 5 position.

Children and Families

5. A forecast £5.8m overspend (shown in the table above) relating to cash limit and £149k forecast overspend on DSG. Both cash limit and DSG are consistent with the month 5 position.

Inclusion and Learning Service

6. A forecast £115k reduction in spend (shown in the table above) relating to cash limit and £1.1m forecast overspend on DSG. Both cash limit and DSG are consistent with the month 5 position.

Lifelong Learning Skills and Communities

7. A forecast £122k overspend (shown in the table above) relating to cash limit and £368k forecast overspend on DSG. Both cash limit and DSG are consistent with the month 5 position.

Communities Portfolio

Summary

8. As at month 6, the Portfolio is forecasting a full year outturn of an over spend of £7.3m. The key reasons for the outturn position are:

Performance, Information and Planning under spend of £419k:

- The underspend position for PIPS is mainly due to the pay award budget of £458k held in Executive but matched by spend across the portfolio. There are further under spends against Insurance & Mail £160k, Projects & Programmes £79k, Governance and Change £46k and Quality £52k plus other minor under spends all offset by over spends against senior management posts £67k, supplies and services £54k and business support £186k.

Care & Support over spend of £4.4m:

- Access, Prevention and Reablement forecasts a net over spend of £122k due to spend on agency staff across APR £174k partly netted of by an under spend on minor works and adaptations £52k.
- Learning Disabilities returned an outturn of £2.8m over spend. This is made up of:-
  - Purchasing LD is forecasting an over spend of £2.8m. This over spend is made up £3.2m of new client costs that have emerged in 2016/17, £904k of forecast unachieved savings, offset by an under spend against the clients rolled forwards from 2015/16 of £1.4m.
  - LD Assessment and Care Management is forecasting an over spend of £445k due to full year cost of additional review teams.
  - LD Provider services is forecasting an under spend of £474k due to reductions in client hours as a result of a movement of clients from in-house services to independent provision (hours moved to purchasing

budget) and the subsequent reduction in use of agency staff and bank staff.

- Long Term Support is showing an over spend of £1.5m. This comprises the net position of an over spend in adults purchasing of £1.8m, with an under spend on staff of £193k along with the saving against Forge Centre £73k due to reduction in contracts.
- Provider Services is reporting an under spend against budget of £33k. The under spend is due to a £289k reduction in spend on Carers in the Adult Placement Shared Lives Service and under spends on salaries against Care4You Business and Performance £12k and Community Support Services £104k. This is netted down by a reported over spend against City Wide Care Alarms £372k as a result of lower income than budgeted. Reablement Services report a position which is almost balanced to budget as a result of drawdown of £293k of corporate funding to cover salary costs until full implementation of the MER.
- Contributions to Care has an over spend position of £135k against budget. This figure is made up of an over spend against SCAS staffing of £57k due to additional staffing recruited to work on Appointeeships. There is also an additional pressure of £46k on Health contributions to Direct Payments. This is net of overachievements in Integrated Charge income of £210k and Residential income of £505k, offset by under achievements of £350k in Property Income and in CHC income of £397k.
- Safeguarding service is reporting an under spend of £78k as a result of spend of reduced salary and legal costs than budgeted.

Commissioning over spend of £3.3m:

- A forecast reduction in spend of £431k is reported by Commissioned Housing which is mainly due to a delay in implementation of new Housing Related Support Contracts coupled with annualised contracted savings.
- An over spend against Commissioned Mental Health Services of £3.4m. This is made up of a £3.8m overspend in Mental Health purchasing and £80k overspend in the S75 Mental Health contract offset by forecast under spends on the Older People Mental Health contract of £431k and the Partnership and Grant Aid budget of £52k. Further negotiations are on-going with the Care Trust to determine the cost of the S75 contract but the forecast over spend reflects current activity. There is an on-going conversation with the CCG to enable joint planning to be done in order to bring the over spend

down within 2016/17. Future forecasting will be reflective of outcomes in this work.

- An over spend on Public Health Drug and Alcohol (DACT) of £102k. The majority of this is due to a forecast over spend on Contract Drug costs £71k, Non-Contract Treatment costs of £51k and minor over spends against staffing £10k and Alcohol Programme £17k. Offsetting all the over spends is a negotiated reduction on the contract for DIP resulting in an under spend £48k.
- Social Care Commissioning Service forecasts an over spend of £180k. There is a forecast overspend of £248k on the British Red Cross contract for Independent Living Solutions (Equipment and Adaptations) along with an additional £18k increase in PH Communities staff due to additional resource planned to continue past the original deadline of November. This is partly offset by an under spend on staffing against ILS £46k and People Keeping Well £25k.

Community Services over spend of £341k:

- In Locality Management the over spend is within the Voluntary Sector area £197k, £57k of which is due to £119k unachieved 15/16 savings on Grants offset by a temp saving of £62k which has been found this year. The remainder is an “approved” staffing over spend on Health and Social Care integration budget £56k and loss of income from Sheffield Teaching Hospitals £72k.
- Library Services are forecast to underspend by £14k. The Libraries and Archives Service have an over recovery of income of £42k and savings on staff costs are partly eliminated by loss of World Metal Index income £56k with the associated cost of redundancies (Service closes 2016/17) and over spends on the Leadership Team of £51k.
- Public Health budgets are over spent by £157k as a result of contract values exceeding budget by £50k, the remainder £107k is as a result of an over spend on staffing due to slippage on the MER however some staff are leaving Dec 2016 so this forecast will be revised month 7.

Housing General Fund under spend of £328k

The under spend in Housing General Fund is mainly due to:

- City Wide Housing Services £182k under spend due of low uptake of small grants in Local Assistance Scheme, savings on staffing and higher than anticipated income.

- Business Planning £29k under spend resulting from savings on staffing.
- Neighbourhood Intervention and Support £218k under spend mainly as a result of higher than anticipated income and savings on staffing costs relating to Housing+ MER.
- Sustainable City projects an over spend of £101k which is under constant review as funding sources are identified.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month
PIP	4,655	5,074	(419)	⇩
CARE AND SUPPORT	101,858	97,444	4,414	⇔
COMMISSIONING	27,963	24,684	3,279	⇧
COMMUNITY SERVICES	6,615	6,274	341	⇔
HOUSING GENERAL FUND	3,492	3,820	(328)	⇔
GRAND TOTAL	**144,582**	**137,296**	**7,286**	⇔

Commentary

9. The following commentary concentrates on the changes from the last report at Month 5.

PIPS

10. A forecast £419k reduction in spend. This is an improved position of £160k from the position in Month 5.

11. The favourable movement is mainly due to funding confirmed for WFCM project £102k which was recorded as a cost pressure in month 5, and other minor improvements across the whole service.

Care and Support

12. A forecast £4.4m over spend. This is a worsening position of £79k from the position in Month 5.

13. Assessment, Prevention and Reablement report a £122k over spend, an adverse movement of £44k since month 5. This is due to the extension of contracts for agency staff working on SPA/TOC projects.

14. Long Term Care reports an over spend of £1.5m which is a minor worsening position to that reported in month 5. The position has worsened slightly on home care and direct payments within purchasing with an offsetting improvement mainly as a result of the review of the costs of social work staff.

15. The LD position has improved by £6k from Month 5. However this is net of an increase in client costs in the purchasing area of £48k and a reduction in

staffing costs of £54k within the A & CM & LD Provider Service areas. Within Assessment & Care Management a Service Manager has now left and has not been replaced. Other staff have been moved across to fill vacancies of budgeted posts in the assessment teams from previous roles in the un-budgeted additional review teams.

16. Provider Services report an under spend £33k which is an adverse move of £11k since month 5. This adverse move is as a result of a budget moving to PIPS for a business support post £60k offset by improvement in Community Support Service.

17. Safeguarding Services report an under spend of £78k which is a slight worsening position of only £6k.

Commissioning

18. A forecast £3.3m over spend. This is a worsened position by £111k from the month 5 outturn.

19. Mental Health Commissioning has worsened by a new high cost package forecast at £80k for the remainder of the year and a slight increase in the over spend in partnerships and grant aid following a re-analysis of the contracts forecast by £26k.

Community Services

20. A forecast £341k over spend. This is a worsened position of £49k from the position in Month 5.

21. The worsened movement is due to Public Health staffing cost which has slipped due to delays in the implementation of the MER however 3 staff are leaving at the end of Dec 2016 so this will be reviewed in Month 7.

Housing General Fund

22. A forecast £328k under spend. This is primarily due to lower than expected uptake of grants on the Local Assistance Scheme, savings on staffing and higher than anticipated income.

Year to date

23. The forecast £7.3m over spend is a reduction on the extrapolated full year effect of the variance at Month 6 of £4.1m. The reasons are mainly due to payment profiles in the purchasing budgets, especially where increases in activity forecasted are not yet showing in actuals. In other areas accruals have not been taken where for example payments are made in advance or where

additional funding has been received and spend is expected on staffing and contracts as the year progresses which Month 6 figures do not include.

Place Portfolio

Summary

- As at month 6 the Portfolio is forecasting a £170k underspend, an improvement of £81k from the month 5 position.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month
BUSINESS STRATEGY & REGULATION	32,064	32,302	(238)	⇩
CREATIVE SHEFFIELD	2,801	2,735	66	⇩
CULTURE & ENVIRONMENT	30,128	30,161	(33)	⇔
DEVELOPMENT SERVICES	79,782	79,748	34	⇧
GRAND TOTAL	**144,776**	**144,946**	**(170)**	⇔

Commentary

24. The following commentary concentrates on key risks and changes this month

Business Strategy & Regulation

25. As at month 6 there is a £238k forecast underspend, which shows an improvement of £115k this month due to small cost reductions over a number of service areas.

Creative Sheffield

26. As at month 6 there is a small £66k forecast overspend, which shows an improvement of £104k this month due to the forecast income within the City Regeneration Division now including anticipated bid income yet to be approved, which represents a risk to the current forecast position.

Development Services

27. As at month 6 there is a £34k forecast overspend, which shows an adverse movement of £163k this month.

28. The key change is that the position now includes an £800k reduction in forecast savings on Streets Ahead & Parking Services (previously highlighted as at risk), which have been offset to a large extent by other contract cost reductions (£250k), additional income from Planning, Highways & transport (£250k) and a contribution from Reserves to support the Local Plan (£100k).

29. The planned savings within Streets Ahead and Parking services (£1.5m in total) continue to be progressed with a view to implementation during the latter part of 2016.

Resources Portfolio

Summary

30. As at month 6 the Portfolio is forecasting a full year outturn of an over spend of £93k, an improvement of £52k from the month 5 position. It is anticipated that the Resources budget will outturn at a balanced position, with the possible exception of the issues in the T & FM service which are currently under review and alternative funding being sought. The key reasons for the forecast outturn position are:

- An over spend of £249k on 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 over spend of £537k on Transport and Facilities Management due to underlying repairs and maintenance expenses for lifts at Moorfoot (£80k); the one-off funding for the Voluntary Registration of Land project having now ceased and alternative funding being sought to ensure that the project is sustained (£217k); KAPs insourcing costs of £155k, although this is still under review; £50k for an Equal Pay claim in relation to Cleaning; and £35k for the Corporate Statutory Servicing and Repairs project for which funding has yet to be identified.

Offset by:

- A reduction in spend of £105k on Business Change and Information Solutions due to staffing vacancies and a year-end liability taken for mobile phones, a significant proportion of which is no longer required.
- A reduction in spend of £229k on Commercial Services (Savings) due to confirmation and re-profiling of all the Early Payment Discounts and Project Savings.
- A reduction in spend of £292k on 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
BUSINESS CHANGE & INFORMATION SOLUTIONS	892	997	(105)	⇔
COMMERCIAL SERVICES	707	755	(48)	⇔
COMMERCIAL SERVICES (SAVINGS)	(2,327)	(2,098)	-229	⇔
			0	⇔
CUSTOMER SERVICES	2,773	2,524	249	⇔
FINANCE	5,702	5,696	6	⇔
HUMAN RESOURCES	3,393	3,450	(57)	⇔
LEGAL SERVICES	3,516	3,483	33	⇔
RESOURCES MANAGEMENT & PLANNING	173	174	(1)	⇔
TRANSPORT AND FACILITIES MGT	16,471	15,934	537	⇧
TOTAL	31,300	30,915	385	⇔
CENTRAL COSTS	22,602	22,894	(292)	⇔
HOUSING BENEFIT	406	406	(0)	⇔
GRAND TOTAL	**54,308**	**54,215**	**93**	⇔

Commentary

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

Transport and Facilities Management

32. A forecast £537k overspend, due to underlying repairs and maintenance expenses for lifts at Moorfoot (£80k); the one-off funding for the Voluntary Registration of Land project having now ceased and alternative funding being sought to ensure that the project is sustained (£217k); KAPs insourcing costs of £155k, although this is still under review; £50k for an Equal Pay claim in relation to Cleaning; and £35k for the CSSR project for which funding has yet to be identified. This is an adverse movement of £240k from the previous month.

33. The adverse movement this month is due to the KAPs insourcing costs, an Equal Pay claim in relation to Cleaning and unfunded costs for the CSSR project.

Policy, Performance and Communications Portfolio

Summary

34. As at month 6 the Portfolio is forecasting a full year outturn of an over spend of £326k, as per the month 5 position. The key reasons for the forecast outturn position are:

- £326k over spend due to an underlying shortfall in the anticipated income from the new advertising contracts owing to the delays in negotiations. It is anticipated that the position will improve by £100k next month.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month
ACCOUNTABLE BODY ORGANISATIONS	0	0	0	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,528	2,202	326	⇔
PUBLIC HEALTH	(135)	(135)	0	⇔
GRAND TOTAL	2,393	2,067	326	⇔

Commentary

35. There are no changes from the Month 5 position

Corporate

Summary

36. As at month 6, the Corporate portfolio is forecasting a full year outturn of a £8.1m underspend.

- **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

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

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month
CAPITAL FINANCING	31,994	34,375	(2,381)	⇩
CORPORATE ITEMS	(445,722)	(440,026)	(5,696)	⇩
GRAND TOTAL	(413,728)	(405,651)	(8,077)	⇩

38. Corporate are showing a forecast underspend of £8.1m over the two areas Capital Financing and Corporate Items.

39. The improvement shown within Capital Financing section is due to:

- Overall the Council is undertaking a lower level of borrowing than originally planned during 2016/17 and as a result we will incur less interest costs.
- The new borrowing that has been undertaken during the year was at a lower rate of interest than we had anticipated so the interest rate cost incurred on the borrowing is lower.
- Investment returns in excess of target in the first half of the financial year.

40. The improvement of £8.5m within the Corporate Transactions this month compared to month 5 is due to:

- The release of £3.0m Better Care Fund Contingency to relieve pressure on the Mental Health budget.
- £3.0m saving on corporate redundancies due to lower than anticipated VER/VS applications.
- The use of £1.6m Social Care reserve, and
- The release of £900k of corporate contingencies set aside for potential city centre redevelopment costs as well as pay inflation in line with Living Wage Foundation rates.

PUBLIC HEALTH BUDGET MONITORING AS AT 30 SEPTEMBER 2016

Purpose of the Report

1. To report on the 2016/17 Public Health grant spend across the Council for the month ending 30 September 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 6 the overall position was a forecast underspend of £302k which is summarised in the table below.

Portfolio	Forecast Full Year Expenditure	Full Year Expenditure Budget	Full Year Variance as at M6	Full Year Variance as at M5	Movement from Prior Month
CYPF	17,981	17,981	0	0	0
COMMUNITIES	12,310	12,387	-77	-47	-30
PLACE	2,652	2,783	-131	-101	-30
DIRECTOR OF PH	2,069	2,163	-94	-82	-12
Total	35,012	35,314	-302	-230	-72

5. Key reasons for the forecast under spend are:
    - CYP forecast to budget.
    - £77k underspend in Communities mainly due to reduced spend in Mental Health Commissioning contract activity.

- £131k underspend in Place mainly due to employee reduced spend to budget. Forecast also includes funding for posts and smoke free initiatives.
- £94k underspend in Director of PH due to reduced spend around GP health checks.

6. Key Reason for month on month changes are:
   - £30k improvement in Mental Health Commissioning. Specifically, reduced spend against Older People and Partnership Contracts. However, these contracts are demand led so there is a possibility that costs will increase in the future.
   - £30k improvement in Place due to additional funding for post built into the forecasts. Also, additional funding identified from SWYPT for smoke free initiatives.
   - £12k improvement as a result of continuing underspends on GP Health Checks. In addition, there is anticipated savings as a result of unfilled vacancies.

HRA BUDGET MONITORING AS AT 30 SEPTEMBER 2016

Purpose of this Report

1. To provide a summary report on the HRA 2016/17 revenue budget for the month ending 30 September 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 6, early indications suggest an improved full year outturn position of £4.1m. As such, the funding contribution to the capital investment programme will be revised from £13m to £17.1m (shown in the table below). 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.
6. Main areas contributing to the outturn include a net increase in income of £382k primarily as a result of a reduced level of bad debt provision offset by a higher turnover of vacant properties; a reduction in other income of £202k; a reduction in overall running costs of £2.8m and a reduction of £623k 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	(147,132)	(146,750)	(382)
2.OTHER INCOME	(6,322)	(6,524)	202
3.HOMES-REPAIRS & MAINTENANCE	32,437	32,870	(433)
4.DEPRECIATION-CAP FUND PROG	39,436	39,436	-
5.TENANT SERVICES	50,019	52,855	(2,836)
6.INTEREST ON BORROWING	14,507	15,130	(623)
Total	**(17,055)**	**(12,983)**	**(4,072)**
7.CONTRIBUTION TO CAP PROG	17,055	12,983	4,072

Community Heating

7. The budgeted position for Community Heating is a draw down from Community Heating reserves of £293k. As at month 6 the forecast position is a contribution to reserves of £86k, an improvement of £379k.This is mainly due to 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	(2,842)	(2,723)	(119)
Expenditure	2,756	3,016	(260)
Total	**(86)**	**293**	**(379)**

Housing Revenue Account Risks

8. 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 2 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 50% of the Business Rates collected (the Central Share) and uses this to finance grant allocations to local authorities. The Fire Authority receives 1% and the Council retain the remaining 49% as below.
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	-100.3	-181.6	-1.7
Business Rates Locally Retained	-106.6	-62.5	-104.8	1.8
TOTAL	**-286.5**	**-162.8**	**-286.4**	**0.1**
RSG/Business Rates Top Up Grant	-119.7	-59.9	-119.7	0.0
TOTAL	**-406.2**	**-222.7**	**-406.1**	**0.1**

4. As at the end of Quarter 2 the Collection Fund is forecasting an overall deficit of £0.1m made up of a £1.7m surplus on Council Tax and a £1.8m deficit on Business Rates.

Council Tax

5. The forecast year end Gross Income chargeable to dwellings is £0.8m over budget due to a growth in the Council Tax Base (CTB) forecasts.
6. Exemptions and reductions are currently £3.9m under budget year to date however it has been prudently forecast that this will drop to £1.0m under budget by year end. The forecast year end position is primarily due to a decrease in exemptions of £0.7m.

Business Rates

7. The year to date position for Gross Rates Income Yield shows a surplus of £3.9m, with a surplus on Reliefs, losses on appeals and losses on collection of £3.0m. Whilst this would be a healthy position to be in at year end, there are still 2 further quarters to go. Analysis of trends has identified there will be forecast deficits on appeal losses of £4.2m and Reliefs of £0.6m. The forecast deficit on Reliefs is mainly attributable to the award of £0.9m empty property relief to a large printing business which had gone into administration, along with a number of sundry void properties.

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 Office Agency (VOA) has prioritised the Revaluation over settling appeals and so the backlog has increased. This led to very few appeals being settled in quarter 1, 2016. The VOA indicated that there would be a concerted effort to clear appeals following the finalisation of Revaluation data and this has been demonstrated by a significant increase in settled appeals in Q2. With this in mind and following conversations with the VOA, it is deemed prudent to increase the year end forecast for losses on Appeals.

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	-264.3	-262.4	-2.0
LESS Estimated Reliefs	37.1	35.3	37.7	0.6
Transitional Relief	0.0	0.2	0.3	0.3
Losses on Collection	2.0	1.8	2.8	0.8
Losses on Appeals re Current Year Bills	3.4	3.0	6.6	3.2
Increase (Decrease) due to appeals / bad debt provisions	0.0	0.0	1.0	1.0
Net Collectable Business rates	**-217.9**	**-224.0**	**-214.0**	**3.9**
Appropriation of net business rates:				
48.9% Sheffield City Council	-106.6	-109.6	-104.8	1.8
1.0% SY Fire Authority	-2.2	-2.2	-2.1	0.1
49.5% Government	-107.8	-110.9	-105.9	1.9
0.6% Designated Areas	-1.3	-1.3	-1.2	0.1
Total SCC Appropriations	**-217.9**	**-224.0**	**-214.0**	**3.9**

Gross Rates Income Yield

9. The Gross Business Rates Income Yield has, to date, increased £3.9m compared to total budget. This is significantly over the budgeted position and to be prudent has been forecast to achieve a £2.0m surplus by the year end. There are still a number of properties due to enter the ratings list in late 2016/17 that could raise the yield further.

10. Another potential factor affecting gross yield and carried over from 2015/16 is the ruling on health centres which led to a reduced rateable value for all health centres across the country. This had a significant impact last year as the first tranche of refunds were paid. The remaining health centres have not been settled to date, however these have been provided for in the appeals provision and should not have a significant impact on the overall appropriations.

Reliefs and Discounts

11. Most reliefs and discounts are generally awarded in full at the point of billing at the start of the year. The total level of reliefs awarded to the end of quarter 2 amounts to £35.3m which is £1.8m below the £37.1m in the budget. These are expected to rise to £37.7m by year end.

12. The most significant variation is in relation to Empty Property Reliefs, Discretionary Relief and Mandatory Charity Relief. The Empty Property Relief is currently £0.6m over budget with 6 months of the year remaining. This is primarily due to a large printing business which had gone into administration and a number of other properties that have recently become vacant. A further £1.5m has been prudently forecast to be utilised however it would be hoped that this is not required.

13. There is a forecast surplus on Discretionary relief due to low take-up on most schemes year-to-date. There has been no movement on these in quarter 2 and it is anticipated there will not be significant further take-up before the year end.

Reliefs	Budget 2016/17 £m	Year to Date £m	Forecast Year-End Outturn £m	Variance £m
Small Business Rates Relief	5.4	5.7	6.0	0.6
Mandatory Charity Relief	21.6	20.3	20.9	-0.7
Discretionary Relief	1.8	0.4	0.4	-1.4
Empty Property / Statutory Exemption	7.9	8.5	10.0	2.1
Partly Occupied Premises Relief	0.3	0.2	0.2	-0.1
New discretionary reliefs	0.1	0.2	0.2	0.1
	37.1	**35.3**	**37.7**	**0.6**

Appeals

14. Appeals are notoriously difficult to forecast due to the lack of available information. The 2016/17 Council budget anticipated £3.4m of refunds in year resulting from appeals. This was based on historical trend analysis.

15. Losses on Appeals/ Increase in appeals provision are anticipated to be £4.2m over budget by year end. The levels of refunds currently granted stands at £3.0m for the first two quarters 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 although there is the potential for a late surge in appeals as it will be the last opportunity under the 2010 Rating list. 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. There has been some movement on the settling of Health Centre appeals however there is still a further £3.1m expected to be paid out. 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 to account for this.

Conclusion

18. Whilst the forecast position of a £0.1m deficit on the Collection Fund is not overly concerning, there are significant issues that could impact on this during the next 6 months. With regards to business rates, the length of time taken to settle outstanding appeals in conjunction with the 2017 revaluation process could see either an increase in the appeals provision or an increase in the losses on appeal. If the forecast numbers of business premises do come on line in the second half of 2016/17, this could improve the situation. Council tax is forecasting a surplus of £1.8m which could improve more if the forecast increase in reductions and exemptions is not witnessed.

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. This risk is exacerbated by the uncertainty created by the EU referendum decision. 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 September 2016, there were over 1500 properties with a rateable value of approximately £210m 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 £210m 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.

8. The draft list for the 2017 Revaluation highlights significant changes for a number of hereditaments within the city. The overall Rateable Value of the city has increase by £2.5m however within that; there are a number of increases and decrease in value. One of the largest increases relates to Virgin Media and they will see a significant rise in their RV. Given that they are already appealing their place on the local list, there is the potential for them to be removed from the Sheffield list altogether which would result in a drop in our Rateable Value. We are in regular communication with the Valuation Office to determine the result of any appeal and will lobby DCLG for further top-up grant should Virgin Media be transferred out of Sheffield

<u>Implementation of savings proposals</u>

9. 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

10. 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.

11. 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.

12. The Council's financial position is significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility and will require close monitoring and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

13. 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

14. 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.

15. 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

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

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

External Funding

18. The Council utilises many different grant regimes, for example central government, Sheffield City Region 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.

19. 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.

20. 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.

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

Treasury Management

22. 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.

23. As part of the 2017/18 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

24. 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.

25. 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.

26. As part of the 15/16 and 16/17 savings challenge, we have undertaken a small number of early payments to some of our 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

27. 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 to be completed until at least 2022. 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 reviewed 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

28. 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.

29. 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.

30. 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.

31. 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

32. 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.

33. 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 Risks

2016/17 Revenue Budget savings

34. 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.

35. 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.

36. 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.

37. The Council has entered into a 25 year contract with Amey to maintain and renew the public highway. Part of this work involves the replacement of trees which are damaging the pavement with new varieties which are more suitable to a roadside location. The Council has successfully defended a legal challenge on the application of its policy. It has agreed a revised policy in respect of the removal of trees involving some public consultation. The hiatus in the programme caused by the legal action and potential subsequent delays during the consultation could make the Council vulnerable to substantial additional charges from the contractor.

38. The Month 6 forecast shows that up to £1.7m of the 2016/17 budget saving initiatives in Development Services (£1.1m on the Streets Ahead contract) had not been achieved. These will roll forward to 2017/18 as part of the base budget and create an immediate pressure in that and future years unless a sustainable mitigating cost saving can be identified.

Housing Revenue Account Risks

Housing Revenue Account (HRA)

39. 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

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

Housing Regeneration

41. 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

42. 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

43. 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 a further

£1.1m on top of the £1.0m additional approved grant by Cabinet in September. 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

44. 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.

45. 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

46. 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. The latest estimate of the gap is a maximum of £20m in 2018/19 after mitigating action. In subsequent years it expects to receive sufficient funding to repay the cash flow by 2020/21.

47. In the event of a change of government policy which reduced the financial support available to local authorities' capital programmes, the Council would very probably be faced with a greater affordability gap in

the schools' capital programme than as already been identified above requiring it to contribute its own capital resources.

48. The Council already faces pressure to maintain the condition of the school building estate so there is a limited opportunity to divert funds earmarked for maintenance to support the school place expansion programme. The Council has taken steps to minimise this exposure by challenging the construction industry to build to a specific cost target against Education Funding Agency standards, and, matching the provision of some 16 – 18 year places to demand..

CAPITAL PROGRAMME MONITORING

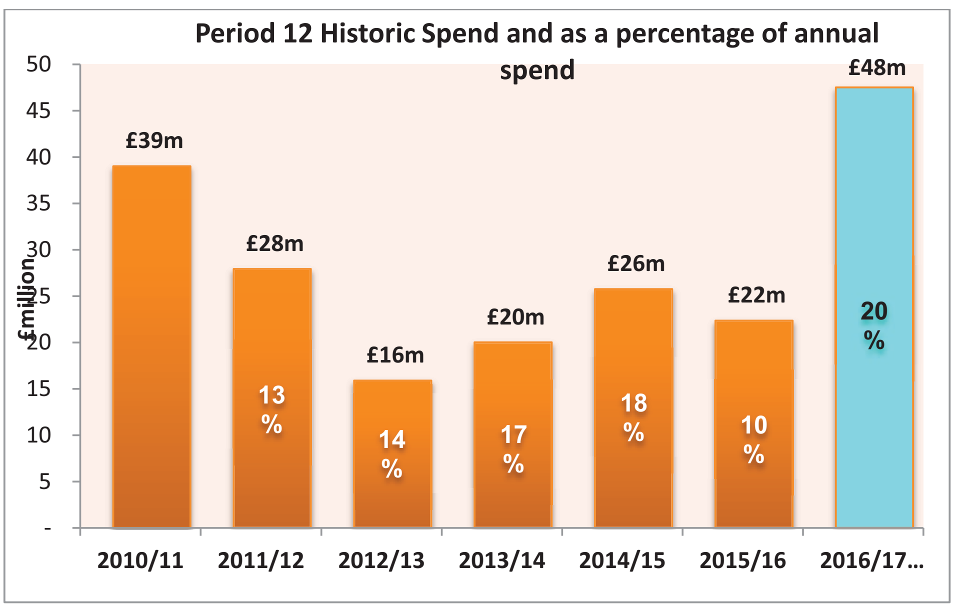
AS AT 30 September 2016

Summary

1. The forecast for 2016/17 has decreased by £5.1m on the Month 5 forecast to £236.3m. The Approved programme budget is £250.2m, a difference of £13.8m. This represents a slippage rate of 5.5% which is up from 3.4% at Month 5. The majority of the difference is in the Housing programme which is forecasting an underspend of £9.0m arising on acquiring or building new council housing stock and refurbishment of existing properties.

2. The table at paragraph 4 below shows that at Month 6, the year to date spend is £19.8m (21%) below programme reflecting further £9.7m of slippage in the last month primarily in Housing (£6.2m) and Place (£2.5m).

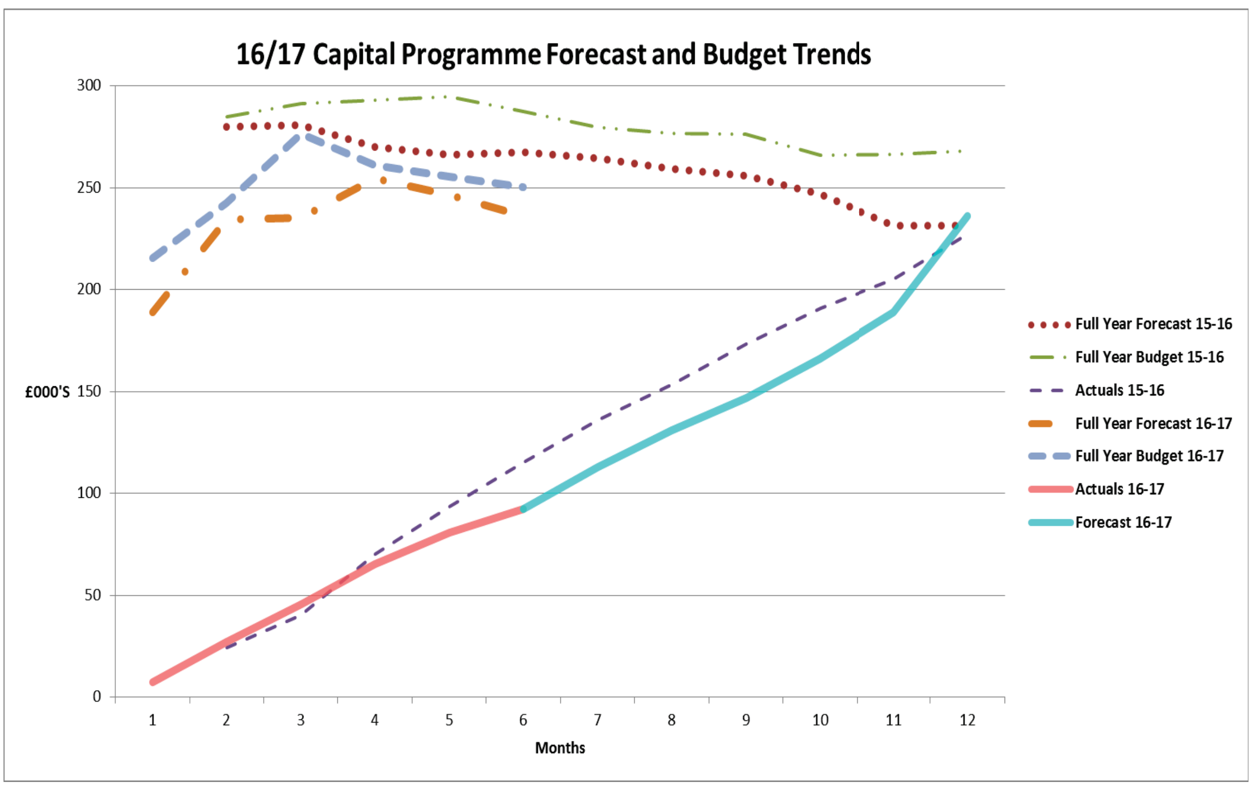
3. The chart at paragraph 5 shows that capital programme spend rates in 2016/17 are slipping behind those seen in 2015/16 when the Outturn was £232m. The current forecast is £236.3m and predicts the largest Month 12 spend seen in the Capital Programme since monitoring was introduced in 2010-11. Extrapolating current spend rates, and assuming all £1m+ projects deliver the current forecast, the Outturn will probably be about £225m. However, the rate of increase required looks to be very optimistic and a figure in the £200m - £210m looks more likely at this stage.



4. 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	11,816	15,972	(4,157)	25,895	27,679	(1,784)
Place	23,517	26,954	(3,437)	63,754	65,848	(2,093)
Housing	35,105	44,717	(9,612)	91,929	100,919	(8,989)
Highways	4,572	5,518	(945)	11,830	10,083	1,747
Communities	36	70	(34)	361	325	36
Resources	1,273	2,888	(1,616)	12,950	15,716	(2,766)
Corporate	16,180	16,180	0	29,582	29,582	0
Grand Total	**92,500**	**112,300**	**(19,800)**	**236,301**	**250,150**	**(13,849)**

5. Forecast trends



6. Capital Programme

	2016-17 £m	2017-18 £m	Future £m	Total £m
Month 5 Approved Budget	255.2	208.2	267.7	731.2
Additions	2.5	0.7	0.0	3.2
Variations	-3.7	-0.5	-0.1	-4.4
Slippage & Acceleration	-3.9	0.2	3.7	0.0
Month 6 Approved Budget	250.2	208.6	271.3	730.0

The programme remains largely unchanged at £730m.

PROJECT MANAGEMENT

7. From the start of this year the Council has introduced an improved system of reporting and monitoring project delivery which collects in one place, all project highlight reports which are accessible to all users.

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

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

9. The Top 20 projects in the Capital Programme accounts for 67% of the current 2016/17 budget. The key **forecast variances** from Budget at Month 5 include:

- Housing programme is forecasting to be £9.0m below budget by the year end. Two appointed contractors on the new Build Housing Phase 2 (£4.5m) and Obsolete Heating (£3.7m) projects have gone into administration causing a delay whilst the work was reprocured. The New Build project spend will be re-profiled in December;

- Place programme is forecast to be £2.1m below budget principally due to 2 projects. The Lower Don Valley Flood Defence project is forecasting £1.4m slippage. This is a novel and complex project with multiple interventions along the river and has been very difficult to forecast the rate of spend and progress. The Sheffield Retail Quarter is also forecasting £1.2m (4%) of slippage.

- The Highways programme is forecasting to be £1.7m above budget due to further contaminated land costs associated with the construction of the BRT North link. This report seeks approval at **Appendix 6.1** for a further £1.1m to complete the project;

- The CYPF programme is forecast to be £1.8m below Budget of which £1.5m is due to anticipated final costs being below the approved budget on 5 projects offset by a potential overspend at Hallam. £0.3m of the £0.7m work at Aldine House Secure Unit is forecast to slip into 17/18 following a re-design of the accommodation.

Year to date variance

- Of the £10.1m year to date variance, £3.7m and £3.4m is on the Schools and Housing programmes respectively. In the Schools Condition programme, £1.2m is due to anticipated cost savings on projects which have been procured at a lower cost. The remaining variance is on approximately fifteen schemes each of which are £0.1m to £0.2m behind budget.

- In Housing, which is £9.6m behind budget at Month 6, a slow start by the contractor on the Kitchen and Bathrooms refit programme plus lower levels of work required to the initial homes has left this programme £1.9m behind the planned profile. The Council Housing Acquisitions and Repairs programme is £2.9m behind plan because there have not been suitable properties coming onto the market to acquire. £1.8m of the Sock Increase project is to be re-profiled into future years as part of the overall management of the HRA Budget. Heating and New Build projects are £1.8m and £1.4m behind plan respectively.

- Resources Capital programme is £1.6m behind with several projects each recording a £100k - £150k of slippage.

Risks

10. A number of school expansion programmes are being brought forward for approval in this report in order to provide the required number of places for children already in education. This will require the Council to spend in advance of receiving from central government the funding for these places. Without any mitigation this funding gap could peak at approximately £30m in 2018/19 on the basis of the current build programme and known/estimated costs.

11. The Council has taken steps to minimise this exposure by challenging the construction industry to build to a specific cost target against Education Funding Agency standards, and, matching the provision of some 16 -18 year places to demand. As part of this work a target of a maximum gap of £20m has been set.

12. Assuming there is no change in the current education funding regime, no further significant building expansion beyond that reported to Cabinet in February 2016, and no significant structural loss or defect in the existing school estate, this funding gap would be eliminated by 2020/21. The risks surrounding capital funding for the Schools programme are discussed in more detail in **Appendix 5**.

13. There are two projects where the anticipated final costs are at risk. On the Lower Don Valley Flood defences, the unknown workload and novel nature of the design creates an inherent risk of overspend. This project is grant funded promising specific outcomes which could lead the Authority exposed to claw back or putting in its own funds if further Flood Defence grants cannot be secured.

14. The BRT North project is forecast to further overspend by up to £1.1m on the last approved amount. The Authority will fund that using future Community Infrastructure Levy income and from litigation against parties alleged by the Council to be at fault.

Approvals

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

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

- 11 additions to the capital programme with a net value of £259k:
- 13 variations to the capital programme amounting to a net increase of £1.5m;

- 2 revised Procurement Strategies; and
- 1 slippage requests of £29k; and

Further details of the schemes and grants listed above can be found in **Appendix 6.1**

Scheme Description	Approval Type	Value £000	Procurement Route
THRIVING NEIGHBOURHOODS AND COMMUNITIES			
GREAT PLACE TO LIVE :-			
Highways			
BB Sheffield Gleadless KBR (Better Buses) To implement traffic improvement measures which together will significantly reduce journey times for buses and other traffic, bringing about major improvements to bus timetable reliability. Increased bus use will have a secondary benefit of reducing queues for other traffic. The current approved budget for this scheme is £381k Costs from prior phases still to be met are £39k+£60k = £99k The next phase of works for the Gleadless Road scheme to construct a section of inbound bus lane on Blackstock Road, allowing buses to reach the head of the queue at Gleadless Road/Blackstock Road junction and, via a give way use gaps in traffic to bypass the existing traffic signals without affecting the signal timings. The costs will be within the £620K shown on the bill of quantities. The final fees and other costs are estimated at £35K made up of SCC project management costs (including HMD fees of £15k) of £25k and Amey fees £10k £620k Construction + £35k Fees = £655k Therefore costs in 16/17 will be £99k + £655k = £754k A budget increase of £754k-£380k = £373k is therefore requested for 16/17 17/18: £18k refund from statutory undertakers has been forecast as a contingency in	Variation	391 (16/17 373 17/18 18)	Covered by Schedule 7 under the Highways PFI Contract

2017/18 post scheme completion on site Funded by Better Buses 2			
BN962 Bus Agreement/Bus Hotspots Change of scope due to less Better Buses grant awarded for 16/17 than expected. To improve bus journey times and journey time reliability, thus helping as part of a package of measures to achieve the Councils corporate priority of achieving a target of a 2% increase, annually, in bus patronage. Design and construct a scheme to improve 6 bus stops along Dykes Hall Road from Middlewood Rd to just past its junction with Ben Lane. Bus stop boxes will provide ‘passing places’ enabling all traffic to move more smoothly along the road and enabling buses to pull in right to the boarding point, where raised kerbs and tactiles will enable all users to board the vehicle. **Funded by Better Buses and Local Transport Plan (LTP)** Funding approved by Better Buses and LTP will actually reduce the current approved SCC budget: The current approved budget for this scheme is £776k Estimated costs 16/17: Scheme Development/Implementation £25k Design and Construction £300k Total £325k Estimated costs for 17/18: Development, Design and Construction £225k	Variation	-226 +11	Covered by Schedule 7 under the Highways PFI Contract

A budget reduction of £776k-£325k-£225k = £226k is therefore requested N.B. Added is the allocation from the Danger Reduction Scheme for RS Audits £4k and Programme Mgt Costs of £7k = £11k **funded by Local Transport Plan (LTP)**			
Safety Camera Digital Upgrade Reprofile of costs including £29k into 2017/18 To replace all the “wet film” safety cameras in South Yorkshire with digital cameras. The installation includes 26 speed cameras, 6 red light cameras, and associated camera housing installations with appropriate data communication connections. Delays in the project have been due to: -Contractor not following appropriate highways works procedures - Poor service from utilities contractor to provide the telephone lines needed - Contractor was appointed in November 2014 but project approval wasn't given until April 2015 which meant Contractor resources by then were split between a similar project in Rotherham and this one. In discussion with the Contractor the programme needed going forward has been agreed and this includes some costs slipping into 17/18. Total cost of the project remains at £820k Funded by £87k Local Transport Partnership (LTP) and the rest from South Yorkshire Safer Roads Partnership as a revenue contribution to capital (N.B. acceptance of the grant not approved yet)	Slippage	-29	n/a
Housing			
Electrical Upgrade Project The Council Housing Service owns and maintains just below 41,000 dwellings and must maintain the electrical safety of residents both to tenant’s homes and to external and	Addition	27,116	YORBuild Framework 2

communal areas. We are required keep pace with standards that are implemented through industry legislation. This Project is for electrical improvement work to dwellings. Work to the external & communal areas will be the subject of a further business case/s. This submission sets out a budget plan for the period 2016-21 to meet the recommendations of the National Inspection Council for Electrical Installation Contracting (NICEIC) and other industry recommendations and provide some enhancements for tenants to over 24,000 dwellings in this 5 year period. A further Business Case will be presented in future years to complete the programme to the remaining 16,000 to 17,000 dwellings.

The aim of this project is to bring all properties over time up to a **modern day electrical standard**. This programme will include the following:

- Install Isolation Switch (where necessary)
- Carry out an initial periodic condition test and report
- Replace consumer units (where necessary only) to provide improved RCD protection and safety for residents
- Address Category 1, 2 and 3 issues identified by the periodic test
- Ensure earth bonding is adequate (where necessary)
- Install earth wiring to lighting circuits (where necessary)
- Install additional sockets and / or improve the spread of sockets
- Install Hard Wired Smoke alarms
- Install Carbon Monoxide Detectors – risk based approach
- Install external lighting to houses, bungalows & flats (where no communal lighting presently)
- Carry out a final periodic test (if further work carried out) to verify all electrics are operating correctly

The average cost per dwelling has been estimated as £1.2K but until the programme commences it is difficult to provide accuracy regarding this. See Table A below. The tender documents will be written in such a way so as to not overstate the work content if it transpires to be less.

Table A - Electrical Upgrade programme - Overall Cost of Work to 41,000 dwellings

The table below shows the cost of the whole scheme if carried out to all 41,000 dwellings. This Business case covers the first 24,000 dwelling only

Type of Work	% of stock (41,000) requiring work	Estimated Number of properties
Isolation Switches	60%	24,600
Consumer Unit	25%	10,250
Category 2 & 3 Repairs	70%	28,700
Earth Bonding	5%	2,050
Earth Wiring to lighting circuits	15%	6,150
Additional Sockets / spread of sockets	60%	24,600
Hard Wired Smoke Alarms	75%	30,750
Carbon Monoxide Detectors	10%	4,100
External Lighting	60%	24,600
Additional Testing	100%	41,000
Average Cost		Total Cost

Planned Capital Expenditure

Year	1:2016/17	2:2017/18	3:2018/19	4:2019/20	5:2020/21	Total
CDS & Finance Fees	£33,600	£34,000	£34,000	£34,000	£34,000	£169,600
Works	£766,400	£7,831,666	£6,831,666	£6,831,666	£4,684,922	£26,946,320
Total Capital Cost	£800,000	£7,865,666	£6,865,666	£6,865,666	£4,718,922	£**27,115,920**

The Programme will be funded by The Housing Revenue Account. A block provision of funding has been included in the existing Capital Programme and will be reduced in line with this approval.

The principal outcome of this project is that the Housing Service will be adhering to recommendations of the NICEIC and remedying the findings of the periodic electrical test.

Homes will be safer for residents by providing a better distribution and increased number of electrical sockets removing the need for trailing cables and extension boxes. Homes will be more secure e.g. external lighting will reduce burglary and hard wired smoke alarms in homes at risk will improve escape in the event of a fire. Carbon Monoxide detectors where applicable will further enhance safety.

The number of Electrical Responsive repairs should reduce as the testing programme will be more frequent and issues could be dealt with on the Electrical Upgrade programme. Repairs will be less costly using the upgrade project as opposed to the responsive repairs programme as the work can be planned at lesser cost through the outsourced contract.
Two contractors are to be selected by using YORBuild2 Framework by selecting the highest scoring contractors from a mini competition.

Electrics (CHS) This reduction is to draw down funds for the Electrical Upgrade project as detailed above.	Variation	-27,116	N/A
Programme Management The council currently pay £5.4m per year under the terms of a long standing legal arrangement with Places for People (PfP) Housing Association (formerly UKHT), to provide social rented housing in the city. This has previously been funded from General Fund Revenue budget. The payments are used by the HA to finance a bond issued in 1995 for 25 years, the bond consolidated the refinancing of the previous funding agreement relating to the building of the properties. The agreement gives the Council 90% nomination rights over the properties. This is a one off payment for 2016/17, £2.7m payable in Sept 16 and £2.7m in Feb 17. Future year's payments will be dependent on other funding options and will be subject to Executive Director consultation. The £5.4m PfP payment is funded from Housing Capital Receipts. The PfP payments are made under the provisions of Section 24 of the Local Authority Govt Act 1988.	Variation	5,400	N/A
New Build Council Housing Phase 1 The New Build Council Housing Project aims to build 90 new Council homes for Affordable Rent, to meet commitments in the HRA Business Plan. This variation is to increase the original budget of £7.475m by £365k. Principal cost increases relate to services and utilities: £190k in total, largely due to diversions and relocations previously not thought to be required. Contract variations have also been required for: enabling sprinkler systems (£86k) and post-handover security costs (£25k). Commuted sums for highways and open space maintenance that were not identified during the Planning process total £62k. Other miscellaneous costs arising during the construction process bring the total budget increase required to £365k. The additional cost is funded by the Housing Revenue Account by reducing the allocation to future Housing stock increases.	Variation	365	N/A
Stock Increase Council Housing This submission is to reduce the 2016/17 budget allocation by £365k and allocate it to 97552 New Build Phase 1 due to an increase in costs to the New Build Phase 1 scheme as detailed above in New Build Council housing Phase 1.	Variation	-365	N/A

21a Creswick Street Conversion This property is a ground floor property which is part of a 2 storey block of Mod-type flats on the Langsett estate. There are 5 other 1 bedroom flats within the block all of which at the time of writing this report are let. It has been used in the past as a meeting room and more recently as a mess room/store for Estate Officers who vacated it in March 2015. There is now no requirement for a meeting room or store in this location and no other appropriate use has been identified for the property in its current format. An options appraisal for the property shows it can be converted to a 1 bedroomed flat and refurbished to a Decent Homes standard for an initial cost of £29k. The other 1 bedroom properties in the block are all currently let and they generate a weekly income of £68.90pw and £3k annually. Consultation has been carried out with the Vacant Management Unit and the Access to Housing Team which indicates that there is a healthy demand for this type of property in the area. The last two similar properties marketed on the estate generated an average of 66 bids per property. This project is funded by HRA with the initial investment being paid back after year 11. This is a small works contract and therefore ideal for competitive tender amongst local contractors.	Addition	29	3 Quotes from Sheffield –based contractors
Essential Investments (CHS) This is to draw down the funding for Creswick Road detailed above	Variation	-29	
Parsons Cross Park Entrance Parson Cross District Park is owned by the Council and identified as one of 10 green spaces in the city's suburbs that are underused, have poor linkages to the surrounding neighbourhoods and are threatened by reducing maintenance budgets. Despite significant investment in the area in recent years to the South and West of the park (the District Centre and new housing) there is no formal entrance on this side. Through the Planning consultation and approval process, the design and layout of the	Addition	12	N/A

Sheffield Housing Company (SHC) new housing at Falstaff and its landscaping has created routes that lead to a new entrance to serve these developments. They are also required to undertake the works to create the entrance.
As 'Conditioned' through the Planning process SHC will enhance the entrance by providing Public Art Entrance Markers

The proposal, is to use £12k of Public Art Section 106 monies (balance from the now completed public art project in Chaucer Square) to add to the SHC project and make the entrance markers of an appropriate scale and quality allowing them to be read from the street as well as from within the development.
This request is to enable £12k of Section 106 Public Art Monies to be used in conjunction with £25k allocated by Sheffield Housing Company (SHC) to undertake public art in relation to their development at Falstaff (Parson Cross).

The project, for the total budget of £37k, to be tendered and managed by SHC. The £12k of Council monies would be paid over at an appropriate point. The appropriate use of the Council monies would be overseen by Public Art Officer, Andrew Skelton, acting as project manager for both SHC (SHC have contracted him to manage their project on a fee earning basis) and the Council. The project team will include Jonathan Ulley from the Council's SHC client team and Kate Clark form Parks and Countryside.

Expenditure	2016/17	SHC spend For info	Total For info
Fees and costs	1,400	3,700	5,100
Artist Commission and associated costs (Inc. future maintenance)	10,000	20,000	30,000
Contingency	727	1,150	1,877
Total	**12,127**	**24,850**	**36,977**

Parks			
ECB Cricket Pitches Sheffield City Council have been selected by the England and Wales Cricket Board (ECB) as one of only 4 sites for a pilot scheme of non-turf cricket pitches and the only site in the North of England. This presents a great opportunity for SCC to add to its sports provision across the city supporting the 'outdoor city' philosophy. The project will deliver 10 non turf cricket pitches at 9 sites across the city. The grant includes an allowance for a 5 year maintenance programme for each pitch minimising impact on revenue budgets. The sites are: Graves Park x 2, Bents Green, Warminster Road, Ecclesfield Park, Mather Road, Hollinsend Playing Fields, Westfield Old School Site, Don Valley Bowl, Meadowhead School The installation of the pitches will improve the public sports offering across Sheffield encouraging people to do more activity. The pitches will also improve the standard of parks and the inclusion of a maintenance programme within the grant offer will ensure the pitches are well kept and may have a positive impact on maintenance costs for the park as there will be less area to maintain. Estimated costs: Construction £72K Maintenance £50K Equipment £20K Fees £8K Total **£150K** Funded by English & Wales Cricket Board (ECB) grant (£85k) and SCC resources.	Addition	150	**Construction and maintenance**: mini-competition between 6 suppliers stipulated by England & Wales Cricket Board. **Equipment**: at least 3 competitive quotations to be invited.

SUCCESSFUL YOUNG PEOPLE : -			
School Places Expansion			
The Council has a legal obligation to provide enough pupil places to meet demand and it is proposing to construct two new schools in the South West of the city to discharge this duty.			
New 6(8) Form Entry Secondary School - South West The Council plans to construct a new 1,200 place 6Form Entry (FE) secondary school in the South West area of the city, to include space for 300 6th-Form pupils, with a future possibility to expand to an 8FE school subject to separate funding. It currently has an authorised budget of £886.2k for initial feasibility and design works and now seeks permission to move to the build stage by requesting an increase in budget of £25.7m for further design and construction works to bring the authorised sum for the design and construction of the school to £26.6m. The new school will also provide sporting facilities in the Southwest area for school and community use, with a funded 3G sports pitch separately funded by the FA. The scheme is to be completed in time for occupation from September 2018 and will be the subject of a separate approval. Traditional grass pitches are already present. The total cost has been the subject of value engineering to mitigate the pressure from recent increased market costs. It includes the treatment of contaminated land, delivering to 'BREAM Very Good' SCC planning regulation standards and supplying the first year of furniture/equipment. The scheme is to be funded from the CYPF Basic Need Block Allocation DfE Grant	Addition	25,714	Mini competition via YORbuild 2 framework
Ecclesall Permanent Expansion It will provide an additional 630 primary places, to expand and transform the existing 2 FE Ecclesall Infant school into a 3FE through Primary School. The project now seeks permission to move to the build stage following initial feasibility studies bringing the budget to £5.66m in order to provide extra places in Ecclesall and to create a through primary school of 90 places per year on the Ecclesall Infant site.	Addition	5,657	Mini-competition via Framework (YORbuild 2)

The scheme will provide a 2-storey extension, which is likely to contain 12 class bases accommodated on 2 floors, toilets, a cloaks area, hygiene room, staff room, group rooms, lift, stairs, a link corridor and additional kitchen space. Some internal refurbishment/reconfiguration to the existing school will also be carried out to create the additional spaces needed. The scheme is to be funded from the CYPF Basic Need Block Allocation DfE Grant.			
Basic Need Block Allocation Allocation of £31.3m to fund New 6(8) Form Entry Secondary School - South West at £25.7m and Ecclesall Permanent Expansion at £5.6m as above.		-31,354	
Building Condition Block Allocation This block allocation is held for works identified following a systematic review by the Transport and Facilities Management team, of building condition across the Council's schools estate. Funds are requested on a priority basis – addressing the most deserving cases first and are funded annually from a Department for Education Condition grant, with the funds being allocated out to individual projects by CYPF Commissioners. This variation seeks to add back funds to the Condition Block Allocation, totalling £904k following final cost savings from the schemes listed below, so that they can then be allocated to the next identified Condition project(s) on the list : * Pipworth Heating Replacement: £404k * Manor Lodge Heating Replacement: £261k * Rainbow Forge Heating Replacement: £239k	Cabinet	904	N/A
Pipworth Heating Replacement A general programme of building condition surveys carried out across the CYPF estate to ensure compliance with statutory requirements; ensuring emergency mechanical works are carried out in a timely manner to prevent school closures. This information is used to prioritise programmes of work that will have the most impact on maintaining buildings that are fit for purpose and prevent the closure of CYPF buildings, particularly schools. Within these programmes the data enables officers to rank buildings according to the scale and	Cabinet	-404	N/A

urgency of work required. The heating system at Pipworth Primary School had significant operational problems in 2015 and was at the end of its useful life. The system was thus identified as a priority for replacement. However, due to sudden boiler failure, Kier had to install a replacement boiler, prior to commencement of main heating programme. This variation of -£404k (32%) has arisen following the contract award to replace the complete heating/hot and cold water/incoming mains water systems. The funds will be added back to the CYPF Capital Building Condition Block Allocation as described above.			
Manor Lodge Heating Replacement This school was suffering from major structural defects and had been held as a CYPF priority for several years. The agreed scope of works proposed to be included within mandate was: □ Structural works to hall roof/windows following on from pilot scheme □ Structural works to undercroft □ Full decoration to internal hall area □ Upgrade of lighting within the hall □ Repairing a section of lifting flooring caused by damp penetration □ Repayment of school expenses attached to window replacement along the side elevation (approximately £8k) Initially the CAF indicated potential costs of £580k for the main structural scheme, but this had assumed less favourable results of mechanical, electrical and structural surveys. However, following full survey information, the designs were completed with only minimal works being required to the mechanical / electrical installations and with structural works to the existing fire escape staircase not being required. This has resulted in a final cost saving of £261k (45%) to reflect a cost revision following contract award. The funds will be added back to the CYPF Capital Building Condition Block Allocation as described above.	Cabinet	-261	N/A

Rainbow Forge Heating Replacement Following a rolling programme of building condition surveys carried out across the CYPF estate, this school was identified as a priority programme of work, having the most impact on maintaining buildings that are fit for purpose and preventing potential closure of the building. Within these programmes the data enables us to rank buildings according to the scale and urgency of work required. The heating system at Rainbow Forge had significant operational problems and was it at the end of its life when the work was commissioned. The work was thus identified as a priority for replacement. This variation of -£239k (27%) is to reflect a reduction in anticipated costs following contract award (note: the initial cost estimate provided for high expected levels of asbestos removal works, which were not ultimately required on further investigation). . The funds will be added back to the CYPF Capital Building Condition Block Allocation as described above.	Cabinet	-239	N/A
ESSENTIAL BUILDING WORKS			
Botanical Gardens Public Toilets The existing public toilets within the Botanical Gardens were installed circa 1983 and consist of a steel container converted into toilets. These are no longer fit for purpose as they do not meet current legislative requirements and are beyond economical repair. This project originally had £6k authorised for initial feasibility works to examine the options for replacement and now seeks permission to move to the build stage by increasing the budget by £105k, to cover design & construction. The work is to be funded from an agreed amount from the Corporate Resource Pool.	Addition	105	Mini-competition via YORBuild 2
Dams and Watercourses Programme This project was originally authorised to ensure that dams and watercourses are maintained to the required standard across the Parks and Countryside estate. Various sites were to be addressed on a targeted priority basis.	Variation	-92	n/a

Due to tender returns for the initial batch of work being more competitive than originally anticipated, this contract has reduced from the originally authorised amount of £250k to £157,272 and, on the advice of commercial services, a second phase scheme is to be set up (see below) to utilise the remaining budget and to be tendered via a separate procurement route to the initial work. Both Schemes are 100% funded from the Corporate Resource Pool funding, as agreed by Finance and the Resources Programme manager and the second phase works are to be funded from the savings on the first phase.			
Dams and Watercourses Phase 2 This project was originally part of an authorised scheme to ensure that dams and watercourses are maintained to the required standard across the Parks and Countryside estate. Various sites were to be addressed on a targeted priority basis. Due to tender returns for the initial batch of work being more competitive than originally anticipated, this contract reduced from the originally authorised amount of £250k to £157,272 (see above) and, on the advice of commercial services, a second phase scheme has now been set up, renamed with a 'Phase 2' suffix, to utilise the remainder of the original budget due to being tendered via a separate procurement route to the initial work. Both Schemes are 100% funded from the Corporate Resource Pool funding, as agreed by Finance and the Resources Programme manager and the second phase works are to be funded from the savings on the first phase.	Addition	92	Competitive Tender
General Cemetery Wall Repair This project was originally authorised for feasibility of £3.5k to look at the works required at the General Cemetery (off Cemetery Road) and the City Road Cemetery and Crematorium sites. Following this initial feasibility work, this variation now seeks to de-scope any potential works at the City Road Cemetery and Crematorium site and also request authorisation of a further £10k feasibility/survey work at the General Cemetery site. The total cost of the works, to be requested at a later date, which will address the collapse of	Variation of scope and value	10	n/a

a wall at the General Cemetery and put in place temporary measures to make the wall secure, is estimated at £140.35k. The work is to be funded from an agreed amount from the Corporate Resource Pool.			
Broomhill Library Re-roofing The building in which the library is currently housed dates from the late 1800's. A technical assessment of the condition of the roof has concluded that the most cost effective solution is to re-roof the building. This request is therefore for a change of scope from the purchase of new land for a possible rebuild, to facilitate a roof replacement in order that the scheme may progress on the existing site. The library service is run by a volunteer group and is designated as an independent library. The building is let to the group on a co-delivered basis. The Council retains the freehold of the building. The procurement route for this project will be to utilise an existing contract for the provision of roofing services. The works will be funded from the Corporate Resource Pool.	Cabinet	(variation of Scope)	N/A
STRONG ECONOMY			
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 £34.1m in July 15. The project is currently forecast to overspend by a further £1.04m over and above the last approved position bringing the overall increase on the original total project budget to £8.5m. 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: • Unforeseen asbestos in stockpile £500k • 4 weeks further delay as a result of achieving the completion £155k • Service slab 7 amendments - 3 weeks delay £150k	Variation	1,036	N/A

• Various minor Project Manager Instruction's totalling £110k • Claim for disruption, additional Network Rail costs and bearing costs £85k • Costs to achieve the Opening date (acceleration / overtime) £50k (in order to meet the service commencement date & the ERDF funding deadline) • Temporary Barriers and road restraints (Meadowhall Way Bridge re-design) £50k 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 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. The additional cost will be funded from the Community Infrastructure Levy in line with the funding strategy previously approved by Cabinet.			
STAGE APPROVALS:-			
PROCUREMENT STRATEGY			
THRIVING NEIGHBOURHOODS AND COMMUNITIES			
Housing			
Adaptations Works (Council Housing) The option to extend the existing Adaptations Works Contract was activated in 2016 and this Contract is due to expire on 31 March 2017. Consequently, there is a requirement to re-procure a new Contract to commence from 1 April 2017. The works comprise upgrading			Mini-competition via YORbuild 2 Framework

existing, or installing new, Level Access Shower (LAS) adaptations and such works could include door widening and door replacement, folding door / room dividers, new or separate WC rooms, shower cubicles in domestic social housing and private sector properties, including houses, bungalows, flats, maisonettes, tower blocks or sheltered housing. Provision will be made within the Tender documents for the potential inclusion of works at Private Sector Housing, financed by the Disabled Facilities Grant (DFG) regime.			
Licenced Asbestos Removal to Capital and Repairs & Maintenance Contracts (Council Housing) The option to extend the existing Asbestos Removals Contract was activated in 2016 and this Contract is due to expire on 31 March 2017. Consequently, there is a requirement to re-procure a new Contract to commence from 1 April 2017. This Contract will appoint a licenced asbestos remover to carryout removal works on Repairs & Maintenance, Voids and to support future capital programme works. They will undertake planned removal of licensed Asbestos Containing Materials (ACM's) that pose a hazard to residents in line with the Asset Management Plan. This will effectively manage medium risk asbestos materials that are showing signs of deterioration as per the Asbestos Management Policy. This contract will support the Insourced service who do not have an asbestos licence			Competitive Tender
DIRECTOR VARIATIONS / FEASIBILITY APPROVALS:- (Note only)			
SUCCESSFUL YOUNG PEOPLE : -			
Halfway Infants Mobile Replacement This project was originally authorised to provide a mobile replacement unit at Halfway Infants School. This variation was to authorise an additional £11k required to meet the cost of the external works. The work is to be funded from the CYPF DfE Basic Need Grant.	Director Variation	11	n/a
Basic Need Block Allocation Allocation of £11K to fund Halfway Infants Mobile Replacement as above.	Director Variation	-11	n/a
Thriving Neighbourhoods and Communities			
Grave & Millhouses Tennis Courts The proposal at Graves Park is to resurface and renovate a block of 5 tennis courts (that are	Director Variation	8.5	n/a

currently in poor condition) and to remove and landscape the remaining 3 courts. This improvement will also include works to the perimeter fencing and retaining walls. Millhouses Park has 6 full size tennis courts and 2 mini courts. The proposal is to renovate and resurface 4 tennis courts and deep clean and re-paint the remaining 2 full size courts. No work will be done to the mini courts. Following tender the project has come in within budget however some additional funding is required for works to the retaining wall at Graves and for a safety fence, this has now been secured from the Cobnar Cottage receipt: Charities Commission approval has been received for this additional £8,500 and for the £17,857 part funding of the original project scope. The rest of the project is funded by S106 allocated as part of the Parks Programme and Lawn Tennis Association funding of £84,684 (see appendix 2) Original Total Project Cost: £144,501 New Total Project Cost: £153,001			
Public Rights of Way (PROW) The 2016/17 PROW improvement programme has attempted to take a balanced view of delivery across the whole of the PROW network, but it has been predominantly targeted at more urban locations in order to improve local accessibility and promote the uptake of walking and cycling to jobs, training / learning opportunities as well as leisure / business / retail. It does also contain improvements to well used and loved locations on the urban fringe such as the Easy Going Trail at Wire Mill Dam – Forge Dam and the Limb Valley. In assembling the year's programme, all known potential schemes and requests are considered and are consulted on and prioritised with the Local Access Forum, where representatives from the full range of Access and Conservation Groups can give their views	Variation	-7	Best of at least three quotes split into 3 areas as agreed with Commercial Services

Project Design and Management costs are **£25K** and Construction costs are **£88k**: a) Rural Unbound Surfacing Package £15k Limb Valley Footpath & Rainbow Avenue Footpath b) Tarmac Surfacing Package 1 £38k Pack Horse Lane, Thorncliffe, & Whitely Woods c) Tarmac Surfacing Package 2 £23k Mansfield Rd, Delves to Subway, Delves to Moss Way, & Victoria Rd Beighton d) Contingency £12k Total cost 25K+88K = £113K The current approved budget for this scheme is £120K A budget reduction of £120K-£113K = £7K is therefore requested **Funded by £80K Local Transport Plan (LTP) & Camera Enforcement income**			
Blackburn Valley Cycle Route To reduce traffic congestion and improve air quality by providing a range of high quality travel choices to reduce the number of single occupant vehicles on the roads particularly at peak times, and encourage active travel A key element of the solution to achieve these aims is to build cycle infrastructure to an exceptional standard and to complete consistent routes. The Blackburn Valley route forms part of the strategic network from residential areas to employment, education, leisure and other trip generating sites/ locations in around Junction 35A business parks, Smithywood business park, Lower Don Valley, Chapeltown, Ecclesfield and Wincobank. This is phase 1 which covers:	Variation	4 +12	Strategy approved April16 Amey core works

• Construction of Phase 1 cycle track between Butterthwaite Lane and Loicher Lane, incl. the refurbishment of Loicher Lane Bridge **£296k** • Construction of Signing and lining on Loicher Lane to raise awareness of bicycle exit point to Ecclesfield **£7k** • Construction of a cycle crossing at Deep Lane/Grange Lane **£22k** • Legal fees for drawing up a Bridleway Creation Agreement (expected to be signed off by the landowner in September 2016) – construction won't begin until this is in place **£10k** • Final payment for revisions to the detailed design **£0.5k** • Project Management **£19k** Total cost £354k The current approved budget from an Outline Business Case approved at January16 CPG is £350K for Phase 1 A budget increase of £354k-£350k= £4k is therefore requested **Funded by Sustainable Transport Exemplar Project (STEP)**			

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