REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30 SEPTEMBER 2017

Purpose of the Report

1. This report provides the Month 6 monitoring statement on the City Council's Revenue Budget and Capital Programme to September 2017. The first section covers Revenue Budget Monitoring, and the Capital Programme is reported at paragraph 17.

REVENUE BUDGET MONITORING

Summary

2. As at month 6, the Council is showing a forecast overspend of £17.5m. It should be stressed that this position is prior to ongoing action by portfolios to identify savings and contain pressures. The position may be further mitigated as work continues following a review of the deliverability of saving identified in the 17/18 budget.
3. The overall Council position is summarised in the table below.

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
CYPF	79,365	68,229	11,136	⇧
COMMUNITIES	142,546	136,136	6,410	⇩
PLACE	193,547	193,671	(124)	⇩
POLICY, PERFORMANCE & COMMUN	2,355	2,463	(108)	⇔
RESOURCES	39,553	39,229	324	⇩
CORPORATE	(439,835)	(439,728)	(107)	⇔
GRAND TOTAL	**17,531**	**-**	**17,531**	⇩

4. In terms of the month 6 forecast overspend position of £17.5m, the key reasons are:

People are forecasting to overspend by £17.5m for the following main reasons:

- Learning Disabilities Purchasing is forecasting an £8.9m overspend. This is inclusive of £1.6m in pressures relating to demand growth and fee increases.
- Long Term Care Purchasing is forecast to overspend by £1.7m due to increased activity, owing to improved pathways and reduced delayed transfers of care.

- Mental Health Purchasing is forecast to overspend by £1.3m due to unachieved savings between SCC and the CCG regarding new ways of working.
- Children and Families are forecast to overspend by £10.9m. Primarily this is down to placement costs of £8m and Fieldwork Services overspending by £1.8m in increased transport costs and contact time for children in care.
- These overspends are offset by an iBCF Contribution of £5.0m. A Cabinet paper in July approved the use of this funding to offset the above care pressures.

Place are forecasting a £0.1m underspend. Overspends for slippage in savings from the Place Change Programme (£0.5m) and increase Waste Management costs (£0.4m) are offset by savings in office accommodation costs (£0.5m) and net contract savings of (£0.4m).

Resources are forecasting an increase in expenditure of £0.3m. The significant features of this position are an overspend of £0.5m on Corporate Rebates & Discounts, an overspend of £0.3m on Customer Services due to unachieved savings and an overspend of £0.1m against Business Change & Information Solutions. This is offset by a reduction of spend of £0.4m within Central Costs

Appendix 1 describes these outturn forecasts in greater detail.

Commentary

5. The main variations since Month 3 are:

People has improved by £2.2m on the Quarter 1 position. The significant movements within this are;

- A £4.9m improvement in position in Adult services due to the application of £5.0m of Better Care Funding as agreed at July Cabinet and £0.5m staff savings as a result of improved sickness management in Provider Services, offset by additional pressures relating to Home Care costs within Long Term Care of £1.0m.
- A £2.7m worsening of position within Childrens' services. This is largely due to movements within Children and Families – £2.1m of increased costs in Placements due to increased complexity of cases and £0.8m increased demand for contact time, legal fees and travel passes within Fieldwork Services relating to Children in Care. This is slightly offset an improved position of £0.2m within Business Strategy due to small improvements in a number of services areas, including the effects of the Post 16 travel policy reducing the number of travel passes purchased and increasing parental reimbursements.

Place has improved by £0.7m since the Quarter 1 report, due to relatively small forecast cost reductions across a number of service areas.

Resources and PPC have improved by a total of £0.6m. The key reasons for this are; £0.3m improvement due to a significant rebate on the agency staffing contract and £0.3m improvement within Central Costs, mainly relating to employee pension costs.

Appendix 1 describes these movements since Quarter 1 in greater detail.

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

Public Health

8. The Public Health ring-fenced grant is currently forecasting a £0.6m underspend against the original grant allocation. Further details of the forecast outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

9. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme. As at month 6 the full year outturn position is an improvement of £0.8m from this budgeted position.
10. The main areas influencing the outturn include lower than budgeted rental income, and repairs and maintenance costs including additional fire safety work and some items which may be of a capital nature. The position will be monitored throughout the year.
11. In addition to the main HRA account, there is a £16k surplus on the ring fenced Community Heating account.
12. Further details of the HRA forecast outturn can be found in **Appendix 3** of this report.

Collection Fund

13. As at the end of Quarter 2, the local share of the Collection Fund Income Stream is forecasting an overall in-year deficit of £0.5m made up of a £2.5m surplus on Council Tax and a £3.0m deficit on Business Rates.
14. Whilst the overall in year deficit is £0.5m, it should be noted that part of the deficit on Business Rates is caused by additional reliefs, announced by the Government in March 2017, for which we did not budget. To compensate us for these additional reliefs, we will receive approximately £0.6m of additional s31 grants that will feed into the General Fund balance. If these additional grants are taken into consideration then the Collection Fund is broadly balanced.
15. Further details about the Quarter 1 performance of the Collection Fund can be found in **Appendix 4**.

Corporate Risk Register

16. 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

17. The approved capital programme budget for 2017/18 is £303.8m. The current forecast outturn is £275.1m, representing £28.7m of slippage (9.4% of the approved budget).
18. Further details of the Capital Programme monitoring are reported in **Appendix 6**.

Approval Requests

19. The Place Portfolio is requesting a total of £110k funding to be carried forward into 2018/19, relating to Major Events (£50k) and the Bereavement Service (£60k).
20. **Appendix 7** provides further detail around the financial implications.

Implications of this Report

Financial implications

21. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2017/18, and as such it does not make any recommendations which have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

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

Property implications

24. 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

25. Cabinet are asked to:
    (a) Note the updated information and management actions provided by this report on the 2017/18 Revenue Budget position.
    (b) Consider for approval the request for carry forward funding in **Appendix 7.**

Reasons for Recommendations

26. To record formally changes to the Revenue Budget and the Capital Programme and gain Member approval for changes in line with Financial Regulations.

Alternative options considered

27. 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 2017

People

Summary

1. As at quarter 2, the Portfolio is forecasting a full year outturn of an over spend of **£17.5m** on **Cash Limit budgets** and an over spend of **£1.9m** on **DSG budgets**. The **key** reasons for the outturn position on the cash limit are:

Care &Support : Learning Disabilities Purchasing (forecast overspend of £8.851m):

- Purchasing LD is forecasting an over spend of £8.851m. This over spend is made up of existing client pressures and assumed pressures of £0.7m growth for the rest of the year and £0.9m fee increases.

Care & Support: Long Term Care (LTC) Purchasing (forecast overspend of £1.7m):

- Mainly due to increased activity, owing in part to improved pathway flows including reduced Delayed Transfers of Care and reduced length of stay in STIT.

Commissioning: Mental Health Purchasing (forecast overspend of £1.3m):

- An over spend against all Commissioned Mental Health Services of £1.056m. This is due to unachieved savings across all purchased provision of £1.3m agreed between SCC and the CCG as part of the new way of working and £244k savings on Older Peoples' contract.

iBCF Funding (contribution of £5m).

- A cabinet paper in July approved the use of some of the iBCF funding allocated by Government in the spring to address some of the social care pressures. This paper described using the funding to cover some of the over spend in LD, the above MH pressure and the assumed staffing pressure from the restructuring of social care into Localities.

Children & Families (forecast over spend of £10.9m)

- Placement budgets - £8m forecast over spend due to increase in demands, particularly in high cost placements and additional support, reflecting the complexities of need for some children in care.

- Fieldwork Services - £1.8m forecast over spend mainly due to a forecast over spend of £1.7m in non-staffing budgets, due to increased transport costs and contact time for children in care.

Planning, Improvement and Performance Service (forecast underspend £321k)

- Due to vacancies in the services and restructuring of the service.

Business Strategy (forecast over spend of £245k)

- Transport – forecast over spend of £326k in the transport budgets, this is due to continued increase in demand and increases in costs.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3	FY Variance Mth 3 £000s	Diff Mth 6 to Mth 3 £000s
PIPS	6,099	6,420	(321)	⇩	(161)	(160)
CARE AND SUPPORT	104,073	98,996	5,077	⇩	9,713	(4,636)
COMMISSIONING	26,314	24,748	1,566	⇩	1,771	(205)
COMMUNITY SERVICES	6,060	5,972	88	⇔	44	44
CHILDREN & FAMILIES	68,162	57,221	10,941	⇧	7,973	2,968
INCLUSION & LEARNING SERVICES	(20)	(17)	(3)	⇔	6	(9)
LIFELONG LEARN, SKILL & COMMUN	6,405	6,452	(47)	⇔	36	(82)
BUSINESS STRATEGY	4,818	4,573	245	⇩	405	(159)
Grand Total	**221,912**	**204,365**	**17,547**	⇩	**19,786**	**(2,239)**

DSG

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

	FY Variance Month 6 £000	FY Variance Month 3 £000	Diff Month 6 to Month 3 £000
Business Strategy	470	411	59
Children and Families	8	55	(47)
Inclusion and Learning Services	1,384	1,405	(21)
Lifelong Learning, Skills and Communities	45	45	0
	1,907	**1,916**	**(9)**

3. The key reasons for the forecast outturn position on the DSG position are:

Business Strategy (forecast over spend of £470k)

- Transport – forecast over spend of £295k in the transport budgets, this is due to continued increase in demand and increases in costs.
- Special School Complex Case Fund – forecast overspend of £250k, this is due to anticipated additional placement funding required from September 2017.

Inclusion and Learning Services (forecast over spend of £1.4m)

- SEND - £1m forecast over spend, there is increasing demand in Post 16 SEND provision and also an increase in high cost independent specialist placements (ISP) This is being addressed through the SEND Change Programme.
- Redesign of Education Services - £430k forecast over spend due to delays in anticipated savings. This is being addressed through the Redesign of Education Services Change Programme

Commentary

4. The following commentary reports on the main variances from the quarter 1 position.

Care and Support

5. A forecast over spend of £5.077m shown on the table above which is an improvement of £4.6m on the reported Quarter 1 position.

6. The main reasons for the movement on cash limit are:

- A favourable movement of £5.049m due to the inclusion of the iBCF agreed in the July Cabinet Report to help the bottom line of Learning Disabilities and Mental Health pressures plus also to underwrite the staffing establishment until the full recruitment to Localities is known and confidence over forecasts can be achieved.

- Provider Services (£281k underspent): The position has improved by £520k since Quarter 1 as a direct result of improved staffing forecasts in Reablement Services. This is due to significant reductions on sickness which directly impact the need for bank pool staff. STIT have improved levels of throughput due to new initiatives to triage clients more effectively and progress them into the Independent Sector in a more timely basis.
- Access Prevention & Reablement Service (96k overspent) : improvement in the position is £204k on Quarter 1 due to the removal of agency spend to the latter part of the financial year as a result of the implementation of the new locality structure
- Long Term Care (£1.63m overspent) :The position has worsened by £1.06m since Quarter 1 mainly due to increased pressure on Home Care costs.
- Learning Disabilities (£8.824m overspent): The position has worsened by £129k since Quarter 1 mainly due to increased pressure on the purchasing budget either from transition cases or increased package costs

Commissioning

7. A forecast over spend £1.566m as per the table above which is improved on Quarter 1 by £205k.
8. The main reasons for the movement on cash limit are

- Mental Health Commissioning (£1.058k overspent): The position has improved £457k since Quarter 1 and this is as a direct result of the activity of the new arrangements with the CCG and client reviews. The Council's position continues to improve bringing spend on purchasing below budget whilst the CCG have seen savings which they will share with us due to the pooled arrangements. The position remains over spent until such time that the savings reach a joint position of £2.5m however this is unlikely to happen this year but will be delivered in full 18/19.
- Social Care Commissioning (£383k over spend) The position has worsened by £210k since Quarter 1 due to increased pressure on the Equipment Budget despite a new initiative to fund high cost items from the DFG capital pot and the temporary funding for the LD Reprovision team no long being available

Community Services

9. A forecast over spend position of £88k as per the table above which is worsened by £44k since Quarter 1.

10. The movement is across a number of budget heads the most significant of which is a worsened position in the Library Service mainly as a result of increased costs for staffing and utilities in Heritage Services

Planning, Improvement & Performance Service

11. PIPS is forecasting £321k under spend as per the table above which is an improved position on Quarter 1 of £160k.

12. The underspend is as a result of staffing vacancies and restructure of this area. The movement in quarter reflects further vacancies forecast until the year end.

Children & Families

13. A forecast £10.9m over spend (shown in the table above) relating to cash limit and a £8k over spend on DSG. This is an increase in the overspend of £3m from quarter 1 on the cash limit and a £47k improvement on DSG from quarter 1.

14. The main reasons for the movement on cash limit are:

- **Placements** - An increase of £2.1m from quarter 1. The number of placements has remained relatively stable from quarter 1, however the complexity of cases has increased incurring further costs. £1.7m savings had been assumed as part of the Strengthening Families Change Programme, this is now required to offset any additional growth for the remainder of the year, so will not be available to offset any of this year's overspend.
- **Health Strategy** - An increase of £268k from the quarter 1 position. This reflects increase in demand for short breaks and direct payments.
- **Fieldwork Services** - An increase of £750k from the quarter 1 position. This reflects an increase in demand in support services for children in need, including contact time, legal fees and transport costs.

15. There are no significant movements in the DSG budgets for Children and Families.

Inclusion & Learning Service

16. A forecast £3k under spend (shown in the table above) relating to cash limit and a £1.4k over spend on DSG. This is an improvement of £9k from quarter 1 on cash limit and an improvement of £21k on DSG.

17. There are no significant movements in the cash limit or DSG budgets for ILS from quarter 1.

Lifelong Learning & Skills

18. A forecast £47k underspend (shown in the table above) relating to cash limit and a £45k over spend on DSG. This is an improvement of £82k from quarter 1 on cash limit and the DSG position remains consistent with quarter 1.

19. There are no significant movements from quarter 1 to report.

Business Strategy

20. A forecast £245k over spend (shown in the table above) relating to cash limit and a £470k over spend on DSG. This is an improvement of £159k from quarter 1 on cash limit and an increase in overspend of £59k on the DSG quarter 1 position.

21. The main reason for the variance in cash limit of £159k is due to a number of improvements in the forecast across the service. For example, an improvement of £57k in the transport budgets, for Post 16 travel passes. The forecast has been adjusted to reflect the new Post 16 travel policy introduced from September 2017, reducing the number of travel passes and increasing parental reimbursements.

22. There are no significant movements in DSG from quarter 1 to report.

Place Portfolio

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3	FY Variance Mth 3 £000s	Diff Mth 6 to Mth 3 £000s
BUSINESS STRATEGY & REGULATIO	31,710	30,689	1,022	⇧	902	120
MAJOR PROJECTS	78	95	(17)	⇔	(2)	(15)
CULTURE & ENVIRONMENT	88,081	88,670	(589)	⇩	(441)	(148)
HOUSING GENERAL FUND	3,619	3,886	(267)	⇩	(117)	(150)
CITY GROWTH	28,040	27,792	249	⇔	265	(16)
TRANSPORT AND FACILITIES MGT	42,020	42,539	(519)	⇩	(206)	(313)
GRAND TOTAL	**193,547**	**193,671**	**(123)**	⇩	**401**	**(523)**

Summary

23. As at month 6 the Portfolio is forecasting a full year outturn of £123k under budget. The key reasons for the forecast outturn position are:

- **Business Strategy & Regulation** is forecasting £1m over budget, with key variances being slippage in the delivery of planned savings on the 'Place Change Programme' (£505k) and additional cost pressures on the Waste

Management service due to economic factors including the low re-sale price of recyclates (£425k).

- **Culture & Environment** is forecasting £589kk under budget, with key variances being slippage in planned savings on the Streets Ahead Programme (£531k) offset by other contract cost reductions (£958k).

- **Housing General Fund** is forecasting £267k under budget largely from savings on overall staffing budgets.
- **City Growth** is forecasting £249k over budget, with key variances being slippage in planned savings on the 'Place Change Programme' (£495k), offset to some extent from cost savings, including vacancy management across the service (£246k).
- **Transport & Facilities Management** is forecasting £519k under budget from cost reductions being forecast in the running costs of key office accommodation.
- The overall position for the Portfolio shows an improvement of £523k since month 3, due to relatively small forecast cost reductions across a number of service areas.

Year to Date

24. Nothing significant to report.

Carry Forward Requests

25. Carry forward requests are as follows:

    - £50k Major Events Investment Fund
    - £60k Bereavement Services essential repair/maintenance cost**.**

Resources Portfolio

Summary

26. As at month 6 the Portfolio is forecasting a full year outturn of an over spend of £324k. The key reasons for the forecast outturn position are:

- An over spend of £542k on Corporate Rebates & Discounts due to there being a corporate savings target which does not yet reflect the impact of Kier insourcing and the removal of the previously received advance payment discount.

  - An over spend of £258k on Customer Services due to £150k of 2016/17 BIPs savings for the Customer Experience programme still to be identified and delays in implementing the 2017/18 BIPs saving of £141k, the staffing reductions have been made through VER/VS but will only achieve part year savings. Mitigations are in place through controls on all further recruitment.

- An over spend of £141k on Business Change and Information Solutions mainly due to under recovery of income for BCPD traded services and the dual running of the MFD contracts.

Offset by:

- A reduction in spend of £410k in Central Costs. This is made up of a £347k reduction against Former and Current Employee Pension Costs, £88k recharge income from H drive and mailbox charges and £65k from former Sheffield Homes bulk print charges, offset by a £100k overspend relating to bank charges (due to increased charges and volume).

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3	FY Variance Mth 3 £000s	Diff Mth 6 to Mth 3 £000s
BUSINESS CHANGE & INFORMATION	1,720	1,579	141	⇔	182	(41)
CORPORATE REBATES & DISCOUNTS	(1,556)	(2,098)	542	⇩	796	(255)
CUSTOMER SERVICES	5,744	5,486	258	⇩	397	(140)
FINANCE & COMMERCIAL SERVICES	6,433	6,461	(28)	⇩	(10)	(18)
HUMAN RESOURCES	3,600	3,677	(77)	⇔	(136)	59
LEGAL SERVICES	3,567	3,662	(95)	⇩	22	(117)
RESOURCES MANAGEMENT & PLAN	181	187	(6)	⇔	(5)	(0)
TOTAL	19,689	18,954	735	⇩	**1,246**	**(511)**
CENTRAL COSTS	19,459	19,869	(410)	⇩	(131)	(279)
HOUSING BENEFIT	406	406	(0)	⇔	0	(0)
GRAND TOTAL	**39,553**	**39,229**	**324**	⇩	**1,115**	**(790)**

Commentary

27. This position is an improvement of £790k on the position reported at Month 3. The key reasons for this movement are;

- A £255k improvement in Corporate Rebates & Discounts due to a significant rebate from the Reed contract.
- A £140k improvement in Customer Services due mainly to confirmation of SLA core service income.
- A £117k improvement in Legal Services due to further external traded work being secured.

- A £279k improvement within Central Costs, of which £205k is in respect of former and current employee pensions.

Policy, Performance and Communications Portfolio

Summary

28. As at month 6 the Portfolio is forecasting a full year outturn of an underspend of £108k. The key reason for the forecast outturn position is:-

- A reduction in spend of £108k, mainly in relation to Policy and Improvement due to staffing vacancies.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3	FY Variance Mth 3 £000s	Diff Mth 6 to Mth 3 £000s
ACCOUNTABLE BODY ORGANISATIO	0	0	0	⇔	0	(0)
POLICY, PERFORMANCE & COMMUN	2,490	2,598	(108)	⇔	(63)	(45)
PUBLIC HEALTH	(135)	(135)	(0)	⇔	(0)	(0)
GRAND TOTAL	**2,355**	**2,463**	**(108)**	⇔	**(63)**	**(45)**

Commentary

29. This position is an improvement of £45k on the position reported at Month 3. The key reason for this movement is:-

- A £33k improvement in PPC, mainly due to additional HRA contribution for the Council Website.

Corporate

Summary

30. As at month 6, the Corporate portfolio is forecasting a broadly balanced position at full year outturn.

- 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

31. 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 3	FY Variance Mth 3 £000s	Diff Mth 6 to Mth 3 £000s
CAPITAL FINANCING	37,795	37,896	(101)	⇔	(40)	(61)
CORPORATE ITEMS	(477,630)	(477,624)	(6)	⇔	(1)	(6)
GRAND TOTAL	(439,835)	(439,728)	(108)	⇔	**(41)**	**(67)**

PUBLIC HEALTH BUDGET MONITORING AS AT

30th September 2017

Purpose of the Report

1. To report on the 2017/18 Public Health grant spend across the Council for the month ending 30th September 2017.
2. The report provides details of the full year spend of Public Health grant compared to budget.
3. The net reported position for each portfolio/service area would normally be zero as public health spend is matched by a draw down of public health grant. For the purposes of this report, and in order to identify where corrective action may be necessary, we have shown actual expenditure compared to budget where there is an underspend position.

Summary

4. At month 6 the overall position was an underspend of £640k 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 M3	Movement from Prior Period
CYPF	16,935	16,935	0	0	0
COMMUNITIES	11,526	11,809	(283)	(96)	(187)
PLACE	2,911	3,018	(107)	(35)	(72)
DIRECTOR OF PH	1,841	2,091	(250)	(163)	(87)
Total	33,213	33,853	(640)	(294)	(346)

5. Key reasons for the forecast positions spend are:
    - A £283k underspend in Communites mainly as a result of underspending in Mental Health Commissioning Partnerships and Grants and Locality Management staffing costs.
    - A £107k underspend in Place mainly due to vacancy savings and 2016/17 related costs materialising as less than anticipated at the year-end.

- A £163k underspend in Director of Public Health as a result of staffing vacancies, support services underspends and liabilities that have not yet materialised on GP Healthchecks Contracts.

6. Key Reason for any significant quarterly movements are:
   - The underspend in Communities is mainly as a result of vacancy savings in a number of areas (£112k), and in Locality Management a grant profiling issue of £69k which is to be corrected next month .
   - The further underspend in Place is as a result of revised £30k staffing costs on Public Health Infrastructure, and South West Partnership bonus payments re 16/17 materialising at a lower cost (£44k) than previously anticipated.
   - The further underspend in Director of Public Health is as a result of revised support services costs (£35k), £24k re staffing and £31k re GP Health Checks 16/17 costs materialising at a lower level than previously anticipated.

HRA Revenue Budget Monitoring 2017/18
as at 30 September

Purpose of this Report

1. To provide a summary report on the HRA 2017/18 revenue budget for the month ending 30 September, and agree any actions necessary.

Summary

2. 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.
3. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme. As at month 6 the full year outturn position is an improvement of £0.8m from this budgeted position.
4. Main areas influencing the outturn include lower than budgeted rental income, repairs and maintenance costs include additional fire safety work and some items which may be of a capital nature. The position will be monitored throughout the year. Projected savings on overall operational costs leave the account a forecast £0.8m better off.

Financial Results

Housing Revenue Account (excluding Community Heating)	FY Outturn £000's	FY Budget £000's	FY Variance £000's
1.NET INCOME DWELLINGS	(143,869)	(144,920)	1,051
2.OTHER INCOME	(6,402)	(6,407)	5
3.REPAIRS & MAINTENANCE	33,143	32,270	873
4.DEPRECIATION-CAP FUND PROG	39,957	39,957	-
5.TENANT SERVICES	50,489	53,207	(2,718)
6.INTEREST ON BORROWING	15,269	15,269	-
Total	**(11,413)**	**(10,624)**	**(789)**
7.CONTRIBUTION TO CAP PROG	11,413	10,624	789

Community Heating

5. The budgeted position for Community Heating is a draw down from Community Heating reserves of £237k. As at month 6 the position is a draw down from reserves of £221k, an improvement of £16k.

Community Heating	FY Outturn £000's	FY Budget £000's	FY Variance £000's
Income	(2,511)	(2,448)	(63)
Expenditure	2,732	2,685	47
Total	**221**	**237**	**(16)**

Housing Revenue Account Risks

6. 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 Act and Welfare Reform and Work Act. These include a revision to social housing rent policy, which will reduce rents until March 2020. This will have a considerable impact on the resources available to the HRA. In addition, other planned Government changes in relation to fixed term tenancies and levy proposals in the Housing and Planning Act 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:

- **Welfare Reform /Universal Credit**: the Government's welfare reform continues to be a significant risk to the HRA. The risk to income collection will continue to become increasingly difficult as Universal Credit and continues to be rolled out. Mitigations are in place such as funding additional officers to manage the impacts of welfare changes on affected tenants. Work is continually ongoing analysing the financial risk to the business plan.

- **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). There may be additional costs resulting from a review of building standards regulations following the Grenfell Tower tragedy. Work is in hand to monitor and asses the implications of developments as they unfold.

7. The HRA business plan is regularly reviewed along with expenditure plans to ensure flexibility to respond to the expected Housing and Planning Act Regulations.

COLLECTION FUND MONITORING

as at 30 September 2017

Summary

1. In 2017/18 approximately £287.8m 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 2017/18 £m	Year to Date £m	Forecast Year End Position £m	Variance £m
Council Tax	-191.0	-84.0	-193.5	-2.5
Business Rates Locally Retained	-96.7	-35.0	-93.7	3.0
TOTAL	**-287.7**	**-119.0**	**-287.2**	**0.5**
RSG/Business Rates Top Up Grant	-107.4	-53.7	-107.4	0.0
TOTAL	**-395.1**	**-172.7**	**-394.6**	**0.5**

4. As at the end of Quarter 2, the local share of the Collection Fund Income Stream is forecasting an overall in-year deficit of £0.5m made up of a £2.5m surplus on Council Tax and a £3.0m deficit on Business Rates.

5. Whilst the overall in year deficit is £0.5m, it should be noted that part of the deficit on Business Rates is caused by additional reliefs, announced by the Government in March 2017, which were not budgeted for. To compensate us for these additional reliefs, we will receive approximately £0.6m of additional S31 grants that will feed into the General Fund balance. If this is taken into consideration then the Collection Fund is broadly balanced.

Council Tax

6. The forecast year end position for Council Tax is a surplus of £2.5m. This is made up of a £1.5m increase on Gross Income chargeable to dwellings due to a growth in the Council Tax Base (CTB) forecasts and a £1.0m surplus on exemptions and reductions.

Business Rates

7. The forecast year end position for Business Rates is a £6.2m deficit of which Sheffield's share is £3.0m. The £6.2m deficit is primarily made up of year to date position for Gross Rates Income Yield shows a deficit of £14.3m, with a surplus on Reliefs, losses on appeals and losses on collection of £8.1m. More in-depth analysis of the business rates position can be found below.

Collection Fund - Business Rates		Budget 2017/18 £m	Year to Date £m	Forecast Year End Position £m	Variance £m
Gross Business Rates income yield		-255.2	-242.9	-240.9	14.3
LESS	Estimated Reliefs	30.5	26.4	28.2	-2.3
	Losses on Collection	3.0	1.5	2.2	-0.8
	Losses on Appeals re Current Year Bills	9.8	0.3	7.8	-2.0
Increase (Decrease) due to appeals / bad debt provisions		0.0	0.0	0.0	0.0
Net Collectable Business rates		**-211.9**	**-214.7**	**-202.7**	**9.2**
	Transitional Protection Payments due from Authority	13.9	10.9	10.9	-3.0
	Cost of Collection allowance	0.8	0.8	0.8	0.0
Non Domestic Rating Income		**-197.2**	**-203.0**	**-191.1**	**6.2**
Appropriation of net business rates:					
49.0%	Sheffield City Council	-96.7	-99.5	-93.7	3.0
1.0%	SY Fire Authority	-2.0	-2.0	-1.9	0.1
49.5%	Government	-97.5	-100.5	-94.5	3.0
0.5%	Designated Areas	-1.0	-1.0	-0.9	0.1
Total Appropriations		**-197.2**	**-203.0**	**-191.0**	**6.2**

Gross Rates Income Yield

8. The Gross Business Rates Income Yield has, to date, decreased by £12.3 compared to total budget. This primarily down to two factors, a large reduction in in year gross rates payable and a large number of 2010 list appeals being settled. The Gross Business Rates income yield used in the budget was based on a total rateable value for the city of £547m. This rateable value has dropped to £535M due to significant reductions in the value of two major properties totalling approximately £5m, reductions in the valuations of four office blocks totalling approximately £2m along with across the board reductions of a further

£5m. This has a net impact of reducing the Gross Business Rates income yield by £6m. In addition to the reduction in the 2017 Gross Rateable Value, there has been a total of £6.5m of appeals relating to the 2010 valuation list paid out.

Reliefs and Discounts

Reliefs	Budget 2017/18 £m	Year to Date £m	Forecast Year-End Outturn £m	Variance £m
Small Business Rates Relief	10.9	10.8	10.8	-0.1
Transitional Relief	-13.9	-10.9	-10.9	3.0
Mandatory Charity Relief	22.5	21.7	22.2	-0.3
Discretionary Relief	1.3	0.2	0.2	-1.1
Empty Property / Statutory Exemption	9.3	4.8	4.8	-4.5
Partly Occupied Premises Relief	0.3	-0.3	-0.3	-0.6
New discretionary reliefs	0.1	0.0	1.3	1.2
	30.5	**26.4**	**28.2**	**-2.3**

9. 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 £26.4m which is £4.1m below the £30.5m in the budget. These are expected to rise to £28.2m by year end primarily due to the additional reliefs announced in the Spring budget not coming on line yet. These had not been budgeted for but we will receive section 31 grants back equivalent to the share in income lost by Sheffield Council, this amounts to approximately £0.6m.

10. The most significant variations are in relation to Empty Property Reliefs and Transitional Relief. The Empty Property Relief is currently £4.5m under budget, due to the removal of a number of properties from the list that would have qualified for Empty Property Reliefs. Transitional Relief was calculated on a certain level of Gross RV which has lowered since these initial calculations. Transitional relief is based on the change in Gross rates from 2016/17 to 2017/18 and is subject to fluctuation dependant on appeals being granted in either year.

There is a forecast deficit on New Discretionary reliefs of £1.2m due to the introduction of the new business rate reliefs in the spring budget. These will be funded by S31 grants later in the year.

Appeals

11. Appeals are notoriously difficult to forecast due to the volatility of the process. The 2017/18 Council budget anticipated £9.8m of refunds resulting from appeals. This was based on historical trend analysis and government estimates however to date we have had no data regarding any 2017 appeals under the check challenge and appeals process. This is currently being followed up with the Valuation Office.

12. Losses on Appeals/ Increase in appeals provision are currently forecast to be on budget however this position is very fluid and will require careful monitoring in the coming months.

13. There is a provision of £27.2m carried forward into 2017/18. There have been a significant number of appeals settled in the first half of 2017/18 which has reduced the provision required for 2010 appeals by over £8m. This includes the settling of a number of Health Centre cases in addition to some large scale office blocks having significant reductions in RV.

14. Following the introduction of the 2017 Valuation List, a new appeals process was introduced entitled Check, Challenge and Appeal. To date we have seen no management information in relation to 2017 appeals however the process would not allow any to appear until quarter 2 of 2017/18 at the earliest.

15. The two major outstanding issues relating to appeals concern ATM's and Virgin Media. The case concerning ATM's was recently dismissed at an Upper Tribunal (Lands Chamber). There is the possibility that the bodies bringing this appeal will take it to the Court of Appeal and so it is prudent to maintain the provision until all avenues have been exhausted. Virgin Media had a number of very specific appeals which could have potentially seen it all but removed from Sheffield Valuation list. They have announced that they will no longer attempt to do this however until all appeals have been withdrawn, it is deemed prudent to maintain this provision.

Conclusion

16. Whilst the forecast in year position of a £0.5m deficit on the Collection Fund is relatively acceptable, there are significant issues that could impact on this during the next 6 months. The additional £0.6m of s31 grants due to additional business rates reliefs actually means that the collection fund is broadly balanced.

17. The appeals provision will require careful monitoring, both in terms of 2010 list appeals settled and 2017 list appeals raised, to make sure that we have an adequate provision to cover these and not have an impact on future year's budgets.

CORPORATE RISK REGISTER
as at 30 September 2017

This Appendix provides a brief overview of the main financial risks facing the Council in 2017/18 and beyond. A more detailed schedule of these risks will be monitored by the Executive Management Team to ensure that the risks are mitigated.

Corporate Risks

2017/18 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 2017/18 are achieved, especially given the cumulative impact of £352m of savings over the term 2011-17, and furthermore the backdrop of continuing reductions in Government grant from 2017/18 onwards.

2. In the early months of 2017/18, officers identified numerous pressures which, if left unchecked, could lead to significant overspends in 2017/18 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

Capital financing costs

3. The Council currently maintains a substantial but manageable under borrowed position (ie we have used reserves to cash-flow capital spend, rather than borrow externally) 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 on-going Brexit negotiations. Recognising this, our Treasury Management function maintain a regular dialogue with the Director of Finance and Commercial Services and the Executive Director of Resources to monitor the risk and review mitigation opportunities.

Business Rates

4. Following the advent of the Government's Business Rates Retention Scheme in April 2013, a substantial proportion of risk has been transferred to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth.

5. There has been a concerted effort by the Valuation Office Agency to clear outstanding appeals prior to and following the launch of the 2017 Revaluation. However as at 30th September 2017, there were still over 900 properties relating to the 2010 valuation list with a rateable value of approximately £135m under appeal in Sheffield.

6. Not all of the £135m 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 2016/17, with any revised estimates of the impact of appeals forming part of the 2017/18 budget process.

7. As part of the Business Rates Retention Scheme, there is a built-in revaluation process every five years to ensure the rateable values of the properties remain accurate. This process had been delayed for 2 years but has come into effect from 1 April 2017. This has seen all hereditaments in Sheffield revalued and assigned a revised rateable value. There is the potential that there will be a large number of appeals due to this revaluation which has been taken into account when compiling the 2017/18 budget.

8. The appeals process following the 2017 Revaluation has changed and now will be known as Check, Challenge, Appeal. The aim of this system is to reduce the number of spurious and speculative appeals and reduce the time taken to process genuine appeals; however it is not known at this point how effective this new process will be. To date we have not seen any management information relating to the number of appeals that are being processed under the new Check, Challenge and Appeal process which we are continuing to press the Valuation Office on.

9. 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 remained relatively stable; however within that there are a number of increases and decrease in value.

10. The city's largest hereditament (in terms of rateable value) following the 2017 Revaluation is a national telecommunications provider whose appeals feature a claim that all of their hereditaments across the country should feature on one authority's list. We are having ongoing discussions with both the Valuation Office Agency and DCLG as to the likelihood of this occurring and any potential ramifications. This hereditament had a number of appeals in place of which a significant number have been withdrawn however we have taken the prudent approach to maintain the provision for this hereditament until all appeals have either been settled or withdrawn.

Implementation of savings proposals

11. The risk of delivering savings in 2017/18 in specific areas such as adults' and children's social care 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; and
- 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 Analysis

12. On 19th July 2017, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Analysis (MTFA) 2018/19 to 2022/23. This report provided an update of the Council's MTFS to reflect the budget decision of the Council for 2017/18 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.

13. The report on the MTFA indicated that there would be ongoing reductions in Revenue Support Grant (RSG) as outlined in the December 2015 Autumn Statement, which covers the period to 2020/21. The reductions in RSG are now expected to total £53.7m including 2017/18.

14. Up to the point at which the General Election was called, the local government sector was working on the assumption that 2019/20 would see the implementation of 100% business rates retention, the implications of which were covered in significant detail in last year's MTFS.

15. However the result of the General Election and subsequent omission of the Local Government Finance Bill from the Queen's Speech on the 21st June, made it clear that there are no current plans to pursue the implementation of 100% business rates retention. Informal representations from DCLG have echoed this view and highlighted that there will be no 100% business rates retention deal by 2019/20.

16. Although the figures reported in the MTFA are based around the principle of adopting 100% business rates retention from 2019/20, it was always acknowledged that the impact of such a process was anticipated to be fiscally neutral. i.e. the additional 50% business rates income would be exchanged pound for pound for existing funds provided to the Local Authority such as RSG and Public Health Grant.

17. The Council's financial position is significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable

volatility and will require close monitoring and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

Pension Fund

18. External bodies whose pension liability is underwritten 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.

19. The greatest risks to the Council are those schemes at risk of their pension fund closing in a deficit position. The deficit when the fund crystallises is based upon a 'least risk basis' calculation by the actuary, which results in a significantly higher deficit than if calculated on an ongoing basis. The Triennial Review which covers 2017-20 highlights the total liabilities being underwritten by the Council for external bodies is £10.4m. This figure is on an ongoing, rather than least risk, basis. In the worst case, if these funds were to crystalise, the potential liability could be much higher.

20. A review of these risks is being undertaken to ensure that any impacts of potential crystallisations are minimised.

Economic Climate

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

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

External Funding

23. 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.

24. 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.

25. 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.

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

Treasury Management

27. The Council proactively manages counter-party risk especially 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.

28. As part of the 2017/18 budget process, we developed Treasury Management and Investment Strategies, both of which were based on discussions with members and senior officers about our risk appetite. This included a review of our counter-party risk to ensure it is reflective of the relative risks present in the economy. A cautious approach was 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 during 2017/18 to ensure we have the ability to respond appropriately to market volatility.

29. 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.. 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.

30. 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.

31. The Council currently has an advance payment outstanding with a major supplier in return for a saving on the contract cost. There is a risk to the Council that having received payment that this company may fail to deliver the services due under the contract. This is mitigated by the existing contract protections, financial evaluation of the company and parent company guarantee. Also as goods and services are delivered against these contracts, the level of exposure reduces over time.

Welfare Reforms including Universal Credit

32. A programme of welfare reforms, introduced in 2013, led to cuts in a range of benefits including Housing Benefit (HB) and Council Tax Support posing a risk to residents' ability to pay their rent and council tax and therefore increases in arrears.

33. The most significant reform, the introduction of Universal Credit (UC) which replaces HB for those of working age, began to be rolled out in Sheffield in 2016 with full take up expected in 2021 or later.

34. UC poses a significant risk to the Council's Housing Revenue Account as support towards housing costs, which is currently paid through HB direct to the HRA, will, under UC, be paid directly to individuals. It is estimated that this could double or even treble the cost of collection and increase rent arrears to £15m 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.

35. The Council administers a locally funded hardship scheme to provide extra support to residents who cannot pay their council tax and a government funded scheme which supports those who cannot afford to pay their rent (a review of these, and other , discretionary schemes is currently underway which aims to consolidate these different support schemes). The Council will also continue to take robust action to recover arrears from those who simply will not pay.

36. There is also a UC Project Working Group which is supporting the roll-out of UC and taking steps to ensure SCC is prepared for full take up.

People Risks – Children Young People and Families

Education Funding

37. 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.

38. 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 2017/18 this cost to the Council is estimated at around £100k and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.

39. 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 2017.

40. As part of transition to a National Funding Formula, when all funding allocations to schools will be directly managed by Education Funding Agency (2019-20), Sheffield school forum is expected to review and approve all previously held centrally held allocation subject to a limitation of no new commitments or increase in expenditure over the next two years. These historical commitments are now part of central school block and school forum approval is required each year to confirm the amounts on each line. Expenditure in centrally held funding amounts to around £8m.

Children's Social Care

41. There is an increase in demand for services for children social care including demand for Unaccompanied Asylum Seeking Children. A number of transformational projects have been put in place to manage the increase in demand within available resources. Implementation of these programmes is contingent upon cross service and cross portfolio working.

People Risks – Adult Social Care

42. In 2017/18 we have a significant partnership arrangement with the CCG which includes various funding streams for core services in Adult Social Care. There is a risk that these funding streams are not sustainable long term and there would be a risk to the Council delivering core services should this funding cease..

43. In 2017/18 it is proposed to enter a pooled budget arrangement with the Clinical Commissioning Group and manage Mental Health services jointly within the Better Care Fund and identify savings through a new joined up approach to delivering services. Work needs to continue to ensure this new arrangement works for all partner organisations and that the clients receive the right level of support irrespective of where the funding of the service happens.

44. For 2017/18 we have put in measures to address the budget gap on all Adult Social Care Purchasing both Older People and Learning Disabilities however the risk remains that continued demand pressures increasingly affect our position to balance. Demand management plans within service should address some of the continued pull on resources and hopefully redress some of the continued increases seen over the last two years.

45. There is a risk around legislation changes imposed by central government on future funding of social care and the potential impact on client contributions to their care.

46. For 2017/18 there is a risk that providers will seek to increase their fees, given the current level of over spend on the ASC budgets this will cause increased pressure.

Place Risks

2017/18 Revenue Budget savings

47. 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.

48. The South Yorkshire Transport Levy has been successfully reduced but not the Streets Ahead or Waste Management contracts. The Portfolio has now developed three strategic interventions including further savings from the ITA Levy which follow on from existing plans, reducing the level of support to Sports Trusts and embarking on a review of all the other services seeking a business-like approach to service delivery seeking to reduce cost or maximise income. 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 pressure for the Council.

49. 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. The action taken by the Council has resulted in a revised service offer from its strategic partner which it is now considering. This could enable the delivery of waste services at the Council's desired level of cost. 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.

50. 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.

51. £0.9m of the 2016/17 budget saving initiatives (£0.7m on the Streets Ahead contract and £0.2m in Parking Services) had not been achieved to date. These will roll forward to 2017/18 as part of the base budget and create an immediate pressure in that and future years unless these are delivered or a sustainable mitigating cost saving can be identified.

52. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience in 2016-17 has shown that this discipline is not present in all projects and has exposed the portfolio to a requirement to find funding from the Revenue Budget to fund the overspend.

53. Furthermore, the Council has agreed a number of contingent liabilities relating to developments within the city centre. If these were to crystallise there would be an immediate Revenue and Capital Budget impact

Housing Revenue Account Risks

54. 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 Act and Welfare Reform and Work Act. These include a revision to social housing rent policy, which will reduce rents until March 2020. This will have a considerable impact on the resources available to the HRA. In addition, other planned Government changes in relation to fixed term tenancies and levy proposals in the Housing and Planning Act 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:

- **Welfare Reform /Universal Credit**: the Government's welfare reform continues to be a significant risk to the HRA. The risk to income collection will continue to become increasingly difficult as Universal Credit and continues to be rolled out.

Mitigations are in place such as funding additional officers to manage the impacts of welfare changes on affected tenants. Work is continually ongoing analysing the financial risk to the business plan.

- **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). There may be additional costs resulting from a review of building standards regulations following the Grenfell Tower tragedy. Work is in hand to monitor and asses the implications of developments as they unfold.

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55. The HRA business plan is regularly reviewed along with expenditure plans to ensure flexibility to respond to the expected Housing and Planning Act Regulations.

Capital Receipts and Capital Programme

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

<u>Project Cost Control</u>

57. There is an inherent risk within all the programme of overspending on any single project as a result of unforeseen circumstances (e.g. ground conditions or contamination) or poor management and planning. There have been several examples of this during 2016-17. The Council has made significant improvements in the management of capital projects including improved risk management, however, in the event of an overspend it will have to use its own limited resources to plug the gap.

<u>Housing Regeneration</u>

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

<u>Olympic Legacy Park</u>

59. The Council supports the on-going 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.

Sheffield Retail Quarter

60. 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, 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.

61. 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

62. 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 £22m in 2018/19 after mitigating action. In subsequent years it expects to receive sufficient funding to repay the cash flow by 2021/22.

63. 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 has already been identified above requiring it to contribute its own capital resources.

64. 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.

65. The modelling of the Schools Capital Programme has been based on an allocation of £21m Basic Need funding being granted in 2019/20, 20/21 and 21/22 - however the allocation that has recently been confirmed for 19/20 at lower level of £9.8m which could effectively push back the repayment period on the current advance commitment of Basic Need by 2 years. The service is challenging the basis of the allocation with the Department for Education and there may be alternative funding streams.

APPENDIX 6 -CAPITAL PROGRAMME MONITORING AS AT SEPTEMBER 2017

1 - Statement of Budget Movement

The table below summaries the movement in budget from month 3 to month 6 and Capital programme budget position as at September 17.

	2017/18	2018/19	Future	Total	Comments
Month 3 Approved Budget	**289.7**	**179.6**	**289.4**	**758.7**	The overall capital budget has increased by £30.3m since the last report to Cabinet. The key changes resulting in this increase are: - £21.9m inclusion of full costs of new Astrea Academy. - £3m inclusion of the capital element of Whole family Case Management IT system. - £1.5m increase in costs on Charter Square Enabling Works project. - £1.1m increase in Lower Don Valley Flood Defence Budget.
Additions	13.7	14.9	0.4	29.0	
Variations	0.3	0.9	0.0	1.2	
Slippage and Acceleration	0.0	0.0	0.0	0.0	
Month 6 Approved Budget	**303.8**	**195.4**	**289.7**	**789.0**	

2 - Top 20 Projects by value as at September 2017

The table below summarises the Top 20 projects in the Capital Programme by budget value in 2017/18. This group accounts for 75% of the 2017/18 capital programme. The major in year and all year variations are explained in sections 4 and 5. None represent a major financial risk to the council.

PROJECT	Current Year								Remaining Life of Project					Comments
Values in £000	YTD Actual	YTD Budget	YTD Variance	FY Outturn	FY Budget	FY Variance	Variance %	Delivery Forecast RAG	All Years Outturn	All Years Budget	All Years Variance	Variance %	Delivery RAG	
SRQ OFFICES	18,911	15,118	3,793	40,086	40,119	(33)	-0.1%	G	73,001	72,910	91	0.1%	G	
CAPITAL PFI CONTRIBUTIONS	23,894	23,894	-	39,831	39,831	-	0.0%	NR	39,831	39,831	-	0.0%	NR	
PITCHED ROOFING & ROOFLINE	8,293	11,356	(3,063)	20,988	24,563	(3,575)	-14.6%	G	58,831	58,831	0	0.0%	G	See 4.3 for comments
MERCIA SCHOOL	2,901	2,622	279	14,524	15,229	(705)	-4.6%	G	25,353	25,568	(214)	-0.8%	G	Potential saving. Handover still on schedule
ASTREA ACADEMY	2,062	3,196	(1,133)	12,475	12,504	(30)	-0.2%	A	27,002	27,002	0	0.0%	A	
MSF FINANCE	5,993	5,993	0	12,173	12,173	0	0.0%	NR	103,264	103,264	0	0.0%	NR	
SHEFFIELD RETAIL QUARTER 2	2,199	2,904	(705)	9,980	9,915	65	0.7%	G	9,980	9,980	0	0.0%	G	
SRQ - STRATEGIC DEV PARTNER	945	3,740	(2,795)	2,069	9,453	(7,383)	-78.1%	A	26,178	26,178	(0)	0.0%	A	See 4.1 for comments
COMMUNAL AREAS-LOW RISE FLATS	3,065	3,891	(825)	6,907	8,466	(1,559)	-18.4%	G	27,086	27,086	0	0.0%	G	See 4.7 for comments
ELECTRICAL STRATEGY	21	3,581	(3,560)	2,108	7,878	(5,770)	-73.2%	G	31,122	31,116	6	0.0%	G	See 4.2 for comments
KITCHEN/BATHRM PLANNED REPLMT	7,006	3,779	3,227	11,529	7,875	3,654	46.4%	G	31,261	33,001	(1,741)	-5.3%	G	See 5.1 for comments
FA PITCH (WESTFIELD)	4,786	4,792	(5)	5,818	5,818	(0)	0.0%	G	5,818	5,818	(0)	0.0%	G	
PROGRAMME MANAGEMENT COSTS GF	2,710	2,798	(88)	5,696	5,696	0	0.0%	G	23,080	23,080	0	0.0%	G	
LDV FLOOD DEFENCE WORKS	4,005	4,280	(274)	6,070	4,951	1,118	22.6%	A	6,077	4,959	1,118	22.6%	A	See 5.2 for comments
WINDOWS & DOORS REPLACEMENT(CHS)	1,530	2,316	(786)	4,037	4,871	(835)	-17.1%	G	6,871	6,871	(0)	0.0%	G	Average costs lower than expected. Potential saving but dependent on negotiations with contractor
SRQ HIGHWAY ENABLING WORKS	2,482	2,835	(353)	4,383	4,153	230	5.5%	A	4,436	4,153	282	6.8%	A	Review of SRQ work packages to be brought forward in December
DISABLED FACILITIES GRANTS	1,007	1,431	(424)	2,507	4,031	(1,524)	-37.8%	G	10,507	12,031	(1,524)	-12.7%	G	See 4.8 for details
COUNCIL HSG ACQUISITIONS PROG	1,004	1,523	(519)	3,523	3,523	(0)	0.0%	G	15,970	15,970	(0)	0.0%	G	
DIGITAL INCUBATOR	5	1,506	(1,501)	3,019	3,019	0	0.0%	NR	3,489	3,489	0	0.0%	NR	
ECCLESALL PERMANENT EXTENSION	613	376	237	2,848	2,936	(88)	-3.0%	G	5,577	5,577	0	0.0%	G	
Top 20 Value	**93,433**	**101,930**	**(8,497)**	**210,572**	**227,006**	**(16,434)**	-7.2%		**534,734**	**536,715**	**(1,982)**			
Rest of Programme	17,457	29,028	(11,570)	64,501	76,757	(12,256)	-16.0%		250,820	252,267	(1,447)			
Total Capital Programme Value	**110,890**	**130,958**	**(20,068)**	**275,074**	**303,763**	**(28,690)**	-9.4%		**785,554**	**788,982**	**(3,428)**			
% of Programme within the Top 20	**84%**	**78%**	**42%**	**77%**	**75%**	**57%**			**68%**	**68%**	**58%**			

3 - Current Year to date and Forecast Outturn Position

The forecast outturn position is £28.7m below budget. This represents a positive movement of £600k closer to budget than Mth 5. The majority of va riance is due to the Housing Programme and the Sheffield Retail Quarter Scheme in Place. Both of these projects will bring forward proposals to re -align and re-profile budgets in December 2017.

PORTFOLIO	YEAR TO DATE			FULL YEAR			Comments
Values in £000	Actual	Budget	Variance	Forecast	Budget	Variance	
CYP	7,738	10,513	(2,775)	41,950	42,811	(862)	Slippage on Mercia school programme is key variance, however not expected to impact on handover date
Place	46,303	51,059	(4,756)	104,438	113,037	(8,599)	Items 4.1, 4.6 and 5.2 for details of key variances
Housing	29,306	39,430	(10,124)	72,254	92,293	(20,039)	See Section 4 for details of key variances
Highways	3,295	4,455	(1,160)	13,352	11,786	1,566	See items 5.3 to 5.5 for details of key variances
Communities	318	1,106	(789)	2,106	2,312	(206)	10% slippage on Whole Family Case Management IT project
Resources	34	500	(466)	1,139	1,693	(554)	Slippage on lift replacement. Reprofile due for approval
Corporate	23,897	23,894	3	39,835	39,831	3	
Grand Total	**110,890**	**130,958**	**(20,068)**	**275,074**	**303,763**	**(28,690)**	

4 - Top 10 Forecast Slippage against Full Year Budget

The table below illustrates that of the £28.7m main forecast underspends against budget, approximately £20m relates to delays in scheme delivery while the remainder relates to expected savings and/or re-profiling of allocations not yet committed. Several budget reprofiles are awaiting approval or due to be brought forward to eliminate the majority of these.

	Business Unit	Directorate	FY Budget	FY variance on budget	RAG	Explanation
4.1	SRQ - STRATEGIC DEV PARTNER	PLACE	9,453	(7,383)	R	DELAY - SLIPPAGE A delay in finalising key elements of the SRQ scheme has put back detailed design. A review of timescales is due with budget re-profiling expected December 17.
4.2	ELECTRICAL STRATEGY	HOUSING	7,878	(5,770)	R	DELAY - SLIPPAGE A delay in tendering means expected contract start now November 17. Team is preparing project plan to identify addresses and prority, resources required to manage the programme and maximise take up. Budget re-profile now to be brought forward when revised outputs confirmed .
4.3	PITCHED ROOFING & ROOFLINE	HOUSING	24,563	(3,575)	R	DELAY - SLIPPAGE A review of contracts will be completed in November which will determine future procurement needs - therefore the schemes at Foxhill and Lowedges will now not be tendered in 17/18, requiring slippage of £1.2m. The remaining £2.3m of slippage is due to underperformance of one of key contractors which is being addressed. Budget re-profile brought forward.
4.4	OTHER PLANNED ELEMENTS (CHS)	HOUSING	2,268	(2,268)	A	REPROFILE OF ALLOCATION This budget represents funds not yet committed to specific projects. So no impact on outputs. Revised profile brought for endorsement.
4.5	NEW BUILD COUNCIL HSG PHASE 2	HOUSING	2,292	(2,263)	R	DELAY - SLIPPAGE 36 units to be delivered at Weakland site. Tender process has been abandoned. A specification review is to be completed and new procurement strategy submitted November 2017. A revised profile will be produced in November.
4.6	WASTE MGMT DEVELOPMENT	PLACE	2,653	(1,713)	G	EXPECTED SAVING Project is now largely complete. This is an expected saving. Revised budget to be brought forward
4.7	COMMUNAL AREAS-LOW RISE FLATS	HOUSING	8,466	(1,559)	G	REPROFILE - POTENTIAL SAVING Average costs from contractors indicate current year expenditure will be lower than budget but outputs still being delivered. Overall there is expected to be a £1m saving on this project and the budget will be reduced as part of the 18/19 Capital Programme submission.
4.8	DISABLED GRANTS	HOUSING	4,031	(1,524)	A	REPROFILE - This budget represents the total available grant to deliver adaptations to properties. A recent increase in the level of this grant has lead to funds available exceeding capacity to deliver. Work is ongoing at a strategic level in People portfolio to identify other options to maximise grant useage.
4.9	INSULATION (COUNCIL HSG)	HOUSING	1,381	(1,378)	R	DELAY - SLIPPAGE Business Case for External Render Programme to be presented to HOMES Board September 2017 . Revised profile due for approval at October cabinet.
4.10	WASTE MANAGEMENT (CHS)	HOUSING	1,082	(1,082)	A	REPROFILE OF ALLOCATION This budget represents funds not yet committed to specific projects. So no impact on outputs. Activity now linked to fire safety works to tower blocks.Revised profile brought for endorsement.
	Total		**64,067**	**(28,517)**		

5 - Top 10 Forecast Overspends over Full Year Budget

The table below illustrates that of the main forecast overspending projects, only that on the HR&M insourcing project may require additional SCC resources in the form of additional £35k prudential borrowing.

	Business Unit	Directorate	FY Budget	FY variance on budget	RAG	Explanation
5.1	KITCHEN/BATHRM PLANNED REPLMT	HOUSING	7,875	3,654	G	ACCELERATION - Yr4 work has been brought forward. Budget variation to Oct CPG to bring budget forward into 17/18 but reduce future years as work being completed sooner than planned. In addition, anticipated overall saving on life of project of £1.7m.
5.2	LDV FLOOD DEFENCE WORKS	PLACE	4,951	1,118	G	OVERSPEND - Due to various site issues and delays. However, Environment Agency funding to cover this shortfall has now been granted. Budget uplift and acceptance of funding to be approved at
5.3	HALLAM UNIVERSITY CYCLE ROUTE	HIGHWAYS	27	886	G	BUDGET AWAITING APPROVAL - Full Budget for scheme due for approval at October Cabinet. Fully funded from Sustainable Transport Exemplar Programme.
5.4	BN962 BUS AGREEMENT	HIGHWAYS	1,030	586	G	BUDGET AWAITING APPROVAL - Full Budget for scheme due for approval at October Cabinet. Fully funded from Sustainable Transport Exemplar Programme.
5.5	DARNALL CYCLE ROUTES	HIGHWAYS	13	416	G	BUDGET AWAITING APPROVAL - Full Budget for scheme due for approval at November Cabinet. Fully funded from Sustainable Transport Exemplar Programme.
5.6	TOTLEY PRIMARY PERM EXTN	CYP	1,214	262	G	ACCELERATION – OVERSPEND WITHIN YEAR ONLY Accelerated spend, no overspend forecast on total scheme costs.
5.7	PROGRAMME MANAGEMENT COSTS RTB	HOUSING	-	251	G	BUDGET AWAITING APPROVAL - Costs are incurred on sale of Council Houses, directly offset by a charge against the capital receipt.
5.8	SRQ HIGHWAY ENABLING WORKS	PLACE	4,153	230	A	OVERSPEND - Full review of all SRQ work packages to be brought forward in December 2017. It is anticipated that this review will realign budgets across work streams to eliminate this variance.
5.9	HR+M TRANSPORT	PLACE	1,429	228	R	OVERSPEND - Overspend now forecast following review of costs of vehicles. £192k likely to be met from Govt grants with remaining £35k from additional prudential borrowing. Budget variation to be brought forward for approval.
5.10	MECHANICAL REACTIVE	CYP	348	206	A	REPROFILE - Expected savings to be declared on individual school schemes to be re-allocated to Mechanical Reactive Budget to offset this forecast overspend. Approval for re-allocation to be
	Total		21,040	7,838		

6 - Key Issues and Risks

Key Issues

- ASTREA ACADEMY - As identified in previous months, delays in statutory undertakers' services have led to a forecast delay in full opening. Current month's expenditure was £1m behind forecast for the month. Close monitoring still required.

Key Risks

- Key risk to the programme at this point is further slippage. Work is ongoing with Project Sponsors and Project Managers to validate the forecasts of key projects predicting significant increases in expenditure in the second half of the year.

Scheme Description	Approval Type	Value £000
Major Events Investment Fund • To create an ongoing Major Events Investment Fund. This will allow the city (via the Brand Partnership) to gain match investment from partners to fund future events without causing pressure on 'in year' revenue budgets. The fund will also allow the event bidding process to be quicker and more agile. • SCC has traditionally funded the majority of major events across the city, which has created significant financial pressures and restricted the city bidding for new events. Where SCC has gained financial approval for potential new events this has taken a long time and in a number of instances meant we have missed the bidding deadline. To be in a stronger position to bid and be successful in gaining events we need to be able to react much quicker and have a sustainable financial resource available. • The new Major Events Strategy will address these issues by reviewing existing major events and ensuring they are within the available revenue budgets and meet our criteria. These events will form a baseline for the term of their existing contracts (ie Snooker, Doc Fest etc). The city will then use the Brand Partnership as the vehicle to identify and agree new events and finance them. The investment fund will be SCC's contribution. • The Major Events Strategy sets clear objectives for every major event that they meet at least one of the following: • Significant number of people attend • Significant economic investment • Significant media and brand profile This will broadly form the criteria for any spend from the Major Events Investment Fund. • This has been approved by the Major Events Governance Board (Mick Crofts, Paul Billington & Edward Highfield) and forms part of the new Major Events Strategy in a sustainable way.	New	£50

Bereavement Services Investment Fund	New	£60k
• Contributions to an Investment Fund were agreed as part of the Bereavement Service Business Plan 2015-20 to support future and ongoing improvements and developments to the service. These include refurbishments to crematoria buildings and chapels, car park extensions, improved grounds maintenance equipment , fencing and signage within cemeteries. • The plan allowed for a contribution from the Fund of £92k in 2017-18, but due to slippage' it is estimated that only £30k will have been spent by the financial year-end.. • It is essential to carry forward £60k in 17/18 to cover future costs of managing and improving the service to the public. In particular, the Investment Fund plan includes the future full reline of the cremators installed at Hutcliffe Wood in 2011. The cost of this work is £65k per cremator. As we have not entered into a Service Level Agreement, it is essential to hold the resources to carry out these works to be able to continue to provide cremation services within legal limits (Environmental Protection Act). • Fees and charges were significantly increased in 17/18 to support other budgets. Customer expectations are understandably high and it is essential to have the resources to be able to improve our services where possible by using the Investment Fund donations. .		

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