

REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 31st MAY 2018

Purpose of the Report

1. This report describes the budget monitoring position on the City Council's Revenue Budget and Capital Programme as at Month 2.

REVENUE BUDGET MONITORING

Summary

2. The Council's revenue budget is displaying a forecast overspend of £14.9m. The position split by Portfolio is summarised in the table below.
3. It should be noted that this position represents an early forecast of the year-end position if action is not taken successfully to improve the position. Most of the overspend position is within Social Care budgets, reflecting nation-wide and much publicised demand and cost pressures within that particular sector. The cumulative effects of funding cuts due to the national austerity programme, combined with emerging social care pressures and the challenges of securing funding from Central Government or Health, who are themselves under pressure, are making the Council's current financial predicament extremely difficult.
4. In particular the Council is seeking to improve services for patients and assist the NHS with its pressures by speeding up and increasing access to the Council's home care provision. This reduces Delayed Transfers of Care (DToCs) – ie people who remain in hospital after they are medically fit to be discharged. However reducing DToCs requires additional services, in particular home care places, to be available in the community, and these additional services are resulting in cost pressures of £3.8m, as individuals are coming to social care earlier than previously and are receiving care packages for longer. In addition the incidents of individuals receiving Continuing Health Care has been reduced in Sheffield and costs are either being picked up by the individual or SCC, in 18/19 this is forecast as a pressure of £1.5m to SCC. Joint transformation plans with the CCG for delivering better outcomes and subsequent budget savings for people receiving Mental Health services are currently forecasting to under deliver by £1m.
5. We have Improvement and Recovery Plans in place to challenge all of these cost pressures, and are working with local health bodies to adopt a system-wide approach, which will protect services, whilst allowing the funding to follow the service provided. This year's position should be seen in this wider context.

6. It is therefore to be expected that this position improves over the course of the year as measures to control demand and spending begin to have an effect, so we expect to see a month on month improvement.

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s
PEOPLE	231,155	216,157	14,998
PLACE	190,352	190,952	(600)
POLICY, PERFORMANCE & COMMUNICATION	2,277	2,131	146
RESOURCES	39,291	38,821	470
CORPORATE	(448,168)	(448,062)	(106)
GRAND TOTAL	14,908	-	14,908

7. In terms of the forecast outturn position of £14.9m overspend, the key reasons are:

- **People** are forecasting a £15.0m overspend. The key reasons for this position are:
 - An overspend of £6.8m against Children & Families budgets; mainly due to £4.0m delays in anticipated savings in Placements and Health Strategy (£3.1m and £930k respectively), £1.7m of staffing-related costs in Fieldwork Services to deal with high social worker caseloads, and £825k of unmitigated costs as a result of the removal of mandatory leave deductions.
 - An overspend of £6.9m in Care and Support, due to £1.6m of increased supported living costs, £853k of unachievable savings, and increased activity in home care provision costing £4.2m following improvement to pathway flows.
 - There are a number of smaller movements within this position. **Appendix 1** provides a fuller picture on a service-by-service basis.
- The **Place** Portfolio is forecasting to be £599k under budget at Month 2. The key reasons for this forecast outturn position are slippage in the delivery of planned budget savings on Place Change Programme and Housing General Fund, offset by one-off and sustainable reductions in expenditure budgets e.g. office accommodation, which will not affect service delivery.

- The **Resources** Portfolio is forecasting an overspend of £470k. The key reasons for this are:
 - An overspend of £506k within Human Resources due to £276k of pay-related pressures, an increase of demand within Occupational Health of £105k and costs associated with the insourcing of a contract of £80k.
 - An overspend of £366k within Corporate Contracts & Discounts due to a savings target of £400k being forecast as un-deliverable in 2018/19.
 - An overspend of £264k in Customer Services as budget savings are forecast to not be delivered.
 - A reduction in spend of £509k in Central Costs due to a reduction against Former & Current Employee Pension Costs of £314k and a £149k reduction in spend following recalculation of Corporate Democratic Charges.
 - **Policy, Performance & Communication** is forecasting an overspend of £146k due to a forecast overspend on elections.
 - **Corporate** are reporting an underspend of £104k. This is due to income received as a result of investing cash balances that are earmarked for use later in the year to finance the capital programme.
8. Fuller details of all reductions in spend and overspends within can be found in **Appendix 1**.

Public Health

9. Services funded by Public Health grant are showing a £224k reduction in expenditure against the original approved budget. Further details of the outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

10. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme of £4.9m. As at Month 2 the account is forecasting a £78k adverse variance from this budgeted position.
11. Further details of the Housing Revenue Account can be found in **Appendix 3**.

Collection Fund

12. As at Month 2, the local share of the Collection Fund income stream is forecasting an overall in-year surplus of £0.9m, made up of a £0.7m surplus on Council Tax and a £0.2m surplus on Business Rates. This position is discussed in more detail within **Appendix 4**.

Corporate Risk Register

13. 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

14. The approved capital programme budget for 2018/19 at 31 May 2018 was £253.1m. The overall outturn of expenditure against this approved budget is forecast to be £239.0m, representing a variance of £14.1m.
15. Further monitoring of the Capital Programme is reported in **Appendix 6**.

Implications of this Report

Financial implications

16. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2018/19, and it does not make any further recommendations that have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

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

Property implications

19. There are no other property implications arising from the recommendations in this report this report.

Recommendations

20. Cabinet are asked to:
 - (a) Note the updated information and management actions provided by this report and attached appendices on the 2018/19 Revenue Budget Outturn.
 - (b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 6**.

Reasons for Recommendations

21. To record formally changes to the Revenue Budget and the Capital Programme.

Alternative options considered

22. 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

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PORTFOLIO REVENUE BUDGET MONITORING

AS AT 31ST MAY 2018

People Portfolio

Summary

1. As at Month 2, the Portfolio has a full year forecast outturn of overspends of **£15.0m** on **Cash Limit budgets** and of **£1.5m** on **DSG budgets**. The key reasons for the outturn position on the cash limit are:

Business Strategy (underspend of £290k)

- The main reasons for the business strategy forecast underspend of £290k is a combination of a forecast reduction in staffing costs, overachievement of income targets across the service and an offsetting pressure of £130k due to the removal of mandatory leave.

Care & Support (overspend of £6.9m)

- Purchasing LD is showing an overspend of £2.4m, made up of £1.6m of increased supported living costs due to market rates, pressures and TUPE costs but also unachievable savings of £853k. Non-purchasing LD is showing an overspend of £272k, reflecting an overspend on In-House Provider Services relating to short breaks and supported living.
- Long Term Care is showing an overspend of £4.2m. This is mainly due to increased activity in home care provision owing in part to improved pathway flows including reduced Delayed Transfers of Care and reduced length of stay in STIT, and also changes to the method of planning home care visits that better reflect the provision of care to service users. This causes an increase in costs where more staff and resources are needed to fulfil more overall contact time. There is also a £321k pressure for the mandatory leave which is currently being offset by vacancies within the whole service area.
- Care and Support Commissioning is forecasting an overspend of £291k. This overspend is mainly due to a risk share agreement with the CCG relating to the British Red Cross Equipment contract. There has been additional investment of specialist staff to triage equipment allocation with the intention of ensuring the right equipment is issued to support the individual's needs. It is expected that this approach will address some of the overspend issues.
- Access & Prevention is forecasting a reduction in spending of £127k. This position is mainly due to vacancies across the service although some recruitment has taken place so it is anticipated that this underspend will reduce.

- Safeguarding and Practice Development is forecasting a reduction in spend of £206k. This is due to legal charges being lower than budget on Safeguarding and the secondment to a project of the team leader on Practice Development with no backfill arrangements being required at this time.

Children & Families (over spend of £6.8m)

- Placement budgets are forecast to overspend by £3.5m due to a savings currently assessed as undeliverable of £3.1m and £460k full year impact of the 2017/18 overspend.
- Fieldwork Services are forecast to overspend by £2.1m. This is mainly due to a £1.7m forecast overspend on staffing costs, due to additional staffing requirements to deal with increased caseloads. There is also a forecast overspend of £237k in non-staffing budgets, due to increased transport costs and contact time for children in care.
- The Health Strategy service is forecast to overspend by £930k due to a delay in anticipated savings on Short Breaks and Direct Payments.
- There is also a £640k forecast overspend for Children and Families as a result of the mandatory leave pressure.

Community Services (overspend £456k)

- Library Services are currently forecast to overspend £81k due to increased rates, increased salary costs, increased supplies and services costs and reduced income. Budget savings across the service have been identified to reduce the effect of these pressures.
- The Family and Community Learning service is forecast to overspend £361k. This is mainly due to delayed implementation of an MER saving assumed to be 50% of £212k, and income shortfalls on Non Levy Apprenticeship of £110k and Adult Education Budget (AEB) of £98k. These overspends are partly offset by additional income of £115k within 16-18 Traineeships. There is a new pressure from Sheaf training this month of £56k due to additional Education Health and Care Package (EHCP) clients over the 75 places allocated.
- There is a £185k pressure for the mandatory leave which contributes to the above pressures.

Commissioning Inclusion and Learning Service: (overspend of £1.1m)

- Commissioned Mental Health Services are forecasting a £1m overspend. This is due to a prudent, worst-case assessment of the risk of unachieved savings across all purchased provision of £1m agreed between SCC and the CCG.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
BUSINESS STRATEGY - PEOPLE	11,411	11,701	(290)
CARE & SUPPORT	113,246	106,384	6,862
CHILDREN & FAMILIES	71,069	64,255	6,814
COMMUNITY SERVICES	9,121	8,665	456
COMM'G INCLUSION&LEARNING SERV	26,308	25,152	1,155
GRAND TOTAL	231,155	216,157	14,998

DSG

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

	FY Variance £000
Business Strategy	287
Children and Families	98
Commissioning, Inclusion and Learning Services	1,088
Community Services	0
Total	1,473

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

- In the Business Strategy Service, an overspend of £312k in relation to continued increases in demand and costs within Home to School Transport.
- In the Children & Families Service, Children with Disabilities placements is forecasting an overspend of £136k due to increased demand. This is partially offset by small forecast underspends elsewhere in the service.
- Within Commissioning, Inclusion and Learning Services, there is increase in demand for special school places leading to a £786k overspend for the SEND Growth Fund. There is also staffing overspend forecast in SEN Early Years Team (£72k) and a forecast overspend of £97k relating to the mandatory leave pressure.

Place Portfolio

Summary

4. The Place Portfolio is forecasting to be £600k under budget at Month 2. The key reasons for this forecast outturn position are:

- **Business Strategy & Regulation** is broadly balanced, such that slippage in the delivery of planned savings on 'Place Change Programme 1' (£491k) are being offset by a number of planned Place-wide mitigations.

- **City Growth** is £424k overspent largely due to slippage in the delivery of planned savings on 'Place Change Programme 1' (£472k).
- **Culture & Environment** is £1.5m under budget, largely arising from Streets Ahead contract cost reductions (£1.3m).
- **Housing General Fund** is £770k overspent, largely arising from slippage in the delivery of planned budget savings (£750k).
- **Transport & Facilities Management** is £238k under budget due to a relatively small forecast cost reduction in the running costs of key office accommodation.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
BUSINESS STRATEGY & REGULATION	27,491	27,556	(66)
MAJOR PROJECTS	80	89	(9)
CULTURE & ENVIRONMENT	90,722	92,201	(1,480)
HOUSING GENERAL FUND	2,889	2,120	768
CITY GROWTH	27,408	26,983	424
TRANSPORT AND FACILITIES MGT	41,764	42,002	(238)
GRAND TOTAL	190,352	190,952	(600)

Resources Portfolio

Summary

- As at Month 2 the Resources Portfolio is forecasting a full year outturn of an overspend of £470k. The key reasons for the forecast outturn position are:
 - An over spend of £366k on Contract Rebates and Discounts. This is mainly due to the Early Payment Discount Project which budgeted a £400k contribution to the savings target but on current forecasts is not expected to deliver in 18/19. The project has been delayed by technical problems with the software and suppliers are now being brought on board. Work is on-going to mitigate the overspend.
 - An overspend of £264k on Customer Services as full year budget savings are not expected to be delivered in 2018/19. This is mainly due to payroll pressures which are most apparent on Customer Contact Centre (£129k over spent) and Revs, Bens & Cashiers (£119k overspent) due to the need to meet operational KPI's. A staff reduction programme has been launched which will create a part year saving to mitigate this overspend.
 - An overspend of £506k on Human Resources. The forecast includes additional employee resources to implement the essential replacement of the existing HR

Systems and 2019 pay projects (£140k), demand pressures on the Occupational Health Contract (£105k) which reflect last year's costs and current demand levels. Funding solutions are being investigated for both of these expenditure items and approval will be brought forward to members when complete. Mitigations also need to be found for two other pressures - the full year impact of re-grading Trade Union Conveners to Grade 7 (£136k) but not reducing the number as agreed in the original proposal, and the increased cost of the Resourcelink Contract (£80k).

- A reduction in spend of £509k on Central Costs. This is largely made up of a £314k reduction against Former and Current Employee Pension Costs and a £149k reduction in spend due to the recalculation of recoverable charges from other Council funds.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
BUSINESS CHANGE & INFORMATION SOLUTIONS	1,313	1,404	(91)
CORPORATE REBATES & DISCOUNTS	(1,432)	(1,798)	366
CUSTOMER SERVICES	5,759	5,494	264
FINANCE & COMMERCIAL SERVICES	5,988	5,997	(9)
HUMAN RESOURCES	5,430	4,924	506
LEGAL & GOVERNANCE	3,723	3,766	(43)
RESOURCES MANAGEMENT & PLANNING	183	197	(14)
TOTAL	20,963	19,984	979
CENTRAL COSTS	18,172	18,681	(509)
HOUSING BENEFIT	156	156	0
GRAND TOTAL	39,291	38,821	470

Policy, Performance and Communications Portfolio

Summary

- At Month 2 the Portfolio is forecasting an overspend of £146k. The key reason for the forecast outturn position is an overspend of £146k on Policy, Performance and Communication mainly due to a forecast overspend on Elections. Election costs vary from year to year and are equalised through a reserve. A constant annual budget is paid into the reserve each year and election costs are drawn down. The fund has been used to fund additional costs incurred by the Council on electoral registration as voter numbers have increased. The level of electoral activity has been higher over the last few years resulting in increased draw down of funds from the reserve. Equalities &

Involvement is currently working on a paper to identify the on-going pressures so mitigating options can be considered.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
POLICY, PERFORMANCE & COMMUNICATION	2,322	2,176	146
PUBLIC HEALTH	(45)	(45)	(0)
GRAND TOTAL	2,277	2,131	146

Corporate Transactions

Summary

7. As at Month 2, the Corporate portfolio is showing a £106k underspend. The Corporate budget is made up of the following.
 - Corporate expenditure: Council wide budgets that are not allocated to individual services, including capital financing costs and the provision for redundancy and severance costs.
 - Corporate income: Revenue Support Grant, locally retained business rates and Council Tax income, some specific grant income and contributions to/from reserves.
8. The principal reason for the £104k underspend is increased income due to investment of cash balances that will be used later in the year to finance the capital programme.

Financial Results

9. The table below shows the items which are classified as Corporate.

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
CAPITAL FINANCING	28,254	28,358	(104)
CORPORATE ITEMS	(476,422)	(476,420)	(3)
GRAND TOTAL	(448,168)	(448,062)	(106)

PUBLIC HEALTH BUDGET MONITORING AS AT 31st MAY 2018

Purpose of the Report

1. To report on the 2018/19 Public Health grant spend across the Council for the month ending 31st May 2018.
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 2 the overall position was a forecast underspend of £224k which is summarised in the table below, split between the portfolios.

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
PEOPLE	27,744	27,818	(74)
PLACE	2,924	2,942	(18)
POLICY, PERFORMANCE & COMMUNICATION	1,837	1,969	(132)
GRAND TOTAL	32,505	32,729	(224)

5. Key reasons for the forecast positions spend are:
 - £74k reductions in spending in People within Supporting Vulnerable People of £57k due to vacancy savings, £35k small contract price and non-pay reductions, and a £53k Drug & Substance Misuse contract price reduction. This is offset by a £55k overspend on Enhanced Services, due to increased activity in primary health charged to the Public Health budgets.
 - Place reports a reduction in spend on employee costs of £18k.
 - £132k reduction in spend in Director of Public Health due to reduced non-staffing costs.

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HOUSING REVENUE ACCOUNT BUDGET MONITORING AS AT 31ST MAY 2018

Purpose of this Report

- To provide a summary report on the HRA 2018/19 revenue budget for the month ending 31 May 2018, and agree any actions necessary.

Summary

- 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.
- The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme. As at Month 2 the account is forecasting a £78k adverse variance from this budgeted position.
- Early projections influencing the outturn position include lower than budgeted rental income, increased repairs and running costs and an expected reduction in borrowing costs. The position on the account will be monitored throughout the year.
- A summary of the main risks within the Housing Revenue Account can be found in the Risk Register in **Appendix 5**.

Financial Results

Housing Revenue Account (excluding Community Heating)	FY Outturn £000's	FY Budget £000's	FY Variance £000's
1.NET INCOME DWELLINGS	(141,486)	(141,707)	221
2.OTHER INCOME	(6,287)	(6,255)	(32)
3.TENANTS SERVICES INC REPAIRS & MAINT	86,331	85,968	363
4.DEPRECIATION & CAP PROGRAMME FUNDING	42,022	42,022	-
5.INTEREST ON BORROWING	14,470	15,100	(630)
6.CONTRIBUTION TO CAP PROG	4,950	4,872	78
Total	-	-	-

Community Heating

- The budgeted position for Community Heating is a draw down from Community Heating reserves of £419k. At Month 2 the position is a draw from reserves of £139k, a forecast improvement of £280k. This is mainly due to lower than expected usage.

Community Heating	FY Outturn £000's	FY Budget £000's	FY Variance £000's
Income	(2,529)	(2,471)	(58)
Expenditure	2,668	2,890	(222)
Total	139	419	(280)

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COLLECTION FUND MONITORING

AS AT 31st MAY 2018

Summary

1. In 2018/19 approximately £305.2m 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 2018/19 £m	Billed to Date £m	Forecast Year End Position £m	Variance £m
Council Tax	-205.7	-34.3	-206.4	-0.7
Business Rates Locally Retained	-99.5	-16.6	-99.7	-0.2
TOTAL	-305.2	-50.9	-306.1	-0.9

4. As at the end of May, the local share of the Collection Fund Income Stream is forecasting an overall in-year surplus of £0.9m made up of a £0.7m surplus on Council Tax and a £0.2m surplus on Business Rates.

Council Tax

5. The forecast year end position for Council Tax is a surplus of £0.7m. This is primarily because of a £0.6m lower than anticipated level of exemptions and reductions.
6. For the 2018/19 budget process, we budgeted for an increase in dwellings which we are likely to overachieve based on current data. For prudence, we have not forecast any further increase however we are investigating this further and any update on this will be published in the Quarter 2 monitoring report to Cabinet.

Business Rates

7. The forecast year end position for Business Rates is a £0.5m surplus of which Sheffield's share is £0.2m. The £0.5m surplus is primarily made up of an increase on the Gross Rates Income Yield of £1.2m and a reduction in transitional protection payments of £1.7m payable to MHCLG, offset by an increase of £2.4m on reliefs. Further analysis of the business rates position can be found below.

Collection Fund - Business Rates	Budget 2018/19 £m	Billed to Date £m	Forecast Year End Position £m	Variance £m
Gross Business Rates income yield	-255.7	-262.9	-256.9	-1.2
LESS Estimated Reliefs	34.0	35.8	36.4	2.4
Losses on Collection	3.0	1.2	3.0	0.0
Losses on Appeals re Current Year Bills	6.7	0.3	6.7	0.0
Increase (Decrease) due to appeals / bad debt provisions	0.0	0.0	0.0	0.0
Net Collectable Business rates	-212.0	-225.6	-210.8	1.2
Transitional Protection Payments due from Authority	8.8	5.6	7.1	-1.7
Cost of Collection allowance	0.8	0.8	0.8	0.0
Non Domestic Rating Income	-202.4	-219.2	-202.9	-0.5
Appropriation of net business rates:				
49.2% Sheffield City Council	-99.5	-107.7	-99.7	-0.2
1.0% SY Fire Authority	-2.0	-2.2	-2.0	0.0
49.6% Government	-100.4	-108.8	-100.7	-0.3
0.2% Designated Areas	-0.5	-0.5	-0.5	0.0
Total Appropriations	-202.4	-219.2	-202.9	-0.5

Gross Rates Income Yield

8. The Gross Business Rates Income Yield has, to date, increased by £7.2m compared to total budget. This primarily down to two large hereditaments being added to the list post budget amongst a number of other smaller increases. The Gross Business Rates income yield used in the budget was based on a total rateable value for the city of £535m. This rateable value had risen to £542m by March 2018. We have also not seen, to date, the expected decline built into the budget for large scale retail redevelopments. The gross rates yield is expected to decline gradually throughout the year as appeals are settled.

Reliefs and Discounts

Reliefs	Budget 2018/19	Billed to Date	Forecast Year-End Outturn	Variance
	£m	£m	£m	£m
Small Business Rates Relief	11.5	11.4	11.4	-0.1
Transitional Relief	-8.8	-5.6	-7.1	1.7
Mandatory Charity Relief	22.7	23.0	24.0	1.3
Discretionary Relief	1.2	0.3	0.5	-0.7
Empty Property / Statutory Exemption	6.4	6.5	7.0	0.6
Partly Occupied Premises Relief	0.3	0.0	0.2	-0.1
New discretionary reliefs	0.7	0.2	0.4	-0.3
	34.0	35.8	36.4	2.4

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 May amounts to £35.8m which is £1.8m above the £34.0m in the budget. These are expected to rise to £36.4m by year end. The increase in reliefs is primarily due to transitional relief payments not being as significant as expected.
10. The most significant variations are in relation to mandatory charitable relief and transitional relief. The mandatory charitable relief is currently £0.3m over budget, however historically a number of additional applications are received during the year so this has prudently been increased to a £1.3m overspend. Transitional relief is based on the change in Gross rates payable charges between 2017/18 to 2018/19 and is subject to fluctuation dependant on appeals being granted in either year.

Appeals

11. Appeals are notoriously difficult to forecast due to the volatility of the process. The 2018/19 Council budget anticipated £6.6m of in year refunds resulting from appeals. In 2017/18 we had very little data regarding 2017 list appeals under the Check Challenge and Appeals process. This is currently being followed up with the Valuation Office. 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.
12. There is an Appeals provision of £35m carried forward into 2018/19. There were a significant number of appeals settled in 2017/18 which has reduced the provision required for 2010 appeals by over £9.3m, this included settling appeals on several large scale office blocks and retail stores.

13. At the year end, Sheffield City Council followed Government guidance in establishing a suitable appeals provision for the 2017 Ratings list.
14. 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). The ATM's case has been forwarded to the Court of Appeal and should be heard in Summer 2018. As the case is still effectively live, it is prudent to maintain the provision until all legal 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 of the remaining appeals have been withdrawn, it is deemed prudent to maintain this provision.

Conclusion

15. The forecast in year position of a £0.9m surplus on the Collection Fund is relatively healthy. However, this is the position after only the first two months of the year and careful monitoring will be required to ensure that this remains at an acceptable level.
16. 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 do not have an impact on future year's budgets.

CORPORATE RISK REGISTER

AS AT 31st MAY 2018

1. This Appendix provides a brief overview of the main financial risks facing the Council in 2018/19 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

2018/19 Budget Savings & Emerging Pressures

2. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2018/19 are achieved, especially given the cumulative impact of savings over the term 2011-18, and furthermore the backdrop of continuing reductions in Government grant from 2018/19 onwards.
3. In the business planning round for the year 2018/19, officers have identified numerous pressures which, if left unchecked, could lead to significant overspends in 2018/19 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

Capital financing costs

4. The Council currently maintains a substantial but manageable under borrowed position (i.e. The Council has 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 maintains 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

5. 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.
6. 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 31st May 2018, there were still over 650 properties relating to the 2010 valuation list with a rateable value of approximately £90m under appeal in Sheffield.

7. Not all of the £90m 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 2017/18 to mitigate the loss of income as a result of successful appeals.
8. 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 was delayed for 2 years but eventually came 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 2018/19 budget.
9. The appeals process following the 2017 Revaluation has also changed and is now 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 The Council has seen very little management information relating to the number of appeals that are being processed under the new Check, Challenge and Appeal process which the Council is continuing to press the Valuation Office on.
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. The Council is having ongoing discussions with both the Valuation Office Agency and MHCLG 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, The Council has 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 2018/19 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:
 - (a) 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;
 - (b) 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

- (c) 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 MTFA 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 established 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 exceed £69m including 2018/19.
14. Up to the point at which the General Election was called for June 2017, 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 Provisional Local Government Finance Settlement (Dec 17) announced that only 75% of business rates would be retained by Local Authorities. The new level of retention is set to be implemented in 2020/21. The Council still expects this increase to replace existing grants such as RSG and the Public Health grant, and as such we expect this to have no overall impact on the Council's net financing position.
16. 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, especially give the legislative changes above, 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

17. 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.
18. 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 crystallise, the potential liability could be much higher.

19. These risks are continually reviewed to ensure that any impacts of potential crystallisations are minimised.

Economic Climate

20. There is potential for current adverse economic conditions to result in increased costs (e.g. increased homelessness cases) or reduced revenues.
21. The Council seeks to maintain adequate financial reserves to mitigate the impact of unforeseen circumstances.

External Funding

22. 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.
23. 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.
24. 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.
25. The result of the referendum on EU membership does not in the short term change the risk profile of EU grants.

Taxation

26. As a general rule, the Authority is able to recover the majority of the value added tax (VAT) incurred on its payments to suppliers, i.e. its input tax. There are, however, special rules surrounding the recovery of input tax relating to supplies that are deemed

'exempt' from VAT, e.g. selling, leasing and letting of commercial land and buildings, education and insurance services. The VAT Act 1994 allows local authorities to recover input tax incurred in providing VAT-exempt supplies, so long as the tax attributable to exempt activities is less than 5% of the VAT incurred on all goods and services purchased.

27. The Council took advantage of its partial exemption position when making an exempt lease to a strategic partner as part of the Heart of the City development, delivering substantial savings. The Council has agreed a 7-year average partial exemption calculation with HMRC due to the spikes in construction costs which result in a breach in a couple of individual years. Any breach of the agreed threshold over the term would lead to substantial VAT recovery by HMRC.
28. Building the lease into the Authority's 7-year average partial exemption calculation leaves us at just above 4% in terms of the 5% limit, i.e. headroom of just under 1%. As a result, continual monitoring of our partial exemption position is vital in ensuring that we do not breach and also to inform decision-making on future projects being undertaken by the Authority.
29. Land and property transactions potentially pose one of the greatest risks of partial exemption breach. The Tax Team currently engages with colleagues in the Property Services team on at least a monthly basis to establish whether planned land and property transactions are likely to cause any partial exemption issues. In addition to this, communications are due to be issued in the next month to Heads of Service in portfolios making exempt supplies, which will further raise awareness of the partial exemption issues currently being faced by the Authority. Furthermore, systems are being developed internally to enable effective monitoring.

Treasury Management

30. 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 continue to diminish over the last couple of financial years 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 rated, highly liquid and diversified funds.
31. As part of the 2018/19 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 will continue to review our Treasury Management and Annual Investment Strategies during 2018/19 to ensure we have the ability to respond appropriately to market volatility.

32. 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.
33. 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. Work continues to improve systems and control measures; following the major system upgrade and the introduction of secure manual telephone system during 2017/18 which brought significant improvements to the handling of card data.
34. The Council currently has one 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 this contract, the level of exposure reduces over time. Due to impending changes to service provision, the arrangement will cease during the 2018/19 financial year.
35. The Council is currently discussing the accounting treatment regarding a loan with a UK bank with its auditors, KPMG. If a change in accounting treatment, to meet international reporting standards primarily aimed at commercial entities, was required then there would be a requirement to make a substantial provision in the 2017/18 accounts.

Welfare Reforms including Universal Credit

36. 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.

37. 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 2023 or later.
38. UC poses a significant financial risk to the Council as support towards housing costs, which is currently paid through HB direct to the Housing Revenue Account will in most cases, 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.
39. 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. It is however committed to not evicting a tenant as a result of arrears due to delays in universal credit payments.
40. There is also a UC Project Working Group which is supporting the roll-out of UC and taking steps to ensure the Council is prepared for full take up.

People Risks – Children Young People and Families

Education Funding

41. 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.
42. 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 2018/19 this cost to the Council is estimated at around £500k and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.
43. As part of transition to a National Funding Formula, when all funding allocations to schools will be directly managed by Education Funding Agency, 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

44. There has been an increase in demand and costs for services for children social care both in terms of placement costs, fieldwork costs and support costs.
45. A number of transformational projects have been put in place to manage the increasing demand and costs within available resources. These include preventing children coming into care and ensuring appropriate family based services, thereby avoiding the need for high cost, out of city placements. Implementation of these programmes is contingent upon cross service and cross portfolio working.

People Risks – Adult Social Care

46. In 2018/19 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.
47. In 2018/19 it is proposed to enter a new pooled budget arrangement with the Clinical Commissioning Group and the Sheffield Health and Social Care Foundation Trust to 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.
48. For 2018/19 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 potentially redress some of the continued increases seen over the last two years.
49. 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.
50. For 2018/19 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

2018/19 Revenue Budget savings

51. The Place budget comprises three significant contracts - Streets Ahead programme, Waste Management and the South Yorkshire Passenger Transport Levy – which together absorb the major part of the portfolios General Fund support. The Portfolio cannot meet projected reductions in local authority funding by only reducing costs in the services that share remaining part of the General Fund budget without a significant

reduction to those 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.

52. The South Yorkshire Transport Levy has been successfully reduced and savings have now been agreed and are moving towards implementation with effect from April 2018 from within the Streets Ahead and Waste Management contracts.
53. The Portfolio has also developed further strategic interventions including reducing the level of support to Sports Trusts and is embarking on a Place Change Programme to review all the other services seeking a business-like approach to service delivery. Realising the efficiencies and opportunities within these reviews are crucial to the Portfolio delivering a sustainable balanced position going forward.
54. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience in 2017/18 has shown that this discipline is not present in all projects and has exposed the portfolio on occasions to find funding from the Revenue Budget to fund overspends.
55. 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

56. 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)
57. 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 Programme Risks

Project Cost Control

58. 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. 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.

Housing Growth

59. There is a risk to delivering the full scope of major schemes such as Park Hill and other housing growth schemes because of the instability in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved and delayed realisation of the projected benefits including New Homes Bonus and Community Infrastructure Levy. Along with capital receipts these funding streams form key elements of the Growth Investment Fund. Any reduction in these funding streams will limit the council's investment capacity.

Olympic Legacy Park

60. 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.

Heart Of the City 2 (formerly Sheffield Retail Quarter)

61. The Council committed to incur around £62m to acquire land and carry out initial feasibility work to develop a plan for the retail quarter in the city centre. A further budget of £27m was approved for the appointed development manager to take forward the pre-construction phases of the scheme.

62. The Council has also approved a further £89m for the construction of the first building and associated public realm. The office accommodation of the building has been pre-let to HSBC on a 25 year lease, with options to exit at years 10 and 15. This means the Council carries the longer term vacant property risk on the office and also on a more periodic basis for retail and food and beverage units created as shorter leases expire.
63. The route for delivery of the remainder of the Heart of the City II has changed since originally approved. The Council will no longer be looking to deliver the scheme as one “big bang” corporate development and then be reliant on a single developer. It is envisaged that delivery will now be done via an incremental measured block by block approach, working within the approved masterplan, which can be delivered comprehensively over time but not necessarily by a single developer and/or the Council. This approach mitigates the Council’s risk and financial exposure and delivers momentum.
64. This phased approach to delivery also allows for future changes in the scheme to reflect changes in shopping habits/behaviours and the expectations of shoppers and users of the city centre.
65. The remainder of the £27m budget is now allocated across the development blocks to complete its own pre-construction phase. On completion of that phase further funding will be sought through the capital approval process to develop the properties.
66. The scheme is being funded through prudential borrowing which will be repaid primarily from the rental value created from the various types of property and 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 £4m pa will have to be provided for from existing budgets. The long term impact of the phased delivery has been built in to the Medium Term Financial Strategy.
67. A programme of development of this size carries with it significant levels of risk across a number of areas. These risks are amplified because of the length of the development programme and because of the uncertainties caused by the rapidly changing retail landscape and the unknown effect of Brexit.
68. In order to mitigate those risks stringent governance will be exercised over the progression of the scheme so that additional cost commitments will only be made if there is tangible evidence that scheme has positively achieved its pre-conditions and that the demand, rental levels and costs can be evidenced to be in line with or an improvement on base assumptions.

Schools’ Expansion programme

69. 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 £21m in 2018/19 after mitigating action. Initial forecasts indicated sufficient funding to repay the cash flow would be received from Government by 2021/22. However, the recent announcement of a lower than expected settlement for 2020/21 (£6.4m compare to £10m expected), and further emerging pressures in the programme will require this assumption to be revisited.
70. In the event of a change of government policy which further 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.
71. 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.
72. Basic Need funding allocations for the purpose of school expansion are now confirmed up to 2020/21. The modelling of the Schools Capital Programme has been revised in light of the recent funding announcement reducing the forecast allocation to £6.5m p.a. from £10m for 21/22 and 22/23. Any further reduction in these estimated amounts will delay the timescale for the repayment of the cash flow and also any future investment.

CAPITAL PROGRAMME MONITORING AS AT MAY 2018

1 - Statement of Budget Movement

The table below summaries the movement in budget from month 1 to month 2 and Capital programme budget position as at May 18.

	2018/19	2019/20	Future	Total	Comments
Month 1 Approved Budget	242.5	96.2	307.8	646.6	The major movements in the budget from the previous month relate to the approval of : - Addition of Clean Bus Technology Funding - £1.9m - Addition of Brownfields Site Acquisitions as part of Housing Growth Strategy - £8.7m - Addition of Broadfield Rd Junction Improvements scheme - £3.4m - Inclusion of Local Transport Plan Block Allocation - £1.5m
Additions	10.7	4.2	1.0	15.9	
Variations	-0.1	0.0	0.0	-0.1	
Slippage and Acceleration	0.0	0.0	0.0	0.0	
Month 2 Approved Budget	253.1	100.4	308.8	662.3	

2 - Top 20 Projects by value as at May 2018

The table below summarises the Top 20 projects in the Capital Programme by budget value in 2018/19. This group accounts for 77% of the 2018/19 capital programme. The major in year and all year variations are explained in sections 4 and 5 or comments section. None represent a major financial risk to the council.

PROJECT Values in £000	Current Year								Remaining Life of Project					Comments
	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	
Heart of the City - Offices	9,587	8,523	1,063	35,442	34,565	877	2.5%	A	35,442	34,565	877	2.5%	A	See item 5.3
Heart of the City - Strategic Dev Partner	321	671	(351)	24,087	24,087	(0)	0.0%	A	24,087	24,087	(0)	0.0%	A	
Roofed Roofing & Roofline	2,071	1,865	207	12,264	24,074	(11,810)	-49.1%	G	32,764	44,574	(11,810)	-26.5%	G	See item 4.1
Astrea Academy	2,211	2,516	(304)	20,959	20,959	(0)	0.0%	A	20,959	20,959	(0)	0.0%	A	
MST Finance	-	-	-	12,945	12,945	(0)	0.0%	NR	91,091	91,091	(0)	0.0%	NR	
Worcester School	3,090	3,612	(522)	10,846	10,871	(25)	-0.2%	G	10,884	10,884	0	0.0%	G	
Electrical Strategy	782	653	128	7,312	7,314	(2)	0.0%	G	30,428	30,430	(2)	0.0%	G	
Heart of the City 2	630	2,638	(2,008)	6,231	6,671	(440)	-6.6%	G	6,671	6,671	(0)	0.0%	G	See item 4.9
Kitchen/bathrm Planned Replmt	1,769	686	1,084	7,719	6,514	1,205	18.5%	G	17,878	18,202	(324)	-1.8%	G	See item 5.1 re current year overspend.
Brownfield Site	-	-	-	6,220	6,220	-	0.0%	NR	8,817	8,817	-	0.0%	NR	
Programme Management Costs Gf	-	33	(33)	5,420	5,696	(276)	-4.8%	G	13,550	17,680	(4,130)	-23.4%	G	CAF awaiting approval to remove excess budgets for staff costs and P4P final year payment reduction.
Knowledge Gateway	154	886	(732)	4,150	4,863	(713)	-14.7%	G	4,863	4,863	0	0.0%	G	See item 4.6
New Build Coun Hsg Ph 4a	52	86	(35)	4,691	4,691	(0)	0.0%	G	15,046	15,046	(0)	0.0%	G	
Council Hsg Acquisitions Prog	585	573	12	4,005	4,611	(606)	-13.1%	G	12,581	13,186	(606)	-4.6%	G	See item 4.7
Devonshire Quarter	-	-	-	4,458	4,463	(5)	-0.1%	NR	5,100	5,100	(0)	0.0%	NR	
Communal Areas-low Rise Flats	1,437	94	1,344	3,770	3,770	(0)	0.0%	G	19,970	19,970	(0)	0.0%	G	
Disabled Grants	282	560	(278)	2,162	3,361	(1,199)	-35.7%	G	10,162	11,361	(1,199)	-10.6%	G	See item 4.3
Ecclesall Permanent Extension	836	1,305	(469)	3,201	3,201	0	0.0%	G	3,201	3,201	0	0.0%	G	
Digital Incubator	-	-	-	3,317	3,004	313	10.4%	NR	3,474	3,474	0	0.0%	NR	See item 5.6
Essential Investments (chs)	-	-	-	2,600	2,600	-	0.0%	NR	14,228	14,228	(0)	0.0%	NR	
Top 20 Value	23,807	24,700	(893)	181,800	194,480	(12,680)	-6.5%		381,195	398,389	(17,194)			
Rest of Programme	5,279	5,522	(243)	57,202	58,623	(1,421)	-2.4%		267,024	263,960	3,064			
Total Capital Programme Value	29,085	30,222	(1,137)	239,002	253,103	(14,100)	-5.6%		648,219	662,348	(14,130)			
% of Programme within the Top 20	82%	82%	79%	76%	77%	90%			59%	60%	122%			

3 - Current Year to date and Forecast Outturn Position

The forecast outturn position for 2018/19 is £14.1m below budget. Key reasons for this are identified in the table and sections 4 and 5.

PORTFOLIO	YEAR TO DATE			FULL YEAR			Comments	
	Values in £000	Actual	Budget	Variance	Forecast	Budget		Variance
Place		11,364	14,670	(3,306)	114,801	114,351	450	Several compensating over and underspends make up the overall variance see items 4.4, 4.6, 4.8, 4.9, 5.2, 5.3, 5.4,5.6
Housing		9,235	5,071	4,164	68,027	82,812	(14,785)	See items 4.1 and 4.2 for main causes of variance
People		7,589	9,632	(2,043)	44,487	45,223	(736)	See item 4.3 £1.2m, forecast underspend on Disabled Facilities Grant is offset by forecast overspends on Schools Fire Risk Assessment budgets
Highways		507	736	(229)	9,736	9,037	699	Forecast overspend relates to budgets awaiting approval.
Resources		3	114	(111)	1,563	1,352	211	See item 5.10
Corporate		388	-	388	388	329	59	Potential overclaim by AMEY being investigated.
Grand Total		29,085	30,222	(1,137)	239,002	253,103	(14,100)	

4 - Top 10 Forecast Slippage against Full Year Budget

The table below illustrates that of the £19.3m main forecast underspends against budget, only approximately £0.7m relates to delays in scheme delivery while the remainder relates to expected savings, re-profiling of allocations not yet committed or schemes no longer progressing.

Business Unit	Directorate	FY Budget	FY variance on budget	Explanation
4.1 Pitched Roofing & Roofline	Housing	24,074	(11,810)	REPROFILE - Now Forecasting approx £12,300,000 to complete the current contracts. Change due to May adjustment sum in Fees. The remaining budget will need to be slipped forward into 2019/20 to support the business case.
4.4 Ewi Non-traditional 2	Housing	1,976	(1,976)	REPROFILE - The Final Business Case is being drafted and will go to Homes Board for endorsement. No decision has been taken yet as to whether the contract for package 2 will realistically begin in 2018/19. The intention is that the Package 1 contract will be used to show good and bad practice that will be used to deliver the other packages.
4.3 Disabled Grants	People	3,361	(1,199)	REPROFILE - The grant has doubled over the last 2 years from £1.95m in 2015/16 to £3.84m in 2017/18. However the demand has remained around the same level. Extra funding has been given to OT resource - yet to see increases from this. A working group is being established to review potential wider uses of DFG to ensure this is maximised.
4.4 Claywheels Lane Amg	Place	958	(958)	REPROFILE - NO COMMENTARY PROVIDED. Confirmation received that this project to passport SCRIF funding to a 3rd party towards infrastructure development will no longer progress. CAF to remove budget to be brought forward.
4.5 Ewi Non-traditional 3	Housing	867	(867)	REPROFILE - The Final Business Case is being drafted and will go to Homes Board for endorsement. It recommends that only Package 1 is to commence and the budgets for both Package 2 and 3 are to be moved back to the Q number for re-allocation when the contracts for those packages are ready to be awarded. The intention is that the Package 1 contract will be used to show good and bad practice that will be used to deliver the other packages.
4.6 Knowledge Gateway	Place	4,863	(713)	SLIPPAGE - YTD variance due to Amey invoicing process lagging behind actual progress, plus extension of programme of work required to get SCC / SCR approval. This has slipped by a further £40k since last month. Cashflow requested from Amey; budget will be reprofiled when received.
4.7 Council Hsg Acquisitions Prog	Housing	4,611	(606)	REPROFILE - Allocation for project no longer required to be returned to Stock Increase block allocation. CAF awaiting approval.
4.8 Claywheels Lane Abbey	Place	507	(507)	REPROFILE - NO COMMENTARY PROVIDED. Confirmation received that this project to passport SCRIF funding to a 3rd party towards infrastructure development will no longer progress. CAF to remove budget to be brought forward.
4.9 Heart of the City 2	Place	6,671	(440)	REPROFILE - This BU was originally set up for land acquisitions and initial feasibility for the wider development but development has been more prolonged than anticipated. This BU will now only be used for finalisation of acquisitions and estate management. This BU currently includes a general contingency and this will be reviewed and if appropriate allocated out to the other relevant elements
4.10 Lte's Purchase & Repair	Housing	307	(307)	REPROFILE - Allocation for project no longer required to be returned to Stock Increase block allocation. CAF awaiting approval.
Total		48,194	(19,382)	

5 - Top 10 Forecast Overspends over Full Year Budget

The table below indicates that approx. £1m of main in year forecast overspends could result in additional calls on council capital funds. Further information has been requested from project managers to confirm details.

Business Unit	Directorate	FY Budget	FY variance on budget	Explanation
5.1 Kitchen/bathrm Planned Replmt	Housing	6,514	1,205	ACCELERATION - This is as a result of accelerated works programme and volume of work found within individual properties. Awaiting CAF approval June cabinet.
5.2 Heart of the City Cycle Route	Place	-	1,003	AWAITING APPROVAL - Budget to be brought forward for approval at August cabinet. Forecast has been committed in advance.
5.3 Heart of the City Offices	Place	34,565	877	FUNDED OVERSPEND - The current all years outturn includes a number of TRMs that are being funded by HSBC. Budget variation - BUDGET VARIATION REQUIRED
5.4 Fra Works Mtc Tfm	Place	562	785	FORECAST OVERSPEND - 17/18 underspend but scope of work reviewed and budget reallocated for 18/19. CAF variation submitted and is awaiting approval. Commentary does not appear to reflect forecast - No variation has been submitted - This would require a request for additional funding.
5.5 Programme Management Costs Rtb	Housing	-	455	AWAITING APPROVAL - Budget due for approval at June 18 Cabinet
5.6 Digital Incubator	Place	3,004	313	ACCELERATION - Budget to be brought forward for approval.
5.7 Blackburn Valley Cycle Route	Highways	12	250	NO HIGHLIGHT REPORT COMMENTARY - Project forecast for approvals and CAF submitted; however, put on hold by EMT. However, issue now resolved - will progress next month.
5.8 Comm Htg - Pipework Renewal	Housing	-	248	NO HIGHLIGHT REPORT COMMENTARY - Awaiting approval of CAF next week following June Cabinet approval.
5.9 Windows& Doors Placement(chs)	Housing	1,484	221	POTENTIAL OVERSPEND - The contractor has submitted a revised forecast final account of approx £5.6m. QS continue to validate predicted returns. The impact will be the 2018/19 budget will overspend. Wates have also submitted a claim for £140k prelims which at the moment has no detail to back it up. Again, this will increase the expenditure. The result is that the orders at Foxhill & Netherthorpe have been removed from the programme. Due to the delay in the programme as a result of the financial issues have not completed their programme in 2017/18 and EOT completion forecast of June 2018. CAF to be brought forward as soon as costs finalised - update next month.
5.10 Moorfoot Lifts	Resources	1,352	211	ACCELERATION - Project estimated to spend to budget. Delay in costs due to off-site works and will be recovered 18/19.
Total		47,492	5,569	

6 - Key Issues and Risks

Key Issues

- **Astrea Academy** - Forecast underspend reported last month has been corrected however, discrepancy between actual and forecast spend for May indicates potential further slippage against profile.

Key Risks

- **Knowledge Gateway** - This scheme achieved formal approval at cabinet in April 2018 and is indicating a further £40k slippage in addition to £675k slippage reported at April. There remains only 2 weeks float in the programme to meet SCRIF timescales to avoid funding clawback.

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