REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30th SEPTEMBER 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 6.

REVENUE BUDGET MONITORING

Summary

2. The Council's revenue budget is displaying a forecast overspend of £14.2m.
3. The position reported at Month 2 was £14.9m, and this was described as the worst case scenario. The Month 6 position represents only a modest improvement since this time. The most significant driver of this overspend continues to be cost and demand pressures within Social Care services, reflecting much publicised and nationwide problems within that sector.
4. The Council will continue efforts to mitigate this forecast overspend, including a review of Corporate expenditure and capital financing charges, accelerating some savings plans where possible and continuing to review non-essential spend. It is unlikely that this overspend will be addressed fully before year end, making an overspend position at year end the likely outcome.
5. The position split by Portfolio is summarised in the table below.

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
PEOPLE	231,404	215,935	15,470	⇧
PLACE	191,308	191,918	(610)	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,548	2,131	417	⇧
RESOURCES	40,185	40,061	124	⇩
CORPORATE	(451,288)	(450,045)	(1,243)	⇩
GRAND TOTAL	**14,158**	**-**	**14,158**	⇔

6. In terms of the forecast outturn position of £14.2m overspend, the key reasons are:

- **People** are forecasting a £15.5m overspend. The key reasons for this position are:
  - An overspend of £8.3m within Care & Support. The key reasons for this are the effects of increased activity within home care provision of £4.8m, supported living cost increases of £2.1m, the impact of unachievable savings of £1.1m, with some smaller movements both positive and adverse within the service.

- An overspend within Community Services of £456k due to the impact of a delayed MER scheme, partially offset by a vacancy saving for Community Support workers of £76k as well as other, smaller reductions in spend.
- An overspend of £6.6m against Children & Families budgets. This is mainly due to the impact of delays in realising the benefits of investment into recruiting foster carers and constraining demand for placements creating a pressure of £3.1m, increased staffing and non-staffing costs within Fieldwork services of £1.9m, delays in anticipated savings within Short Breaks and Direct Payments of £1.0m, and the full-year impact of the 2017/18 overspend of £460k.
- An overspend with Commissioning, Inclusion and Learning Services of £656k. This is due to unachieved savings within the tri-partite risk share agreement between the Council, CCG and Care Trust
- A reduction in spend of £405k within Business Strategy, mainly due to a forecast reduction in staffing costs and over-recovery of income within the service.
- There are a number of smaller movements within this position. **Appendix 1** provides a fuller picture on a service-by-service basis, including commentary as to the movement since Month 2.

- The **Place** Portfolio is forecasting a £610k underspend. The key reasons for this variance are the delivery of both sustainable and one-off reductions totalling £5.1m within expenditure budgets that will not affect service delivery and staff savings from a voluntary early retirement/severance scheme. This is offset by £4.5m of slippage in the delivery of planned budget savings on 'Place Change' Programmes and the Housing General Fund.
- The **Resources** Portfolio is forecasting an overspend of £124k. The key reasons for this are:
  - An overspend of £661k within Corporate Contracts & Discounts mainly due to a savings target of £400k being forecast as un-deliverable in 2018/19.
  - An overspend of £258k on Human Resources mainly due to £296k of additional pay pressures.
  - A reduction in spend of £597k in Central Costs due to a reduction against Former & Current Employee Pension Costs of 430k and a £149k reduction in spend following recalculation of recoverable charges from other Council funds.
  - A reduction in spend within Finance & Commercial Services of £192k following a review of expected income from bad debt recovery.

- **Policy, Performance & Communication** is forecasting an overspend of £417k due to an overspend on the advertising contract of £453k after delayed installation of advertising panels, the impact of increased electoral activity and voter registration of £86k offset by a reduction in spend of £111k of administration and support costs.
- **Corporate** are reporting an underspend of £1.2m. 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, and debt costs avoided by the delay of scheduled borrowing

7. The overall overspend position has decreased by £750k since the Month 2 Report. The key reasons for this movement, by portfolio, are:

- **People Portfolio** is forecasting a £471k worsened position since Month 2. The key reasons for this, at service level, are:
    - An increase in overspend within Care & Support of £1.5m. The main reasons for this are £833k of growth in Learning Disabilities costs, £1.3m of increased costs in Home Care due to demand and higher levels of packages, offset by increased iBCF contribution of £600k.
    - An improved forecast within Community Services of £145k, mainly due vacancies savings of £134k.
    - An improvement within Children & Families of £251k, reflecting the use of remaining elements the social work investment fund to offset the increase in staffing costs.
    - An improvement of the forecast within Commission, Inclusion & Learning Services of £499k, mainly due to £330k of improvement of the Council's position within the Risk Share Agreement with partners in the Health sector.
    - An improvement within Business Strategy of £287k, largely due to continued over-recovery of income and underspends against staffing budgets.
- **Place Portfolio** has remained at broadly the same position since Month 2, showing a £10k improvement in forecast.
- **Resources Portfolio** has improved by £346k since Month 2. This is mainly due to the impact of delays in recruitment saving £218k, a review of the 60 Day Bad Debt Policy contributing £183k and £247k of improvement within Human resources mainly relating to vacancy savings and re-appraisal of payroll forecasts. These are offset by the impacts of recognition of the delay in anticipated savings

from the Early Payment Discount Initiative of £296k, and of a prudent review of traded services and expected demand of £122k.

- **Policy, Performance and Communications Portfolio** has worsened by £272k, which is entirely attributable to recognition of the overspend within the advertising contract.
- **Corporate Portfolio** has improved by £1.1m since Month 2, entirely due to the avoidance of debt costs due to delays in scheduled borrowing.

8. Fuller details of all reductions in spend and overspends, and descriptions of the movement since Month 2, within can be found in **Appendix 1**.

Public Health

9. Services funded by Public Health grant are showing a £428k 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 £5.3m. As at Month 6 the account is forecasting a £163k 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 6, the local share of the Collection Fund income stream is forecasting an overall in-year surplus of £4.9m, made up of a £2.0m surplus on Council Tax and a £2.9m 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 30 September 2018 was £246.8m. The overall outturn of expenditure against this approved budget is forecast to be £220.1m, representing a variance of £26.7m.
15. Further monitoring of the Capital Programme is reported in **Appendix 6**.

Requests for approval of funding

16. There are two requests for funding within **Appendix 7**. The first relates to invest-to-save funding for the Place Change Programme, and the second relates to recognition of Government grant funding for adult social care.
17. The requests are described in greater details within **Appendix 7**.

Implications of this Report

Financial implications

18. 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

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

Legal implications

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

Property implications

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

Recommendations

22. 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**.
    - (c) Consider for approval the requests for funding within **Appendix 7**:
        - a. £2.1m funding relating to Place Change Programme on an invest-to-save basis.
        - b. £2.7m of additional funding to enable further reductions in the number of patients that are medically ready to leave hospital but are delayed because they are waiting for adult social care services.

Reasons for Recommendations

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

Alternative options considered

24. 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 30TH SEPTEMBER 2018

People Portfolio

Summary

1. As at Month 6, the Portfolio has a full year forecast outturn of an overspend of £15.5m on Cash Limit budgets and an overspend of £1.7m on DSG budgets. This is an increase of £471k on the cash limit overspend at Month 2 and an increase of £273k on the DSG overspend at Month 2. The key reasons, split into Service level, for the outturn position on the cash limit budgets are:

Care & Support (overspend of £8.3m)

- Learning Disabilities is forecasting an overspend of £3.5m. This is due to £2.1m of supported living costs increases due to market rates and TUPE costs, £1.1m relating to unachievable savings, and £256k against In-House Provider Services reflecting an overspend on short breaks and supported living.
- Long Term Care (LTC) Purchasing are forecasting an overspend of £4.8m. 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.
- Commissioning are forecasting an overspend of £369k. This is mainly due to the British Red Cross Equipment risk share agreement with the CCG. There is to be additional investment in 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 and Prevention are forecasting an underspend of £317k. This is mainly due to vacancies across the service.
- Safeguarding and Practice Development are forecasting an underspend of £77k. 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 backfill arrangements being at a lower grade.

Community Services (overspend £311k)

- The key reasons for this overspend are a delayed MER within Family & Community Learning causing a cost of £456k partially offset by a reduction in spend within Community Support Workers of £76k due to vacancies, and other smaller underspends.

Children & Families (overspend of £6.6m)

- Placement budgets are forecast to overspend by £3.3m. This is largely due to the impact of delays in realising the benefits of investment into fostering and into constraining demand for care placements of £3.1m, and the full-year impact of the 2017/18 overspend of £460k.
- Fieldwork Services are forecasting a £1.9m overspend. This is mainly due to £1.3m increased staffing to deal with increased caseloads and £375k in non-staffing budgets due to increased transport costs and contact time for children in care.
- Health Strategy is forecasting a £1.0m overspend on Short Breaks and Direct Payments due to delay in anticipated savings.

Commissioning Inclusion and Learning Service: (overspend of £656k)

- Commissioned Mental Health Services is forecasting a £670k overspend. This is due to unachieved savings across all three organisations which form part of the risk share (the Council, the CCG and the Care Trust). It is anticipated that this position will improve as the tripartite agreement matures, and that the overspend for this service will reduce significantly.

Business Strategy (underspend of £405k)

- The main reasons for the business strategy forecast underspend of £405k is a combination of a forecast reduction in staffing costs and overachievement of income targets across the service. These have been partially offset by the £100k mandatory leave pressure (described above) for the service.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS STRATEGY - PEOPLE	11,136	11,541	(405)	⇩
CARE & SUPPORT	114,764	106,420	8,344	⇧
CHILDREN & FAMILIES	70,818	64,255	6,563	⇩
COMMUNITY SERVICES	8,867	8,556	311	⇩
COMM'G INCLUSION&LEARNING SERV	25,818	25,162	656	⇩
GRAND TOTAL	**231,404**	**215,935**	**15,470**	⇧

DSG

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

Portfolio	FY Variance Month 6 £000s	FY Variance Month 2 £000s	Movement £000s
BUSINESS STRATEGY - PEOPLE	309	287	22
CHILDREN AND FAMILIES	281	98	183
COMM'G INCLUSION&LEARNING SERV	1,156	1,088	68
COMMUNITY SERVICES	-	-	-
Grand Total	**1,746**	**1,473**	**273**

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

Business Strategy (overspend of £309k)

- An overspend of £408k in the transport budgets is due to continued increase in demand and increases in costs.

Children and Families (overspend of £281k)

- Children with Disabilities Placements is forecasting an overspend of £298k, due to increase in demand and costs for these places.

Commissioning, Inclusion and Learning Services (overspend of £1.2m)

- This is mainly due to £761k forecast overspend on the SEND Growth Fund due to an increase in demand for special school places, £113k forecast overspend on Out of City SEN due to increased places and legal costs and £173k overspend on Independent Specialist Placements (ISP) due to an increase in demand and costs for these placements.
- There is also forecast staffing overspend of £80k in the SEN Early Years team.

Commentary

4. The following commentary comments on the main variances at service level reported in the last reported position at Month 2.

Care and Support

- The £8.3m overspend shown in the table above relates wholly to cash limit. This is an increase of £1.5m over the reported position at Month 2.
- The main reason for the movement in the cash limit forecast are:-
  - Access, Prevention and Reablement - £191k improvement mainly due to reduced staffing costs
  - Care & Support Commissioning - £78k worsened position due to additional equipment expenditure on the British Red Cross – Integrated Equipment Service.

- Learning Disabilities – £819k worsened position mainly due to £833k on client packages in supported living offset by a slight underspend on staffing £14k.
- Long Term Support is forecasting an overall worse position by £646k mainly due to increased costs on Home Care £1.3m which is due to higher numbers of clients, higher level of packages, a quicker route of triage to private provision and clients staying with us for longer. There is also increased cost of providing 20 beds through the 5Q initiative of £222k and an increased bad debt provision of £300k. This is partially offset by reductions in Nursing Care/Residential Care admissions £620k and an increased iBCF contribution of £600k.
- Locality Working is forecasting a £135k worsened position due to a more accurate reflection of staffing costs which is slightly offset by minor underspends within other divisions of Long Term Support.
- Safeguarding and Practice Development is forecasting a £129k worsened position mainly due to costs for Best Interest Assessors and recruitment to backfill a seconded post to the Whole Family Case Management Project.

Community Services

- The service is forecasting a £311k overspend relating to cash limit with no movement on the DSG position. This is an improvement of £145k since the Month 2 Report.
- The main reasons for the movement are: a reduced spend in Libraries £96k, additional SFA funding of £51k in Learning Difficulties & Disabilities and vacancies in Locality Management saving £134k offsetting the full impact of the delay in implementation of the MER in Learning, Skill and Employment creating a cost of £147k.

Children and Families

- The service is forecasting a £6.6m overspend relating to cash limit and a £281k overspend on DSG. This is a reduction in the overspend of £251k from Month 2 on the cash limit and an increase of £183k on the DSG overspend from Month 2.
- The main reason for the movement in the cash limit forecast is an improvement in the Fieldwork staffing budgets. This reflects the use of the remaining elements of the social work investment fund to partially offset the increase in social work staffing costs, within both the Fieldwork and Children Disabilities Team.
- The main reason for the movement in the DSG forecast is due to an increase in the forecast overspend on Children with Disabilities Placements of £160k due to an increase in demand and costs for these placements.

Commissioning, Inclusion and Learning Service

- The service is forecasting a £656k overspend relating to cash limit and a £1.2m overspend on DSG. This is a reduction in the overspend of £499k from Month 2 on the cash limit and an increase of £68k on the DSG overspend from Month 2.
- The main reason for the improvement in the cash limit position is the inclusion of the Care Trust budgets and achieved savings into the Risk Share agreement. Month 6 saw the first outturn which included information from all three organisations on Mental Health savings and resulted in a £330k improvement in the Council's position.
- The main reason for the movement in the DSG position is due to an increase in the forecast of £173k for Independent Specialist Placements (ISPs) due to an increase in demand and costs for these placements. This has been partially offset by small improvements in the forecasts across the service.

Business Strategy

- The service is forecasting a £405k underspend relating to cash limit and a £309k overspend on DSG. This is an increase in the underspend of £287k from Month 2 on the cash limit and a consistent position on the DSG overspend from Month 2.
- The main reason for the improvement in the cash limit position is an increase in income above forecast and an increase in the underspend against staffing budgets across the service.
- There are no significant fluctuations in the forecast DSG position from Month 2.

Request for funding

5. The Council expects to receive £2.7m of Government grant funding this year to enable further reductions in the number of patients that are medically ready to leave hospital

but are delayed because they are waiting for adult social care services. This grant award, and plans for associated spend, are explained in greater detail in **Appendix 7**.

Place Portfolio

Summary

6. The Place Portfolio is forecasting to be £610k under budget at Month 6.

7. The key variances include slippage in the delivery of planned budget savings on ‘Place Change Programmes’ and Housing General Fund (£4.5m), offset by both sustainable and one-off reductions in expenditure budgets which will not affect service delivery and staff savings from a voluntary early severance/retirement scheme (£5.1m).

8. Overall the position remains broadly the same as previously reported.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS STRATEGY & REGULATION	27,488	27,508	(20)	⇔
MAJOR PROJECTS	62	89	(27)	⇔
CULTURE & ENVIRONMENT	90,637	92,119	(1,482)	⇔
HOUSING GENERAL FUND	3,005	2,470	534	⇩
CITY GROWTH	28,065	27,512	554	⇧
TRANSPORT AND FACILITIES MGT	42,051	42,220	(169)	⇔
GRAND TOTAL	**191,308**	**191,918**	**(610)**	⇔

Requests for funding

9. The Place Portfolio are requesting Invest to Save funding relating to Place Change Programme 2. This is outlined in more detail within **Appendix 7**. If this request were declined, there would be an adverse impact on the forecast outturn position.

Resources Portfolio

Summary

10. As at Month 6 the Resources Portfolio is forecasting a full year outturn of an overspend of £124k. The key reasons for the forecast outturn position are:

- An overspend of £661k 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 work is on-going to mitigate the overspend.

- An overspend of £258k on Human Resources. The forecast includes additional employee resources to implement the essential replacement of the existing HR Systems and 2019 pay projects at a cost of £140k, demand pressures on the Occupational Health Contract of £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 of £156k but not reducing the number as agreed in the original proposal, and the increased cost of the Resourcelink Contract of £80k. These overspends are offset by an underspend in Learning and Development costs reflecting a reduced use of external training consultants.
- A reduction in spend of £597k on Central Costs. This is largely made up of a £430k 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.
- A review of forecasted income under the 60 Day Bad Debt policy has resulted in recognition of increased income within Finance & Commercial Services of £183k.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS CHANGE & INFORMATION SOLUTIONS	2,421	2,390	31	⇧
CORPORATE REBATES & DISCOUNTS	(1,137)	(1,798)	661	⇧
CUSTOMER SERVICES	5,984	5,937	46	⇩
FINANCE & COMMERCIAL SERVICES	6,257	6,449	(192)	⇩
HUMAN RESOURCES	5,207	4,949	258	⇩
LEGAL & GOVERNANCE	3,695	3,766	(71)	⇔
RESOURCES MANAGEMENT & PLANNING	184	197	(13)	⇔
TOTAL	22,611	21,890	720	⇩
CENTRAL COSTS	17,418	18,015	(597)	⇔
HOUSING BENEFIT	156	156	(0)	⇔
GRAND TOTAL	**40,185**	**40,061**	**124**	⇩

Commentary

11. The forecast outturn position for the Resources Portfolio has improved by £346k since Month 2. The principal reasons for this improvement are:

- £218k of improvement within Customer Services primarily due to delays in recruitment.
- £183k of improvement within Finance & Commercial Services due to the review of bad debt policy mentioned above.
- £247k of improvement within Human resources, due to a cash limit adjustment in relation to costs incurred in the 2019 Pay Project, and vacancy savings and re-appraisal of payroll forecasts.
- Recognition of the delay in achieving the savings planned for the Early Payment Discount Initiative, of £296k.
- The impact of a prudent review of traded services and expected service demands creating causing £122k of costs within Business Change & Information Solutions

Policy, Performance and Communications Portfolio

Summary

12. At Month 6 the Portfolio is forecasting an overspend of £417k. The key reasons for the forecast outturn position, are an overspend of £453k on the budget for the advertising contract, £66k due to increased electoral activity and an offsetting £111k underspend on administration and support costs.

13. Net income from advertising is down £453k due to a delayed installation of advertising panels. Discussions with the advertising contractors have identified actions which will reduce the overspend but not until 2019/20.

14. 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 and an increased level of electoral activity compared to previous 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.

15. The adverse movement since the Month 2 report is attributable to the recognition of the overspend within the advertising contract.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
POLICY, PERFORMANCE & COMMUNICATION	2,593	2,176	417	⇧
PUBLIC HEALTH	(45)	(45)	(0)	⇔
GRAND TOTAL	**2,548**	**2,131**	**417**	⇧

Corporate Transactions

Summary

16. As at Month 6, the Corporate portfolio is showing a £1.2m 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.

17. The principal reason for the £1.2m underspend is increased income due to investment of cash balances that will be used later in the year to finance the capital programme and debt costs avoided by delayed scheduled borrowing. This has increased since Month 2, and entirely explains the reduction in forecast outturn.

Financial Results

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

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
CAPITAL FINANCING	27,225	28,465	(1,240)	⇩
CORPORATE ITEMS	(478,513)	(478,510)	(3)	⇔
GRAND TOTAL	(451,288)	(450,045)	(1,243)	⇩

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PUBLIC HEALTH BUDGET MONITORING AS AT 30th SEPTEMBER 2018

Purpose of the Report

1. To report on the 2018/19 Public Health grant spend across the Council for the month ending 30th September 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 6 the overall position was an underspend of £428k which is summarised in the table below.

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
PEOPLE	27,636	27,818	(182)	⇩
PLACE	2,852	2,942	(90)	⇔
DIRECTOR OF PH	1,814	1,970	(156)	⇔
GRAND TOTAL	32,302	32,730	(428)	⇩

5. The key reasons for the forecast positions spend are:

- An £182k underspend in People as a result of underspending in Mental Health Commissioning Partnerships and Grants of £69k relating to contract underspends, underspends withtin the DACT (Drug and Alcohol Action & Co-ordination Team) relating to vacancies and non-pay savings of £71k and contract reduction of £53k, a voluntary contract delay within the Genetics service of £73k and underspends within residential rehab of £151k. This is offset by demand-led pressures for supervised consumption and needle exchange services of £115k and £81k respectively and an overspend on Enchanced Contraceptive Services of £45k.
- £90k underspend in Place due employee savings on PH Infrastructure of £102k, partially offset by an overspend on the Adult Weight Management contract.
- A £156k underspend in Director of Public Health mainly as a result of non-staffing savings and income over the budgeted amount within Public Health Intelligence, offset by a staffing overspend on Public Health DPH.

6. The key Reason for any significant movement since the Month 2 Report are as follows;

- The movement in People of £108k is mainly as a result of underspending in Mental Health Commissioning Partnerships and Grants of £121k.
- The movement in Place of £72k is largely as a result further underspends on salaries on PH Infrastructure.
- The movement in Director of Public Health of £24k is as a result of revised non pay costs.

HOUSING REVENUE ACCOUNT BUDGET MONITORING AS AT 30TH SEPTEMBER 2018

Purpose of this Report

1. To provide a summary report on the HRA 2018/19 revenue budget for the month ending 30th September 2018, 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 account is forecasting a £163k adverse variance from this budget position.

4. This forecast adverse movement is mainly the result of increased repairs and running costs which have been partly offset higher than budgeted rental income and expected reductions in borrowing costs. The position on the account will be monitored throughout the year.

Financial Results

Housing Revenue Account (excluding Community Heating)	**FY Outturn Month 6 £000s**	**FY Budget Month 6 £000s**	**FY Variance Month 6 £000s**
1.NET INCOME DWELLINGS	(141,830)	(141,707)	(123)
2.OTHER INCOME	(6,267)	(6,295)	28
3.TENANT SERVICES INC REPAIRS & MAINT	87,057	85,968	1,089
4.DEPRECIATION-CAP FUND PROG	41,593	41,593	-
5.INTEREST ON BORROWING	14,330	15,161	(831)
6.CONTRIBUTION TO CAP PROG	5,117	5,280	(163)
Total	**-**	**-**	**-**

Community Heating

5. The budgeted position for Community Heating is a draw down from Community Heating reserves of £419k. As at Month 6 the position is a draw down from reserves of £349k, a forecast improvement of £70k. This is mainly due to lower than expected usage due to the milder weather.

Community Heating	**FY Outturn Month 6 £000s**	**FY Budget Month 6 £000s**	**FY Variance Month 6 £000s**
Income	(2,298)	(2,471)	173
Expenditure	2,647	2,890	(243)
Total	**349**	**419**	**(70)**

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COLLECTION FUND MONITORING AS AT 30th SEPTEMBER 2018

Summary

1. In 2018/19 approximately £305.2m of the Council's 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)	(112.7)	(207.7)	(2.0)
Business Rates Locally Retained	(99.5)	(63.8)	(102.4)	(2.9)
TOTAL	**(305.2)**	**(176.5)**	**(310.1)**	**(4.9)**

4. As at the end of September, the local share of the Collection Fund Income Stream is forecasting an overall in-year surplus of £4.9m made up of a £2.0m surplus on Council Tax and a £2.9m surplus on Business Rates. This may seem a sizeable surplus however it represents only 1.6% of the budgeted income.
5. Due to Collection Fund accounting regulations, this surplus is not available for in-year use and will be fed into the budget process for 2019/20.

Council Tax

6. The forecast year end position for Council Tax is a surplus of £2.0m. This is primarily because of an additional £2.8m of Council Tax income offset by a £0.3m increase in exemptions and a £0.5m increase in discounts.
7. During the budget process for 2018/19, we predicted an increase in properties of 2290 from the baseline set in 2017/18. To date we have seen an increase of 1224 above that level, this has generated significant extra revenue.

Business Rates

8. The forecast year end position for Business Rates is a £6.0m surplus of which Sheffield's share is £2.9m. The £6.0m surplus is primarily made up of an increase on the Gross Rates Income Yield of £3.8m, a reduction in transitional protection payments of £2.9m, a reduction in the required appeals provision of £2.2m offset by

an increase of £3.8m on reliefs. Further analysis of the business rates position can be found on the following pages.

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)	(262.5)	(259.5)	(3.8)
LESS Estimated Reliefs	34.0	36.5	37.8	3.8
Losses on Collection	3.0	1.3	2.5	(0.5)
Losses on Appeals re Current Year Bills	6.7	0.3	6.3	(0.4)
Increase (Decrease) due to appeals / bad debt provisions	0.0	(2.2)	(2.2)	(2.2)
Net Collectable Business rates	**(212.0)**	**(226.6)**	**(215.1)**	**(3.1)**
Transitional Protection Payments due from Authority	8.8	5.4	5.9	(2.9)
Cost of Collection allowance	0.8	0.8	0.8	0.0
Non Domestic Rating Income	**(202.4)**	**(220.4)**	**(208.4)**	**(6.0)**
Appropriation of net business rates:				
49.2% Sheffield City Council	(99.5)	(108.3)	(102.4)	(2.9)
1.0% SY Fire Authority	(2.0)	(2.2)	(2.1)	(0.1)
49.6% Government	(100.4)	(109.4)	(103.4)	(3.0)
0.2% Designated Areas	(0.5)	(0.5)	(0.5)	0.0
Total Appropriations	**(202.4)**	**(220.4)**	**(208.4)**	**(6.0)**

Gross Rates Income Yield

9. The Gross Business Rates Income Yield has, to date, increased by £6.8m compared to total budget. This primarily down to two large hereditaments being added to the list post budget setting 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.

10. As part of the 2018/19 budget setting process, we built in expected decline in gross business rates due to large scale retail redevelopments. For the period of the redevelopment, it is expected that business rates income will drop due to affected hereditaments appealing their rateable value. The development was expected to commence in the 3rd quarter of 2018/19 however this is now not expected to start until the 4th quarter at the earliest. Should this delay in the development continue, then the surplus for 2018/19 will increase.

Reliefs and Discounts

Reliefs	Budget 2018/19 £m	Billed to Date £m	Forecast Year-End Outturn £m	Variance £m
Small Business Rates Relief	11.5	11.5	11.5	0.0
Transitional Relief	(8.8)	(5.4)	(5.9)	2.9
Mandatory Charity Relief	22.7	23.0	23.6	0.9
Discretionary Relief	1.2	0.3	0.4	(0.8)
Empty Property / Statutory Exemption	6.4	6.8	7.3	0.9
Partly Occupied Premises Relief	0.3	0.0	0.1	(0.2)
New discretionary reliefs	0.7	0.2	0.8	0.1
	34.0	**36.4**	**37.8**	**3.8**

11. Most reliefs and discounts are generally awarded in full at the point of billing at the start of the year. The total level of reliefs awarded to the end of September amounts to £36.4m which is £2.4m above the £34.0m in the budget. These are expected to rise to £37.8m by year end. The increase in reliefs is primarily due to transitional relief payments not being as significant as expected.
12. 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 £0.9m 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

13. 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. We are gradually seeing Challenges (Appeals) flowing through for the 2017 list however they are at a much lesser rate than under the previous scheme. The quality of management information that we receive from the Valuation Office is poor and this is currently being followed up with them.
14. Losses on Appeals/Increase in Appeals Provision are currently forecast to be £2.2m under budget (see paragraph 17) however this position is very fluid and will require careful monitoring in the coming months.
15. At the 2017/18 year end, Sheffield City Council followed Government guidance in establishing a suitable appeals provision for the 2017 Ratings list. This established an Appeals provision of £35m carried forward into 2018/19.
16. The two major issues relating to appeals concerned ATM's and Virgin Media. The case concerning ATM's was recently dismissed at an Upper Tribunal (Lands Chamber). The case has been forwarded to the Court of Appeal and should have

been heard in summer 2018 however to date there has been no ruling either way. As the case is still effectively live, it is prudent to maintain the provision until all legal avenues have been exhausted.

17. Virgin Media had a number of very specific appeals which could have potentially seen it all but removed from the Sheffield Valuation list. The VOA has notified us that all appeals have now been withdrawn which has seen £2.2m released from the provision and increased the collection fund surplus this year.

Conclusion

18. The forecast in year position of a £4.9m surplus on the Collection Fund is healthy however there are still six months of the year remaining, careful monitoring will be required to ensure that this position remains at this level.
19. The delay in the major retail development has had a positive impact on the current in-year surplus, should this be delayed further, the in-year surplus will increase further.
20. Sheffield City Council currently retains 50% of all business rates however it will retain 75% from 2020/21. The aforementioned development is expected to take several years to complete and so any delay now will result in a business rates income being lower for longer under the 75% regime. This will have a negative impact on future budgets.

CORPORATE RISK REGISTER
AS AT 30th SEPTEMBER 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

Capital financing costs

2. 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

3. 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.

4. 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. As at 30th September 2018, there were still over 500 properties relating to the 2010 valuation list with a rateable value of approximately £85m under appeal in Sheffield.

5. Not all of the £85m 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.

6. 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.

7. 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.

8. To date, the number of appeals processed appears to be reduced on previous years however there has been very little management information relating to the number of outstanding appeals. We are continuing to press the Valuation Office on the quality of the management information that we receive..

9. 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.

10. 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.

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

Medium Term Financial Strategy

12. In July 2018, the Cabinet Member for Finance and Deputy Leader approved a report of the Executive Director of Resources entitled Medium Term Financial Strategy (MTFS) 2018/19 to 2022/23. This report provided an update of the Council's MTFS to reflect the budget decision of the Council for 2018/19 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 MTFS 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 since 2013/14 are now expected to exceed £155m including 2019/20.

Implementation of savings proposals

14. The MTFS described a net revenue funding gap of £39.5m by 2022/23. This position assumes the delivery of £72m of savings in that term. The risks of delivery of savings in all years 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. These risks are underscored by the need for the Council to identify and deliver additional savings to be able to address the £39.5m gap. The risk is that non-delivery of budgeted savings will create a threat to the medium term financial sustainability of the Council.

15. 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.

Pension Fund

16. 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.

17. 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.

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

Economic Climate

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

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

External Funding

21. 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.

22. 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.

23. 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.

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

Taxation

25. 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.

26. 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.

27. Building the lease into the Authority's 7-year average partial exemption calculation leaves us at just below 4% in terms of the 5% limit, i.e. headroom of just over 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.

28. 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 have been developed internally to enable effective monitoring.

Treasury Management

29. The Council proactively manages its counter-party risk. Counterparty risk arises where we have cash exposure to bank and financial institutions who may default on their obligations to repay to us sums invested. Counterparty risk has diminished over the last few 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.

30. 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.

31. 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.

32. 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 and to reflect the changing nature of the Council's card data environment.

33. A key supplier of card payment services [Santander] have indicated that they will withdraw from the market with effect from 22nd April 2019 and we therefore have to move card payment traffic to another provider at relatively short notice. Unfortunately this has come at a time when the contractual situation for our other key supplier of card payment services [Capita Software Services] is subject to a prolonged contractual negotiations they is limiting our ability to put alternative provision in place in a timely manner – putting collection of circa £12m worth of card payments each year. This situation may be further exacerbated by further contractual changes as a result of the Tech2020 programme.

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 in December 2018.

35. IFRS 9 introduces a new expected credit loss model which broadens the information that the Council is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments. Given the Council has a number of loans that have been award on a 'non-commercial' basis, there is the potential that impairment provisions on these loans will increase and impact on revenue budgets.

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. After a pause, UC will start bring rolled out across Sheffield in November 2018.

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. Delivery of the Sports Trusts savings will be dependant on the performance of the Council's partners and the general leisure market conditions. This is being carefully monitored.

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. Work is continually ongoing to assess the financial impact of these. 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)

Capital Programme Risks

Project Cost Control

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. 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

58. 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 limt the Council’s investment capacity.

Olympic Legacy Park

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.

Heart Of the City 2 (formerly Sheffield Retail Quarter)

60. 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.

61. 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.

62. 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.

63. 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.

64. 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.

65. 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.

66. 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.

67. 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.

<u>Schools' Expansion programme</u>

68. 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 compared to £10m expected), and further emerging pressures in the programme will require this assumption to be revisited.

69. 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.

70. 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.

71. 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 SEPTEMBER 2018

1 - Statement of Budget Movement

The table below summarises the movement in budget from month 2 to month 6, and provides the Capital programme budget position as at September 2018.

	2018/19	2019/20	Future	Total	Comments
Month 2 Approved Budget	253.1	100.4	308.8	662.3	The key changes to the programme from month 2 to month 6 are: - ADDITIONS: * £38m increase relating to approval of budgets for Block B and C of Heart of the City 2 construction budgets. * £4.5m Brown Bins Implementation * £1.7m - Schools Maintenance Works * £1m - Portobello Cycle Route. - REPROFILES * These changes largely relate to the re-allocation of budgets across Heart of The City 2 projects to reflect the new staged delivery profile.
Additions	8.8	19.7	18.4	46.9	
Variations	3.2	-0.7	-2.5	0.0	
Reprofile	-19.7	6.8	10.5	-2.3	
Slippage and Acceleration	1.4	-1.4	0.0	0.0	
Month 6 Approved Budget	246.8	124.7	335.3	706.8	

2 - Top 20 Projects by value as at September 2018

The table below summarises the Top 20 projects in the Capital Programme by budget value in 2018/19. This group accounts for 71% of the 2018/19 capital programme. The major in-year and all-year variations are explained in sections 4 and 5 below.

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	25,478	23,906	1,571	35,427	35,431	(4)	0.0%	A	35,427	35,431	(4)	0.0%	A	
Pitched Roofing & Roofline	5,335	9,764	(4,429)	11,974	24,074	(12,100)	-50.3%	G	44,574	44,574	(0)	0.0%	G	See Item 4.1
Astrea Academy	9,247	8,858	390	19,981	20,959	(979)	-4.7%	A	21,959	20,959	1,000	4.8%	A	See 4.8
Msf Finance	6,373	6,373	0	12,945	12,945	0	0.0%	NR	91,091	91,091	0	0.0%	NR	
Mercia School	8,960	9,465	(505)	9,720	10,871	(1,152)	-10.6%	G	10,464	10,884	(420)	-3.9%	G	See 4.7
Kitchen/bathrm Planned Replmt	4,565	5,332	(767)	8,058	8,043	15	0.2%	G	18,202	18,202	(0)	0.0%	G	
Electrical Strategy	3,684	3,317	367	7,658	7,314	343	4.7%	G	30,430	30,430	(0)	0.0%	G	See Item 5.3
Sheffield Retail Quarter 2	1,139	2,739	(1,600)	6,052	6,671	(618)	-9.3%	G	6,671	6,671	(0)	0.0%	G	Slippage on remaining acquisition & contingency
Brownfield Site	32	-	32	6,220	6,220	(0)	0.0%	NR	8,817	8,817	(0)	0.0%	NR	
Programme Management Costs Gf	2,710	2,710	(0)	5,419	5,420	(1)	0.0%	G	13,549	13,550	(1)	0.0%	G	
New Build Coun Hsg Ph 4a	144	1,732	(1,588)	360	4,691	(4,331)	-92.3%	G	15,046	15,046	(0)	0.0%	G	See Item 4.2
Brown Bin Implementation	(1,375)	1,375	(2,751)	4,488	4,488	-	0.0%	NR	4,488	4,488	-	0.0%	NR	
Devonshire Quarter	-	-	-	4,463	4,463	-	0.0%	NR	5,100	5,100	-	0.0%	NR	
Knowledge Gateway	1,784	1,657	127	4,518	4,409	109	2.5%	G	4,863	4,863	0	0.0%	G	Slight acceleration against approved budget
Council Hsg Acquisitions Prog	2,026	1,983	43	4,876	4,049	827	20.4%	G	12,625	12,625	(0)	0.0%	G	See item 5.2
Communal Areas-low Rise Flats	2,846	1,565	1,281	5,695	3,770	1,926	51.1%	G	19,970	19,970	0	0.0%	G	See item 5.1
Disabled Grants	1,081	1,354	(273)	2,618	3,361	(743)	-22.1%	G	10,618	11,361	(743)	-6.5%	G	See item 4.10
Digital Incubator	1,046	1,070	(24)	3,269	3,314	(45)	-1.4%	NR	3,474	3,474	(0)	0.0%	NR	Minor slippage on grant profile
Ecclesall Permanent Extension	3,055	2,776	279	3,480	3,201	279	8.7%	G	3,480	3,201	279	8.7%	G	See item 5.4
A Palatine Chambers Block	58	1,321	(1,263)	2,508	2,508	0	0.0%	NR	4,305	4,305	0	0.0%	NR	
Top 20 Value	78,189	87,298	(9,109)	159,730	176,203	(16,473)	-9.3%		365,154	365,042	112			
Rest of Programme	20,172	29,255	(9,083)	60,388	70,517	(10,129)	-14.4%		341,049	341,719	(671)			
Total Capital Programme Value	98,361	116,553	(18,192)	220,118	246,720	(26,602)	-10.8%		706,203	706,762	(558)			
% of Programme within the Top 20	79%	75%	50%	73%	71%	62%			52%	52%	-20%			

3 - Current Year to date and Forecast Outturn Position

The forecast outturn position is £26.6m below budget. This represents an increase of £12.5m from the £14.1m below budget reported at Mth 2. The majority of this variance is accounted for in Housing Investment where the annual budget review due in December will address these issues and re-profile the budget more accurately and Housing Growth where new council housing delivery budgets are under review. Further details are given below and in sections 4 and 5.

BOARD	YEAR TO DATE			FULL YEAR			Comments
Values in £000	Actual	Budget	Variance	Forecast	Budget	Variance	
HEART OF THE CITY II	28,047	32,776	(4,729)	53,329	54,528	(1,199)	£600k slippage each on contingency budget and Portobello Cycle Route.
HOUSING INVESTMENT	23,435	29,230	(5,794)	55,465	72,687	(17,222)	See items 4.1, 4.3, 4.4, 4.5, 4.6, 4.9, 5.1, 5.3
PEOPLE CAPITAL & GROWTH	27,844	29,335	(1,491)	45,377	48,132	(2,755)	See items 4.7, 4.8, 4.10, 54, 5.5, 5.5, 5.7, 5.9. In addition £695k saving on Brunswick Mechanical project
QUALITY OF LIFE	7,712	8,547	(836)	20,705	20,763	(58)	
HOUSING GROWTH	3,203	5,170	(1,967)	18,580	22,676	(4,097)	See Item 4.2
ECONOMIC GROWTH	3,393	4,467	(1,074)	10,045	10,079	(34)	
TRANSPORT	2,108	2,895	(788)	8,320	8,676	(356)	Main forecast underspends including Better Buses Schemes £250k (Savings), HGV Routing - £125k (Incorrect forecast), 20mph Schemes £38k (Saving), Anti-Idling - £37k (Incorrect Forecast), and a forecast overspend Little Don Link of £141k.
ESSENTIAL COMPLIANCE & MAINT	1,816	3,085	(1,268)	6,944	7,847	(902)	Main forecast underspends: - Condition Surveys - £529k - Slippage - Moorfoot Lifts - £347k - Slippage
GREEN & OPEN SPACES	804	1,049	(244)	1,353	1,331	21	
Grand Total	98,361	116,553	(18,192)	220,118	246,720	(26,602)	

4 - Top 10 Forecast Slippage against Full Year Budget

The table below illustrates that of the £26.4m main forecast underspends against budget, £9.4m relates to delays in schemes in delivery or where contract has been awarded. while the remainder relates to expected savings / re-profiling of allocations not yet committed.

	Business Unit	Board	FY Budget	FY Variance	Explanation
4.1	Pitched Roofing & Roofline	HOUSING INVESTMENT	24,074	(12,100)	**REPROFILE** - Still forecasting approx. £12m to complete the current contracts. The remaining budget will need to be slipped forward into 2019/20 onwards to support the business case for the next phases of roofing works. Review of contracts ongoing.
4.2	New Build Coun Hsg Ph 4a	HOUSING GROWTH	4,691	(4,331)	**SLIPPAGE** - Only fees incurred to date as a result of slippage in the programme. Construction forecast incorrect and not reflective of current position. Year to date budget/actual: original fee forecast not as contractors cash flow. Budgets to be reviewed and amended for November cycle. Slippage CAF to be processed.
4.3	Ewi Non-traditional 2	HOUSING INVESTMENT	1,976	(1,976)	**REPROFILE**- No outputs or spend currently expected during this financial year - A high level project review took place on 20th August for EWI Phases 2 and 3. It was agreed that the project business case, project delivery timescales, output specifications and CDS's commission would be reviewed. Further updates will be provided for the October cycle.
4.4	Hanover Tower Block Cladding	HOUSING INVESTMENT	2,425	(1,715)	**SLIPPAGE** - Current year forecast to be updated based on revised programme. Only a portion of construction costs will be expended this financial year.
4.5	Ewi Non-traditional1	HOUSING INVESTMENT	2,187	(1,320)	**SLIPPAGE** - No actual programme budget spend to date however there have been some fees spent. Details of project cash flow and archetype prices are to be provided by contractor before an accurate expenditure profile can be forecast.
4.6	Garage Strategy-improvement	HOUSING INVESTMENT	1,836	(1,211)	**SLIPPAGE** - Spend to date is only for contractor's surveying costs. the original planned start on site date for July 2018 has now been revised to January 2019 pending finalising details of garage scope of works review following receipt of tenders. Tranche 1 addresses have now been agreed and will be released to the contractor with a view to confirm anticipated expenditure on the revised programme. A CAF will be submitted in December 2018 to re-profile this.
4.7	Mercia School	PEOPLE CAPITAL & GROWTH	10,871	(1,152)	**REPROFILE/SAVING** - Outturn forecast for all years accurate based on final account estimate and review of external consultant fees. CAF variation to be processed October cycle. Forecast for current year is accurate based on final account estimate and review of external consultant fees. YTD variance due to forecasting only. No change or impact on all year anticipated expenditure. **OVERALL FORECAST FOR SCHEME IS £420k SAVING**
4.8	Astrea Academy	PEOPLE CAPITAL & GROWTH	20,959	(979)	**SLIPPAGE/OVERSPEND** - Due to 6 month delays caused by statutory utility providers, and large amounts of unexpected rock excavation on the new build site CDS are currently forecasting a £1 million overspend on the project. This includes no allowance for refurbishment of the former caretaker's house. **OVERALL FORECAST FOR SCHEME IS £1m OVER BUDGET**
4.9	Ewi Non-traditional 3	HOUSING INVESTMENT	867	(867)	**REPROFILE** - No outputs or spend currently expected during this financial year. A high level project review took place on 20th August for EWI Phases 2 and 3. It was agreed that the project business case, project delivery timescales, output specifications and CDS's commission would be reviewed. Further updates will be provided for the October cycle.
4.10	Disabled Grants	PEOPLE CAPITAL & GROWTH	3,361	(743)	**REPROFILE** - The grant has doubled over the last 2 years from £1.95m in 2015/16 to £4.172m in 2018/19. However the demand has remained around the same level. Extra funding has been given to OT resource - yet to see increases from this. **Exploring other legitimate uses of the grant via the Better Care Funding Board. DCLG confirmed that grant can be slipped forward.**
	Total		73,248	(26,394)	

5 - Top 10 Forecast Overspends over Full Year Budget

The table below indicates that approx. £923k of main current in year forecast overspends could result in additional calls on council capital funds. These relate to the Schools Growth Expansion Programme which is already overcommitted (£500k) and will impact on timescale of repayment of GIF. Forecast overspend on Little Don Link cycle route will increase call on LTP. FRA works at Sorby House and Bankwood school will impact on corporate and school building condition allocations respectively.

	Business Unit	Board	FY Budget	FY variance on budget	Explanation
5.1	Communal Areas-low Rise Flats	HOUSING INVESTMENT	3,770	1,926	**ACCELERATION** - The current overspend of £1.5m is due to £1.559m being slipped from 2017/18 into 2019/20 and 2020/21 during September 2017 when the project CAF was approved. At that time the QS was reporting an underspend. However this was for 'in year' (2017/18) expenditure and not for the overall programme expenditure. Since then additional communals work have been identified and added into the programme. Therefore a further CAF will be submitted in December 2018 to bring forward budget allocations from 2019/2020.
5.2	Council Hsg Acquisitions Prog	HOUSING GROWTH	4,049	827	**ACCELERATION** - No change to date, the forecast outputs have been proposed to increase substantially, so an increase in the budget to reflect this needs to be approved. We have a few months' budget provision even if the numbers of purchased properties increases, but if we are to achieve the increased outputs a substantial budget adjustment needs to be in place before December 2018.
5.3	Electrical Strategy	HOUSING INVESTMENT	7,314	343	**ACCELERATION** - Electrical Work carried out by Keepmoat as part of the elementals contract is to be charged against this budget, details of this are currently being collated. The anticipated charge to this scheme so far this year equates to £174k with a potential projected expenditure of £300k over budget. **Currently no all years overspend forecast**
5.4	Ecclesall Permanent Extension	PEOPLE CAPITAL & GROWTH	3,201	279	**OVERSPEND** - All years forecast variance is an estimate based on assessments by CDS cost manager. Negotiations with contractor to agree final account position. Update to be provided on progress and outcome in next monthly report.
5.5	Totley Primary Perm Extn	PEOPLE CAPITAL & GROWTH	1,807	236	**OVERSPEND** - Overspend confirmed due to additional costs attached to Pedestrian Crossing and associated Red Zone. £210k overspend estimated at this stage following receipt of all design and installation costs. Some minor items still require clarification. Meetings with CYP client held to reasons and extent of overspend
5.6	General/rtb Acquisitions Chs	HOUSING GROWTH	636	157	**ACCELERATION** -The targets for acquisitions have recently been increased by approximately 20%, and therefore the current projected expenditure until March 2019 exceeds the approved budget allowance. A CAF will be submitted in December 2018 to seek approval to increase the budget to reflect the new stretch target.
5.7	Fra 16-17 Bankwood	PEOPLE CAPITAL & GROWTH	15	152	**OVERSPEND**- Forms part of overall net £500k overspend on previous year Schools FRA programme. Report to be brought forward to Capital & Growth Board to allow budget adjustments to be brought forward.
5.8	Little Don Link (cycle Route)	TRANSPORT	222	142	**OVERSPEND** - £11k consultants fees recharged two months earlier than expected. Some additional SCC fees due to additional questions and consultations required through the planning process. All Years Overspend - Part of scheme to be funded in 18/19 from LTP current expectation £395k amounting to £136k overspend as a result of; Increased security, delay to project start, increased cost for remaining tree clearance (see 5.1), cost of setting up bond, ground conditions requiring increased capping, additional bollards to satisfy land owner, drainage solution at Wortley Road, YW protection slab, additional tree felling
5.9	Fra 16-17 Lydgate Junior	PEOPLE CAPITAL & GROWTH	-	131	**AWAITING APPROVAL** - NO HIGHLIGHT REPORT - Budget variation to draw down from main allocation to be brought forward.
5.10	Fra 16-17 Sorby House	ESSENTIAL COMPLIANCE & MAINT	319	115	**OVERSPEND** - NO EXPLANATION ON HIGHLIGHT REPORT
	Total		21,334	4,307	

6 - Key Issues and Risks

Key Issues

- Forecast overspends at Astrea Academy, Ecclesall Infants and Totley Primary placing additional pressure on Schools Expansion Programme
- Proposed cost of funding expansion of EIS sporting facility to accommodate Don Valley Oasis Academy indoor sports facilities at a cost of £1.5m to Schools capital programme
- Additional costs relating to provision of outdoor sporting facilities at Astrea Academy placing additional pressure on Schools capital programme

Key Risks

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Scheme Description	Approval Type	Value £'000
Request for Invest to Save Funding - Place Change Programme 1. The Place budget faces increases in cost from demand and inflation of between £2m and £3m per annum. Nearly 70% of the net cost of Place is accounted for by several large items to which the Council is contractually committed and has limited room to manoeuvre. The remaining spend goes towards a wide range of services, some of which the Council has a statutory duty to provide. Other services are discretionary that we choose to spend money on because they bring a benefit to the people of the city. These cost pressures, amounting to up to £9.7m by 2023/24, will have to be managed by those remaining activities. The preferred strategy is to make those services sustainable either through improving their efficiency or recovering the true cost of providing those services through fees paid by the user. 2. A key strand of the portfolio's business/service planning is the Place Change Programme (PCP2) within SCC2020. PCP2 aims to deliver a financially sustainable organisation that ensures value for money in all activities and is able to deliver priorities at a sustained reduced net cost. 3. There will be a fundamental review of operations to identify efficient ways of working, alternative sources of funding and opportunities to reduce overheads. The future design and operating model for Place will be composed of three areas of: Strategy & Policy, Operations, and Investment and Growth. Governance arrangements will be more transparent and the decision making process simpler. 4. The programme will also seek to change the culture of how resources are managed, bringing a more business-like approach in order to generate savings to preserve the valuable services which the Portfolio provides. This includes an improved customer journey and enhanced partner relationships by operating in a customer-centric and cohesive way 5. The project will utilise internal and external expertise to build new structures and ways of working. A significant effort will be required to overhaul data management systems in order to provide better performance and financial management information. Portfolio management will see the true cost of services and be able to identify unit costs. 6. There is an initial investment requirement for Programme support of £2.1m until the planned project completion in October 2020. It is proposed that this be funded from reserves on an' invest to save' basis, with annual repayment over 6 years commencing in April 2019 at an estimated £354k per annum. 7. PCP2 aims to deliver around £2.5m per annum saving over the next 5 years.	Invest to Save	2,122

Scheme Description	Approval Type	Value £'000
Winter funding for Adult Social Care Services	Grant Funding	£2,705

1. The Secretary of State for the Department of Health and Social Care (DHSC) wrote to Council Leaders on 17th October 2018 to set out details of additional funding for Councils that had been announced at the Conservative Party Conference on 2nd October 2018. The funding is intended "to enable further reductions in the number of patients that are medically ready to leave hospital but are delayed because they are waiting for adult social care services". Sheffield's funding is £2,705,263 for 2018-19. The proposed allocation of this funding to specific schemes is set out in the table below.
2. The Council's proposed focus of the funding is threefold:
    a. To add adult social care capacity at peak times in winter where existing flex is likely to be insufficient to meet demand (proposals i, iv, viii, x, xi, xii, xiii, xiv, xv)
    b. To continue funding of existing schemes that are due to expire and would have a negative impact on winter if this was allowed to happen (proposals ii, iii)
    c. To help enable a strategic shift into improved prevention and demand management in recognition of the challenge to Sheffield presented by the Care Quality Commission's Local Area Review (proposals v, vi, vii, ix). Also to release £1.6m of funding into preventative commissioning, hopefully to be augmented by a similar commitment from partners

	Activity	Duration	Cost (£k)
i.	Two additional van rounds for community equipment provider to ensure deliveries keep pace with winter demand	01.11.2018 – 28.02.2019	40
ii.	Extend SCCCC Hospital to Home Service to second year, supporting people to transfer home quickly and avoiding waits for other support	01.11.2018 – 31.10.2019	66
iii.	Extension of Care Home Trusted Assessor scheme to ensure people can return promptly when ready	01.11.2018 – 31.03.2019	31
iv.	3.0 FTE social care capacity to ensure move-on from Active Recovery "convalescence beds" being commissioned over this winter	01.12.2018 – 31.03.2019	34
v.	3.0 FTE social work / prevention capacity to support people who are at risk of hospital admission in Front Door Response Team and GP Collaborative	01.12.2018 – 30.09.2019	135
vi.	13.0 FTE "Home First" social work / OT / prevention worker capacity to work preventatively with people at key points and appropriately reduce homecare use	01.12.2018 – 30.09.2019	416

vii.	0.5FTE Service Manager capacity (Access) to maintain focus on hospital discharge but still develop strategic work on Equipment and Adaptations	01.12.2018 – 30.09.2019	15
viii.	Contribution to increasing Council homecare costs within 2018-19, ie £2.3m in-year cost increase for first 6 months of 18/19 ahead of winter	01.04.2018 – 31.03.2019	1,600
ix.	2.0 FTE Grade 5 additional Brokers to improve speed of placing work with independent sector homecare providers	12.11.2018 – 30.09.2019	58
x.	Block payment to homecare providers inflating forecast payment of spot purchase hours by 6% over specified weeks	17.12.2018 – 07.01.2019	82
xi.	Transport costs for homecare providers to enable taxi provision for non-drivers covering driver staff who are on leave	24.12.2018 – 07.01.2019	32
xii.	Additional payment of £7.50 per hour for 4 weeks after pick up date to homecare providers for each new person supported within specified weeks	24.12.2018 – 07.01.2019	48
xiii.	Winter pressures funding for independent sector providers to ensure business continuity in adverse weather and further winter holidays	07.01.2019 – 31.03.2019	93
xiv.	Extension of Council commissioned care home “Somewhere Else to Assess” 20 beds at current block contract rate rather than spot purchased rate	01.11.2018 – 30.04.2019	21
xv.	Purchasing of high specification mattresses for all 40 “Somewhere Else to Assess” SCC / CCG beds to release equipment delivery capacity	01.11.2018 – 30.04.2019	35

3. This Integrated Better Care Fund funding can provide the Council’s contribution towards a whole system investment in prevention and early intervention for older people that is overseen by the Health and Wellbeing Board as part of the response to the Care Quality Commission’s Local Area Review on the support available for older people. Neither the Council nor key partners will be able to sustain increasing demand for traditional services in the longer-term without a whole system focus on prevention and early intervention.
4. In line with the conditions of this funding set down by DHSC, the totality of the grant will be spent on providing adult social care services, in addition to funding already planned; and the Council has discussed this with local NHS partners. The Council will be required to confirm what additional volumes of care and support the additional funding will purchase by returning a central template to DHSC.
5. It should be noted that this request relates to the acceptance of the grant funding only. In relation to the allocation of funding proposed above, the usual Council policies relating to recruitment and procurement will be followed.

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