REVENUE BUDGET & CAPITAL PROGRAMME MONITORING 2012/13 – AS AT 31st JULY 2012

PURPOSE OF THE REPORT

1. This report provides the Month 4 monitoring statement on the City Council's Revenue Budget and Capital Programme for 2012/13.

SUMMARY

2. The budget monitoring position at month 3 indicated a forecast overspend of £3.5m, based on expenditure incurred to date and forecasted trends to the year end. However, this position included resources that related to 2013/14: at the last Cabinet meeting resources totalling £1m were approved for carry forward.

3. The latest monitoring position at month 4 shows a forecast overspend of £4.9m to the year end: i.e. a forecast adverse movement of £1.4m since last month. This movement is mainly due to the removal of resources of £1m which are to be carried forward to next year. The position is summarised in the table below:

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
CYPF	71,651	71,603	48	⇧
PLACE	158,658	157,769	889	⇩
COMMUNITIES	162,609	159,632	2,977	⇧
DEPUTY CHIEF EXECUTIVE	10,144	10,017	127	⇧
RESOURCES	87,586	87,348	238	⇩
CORPORATE	(485,773)	(486,369)	596	⇧
GRAND TOTAL	**4,876**	**0**	**4,876**	⇧

4. In terms of the month 4 overall forecast position of £4.9m overspend, the key reasons are:

   - Place are showing a forecast overspend of £889k, due to £507k on Culture & Environment mainly due to Museums Sheffield and £370k on the Waste Contract.
   - Communities are showing a forecast overspend of £3.0m, due to a £4.7m overspend on Care and Support mainly due to additional costs in learning disabilities, which is offset by reductions in spending on Business Strategy £1.1m and Commissioning £600k.
   - Deputy Chief Executive's are showing a forecast overspend of £127k, due to £259k on elections, which is offset by reductions in spending of £102k on Business Development.

- Resources are showing a forecast overspend of £255k, due to £515k on Legal Services, £267k on Business Information Solutions and £124k on Property & Facilities Management, offset by reductions in spending of £391k on Central Costs.
- Corporate budgets are showing a forecast overspend of £596k, due to reassessment of the sundry debt collection rates and subsequent revision, based upon quarter one actuals, thus demonstrating the success of the initiative to put greater focus on this issue. The target for 2013/14 will be revised as a result of the latest monitoring position.

5. The key reasons for the movement from month 3 are:

- Children Young People and Families are forecasting an adverse movement of £1.0m, due to the approval to carry forward funding for Apprenticeships and the City Skills Fund, which was agreed as part of the month 3 budget monitoring report.
- Communities are forecasting an adverse movement of £710k, due to an increase in spending on learning disabilities.
- Deputy Chief Executive's are forecasting an adverse movement of £276k, due to the inclusion of higher than previously expected costs of the Police Commissioner election later this year and more up to date information about local election costs.

Capital Programme

6. The Capital Programme monitoring is reported in paragraph 78.

INDIVIDUAL PORTFOLIO POSITIONS

CHILDREN YOUNG PEOPLE AND FAMILIES (CYPF)

Summary

7. As at Month 4, the Portfolio is forecasting a full year outturn of an over spend of £48k, an adverse movement £1.1m from the month 3 position. The majority of this variation is in Lifelong Learning, Skills & Communities where the funding for future year activities for Apprenticeships (phase 1 £200k, phase 2 £350k) and the City Skills Fund (£350k) has been carried forward to 2013/14.

Financials (Non – DSG activity)

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS STRATEGY	1,912	1,910	2	⇔
CHILDREN & FAMILIES	54,406	54,421	(15)	⇔
INCLUSION & LEARNING SERVICES	5,725	5,732	(7)	⇔
LIFELONG LEARN, SKILL & COMMUN	9,608	9,541	68	⇧
GRAND TOTAL	**71,651**	**71,603**	**48**	⇧

Commentary

<u>DSG and Non DSG Budgets</u>

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

Lifelong Learning and Skills

9. The reason for the £1.1m adverse movement this month is due to the agreement to carry forward funding for Apprenticeships and the City Skills Fund, which was agreed as part of the month 3 budget monitoring report.

PLACE

Summary

10. As at Month 4, the Portfolio is forecasting a full year outturn of an £889k overspend (prior to a request to carry forward a £77k underspend), an improvement of £81k from the month 3 position. The key reasons for the forecast outturn position are:

    - **Business Strategy and Regulation:** a forecast £370k overspend, due to delays in agreement with the Contractor on planned waste management savings (£1.2m), largely offset by one-off savings from the resolution of other contractual negotiating (£374k) as well as some additional income in to the service, which mitigates this delay.

    - **Culture and Environment**: a forecast £507k overspend largely arising from additional grant payments being made as part of a wider stabilisation programme for Museums Sheffield.

11. The key reason for the £81k improvement this period is in respect of Flood defence grant in Development Services. The grant is to fund the work required of Sheffield to meet the additional statutory duties placed on it by the Flood and Water Management Act 2010. Central government announced in July that clarification of key aspects of the Act have been

postponed until 2013/14. Consequently the forecast has been reduced by £77k this year and this is subject to a request to carry-forward the budget to undertake the work later.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS STRATEGY & REGULATION	30,550	30,180	370	⇧
CREATIVE SHEFFIELD	3,877	3,878	(1)	⇩
CULTURE & ENVIRONMENT	40,528	40,021	507	⇧
DEVELOPMENT SERVICES	82,547	82,661	-114	⇩
HERS	745	730	15	⇔
MARKETING SHEFFIELD	1,109	1,017	92	⇔
STREET FORCE	(1,045)	(1,055)	10	⇔
SUSTAINABLE DEVELOPMENT	347	337	10	⇔
GRAND TOTAL	**158,658**	**157,769**	**889**	⇔

Commentary

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

Business Strategy and Regulation

13. The current forecast for this activity is £370k over budget, an adverse movement of £103k this period.

14. The key issue lies with waste management and is associated with the delivery of planned budget savings. Delays in agreement with the Waste Contractor have impacted on the full delivery of savings this year for fortnightly collections and changes in waste collection hours, now estimated at £1.2m.

15. However these pressures are being largely offset by one-off savings as described in the Place summary section above.

Culture and Environment

16. The current forecast for this activity is £507k over budget, an improvement of £54k this period.

17. The key issue relates to additional grant payments made to Museums Sheffield as part of a wider stabilisation programme.

18. Other key variances include additional Bereavement Services income (£81k), offset to some extent by additional costs/loss of income within Events including the impact of the cancellation of ‘Cliffhanger’ due to heavy rain.

Development Services

19. The current forecast for this activity is £114k under budget, an improvement of £169k this period.

20. The improvement is largely attributable to £77k of grant received by Sheffield (as lead local flood authority), in order to undertake specific additional statutory duties. Members are requested to approve this carry-forward request of £77k, as described in paragraph 11.

21. The key risk remains securing the £10m planned external fee income from planning, building regulation and car parking activities. At this stage service manager forecasts show a £231k (2%) shortfall, with Car Parking accounting for the majority of this (£150k). The shortfall is due to delays in the implementation of approved budget savings on CCTV enforcement, which are now due to commence in September. The shortfall is however being offset by staff savings across the whole service area.

HERS

22. The current forecast remains broadly in line with budget. The key risk is around delivering the £4m capital delivery services income target. At this stage income is forecast at £158k (4%) below target, but this is being offset by staff savings arising from implementing the recent restructure earlier than had been anticipated.

Marketing Sheffield

23. The current forecast for this activity is £92k over budget, an adverse movement this period of £76k.

24. The variance is largely attributable to a reduction in forecast grant income (£50k) relating to the risk that grant contributions fall below those contained within the original funding agreement. The Director is actively pursuing this issue, but should that prove unsuccessful will need to deliver spend efficiencies.

Streetforce

25. Street Force is broadly on track to deliver its trading account surplus for the part-year leading up to the commencement of the PFI contract.

26. Work continues however to pursue a £360k debt from developers, relating to work undertaken on a section 278 agreement (alterations to the highway).

COMMUNITIES

Summary

27. As at Month 4, the Portfolio is forecasting a full year outturn of an overspend of £3m, an adverse movement of £700k from the month 3 position. The forecast outturn position reflects :

- Business Strategy: a forecast of £1.1m reduction in spend, due to contingencies held in Portfolio-wide Services to offset overspends on care purchasing budgets (especially in Learning Disabilities services).
- Care and Support: a forecast overspend of £4.7m due predominantly to Learning Disabilities purchasing (£2.6m), Provider Services (£1.1m), Older Peoples purchasing (£0.8m) and some slippage on budget savings (previously reported). Care & Support outturn position has an adverse movement of £700k.
- Commissioning: a forecast £600k reduction in spend compared to budget, due to movement of £1.0m of Learning Disabilities Ex-Pool Reserves from the Balance Sheet into revenue. This position is consistent with last month.
- Community Services are forecasting no variance from budget. This has not changed materially from last month.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS STRATEGY	3,198	4,325	(1,127)	⇔
CARE AND SUPPORT				
ASSESSMENT & CARE MANAGEMENT	73,259	72,607	653	⇔
HOUSING RELATED SERVICES	3,254	3,419	(165)	⇔
JOINT LEARNING DISABILITY SERV	38,500	35,473	3,027	⇧
PROVIDER SERVICES	(5,467)	(6,609)	1,142	⇧
COMMISSIONING	38,671	39,253	(582)	⇔
COMMUNITY SERVICES				
COMMUNITY SAFETY	1,798	1,787	12	⇔
LIBRARIES	6,446	6,306	140	⇔
LOCALITY MANAGEMENT	2,949	3,071	(123)	⇩
GRAND TOTAL	**162,609**	**159,632**	**2,977**	⇧

Commentary

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

Business Strategy

29. Forecasts of £1.1m reduction in spend. There was no material change from last month.

Care and Support

30. Overall this area is forecasting an overspend of £4.7m. This is an adverse movement of £700k from the previous month, due to:
    - Further £100k overspend on Learning Disabilities care purchasing;
    - £300k overspend in Learning Disabilities day care and accommodation services due to high level of front line sickness and maternity leave requiring cover;
    - An overspend in older people care purchasing of around £100k, and;
    - Adverse movement of £200k in Provider Services due to slippage in savings around the reprovision of night care visiting, following trade union negotiations.

Community Services

31. Overall this area is forecasting no variance to budget. There was no material change from last month.

Commissioning

32. This area includes the mental health, adult social care and housing commissioning functions of the portfolio and is forecasting £600k reduction in spend. This is consistent with last month.

Public Health

33. 2012/13 is the shadow running year for the public health services transferring from the PCT to SCC responsibility and is included in this report for information only.
34. In overall terms the PCT is currently forecasting a year-end reduction in spending of £77k on a £28.1m budget, which is consistent with last month.

RESOURCES

Summary

35. At Month 4, Resources Portfolio is forecasting a full year outturn of an over spend of £238k.

36. This is an improvement of £490k from the month 3 position. The key reasons for the forecast outturn position are:

- £267k overspend in Business Information Solutions (BIS) due to anticipated delay in the process required to make staff savings;
- £515k overspend in Legal Services due to reduction in non-core income;
- £124k overspend in Property & Facilities Management (P & FM) mainly due to no result from the negotiation of a reduction in the Kier fee relating to Corporate Mail.
- £635k reduction in spend in central costs.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS INFORMATION SOLUTIONS	976	709	267	⇩
COMMERCIAL SERVICES	1,389	1,415	(26)	⇧
COMMERCIAL SERVICES (SAVINGS)	(805)	(820)	15	⇩
CUSTOMER FIRST	5,853	5,853	-	⇔
CUSTOMER SERVICES	2,236	2,228	8	⇔
FINANCE	6,621	6,627	(6)	⇧
HUMAN RESOURCES	2,611	2,556	55	⇩
LEGAL SERVICES	1,561	1,046	515	⇧
PROPERTY AND FACILITIES MGT	39,880	39,756	124	⇩
TRANSPORT	26	106	(80)	⇩
TOTAL	60,349	59,476	873	⇩
CENTRAL COSTS	25,818	26,453	(635)	⇩
PROGRAMMES AND PROJECTS	1,419	1,419	(0)	⇩
GRAND TOTAL	87,586	87,348	238	⇩

Commentary

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

Commercial Services (Invest to Save – Savings)

38. The forecast for this service is a break-even position, an improvement of £100k from the month 3 position.

39. The change in forecast is due to increased forecast rebate income from a number of contracts based on actual performance to date.

Customer First

40. This budget and forecast includes the cost of implementing the Customer First programme (CFP) in 2012/13 and involves a budgeted contribution from reserves of £1.6m to support the operational impacts of CFP, primarily the ongoing ICT costs.

41. Any variation in spending will involve an adjustment to the budgeted contribution from reserves rather than impact on the overall revenue account position for Resources. Any such variations will be reported to and dealt with the Modern Efficient Council programme board.

Programme and Projects

42. The service is forecasting a break-even position for the full year, £100k an adverse movement from the position at month 3.

43. The adverse movement is in the Business Support Service due to an increase in supplies and services costs. This is following a review of the costs likely to be incurred by this new service. Overall the Business Support service is forecasting a £79k underspend.

Property and Facilities Management

44. The P&FM service is forecasting a £100k overspend which is an improvement of £200k from the month 3 position. The key reasons for this improvement are:

- All transitional costs have now been moved to the new structure;
- The issues on PFI (£700k) and KAPS (£300k) reported last month have now been resolved

Central Costs

45. Central costs are forecasting a £635k reduction in spend, an improvement of £140k on the Month 3 position of £492k reduction in spend.

Central Costs	**Forecast Variance** Month 4 £ 000	**Forecast Variance** Month 3 £ 000
Capita – Control Account	352	451
Capita – ICT BIS	92	76
Capita - Finance	294	282
Capita - HR	468	469
Benefits subsidy	(1,427)	(1,297)
Sub total Capita	**(222)**	**(19)**
Other Costs	(413)	(473)
Total	**(635)**	**(492)**

46. A £130k Improvement on Benefits Subsidy is due to an increase in subsidy generated against payments on Council Tax (£76k) & Rent Rebates benefits (£58K).

DEPUTY CHIEF EXECUTIVE'S

Summary

47. As at Month 4, the Portfolio is forecasting a full year outturn of an overspend of £127k, an adverse movement of £276k from the month 3 position. The key reasons for the forecast outturn position are:

- Modern Governance: a forecast £259k overspend, due to higher forecast election costs. This forecast is an adverse movement of £177k from the previous month.
- Business Development: a forecast £102k reduction in spend due to salary sacrifice and vacant posts. This is consistent with the month 3 position.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
ACCOUNTABLE BODY ORGANISATIONS	0	0	0	⇔
BUSINESS DEVELOPMENT	1,463	1,565	(102)	⇔
HEALTH IMPROVEMENT	162	162	0	⇔
MODERN GOVERNANCE	3,989	3,730	259	⇧
PERFORMANCE AND CORP PLANNING	981	1,013	(32)	⇔
POLICY,PARTNERSHIP,AND RESEARC	3,549	3,547	2	⇧
GRAND TOTAL	**10,144**	**10,017**	**127**	⇧

Commentary

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

Modern Governance

49. A forecast £259k overspend in electoral registration and local elections in order to meet required standards and to meet rising postage costs. This is an adverse movement of £177k from the previous month.

50. The adverse movement this month is based on more up to date information and the inclusion of higher than previously expected costs of the Police Commissioner election (£100k), later this year.

CORPORATE ITEMS

Summary

51. The month 4 forecast position for Corporate budgets is a £596k overspend, which represents no significant movement from last month.

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

- Corporate Budget Items: corporate wide budgets that are not allocated to individual Services/portfolios, including capital financing costs and the provision for redundancy/severance costs.
- Corporate Savings: the budgeted saving on review of management costs and budgeted saving from improved sundry debt collection.
- Corporate income such as Formula Grant and Council tax income, some specific grant income and contributions from reserves.

Financials

	FY Outturn £'000	FY Budget £'000	FY Variance £'000
Corporate Budget Items	48,518	48,517	1
Savings Proposals	-1,198	-1,794	596
Income from Council Tax, RSG, NNDR, other grants and reserves	-533,094	-533,093	-1
Total Corporate Budgets	**-485,774**	**-486,370**	**596**

52. The forecast overspend of £596k is due to reassessment of the sundry debt collection rates and subsequent revision, based upon quarter one actuals, thus demonstrating the success of the initiative to put greater focus on this issue. The target for 2013/14 will be revised as a result of the latest monitoring position, which is consistent with the position reported at month 3.

HOUSING REVENUE ACCOUNT

53. The revised budgeted position for the **HRA** is a draw down from reserves of £1.3m (excluding Community Heating). As at month 4 the forecast position is a contribution of £3.9m into reserves, a reduction in spending of £5.2m on the budgeted position.
54. As previously reported, the main reasons for the variation in the overall budget position relate to an anticipated reduction in capital financing cost of £4.1m, primarily as a result of the access to more attractive interest rates.
55. Although some of this saving on interest rates is sustainable, some is a one-off. Now that that HRA is self-financing, the Council will have to consider the longer term risks on interest rates and ensure that its 30 year business plan includes a sustainable level of debt, factoring in the

cost of the additional capital investment required to fund the backlog maintenance. This will be considered as part of the refresh of the HRA business plan later this year.

56. **Community Heating –** the budgeted position for Community Heating is a draw down from Community Heating reserves of £1m. As at month 4 the forecast position is a draw down of £866k from reserves, a reduction in spending of £134k. This is primarily due to an estimated reduction in the level of gas and electricity consumed due to the milder weather. This is a slight improvement on month 3.

CORPORATE FINANCIAL RISK REGISTER

57. 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 this report for information together with a summary of the actions being undertaken to manage each of the risks.

Digital Region

58. The Council is providing £4m in loans to the Company and as a shareholder carries further rights and responsibilities. The Company's sales are proving slow to take off, leading to changes in the Business Plan and the procurement of a new private sector partner. The Council faces risks on its direct investment, as well as on guarantee clauses to key contractors. Provision has been made in the 2011/12 accounts for the potential capitalised costs of the losses on current operations and the procurement.

Capital Receipts & Capital Programme

59. Failure to meet significant year on year capital receipts targets due to depressed market and reduced Right-to-Buys, resulting in potential over-programming / delay / cancellation of capital schemes.

60. Building Schools for the Future Programme Affordability – The £18m affordability gap in the capital programme for the secondary schools estate which must be underwritten by the Council. This requirement has been identified in the Council's Capital Programme.

Pension Fund

61. Bodies whose Pension liability is backed by the Council are likely to find the cost of the scheme a significant burden in the current economic

context. If they become insolvent the resulting liability may involve significant cost to the Council.

Electric Works

62. The running costs of the business centre are not covered by rental and other income streams. The approved business plan set-aside contingency monies to cover potential deficits in its early years of operation. However, there remains a risk that the occupancy of units within Electric Works might be slower (lower) than that assumed within the business case, such that the call on the contingency is greater (earlier) than planned. A refresh of the financial model was undertaken for 2011/12 budgeting purposes and again for 2012/13. The assumed level of occupancy for 2011/12 was 68% and the actual achieved was 64%. Most of the income shortfall was made up from conference lettings and virtual services. A target of 78% has been set for 2012/13.

Contract Spend

63. The high and increasing proportion of Council budgets that are committed to major contracts impairs the Council's flexibility to reduce costs or reshape services. This is exacerbated by the fact that in general these contracts carry year-on-year inflation clauses based on RPIx which quite probably will not be available to the Council's funding streams e.g. Council Tax and RSG.

Economic Climate

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

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

NHS Funding Issues

66. There are significant interfaces between NHS and Council services in both adults' and children's social care. The Council has prioritised these services in the budget process, but savings have nevertheless had to be found. Working in partnership with colleagues in the Health Service efforts have been made to mitigate the impact of these savings on both sides. However, ongoing work is required now to deliver these savings in a way that both minimises impacts on patients and customers and minimises financial risks to the NHS and the Council.

Housing Regeneration

67. There is a risk to delivering the full scope of major schemes such as **Parkhill** and **SWaN** because of the severe downturn in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved, and in the case of SWaN, potential exposure to termination payments. In addition, the ending of the Housing Market Renewal programme is causing funding pressure e.g. on site clearance work and in enabling further phases of commenced demolition schemes, such as Arbourthorne.

Trading Standards

68. There is a low risk that it is not possible to recover outstanding contributions from the other South Yorkshire Authorities.

External Funding

69. The Council makes use of a number of grant regimes, central government and European. Delivering the projects that these grants fund involves an element of risk of grant claw back where agreed outputs are not delivered. Strong project management and financial controls are required.

Academies & Independent Schools

70. Local Authority community schools that choose to become independent academies are entitled, under current DfE finance regulations, to receive a proportion of the local authority's school related central spending budgets. If all of Sheffield's Secondary Schools were to become academies it is estimated that around £2.7 million would be deducted from the authority's central spending budgets and given to the Academies. The risk is that this would leave an inadequate level of funding to maintain the centrally retained school services that support local authority community schools and thus cuts would have to be made to balance the budget.

71. There are also further potential risks if a school becoming an academy is a PFI school, it is unclear how the assets and liabilities will be transferred to the new academies and whether the authority could be left with residual PFI liabilities.

72. Where new independent schools (free schools) or Academies are set up and attract pupils from current PFI schools, the funding base available to pay for a fixed long term PFI contract would reduce, leaving SCC with a bigger affordability gap to fund.

73. It is not yet known which schools will become academies this year. Current indications suggest that all the secondary schools will transfer with potentially some of the larger primary schools.

Agreed Budget Savings for 2012/13

74. Following a period in which a risk assessment was carried out of the implementation of budget savings and resulted in the preparation of RAG reports, the position from now on will be assessed as part of the budget monitoring process.

Treasury Management

75. The ongoing sovereign-debt crisis is subjecting the Council to significant counterparty and interest-rate risk. Counterparty risk arises where we have cash exposure to banks and financial institutions who may default on their obligations to repay to us sums invested. There is also a real risk that the Eurozone crisis could impact upon the UK's recovery, which in turn could lead to higher borrowing costs for the nation.

76. The Council is mitigating counterparty risk through a prudent investment strategy, placing the majority of surplus cash in AAA highly liquid and diversified funds. Ongoing monitoring of borrowing rates and forecasts will be used to manage our interest-rate exposure.

Welfare Reforms

77. The government is proposing changes to the Welfare system, phased in over the next few years. The full detail and impact of the changes are not known at this stage. Changes proposed include:

- Housing Benefit changes – there are a number of proposals where the anticipated impacts are that a number of claimants will receive fewer benefits than they do now, thereby impacting on their ability to pay rent.
- Abolition of council tax benefit – due from April 2013 to be replaced by a local scheme. It will be cash limited and subject to a 10% reduction from current levels.
- Introduction of universal credit – from October 2013 administered by DWP. Along with the impact of reducing amounts to individuals and the financial issues that might cause, the biggest potential impact of this change is the impact on the HRA and the collection of rent. This benefit is currently paid direct to the HRA; in future this will be paid direct to individuals. This will potentially increase the cost of

collection and rent arrears. There will also be an impact on the current contract with Capita and internal client teams.

THE CAPITAL PROGRAMME FOR 2012/13

Summary

78. At the end of July 2012, capital expenditure so far to date is £16.2m (32%) below budget. The outturn forecast is £25m (12%) below the Approved Capital Programme.

79. The variation in the year to date position arises from slippage in all portfolios against the profiled budget. During the month of July, the actual expenditure to date fell a further £9.4m behind the programme profile.

80. The forecast for the year shows all portfolios underspending against the approved programme. The forecast at month 3 was £27.3m below budget and is now £25m which is £2.3m lower than the Month 3 position.

Financials 2012/13

Portfolio	Spend to date £000	Budget to Date £000	Variance £000	Full Year forecast £000	Full Year Budget £000	Full Year Variance £000
CYPF	14,746	19,600	(4,854)	75,020	77,310	(2,290)
Place	6,660	8,751	(2,091)	23,339	32,598	(9,260)
Housing	10,911	17,287	(6,375)	63,375	71,894	(8,520)
Communities	314	1,269	(955)	2,519	3,110	(591)
Resources	1,646	3,529	(1,883)	21,536	25,863	(4,326)
Grand Total	**34,277**	**50,436**	**(16,159)**	**185,789**	**210,775**	**(24,986)**

Commentary

81. The major forecast reduction in the programme is in Place and the reasons are explained below. CYPF forecast shows a relatively small (3%) projected reduction in spend against the approved programme of £2.3m across many schemes, mainly at Primary schools.

Children, Young People and Families Programme

82. CYPF capital expenditure is £4.9m (25%) below the profiled budget for the year to date and forecast to be £2.3m (3%) below the programme by the year end for the reasons set out in the table below.

Cause of change on Budget	Year to date £000	Full Year forecast £000
Slippage on Devolved Budgets	-134	0
Operational delays in projects due to planning, design or changes in specification	-2,328	0
Revised profile for Building Schools for the Future programme	-446	0
Incorrect budget profiles	-522	0
Delayed forecasts	0	-664
Projects submitted for Approval	0	508
Underspending on project estimates	2	-1,194
Other variances	-1,426	-940
	-4,854	**-2,290**

83. £1.8m of the variation in the year to date position (£4.9m) arises from operational delays on the Primary Maintenance (£1.1m) and Primary Prioritisation (£0.7m) programmes.

84. The increase in the forecast value of the programme (up to £75.0m from £73.2m) reflects £0.5m of schemes submitted for approval plus increased participation in the latest round of forecasting.

Place Programme

85. The Place portfolio programme (excluding Housing) is £2.1m (24%) below the profiled budget for the year to date and forecast to be £9.3m (28%) below the programme by the year end for the reasons set out in the table below. The majority of the underspend to date (£1.0m) is on Highways scheme where the Local Transport Programme and other Highways schemes have been submitted late for approval. Other significant programme shortfalls are on City Centre area improvement projects such as the Moor, Edward and Arundel Street offset by New Retail Quarter Compulsory Purchase Orders ahead of profile (£600k) and Parks schemes (£250k).

86. The forecast is for substantial further slippage during 2012/13 against the approved programme compared to that reported last month.

Cause of change on Budget	**Year to date £000**	**Full Year forecast £000**
Operational delays in projects due to planning, design or changes in specification	-290	0
Incorrect budget profiles	-1,572	0
Delayed forecasts	0	-7,925
Overspending on project estimates	296	296
Other variances	-525	-1,631
	-2,091	**-9,260**

87. The main areas in the forecast where schemes are shown to be below the approved programme are:

- Highways £6.8m;
- City centre regeneration projects £1.1m;
- Alison Crescent workshops (£0.7m) and
- Parks £0.3m.

Housing Programme (Place Portfolio)

88. The Housing capital programme is £6.4m (37%) below the profiled budget for the year to date and forecast to be £8.5m (12%) below the programme by the year end for the reasons set out in the table below:

Cause of change on Budget	**Year to date £000**	**Full Year forecast £000**
Slippage to be carried forward	-2,694	-3,707
Operational delays in projects due to planning, design or changes in specification	-1,830	0
Delayed forecasts	0	-2,705
Projects submitted for Approval	0	-100
Home Improvement grants held on behalf of other local authorities	-185	0
Underspending on project estimates	-101	-1,253
Other variances	-1,565	-754
	-6,375	**-8,520**

89. The forecast shows a further £3.9m reduction against the approved programme compared to last month. £2.9m of this relates to potential slippage on the Decent Homes programme managed by Sheffield Homes. Schemes forecast to underspend in the year and slip into 2013/14 include:

- District Heat Metering (£1.7m) which is the subject of an investment submission to be brought for approval in the September report but will not incur significant spend until 2013/14;
- Fire Safety (£1.3m);
- Roofing Programme (£400k); and
- Insulation scheme (£250k).

Communities

90. The year to date spend on the Communities portfolio capital programme is £1.0m (75%) below the profiled budget on three key projects:

- £865k on the implementation of the ICT infrastructure project;
- £96k on Library schemes;
- £59k on the Climate Change Impact fund which is dependent on proposals from Community Assemblies.

91. The position is forecast to recover to be only £591k below budget by the end of the year.

Resources

92. The year to date spend is £1.9m (53%) below the programme due to:

- slippage on the new Moor Market (£962k) following late agreement of the details of the contract, and this is expected to continue to the end of the year;
- slippage on the Accommodation strategy projects (£566k);
- £500k behind profile on the Asset Realisation project;
- £406k behind on small schemes across the Council's estate;
- £350k behind profile on Civic Building refurbishment schemes;
- £93k behind on the Vehicle Replacement programme; offset by

- £1.0m earlier than anticipated purchase of the University Technology College site.

Cause of change on Budget	**Year to date £000**	**Full Year forecast £000**
Slippage to be carried forward	-566	-199
Operational delays in projects due to planning, design or changes in specification	-732	0
Incorrect budget profiles	-93	0
Delayed forecasts	0	-3,643
Overspending on project estimates	-20	0
Other variances	-472	-484
	-1,883	**-4,326**

93. The year end forecast has been reduced by a further £0.9m from last month and is now expected to be £4.3m (17%) below the approved programme comprising:

- £1.4m Accommodation strategy;
- £1.0m slippage on the Moor Indoor market;
- £500k slippage on the Asset Realisation project which is designed to make vacant sites more attractive to potential developers raising cash for the Council much faster;
- £475k on roof and lift replacement at the Town Hall; and
- £244k slippage on the Road Transport fleet replacement programme.

Approvals

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

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

- 7 additions to the capital programme with a total value of £13.3m;
- 2 deletions from the capital programme with a value of £514k;
- 4 variations to the capital programme with a net reduction of £4m;
- £8.7m of slippage on 5 schemes;

- 6 procurement strategies with a value of £6.4m;
- There have been no instances where Executive Directors and Cabinet Members have exercised their delegated powers to make emergency approvals
- There have been no instances where directors have exercised their delegated powers to vary approved expenditure levels.

96. Further details of the schemes listed above can be found in Appendix 1.

FINANCIAL IMPLICATIONS

97. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2012/13 and, as such it does not make any recommendations which have additional financial implications for the City Council.

EQUAL OPPORTUNITIES IMPLICATIONS

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

PROPERTY IMPLICATIONS

99. Although this report deals, in part, with the Capital Programme, it does not, in itself, contain any property implications, nor are there any arising from the recommendations in this report.

RECOMMENDATIONS

100. Members are asked to:

    (a) Note the updated information and management actions provided by this report on the 2012/13 budget position.

    (b) Approve the carry-forward request as detailed in paragraph 20 within the Place section.

    (c) In relation to the Capital Programme:

        (i) approve the proposed additions to the capital programme listed in Appendix 1, including the procurement strategies and delegations of authority to the Director of Commercial Services or Delegated Officer, as appropriate, to award the necessary contracts following stage approval by Capital Programme Group;

(ii) approve the proposed variations in Appendix 1; and note

(iii) that there were neither emergency approvals nor variations approved by Directors under their delegated authority;

(iv) the latest position on the Capital Programme including the current level of forecasting performance, and;

(v) the two variations approved by EMT.

REASONS FOR RECOMMENDATIONS

101. To formally record changes to the Revenue Budget and the Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.

ALTERNATIVE OPTIONS CONSIDERED

102. 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

Eugene Walker
Director of Finance

Scheme Description	Approval Type	Value £000	Procurement Route
ADDITIONS:-			
Castle Market Decommissioning Cabinet approved an £18.3m scheme in March 2011 to replace the City's life expired indoor market facility (built circa1960) with a new building on the Moor. This project deals with the decommissioning of the resulting surplus land and buildings which form the Castle Market on the Castlegate site. Demolition of the buildings will enable the Council to avoid security, maintenance and rates costs. The project will deliver the evacuation, management whilst vacant, and demolition of the market hall, offices, shops and other associated land and buildings which form the current site. Demolition and associated costs are estimated at £3.56m, with the remainder to be spent on fees (project management, surveys, legal etc). Some preliminary engineering assessment work will commence in 2012/13 but the main works cannot start before the new indoor market is open which is currently planned for November 2013. Site clearance, planning permission and other procedural work mean that the physical demolition is unlikely to begin before 2014-15. It is proposed that the project will be fully funded by Capital Receipts.	Addition	4,402	No procurement route outlined at this stage
Property & Facilities Management Service (P&FM) Health and Safety Works The P&FM service have undertaken an extensive survey of the Council's property portfolio and have devised a strategy to ensure that the Council can discharge its responsibility under current Health and Safety legislation.	Addition	4,400	To be determined when discrete projects are presented to CPG for approval

The estimated cost of bringing the current property portfolio up to an acceptable standard is £4.4m and the capital works are identified as non-recurring. Funding for the project has been identified from the Corporate Resource Pool in the 2012/13 Budget. A list of proposed works has been produced and classified under a number of themes : asbestos management, legionella prevention, fire risk assessment, DDA public access works, radon gas monitoring and mitigation, lifts, lighting protection and items currently on the property risk register. Further approval for specific schemes will be sought from Cabinet as projects are developed.			
Heat Metering Roll Out This project seeks to improve the city's District Heating system (which heats some of the Council's housing stock) by installing energy metering and controls. It follows earlier investment in boiler plant and internal controls and will allow householders to control their use of heating and their energy bills by paying for the actual heat used rather than through a flat rate charge based on property size. The proposal is also aligned to a wider approach to support a 'Decentralised Energy Strategy' for the city, that was endorsed by Cabinet in March 2011, and builds on earlier measures such as with the use of biomass plants and ground source heat pumps to reduce the City's impact on the environment. The project will install equipment to meter and control heat use from the District Heating system. The total project budget for this work is £5.8m for a total of 5,856 properties. These are estimates (based on the original costings for the pilot) as the precise operational and delivery details have yet to be established.	Inclusion Slippage Existing	4,000 1,696 65 5,761	OJEU tender process

Asset Enhancement – Formerly King Ecgbert School The primary objective of the project is to secure outline planning permission for residential development at the site of the former school in order to: • enhance the capital value of the site; enable the capital value to be realised within as short a timescale as possible; and • to improve the ability of potential developers to access funding. The capital costs (£423k) include carrying out consultation, planning processes and site investigations, all necessary to acquire outline planning permission at the site of the former King Ecgbert school. £23k is to be spent on on-site works (site investigations, surveys etc), with the remainder for professional and project management fees and planning application tasks. The project is part of the wider Asset Rationalisation Programme which will reduce the number of buildings used by the Council, sell the surplus assets and provide future funding for the Council's capital investment programme. The timing of any future receipt is uncertain and therefore the short term proposal is to use Prudential Borrowing to fund this scheme. The interest payable is broadly estimated at £19k, assuming an early sale in 2013-14. The assumption is that this will be the only impact on revenue budgets, as the principal repayment will be covered by the capital receipt generated.	Addition	423	Existing contract with KAPs
Capital Maintenance – Radon Extraction Radon is a naturally occurring but radioactive gas formed by the natural decay of soil and rock. It is the largest component of natural background radiation in the country and occurs across the country with wide regional variations. In 2011, Sheffield was advised that certain areas within its boundary were now included in	Addition	50	Competitive tender via the Quotation Process

the Health Protection Agency (HPA) risk area map. In line with current standards, the Council must now implement mitigation measures as other Local Authorities in higher risk areas have done. Consequently, monitoring of Radon levels has identified five schools where levels are confirmed by HPA and HSE to be above the recommended limits. The Council will install ventilation fans and/or extraction pumps to mitigate the risk. It is important to understand that Radon gas has likely been ever present in these locations and is extremely unlikely to have caused harm. This scheme will cover the costs of technical surveys to design, purchase and install appropriate mitigation techniques. The costs of this have been estimated at £50k for the 5 sites involved. This cost will be met from the currently uncommitted element of the annual CYP Capital Maintenance allocation from the DfE (£6.956m in 2012/13).			
Ecclesfield Park Playground This project is to provide play equipment which is suitable for toddlers within the boundaries of the existing Ecclesfield Park Playground, and to remove two redundant pieces of play equipment. The project is funded by Section 106 monies and in addition, there is £3.4k available to maintain the site for the next 5 years.	Addition	25	In House Provider
DELETIONS:-			
Photo Voltaic Cells This scheme is no longer viable following energy feed in tariff changes. Planned income and expenditure to be returned to the Decent Homes Block Programme Allocation Q00069. Authority is sought to cancel the scheme.	Deletion	(500)	Not applicable

Bluebell Medical Centre. The Council received £25k from the PCT in 2009/10 to provide public art at the new Bluebell Medical Centre at Wincobank and surrounding Flower estate. Some external art projects were installed - £7.5k and £3.5k was spent in 2009/10 and 2010/11 respectively. The medical centre is being delivered by the PCT but is behind schedule. The PCT have asked for a change in scope of the planned Art project to which all parties have agreed, and the contract has been terminated. As a result the £14k funding not yet spent is to be returned to the PCT and will be used later in the year when the Medical Centre is completed.	Deletion	(14)	Not Applicable
VARIATIONS:-			
City Road Crematorium Access The original CAF was for £38k in 2010/11 to provide a new ramped access to the Crematorium, which is a listed building. Following a lengthy feasibility and briefing exercise, particularly with the Conservation Officer, an agreed design and specification has been priced by Kier through the Jobs Compact. The increased cost (£48k) is primarily as a result of the stringent specification of materials for the listed building. The variation will be met from the 2012/13 DDA capital allocation of £270k.	**EMT Approved Variation**	10	Not Applicable
Woodhouse Sports Facility. This project was for Easement work which has been completed and the legal fees have been paid, the remaining £7k is not required. The funding is Capital Receipts from the sale of Woodhouse, Brunswick Garden's retirement site. £450k remains for the updating of sports facilities around this area and is currently awaiting an investment proposal.	**EMT Approved Variation**	(7)	Not Applicable
Primary Maintenance Heating - Lydgate Junior School The original investment proposal was based on installing a traditional "wet" heating system. However once detailed consultation and design work had been undertaken it became	Variation	505	Kier Negotiated tender price

apparent that only an air cooled system would deliver the required performance. This increased the cost of the replacement system by £350k to an agreed £910k. An additional £155k is required to put in place on site mobile classroom accommodation to decant pupils into whilst works are carried on in existing classrooms. This mobile will be available for relocation, following completion of the works at Lydgate, within the mobile programme. Although works on this project are above the cost originally envisaged, this is within the overall envelope committed by CYPF for all school Mechanical and Heating schemes approved for 2012/13 and so the variation will be met by savings accrued across the other schemes in this year's programme.			
Housing Programme Block Allocation Cancellation of Photo Voltaic scheme (see above) Allocation to Heat Metering Roll Out (see above)		 (500) (4,000)	Not Applicable
SLIPPAGE / ACCELERATED SPEND:-			
Wider Accommodation Strategy Three Property and Facilities Management projects have been submitted for slippage approval. • Moorfoot • 1-3 Peak Mount Crystal Peaks • Howden House Accommodation Strategy In August 2011, Cabinet considered the Sheffield's City Council's Office Accommodation Strategy and approved the 'retain Moorfoot over a minimum 10 year period option'. A year on from the Cabinet Report, the Business Case has been refreshed in order to reflect the current status of the project and changes in the financial profiling. The project plan has	Slippage	 2,765 460 1,048	Not Applicable

slipped since Cabinet approval in August 2011. However, mitigation measures have been taken and elements accelerated to ensure the overall completion date remains unchanged. The figures outlined in this report represent slippage from 2012/13 to 2013/14. Further profile amendments have also been made to individual schemes beyond 2013/14.			
Housing Programme Block Allocation The Capital Programme contained provision for 4 projects that were originally planned to begin in 2012/13 and have now been requested to slip into 2013/14 these are: • Facelift • Additional Elements • Refuse Chutes • Estates Scoping The Q number has also been reduced by £4m to feed into the heat metering Roll out and Park Hill £243k. The Photo Voltaic project is no longer viable following changes to the feed in tariff, returning £500k to the Q number.	Slippage	2,735	Not Applicable
Heat Metering Pilot See the reference to this project in the Additions section above.	Slippage	1,696	OJEU tender process
Fire Safety Originally all the budget was allocated to 2012/13. Following the development of a project plan, it is clear that the work needs to be reprofiled. Procurement is now underway and due to the legal timescales for leaseholder consultation, construction work cannot start till 2013/14. This new profile now reflects more accurately the timescale of the project. The overall budget has not changed.	Slippage	1,386	Competitive tender
Park Hill This is a slippage request to move £291k from 2012/13 into 2013/14 as a result of more	Slippage	292	Not Applicable

accurate information on the spend for phase 5 of this project. The overall project value remains the same.			
STAGE APPROVALS: Procurement Strategy – **Beighton Landfill Emergency Mitigation Works** Beighton Landfill Site Upgrade Works comprises both replacement and upgrades to the well heads in the inner, and potentially, outer gas fields to control the gas level emission from the site and reduce the risk of gas migration. In addition to this, a permanent water supply will need to be introduced to the site for animal welfare purposes. This procurement forms part of the project to manage the site's current Health and Safety Risks. The site is in the process of being fenced off as a matter of urgency and all other works will commence following completion of the fencing works. **Financial Position: -** The project budget is £120k and is funded by revenue contributions and the corporate resource pool. **Procurement Route:-** The proposed procurement route is a full competitive tender process (SCMS / Constructionline) as the current frameworks do not have access to the specialist contractors required for this work.	Stage Approval	£120k	Competitive tender using Constructionline
EMERGENCY APPROVALS:-			
None			

DIRECTOR VARIATIONS:-			
None			

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