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

PURPOSE OF THE REPORT

1. This report provides the Month 5 monitoring statement on the City Council's Revenue Budget and Capital Programme for 2012/13. The first section covers Revenue Budget Monitoring and the Capital Programmes are reported from paragraph 78.

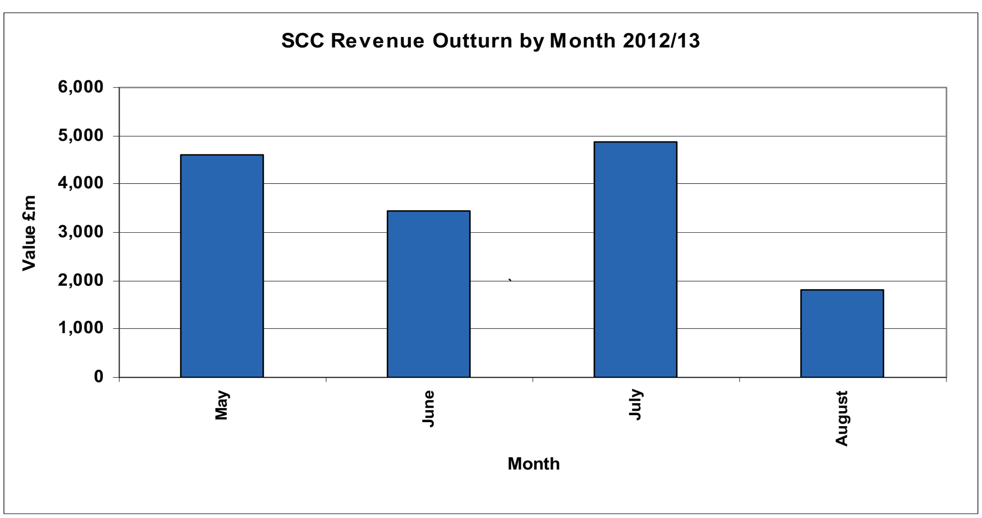
REVENUE BUDGET MONITORING

Summary

2. The budget monitoring position at month 4 indicated a forecast overspend of £4.9m, based on expenditure incurred to date and forecasted trends to the year end. The latest monitoring position at month 5 shows a forecast overspend of £1.8m to the year end: i.e. a forecast improvement of £3.1m since last month. This is summarised in the table below:

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 4
CYPF	71,822	71,603	219	⇧
PLACE	159,919	159,497	422	⇩
COMMUNITIES	160,250	159,588	662	⇩
DEPUTY CHIEF EXECUTIVE	10,190	10,025	165	⇔
RESOURCES	88,711	88,476	235	⇔
CORPORATE	(489,093)	(489,190)	97	⇩
GRAND TOTAL	**1,799**	**-**	**1,799**	⇩

3. The forecast outturn position has shown an improvement since the start of the year. The position month by month is shown in the following chart:



4. In terms of the month 5 overall forecast position of £1.8m overspend, the key reasons are:

    - Children Young People and Families (CYPF) are showing a forecast overspend of £219k, due mainly to the higher costs and the increasing number of people remanded into Local authority care within the Youth Justice Service.
    - Place are showing a forecast overspend of £422k, due primarily to additional grant payments being made as part of a wider stabilisation programme for Museums Sheffield £492k and £296k on the Waste Management Contract. These overspends are being partly offset by a reduction in spending of £428k in relation to staff savings arising from vacancy management and slippage in initial estimated start dates for staff supporting the new Highways PFI service.
    - Communities are showing a forecast overspend of £662k, due to a £2.4m overspend on Care and Support mainly due to additional costs in learning disabilities, which is offset by reductions in spending on Business Strategy £980k and Commissioning £900k.
    - Deputy Chief Executive's are showing a forecast overspend of £165k, due to increased cost of elections of £204k, which is offset by reductions in spending on staffing of £96k within Business Development.
    - Resources are showing a forecast overspend of £235k, due to £579k on Legal Services relating to reduction in non-core income, £330k on Business Information Solutions due to anticipated delays in the MER process and £124k on Property & Facilities Management. These overspends are offset by reductions in spending of £511k on Central Costs and £396k in Commercial Services.

5. The reasons for the movement from month 4 are:

    - Children Young People and Families are forecasting an adverse movement of £171k, due to higher costs and the increasing number of people remanded into Local Authority care with the Youth Justice Service.
    - Place are forecasting an improvement of £467k. Development Services have identified a further £314k reduction in savings via vacancy management across the whole service area together with slippage in initial estimated start dates for some posts supporting the new Highways PFI service. The £192k improvement in HERS

predominantly relates to a £106k Transitional HMR grant received from the Homes and Communities Agency for the Sheffield City Region Partnership, which is subject to a proposal to carry forward.

- Communities are forecasting an improvement of £2.3m, due predominantly to the identification of significant recharges (£2.2m) to Health (PCT) for care arranged on their behalf, mainly in the Learning Disabilities Service. Commissioning Services are forecasting an improvement of £313k due to a further reduction in spend on Learning Disabilities Housing Related Support budgets of £200k and the inclusion in Month 5 of £113k Dementia Strategy funding. These improvements are partly offset by an adverse movement of £147k resulting from increased funding to South Yorkshire Pensions superannuation commitments in Mental Health.
- Resources are forecasting an improvement of £164k, due to the receipt of £411k additional income within Commercial Services, which is partly offset by an adverse movement of £124k on Capita Budgets and a number of other minor movements across the portfolio.
- Corporate budgets are forecasting an improvement of £500k, due to a short term reduction in the cost of borrowing and increased investment income within the capital financing budget.

INDIVIDUAL PORTFOLIO POSITIONS

CHILDREN YOUNG PEOPLE AND FAMILIES (CYPF)

Summary

6. As at Month 5, the Portfolio is forecasting a full year outturn of an overspend of £219k, an adverse movement of £171k from the month 4 position. The key reason for the adverse movement this period is due to additional expenditure of £111k in the Youth Justice Service, in Lifelong Learning, Skills and Communities, due to the higher costs and the increasing number of people remanded into Local authority care.

Financials (Non – DSG activity)

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 4
BUSINESS STRATEGY	1,934	1,910	24	⇔
CHILDREN & FAMILIES	54,524	54,466	58	⇔
INCLUSION & LEARNING SERVICES	5,645	5,687	(42)	⇔
LIFELONG LEARN, SKILL & COMMUN	9,719	9,541	179	⇧
GRAND TOTAL	**71,822**	**71,603**	**219**	⇧

Commentary

DSG and Non DSG Budgets

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

Lifelong Learning and Skills

8. The key reason for the £171k adverse movement in Lifelong Learning, Skills and Communities, is in the Youth Justice Service which is due to higher costs and the increasing number of people remanded into Local Authority care.

PLACE

Summary

9. As at Month 5, Place Portfolio is forecasting a full year outturn of an overspend of £422k (prior to a request to carry-forward £183k of grant monies received), an improvement of £467k from the Month four position. The key reasons for the forecast outturn position are:

    - **Business Strategy and Regulation –** are forecasting £296k 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 negotiations as well as some additional income into the service which mitigates this delay.
    - **Culture and Environment –** a forecast £492k overspend, due to additional grant payments being made as part of a wider stabilisation programme for Museums Sheffield.
    - **Development Services –** are forecasting £428k reduction in spending, due to staff savings arising from vacancy management and slippage in initial estimated start dates for staff supporting the new Highways PFI service.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 4
BUSINESS STRATEGY & REGULATION	30,476	30,180	296	⇔
CREATIVE SHEFFIELD	3,874	3,878	(4)	⇔
CULTURE & ENVIRONMENT	40,523	40,031	492	⇔
DEVELOPMENT SERVICES	82,993	83,421	(428)	⇩
HERS	1,501	1,688	(187)	⇩
MARKETING SHEFFIELD	1,114	1,017	97	⇔
STREET FORCE	(1,027)	(1,055)	28	⇔
SUSTAINABLE DEVELOPMENT	465	337	128	⇧
GRAND TOTAL	**159,919**	**159,497**	**422**	⇩

Commentary

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

Business Strategy and Regulation

11. The current forecast for this activity is £296k over budget, an improvement of £74k this period, due to further small net cost reductions in waste management.

12. The key issue lies with waste management and is associated with the delivery of planned budget savings. Delays in agreement with the 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.

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

Development Services

14. The current forecast for this activity is £428k under budget (prior to a carry forward request of £77k made as part of the month 4 monitoring), an improvement of £314k this period.

15. The improvement is largely attributable to further reductions in forecast staff costs arising from continued vacancy management across the whole service area together with slippage in initial estimated start dates for some posts supporting the new Highways PFI service. Overall forecast staff costs are now estimated to be £500k below budget, with the potential (subject to recruitment timescales) that this could increase further.

16. 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 £427k (4%) shortfall, in line with the actual position at the end of August.

Summary of Key External Fee Income			
Budget	Fee Type	Variance to Budget	
		Year to Date	Forecast
£'000		£'000	£'000
7,626	Car Parking	277	334
2,011	Planning	100	20
822	Building Regs	53	73
10,459	Total	430	427

17. The forecast shortfall is predominantly within car parking and includes delays in the implementation of approved budget savings on CCTV enforcement which are now due to commence in September.

HERS

18. The current forecast for this activity is £187k under budget, an improvement of £192k on the previous period.

19. The improvement predominantly relates to a £106k Transitional HMR grant received from the Homes and Communities Agency for the Sheffield City Region Partnership to help safeguard capacity and knowledge, which is subject to a proposal to carry forward.

20. It should be noted that the budget includes around £750k of planned projects being funded by means of the new Local Growth Fund. Work is currently in progress to ascertain the likely phasing of spend on these projects, the outcome of which may result in a request for carry forward of a planned reduction in spend.

Sustainable Development

21. The current forecast for this activity is £128k above budget, an adverse movement of £118k this period.

22. The key issue / risk is around the wind down of business relating to the 'Affordable Warmth Project' in the second half of the year in line with the cessation of funding for this activity.

23. The forecast / adverse movement this period relates to the cost of retaining project staff for the reminder of the financial year pending consideration of a business case on 'Sheffield's Low Carbon Pioneer City Proposals'. This is to be submitted to the Capital Programme Group in September and subsequently as a bid for funds from the Department

of Energy and Climate Change. Should this be approved the position would be in line with budget.

Street Force

24. The provisional final outturn for Street Force was broadly in line with its trading account surplus for the part year leading up to the commencement of the PFI contract.

25. Work continues on business transfer / closure issues, including the pursuit of a £360k debt from developers, relating to work undertaken on a section 278 agreement (alterations to the highway).

COMMUNITIES

Summary

26. As at Month 5, the Portfolio is forecasting a full year outturn of an over spend of £662k, an improvement of £2.3m from the month 4 position. The forecasted outturn position reflects:

    - **Business Strategy –** Forecast £980k reduction in spending, due to contingencies held in Portfolio-Wide Services to offset overspends on care purchasing budgets (especially in Learning Disabilities (LD) services).
    - **Care and Support –** Forecast £2.4m overspend due, predominantly, to LD purchasing (£1.0m), LD Day Care & Accommodation Services (£400k), Provider Services (£800k), Assessment and Care Management (£250k) and some slippage on budget savings (previously reported). Also now emerging is an under recovery (£170k) on residential and nursing care income. These overspends are offset, to some degree, by underspend in Housing-Related Services of £240k. This forecast is an improvement of £2.2m from the previous month.
    - **Community Services –** are forecasting £125k overspend, due, mainly, to the Cleaning Contract increase at Central Library. This forecast is broadly in line with the previous month.
    - **Commissioning –** Forecast £900k under spend compared to budget due, primarily, to movement of Learning Disabilities Ex-Pool Reserves from the Balance Sheet into revenue. This forecast is an improvement of £300k from the previous month.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 4
BUSINESS STRATEGY	3,194	4,174	(980)	⇩
CARE AND SUPPORT	107,347	104,930	2,417	⇩
COMMISSIONING	38,421	39,321	(900)	⇩
COMMUNITY SERVICES	11,289	11,164	125	⇔
GRAND TOTAL	**160,250**	**159,588**	**662**	⇩

Commentary

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

Business Strategy

28. The forecast under spend is slightly lower than last month as some contingency was used to fund increased South Yorkshire Pensions superannuation commitments in Mental Health.

Care and Support

29. Care & Support outturn position has improved by £2.2m due to the identification of significant recharges to Health (PCT) for care that we have arranged on their behalf, mainly in Learning Disabilities Service. System and process developments are now under way to more accurately identify, capture and forecast this information.

Commissioning

30. Commissioning; position has improved by £300k from last month due to a further reduction in spend on Learning Disabilities Housing Related Support Budgets of £200k and the inclusion in Month 5 of £113k carried forward from 2011/12 (Dementia Strategy funding).

RESOURCES

Summary

31. As at Month 5, the Portfolio is forecasting a full year outturn of an overspend of £235k, which is consistent with the month 4 position. The key reasons for the forecast outturn position are:

    - Business Information Solutions: a forecast £330k overspend, due mainly to anticipated delay in MER process required to make staff savings;

- Commercial Services: a forecast £396k underspend, due to increased savings income;
- Legal Services: a forecast £579k overspend, due to reduction in non-core income;
- Central costs: a forecast £511k reduction in spending.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 4
BUSINESS INFORMATION SOLUTIONS	1,039	709	330	⇔
COMMERCIAL SERVICES	1,525	1,469	56	⇔
COMMERCIAL SERVICES (SAVINGS)	(1,216)	(820)	(396)	⇩
CUSTOMER FIRST	5,853	5,853	(0)	⇔
CUSTOMER SERVICES	2,226	2,228	(2)	⇔
FINANCE	6,650	6,650	0	⇔
HUMAN RESOURCES	2,681	2,655	26	⇔
LEGAL SERVICES	1,625	1,046	579	⇔
PROPERTY AND FACILITIES MGT	40,847	40,723	124	⇔
TRANSPORT	105	106	(1)	⇔
TOTAL	61,335	60,619	716	⇩
CENTRAL COSTS	25,942	26,453	(511)	⇧
PROGRAMMES AND PROJECTS	1,435	1,404	31	⇔
GRAND TOTAL	**88,711**	**88,476**	**235**	⇔

Commentary

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

Commercial Services (Invest to Save – savings)

33. The forecast for this service is £396k under budget due to increases in forecast income. This is an improvement of £411k from the previous month. The improvement this month is due to a reconciliation of the Council's gas contract resulting in a credit for overpayments and closed accounts dating back over the last 4 years.

Legal Services

34. Legal Services are forecasting a full year outturn of £600k over budget, an adverse movement of £100k from the previous month. The key reason for the £100k adverse movement is due to reduced forecast Register Office income.

Transport

35. The Transport Service is forecasting a balanced budget position, an adverse movement of £100k from the previous month. The key reason for the movement is a review of income from transfer of other assets to AMEY has resulted in lower assumed income. There is still some uncertainty over the final values of these transfers, and further review will be undertaken.

Central Costs

36. Central Costs are forecasting a £511k reduction in spend an adverse movement of £124k from the month 4 position. The key reason for this is due to an adverse movement on the Capita budgets, offset by a further improvement on the Benefits subsidy.

Central Costs	**Forecast Variance** Month 5 £ 000	**Forecast Variance** Month 4 £ 000
Capita – Control Account	156	352
Capita – ICT BIS	657	92
Capita - Finance	288	294
Capita - HR	308	468
Sub total Capita	**1,409**	**1,206**
Benefits Subsidy	(1,513)	(1,427)
Other Costs	(407)	(413)
Total	**(511)**	**(634)**

Approvals Required for Use of Invest to Save Funding

37. The paragraph below sets out a request for additional use of the Invest to Save reserve to fund two Resources led projects which are governed by the Modern Efficient Council board. Approval will be requested from Cabinet in the Month 5 budget monitoring report.

Invest to Save (I2S) Reserve – approvals required

38. Cabinet are asked to approve the use of the Invest to Save reserve as follows:

Income Collection project

39. This project is looking to introduce modern and easy ways for our customers to pay for the services the Council provides as well as efficient methods for Services to process these payments. An investment of £105k is required to implement the project. This will be

repaid, over 2 years, to the I2S reserve through savings resulting from ceasing the cash imprest system.

People Transformation Project

40. This project has previously had funding approved of £485k in order to develop and implement the leadership imperative framework and deliver a more flexible, sustainable and better value for money HR service. £270k has been spent on this work, leaving £215k of the original approved budget.

41. The Modern Efficient Council programme board has approved additional work which will fall under the scope of this project to provide an improved, efficient and value for money Human Resources and Payroll system. The additional funding required from the I2S is £484k.

42. This project will be funded from savings from other Invest to Save Projects. Overall the Invest to Save reserve is expected to break even by 2015/16 which is in line with previous reports to cabinet.

DEPUTY CHIEF EXECUTIVE’S

Summary

43. As at Month 5, the Portfolio is forecasting a full year outturn of an overspend of £165k, an adverse movement of £38k from the month 4 position. The key reasons for the forecast outturn position are:

- **Modern Governance –** a forecast £204k overspend, due to higher forecast election costs. This forecast is an improvement of £55k from the previous month.

- **Performance and Communications –** a forecast £51k overspend, due to revised income forecasts. This forecast is an adverse movement of £83k from the previous month.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 4
ACCOUNTABLE BODY ORGANISATIONS	0	0	0	⇔
BUSINESS DEVELOPMENT	1,469	1,565	(96)	⇔
HEALTH IMPROVEMENT	170	170	0	⇔
MODERN GOVERNANCE	3,934	3,730	204	⇔
PERFORMANCE AND CORP PLANNING	1,064	1,013	51	⇔
POLICY,PARTNERSHIP,AND RESEARC	3,553	3,547	6	⇔
GRAND TOTAL	**10,190**	**10,025**	**165**	⇔

Commentary

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

Modern Governance

44. A forecast £204k overspend, due to rising electoral registration and local election costs in order to meet required standards and to meet rising postage costs. This is an improvement of £55k from the previous month.

45. The improvement this month is due to an additional £37k of Election Funding being received from the Government.

Performance and Communications

46. A forecast £51k overspend, this is an adverse movement of £83k from the previous month.

47. The adverse movement this month is due to revised income forecasts.

CORPORATE ITEMS

Summary

48. The month 5 forecast position for Corporate budgets is a £97k overspend, which represents an improvement of £500k 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	46,805	47,305	-500
Savings Proposals	-1,195	-1,794	599
Income from Council Tax, RSG, NNDR, other grants and reserves	-534,703	-534,701	-2
Total Corporate Budgets	**-489,093**	**-489,190**	**97**

49. The forecast improvement of £500k from last month is due to the temporary reduced cost of borrowing and increased investment income within the capital financing budget. The forecast overspend on Savings Proposals, which is due to reassessment of the sundry debt collection rates, is consistent with the month four position.

HOUSING REVENUE ACCOUNT

50. The revised budgeted position for the HRA is a draw down from reserves of £1.3m (excluding Community Heating). As at month 5 the position is a contribution of £4.4m into reserves, a reduction in spending of £5.7m on the budgeted position.

51. 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.

52. 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.

53. Other main factors that contribute to the improved position include revised rental income £200k, a reduction in the level of vacant properties £300k and related council tax savings £200k, revised service charge income £300k, a reduction in running costs £400k and a delay in a number of projects £200k.

54. **Community Heating –** the budgeted position for Community Heating is a draw down from Community Heating reserves of £1m. As at month 5 the forecast position is a draw down of £700k from reserves, a reduction in spending of £300k. This is primarily due to an estimated reduction in the level of gas and electricity consumed due to the continuation of milder weather and invoiced consumption. This is an improvement compared to last month.

CORPORATE FINANCIAL RISK REGISTER

55. 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

56. 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

57. 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.

58. 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

59. 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

60. 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

61. 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

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

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

NHS Funding Issues

64. 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

65. 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

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

External Funding

67. 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

68. 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. Based on projected academy conversions for 2012/13 this could mean that up to £800k of DSG funding would be deducted from the Council's central spending budgets and given to the Academies.

69. From 2013/14 the DfE are proposing to introduce a new system of funding for central education support services for maintained schools and academies. Based on the current DfE consultation proposals and the projected number of academies this would mean that around £3.6 million of DCLG funding and £1.6 million of DSG funding would be deducted from the Council's budgets. The risk is that this would leave an inadequate level of funding to maintain the centrally retained services and thus cuts would have to be made to balance the budget.

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

71. 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 the Council with a larger affordability gap to fund.

72. Currently, 5 primary schools and 6 secondary schools have converted in 2012/13. It is anticipated that 26 schools, in total, will have converted to academy status (16 primary /10 secondary) by the end of the year.

73. In 2013/14 a further 14 academy conversions (13 primary / 1 secondary) are currently anticipated.

74. 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.

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 August 2012, capital expenditure so far to date is £15m (23%) below budget. The outturn forecast is £30.5m (14%) below the Approved Capital Programme.

79. The variation in the year to date position across all portfolios is mainly from either operational delays or project slippage. During the month of August, expenditure was £1.1m above the programme budget of £15.7m predominantly in CYPF which was £4.9m above budget. This reflects the practical requirement to do construction works in school holidays but appears not to be in the project budget profile.

80. The forecast for the year shows all portfolios under spending against the approved programme. The forecast, at £30.5m, is £5.5m lower than the Month 4 position (£25m).

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	24,335	24,240	95	73,935	77,297	(3,362)
Place	9,046	11,234	(2,188)	24,681	32,116	(7,436)
Housing	15,388	23,692	(8,304)	59,530	71,887	(12,357)
Communities	497	1,335	(838)	2,654	3,465	(811)
Resources	1,808	5,634	(3,825)	19,255	25,770	(6,516)
Grand Total	**51,074**	**66,134**	**(15,061)**	**180,054**	**210,535**	**(30,481)**

Commentary

81. The CYPF forecast shows a projected reduction in spend against the approved programme of £3.4m. The main variances are £900k each on the BSF and Primary maintenance programmes, £300k behind on the Population Expansion Programme plus an expected £600k slippage on the Foster Carers Housing Extension project.

82. Delays in forecasting by project managers accounts for £12m (31%) of the projected shortfall on the annual programme.

Children, Young People and Families Programme

83. CYPF capital expenditure is £4.9m (25%) below the profiled budget for the year to date and forecast to be £10.9m (13%) below the programme by the year end for the reasons set out in the table below.

84. The CYPF forecast shows a projected reduction in spend against the approved programme of £3.4m. The main variances are £900k each on the BSF and Primary maintenance programmes, £300k behind on the Population Expansion Programme plus an expected £600k slippage on the Foster Carers Housing Extension project.

Cause of change on Budget	Year to date £000	Full Year forecast £000
Slippage to be carried forward	0	-600
Operational delays in projects due to planning, design or changes in specification	-2,487	0
Revised profile for Building Schools for the Future programme	4,451	0
Incorrect budget profiles	-829	
Delayed forecasts	0	-115
Underspending on project estimates	-270	-2,837
Other variances	-769	190
	95	**-3,362**
Spend rate per day	236.3	298.1
Required rate to achieve Outturn	396.8	
Rate of change to achieve forecast	68.0%	

85. £2.5m of the variation in the year to date position arises from operational delays principally on the Primary Maintenance programmes (£1.9m).

Place Programme

86. The Place portfolio programme (excluding Housing) is £2.2m (19%) below the profiled budget for the year to date and forecast to be £7.4m (23%) below the programme by the year end for the reasons set out in the table below. The majority of the under spend to date (£516k) is on Highways schemes where the Local Transport Programme and other Highways schemes have been submitted late for approval. Other significant programme under spending is on City Centre area improvement projects such as the Moor, Edward and Arundel Street offset by New Retail Quarter CPOs ahead of profile (£624k) and Parks schemes (£320k).

87. The forecast projects some recovery of 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	-923	-304
Incorrect budget profiles	-1,053	0
Delayed forecasts	0	-7,989
Overspending on project estimates	400	400
Other variances	-613	457
	-2,188	**-7,436**
Spend rate per day	87.8	99.5
Required rate to achieve Outturn	125.1	
Rate of change to achieve forecast	42.4%	

Housing Programme (Place Portfolio)

88. The Housing capital programme is £8.3m (35%) below the profiled budget for the year to date and forecast to be £12.4m (17%) 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	-1,478	-5,154
Operational delays in projects due to planning, design or changes in specification	-2,442	0
Incorrect budget profiles	-2,724	0
Projects submitted for Approval	0	-7,048
Home Improvement grants held on behalf of other local authorities	-304	0
Underspending on project estimates	-73	0
Other variances	-1,284	-155
	-8,304	**-12,357**
Spend rate per day	149.4	240.0
Required rate to achieve Outturn	353.1	
Rate of change to achieve forecast	136.4%	

89. The forecast shows a further £3.8m reduction against the approved programme compared to last month. Even so, the current rate of spend on projects needs to increase by 136% if the forecast is to be met. £1.5m of the reduction 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.

Communities

90. The year to date spend on the Communities portfolio capital programme is £800k (63%) below the profiled budget, which relates to:

- £832k on the implementation of the ICT infrastructure project.

Resources

91. The year to date spend is £3.8m (68%) below the programme for the reasons set out in the table below:

Cause of change on Budget	**Year to date £000**	**Full Year forecast £000**
Slippage b/fwd from 2011/12		
Slippage to be carried forward	-460	-524
Operational delays in projects due to planning, design or changes in specification	-2,254	-1,839
Incorrect budget profiles	-193	0
Delayed forecasts	0	-3,297
Other variances	-918	-856
	-3,825	**-6,516**
Spend rate per day	17.6	77.6
Required rate to achieve Outturn	139.6	
Rate of change to achieve forecast	695.0%	

- slippage on the new Moor Market (£1.8m) 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 (£460k);
- £326k behind profile on the Asset Realisation project;
- £592k behind on small schemes across the Council's estate;

- £432k behind profile on Civic Building refurbishment schemes;
- £193k behind on the Vehicle Replacement programme.

92. The year end forecast has decreased by a further £2.2m from last month and is now expected to be £6.5m (25%) below the approved programme comprising:

- £2.6m Accommodation strategy;
- £1.8m slippage on the Moor Indoor market;
- £326k 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;
- £529k on roof and lift replacement at the Town Hall; and
- £294k slippage on the Road Transport fleet replacement programme.

Approvals

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

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

- 6 additions to the capital programme with a total value of £829k;
- 4 variations to the capital programme creating a net decrease of £5.173m;
- 1 slippage request of £612k;
- 4 contract awards;
- 1 instance where Executive Directors and Cabinet Members have exercised their delegated powers to make emergency approvals;
- 5 instances where directors have exercised their delegated powers to vary approved expenditure levels.

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

FINANCIAL IMPLICATIONS

96. 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

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

PROPERTY IMPLICATIONS

98. 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

99. Members are asked to:

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

(b) Approve requests on Invest to Save projects in paragraph 37.

(c) Note the carry forward request in paragraph 19 but withhold approval until the Place portfolio achieves and maintains a balanced position as per EMT's Recommendation.

(d) In relation to the Capital Programme:

(i) 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) the proposed variations in Appendix 1;

(iii) that the emergency approvals and variations approved by Directors under their delegated authority; and note;

(iv) the latest position on the Capital Programme including the current level of forecasting performance .

REASONS FOR RECOMMENDATIONS

100. 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

101. 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:-			
Hackenthorpe Skate and BMX Facility The project is to design and build a new skate and BMX facility in Hackenthorpe. There are no purpose built skate facilities in the South East of the city and the proposal is to draw up a design using the modular skate ramp system (similar to that at Parson Cross Park) that will allow the site to be extended as funding allows. The capital element of the project is to be funded by contributions from the South East Community Assembly (£18.5k) and Section 106 (£22.8k). Total project funding comprises a £25.0k contribution from the Community Assembly (towards capital and maintenance costs) and £25.9k S106 funding. Thus there is provisionally £9.6k available to support future maintenance costs at the site; being £3.1k from Section 106 and, subject to an approved carried forward request, £6.5k from the Community Assembly budget.	Addition	41	Full Competitive Tender
Hollinsend Park Multi Use Games Area The project is to design and build a new Multi Use Games Area (MUGA) with basketball, football and cricket sports markings within Hollinsend Park in order to upgrade two of the existing, derelict tennis courts. The scheme is funded by Landfill Tax Credits (£36k from Viridor and £39k from Veolia) and Section 106 contributions (£8.4k). The Section 106 agreement is being paid in instalments and a further £2.6k is expected prior to commencement of the build. If necessary, a small variation will be submitted for approval. There is £2.7k from Section 106 contributions to maintain the site for the next 5 years.	Addition	83	Full Competitive Tender

Mosborough Nature Trail The project is linked to a flagship Eco Schools project in South-East Sheffield in conjunction with Mosborough Primary School and the local community to develop a nature trail adjacent to existing school grounds to promote biodiversity and encourage greater use of the area and a reduction in litter and anti social behaviour. The local community – including Mosborough Primary School , local volunteers, Air Cadets and the Moss Valley Environment Group – will be fully involved in delivering the project and will continue to aid its upkeep in the coming years (e.g. by litter picking). The works will be carried out by Sheffield Landscape Trust, a working partnership of several local conservation and regeneration groups who work through minimal staff, relying instead of volunteers and the local community to deliver projects and ensure community 'ownership' of the assets for the years to come. The works are fully funded from various Section 106 Agreements.	Addition	21	Existing Waiver (Procurement Strategy waived as <£50k)
Angram Bank Park Improvements This project is to provide play equipment and surrounding safety surfacing suitable for toddlers at Angram Bank playground. This is an extension (phase 2) of the earlier Playbuilder project. The project may also provide some wildflower planting and multiuse bins. There is currently £19k Section 106 monies secured for the project, with a further £20k anticipated in December 2012. It will be possible to progress the project without the additional funding but the scope of the works will be increased, by way of extra play equipment, if the extra funding is secured.	Addition	19	In House Provider

There is also £2.6k of Section 106 monies available to maintain the site for the next 5 years.			
Recycling Roll-Out (Phase 1; Sheffield Homes) This project is part of the 2009 Waste Strategy which aims to reduce the environmental impact of Sheffield's waste by helping residents and businesses to recycle by introducing a programme of education and enforcement to minimise waste that goes into landfill. This project will assist the implementation of the strategy. The resources for this project are currently assigned to the Block Budget Allocation Q00069. There will be £2.457m left for recycling work in the Q number to complete the red and amber phases in addition to the £543k requested in this addition for the green phase of the recycling work. A new recycling service was introduced in 2010 allowing residents to recycle glass, cans and plastic bottles from the kerbside in addition to paper and card. This service has been introduced city wide apart from Council tenants in flats or maisonettes in approximately just over 3000 blocks. All the sites have been surveyed and graded red (re-modelling required to facilitate the bins), amber or green (simple to do). In order to progress the scheme Phase one will provide recycling facilities to sites that require little or no investment. Work has been completed to identify these sites and a pilot project in the North West area has provided the basis for the cost estimates. 299 sites in the green category will require a budget of £543k and the work will be done in 2012 to 2014.	Addition	543	Kier Sheffield LLP
Cornhill Tower Block Concierge, Netherthorpe This project comprises alterations and remodelling work to the Entrance / Concierge area of Cornhill Tower Block together with refurbishment and conversion of office areas, provision of new interview rooms and will also release accommodation for	Addition	120	Full Competitive Tender

additional bed spaces and sundry minor works. The main benefit will be a vastly improved Concierge area for the public and residents together with new secure interview facilities and office space for staff. The reception area will be used to monitor tenants entering and exiting the building and acting as a point of contact for tenant queries. There have been issues in the past with undesirable activity within the Block and it is envisaged that the concierge system, which will be manned 24 hours a day, will create a safer environment for staff and residents. There is provision in the HRA for staffing cost for five years starting in 2013/14. The capital works, expected to start in January 2013, are fully funded from HRA Revenue reserves.			
VARIATIONS:-			
BSF (Building Schools for the Future) This variation is to reflect a net reduction in budget on several of the BSF projects in Wave 4 of the programme as a result of confirmed savings against original budgeted figures due to favourable market conditions and identification of efficiencies since the original budgets were first set. The £3.8m reduction variation, is part of a larger £8.1m confirmed savings cost reduction as detailed below, £4.3m of which has already been adjusted for through a reduction in respect of Abbeydale Grange budgeted costs. The proposed variation is after having adjusted for additional works at Myers Grove on enhanced kitchen specifications, fire sprinkler systems, workshop	Variation	(3,813)	

manufacturing/tooling equipment and additional CCTV equipment to meet health and safety and curriculum requirements. There still remains an affordability gap of over £10m to close.			
Insulation This variation is for a reduction in the planned Insulation programme from £2.661m to £1.749m due to lower up take by householders than planned. There is considerable competition amongst energy providers to sign-up customers to the insulation measures and many have opted to go to schemes from other providers. The scheme will now deliver 6,313 (17%) fewer output measures. The reduction in outputs will result in the Council receiving reduced CERT rewards, therefore no additional capital funds will be created as a result of this variation.	Variation	(922)	
Thornbridge Structural This project requires an increase of £35k to a total project cost of £185k. The scheme was subject to a full competitive tender but the lowest return is higher than the estimate. The additional £35k is to be funded through a Revenue Contribution via the Standards Fund in DSG which was the original funding source for this project.	Variation	35	
Q00069 HRA Capital Projects Block Budget Allocation This is the adjustment to the block allocation to fund the Recycling Roll-Out (Phase 1: Sheffield homes) as detailed in the Additions section above. The remaining balance unallocated balance on the block allocation is £128k..		(543)	

SLIPPAGE / ACCELERATED SPEND:-			
Disabled Facilities Grant (Private Housing) This variation is to re-profile the budget over the next three years taking £612k from 2012/13 and re-profiling £398k to 2013/14 by and £214k to 2014/15. The DFG budget currently stands at £2.377m which is significantly higher than can be delivered this financial year based on the first five months of spend this year, and the total spend last year of £1.7m. The 2012-13 budget has been reduced and spread across 2013-14, and 2014-15 where there is currently no SCC contribution towards the scheme. This would set a more achievable and realistic target for the project whilst securing future delivery of the scheme ensuring that the demand for the grants can still be met. Further efficiencies are being sought through the use of Occupational Therapy specialist advising on the best adaptations for people's needs.	Slippage	612	
STAGE APPROVALS:-			
There are no additional procurement strategies to approve other than those cited above.			

EMERGENCY APPROVALS:-			
Green Deal Early Start The Works on this project primarily comprise the provision of solid wall insulation, “hard to treat cavity” measures, under-floor insulation, draught-proofing and some full replacement heating systems to various properties around the City. Extremely tight timescales for assembling the proposals, identifying workable delivery and procurement options and sign-off of the funding agreement have meant that emergency approval arrangements have been evoked.	Addition	708	Existing contract
DIRECTOR VARIATIONS:-			
Spital Hill – Ellesmere Green This variation was to increase the budget by £5k to £605k as the original budget was incorrectly recorded as £600k. The total expenditure is covered by income from the Local Growth Fund which has approved a budget for this project of £605k. The works on Phase B - Ellesmere Green and Market Square, are funded by the Local Growth Fund, and are critical to give investors the confidence that Spital Hill is the right area in which to invest.	Director Variation	5	
Manor Fields Toddler Play This variation was to transfer £22k of S106 monies from Manor Fields Wetland Project and similarly, £3k from Manor Fields Boundary Works, to this project as the projects have now been combined to mirror the procurement arrangements which now comprise one contract for all works on the site.	Director Variation	25	
Manor Fields Wetland Project This variation was to transfer £22k of S106 to Manor Fields Toddler Play as above.	Director Variation	(22)	
Manor Fields Boundary Works	Director	(3)	

This variation was to transfer £3k of S106 to Manor Fields Toddler Play as above.	Variation		
Stocksbridge Thriving LDC This variation was to accept an anonymous donation of £500 by a member of the community to enhance the public realm works; it is specifically to purchase trees for the site. An Individual Cabinet Member Decision approved accepting the contribution.	Director Variation	0.5	