REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30 JUNE 2014

Purpose of the Report

1. This report provides the Month 3 monitoring statement on the City Council's Revenue Budget and Capital Programme for June. The first section covers Revenue Budget Monitoring and the Capital Programmes are reported from paragraph 60.

Revenue Budget Monitoring

Summary

2. At month 2 the overall Council position was for a potential overspend of £11.1m. This largely reflected areas where action is intended to be taken to implement corrective action but where the forecasts of managers do not yet reflect this. The position at month 3 is largely unchanged, with a forecast potential overspend of £11.4m to the year end. This is summarised in the table below:

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
CYPF	71,543	71,138	405	⇔
COMMUNITIES	161,834	155,965	5,869	⇔
PLACE	165,352	161,234	4,118	⇧
POLICY, PERFORMANCE & COMMUNICATION	2,700	2,586	114	⇔
RESOURCES	84,259	83,091	1,168	⇧
CORPORATE	(474,261)	(474,014)	(247)	⇩
GRAND TOTAL	**11,427**	**-**	**11,427**	⇧

3. In terms of the main variations since month 2 these are due to the following:

- Place are forecasting an adverse movement of £240k due to risks on achieving contract savings and further shortfalls in income.
- Resources are forecasting an adverse movement of £385k, £130k of which is due to additional costs in Transport and Facilities Management, as well as minor variations elsewhere in the portfolio.

Individual Portfolio Positions

Children Young People And Families (CYPF)

Summary

4. As at month 3 the Portfolio is forecasting a full year outturn of an over spend of £405k on cash limit, and DSG is forecast to be underspent position of £29k. The key reasons for the forecast outturn position are:

   - **Business Strategy:** £173k forecast reduction in spending, £110k in Bus Passes due to demand, offset by anticipated additional income to that budgeted on Education Services Grant (ESG) £200k due to timing of the Academy conversions programme and £120k in DSG Management Reviews due to reduced level of pump priming for Vulnerable Groups with activity now being picked up by schools.
   - **Children and Families:** £618k forecast overspend, £131k over spend in Placements, £238k overspend in Management and Central Support due to delay in the Business Support MER, £152k overspend in Legal Fees (conservative estimate based on previous year's trends) and £488k overspend in Adoption due to investment in inter agency fees, this is as a result of the Government's agenda with regard to Adoption Reform. These overspends are being partially offset by under spends, for instance £243k Citywide Contracts to effective integration of Early Years and Multi Agency Support Team and achievement of commissioning strategy, as well as minor reductions in spend elsewhere across the service. The service is reviewing activities and funding streams to find mitigating action to offset the remaining over spend.
   - **DSG Budgets:** £142k reduction in spend in Business Strategy due to 2 Year Old FEL which reflects the level of take up. £122k overspend in Inclusion and Learning overall, £562k in Banded Funding and £181k Independent Placements due to demand pressures, partially offset by reduction in spend on In City SEN Provision £596k.

Financials (Non – DSG activity)

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS STRATEGY	(2,602)	(2,429)	(173)	⇩
CHILDREN & FAMILIES	61,607	60,989	618	⇧
INCLUSION & LEARNING SERVICES	2,665	2,705	(40)	⇔
LIFELONG LEARN, SKILL & COMMUN	9,873	9,873	-	⇔
GRAND TOTAL	**71,543**	**71,138**	**405**	⇔

Commentary

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

Non DSG Budgets

Business Strategy

6. As at month 3, Business Strategy is currently forecasting a reduction in spend of £173k relating to cash limit. This is an improved position of £208k from the previous month.

7. The improvement this month is due to a reduction in overspend £82k against Bus Passes due to the inclusion of Extended Rights to Free Travel Grant approval requested on the Month 2 report and £120k against DSG Management Reviews due to reduced level of pump priming for Vulnerable Groups with activity now being picked up by schools.

Children & Families

8. As at month 3, Children and Families is currently forecasting an over spend of £618k (shown in the table above) relating to cash limit. This is an adverse movement of £181k from the previous month.

9. The worsened position is due to Adoption £235k having increased numbers on Adoption Special Guardianship Orders and Inter Agency, re-evaluation of the Fieldwork Services forecast including Permanence and Throughcare £318k, partially offset by the underspend in Early Years £246k due to effective integration of Early Years and Multi Agency Support Team and appropriate commissioning strategy for external contracts and other minor movements.

Place

Summary

10. As at month 3 the Portfolio is forecasting a full year outturn of a £4.1m overspend, an adverse movement of £200k from the month 2 position. The key reasons for the forecast outturn position are:

- **Business Strategy & Regulation:** £1.1m forecast overspend largely due to risks associated with contract negotiations to deliver the full £3.3m waste management savings in the 2013/14 and 2014/15 Budgets.
- **Capital & Major Projects:** £1m forecast overspend due to income and cost pressures within the commercial property of £500k and markets of £500k.
- **Culture & Environment:** £499k forecast overspend largely due to potential income losses on the Sheffield Arena which is operated by SIV.
- **Regeneration & Development Services:** £1.4m over budget due to a combination of shortfalls in forecast income of £700k and planned contract savings of £400k, together with staff costs forecast above budget of £300k.

All directors are reviewing current spending plans and are preparing options to reduce the overspend which will be reported in the Month 4 forecast.

Financials

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS STRATEGY & REGULATION	29,463	28,381	1,082	⇧
CAPITAL & MAJOR PROJECTS	1,310	260	1,050	⇧
CREATIVE SHEFFIELD	2,685	2,685	-	⇔
CULTURE & ENVIRONMENT	45,044	44,545	499	⇩
MARKETING SHEFFIELD	914	777	137	⇔
PLACE PUBLIC HEALTH	(1)	0	(1)	⇔
REGENERATION & DEVELOPMENT SER	85,937	84,586	1,351	⇩
GRAND TOTAL	**165,352**	**161,234**	**4,118**	⇧

Commentary

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

Business Strategy & Regulation

12. The forecast for this activity is an overspend of £1.1m, an adverse movement of £447k this period. This reflects an assumed £1.1m risk pending agreement with the Contractor on new terms to reflect the revised waste collection arrangements. Further cost pressures have been absorbed to date, through one-off savings / additional income including the finalisation of the prior year sale of heat income due to the council.

13. Work is progressing on developing further the range of options for negotiation with the contractor with a view to implementation by October. Should there be slippage on this timescale this may result in a further adverse movement.

Capital & Major Projects

14. The forecast for this activity is an overspend of £1m, an adverse movement this period of £102k. The adverse forecast primarily reflects projected shortfalls in income within commercial property for reduced rent of £320k and disposal fees and markets of £376k.

15. There may be further risk here if more market traders leave once the full rents are demanded. The business model for the market is under review as is the balance between rent and service charges to traders.

Culture & Environment

16. The forecast for this activity is an overspend of £499k, an improvement of £142k this period. The forecast includes provision for a deficit of £564k in relation to potential income losses on the Sheffield Arena which is operated by SIV, offset to some extent by cost reductions now being forecast across the whole service. However, the Director is working with SIV to confirm mitigating options.

Regeneration & Development Services

17. The forecast for this activity is an overspend of £1.4m, an improvement of £211k this period, largely due to forecast cost reductions within the Highways service. The position reflects a combination of shortfalls in forecast income of £700k and planned contract savings of £400k, together with staff costs forecast above budget of £300k.

18. A key strand of the 2014/15 business plan is to deliver £4.2m reductions in contract spend on the ITA levy and Streets Ahead Programme. Almost 80% of the target savings have been delivered and the remaining shortfall is to a large extent mitigated by other favourable variances within income and costs across the rest of the service.

Communities

Summary

19. As at month 3 the Portfolio is forecasting a full year outturn of £5.9m overspend. The key reasons for the forecast outturn position are:

- **Business Strategy:** Executive & Portfolio-wide Services are forecasting to be £391k overspent. This is primarily due to reduced budgets for Portfolio Senior Management and PA and Business Support, which reflect agreed 2014/15 budget savings. Some of these overspends are offset by savings in other areas across the Portfolio. The Finance Service is working with the Portfolio to move budgets in line with the re-structure to address this.

- **Care and Support:** There are ongoing pressures and issues in Adult Social Care primarily relating to care purchasing budgets. These budgets are currently the focus of recovery action led by the Adult Social Care Savings Board, overseeing several initiatives to contain the overall cost of care purchasing. Significant improvements have been made in the Adults Service which is forecasting a relatively small overspend of around £100k by year end. However significant overspends are forecast within the Learning Disabilities Service (currently standing at £4.9m overspent) relating to care purchasing and in-house care provision.
- **Commissioning:** This service has a forecast overspend of £289k due mainly to cost pressures in Mental Health Partnership budgets; specifically an increase in Pension liabilities and an agreed share of SHSCT unachieved savings dating back to 2013/14. A joint plan is being implemented to mitigate these unachieved savings.
- **Community Services:** Forecast overspend of £162k due to a prudent assessment of financial risks across the service pending corrective action which will be reflected in next month's forecast.

Financials

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS STRATEGY	2,410	2,019	391	⇔
CARE AND SUPPORT	118,158	113,131	5,027	⇧
COMMISSIONING	32,367	32,078	289	⇔
COMMUNITY SERVICES	8,899	8,737	162	⇔
GRAND TOTAL	**161,834**	**155,965**	**5,869**	⇔

Commentary

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

Care and Support

21. An adverse movement of £294k in our forecast income for the year. This is the result of forecast reductions in the contributions that service users make to the cost of their care, partially offset by increased funding from the CCG's Continuing Health Care budget. We are investigating why

service user contributions have fallen by more than we expected and will continue to refine and update our forecasts over the year.

Resources

Summary

22. As at month 3 the Portfolio is forecasting a full year outturn of an overspend of £1.2m, an adverse movement of £385k from the month 2 position. The key reasons for the forecast outturn position are:

- **Business Change & Information Solutions:** £227k overspend due in the main to a £115k under recovery of traded income and a budget reduction of £134k for iOTP savings that is not achievable.
- **Commercial Services (savings):** £182k overspend due to reduced forecast income from cashable procurement savings.
- **Customer Services:** £365k overspend in Customer Services due to ongoing ICT cost issues.
- **Transport & Facilities Management:** £219k overspend due in the main to unfunded increased pension costs of £49k as a result of a change to pension regulations in the treatment of overtime and £152k of unfunded costs in relation to Howden House following a Unitary Charge Indexation uplift that was not anticipated in the model.

Financials

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
BUSINESS CHANGE & INFORMATION SOLUTIONS	590	363	227	⇔
COMMERCIAL SERVICES	925	866	59	⇔
COMMERCIAL SERVICES (SAVINGS)	(1,269)	(1,451)	182	⇔
CUSTOMER SERVICES	3,523	3,158	365	⇔
FINANCE	5,434	5,441	(7)	⇔
HUMAN RESOURCES	2,664	2,744	(80)	⇔
LEGAL SERVICES	3,395	3,322	73	⇔
RESOURCES MANAGEMENT & PLANNING	1,096	1,110	(14)	⇔
TRANSPORT AND FACILITIES MGT	41,564	41,345	219	⇧
TOTAL	57,922	56,898	1,024	⇧
CENTRAL COSTS	25,542	25,466	76	⇧
HOUSING BENEFIT	795	727	68	⇔
GRAND TOTAL	**84,259**	**83,091**	**1,168**	⇧

Commentary

23. The following commentary concentrates on the key change from the previous month.

Transport & Facilities Management

24. An adverse movement of £130k from the previous month due to the increased unitary charge costs for Howden House.

Policy, Performance and Communications

Summary

25. As at month 3 the Portfolio is forecasting a full year outturn of an overspend of £114k, an improvement of £10k from the month 2 position. The key reasons for the forecast outturn position are:

- £22k overspend in CEX office due to LGYH costs.
- £94k overspend in Electoral registration due to the costs of canvas staff and IT support costs.

Financials

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
ACCOUNTABLE BODY ORGANISATIONS	3	0	3	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,832	2,721	111	⇔
PUBLIC HEALTH	(135)	(135)	0	⇔
GRAND TOTAL	**2,700**	**2,586**	**114**	⇔

Corporate items

Summary

26. The month 3 forecast position for Corporate budgets is a £247k reduction in spend, an improvement of £286k from the month 2 position. The key reason for the forecast outturn position is a reduction in spend of £215k on capital financing costs.

Financials

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 2
CONSOLIDATED LOANS FUND	37,494	37,709	(215)	⇩
CORPORATE TRANSACTIONS	(511,755)	(511,723)	(32)	⇧
GRAND TOTAL	(474,261)	(474,014)	(247)	⇩

New Homes Bonus Fund

27. The position on the New Homes Bonus Fund is as follows:

		£m
Income	Reserves as at 1/04/14	-5.1
	2014/15 NHB Grant Received	-1.9
	14/15 Anticipated NHB Grant	-4.5
	Total Income	-11.5
Expenditure	2014/15 Spend to date at Month 3	0.6
	Forecast to Year End	4.8
	Future Years' Commitments	1.9
	Total Expenditure	7.3
	Funds Available for Investment	**-4.2**

28. The £0.2m spend in the period was mainly on cycle ways between Park Square and Norfolk Park and improving the public realm and shop fronts at Spital Hill and Darnall respectively.

29. If the anticipated New Homes Bonus arrives this year there will be £4.2m of funds available for investment in other projects.

Housing Revenue Account

30. The 2014/15 HRA Budget as reported to Cabinet on 15th January 2014 was based on an assumed in year surplus of £7.4m which was to be used to fund the HRA future capital investment programme. The budget has now been adjusted to take into account the approved carry forward of £0.8m mainly in relation to Going Local, Access to Housing Allocations and Choice Based Lettings software. In addition, a number of budgets have been updated for known changes with regards to welfare reform, revenue costs associated with the stock increase programme and reduced Housing Related Support funding for the High Support service. In the main these have been offset by updated rental income revisions. The overall effect is a revised budget surplus of £6.9m which is to be used to fund the capital programme as shown in the table below.

31. As at month 3 the full year forecast outturn position is a £2.4m improvement from budget. The areas contributing to the improvement are a forecast reduction of £280k in capital financing costs due to a small reduction in the interest rate, lower than budgeted for bad debt provision mainly resulting from revised predictions of year-end debt bandings of

£220k and a saving of £124k on repairs. The main area of saving is a forecast £1.5m overall reduction in running costs primarily due to staff vacancies and lower than expected recharges to the HRA budget. A forecasted increase of £186k in rental income and £66k in other income is predicted at this stage.

HOUSING REVENUE ACCOUNT (EXC COMMUNITY HEATING)	FY Outturn £000's *	FY Budget £000's *	FY Variance £000's *
1.RENTAL INCOME	(149,856)	(149,670)	(186)
2.OTHER INCOME	(4,784)	(4,718)	(66)
3.FINANCING & DEPRECIATION	52,531	52,811	(280)
4.OTHER CHARGES	5,551	5,771	(220)
5.REPAIRS	36,874	36,998	(124)
6.TENANT SERVICES	50,356	51,883	(1,527)
7.CONT TO CAPITAL PROG	6,925	6,925	0
TOTAL	**(2,403)**	**0**	**(2,403)**

*subject to roundings

Community Heating

32. The budgeted position for Community Heating is a draw down from Community Heating reserves of £348k. As at month 3 the forecast position is a draw down from reserves of £418k resulting in an increase in expenditure of £70k at this stage.

COMMUNITY HEATING	FY Outturn £000's *	FY Budget £000's *	FY Variance £000's *
INCOME	(3,278)	(3,440)	162
EXPENDITURE	3,696	3,788	(92)
Grand Total	**418**	**348**	**70**

Corporate Financial Risk Register

33. 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.

Corporate Risks

2014/15 Budget Savings & Emerging Pressures

34. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2014/15 are achieved, especially given the cumulative impact of £240m of savings over the last four years (2011-15), and furthermore the backdrop of even larger reductions in Government grant in 2015/16.

35. Whilst preparing the budget, officers have identified numerous pressures which, if left unchecked, could lead to significant overspends in 2014/15 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

36. The position on pension costs remains a significant risk and increasing cost in 2015/16 when we face an even higher reduction in grant than in 2014/15. In March the South Yorkshire Pensions Authority determined the annual deficit contribution for the next three years. An additional budget provision of £9m was made to cover pension costs in 2014/15, however £4m of this amount is a contribution from reserves. Obviously, this only provides a short-term solution, so further work is being undertaken to look at longer term options. A surplus on the Kier pension pot set up to manage pension risk may be available to smooth the impact to some extent.

37. Corporate savings of £4m from capital financing costs have been offered up to balance the 2014/15 budget, on the assumption that market conditions will remain favourable to the Council next year, i.e. interest rates and borrowing requirements will not exceed those stated in the Treasury Management Strategy.

38. Following the advent of the Government's Business Rates Retention Scheme in April 2013, a substantial proportion of risk has been transferred to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth. The issue of appeals dating back to the 2005 rating list is the greatest risk causing concern across all authorities. As at the end of December 2013, there were properties with a rateable value of £158m under appeal in Sheffield, with an allowance for £5m of refunds next year. Actual trends on appeals are monitored in year, and revised estimates of the impact of appeals have been made as part of the 2014/15 budget process. The Government has made various amendments to business rates regulations in order to support local businesses and stimulate the economy. One such measure is the extension of small business rates

relief, for the cost of which the Government has promised to compensate all billing authorities.

39. The risk of delivering adult social care savings in 2014/15 is considerable, given that the Communities portfolio is forecasting an overspend of around £5m for care and support services.

Medium Term Financial Position

40. In the future the Council's financial position will be significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility and will require close monitoring. Based on the Spending Review in June 2013, the funding position is especially difficult from April 2015 and will require a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

Pension Fund

41. 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.

Contract Spend

42. 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 will not be available to the Council's main funding streams, e.g. Council Tax, RSG and locally retained Business Rates.

Economic Climate

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

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

External Funding

45. The Council utilises many different grant regimes, for example central government and EU. Delivering projects that are grant funded involves an element of risk of grant claw back where agreed terms and conditions are not stringently adhered to and evidenced by portfolios. Strong

project management skills and sound financial controls are required by project managers along with adherence to the Leader's Scheme of Delegation in order to minimise risk.

Treasury Management

46. The ongoing sovereign-debt crisis continues to subject 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 risk that the Eurozone crisis will impact upon the UK's recovery and would in turn lead to higher borrowing costs for the nation. Whilst this is still a possibility, the UK recovery is beginning to take hold and the associated risk is beginning to ease.

47. 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.

48. The Co-op Bank have notified us that they will be withdrawing from the Local Authority banking market with effect from the ending of their contract with us, which is due to end in March 2015. Despite the well-publicised issues with the bank, we do not believe, given the above timescales, there is anything preventing a full and proper tender process being undertaken. Work has begun to scope our requirements in preparation for the tender process.

Welfare Reforms

49. The government is proposing changes to the Welfare system, phased in over the next few years, which will have a profound effect on council taxpayers and council house tenants in particular. The cumulative impact of these changes will be significant. Changes include:

   - **Abolition of Council Tax Benefit:** replaced with a local scheme of Council Tax Support from April 2013. The Council approved the replacement scheme, based on the reduced funding available from Government, and set up a hardship fund in January 2013, but there are risks to council tax collection levels and pressures on the hardship fund which are being closely monitored.
   - **Housing Benefit changes:** there have been a number of changes, including the implementation of the 'bedroom tax', from April 2013 where the impacts are that a significant number of claimants are now receiving fewer benefits, thereby impacting on their ability to pay rent.

- **Introduction of Universal Credit:** originally scheduled from October 2013 but now delayed until further notice. 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.

Children, Young People and Families Risks

Education Funding

50. In 2013/14 19 of the Council's maintained schools became independent academies (16 primary / 3 secondary). Academies are entitled to receive a proportion of the Council's central education support services budgets. Based on projected academy conversions it is estimated that:

    - up to £1.75m of DSG funding will be deducted from the Council and given to academies to fund support services.
    - up to £2.62m will be deducted from the Council's DCLG funding, under the new Education Services Grant (ESG), and given to academies.

51. 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. It is estimated that this may be up to £545k based on known academy conversions during 2013/14.

52. Where new independent schools (free schools) or Academies are set up and attract pupils from current maintained PFI schools, then 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. There are also further potential risks if a school becoming an academy is a PFI school, as 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.

Communities Risks

NHS Funding Issues

53. 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.

54. The Council is participating in the Right First Time (RFT) programme with the Clinical Commissioning Group (CCG) and Hospital Trust. This programme aims to shift pressures and resources from the hospital to community settings over the longer term, which should assist the Council in managing adult social care pressures, but there are risks to programme delivery at the same time as delivering funding cuts.

Electric Works

55. 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.

56. A full review of the options for the future is underway and will be reported to Members as soon as possible.

Housing Revenue Account Risks

Housing Revenue Account (HRA)

57. There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. As well as the introduction of Universal Credit, outlined in the risk above, the main identified risks to the HRA are:

- **Interest rates:** fluctuations in the future levels of interest rates have always been recognised as a risk to the HRA.
- **Repairs and Maintenance:** existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions).

Capital Programme Risks

Capital Receipts and Capital Programme

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

Housing Regeneration

59. 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 which would fall to the HRA to meet.

CAPITAL PROGRAMME MONITORING 2014/15 – As at 30th JUNE 2014

Summary

60. At the end of June 2014, the end of year position forecasts a variance of £587k (0.3%) below the approved Capital Programme. This is the smallest forecast underspend since the new capital reporting procedures were introduced.

61. The Year to Date position, however, shows that spending is only two-thirds of the planned budget with both the Highways and Housing programmes over 40% below budget.

62. Of the £7.2m Year to date variance, £3.3m (46%) is identified as being caused by operational delays where delivery has fallen behind the original project plan and £2.8m (38%) due to "incorrect budget profiles".

Financials 2014/15

All figures reported in £000

Portfolio	Spend to date £000	Budget to Date £000	Variance £000	Full Year forecast £000	Full Year Budget £000	Full Year Variance £000
CYPF	6,055	7,137	(1,082)	40,462	42,344	(1,882)
Place	2,402	2,754	(352)	27,476	27,813	(337)
Housing	4,192	7,153	(2,961)	50,877	56,967	(6,091)
Highways	2,065	3,767	(1,702)	34,069	25,954	8,114
Communities	231	929	(698)	1,981	2,078	(97)
Resources	1,082	1,508	(426)	9,702	9,996	(294)
Corporate	-	-	-	32,883	32,883	-
Grand Total	**16,027**	**23,249**	**(7,221)**	**197,449**	**198,036**	**(587)**

Capital Programme

	2014-15	2015-16	Future	Total
	£m	£m	£m	£m
Month 2 Approved Budget	193.7	146.1	296.4	636.2
Additions	0.3	17.2	18.1	35.6
Variations	4.1	-8.0		-3.9
Month 3 Approved Budget	198.0	155.3	314.5	667.9

63. The major additions to the programme since the Month 2 Budget relate to the confirmation of additional Schools Basic Need Funding (£17.2m for 14-15 and £18.1m for 15-16).

Commentary

Children, Young People and Families Programme

64. CYPF capital expenditure is £1.1m (15%) below the profiled budget for the year to date and forecast to be £1.9m (4%) 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	0	-544
Acceleration on Devolved School Budgets	5	0
Revised Budget profile required	-897	-456
No forecast entered by project managers		-12
Projects submitted for Approval	0	-450
Underspending on project estimates	0	-189
Other variances	-190	-231
	-1,082	-1,882
Spend rate per day	99.3	159.9
Required rate to achieve Forecast	179.2	
Rate of change to achieve Forecast:		
- compared to budget profile	66.5%	
- compared to year to date spend	80.5%	

65. The majority of the year to date variance is due to incorrect budget profiles which need to be corrected by project managers. This error also causes approximately one quarter of the forecast variance for the year.

66. £0.2m (10%) of the forecast variance for the year reflects savings realised from tender returns which have come in below the approved capital authority.

Place Programme

67. The Place portfolio programme (excluding Housing and Highways) is £352k (13%) below the profiled budget for the year to date and forecast to be £337k (1%) 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
Operational delays in projects due to planning, design or changes in specification	-94	0
No forecast entered by project managers	0	3
Revised Budget profile required	-510	0
Overspending on project estimates	-174	0
Other variances	426	-340
	-352	-337
Spend rate per day	39.4	108.6
Required rate to achieve Forecast	130.6	
Rate of change to achieve Forecast:		
- compared to budget profile	198.7%	
- compared to year to date spend	231.6%	

Transport & Highways Programme

68. The Transport & Highways programme is £1.7m (45%) below the profiled budget for the year to date and forecast to be £8.1m (31%) 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	0	0
Operational delays in projects due to planning, design or changes in specification	-37	0
No forecast entered by project managers	0	-113
Revised Budget profile required	-1,361	
Projects submitted for Approval		4,134
Overspending on project estimates	0	4,791
Other variances	-304	-698
	-1,702	8,114
Spend rate per day	33.9	134.7
Required rate to achieve Forecast	166.7	
Rate of change to achieve Forecast:		
- compared to budget profile	207.6%	
- compared to year to date spend	392.3%	

69. The Year to date position shows a substantial underspend which is being corrected.

70. The forecast Outturn position shows a considerable increase over the approved programme because of a projected overspend on the Bus Rapid Transit North scheme due to a sewer diversion and land contamination. Management attention is currently focussed on devising solutions to minimise the delay which is causing part of the cost increase. Simultaneously the Council is examining its contractual position to see if any of the increased cost can be recovered.

71. A further £4.1m of projects have been included in the forecast and are submitted for approval as project managers attempt to reflect the physical programme in their budget submissions.

Housing Programme

72. The Housing capital programme is £3.0m (41%) below the profiled budget for the year to date and forecast to be £6.1m (11%) 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**
Operational delays in projects due to planning, design or changes in specification	-2,565	-1,089
Projects submitted for Approval	0	-3,697
Home Improvement grants held on behalf of other local authorities	55	354
Underspending on project estimates	-89	-747
Other variances	-362	-912
	-2,961	-6,091
Spend rate per day	68.7	201.1
Required rate to achieve Forecast	243.1	
Rate of change to achieve forecast:		
- compared to budget profile	240.3%	
- compared to year to date spend	253.8%	

73. The forecast for the year has been reduced by £6.1m. £0.7m is due to revised project costs being below the approved authority. £1.1m is due to delays in delivery of projects especially energy heating and insulation (£0.7m) and the remainder are on neighbourhood environment improvements.

74. The largest variance is due to scheme submitted for revised approvals. This includes new schemes to be added to the programme such as £1.9m to acquire new Council Homes and £0.75m to re purchase land at Scowerdons, Weaklands and Newstead estates. Against that there are planned reductions in programme management costs and the largest change is due to re-profiling the Roofing contract.

The Roofing contract has been delayed following a re-appraisal of the proposed scheme. Housing Services believe that an alternative specification using more durable materials could result in future maintenance savings. Progress with the project has been put on hold pending evaluation of this option. It is estimated that £6.56m will slip from 2014/15 into future years as result of this change.

Communities

75. The year to date spend on the Communities portfolio capital programme is £0.7m (75%) below the profiled budget and the forecast £0.1m (5%) below budget.

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	-473	0
No forecast entered by project managers	0	-82
Other variances	-225	-15
	-698	-97
Spend rate per day	3.8	7.8
Required rate to achieve Forecast	9.1	
Rate of change to achieve Forecast:		
- compared to budget profile	42.7%	
- compared to year to date spend	141.1%	

76. The main reason for the forecast variance is £0.37m of project slippage relating to Mobile Working Solutions both of which have been submitted for approval.

Resources

77. The year to date spend is £426k (28%) below the programme and forecast to be £294k (3%) below the approved budget for the whole year.

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	-272	0
No forecast entered by project managers	0	-35
Projects submitted for Approval	-	75
Other variances	-154	-334
	-426	-294
Spend rate per day	17.7	38.3
Required rate to achieve Forecast	44.9	
Rate of change to achieve forecast:		
- compared to budget profile	124.7%	
- compared to year to date spend	153.1%	

78. The largest single delay is on the repairs to the Abbeydale Industrial Hamlet watermill. Appendix 1 contains further detail but, having drained the dam, the extent of the work required to plug the leak is far more extensive than envisaged. Work has been delayed (£16k shortfall at month 3) and a request for further funding (£75k) is included in the Appendix 1 approvals.

Approvals

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

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

- Three additions to the capital programme with a total value of £9.3m
- 14 variations to the capital programme creating a net reduction of £5.5m
- One request to accelerate expenditure of £105k from 2015/16.
- No emergency approvals.
- One director variations with a total value of £0.02 m

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

Implications of this Report

Financial implications

80. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2014/15 and, as such it does not make any recommendations which have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

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

Property implications

83. 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

84. Members are asked to:

    (a) Note the updated information and management actions provided by this report on the 2014/15 Revenue budget position.

    (b) In relation to the Capital Programme, 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 nominated Officer, as appropriate, to award the necessary contracts following stage approval by Capital Programme Group;
- The proposed variations and slippage in Appendix 1; and note;
- The latest position on the Capital Programme including the current level of delivery and forecasting performance; and

- The exercise of delegated authority to vary approved amounts by directors of service.

Reasons for Recommendations

85. 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

86. 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.

Andrew Eckford
Interim Director of Finance