REVENUE BUDGET & CAPITAL PROGRAMME MONITORING 2012/13 – AS AT 31ST OCTOBER 2012

PURPOSE OF THE REPORT

1. This report provides the Month 7 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 71.

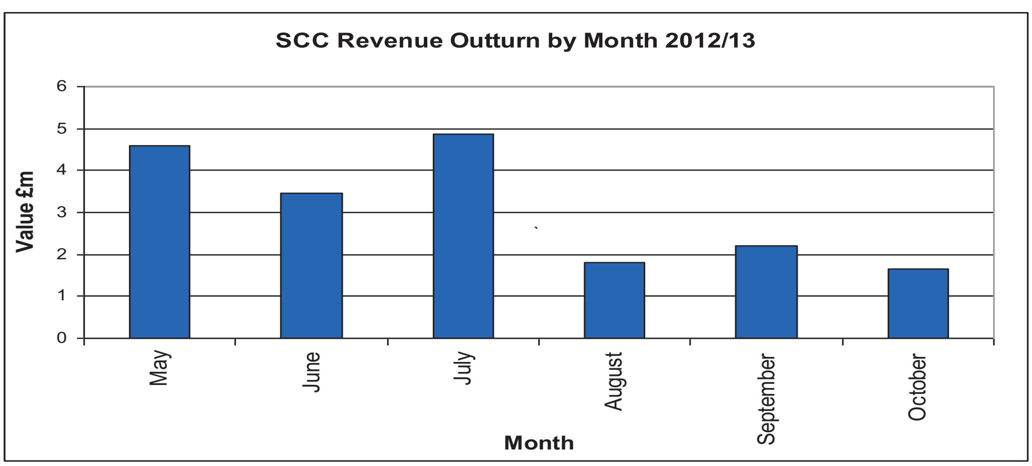
REVENUE BUDGET MONITORING

SUMMARY

2. The budget monitoring position at month 6 indicated a forecast overspend of £2.2m, based on expenditure incurred to date and forecasted trends to the year end. The latest monitoring position at month 7 shows a forecast overspend of £1.7m to the year end: i.e. a forecast improvement £551k since last month. This is summarised in the table below:

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
CYPF	81,214	81,605	(391)	⇩
PLACE	164,201	164,479	(279)	⇩
COMMUNITIES	172,143	169,333	2,810	⇧
DEPUTY CHIEF EXECUTIVE	12,125	12,040	85	⇔
RESOURCES	61,308	61,838	(530)	⇩
CORPORATE	(489,337)	(489,295)	(42)	⇩
GRAND TOTAL	**1,654**	**0**	**1,654**	⇩

3. The forecast outturn for SCC shows a reducing overspend from the £4.6m overspend reported in May 2012 to £1.7m in October 2012. The position month by month is shown in the following chart:



4. In terms of the month 7 overall forecast position of £1.7m overspend, the key reasons are:

    - Children Young People and Families (CYPF) are showing a forecast reduction in spending of £391k, due mainly to a reduction in spending of £348k against grant funding provided by Skills Funding Agency.
    - Place are showing a forecast reduction in spending of £279k, due primarily from planned slippage' of grant funded project spend within HERS of £553k and £319k from staff vacancy savings across Development Services. These savings are partly offset by a £140k overspend in Street Force for the costs of backdated pay and grading appeals and £340k within Culture and Environment mainly due to funding stabilisation programme of Museums Sheffield (£500k).
    - Communities are showing a forecast overspend of £2.8m, due to a £5m overspend in Care and Support relating to Learning Disability Services and the purchase of Older People's care. This is partly offset by the use of a £1m portfolio wide contingency and a £1.1m underspend created by the release of £1.6m of prior year funding in Social Care Commissioning.
    - Resources are showing a forecast reduction in spending of £530k, due to £580k savings on Central Costs, £476k increased income in Commercial Services and £269k in Human Resources mainly due to income from traded services not previously forecast. This reduction in spending is partly offset by a reduction in income of £458k within Legal Services and an overspend relating to delays in the employee reduction process within Business Information Solutions of £265.

5. The key reasons for the £551k improvement from month 6 are:

    - Children Young People and Families are forecasting an improvement of £540k, due mainly to a reduction in spending on grant funded programmes (carry-forward requests are made in the portfolio section).
    - Place are forecasting an improvement of £498k, due to a £220k reduction in spending on street lighting energy costs, £185k savings on staffing and others costs within Development Services and £123k increase in the planned 'slippage' of Local Growth Fund projects. These improvements are partly offset by an adverse movement of £112k within the Street Force for backdated pay and grading appeals.

- Communities are forecasting an adverse movement of £1.4m, due predominantly to £1.8m in Care and Support as a result of the inclusion of the risk identified in month 6 of not achieving the £1.2m savings from the reablement initiative and £610k additional pressure across the service. This adverse movement is partly offset by a £360k improvement across all areas of the Commissioning Service.
- Resources are forecasting an improvement of £756k, due to a £107k saving on the Reed Agency Contract, £269k in Human Resources mainly due traded income not previously forecast, improved forecast of non-core charging income in legal services £119k and reduced spending on central costs of £119k.

INDIVIDUAL PORTFOLIO POSITIONS

CHILDREN YOUNG PEOPLE AND FAMILIES (CYPF)

Summary

6. As at Month 7, the Portfolio is forecasting a full year outturn of a reduction in spending of £391k, an improvement of £540k from the month 6 position. Lifelong Learning, Skills & Communities are forecasting a £422k reduction in spending, due to resources that will be used to fund future year activities. This relates to academic grant funding of £348k, it is recommended that these resources be carried forward provided the Portfolio maintains a balanced budget position.

Financials (Non – DSG activity)

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
BUSINESS STRATEGY	13,202	13,168	34	⇔
CHILDREN & FAMILIES	54,433	54,416	17	⇔
INCLUSION & LEARNING SERVICES	5,585	5,605	(20)	⇔
LIFELONG LEARN, SKILL & COMMUN	7,995	8,416	(422)	⇩
GRAND TOTAL	**81,214**	**81,605**	**(391)**	⇩

Commentary

DSG and Non DSG Budgets

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

Non-DSG Budgets

Lifelong Learning and Skills

8. The forecast variance in Lifelong Learning, Skills and Communities of £400k is due, in the main, to grants that are accounted for in the Council's revenue account as learners start courses. The grant income covers more than one financial year because it is front loaded by the Skills Funding Agency with an expectation that expenditure will be drawn down throughout the academic year. A request for approval is included in the recommendations of the report in recognition that spending will be based on an academic year, and therefore £348k is required to be moved to the 2013/14 financial year.

Children & Families

9. The Council has received funding of £2.3 million for the successful families initiative. This is not reflected in the figures for month 7 but will be shown in month 8 monitoring. An analysis of the expenditure required for the remainder of the current financial year has been undertaken and it is anticipated that £1.8 million needs to be carried forward to meet future years expenditure in order to achieve the outcome targets that have been set.

DSG Budgets

10. The following is a summary of the forecast variance position on DSG budgets:

	Month 6 £000	**Month 7 £000**
Business Strategy	(110)	(146)
Children and Families	(62)	(86)
Inclusion and Learning Services	178	144
Lifelong Learning, Skills and Communities	(5)	0
	1	**(88)**

11. There are no significant changes from the previous month on DSG budgets.

PLACE

Summary

12. As at Month 7, the Portfolio is forecasting a full year outturn of a reduction in spending of £279k, prior to carry-forward requests of £432k. These carry forward requests cannot therefore be considered in full until

the portfolio is balanced. This is an improvement of £498k on the previous period. The key reasons for the forecast position:

- **Culture and Environment:** £340k over budget arising from additional grant payments being made as part of a wider funding stabilisation programme for Museums Sheffield (£500k), offset to some extent by reductions in spend / additional income within parks and city centre management.
- **Development Services:** £319k under budget primarily from staff vacancy savings across the whole service area (£745k) offset to some extent by reductions in income, predominantly within car parking.
- **HERS:** £553k under budget primarily from planned slippage’ of grant funded project spend (Local Growth Fund and Transitional HMR) into the following financial year.
- **Street Force:** £140k over budget due to costs of backdated pay and grading appeals.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
BUSINESS STRATEGY & REGULATION	32,528	32,495	32	⇔
CREATIVE SHEFFIELD	3,318	3,338	(20)	⇔
CULTURE & ENVIRONMENT	41,346	41,006	340	⇔
DEVELOPMENT SERVICES	85,064	85,383	(319)	⇩
HERS	1,393	1,946	(553)	⇩
MARKETING SHEFFIELD	1,100	1,029	71	⇔
STREET FORCE	(915)	(1,055)	140	⇧
SUSTAINABLE DEVELOPMENT	368	337	31	⇔
GRAND TOTAL	**164,201**	**164,479**	**(279)**	⇩

Commentary

13. The following commentary concentrates on the key changes from the previous month resulting in a £498k improvement, together with any key risks.

Development Services

14. The current forecast for this activity is £319k under budget, an improvement of £405k this period. The improvement is largely attributable to a £220k reduction in the street lighting energy cost forecast following review since the last period, with the balance being further forecast reductions in staff and other costs.

15. The key risk is securing £10m planned external fee income from planning, building regulation and car parking activities. Service manager forecasts indicate a £652k (6%) shortfall, predominantly within car parking (£637k). This was is in part due to delays in the implementation of approved budget savings on CCTV enforcement, which have now commenced. This shortfall is however being offset from staff costs across the whole service area being forecast at £745k below budget.

HERS

16. The current forecast for this activity is £553k under budget, an improvement of £123k on the previous period. The improvement is due to an increase in the planned 'slippage' of Local Growth Fund project spend into the following financial year (now totals £326k), which is subject to a request to carry-forward. The ultimate value of the 'slippage' may still change depending upon progress made in the actual delivery of the projects.

17. Furthermore, part of a Transitional HMR grant received from the Homes and Communities Agency for the Sheffield City Region Partnership to help safeguard capacity and knowledge, is also subject to a proposed carry-forward (£106k).

18. Excluding the two carry-forward requests above, the service is forecasting a reduction in spend of £120k, largely due to staff savings arising from the completion of the capital delivery service restructure earlier than had been anticipated.

19. It should however be noted however that a key in-year risk is emerging around the potential for grant 'clawback' following a recent European audit on Tudor Square. Officers are currently reviewing an initial report with a view to mitigating issues identified.

Street Force

20. The provisional out-turn for the part-year leading up-to the commencement of the PFI contract, is £140k over budget. This is an adverse movement of £112k this period and is largely attributable to costs associated with the outcomes of some recent backdated pay and grading appeals.

21. 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

22. As at Month 7, the Portfolio is forecasting a full year outturn of an overspend of £2.8 million, an adverse movements of £1.4m from the month 6 position. The forecasted outturn position reflects:

- **Business Strategy:** a forecast £1m reduction in spending, due to contingencies held in Portfolio-Wide Services to offset overspends on care purchasing budgets (especially in Learning Disabilities (LD) services). This is consistent with last months forecast position.
- **Care and Support:** a forecast £5m overspend, due to LD purchasing of £2.3m, Adult Social Care purchasing of £2.9m, LD Transport Contract £220k and Provider Services £750k , which are partially offset by staff savings of £700k and Housing Related Services of £190k. This forecast is an adverse movement of £609k from the previous month.
- **Commissioning:** a forecast £1.1m reduction in spending, due to £1.6m release of prior year funding in Social Care Commissioning offset by an overspend on Mental Health care purchasing of £651k. This forecast is an improvement of £360k from the previous month.
- Across the portfolio care purchasing is overspending by £5.851m.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
BUSINESS STRATEGY	12,924	13,941	(1,017)	⇔
CARE AND SUPPORT	109,880	104,914	4,967	⇧
COMMISSIONING	38,219	39,321	(1,101)	⇩
COMMUNITY SERVICES	11,119	11,158	(38)	⇔
GRAND TOTAL	**172,143**	**169,333**	**2,810**	⇧

Commentary

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

Care and Support

24. Overall this area is forecasting an overspend of £5.0m, an adverse movement of £1.8m from the previous month, due mainly to the inclusion of the £1.2m reduction in anticipated savings from the reablement initiative.

25. Contributions to Care and Provider Services show an improved position of £279k and £86k respectively. Housing Related Services, Learning Disability and Assessment and Care Management show an adverse position of £83k, £211k and £681k respectively. The adverse movement is mainly due to an increase in purchasing overspend for Adult Social Care resulting from on-going pressures from continuing healthcare transfers and the impact of the Right First Time Project. These adverse movements account for the additional £610k pressure.

Commissioning

26. This area includes the mental health, adult social care and housing commissioning functions of the portfolio and is forecasting £1.1m reduction in spend, which is an improvement of £360k month. All areas show an improvement from last month, Housing Commissioning £29k, Mental Health Commissioning £55k and Social Care Commissioning £277k. This movement is mainly due to the release of a provision held for Burngreave of £270k following the final audit, used to offset ongoing premises running costs.

RESOURCES

Summary

27. As at Month 7, the Portfolio is forecasting a full year outturn of a reduction in spending of £530k, an improvement of £755k from the month 6 position. The key reasons for the forecast outturn position are:

- **Business Information Solutions:** a forecast £265k overspend, due mainly to an anticipated delay in the MER process required to make staff savings.
- **Commercial Services:** a forecast £476k increase in savings income.
- **Legal Services:** a forecast £458k overspend, due to a reduction in non-core charging income.
- **Human Resources:** a forecast £269k reduction in spending, due to the inclusion of £220k of traded services income from schools which had not been built into the forecasts, due to uncertainties over its value.
- **Central costs:** a forecast £580k reduction in spending.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
BUSINESS INFORMATION SOLUTIONS	(334)	(599)	265	⇔
COMMERCIAL SERVICES	1,938	1,904	34	⇔
COMMERCIAL SERVICES (SAVINGS)	(1,296)	(820)	(476)	⇩
CUSTOMER FIRST	5,853	5,853	0	⇔
CUSTOMER SERVICES	3,008	2,891	117	⇔
FINANCE	2,519	2,531	(12)	⇔
HUMAN RESOURCES	185	454	(269)	⇩
LEGAL SERVICES	2,681	2,223	458	⇩
PROGRAMMES AND PROJECTS	1,682	1,749	(67)	⇔
PROPERTY AND FACILITIES MGT	31,154	31,155	(1)	⇔
TRANSPORT	448	448	0	⇔
TOTAL	47,838	47,789	49	⇩
CENTRAL COSTS	13,957	13,047	910	⇧
BENEFIT SUBSIDY	(487)	1,002	(1,489)	⇔
GRAND TOTAL	**61,308**	**61,838**	**(530)**	⇩

Commentary

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

Commercial Services (Invest to Save – savings)

29. The key reason for the £107k improvement in the forecast position is due to updated forecasts for savings through the Reed Agency contract.

Human Resources

30. The key reason for the improvement of £279k in the forecast position at month 7 is due to the inclusion of £220k traded services income for Schools HR, which had not previously been forecast due to uncertainties over its value.

Legal Services

31. The key reason for the improvement of £119k in the forecast position at month 7 is due to an improvement of £246k in the forecast for non-core charging income. .

Central Costs

32. Central costs (excluding Capita) are continuing to forecast a £2m reduction in spend. The overall variance of £580k is an improvement from the month 6 position of £119k, due mainly to savings delivered on the HR element of the Capita contract.

Central Costs	Forecast Variance Month 7 £ 000	Forecast Variance Month 6 £ 000
Capita – Control Account	599	155
Capita – ICT BIS	265	675
Capita – Finance	505	440
Capita - HR	94	297
Sub total Capita	1,463	1,567
Other Central Costs	(554)	(539)
Sub total	909	1,028
Benefits subsidy	(1,489)	(1,489)
Total	**(580)**	**(461)**

DEPUTY CHIEF EXECUTIVE'S

Summary

33. As at Month 7, the Portfolio is forecasting a full year outturn of an overspend of £85k, an improvement of £74k from the month 6 position. The key reason for the forecast outturn position is:

- **Modern Governance:** a forecast £142k overspend, due to higher forecast election costs, which is forecasting a full year outturn of an overspend of £210k.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
ACCOUNTABLE BODY ORGANISATIONS	0	0	0	⇔
BUSINESS DEVELOPMENT	2,622	2,716	(94)	⇔
E-CAMPUS	1,039	1,039	0	⇔
HEALTH IMPROVEMENT	211	211	0	⇔
MODERN GOVERNANCE	3,872	3,730	142	⇔
PERFORMANCE AND CORP PLANNING	826	787	39	⇔
POLICY,PARTNERSHIP,AND RESEARCH	3,555	3,557	(2)	⇔
GRAND TOTAL	**12,125**	**12,040**	**85**	⇔

Commentary

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

Modern Governance

35. The key reason for the £72k improvement from the Month 6 position is due to a reduction in the forecast of £57k for spend of DEFRA funding for reservoir flood planning. The Portfolio is requesting that this funding is carried forward for use in 2013/14. The request to carry forward this funding into future years will only be recommended if the portfolio underspends.

CORPORATE ITEMS

Summary

36. The month 7 forecast position for Corporate budgets is a reduction in spending of £42k, which represent an improvement of £99k 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	44,303	44,880	-577
Savings Proposals	-1,252	-1,794	542
Income from Council Tax, RSG, NNDR, other grants and reserves	-532,387	-532,381	-6
Total Corporate Budgets	**-489,337**	**-489,295**	**-42**

37. Corporate Budget items are showing a forecast underspend of £577k, due mainly to the temporary reduced cost of borrowing and increased investment income within the capital financing budget of £500k, and the recovery of previous years NNDR overpayments of £88k. This forecast outturn is a £63k improvement from month 6.

38. The forecast reduction on Savings Proposals of £542k relates to a reassessment of the sundry debt collection rates and subsequent revision, based upon month 7 actuals. This forecast outturn is broadly inline with the month 6 position.

LOCAL GROWTH FUND

39. The position on the Local Growth Fund is as follows:

	Total Allocated £000	2012/13 Spend to Date £000	Unspent Balance £000
Approved Schemes	3,943	420	3,523
Schemes Pending Approval	380		380
Unallocated Balance	1,010		1,010
Total Fund	**5,333**	**420**	**4,913**

40. Spending on Local Growth Fund projects has been slower than anticipated following the approvals earlier in the year. Profiled spends appear to be very ambitious and, without a significant improvement in project delivery performance, it is likely that a substantial portion of the approved amount will need to be carried forward to next year. Further information will be provided in Month 8.

HOUSING REVENUE ACCOUNT

41. The position for the HRA as month 7 is a projected in-year surplus of £6.7m. A contribution to the Capital Programme of £0.4m will be made leaving a net surplus of £6.3m compared with a budgeted deficit of £1.3m.This is an improvement of £7.6m on the budgeted position.

42. The main reason for the variation in the overall budget position relates to an anticipated reduction in capital financing costs. The overall reduction is estimated to be around £5.5m. This is primarily as a result of access to cheaper interest rates.

43. Although some of this overall 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.

44. Other main areas that contribute to the improved year end forecast position include revised rental income £300k; a reduction in the level of

vacant properties £300k and related council tax savings of £300k; revised service charge income £300k; a reduction in running costs £600k and a delay in a number of projects £400k.

45. **Community Heating:** the budgeted position for Community Heating is a draw down from Community Heating reserves of £1m. As at month 7 the forecast position remains the same as previously reported with a draw down of £700k from reserves resulting in a reduction in spending of £300k. This is primarily due to an estimated reduction in energy costs due to the milder weather and invoiced consumption.

CORPORATE FINANCIAL RISK REGISTER

46. 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

47. 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

48. 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.

49. 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

50. 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

51. 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.

52. 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. At September, the target was 77% but the actual is only 65%, mainly as the result of the termination of BIBC's license.

Contract Spend

53. 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

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

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

NHS Funding Issues

56. 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

57. 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

58. There is a low risk that it will not be possible to recover outstanding contributions from the other South Yorkshire Authorities. However, negotiations are in the final stages and there is an expectation that an agreement will be reached.

External Funding

59. 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

60. 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.

61. 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 £3.9 million of DCLG funding and £1.7 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.

62. 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.

63. 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.

64. 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.

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

66. 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

67. 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.

68. 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

69. 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.

Housing Revenue Account (HRA)

70. 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).

THE CAPITAL PROGRAMME FOR 2012/13

Summary

71. At the end of October 2012, capital expenditure so far to date is £31.5m (32 %) below budget. The outturn forecast is £37m (18%) below the Approved Capital Programme. A review of capital projects was undertaken at the mid year point and the results of this will be reflected in the budget monitoring position at month 8.

72. The variation in the year to date position arises mainly from either operational delays (£4.4m); project slippage (£5.8m) and incorrect budget profiling of (£13.4m). During the month of October, expenditure was £15.3m (31%) below the programme budget reflecting shortfalls of in all portfolios ranging the largest being £5.2m in CYPF.

73. The forecast for the year shows all portfolios underspending against the approved programme. The forecast, at £164.8m, is £11.9m lower than the Month 6 position (£176.7m) with the biggest falls being in the Housing Programme (down £8.6m); Resources (down £1.6m) and CYPF (down £2.1m). Further detail can be found in the specific sections below.

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	29,574	39,638	(10,064)	71,990	77,461	(5,471)
Place	11,008	17,728	(6,720)	23,004	29,390	(6,386)
Housing	23,131	31,155	(8,024)	50,359	67,028	(16,669)
Communities	655	1,721	(1,066)	2,441	3,260	(820)
Resources	3,402	8,995	(5,593)	16,965	24,643	(7,678)
Grand Total	**67,770**	**99,237**	**(31,467)**	**164,759**	**201,782**	**(37,023)**

Commentary

74. Delays in forecasting by project managers accounts for £5.2m (14 %) of the projected shortfall on the annual programme.

Children, Young People and Families Programme

75. CYPF capital expenditure is £10.1m (25%) below the profiled budget for the year to date and forecast to be £5.5m (7%) 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	-327	-1,467
Slippage on Devolved Budgets	-571	-3,000
Operational delays in projects due to planning, design or changes in specification	-1,393	35
Revised profile for Building Schools for the Future programme	-3,156	0
Incorrect budget profiles	-2,970	0
Delayed forecasts	0	-337

Underspending on project estimates	-665	-404
Other variances	-981	-299
	-10,064	**-5,471**
Spend rate per day	202.6	290.3
Required rate to achieve Outturn	530.2	
Rate of change to achieve forecast	161.8%	

76. The CYPF forecast shows a projected reduction in spend against the approved programme of £5.4m. The main variances are down to slippage with £3m on the Devolved Formula Capital; £600k on the Foster Carers Housing Extension project; £500k on Grace Owen Nursery and £300k within the Primary Prioritisation Programme.

Place Programme

77. The Place portfolio programme (excluding Housing) is £6.7m (38%) below the profiled budget for the year to date and forecast to be £6.4m (22%) below the programme by the year end for the reasons set out in the table below. The main reason for this month's variance is due to slippage on schemes delivering workshops on Alison Crescent (£1.6m) and on Anns Grove (£400k).

Cause of Change on Budget	Year to Date £000	Full Year Forecast £000
Slippage to be carried forward	-1,659	-2,587
Operational delays in projects due to planning, design or changes in specification	-1,415	-425
Incorrect budget profiles	-1,952	0
Delayed forecasts	0	-3,567
Projects submitted for Approval	106	-117
Overspending on project estimates	-370	369
Other variances	-1,431	-58
	-6,720	**-6,386**
Spend rate per day	75.4	92.8
Required rate to achieve Outturn	150.0	
Rate of change to achieve forecast	98.9%	

Housing Programme (Place Portfolio)

78. The Housing capital programme is £8m (26%) below the profiled budget for the year to date and forecast to be £16.7m (25%) below the programme by the year end for the reasons set out in the table below:

Cause of Change on Budget	Year to Date £000	Full Year Forecast £000
Slippage to be carried forward	-2,904	-11,447
Operational delays in projects due to planning, design or changes in specification	-1,693	-330
Incorrect budget profiles	-567	0
Projects submitted for Approval	-2,877	-1,027
Home Improvement grants held on behalf of other local authorities	142	-892
Items under investigation		
Underspending on project estimates	-512	-1,253
Other variances	387	-1,719
	-8,024	**-16,669**
Spend rate per day	158.4	203.1
Required rate to achieve Outturn	340.4	
Rate of change to achieve forecast	114.8%	

79. Slippage is the main reason for this month's reduction in the forecast. £11.4m of £16.7m spend below budget is within the Delegated Capital Schemes managed by Sheffield Homes which equates to 22% underspend against this year's budget.

Communities

80. The year to date spend on the Communities portfolio capital programme is £1.1m (62%) below the profiled budget, which relates to £651k on the implementation of the ICT infrastructure project. Most of the forecast variance occurs on Wincobank Community centre (£162k) and the ICT Infrastructure project (£215k) both are the subject of slippage requests as per Appendix 1 to this report. A further £412k is within other variances and relates to the Parson Cross Library project.

Resources

81. The year to date spend is £5.6m (62%) below the year to date programme and £7.7m (31%) below the approved budget for the whole year. The key reasons for the variance are 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	-104	-5,681
Incorrect budget profiles	-3,772	0
Delayed forecasts	0	-1,346
Other variances	-1,717	-652
	-5,593	**-7,678**
Spend rate per day	23.3	68.4
Required rate to achieve Outturn	169.5	
Rate of change to achieve forecast	627.5%	

82. At Period 7 Property and FM are showing significant forecast slippage on the Capital Programme. Most of these under-spends are down to a delay in forecasting. Remedial action is taking place within the Service to address this before period 8 reporting. This includes clear identification of project managers to all projects including contingency arrangements if they are absent. Schemes will be closed down when physically complete.

83. The year end forecast position is £7.7m under budget and comprises of the following:

- £2.4m Accommodation strategy which will now be delivered to a revised project plan which will be included in the Month 8 report;
- £3.1m underspend on the Moor Indoor market. The building is under construction and is still forecast for completion in November 2013. The financial reporting of the actual spend on the project has not kept pace with the build and hence it appears that there is under-spend on this project when in fact this is not the case. Given the size and public profile of the project a dedicated officer from the Capital Delivery Team has been assigned and the forecast will be accurate by close of Period 8;

- £376k 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. This is a complex project with a number of variables which are difficult to control. The project profile will be rephrased to reflect these difficulties;
- £560k on the general Council building refurbishment and repairs programme;
- £612k on roof and lift replacement at the Town Hall. There is a proposal for a larger refurbishment project for the Town Hall as part of the Wider Review of Accommodation Strategy within the Council. The Heritage Plan and Vision are two substantial pieces of work which have required a deal of planning and implementing. In order to ensure best use of our capital funds it was important that we await these documents to inform us of the current repair requirements of the Town Hall in line with requirements of English Heritage (the Heritage Plan includes a full condition survey) and to ensure works support the future use of the property; and
- £113k slippage on the Road Transport fleet replacement programme.

Approvals

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

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

    - 4 additions to the capital programme with a total value of £729k;
    - 19 variations to the capital programme creating a net reduction of £7.7m;
    - 1 slippage and 2 acceleration requests of £541k and £538k respectively.
    - 1 procurement strategy.
    - 1 contract award.
    - 1 instance where directors have exercised their delegated powers to vary approved expenditure levels.
    - 2 retrospective approvals.

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

FINANCIAL IMPLICATIONS

87. 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

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

PROPERTY IMPLICATIONS

89. 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

90. Members are asked to:

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

    (b) Consider for approval, the carry-forward requests detailed in paragraphs 8, 9, 16, 17 and 35.

    (c) Note carry-forward requests detailed in Paragraph 16 and 17 were declined for approval during month 6 monitoring pending a balanced forecast outturn within the Place portfolio.

    (d) In relation to the Capital Programme:

        (i) Note 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) Note the proposed variations in Appendix 1;

(iii) Note the variations approved by Directors under their delegated authority;

(iv) Approve the variations in Appendix 1 within its delegated power; and note:

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

REASONS FOR RECOMMENDATIONS

91. 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

92. 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

Capital Schemes

Scheme Description	Approval Type	Value £000	Procurement Route
HOMES:-			
Decent Homes Programme The Decent Homes programme is coming to an end as all 40,000 council owned properties are brought up to the required standard. An opportunity exists to accelerate the programme to finish by November 2013 saving time based costs The emerging costs are below budget due to the condition of the properties being better than originally expected. It is proposed to use this saving to fund the revised project timescale and create a contingency for potential risks to completion of the programmme. The areas schemes affected are shown below.			
North – New Parsons Cross	Variation	-1,351	N/A
South West – Abbey Brook	Variation	-1,199	N/A
East – Burngreave	Variation	-1,140	N/A
East – Burngreave	Accelerated Spend	222	Decent homes Framework
South East (SH)	Accelerated Spend	316	Decent homes Framework
Decent Homes Programme Block Allocation This variation is to put the under spends on the Decent Homes Programme to cover any latent risks and to fund any work outstanding work where it has not been possible to gain access to houses. Details of the risks and provisions made for the Decent	Variation	3,490	N/A

Capital Schemes

Homes Programme will be kept under review by the Capital Programme Group.			
Sweeny House Stocksbridge This project is to decommission the existing Elderly Persons Unit. Residents will be re-housed in alternative accommodation. Home loss and disturbance payments will be paid to residents. This is funded by unallocated HRA Self Financing funds currently within the block allocation. This will be reduced to fund this project.	Addition	406	Housing Demolitions Contract Awarded July 2012
PLACE:- Parks			
Ruskin Park Improvements This Project is to work with partners and stakeholders including the friends of Ruskin Park and the Walkley Forum to identify appropriate improvements to Ruskin Park, using section 106 monies. These improvements will include removal of an area of tarmac, the installation of some basketball hoops, setting of some recreational boulders and the beginnings of an outdoor gym. It is also to commission and install two bespoke benches at South road Open Space matching the existing benches installed at this site. A wavier of standing orders for this element has been approved (ref 373-2012) to use the same artist used to design the existing benches.	Addition	11	In-house - Other ancillary elements procured locally on basis of three competitive quotations waiver on the purchase of benches to use the same artist used previously
ROADS			
East Bank Road Zebra Crossing This addition is seeking approval to construct a Zebra crossing and traffic calming features at a site which is amongst the highest incidents of child personal injury accidents in the city. This scheme will be funded by releasing unused funds within the LTP programme (including £71k slippage from prior years) and from a £40k	Addition	161	Single source tender and in accordance with Schedule 7 of the Highways PFI contract

Capital Schemes

contribution from the Community Assembly's delegated capital budget. The £50k of LTP funds are being created by substituting this scheme for the two specific schemes below which are either underspending or have been delayed by to design problems. These schemes will be delivered from a future year's funding.			
A57 Manchester Rd/Nile St Saving on Statutory Undertakings costs in the original budget for the construction of a pedestrian crossing phased within an existing set of traffic lights at the Crookes/Nile Street/Fulwood Road junction in Broomhill. To be returned to the LTP programme.	Variation	-30	N/A
Upperthorpe Permit Parking The project is the design and build of a Permit Parking scheme in Upperthorpe at a cost of £95k. The scheme will now be implemented in two phases releasing £20k back to the LTP programme.	Variation	-20	N/A
Ecclesfield Road Smart Route Phase 2 This project has now been completed with a small under spend which will be returned to the LTP programme.	Variation	-3	N/A
Meadowhall/Barrow This project has now been completed with a small under spend which will be returned to the LTP programme.	Variation	-4	N/A
Relocatable Camera Enforcement This variation is to enable the signing and lining at a number of smaller bus lane and loading and waiting restrictions (including Fitzwilliam Gate, Owler Lane and Barnsley Road) to be designed and implemented to an enforceable standard. This project is funded by the Sheffield enforcement package within the successful	Variation	65	Highways PFI Contract

‘Better Buses’ bid approved by the Integrated Transport Authority on 1st March 2012. The variation is being funded through a £65k reduction in the budget for the Boston Street Bus gate scheme which will be re-programmed to 2013/14.			
Boston Street Bus Gate Scheme to be funded from 2013-14 LTP allocation.	Variation	-65	N/A
CHILDREN YOUNG PEOPLE and FAMILIES			
Short Breaks This project, formerly known as Aiming High for Disabled Children, continues to provide a mechanism for local applicants, following assessment by CYPF, to apply for small grants to support schemes that deliver significant benefits for disabled children and young people across the City, providing an opportunity to support the voluntary and community The proposed variation of £150k is for small schemes in 2013-14. These schemes are to be procured directly by applicants, who are required to follow procurement rules and ensure that external providers prove how they intend to meet best value. The expenditure is funded from a total of £383k for 2013-14 that, as in previous years, comes from Sheffield's element of the recently confirmed DfE Short Breaks for Disabled Children capital allocation. The remaining £233k from the 2013-14 grant, together with potential slippage from existing 2012-13 funds of £183k will be applied to larger schemes via a separate CAF variation request, once the results of preliminary planning investigations are known.	Variation	150	Small projects to be procured directly by applicants.
Intake Primary - Mobile Replace This addition will provide a brand new permanent classroom extension to the main school building to replace the current mobile on site, has been condemned. The cost of	Addition	262	YorBuild

Capital Schemes

a new build extension is comparable with a like for like replacement of a mobile and provides a more sustainable long term solution. Temporary readjustments to space within the school mean the school can cope for 1 year with reduced teaching spaces but a permanent answer needs to be in place for September 2013. The project is to be majority funded by the unused contingency provision on other Capital Maintenance projects - School Rewires: £200k and School Boiler Replacements (see below): £50k, with the remaining £11.5k coming from the Capital Maintenance allocation for 2012/13.			
School Rewires The emerging costs for this programme are within budget so the contingency element of the estimates is not required. School electrical wiring is subject to systematic review and a technical assessment has concluded that these are up to standard. Provision for emergency works exists elsewhere within the main Capital Maintenance budgets from slippage carried forward from previous years..	Variation	-200	N/A
School Boiler Replacement The emerging costs for this programme are within budget so the contingency element of the estimates is not required. School electrical wiring is subject to systematic review and a technical assessment has concluded that these are up to standard. Provision for emergency works exists elsewhere within the main Capital Maintenance budgets from slippage carried forward from previous years.	Variation	-50	N/A
Primary Maintenance Kitchens - Rivelin Meals at Rivelin were previously produced in one building on the site and then transported across to another building to be served. The project was therefore originally commissioned and authorised to co-locate the kitchen and dining room into purpose built accommodation, formerly in use as nursery and to relocate the toilets and nursery elsewhere on the Rivelin site.	EMT Variation	25	Kier - Jobs Compact route

Capital Schemes

Project costs were originally funded from; £90k from DfE Capital Maintenance allocation and £127k funded from revenue maintenance budgets. The additional costs of £25k have arisen to complete the work to required health and hygiene standards and will be funded from the revenue contribution held by - School Food Service Repairs and Maintenance.			
Primary Maintenance Kitchens - Hucklow Meals at Hucklow were previously produced at nearby St Patrick's RC Primary, involving the transportation of meals for service to Hucklow pupils between the two school sites. The original project therefore sought to install a full production kitchen at Hucklow leading to improved school meal arrangements for Hucklow school pupils. Project costs were originally funded from; £75k from DfE Capital Maintenance allocation and £77k funded from revenue maintenance budgets. The additional costs of £37k are necessary to complete the work to required health and hygiene standards and will be funded from the revenue contribution held by - School Food Service Repairs and Maintenance.	EMT Variation	37	Kier - Jobs Compact route
Grace Owen Nursery This scheme relates to the relocation of a 39 place Nursery with 35 Childcare places. Relocation of the Nursery within the Park Hill complex was the desired outcome as this will further enhance the attractiveness of the homes for local people. The project is mainly funded by Local Growth Fund (£700k), with contributions from Devolved Formula Capital fund (£73k) and other budgets within CYPF (£122k). Construction timescales have been revised on this scheme so that work on site may commence in February 2013 in order to meet the required opening of the new Grace Owen Nursery from September 2013. It is therefore proposed to slip by £541k the associated construction spend profile into 13/14 to meet this revised plan.	Slippage	-541	N/A

Capital Schemes

PROCUREMENT STRATEGY APPROVALS:-			
Spital Hill – Ellesmere Green This approval request reflects the combination (see above) the public realm improvements on Spital Hill (funded by a £371.5k, S106 contribution from the new Tesco store on Savile St), with the original investment at Ellesmere Green (funded by £605k from Local Growth Fund - Capital). The combined project delivers public realm improvements on Spital Hill & soft landscape improvements to the Ellesmere Green (inc. the creation of a space for events/markets). It will increase footfall to Spital Hill Centre and encourage further new investment. The project is to be designed by the in-house Environmental Planning Design Team and future procurement is to be negotiated through Amey.	Stage Approval	372	Procurement Strategy agreed to combines Phases A&B. It has also been agreed to negotiate with Amey for the total project.
Spital Hill – Public Realm The Business Unit for this project is to be closed and the scheme transferred to the Spital Hill - Ellesmere Green project below, as the schemes are now to be procured and run on a combined basis (see below).	Stage Approval	-372	N/A
Asbestos Surveys Approval is sought from Cabinet to delegate to the Director of Commercial Services power to issue a variation to extend the existing contract for the provision of asbestos surveys for a further 12 months. The contractor has delivered good service performance and continuing value for money. There is no evidence that the market has fallen since the 2011 tender process and so a retender exercise would not achieve	Stage Approval		

Capital Schemes

cheaper prices.			
EMERGENCY APPROVALS:-			
None			
DIRECTOR VARIATIONS:-			
None			
RETROSPECTIVE APPROVALS;-			
Newhall Road This project is for a road safety scheme at the junction of Attercliffe Road and Newhall Road. The scheme was originally planned for construction in 2009, but was delayed due to funding cuts. The majority of this scheme was constructed before August by Streetforce, there has been a small element completed by Amey. This approval is retrospective, as a lot of the work has already been completed.	Retro Approval	120	Majority of costs incurred by in house provider (Streetforce). Traffic signals work via single source tender and in accordance with Schedule 7 of the Highways PFI contract
Countrywide RS Initiatives The project is for the implementation of an ‘average speed limit camera enforcement’ scheme on the A61 from the Norfolk Arms, Grenoside to the A628 Tankersley roundabout – in Barnsley. Funding is from the Road Safety Partnership passported through Sheffield City Council to South Yorkshire Police who have procured and delivered the project. The approval is retrospective most of the work has already been	Retro Approval	265	Procured by external party

Capital Schemes

completed.			

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