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Report of:	*Eugene Walker*
Report to:	*Co-operative Executive*
Date of Decision:	*15th December 2021*
Subject:	*Revenue and Capital Budget Monitoring 2021/22 – as at 30th September 2021*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes ✓	No ☐
- Expenditure and/or savings over £500,000	✓	
- Affects 2 or more Wards	✓	

Which Executive Member Portfolio does this relate to? *Finance and Resources*

Which Scrutiny and Policy Development Committee does this relate to?
Overview and Scrutiny Management Committee

Has an Equality Impact Assessment (EIA) been undertaken?	Yes ☐	No ✓

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information?	Yes ☐	No ✓

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

This report provides the outturn monitoring statement on the City Council's Revenue and Capital Budget Outturn as at the end of Month 6, 2021/22

Recommendations:

1. Co-operative Executive are asked to:

   (a) Note the updated information and management actions provided by this report on the 2021/22 Revenue Budget Outturn;

   (b) Note the Collection Fund Account Monitoring Report as at 30th September 2021, attached as **Appendix 1**;

	(c)	Note the Treasury Management Position in **Appendix 2** in particular the Section 151 officer's confirmation of compliance with the Treasury Management Strategy and Annual Investment Strategy and
	(d)	In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 3.**

Background Papers:

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Schofield Legal: Sarah Bennett Equalities: No
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**Executive Director who approved submission:**	*Eugene Walker*
3	**Executive Member consulted:**	*Councillor Cate McDonald* *Executive Member for Finance and Resources*
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Paul Schofield Paul Schofield	**Job Title:** *Head of Accounting and Infrastructure*
	Date: 15th November 2021	

1. PROPOSAL

1.1 This report provides the outturn monitoring statement on the City Council's Revenue and Capital Budget for 2021/22

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 To formally record changes to the Revenue Budget and gain Member approval for changes in line with Financial Regulations.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 *No*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 <u>Equality of Opportunity Implications</u>

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

4.2 <u>Financial and Commercial Implications</u>

4.2.1 The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2021/22, and as such it does not make any recommendations which have additional financial implications for the City Council.

4.3 <u>Legal Implications</u>

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

4.4 <u>Other Implications</u>

4.4.1 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.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 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.

6. REASONS FOR RECOMMENDATIONS

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

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Revenue Budget & Capital Programme Monitoring
As at 30th September 2021

Report author: Paul Schofield, Head of Accounting and Infrastructure

Introduction

1. The purpose of this report is to inform Members of the Outturn budget monitoring position on the City Council's Revenue Budget and Capital Programme as at Month 6 and the implications for the future.

   The report contains further detail at sections 7 to 10 on the position of each portfolio's Revenue Budget and the Housing Revenue Account. Further reports on the City Council's Collection Fund Account and Treasury Management position are at Appendices 1 and 2 respectively. Further detail on the position of the Capital programme is at Appendix 3.

Financial Position

2. **Forecast overspend has reduced by £6.1m to £37.2m**

   The Council's Revenue Budget is currently forecast to overspend by £37.2m. This is an improvement of £6.1m on the position at Month 3 and is driven by:

   - £3.3m of additional UK Government Covid funding;
   - Review and redirection of expenditure, and, refinement of forecasts by Council officers in response to the emerging position at Month 3 with an initial estimate of £0.5m improvement from the Recovery Plans within the People portfolio;
   - Approximately £0.5m of additional income from Markets service, Parking Services as the impact of Covid was less than anticipated in the Budget. Highways department income has also improved by £0.6m.

3. **Cost Management measures implemented to contain the overspend which is not sustainable**

   The position remains unsustainable and requires decisive action.

   The Council has instituted a series of "Cost Management Measures" to contain the overspend. These include senior manager level approval of all recruitment, and, minimising travel and other expenditure which is not related to the delivery of front line services.

   The Adult Care and Support and Children & Families services within the People portfolio have developed and are implementing *Recovery Plans* to reduce the overspend which in those services accounts for 87% of the net overspend in the Council. In the short term this will create additional cost to provide additional resource above that engaged on business-as-usual activities to address the operational problems. Some of this activity has been funded by reprioritising expenditure from elsewhere.

4. **The scale of the deficit requires strategic and structural change in Budgets across the Council**

The Medium-Term Financial Analysis report to Co-operative Executive in October set out the scale of the challenge.

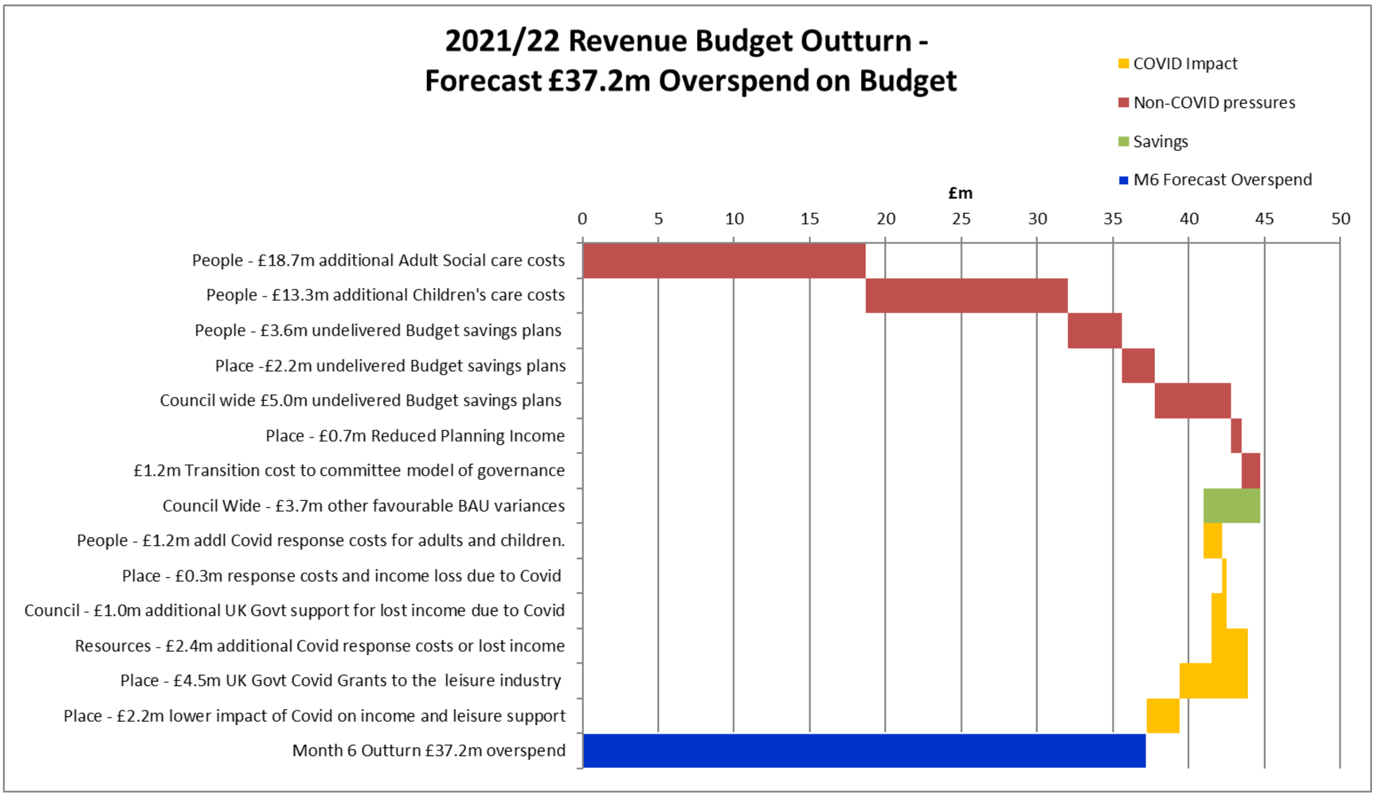
Part of this response will involve seeking additional government funding to address the pressures caused by demographic changes in society.

Sheffield is not alone amongst core cities in experiencing budgetary pressures, but it does seem to be reporting a much worse position. Work is underway by benchmarking against other cities to understand if this is due to local demand factors or the way it delivers services, or a combination of both.

5. This following sections provide more detail on the position of each portfolio.

Financial Position

The graph below summarises the main movements in the Council's financial position from an initially balanced budget.



6. Council Position

Portfolio	Month 3 Outturn	Full Year Budget	Variance	Month 6 Forecast Variance	Change From Month 3 to Month 6
People	307,654	272,556	35,098	36,174	(1,076)
Place	138,358	143,335	(4,977)	(1,431)	(3,546)
Policy, Performance & Communications	3,038	3,076	(38)	(28)	(10)
Resources	8,892	5,524	3,368	3,500	(132)
Corporate	(420,697)	(424,491)	3,794	5,151	(1,357)
Grand Total	37,245	-	37,245	43,366	(6,121)

The main changes in the forecast variances from budget are:

- People – following a detailed review of forecasts, Adult Social Care costs were revised downwards but Children' s care costs have increased to leave the net position £1m better than Month 3. ASC has included an £0.5m anticipated improvement from the actions within its Recovery Plan
- Place – a further improvement of £3.5m reflecting £1.5m additional Covid grants to the Leisure industry, £0.8m grant from UK Government to support temporary accommodation for the homeless and an improving outlook for fees and charges income particularly in the Markets, Parking and Highways services (£1.0mB); and
- Corporate – forecast £1m additional support from UK Government to compensate for lost sales, fees and charges due to the Covid pandemic. A review of the Council's borrowing requirement has led to an estimated saving of £207k following the declaration of some £40m of slippage in the delivery of the capital programme which is discussed further in Appendix 3.

7. Dedicated Schools Grant

The forecast is a £2.5m overspend on DSG. This is £1.4m worse than the M3 position due to demand pressures from pupils with Special Educational Needs provision. The costs occur both in the provision of places and transport to schools. A review is underway to seek more cost-effective ways of providing this support.

8. Public Health

Health services are funded by Public Health Grant – any variances to budgeted expenditure will be managed by adjusting the drawdown of grant income to match, therefore Public Health variances will be nil in terms of net expenditure and invisible within the above reported position. The Public Health reserve will be utilised in case of any overspend at year end – there is forecast to be no General Fund impact this year. This table demonstrates the variances to budget before the application of grant income.

Public Health	Outturn	Month 6 Full Year Budget	Variance	Month 3 Forecast Variance	Change From Month 3 to Month 6
People	27,907	28,085	(178)	100	(278)
Place	3,253	3,261	(8)	33	(41)
Director of Public Health	1,827	1,939	(112)	(254)	142
Total	32,987	33,285	(298)	(121)	(177)

The reasons for this position are a predicted overspend on the new PCS (community sexual health) contract which commenced in August. This is offset by an underspend on the GP health check contract which ceased in April with no further activity planned this year, plus using UK government Covid grants to fund some staffing costs.

9. **Housing Revenue Account**

The HRA income and expenditure account provides a contribution towards funding the HRA capital investment programme by reinvesting any surplus on the HRA to leave the overall position balanced.

For 2021/22 the budgeted contribution is £20.6m. The forecast Outturn position is a contribution of £14.3m, £6.2m lower than budget, and £0.4m lower than the Month 3 forecast.

Housing Revenue Account (excl. Community Heating)

	Outturn	Month 6 Full Year Budget	Variance	Month 3 Forecast Variance	Change From Month 3 to Month 6
Net Income - Dwellings	(143,608)	(145,013)	1,404	1,254	151
Other Income	(6,149)	(6,150)	1	126	(125)
Tenant Services incl. Repairs & Maintenance	97,891	92,938	4,953	5,379	(427)
Depreciation	24,421	24,421	0	0	0
Interest on borrowing	13,109	13,175	(65)	(65)	0
Contribution to Capital Programme	14,336	20,629	(6,293)	(6,694)	401
Total	(0)	0	(0)	(0)	(0)

The cause of the variance is little changed from that reported in Month 3. Disruption from the Covid pandemic has created a backlog of home repairs due to social distancing measures restricting access for all but essential repairs and inspection e.g. gas compliance checks, and, reduced rental income as the number of unlet houses has increased due to restricted access.

10	**Collection Fund Account**	This is showing a satisfactory position. As at the end of September, the local share of the Collection Fund income stream is forecasting an overall in-year deficit of £19.6m deficit. There is a small projected surplus of £3.0m on Council Tax, and, a deficit of £22.6m on Business Rates due to Collection Fund accounting regulations in respect of the Retail and Nursery discount scheme to support businesses during the pandemic. The Council will receive grant funding to compensate for this deficit. The overall Collection Fund position will have no impact on the Council's 2021/22 financial position and will be accounted for within future years' budgets. This position is discussed in more detail within Appendix 1**.**
11	**Capital Summary**	The approved capital programme budget for 2021/22 at 30th September 2021 was £279.9m. The forecast outturn of expenditure against this approved budget is £235.4m, a variance of £44.5m. This is a significant movement of £39.8m on the Month 3 position which forecast a shortfall of £4.7m. £22m of the change is in the Heart of the City and Housing Investment programmes. Further information on the Capital Programme, including variations on significant projects, is reported in **Appendix 3**.
12	**Financial implications**	The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2020/21.
13	**Equality Opportunities Implications**	There are no specific equal opportunity implications arising from the recommendations in this report.
14	**Legal Implications**	There are no specific legal implications arising from the recommendations in this report.

15.	**Property Implications**	There are no other property implications arising from the recommendations in this report this report.

16.

Recommendations

It is recommended that Members

1. Note the updated information on the latest Outturn position and management actions provided by this report;
2. In relation to the Collection Fund Report, note the Outturn position described in **Appendix 1**;
3. Note the Treasury Management Position in **Appendix 2** in particular the Section 151 officer's confirmation of compliance with the Treasury Management Strategy and Annual Investment Strategy; and
4. In relation to the Capital Programme, note the Outturn position described in **Appendix 3.**

Appendix 1

Collection Fund Monitoring
As at 30th September 2021

Summary

1. In 2021/22 approximately £334.5m of SCC net expenditure was forecast to be financed directly through locally collected taxation. This taxation is initially collected by the Council and credited to the Collection Fund.

2. As at the end of September, the local share of the Collection Fund Income Stream is forecasting a £19.6m deficit. As below, this is mainly due to the timing of the announcement to continue retail relief in a modified form into 2021/22 and a countervailing improvement within Council Tax.

3. The Council will be fully compensated for the deficit relating to the business rate discount for 2021/22, so while the deficit is an alarmingly large number, it is important to note that there is no overall cash impact.

4. This deficit position will not affect this year's outturn position, due to the specific set of rules governing the accounting of the Collection Fund. The deficit must be reconciled within future General Fund budgets and cannot impact on the wider General Fund position for this year.

5. This is an estimate that is subject to considerable uncertainty in what continues to be an unusual year. It is still too soon to make any reliable estimates of the recovery of the city's economy against the national backdrop of labour shortages and supply chain problems. It is not yet clear how the economic and social disruption due to the COVID pandemic will affect the ability of residents to pay Council Tax liabilities. The assessment of the year end position must be on a cautious footing.

Income Stream (all figures £m)	**Budget 21/22**	**Forecast Year End Position**	**Variance**
Council Tax	(235.0)	(237.9)	(3.0)
Business Rates Locally Retained	(99.5)	(77.0)	22.5
Total	**(334.5)**	**(314.9)**	**19.6**

Council Tax

6. The forecast year end position for Council Tax is a £3.0m surplus. This is due to 3 main factors.

7. The gross Council Tax yield for the city is currently £1.5m under the estimated baseline. This is due to the number of dwellings in the city not yet reaching the estimated mid-year point, and against a backdrop of labour and material shortages. Normally, the number of dwellings in the city increases steadily

throughout the year, so it is hoped that this figure remedies over the remaining months.

8. The number of Council Tax Support claimants has not yet risen to the estimated level, creating an estimated £6.9m surplus against budget. The reasons for this will be complex. The original estimate of the 2021/22 tax base was made in January 2021, in a fresh period of lockdown restrictions before the COVID vaccine rollout had begun in earnest and there was much social and economic uncertainty. Therefore, the level of claimants was expected to continue to rise through the year. It has not done this and appears steady, creating an improvement on budget.

9. There is a £2.2m increase in the estimated requirement to provide for bad debt. Payment behaviour and collection rates have not yet recovered to the pre-COVID levels at this mid-year stage, though have improved slightly over last year's. It is therefore expected that the Council will need to create more provision to protect itself from bad debt, and this figure will be under close review through the rest of the year.

Collection Fund - Council Tax (all figures £m)	**Budget 21/22**	**Forecast Year End Position**	**Variance**
Gross Council Tax income yield for 2021/22	(398.7)	(397.2)	1.5
Revenue foregone due to Council Tax Support	50.1	43.2	(6.9)
Other discounts and exemptions	58.6	58.6	0.0
Net Collectible Council Tax	**(290.0)**	**(295.4)**	**(5.4)**
Losses on collection and increase/(decrease) to bad debt provision	14.5	16.7	2.2
Council Tax Income	**(275.5)**	**(278.7)**	**(3.1)**
Allocation of Council Tax Income *(%age share in brackets)*			
Sheffield City Council ***(85.5%)***	**(235.0)**	**(237.8)**	(2.8)
South Yorkshire Police and Crime Commissioner *(10.7%)*	**(29.4)**	**(29.7)**	(0.3)
South Yorkshire Fire & Rescue *(3.8%)*	**(10.5)**	**(10.6)**	(0.1)
Transfers to Precepting Parishes	**(0.6)**	**(0.6)**	-
Total Allocations	**(275.5)**	**(278.7)**	**(3.1)**

10. In setting the Budget for 2021/22, the Council used the one-off Council Tax Support (CTS) grant funding to compensate for an estimated reduction in the Band D tax base within the city. In time, this reduction has been more than adequate to protect the Council's Budget from any pressures relating to Council Tax. However, this remains a risk for future years' budgets in that payment behaviour and tax base must revert to pre-COVID levels to offset the removal of the CTS grant and avoid a deficit position or a worsening of the overall medium-term revenue position.

Business Rates

11. The forecast year end position for Business Rates is a £22.5m deficit.

12. This deficit is driven by the function of the 2021/22 version of the retail and nursery discount, which has an estimated value of £45.9m across the Fund. The Council will receive grant funding to compensate for this relief, so this deficit is of no overall cash impact. Aside from this, the estimates made within the Budget appear to be accurate and the Fund would be at a balanced position.

Collection Fund - Business Rates (all figures £m)	**Budget 21/22**	**Forecast Year End Position**	**Variance**
Gross Business Rates income yield for 2021/22	(270.7)	(269.5)	1.3
Estimated Reliefs	51.0	95.8	44.7
Losses on collection, appeals and increase/(decrease) to bad debt provision	15.2	15.2	0.0
Net Collectable Business Rates	**(204.5)**	**(158.5)**	**46.0**
Transitional Protection Payments due from Authority	1.6	1.6	0.0
Cost of Collection allowance	0.7	0.7	-
Designated amounts	2.3	2.3	(0.0)
Non Domestic Rating Income	**(199.9)**	**(153.9)**	**46.0**
Allocation of net business rates *(%age share in brackets)*			
Sheffield City Council (49%)	**(97.9)**	**(75.4)**	**22.5**
SY Fire Authority (1%)	(2.0)	(1.5)	0.5
Central Government (50%)	(99.9)	(76.9)	23.0
Total Allocations	**(199.9)**	**(153.9)**	**46.0**
Share of disregarded amounts			
Sheffield City Council	**(1.6)**	**(1.6)**	**0.0**
South Yorkshire Mayoral Combined Authority	(0.7)	(0.7)	(0.0)
Sheffield City Council NNDR Income	**(99.5)**	**(77.0)**	**22.5**

Non-Domestic Rating Income

13. The Gross Business Rates Income Yield is subject to considerable uncertainty given the backdrop of post-COVID recovery, supply chain issues and labour shortages. During budget setting, assumptions were made about how business rates income would decline through the year (e.g. business ceasing to trade, increased claims for relief) and these assumptions appear to be broadly accurate so far.

Conclusion

14. The above position rests on a number of assumptions – mainly that the city's economy can continue to re-open and re-bound following a difficult year. Any eventual deficit at year end does not affect the 2021/22 General Fund outturn, because of the specific regulations by which the Collection Fund is accounted for.

15. Any deficit will influence into the General Fund budget in future years, so the effects of a surplus or deficit will be felt over the medium term. Due to the size

of the Collection Fund, a small percentage variation in income or expenditure over the coming months will have a significant impact on the forecast outturn. Monthly monitoring of the Collection Fund position is conducted to ensure that we are fully aware of any changes and the potential budget impacts.

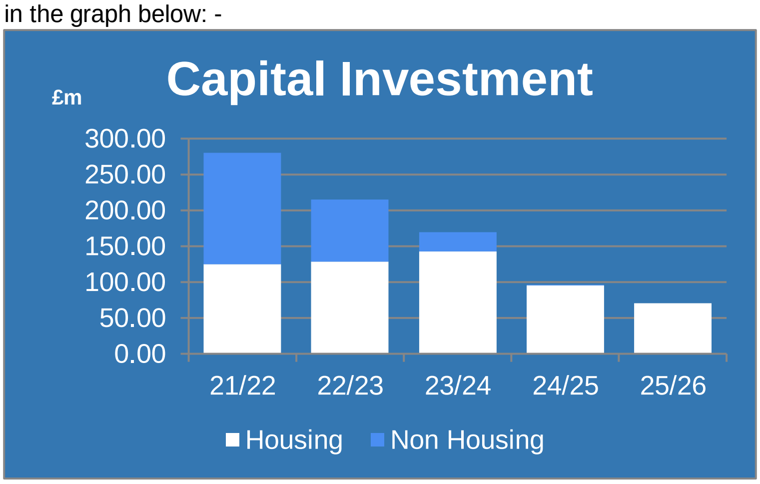
Revenue Implications of Treasury

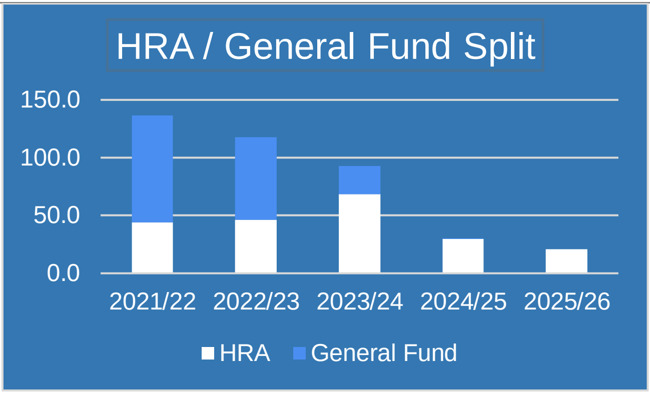
Purpose of the Report

The purpose of this report is to summarise the Treasury Management position for the period to 30th September 2021 and the potential implications for revenue budgets.

In addition, Appendix 1 sets out Indicators not already covered in the main report but are required to satisfy the Council's Prudential Code and Treasury Management Code of Practice obligations.

1. Capital Investment & Funding

1.1	**Significant capital investment delivered across the city**	The Council continues to deliver significant capital investment across the city which will provide improved facilities and infrastructure and supports the local economy, whilst ensuring the impact on debt costs within the revenue budget is effectively managed.
1.2	**The capital budget for 21/22 to 25/26 totals £830.5m**	As at 31st August 2021, the approved capital budget, for the period from 2020/21 through to 2025/26 totals £830m (a full breakdown is shown in Appendix A).
1.3	**Housing and non-housing split of planned investment**	The split of this planned investment across housing and non-housing is shown in the graph below: - 
1.4	**Prudential borrowing over the next 5 years will fund approx. 48% (£398m) of capital expenditure**	The proportion of this investment funded by prudential borrowing over this period will be £398m. On this basis, approximately 48% of the capital expenditure planned for the next four years is being funded by Prudential Borrowing – with a substantial proportion of this being Heart of the City II.
1.5	**Graph - Prudential borrowing over next 5 years**	The following graph shows how this element of funding varies over the five years. General Fund borrowing (£188m) makes up to majority of borrowing in the near term, but the HRA forecasts to borrow more from 23/24 onwards



1.6	**The sale of parts of HoTC II programme are expected to be delayed, so borrowing costs and MRP will continue at current levels during this period**	Anticipated disposals of Blocks in the Heart of the City development are now expected to be delayed until more favourable economic conditions help maximise the benefit of the disposal. As a result, assets will be held and financed for longer, meaning the cost of interest and the Minimum Revenue Provision (MRP) charged to revenue will be higher for longer, although these charges will be offset by the rentals received. The gross impact will be around £3.6m (1.6m Interest and £2m MRP costs) though income will offset some of this cost.
1.7	**Additional General Fund borrowing could cost £3.9m from 23/24 onwards, if we decide to borrow for the full programme rather than use our cash balances**	By 23/24 General Fund borrowing could cost an additional £3.9m per year using today's interest rates (2.1%). However strong cash balances suggest some borrowing could be deferred. Delaying borrowing carries a risk that high inflation causes the Band of England to raise interest rates and therefore the long-term cost of borrowing would rise. However deferring borrowing reduces the external interest charges we would pay. Hence depending on what decision we make we may face: • Additional General Fund costs of £3.9m and HRA costs of £4.4m over the forecast period. • MRP charges will increase by £1.3m in 21/22 and further £1.6m in 22/23 as a result of decisions to finance expenditure by borrowing.
1.8	**Prudential borrowing for 21/22 is projected to increase from £114.5m to 136.5m**	The **latest projected** capital expenditure estimates for 2021/22 compared to the original budget position shows that Prudential Borrowing in 2021/22 is projected to increase from £114.5m to £136.5m. The potential impact of this increase is shown in the table below to illustrate how material the increased expenditure could be. In reality MRP isn't charged until the following year, and many HOTC projects are still not live and so MRP can be deferred until completion, so the actual impact is likely to be smaller.

Estimated Additional Revenue Costs	Revised £'000	Original £'000	Variance £'000
Interest Costs (@ 2.1%)	£2,867	£2,405	£462
MRP Costs (assuming a 40 year asset life)	£3,413	£2,863	£550
Potential additional revenue costs	**£6,280**	**£5,268**	**£1,012**

1.9 Cash balances have remined strong and so we have delayed borrowing

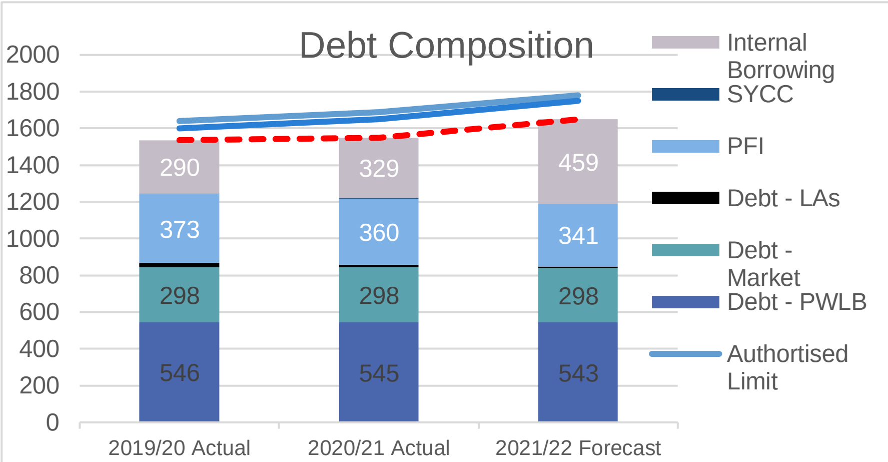
Cash balances have remained strong and have afforded us the luxury of delaying borrowing, potentially into next year. Irregular funding flows from government partially created this opportunity, although uncertainties around Covid costs and movement in borrowing costs mean we approach this strategy with appropriate caution.

2. Update on Debt

2.1 Current Debt Composition (assumes full years' cap ex in our Capital Financing Requirement – CFR)

Borrowing from internal sources will increase

This is supported by economic forecasts and low returns on investments. Rising interest rates would put upward pressure on borrowing rates



The above table shows:-

- The Council is using a substantial proportion of its own internally generated cash resources to fund capital expenditure, rather than taking external borrowing. If no further borrowing is externalised the Council will have borrowed internally up to £459m by 31 March 2022.
- This approach is taken because we pay around 2.0% p.a. more to borrow externally than we receive on any cash we invest. This report assumes further internal borrowing, but notes the associated interest rate risk, i.e. rates could be higher in future when we need to borrow externally.
- No new borrowing has been taken since March 20.
- The Council is expected to maintain a moderate amount of borrowing capacity, over and above its current/forecast CFR when compared to the Operational Boundary. Whilst this capacity is forecast to reduce, we do not anticipate breaching the Boundary this year, as we still have a satisfactory margin of safety.

- In addition to that, there is further headroom of circa £30m before borrowing reaches the maximum level currently authorised by Full Council.

2.2 Strategy Update – no proposed changes

There are no proposed changes to:-

- Treasury Management Strategy Statement
- Annual Investment Strategy
- Minimum Revenue Provision Policy
- Either the Operational or Authorised Borrowing Limits

The 2021/22 Treasury Management Strategy Statement (TMSS) set out plans to borrow an additional £111m to fund in-year Capital Expenditure and reduce the under-borrowed position. Strong cash balances have allowed us to defer this borrowing, and should see an estimated £1m in interest costs avoided for 2021/22.

So far this financial year:-

- The timing of grants received to cover Covid related costs have seen our cash balances remain high, although these balances are expected to reduce significantly towards the end of 21/22
- £9.3m of loans will be repaid by March 22
- Only limited further borrowing to fund General Fund investment is anticipated during this financial year, so internal borrowing is expected to increase as per the chart in 2.1
- The HRA is forecasting to expand capital investment which will lead to new borrowing being required., This borrowing may start in late 21/22 depending on the levels of capital expenditure.

2.3 No rescheduling of our borrowing has been undertaken

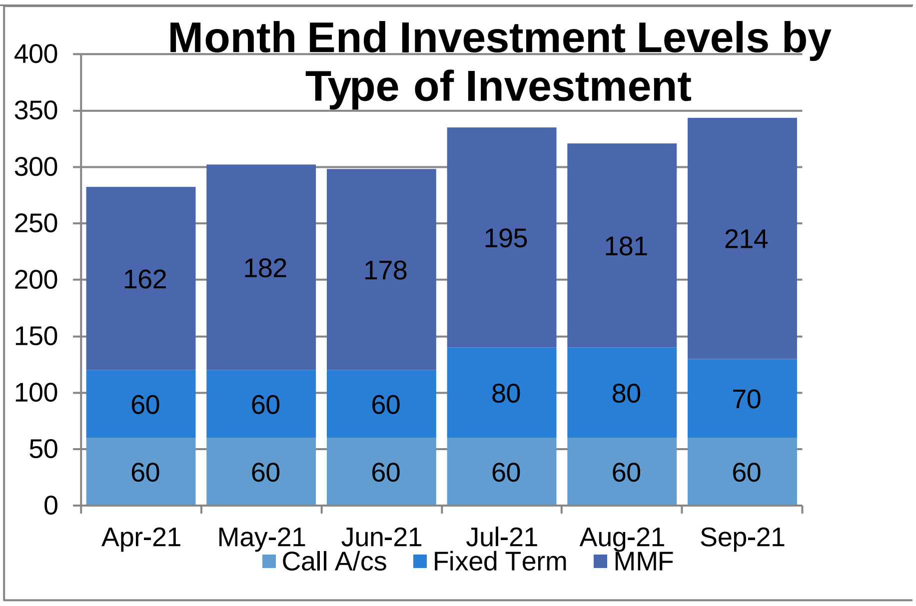
No rescheduling of any of our borrowing has been undertaken. Whilst we will keep this position under review, currently the charges to reschedule PWLB debt are higher than the benefits of doing so, despite the current cheap borrowing levels.

3. Update on Investments

3.1 Investment balances increased by £62m in year but rates of return have stagnated

	Mth End Balance (£M)	Average Return
April 21	£281.8	0.10%
May 21	£302.1	0.10%
June 21	£318.1	0.10%
July 21	£355.1	0.10%
August 21	£320.9	0.10%
September 21	£343.7	0.10%
YTD Ave	£320.3	0.10%

Money Market Funds (MMF's) provide instant access to funds, which is important given current uncertainties



3.2 **High liquidity is being maintained as balances are expected to reduce**

There are no investments for longer than 365 days

Most Local Authorities are in a similar position to Sheffield in that they currently have significant cash balances, this has created excess supply in the LA market and rates for lending are very low. Bank and other investments are showing some very early signs of recovery on expectations the BoE will increase the base rate earlier than previously thought, although any increases are forecast to be slow.

Investment balances are expected to fall toward the end of the financial year.

On this basis, the Council will maintain a mix of investment balances to ensure ready access to funds and where possible benefit from locking away funds for a short fixed duration. We will not pursue yield at cost of the security of funds, this could mean we incur negative yields on some investments, particularly those prioritising liquidity

There are currently no proposals for the Council to invest sums for periods longer than 365 days.

4. Revenue

4.1 **Treasury Management forecast underspend in year, largely from avoiding external borrowing costs**

Interest rate risk increases as a consequence

As at September 2021	**Forecast £m**	**Budget £m**	**Variance £m**
Interest Costs (net of HRA recharge)	20.6	21.6	(1.0)
MRP Costs	18.3	18.5	(0.2)
Budget Variances	**38.9**	**40.1**	**(1.2)**

The above table shows:

- Costs are forecast to underspend compared to budget – as a result of
  - interest savings arising from deferring borrowing and lower interest rates than forecast.
  - lower MRP costs based on underspends against the 2020/21 capital programme.

4.2 **Financing Costs to Net Revenue generally increase slightly**

21/22 shows a decrease as SYCC debt repayments have finished

Ratio of Financing Costs to Net Revenue	2020/21	2021/22	2022/23	2023/24
Finance Costs	£42,666	£39,379	£42,394	£47,953
Net Revenue	£497,759	£528,524	£514,000	£520,590
Ratio	8.57%	7.45%	8.25%	9.21%

* *Excluding PFI financing costs and associated grants but includes MRP charges made to services but not included in the treasury management budget*

The above table shows:

- Financing costs generally increase over the period. New borrowing costs have been avoided so far in 21/22, which results in lower costs than budgeted.
- The South Yorkshire County Council (SYCC) debt was fully repaid in 20/21, this is a reduction of around £4.5m in interest and MRP costs.
- Please note that the capital programme projections become less accurate the further forward the projection period is, and therefore financing costs may increase if the amount of the capital programme in 22/23 to 23/24 is funded by prudential borrowing increases.

5. Risk Assessment

5.1 **The principal risks associated with treasury management**

Risk	Mitigation
Loss of investments as a result of a failure of a counterparty	Application of Annual Investment Strategy in relation to choice of counterparty/investment type, level of investment and monitoring of credit ratings
Increase in net borrowing costs due to an increase in borrowing costs and/or a decrease in investment returns	Planning and undertaking borrowing in light of interest rate trends/forecasts. Borrowing using fixed rate loans to limit volatility of interest costs
Interest rates rise significantly, increasing the cost of servicing new borrowing	The planned use of internal borrowing carries a risk that interest rates will be higher when we look to externalise the borrowing.
Fraud	Strong internal controls – with dual stage authorisation for any out-going payments

6. Other Matters

6.1	**Section 151 Officer Compliance**	**The Section 151 Officer confirms compliance with the approved TMSS for 2020/21 and that a prudent investment approach has been followed with priority given to the security and the liquidity of amounts invested over the yield we receive.** **The Section 151 Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2021/22.**

Appendix 1 – Prudential and Treasury Management Indicators

This appendix covers the prudential and treasury management indicators not already covered in the body of the main report but are required under the Prudential Code or the Treasury Management Code of Practice.

Capital Programme and Funding

Forecast as at August 2021	2021/22 Forecast £m	2021/22 Budget £m	2021/22 Variance £m
Non Housing	155.3	99.2	56.1
Housing	125.2	92.5	32.7
Total	**280.5**	**191.7**	**88.8**
Capital Receipts	22.7	11.0	11.7
Capital Grants and Contributions	72.5	25.6	46.9
Revenue Contributions	48.8	40.6	8.2
Prudential Borrowing	136.5	114.5	22.0
Total	**280.5**	**191.7**	**88.8**

Breakdown of Capital Expenditure

Capital Expenditure	**21/22**	**22/23**	**23/24**	**24/25**	**25/26**
ESSENTIAL COMPLIANCE & MAINT	8.7	-	-	-	-
HOUSING GROWTH	71.6	70.5	90.8	44.9	23.0
HOUSING INVESTMENT	53.6	57.5	52.2	50.4	47.5
HEART OF THE CITY II	75.7	56.4	6.7	0.0	-
QUALITY OF LIFE	20.3	19.1	17.7	-	-
PEOPLE CAPITAL & GROWTH	21.7	4.6	0.0	-	-
ICT	-	-	-	-	-
TRANSPORT	12.7	0.8	-	-	-
GREEN & OPEN SPACES	3.0	-	-	-	-
ECONOMIC GROWTH	13.4	6.1	1.8	-	-
TOTAL	**280.5**	**215.0**	**169.3**	**95.3**	**70.5**

Movement in Capital Financing Requirement

Capital Financing Requirement (CFR)	**Per TMSS 1248.7**	**Forecast at end Sept 21 £m**
CFR - General Fund CFR	1,248.7	1,259.3
CFR - Housing Revenue Account	395.0	390.0
TOTAL	1,643.7	1,649.3
Borrowing	968.4	848.4
Other Long Term Liabilities	358.1	358.0

Forecast - Total Debt as at 31 March 2022	**1326.5**	**1206.4**

Authorised and Operational Borrowing Limits show significant headroom especially compared to external debt.

Authorised and Operational Limits on Debt	**Per TMS £m**	**Forecast £m**
Authorised Limit	1,780	1,780
Operational Boundary	1,750	1,750
Projected Year End Capital Financing Requirement	1,644	1,649
Headroom to Operational Boundary (CFR)	106	101
Headroom to Authorised Borrowing Limit (CFR)	136	131
Projected External Debt at 31 March 2022	1,327	1,206
Headroom to Operational Boundary (debt)	423	544
Headroom to Authorised Borrowing Limit (Debt)	453	574

Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast. Any increases in rates are forecast to be very slow which supports the strategy of delaying further borrowing. The rates for longer term debt are very similar to where they were 12 months ago. This position will be monitored to ensure it remains prudent.

Market Rates

	Equities				Currencies			Commodities		Risk Indicators	
	FTSE 100	DOW	NIKKEI	STX 600	£/$	€/£	€/$	Brent	Gold	VIX	MOVE
Level	7,146.85	34,496.06	28,231.40	457.53	1.3604	1.1767	1.1561	83.65	1,760.09	20.0000	59.6500
Change	0.72%	-0.72%	-0.94%	0.05%	-0.15%	0.01%	-0.15%	1.53%	-0.17%	6.55%	-2.07%

Interest Rates

O/n	1W	1M	3M	6M	9M	12M	24M	36M	48M	60M	SONIA
0.00	0.00	0.05	0.1	0.2	0.3	0.35	0.9	1	1.1	1.2	0.0507

Average LIBID / LIBOR Rates

7D LIBID	3M LIBID	3M LIBOR
-0.08%	-0.05%	0.08%

PWLB (Includes Certainty Rate)

1y	5y	10y	25y	50y
1.17	1.6	2.01	2.38	2.17

Forward Rates

3M/3M FWD	3M/6M FWD	3M/9M FWD	6M/12M FWD
0.48	0.70	0.85	1.13

Interest Rate Forecasts

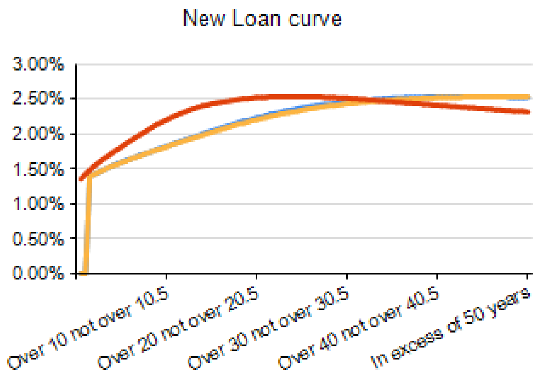
Bank Rate	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Link	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%
Cap Econ	0.10%	0.10%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5Y PWLB RATE								
Link	1.40%	1.40%	1.50%	1.50%	1.60%	1.60%	1.60%	1.70%
Cap Econ	1.40%	1.50%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%
10Y PWLB RATE								
Link	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	2.00%	2.10%
Cap Econ	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%
25Y PWLB RATE								
Link	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%
Cap Econ	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%
50Y PWLB RATE								
Link	2.00%	2.00%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%
Cap Econ	2.00%	2.10%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%

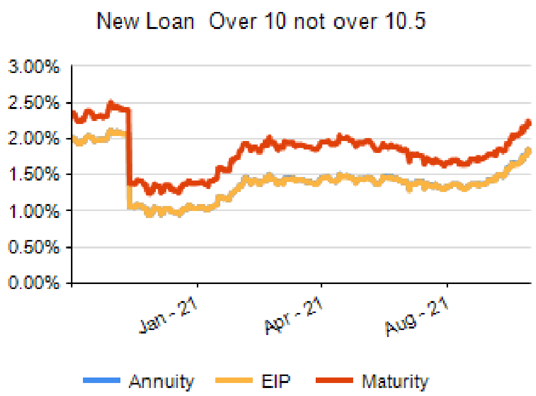
PWLB

The sharp fall in PWLB rates in the right-hand chart shows the reduction in the Treasury's margin of 1%, returning margins to their historic norm. Throughout the year borrowing costs have moved up and down quite gradually, though September 21 has seen a sharper increase in rates. This is due to high inflation and the prospects of the bank base rate increasing sooner. As investors look away from Gov Debt to increase their returns, demand falls and the price increases, which is what PWLB borrowing is linked to.

The trend for September 21 onwards does need to be monitored closely, though rates are currently above our Treasury Advisors long term forecast.

PWLB Rates - Tuesday 12 October 2021





CAPITAL PROGRAMME MONITORING AS AT SEPTEMBER 2021

1 - Statement of Budget Movement

The table below summarises the movement in budget from month 3 to month 6 21/22 and Capital programme budget position as at September 21.

	2021/22	2022/23	Future	Total
Month 3 Approved Budget	262.4	218.9	337.3	818.6
Additions	15.2	4.6	0.3	20.1
Variations	2.1	-3.3	-6.0	-7.3
Reprofile	0.2	-4.3	4.2	0.0
Slippage and Acceleration	0.0	0.0	0.0	0.0
Month 6 Approved Budget	279.9	215.8	335.7	831.4

Comments

The key changes to the programme from last month relate to:
KEY ADDITIONS
+ £6.4m - Acquisition of Bamford Point Temporary Accomodation
+ £0.7m - Inclusion of West Bar enabling works budget
+ £0.4m - Inclusion of Town Hall Atrium works
+£0.3m - Inclusion of Stocksbridge Towns Fund Feasibility works
+ £0.1m - Inclusion of Library Hubs capital allocations budget
+ £3.3m - Inclusion of LAD II Green Homes Grant delivery works
+ £2.6m - Acquisition of new housing at Owlthorpe
+ £2m - Inclusion of 5 x new School Fire Risk works
+£1.3m Acquisition of new housing at Baxter Court
+ £1m - Inclusion of replacement Roof works at Nether Green School
+ £0.4m - Inclusion of Hillsborough Park Improvements
+ £0.2m - Inclusion Manchester Road Hub Feasibility budget (Stocksbridge Towns Fund)
+ £0.1m - Inclusion of Essential Complicance feasibility budgets across numerous sites
KEY VARIATIONS
+ £0.6m - Addition of 21/22 Devolved Formula Capital Payment to schools
+ £0.2m - Increase in costs Block B&C Heart of The City
+ £0.2m - Increased costs for final settlement of Astrea Academy
- £3.9m - Reduction Council Housing Stock Increase allocation funding Baxter Court & Owlthorpe (see above)
- £3.6m - Saving on Heart Of The City Block G as a result of grant funding of park.
+£4.9m - Budget increase for delivery stage of Leah's Yard
+ £0.3m - Inclusion of full OBC costs for City Centre Bike Hub
- 6.4m - Reduction Council Housing Stock Increase allocation funding re Bamford point (see above)
REPROFILES
- Heart of The City purchase and strategic development costs
- Heart of The City Block A
- City Road Cremators

2 - Top 20 Projects by value as at September 2021

The table below summarises the Top 20 projects in the Capital Programme by budget value in 2021/22. This group accounts for 58% of the 2021/22 capital programme. The major in-year and all-year variations are explained below and in sections 4 and 5.

PROJECT	Current Year								Remaining Life of Project					Comments
Values in £000	YTD Actual	YTD Budget	YTD Variance	FY Outturn	FY Budget	FY Variance	Variance %	Delivery Forecast RAG	All Years Outturn	All Years Budget	All Years Variance	Variance %	Delivery RAG	
H Henrys Block	5,368	8,535	(3,167)	18,778	28,632	(9,854)	-34.4%	NR	54,691	54,691	(0)	0.0%	NR	See Item 4.1
Msf Finance	7,666	7,785	(120)	15,570	15,570	0	0.0%	NR	49,737	49,737	0	0.0%	NR	
A Palatine Chambers Block	2,889	3,430	(542)	9,277	12,753	(3,476)	-27.3%	NR	43,671	43,671	(0)	0.0%	NR	See Item 4.4
Nbch-p04a-adlington Rd-opil	5,870	7,104	(1,234)	12,399	12,399	0	0.0%	G	12,399	12,399	0	0.0%	G	
Roofing Replacements Prog	1,492	2,081	(589)	5,351	10,762	(5,411)	-50.3%	G	38,245	38,245	0	0.0%	G	See Item 4.2
C Pepper Pot Building	2,696	5,936	(3,240)	9,279	9,804	(525)	-5.4%	A	10,151	10,151	(0)	0.0%	A	
Nbch-p10-daresbury/berners-gn	2,254	4,795	(2,540)	7,446	8,576	(1,130)	-13.2%	G	9,354	9,354	0	0.0%	G	Slippage due to delay to piling works and anti social behaviour
B Laycock House New Build	4,484	6,528	(2,044)	8,253	8,457	(204)	-2.4%	A	8,717	8,717	0	0.0%	A	
Council Hsg Acquisitions Prog	3,012	3,794	(782)	7,720	7,904	(184)	-2.3%	G	43,107	43,107	(0)	0.0%	G	
Nbch-p24-bamford Point-ta	-	308	(308)	6,427	6,427	-	0.0%	NR	6,427	6,427	-	0.0%	NR	
Brownfield Site	108	101	8	5,844	5,836	8	0.1%	NR	5,844	5,836	8	0.1%	NR	
Ewi Non-traditional 2	195	2,188	(1,992)	1,101	5,787	(4,686)	-81.0%	G	8,679	8,679	(0)	0.0%	G	See Item 4.3
Udv Flood Scheme Phase 1	1,480	3,354	(1,874)	3,190	4,631	(1,442)	-31.1%	A	4,631	4,631	(0)	0.0%	A	See Item 4.8
Nbch-p11-hemsworth-opil	136	152	(16)	4,329	4,315	14	0.3%	G	19,953	19,953	(0)	0.0%	G	
Nbch-p16-newstead-enable	201	2,391	(2,191)	1,860	4,082	(2,222)	-54.4%	G	2,947	4,153	(1,205)	-29.0%	G	See item 4.7
G Pocket Park	368	1,503	(1,135)	3,087	4,061	(974)	-24.0%	G	5,436	5,436	0	0.0%	G	Significant delay in establishing Pre-Construction Services Agreement with contractor and also to the start on site of construction works
Transport Efficiency 21-22	228	-	228	1,156	3,452	(2,296)	-66.5%	NR	3,453	3,452	1	0.0%	NR	See Item 4.5
Interim Ta Accommodation	-	-	-	3,250	3,250	-	0.0%	G	3,250	3,250	-	0.0%	G	
Manor Cluster Shc	-	3,219	(3,219)	3,219	3,219	-	0.0%	NR	3,219	3,219	-	0.0%	NR	
Citywide Tower Blocks - Fs	139	509	(370)	3,200	3,186	14	0.4%	G	9,920	9,920	0	0.0%	G	
Top 20 Value	38,586	63,713	(25,127)	130,735	163,103	(32,368)	-19.8%		343,833	345,029	(1,197)			
Rest of Programme	29,488	48,319	(18,831)	104,642	116,805	(12,164)	-10.4%		491,182	486,406	4,776			
Total Capital Programme Value	68,074	112,032	(43,958)	235,377	279,908	(44,532)	-15.9%		835,014	831,435	3,579			
% of Programme within the Top 20	57%	57%	57%	56%	58%	73%			41%	41%	-33%			

3 - Current Year to date and Forecast Outturn Position

The forecast outturn position is £44.5m below budget. A movement of £39.8m from the £4.7m below budget reported at month 3. The key variances by board are explained below. Overall the forecast outturn has fallen by £22.4m, however during the same period budgets relating to new schemes and variations in year have increased by £17.4m. As noted in key issues below this is largely due to overly optimistic budgets and forecasts at Outline Business Case stage of schemes. A call is being made to review forecasts and re-profile budgets in line with more realistic delivery timescales

BOARD	YEAR TO DATE			FULL YEAR			Comments
Values in £000	Actual	Budget	Variance	Forecast	Budget	Variance	
HEART OF THE CITY II	19,191	32,024	(12,832)	58,436	74,295	(15,859)	**Key Variances** - **£9.9m** - Slippage Block H. See Item 4.1 - **£3.5m** - Slippage Block A. See Item 4.4 - **£1m** - Slippage Pocket park works due to pre construction delays with contractor - **£0.7m** - Blocks B & C forecast in line with latest contractor information - **£0.6m** - Leah's Yard expenditure revised in line with latest contractor forecasts - **£0.3m** - Delay to work on Block G Development plots as knock on effect from delays to Pocket park
QUALITY OF LIFE	8,324	8,669	(345)	19,553	20,337	(785)	**Key Variances** - **£0.6m -** Reprofiling of Memorial Hall works into 2022/23 - **£0.2m -** Reprofiling of General Cemetery Works following appointment of contractor
HOUSING GROWTH	13,316	27,026	(13,710)	64,471	71,659	(7,188)	**Key Variances** - **£2.2m -** Newstead Enabling - See Item 4.7 - **£1.4m -** Gaunt Road revised programme awaiting approval - See Item 4.9 - **£1.1m -** Delay to works at Daresbury due to anti social behaviour and dispute with contractor over piling works - **£1m -** Slippage on Newstead General Needs - start on site now August 22 - **£1m -** Council Housing General Acquisitions due to shift in strategy - **0.5m** - Anticipated delay in Temp accomodation refurb works as properties not yet identified.
HOUSING INVESTMENT	8,626	13,088	(4,462)	39,527	53,502	(13,975)	**Key Variance** - **£5.4m** - New Roofing Replacements programme commenced much later than expected (March 21) it will now extend into 2025/26 (budget variation to be brought forward) - See Item 4.2 - **£4.7m -** Reduced forecast on EWI 2 scheme. - See Item 4.3 - **£2.2m -** Elemental Refurbs project. See Item 4.5 - **£0.7m -** 20-25 Adaptations Contract slower to mobilise than anticipated - **£0.6m** - Forecast slippage on Tower Block Flat Roofing scheme. Start on site anticipated April 22 **-£0.6m -** Forecast saving on historic roofing programme **-£0.5m -** Start of Lift Replacements delivery programme now expected 22/23 **-£0.4m -** Budget adjustment awaiting approval re IT systems upgrade **+£0.8m -** Adaptations overspend see item 5.2 **+£0.6m** - Kitchen & Bathrooms overspend. See Item 5.3
ECONOMIC GROWTH	4,557	6,517	(1,960)	11,888	13,557	(1,668)	**Key Variances** - **£1.4m -** Slippage on Upper Don Valley Flood Defence due to land owner objections (total in year budget £4.6m) also compounded by main contractor going into administration. See Item 4.8 - **£0.2m** - Delay on Future High Streets Public Real works due to extended tender period - **£0.2m -** Delays on Little Kelham Bridge as developer awaiting details from engineers - **£0.1m** - Future High Streets Fund Events Building refurbishment reprofile **+ £0.2m -** Overspend on anticipated development costs of Parkwood Access project development costs. **+ £0.2m -** Nursery Street acquisition budget awaiting approval
ESSENTIAL COMPLIANCE & MAINT	1,751	3,403	(1,652)	6,425	8,745	(2,320)	**Key Variances** - **£2.3m -** Delay to vehicle purchases - See item 4.6
TRANSPORT	3,527	6,883	(3,356)	12,601	12,940	(339)	**Key Variances** **+ £0.5m** - Additional costs in TCF schemes development - to be funded from TCF/LTP funds budget variations to be brought forward . - **£0.5m** - Kelham Neepsend Parking Scheme now slipping to 22/23 - **£0.4m -** Forecast slippage on Broadfield Road Scheme
PEOPLE CAPITAL & GROWTH	7,965	13,040	(5,075)	19,063	21,705	(2,642)	**Key Variances** - **£0.5m** aniticiapted Disabled Facilities Grant expenditure - **£1m** - Talbot SEND Scheme awaiting approval - **£0.4m -** Forecast Slippage on FRA works at Coit & Carterknowle Schools - **£0.2m -** Slippage on Aldine House Extension Scheme - **£0.2m -** Slippage on Broomhill Infant Heating Scheme - **£0.1m -** Incorrect forecast on SCC Hub libraries - **£0.1m -** Slippage on Shooters Grove School adaptation works Phase 2
GREEN & OPEN SPACES	816	1,383	(567)	3,412	3,169	243	**Key Variances** **+ £0.45m** Budget for increased costs of Parkwood Springs Mountain Bike Trails awaiting appproval **+ £0.3m** Budget for increased costs of Forge Dam Resoration awiting approval - **£0.3m** Matthews Lane Cricket Pavilion project stalled due to increased costs - **£0.2m** Incorrect forecast on Hillsborough Park Improvements scheme
Grand Total	68,074	112,032	(43,958)	235,377	279,9[illegible]	(4[illegible]32)	

4 - Top 10 Forecast Slippage against Full Year Budget

Of the main £34.3m forecast below budget, £24.8m relate to slippage in schemes in delivery and £2.3 to slippage on acquisition of plant equipment & vehic les. However a reason for £2.2m underspend against budget in year on Elemental Refurbishments is still awaited.

	Business Unit	Board	FY Budget	FY variance on budget	Explanation
4.1	H Henrys Block	HEART OF THE CITY II	28,632	(9,854)	**SLIPPAGE** - Significant profile amendments and slippage to construction forecast following review of contractor progress / delays to date, and resequencing as a result The contract completion date for the works is Feb-23 and whilst there have been delays to date, but these should only defer completion into Mar-23 as things stand, so expenditure expected to catch up next financial year. Further issues may be encountered, given the nature & complexity of the works, but contractor is providing confidence that they'll manage and mitigate such issues as they arise.
4.2	Roofing Replacements Prog	HOUSING INVESTMENT	10,762	(5,411)	**SLIPPAGE -** Reviewed and reset all forecasts folowing actual start of project in March 2021, which was much later than initially proposed .This resulted in a substantial carry over from 2020/21. Also, as the project is for 5 years, it will carry through the untill the end of 2025/26. Revised forecast for 2021/22 reflects SCC QS cost report, with due consideration of contractor's forecast. The overall underspend forecasted on the project reflects the contingency for the fitting of PV, the volume of which is still to be defined. 2021/22 forecast cost reduced from last month due to contractors inability to deliver the outputs in August, which is becoming a trend. Requested a revised Cash Flow / Output forecast for 2021/22 from the contractor to review the programme.
4.3	Ewi Non-traditional 2	HOUSING INVESTMENT	5,787	(4,686)	**Slippage** - YTD actuals are behind YTD budget due to a delay in the OBC submission as a result of a Cabinet Member briefing being postponed. Invoices for the detailed designs have been submitted more slowly than
4.4	A Palatine Chambers Block	HEART OF THE CITY II	12,753	(3,476)	**SLIPPAGE** - The budget was based on the appraisal profile based on the expected programme of works but there has now been significant profile amendments and slippage following receipt & review of updated contractor cash-flow now that they are actually on site
4.5	Transport Efficiency 21-22	ESSENTIAL COMPLIANCE & MAINT	3,452	(2,296)	**SLIPPAGE- A**nticipate expenditure starting in October, we are having to do more due diligence in terms of purchasing electric vehicles wherever possible which is pushing back the ordering of new vehicles. Budget variation brought for approval to October CPG
4.6	Elemental Refurbs 2021-26	HOUSING INVESTMENT	2,462	(2,238)	**NO HIGHLIGHT REPORT COMPLETED**
4.7	Nbch-p16-newstead-enable	HOUSING GROWTH	4,082	(2,222)	**REPROFILE** - Revised risk registers for both of the linked GN and OPIL schemes have been carried out. The identified risks which will be resolved as part of the Enabling scheme are therefore included here. There is a reduction in scope from this project which has been transfered to Newstead GN and OPIL. Budget variation
4.8	Udv Flood Scheme Phase 1	ECONOMIC GROWTH	4,631	(1,442)	**SLIPPAGE -** Difference between current full year budget and current full year forecast reflects the extension of the programme into early 2022/23. This is due to a number of factors - ecological factors, difficulties with landowner agreements & design challenges caused by ground conditions and condition of existing structures
4.9	Nbch-p15-gaunt Rd-gn	HOUSING GROWTH	1,984	(1,395)	**Awaiting Approval -** Revised budget to allow progression of this scheme to be approved at October Co-op Executive.
4.10	Disabled Grants	PEOPLE CAPITAL & GROWTH	2,500	(1,254)	**REPROFILE** - Re-categorisation of works from statutory grants to discretionary under new Housing Assistance policy - See offsetting overspend (Item 5.1)
	Total		77,045	(34,274)	

5 - Top 10 Forecast Overspends over Full Year Budget

Of the main £4.4m forecasts over budget approx. £2m represent genuine overspends. Housing Investment schemes will form an additional call on the HRA but are largely related to additional outputs. Expenditure on Accelerated Adaptations Grant represents catch up spend from COVID backlog and will be funded from Disabled Facilities Grant allocation. The TCF Magna scheme expenditure is expected to be funded from next tranche of grant funding

	Business Unit	Board	FY Budget	FY variance on budget	Explanation
5.1	Accelerated Adaptations Grant	PEOPLE CAPITAL & GROWTH	1,600	1,097	**REPROFILE** - Re-categorisation of works from statutory grants to discretionary under new Housing Assistance policy - See offsetting overspend (Item 4.10)
5.2	Adaptations	HOUSING INVESTMENT	74	795	**OVERSPEND -**The currently forecasted outturn is circa £854k against the available budget of £74k. This forecasted outturn is based on the following breakdown. The Cost manager to produce cost report and propose budget increase. 1. Core Adaptations Contract (ended in March 2021) - this includes retentions and the TUPED staff pension deficit which is due to contracto under the terms of the contract. 2. Stair lifts contract originally anticipated to complete in August 2021 - now extended until the end of November 2021 with an anticipated outturn of circa £328k. No budget was carried forward for this work in 2021/22. 3. Specialist equipment , this was due to the slow start that the new contract where the specialist supply chain was not in place within the new contract and therefore direct orders needed to be raised for fast track and urgent referrals. No budget was carried forward for this work in 2021/22 under this business unit. 4. Costs relating to 4 extensions originally planned to start in 2020/21, delays in the start on site has meant that the costs will now be incurred in 2021/22.No budget was carried forward for this work in 2021/22 under this business unit. The Cost manager still waiting for contractor to complete final valuation for the previous contract and to confirm the final outturn costs for the contract and the 2021/22 expenditure
5.3	Kitchen/bathrm Planned Replmt	HOUSING INVESTMENT	506	567	**OVERSPEND -** There are now only 9Nr Long Term Sundry voids properties included within the 2021-22 extension programme. The estimated cost exceeds the current project budget due to the extensive works required. This is also subject to any unforeseen extra costs for unidentified structural/making safe works. (See Key Issues and Actions below)t projected overspend. Details have been discussed with the Project Sponsor and further details are to be confirmed during September. Costs have been agreed to be recharged. These are currently estimated to be £94,645 for work to Fire Damage properties to be recharged to RMS and £39,211 for work to Acquisition properties to be recharged to the Acquisitions Repairs budget (£65,586 journalled January 2021). An initial analysis has been undertaken by CDS on the contract projected overspend. Details have been discussed with the Project Sponsor and further details are to be confirmed during October.
5.4	Parkwood Springs Active Park	GREEN & OPEN SPACES	40	457	**AWAITING APPROVAL -** Budget increase due to be approved at October Co-op Executive
5.5	Demolition Programme	HOUSING INVESTMENT	578	385	**OVERSPEND / ACCELERATION -** VARIANCE £54,738 projected overspend Projected overspend for this financial year is showing as £384,654. However most programmed works to be completed this financial year. Accelerated spend of budget, therefore allocated budget of £358,057 to be brought forward from 2022/23. This leaves total of £54,738 projected overspend for this programme of works. This is a 3 year contract, with all identified demolition included in the programme up to December 2021. Project Cost Valuation for September has now been completed by QS. Project costs are forecast to overspend by £54,738 with an increase in construction costs and leaseholder associated costs being the main factors.
5.6	Stock Increase (chs)	HOUSING GROWTH	1,756	322	**AWAITING APPROVAL-** Adjustments to budget reflecting latest draw downs awaiting approval
5.7	Forge Dam Pond Restoration	GREEN & OPEN SPACES	325	255	**AWAITING APPROVAL- Increased budget to be approved at October Co-op Executive**
5.8	Tcf Magna Mhall Cycling	TRANSPORT	2	212	**OVERSPEND-** Currently forecasting overspend against approved budget. However, stage 2 funding award approved by SCR - awaiting formal offer to increase budget.
5.9	Nursery Street Acquisition	ECONOMIC GROWTH	-	171	**AWAITING APPROVAL-** Awaiting completion of Capital Approval form by project manager
5.10	Parkwood Scheme	ECONOMIC GROWTH	298	170	**AWAITING APPROVAL -** Budget increase to be brought to November Co-op Executive (funded by SCR)
	Total		5,181	4,430	

6- Key Issues and Risks

Key Issues

Increasing Slippage Across The Programme - As the year progresses it is becoming increasingly clear that budgets and early forecasts completed at Outline Business Case stage have proved overly optimistic, leading to increasing slippage across the programme as either tender periods are longer than anticipated or once contractors are on site revised more realistic programmes of delivery are identified. This is anticipated to increase as the year progresses

- **South West Schools Expansion Funding** - while funding now received for this latest position indicates that this will still leave an SCC contribution required overall estimated now estimated at approx. £1.5m.
- **SEND Places - Immediate** shortfall of places (Sept 21) to be addressed by £2m funding allocation and a revenue provision. However, medium to long term review indicates increasing pressure on places but no identified funding strategy. Estimate is for £30m required for next 5 years. With approx £6m required to develop places for September 22. Funding now agreed for 50% of Sept 22 shortfall with remainder still to be identified. Alternative is higher costs of independent provision, already in short supply.
- **Broadfield Road Junction Scheme -** Latest information suggests scheme is not deliverable withing current budget which will create pressure either through increased costs or potential repayment of funding if not progressed.
- **Transforming Cities Fund - City Centre Scheme -** Decision on future of scheme could put additional pressure on corporate resources due to changes required to dependent schemes such as Future High Streets Fund and City Centre Safety Measures

Key Risks

Key risk areas -

Schemes funded via time limited grants
- **Get Britain Building Funded Projects -** Pocket Park HOCII (£4m) - Deadline 31/03/22 - slippage already forecast - confirmation required from SCR that deadline can be extended.
- **Active Travel Fund** - Sheaf Valley Cycle Route (£2.3m) - Deadline 31/03/22
- **LAD II Green Homes Grant** - Approx. £3m of work to be delivered before 31 March 2022 (Deadline extended)- already supply chain and contractor availability issues identified. Tender returns on SCC/SYHA element of contract higher than available grant. Private Sector works not progressed due to issues over contract with E.on
- **Public Sector Decarbonisation Grant Schemes** - £1m of work to be complete before 30th December 2021 - already supply chain and contractor availability issues identified. Also tender returns higher than amount granted. Negotiations required around value engineering and with funder as to whether this is acceptable.
- **Transforming Cities Fund -** Up to £67m programme currently not deliverable by March 2023 deadline - Indications are now that this deadline will we extended as a result of City Region Sustainable Transport Settlement Fund

High levels of inflation and supply issues re: construction materials - could have a significant impact on cost and delivery timescales of capital schemes. Could also lead to increased contractor disputes.

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