May 2021

CAPITAL OUTTURN REPORT 2020/21

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Sheffield City Council

1 INTRODUCTION

A succinct summary of the report content and conclusions

1.1 Purpose of report

Capital spending pays for buildings, roads and council housing and for major repairs to them. It does not pay for the day-to-day running costs of council services. We strive to use our capital monies to make the biggest possible positive impacts upon Sheffield people's lives.

Our capital spending falls under nine priority areas:

- Growing and inclusive economy
- Housing investment
- People: capital and growth
- Transport
- Cleaner, greener, safer
- Heart of the City II
- New homes
- Green and open spaces
- Essential compliance and maintenance

Further details on each of these priorities are contained in our Capital Strategy.

In March 2020, Cabinet approved a capital programme budget for the financial year 2020/21. This Outturn Report sets out how we delivered against the 2020/21 approved budget, including:

- levels of actual spend that occurred throughout 2020/21 (sections 2 and 3)
- key projects which underspent and the reasons for this (section 4)
- key projects which overspent and the reasons for this (section 5)
- levels of slippage and the reasons for this (section 6)
- how the capital programme is funded and how these resources have been spent (section 7)
- actions we are taking to improve our performance (section 8).

A Glossary is included at section 9 to promote a clear, shared understanding of financial and project terminology.

1.2 Headline conclusions

Against the challenging backdrop of COVID-19, the Council has continued to ‘keep the wheels turning’, ensuring a decent throughput of work to support our local economy – both contractors and suppliers.

The pandemic has undoubtedly had an impact on what we’ve been able to deliver. We’ve seen sharp rises in some material prices, with some items in very short supply with long lead-in times. The requirement for contractors to work safely with social distancing has led to increased costs on some projects. We’ve done our best to mitigate the impacts of these challenges and will continue to do so as we emerge from the pandemic and continue the work to rebuild and renew our City.

Whilst there continues to be slippage on the capital programme, we have maintained our clear distinction between delivery slippage and re-profiling (as set out at section 6). This has helped to highlight where variations against budget are the result of timely strategic decisions rather than failure of delivery. Use of this analysis will continue alongside our continued monitoring and critical challenge of unrealistic budget profiles. We want to deliver a robust capital budget with minimal variances, even in these challenging times.

The good news is that the great majority of slippage is accounted for by a small number of projects with relatively high levels of slippage, which were largely beyond our control. These are set out later at section 3.2. This gives us – and Sheffield people - reassurance of our ability to spend money ‘to profile’ - how we expected we would.

That said, there is no room for complacency. The Council will continue to make ongoing improvements to its processes and governance to minimise slippage in the capital programme. We anticipate that 2021/22 will be a challenging period for us as prices rise and supply chains come under strain. We will have to work effectively across the City – and wider region – to continue to maximise our impact on Sheffield’s recovery and make a real difference to Sheffield people’s lives.

Phil Moorcroft | Damian Watkinson
Commercial Business Development Team | Finance and Commercial Services
May 2021

2 KEY FACTS

Key high-level budget and expenditure information

2.1 Budget and expenditure headlines

(a)	Approved capital programme budget for 2020/21 at 31 March 2020 (Month 1)	£224.2m
(b)	Approved capital programme budget for 2020/21 at 31 December 2020 (Month 9) – the latest report to Cabinet	£210.8m
(c)	Approved capital programme budget for 2020/21 at 31 March 2021 (Month 12)	£148.1m
(d)	Actual expenditure against the revised budget of £148.1m	£122.6m

2.2 Reasons for budget changes between Month 9 (b) and Month 12 (c)

These approved capital budgets were reduced by £62.7m between the end of December 2020 and March 2021:

		2020/21
(b)	Month 9 approved budget	£210.8m
(e)	Reprofiling	-£12.2m
(f)	Slippage	-£39.2m
(g)	Additions	£1.1m
(h)	Variations	£-12.3m
(c)	Month 12 approved budget	£148.1m

The key projects which had in-year budget changes at (e) to (h) above (and were approved by Cabinet by March 2021) are:

Reprofiling (e)		Slippage (f)		Additions (g)		Variations (h)	
Brownfield Sites Acquisitions	-£4.3m	Heart of The City II	-£18.7m	Ponds Forge Investment	+£0.8m	Annualised capital interest - Heart of the City II	+2.2m
Council Housing Temporary Accommodation	-£3.7m	Housing Growth Programme (Phase 4 Adlington OPIL and Phases 10/15 Daresbury/ Berners/Gaunt)	-£8.3m			Changes to Housing Programme Block Allocations resulting from annual refresh	-£14.4m
Council Housing Communal Areas Block Allocation	-£2.4m	Housing Investment Programme	-£4.1m				
Regional Loans Funding	-£0.7m	Transport Programme (CAZ Works, Clean Bus Technology, Parking Schemes)	-£5m				
Schools Fire Risk Schemes	£0.9m	City Centre Safety Works	-£0.8m				
		Pipworth Primary School Structural Works	-£0.7m				

Further detail is set out at sections 3-5 overleaf.

3 PERFORMANCE BY PRIORITY AREA

A summary of expenditure against budget at Month 12

3.1 Year-end net slippage figures

The overall outturn of expenditure against the approved budget of £148.1m budget was £122.6m. The table below summarises the outturn expenditure by Priority Area, categorising variances against budget.

Year-end net slippage - the aggregate of Slippage and Accelerated Spend - totalled £20.3m. This represents 14% of the approved Month 12 budget.

Portfolio	Approved Expenditure Budget	Expenditure 31/03/21 (Qtier)	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Percentage Year End Net Slippage
GROWING & INCLUSIVE ECONOMY	8,862,920	7,044,186	1,818,734	876,727	-	(372,253)	-	1,384,886	(70,626)	6%
ESSENTIAL COMPLIANCE & MAINT	9,481,898	6,452,949	3,028,949	2,712,742	-	(18,895)	(2,222)	337,323	(0)	28%
GREEN & OPEN SPACES	1,999,863	625,289	1,374,574	1,113,028	208,314	(24,566)	(4,349)	6,604	75,544	54%
HEART OF THE CITY II	41,736,655	34,337,408	7,399,247	7,459,456	-	(105,337)	(125,661)	170,789	-	18%
NEW HOMES	25,028,167	21,718,178	3,309,989	1,396,906	2,314,661	(431,578)	-	-	30,000	4%
HOUSING INVESTMENT	17,825,515	15,933,765	1,891,751	2,222,993	128,690	(605,167)	-	145,235	0	9%
ICT	1,446,873	1,446,873	-	-	-	-	-	-	-	0%
PEOPLE CAPITAL & GROWTH	13,694,106	10,206,892	3,487,214	2,345,236	53,176	(3,472)	(463,194)	1,555,467	0	17%
CLEANER GREENER SAFER	16,908,487	16,236,952	671,535	554,415	83,157	(1,700)	-	-	35,663	3%
TRANSPORT	11,128,447	8,582,432	2,546,015	3,189,453	-	(45,710)	(514,289)	42,423	(125,861)	28%
CORPORATE	-	56,986	(56,986)	-	-	-	-	-	(56,986)	0%
GRAND TOTAL	**148,112,933**	**122,641,910**	**25,471,023**	**21,870,956**	**2,787,998**	**(1,608,678)**	**(1,109,715)**	**3,642,728**	**(112,266)**	14%

The highest levels of year-end net slippage were on the Green & Open Spaces (54%), Essential Compliance and Maintenance (28%) priorities and Transport (28%). The reasons for this are set out overleaf.

Green & Open Spaces

- Delays to completion of a funding agreement in relation to Millhouses Cricket Pavilion (£0.3m)
- Delays to delivery of replacement cricket pavilion at Matthews Lane due to increasing costs (£0.4m)
- Delays in delivery of Oxley Park Scheme due to ground conditions and COVID-19 related issues with the supply chain (£0.3m).

Essential Compliance and Maintenance

- Delays in procurement of new vehicles for Transport Fleet for special design vehicles (£1.2m) due to COVID-19
- Slippage in Corporate Buildings Essential Replacement Programme (£0.6m)
- Delay in reinstatement of Bolehills Pavilion due to original design being unaffordable (£0.3m) - new solution now identified.

Transport

- Delay in Broadfield Road Scheme due to delays regarding land acquisition and Environmental permits (£1m)
- Delays in procurement of retrofit technologies by bus operators because of COVID-19 (£0.8m)
- Delay in installation of 7 ultra-low emission vehicle chargers (£0.3m).

3.3 Impact upon the Council's resources

The vast majority of **overspends** were funded from External Grants or contributions. These did not therefore require additional support from the Council's resources.

In relation to **underspends**:

- £1.3m related to expenditure due to be funded by the Disabled Facilities Grant. This will be rolled forward into 21/22 as the backlog of works is urgently addressed
- £0.3m underspend against several Essential Compliance Schemes will provide savings to the Council
- £0.2m savings on Heart of The City funded by Prudential Borrowing will reduce repayment charges in future years.

The remainder relates largely to grant-funded schemes and therefore provides no direct benefit to Council funds.

4 SPEND BELOW BUDGET

A summary of the top ten projects which spent below budget

The table below sets out the ten projects with the highest spend below the approved budget, together with categorisation of the variance and the reason for it.

Portfolio	Scheme Title	Approved Expenditure Budget	Integra Expenditure 31/03/21 (Qtier)	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Comments
HEART OF THE CITY	H HENRYS BLOCK	4,844,009	2,231,837	2,612,172	2,612,172	-	-	-	-	-	Changes to design leading to delay in appointment of construction contractor
HEART OF THE CITY	C PEPPER POT BUILDING	9,081,076	6,491,814	2,589,263	2,589,263	-	-	-	-	-	Slippage in construction programme caused by C19 then further delay due to façade retention and other design issues
NEW HOMES	BROWNFIELD SITE	1,710,367	383,617	1,326,750	-	1,326,750	-	-	-	-	£1.1m plus fees budgeted in December20 for the purchase of Allen Street, but been delayed by Covid. Should complete April/May21
ESSENTIAL COMPLIANCE	TRANSPORT EFFICIENCY 20-21	3,195,437	2,038,870	1,156,567	1,156,567	-	-	-	-	-	Order delays; Special vehicle build delays (tail lifts etc)
TRANSPORT	BROADFIELD ROAD JUNCTION	1,691,417	647,853	1,043,563	1,043,563	-	-	-	-	-	In year forecasting has been difficult due to the uncertainties with land acquisition, environmental issues and EA permits. This has delayed the start on site and subsequent likely expenditure profile. We are progressing and aiming towards starting on site with demolition preparation in January 2021 with actual demolition works commencing late February, early March
NEW HOMES	DEVONSHIRE QUARTER	887,768	1,357	886,411	-	886,411	-	-	-	-	Expecting to pay for the demolition of the church in July20 and for acquisition of the Wallace site but been delayed due to Covid.
HOUSING INVESTMENT	ROOFING REPLACEMENTS PROG	1,202,726	324,972	877,754	877,754	-	-	-	-	(0)	Tendering process delays caused by Covid, and procurement delays due to obtaining bat licences.
GOWING & INCLUSIVE ECONOMY	CULVERT RENEWAL PROGRAMME	1,559,222	699,193	860,029	160,029	-	-	-	700,000	-	The project is due to underspend by approximately £700k, this is due to the majority of the project works being to underground pipework which is difficult to initially assess and therefore a high value risk contingency was included in the initial project costs. Minor works remaining are to remediate subsidence caused by one of the culverts leaking
TRANSPORT	CLEAN BUS TECHNOLOGY	2,386,281	1,588,985	797,297	797,297	-	-	-	-	-	The impact of Covid has led to delays in retrofitting programme. A programme extension until the end of May 21 has been agreed with the funding provider
Total		**26,558,304**	**14,408,498**	**12,149,805**	**9,236,644**	**2,213,161**	**-**	**-**	**700,000**	**(0)**	

5 SPEND ABOVE BUDGET

A summary of the top ten projects which spent above budget

The table below sets out the ten projects with the highest spend above the approved budget, together with categorisation of the variance and the reason for it.

Portfolio	Scheme Title	Approved Expenditure Budget	Integra Expenditure 31/03/21 (Qtier)	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Comments
GROWING & INCLUSIVE ECONOM	WEST BAR COMPULSORY PURCHASE ORDERS	1,246,963	1,603,625	(356,663)	-	-	(356,663)	-	-	-	Compulsory Purchase Orders completed ahead of time.
HOUSING INVESTMENT	HEATING BREAKDOWNS	600,000	951,149	(351,149)	-	-	(351,149)	-	-	(0)	132% increase in breakdown outputs from the previous year. Budget accelerated from future years allocations
TRANSPORT	COVID 19 CITY CENTRE	90,000	419,832	(329,832)	-	-	-	(329,832)	-	-	Time pressure to deliver emergency works and billing issues from contractor resulted in a significant overspend. This has been claimed from the Highways Challenge fund held by SCR
HOUSING GROWTH	COUNCIL HSG ACQUISITIONS PROG	3,748,445	4,064,693	(316,248)	-	-	(316,248)	-	-	-	Accelerated spend due to outputs of 54 acquisitions. Target outputs were 50 acquisitions.
PEOPLE CAPITAL & GROWTH	ACCELERATED ADAPTATIONS GRANT	580,267	822,788	(242,521)	-	-	-	(242,521)	-	-	Higher than anticipated levels of work delivered following initial budget reduction (funded from disabled facilities grant)
TRANSPORT	CHESTERFIELD RD KEY BUS ROUTE	-	125,861	(125,861)	-	-	-	-	-	(125,861)	Underspend on scheme funded by Better Buses from South Yorkshire Passenger Transport requires return of unused funding
PEOPLE CAPITAL & GROWTH	TELECARE/FIRE ALARM EQUIPMENT	350,000	459,455	(109,455)	-	-	-	(109,455)	-	-	Equipment stocks purchased (funded by Disabled Facilities Grant)
HOUSING INVESTMENT	ELECTRICAL STRATEGY	2,500,000	2,605,881	(105,881)	-	-	(105,881)	-	-	0	Budget slipped in December20 based on estimated spend due to Covid delays (access to properties), however work has since accelerated. Programme due to complete in early months of 2021-22
HEART OF THE CITY	PORTOBELLO CYCLE ROUTE	340,136	431,714	(91,579)	-	-	-	(91,579)	-	-	Final charge is an accrual for costs which have now been challenged.
HOUSING INVESTMENT	GARAGE STRATEGY-IMPROVEMENT	274,578	363,984	(89,406)	-	-	(89,406)	-	-	0	Anticipated delay in contract resulted in budget being slipped. However,works were completed to schedule therefore, the 21/22 budget will be reduced and the remainder used to pay the final account and any retentions.
Total		**8,483,427**	**10,245,359**	**(1,761,931)**	**-**	**-**	**(862,684)**	**(773,386)**	**-**	**(125,861)**	

6 SLIPPAGE

A statement of slippage levels for 2020/21 and comparison against previous years

6.1 Why is slippage important?

Slippage impacts not only our financial position, but also the services we provide:

- **Reputational damage** – if projects are not delivered as publicised, this can cause both internal and external damage to the Council's reputation. It means we haven't been able to deliver what we planned for Sheffield residents.
- **Financial planning** – inaccurate profiling makes it difficult for us to plan new investments and determine our borrowing requirements.
- **Revenue budget** – whilst slippage can have a positive effect through reducing our borrowing costs, it can also increase our costs when capital investment should result in reduced revenue running costs which are then delayed. There is also the risk that interest rates could rise in the intervening period, increasing our borrowing costs.
- **Construction inflation** – project delay can lead to increased tender costs as time progresses in a growing market. This is an increasing risk as supply chains and working practices are impacted by COVID-19 and other pressures.
- **Ancillary costs and consequential works** – delays to, for example, new school buildings can result in temporary accommodation being required at additional cost and disruption. Delays to planned maintenance can cause additional costs for short-term revenue repairs and increase the cost of the capital replacement in the longer term due to asset deterioration and the urgency of the repair.

Continually reducing the levels of slippage in the capital programme is a key priority for the Council. Spend on delivery demonstrates that projects are being delivered on the ground for the benefit of our residents. The pandemic has undoubtedly placed unprecedented pressures on our – and our supply chain's – ability to deliver. We must learn from our experiences this year to minimise the impacts of the pandemic on future years' expenditure.

6.2 What causes slippage?

It's important that we understand why slippage is occurring so we can address it and report on it in a clear and timely manner. Key reasons for slippage include:

- **The COVID-19 pandemic** – some works were unable to progress during lockdown. If works were able to progress on-site with social distancing, sometimes they experience significant delays due to workforce sickness and isolation requirements, changes to working practices and issues with the supply chain and availability of materials. Some of these are likely to persist – and indeed worsen - over the coming months.

- **Delays in planning consent –** this can be lengthy and must follow due process.
- **Timing of third party funding contributions –** slippage can occur when a project is entered onto the capital programme and funding is then delayed.
- **Tender returns and value engineering –** if tender returns exceed budget, this can require a lengthy period of redesign, costing and validation in order to bring a scheme back within budget. This will continue to be a risk as construction inflation is predicted to increase. We will configure our specifications accordingly, but the risk of high tender returns remains.
- **Access issues –** if a delivery window is missed (such as school holidays), this can result in significant slippage until the next available window.
- **Final accounts and snagging –** where these are not resolved in a timely manner, we may need to retain monies for final payments and resolution of defects.
- **Project planning –** optimism bias, and the fact that funding may need to be made available if risks (such as planning consent) do not materialise, can lead to delivery slippage.

We've been taking action to tackle these issues over recent years with good success. We will continually review our performance and respond effectively to emerging threats to maximise the successful delivery of our capital programme.

More detail on the actions we are taking to address these challenges is set out at section 8.

6.3 Historical position

Reducing the levels of slippage in the capital programme is always a key priority for the Council.

In recent years, total slippage (which includes year-end slippage plus in-year slippage) has been on a downward trend. From a high point of 43% in 2012/13, slippage levels tumbled to 24% in 2017/18. This is largely because of the introduction of the 'Gateway Process', which introduced greater rigour and accountability to project governance.

6.4 What is 'slippage'?

In 2017/18, action was taken to confirm the definitions of 'slippage' and 're-profiling' and draw a clear distinction between the two. This makes it easier to understand the difference between us proactively planning and re-evaluating projects and programmes, and responding to events which blow us off course. The helps transparency and clarity when interrogating the reasons behind levels of spend which may change from those originally planned:

- **'Slippage'** relates to spend below budget, which reflects a scheme in delivery falling behind programme. Stakeholders need to understand the reasons for this and take remedial actions to try and bring the project back on track.

- **'Re-profiling'** is the re-allocation of budget between years for projects which are not yet in delivery. Budget allocations are being moved which could be due to a number of reasons. For example, further feasibility work could be required to be undertaken, or further funding sought. Or we could minimise risk to Council taxpayers by splitting a project into a series of projects in order to spread delivery risk, such as on Heart of the City II.

6.5 Our current position

We have used the methodology set out above to compare slippage in 2019/20 to 2020/21. This table summarises the breakdown between slippage and re-profiling, including:

- that authorised in-year as part of the regular approvals process, and
- that occurring at year-end as part of overall planned expenditure.

Maximum authorised expenditure in-year	Expenditure delivered	In-year slippage (£m)	Year-end net slippage (£m)	Total slippage (£m)	Slippage as % of budget
£215.7m	£122.6m	44.0	20.3	64.3	29.8%
		In-year reprofile (£m)	**Year-end new reprofile (£m)**	**Total reprofile (£m)**	**Reprofile as % of budget**
		26.0	2.8	28.8	13.4%

Total slippage for the period 2020/21 was therefore £64.3m or 29.8%. This is an increase of 14.6% from the 15.3% slippage in 2019/20.

What has caused this?

The major contributory factors to the **Year End Net Slippage** figure are set out at sections 3, 4 and 5 above. Key elements of the **In-Year Slippage** are largely identified in the changes between month 9 and month 12 at Section 2.2 above.

A level of slippage is inevitable in any capital programme and, as identified above, key contributors to the figure in 2020/21 have often been factors outside the Council's control. As set out at section 6.2 above, COVID-19 has had a major impact on our ability to get works delivered.

The major contributory factors to the **Year End Net Re-profile** are identified in Section 4.

Key elements of the **In-Year Re-profile** amount were:

- Delay to tender process for new Council Housing Roofing contract (£3.8m) caused by COVID-19

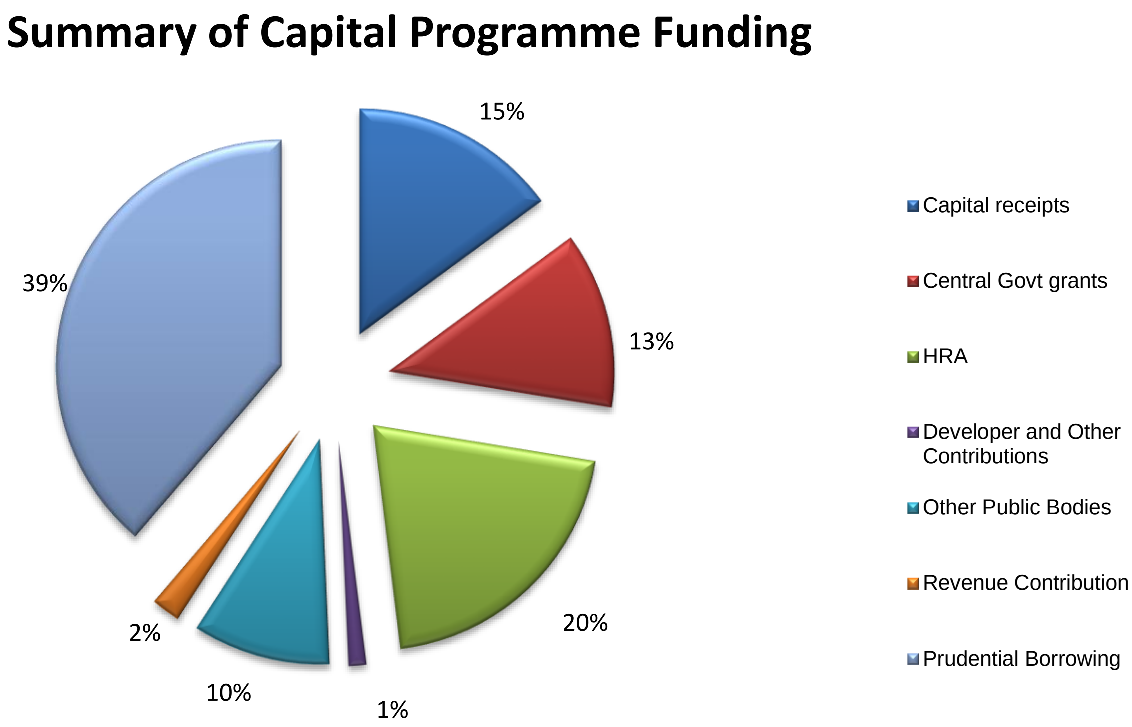
- Identified delays to elements of Heart of The City II schemes prior to commencement (£8.5m) to minimise scheme risks
- Schemes identified as ‘reprofiled’ between Month 9 and Month 12 identified in section 2.2 above.

7 FUNDING AND RESOURCES

How the capital programme is funded; key risks to note

7.1 Breakdown of capital funding

Capital expenditure in 2020/21 totalled £122.6m, broken down in the proportions set out below:



Taking each of the key funding streams in turn:

A Prudential borrowing

The £47.5m of Prudential Borrowing makes up almost 40% of the capital programme. This funds:

- Heart of The City II scheme (£28.2m). Future revenues and capital receipts from developed sites are expected to offset future principal and revenue costs. We keep this under ongoing review.
- Major Sporting Facilities financing arrangements (£13.8m).
- Vehicle Fleet upgrade to improve air quality and reduce repair costs (£4m).
- Investment into regional Superfast Broadband (£1.3m)

B Capital receipts

Expenditure funded by capital receipts (£18.3m) has been directed mainly to investments in existing council housing stock (£3m), investment in Housing Growth (£4.9m), investment in the corporate estate (£1.3m), repayment of Heart Of The City capital receipts to offset previous borrowing (£6.1m) and completion of compulsory purchases as part of West Bar Development (£1.6m)

C Central government grants

The majority of the £15.5m funded by Central Government Grants relates to grants from the Department for Education for the creation of new school places and maintenance of schools' infrastructure (£9m) which included the repayment of corporate cash flow from prior years and Disabled Facilities Grant funded activity (£4m).

However, it should be noted that following the decision to cashflow the creation of new school places in advance of government funding awards has required the use of £6m of corporate resources to date (see section 7.2 below).

The remainder of Government Grant Funding relates to:

- Addressing Social Care Issues through Disabled Facilities Grants (£4m)
- Contributions towards Clean Air Targets (£3m)
- Contribution to flood alleviation works (£0.6m)

D Housing Revenue Account (HRA)

The HRA is the account in which a Council's housing revenue (e.g. tenants' rent) and housing costs (e.g. property management and maintenance) are kept. It is separate from the General Fund. In total expenditure of £25.1m has been incurred on the maintenance of Council housing stock and part funding the construction of new council housing.

E Other Public Bodies

These contributions totalling £12m are made up of:

- various grants from non-departmental government bodies (£7.7m) such as the Environment Agency in respect of flood alleviation schemes, and Homes England in relation to Affordable Housing Grants.
- Sheffield City Region grants (£3.8m) which includes Sheffield City Region Investment Funding for the Upper Don Valley Flood Scheme, Transforming Cities Transport Funding and Local Transport Plan Funding.

7.2 Key risks

COVID-19 and rebuilding from the pandemic

The full impact of the COVID-19 outbreak will not become apparent for some time. However, some key potential risks in relation to the capital programme have been preliminarily identified:

- Increase in scheme costs on projects in progress – possible compensation payments for delay and increased costs resulting from socially-distant ways of working and, most importantly, price increases of materials.
- Reduced overall investment capacity - costs of tendered works are likely to be inflated to accommodate risk and supply chain issues.
- Lack of interest in our tender opportunities - smaller contractors may struggle to source materials due to relative lack of purchasing power and therefore not tender; larger contractors are likely to become more selective when deciding which tender opportunities to prioritise.
- Delays to schemes due to inability to source materials.
- Increased disputes due to cost increases incurred since the scheme was tendered.
- Weakened economy may impact negatively upon level of capital receipts required to fund some schemes.
- Delays to schemes may jeopardise time-limited funding streams if funders are unwilling to offer flexibility on these.
- Levels of grant funding may fall, and central government may change its investment priorities.
- The full extent of the changing landscape relating to retail, ways of working and transport has yet to crystallise.

Careful monitoring of the situation on key contracts and negotiations with funders will be undertaken to quantify and mitigate these risks. We will also keep our proposed projects under review to enable us to respond swiftly to the changing landscape and funders' emerging priorities. However, there is little we can do to increase material supplies or limit cost increases. We will have to accept these risks and plan accordingly as the fuller picture emerges.

School Places Expansion Programme

In July 2017, Cabinet approved the principle of cash-flowing the required **Schools Places Expansion Programme** in advance of receipt of funding allocations from Central Government.

Based on best estimates of future grant allocations, it was anticipated that approximately £22.2m of cashflow resources would be required in 2018/19. These would be repaid by future grant allocations by 2021/22.

A lower than anticipated settlement from Central Government for 21/22 was forecast to leave a shortfall in the repayment of corporate cashflow of £3.9m. However, following the identification of further pressures on school places in the city, the DfE advanced an allocation of future years funding to the council during 20/21. While this has allowed the immediate repayment of the corporate cashflow, it is anticipated a further corporate contribution will be required in future years.

8 IMPROVING OUR PERFORMANCE

Key actions we have taken to date and proposals for future improvements

Building upon the causes of slippage set out at section 6, we have taken and will continue to take steps to minimise the risk of slippage on the capital programme:

Only fully-funded projects can enter the capital programme

Slippage can occur when a project is entered onto the capital programme and funding is then delayed. Only fully-funded schemes can enter the capital programme.

Full project values will only be added to the capital programme following Gateway 2 approval

This removes the risk of high project values being added to the capital programme at feasibility stage, when there is a higher risk of delay and the project has not been fully scoped.

Ongoing challenge and support for project managers' forecasting

Project managers are challenged every month on their highlight reports and forecasts to continually improve their performance and ensure we have timely and accurate management information.

Improved reporting

A snapshot monthly monitoring report is produced, highlighting key areas of under and over spend, together with levels of forecasting, spend trends and key risks and issues. This is shared with senior officers and Members to enable appropriate and timely actions to be taken.

Constructive challenge of business cases

The work of the Business Case Review Group continues, providing an initial quality assurance filter for business cases prior to their submission to programme groups for consideration. This group includes representatives from Finance and Commercial Services and the Capital Delivery Service to ensure a joined-up approach to the financing, procurement and delivery of a project. This is particularly important at the moment with the delivery and cost challenges posed by the COVID-19 pandemic.

Revisiting business units to distinguish slippage from re-profiling

Entire project values are no longer added to the capital programme until a contract has been awarded and we have confidence that it will progress. Where projects are split into phases, future phases will not be added to the programme at the outset of phase 1.

Revisiting our investment priorities

Working with colleagues in across the Council, we are working with elected Members to ensure our investment priorities are clearly articulated and meet the City's changing needs as we rebuild from the pandemic.

Tackling delivery risks

Work with statutory undertakers is ongoing to minimise delays and unnecessary costs.

More effective working with strategic partners

We continually challenge our operational processes when commissioning 'non-core' highways works through our strategic partner, Amey. There is always scope to improve these and reduce levels of slippage on elements of the Transport capital programme.

9 GLOSSARY

Definitions of key terminology

Slippage	For projects which are in delivery. Actual spend is below the level forecasted by the project manager. The logical conclusion is that the delivery of the project is falling behind programme.
Re-profile	For projects which are not yet in delivery. Preliminary budget allocations are moved to better reflect how we anticipate a project will be delivered as feasibility progresses and risks identified, quantified, and mitigated.
Accelerated spend	Spend which is taking place sooner than anticipated – i.e. ahead of profile. This does not mean that the project will overspend.
Overspend	Spend more than approved budget. Further monies are required to complete the project.
Underspend	A saving. We have spent less to deliver the project than we anticipated, and the saved funds can be diverted to other projects (or returned to the funder).
Internal adjustment	An accounting treatment applied at the end of an accounting period to bring balances up to date / virements between budget allocations.
Net slippage	The overall level of slippage remaining when accelerated spend or overspend has been deducted from the levels of slippage.
Variance	Where a level of spend or timescale is not in accordance with that originally forecasted.
Forecasting	A process undertaken each month by Project Managers to set out the anticipated profile of spend on each project. Reasons for changes are included in the Highlight Report.

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