

## Appendix 1

### CAPITAL PROGRAMME MONITORING AS AT JANUARY 2023

Policy Committee: Housing

#### 1 - Programme Summary

The table below summarises the overall position over the life of the capital programme difference between the budget. The overall forecast underspend reflects that forecasts are being made against the revised capital programme to be ratified as part of the new HRA Business Plan in February.

	2022/23 (FY)	2023/24 (Y1+)	Future Years (2024/25+)	All Years
Current Approved Budget	72,693	110,964	477,390	661,047
Current Forecast	62,320	116,447	409,142	587,910
Variance	-10,373	5,482	-68,247	-73,138

#### 2 - Programme Life Overspends

The table below summarises the 10 projects currently forecasting to over spend against their approved budgets for the life of the scheme potentially requiring mitigations or additional funding

Business Unit	Total Budget	Variance on Total Budget	Explanation
Q0080 Enveloping & External Work	7,689,684	28,123,154	
97571 SIP - Gaunt Road GN	6,515,129	4,051,608	No revised OBC submitted, but Budget Variation paper submitted to Housing Growth Board indicating project could be £9-£11M depending on outcome of VE and Risk reduction. Approval given to proceed with further design development and project pricing. Approval to proceed with Project will be subject to further FBC approval. Outturn Forecast indicates overall project cost at £11M. Although soil engineering exercise was successful and opportunities accepted, current levels of inflation and introduction of requirements to meet new Building Regulation could increase cost even further - to be confirmed.
97551 Council Hsg Acquisitions Prog	52,325,844	4,040,840	The current forecast is for an overspend of £901K. This is as a result of the purchase of 13 strategically important 4 bedroom homes at nearly double the budgeted amount as well as increasing property purchase costs in the Sheffield market. There is a reduction in the forecast overspend from last period due to the uncertainty around completion dates. It is anticipated that the same number of acquisitions will be completed but some are likely to slip into 23/24.
97578 SIP Bole Hill GN	5,407,000	1,306,002	Additional cost variance reflects the forecast additional costs to the approved budget following receipt of the latest revised cost plan for the project and the confirmation of the demolition. CAF Variation not expected to be submitted until approval obtained to proceed to tender at this cost level.
97564 SIP Daresbury & Berners GN	12,606,643	1,157,788	Forecast total cost reflects anticipated Final Account figure and additional cost required extra to approved budget noted as a variance. CAF Variation submitted at end of Jan 23 to reflect additional budget required. 11 units handed over to date and a further 18 units expected by the end of March 23. Current anticipated delivery of final 26 units expected in May, June and July 2023. SCC currently working with Homes England to formally slip outstanding funding for remaining 26 units into 23/24 financial year. Minimal risk as approval will allow 95% of grant to be claimed in 22/23, prior to completion in 23/24.
97444 General/RTB Acquisitions Chs	8,592,153	818,940	The forecast is for £338,104 to be slipped to 23/24. This is as a result of a decision to procure a separate contract for this work.
97480 Single Staircase Tower Blocks	10,222,003	725,833	Extract from latest Cost Report (February 23) ... The overall expenditure is £725,833 more than the current approved amount. The Contract Administrator has notified the client of the expected overspend. The main reasons for the change since the last report are as follows: 1) The Contractor has provided quotations for a number of variations, the value of these have been included in full. 2) Further to the previous cost report a number of variations have now been verified and the values agreed with the contractor, these values have been updated in this Report. The Contract Administrator has notified the client of the expected overspend and it has been agreed that a full assessment is completed in March and a submission will be made to the housing board for additional funding to complete the required works.
97338 Programme Management Costs RtB	7,404,649	637,000	
97586 SIP Fraser Road Move on Provision Ph1	987,400	435,144	FBC approved at the sum of £1.4m, as per total budget plus variance reported. Final contract sum negotiations still ongoing with additional costs anticipated but expected within current contingency allowance. CAF variation unable to be formally submitted until the HRA Business Plan is approved. CAF variation submission for additional £435k expected end of Feb 23.
97470 Adaptations 2020-25 Contract	10,894,500	321,168	The January valuation £265k has been issued. Moving forward, this costs will reflect the agreed inflationary uplift to the contract from October 1st 2023, including the back pay as per December 2022 application. Present internal forecasting by SCC is being undertaken presently to manage the remaining budget going forward and a report is being prepared for Housing and Neighbourhood Services in March regarding the forecast overspend. Due to this, bi-weekly contract meetings have been set up with the contractor to closely monitor the emerging situation. The overspend forecast due to the contractually agreed uplift and inflation rise seen post Covid-19 along with the improved performance of the contractor and their outputs per month. The average forecast spend profile for the remaining months will continue to increase against historical profiles, however, the report being compiled for Housing and Neighbourhoods will highlight the options available at this time.
Total (Of Top 10 Listed)	122,645,005	41,617,478	

#### 3 - Current Year to date and Forecast Outturn Position

The current year forecast indicates an underspend against budget of £10.4m. The key projects making up this figure are analysed in sections 4 and 5 below.

Year-To-Date			Full Year		
Actual	Budget	Variance	Forecast	Budget	Variance
48,995.7	60,655.0	-11,659.4	62,320.5	72,693.2	-10,372.8

#### 4 - Top 10 Forecast Slippage against Full Year Budget

The schemes below represent the 10 largest underspends against budget in the current financial year. This does not necessarily mean a project is underspending; in most cases expenditure will have slipped into future years. Explanations of variances are drawn from the Capital Highlight Reports completed by project managers.

Business Unit	FY Budget	FY variance on budget	Explanation
97587 SIP Handsworth Road GN	4,733,000	-4,263,000	Negotiation of the contract with the developer has taken longer than expected due delays related to both parties. From a Council perspective, this additional time was required to ensure we have a contract that manages risk to the Council, as well as to ensure that we could agree the specification extras which will bring the development more in line with the Council specification across a number of important areas. Current supply chain issues within the construction sector have led the developer to review the delivery programme to ensure that it remained realistic/ deliverable. As such, the revised contractual Long Stop Date is now 30th June 2023. CAF variation to reflect budget slippage in system, awaiting approval. Overall project budget on track, subject to success of AHP bid resulting in no SDLT liability. Once AHP bid is submitted/ confirmed, some variation between 'budget headings' required in order to account for higher cost of 'specification extras'.

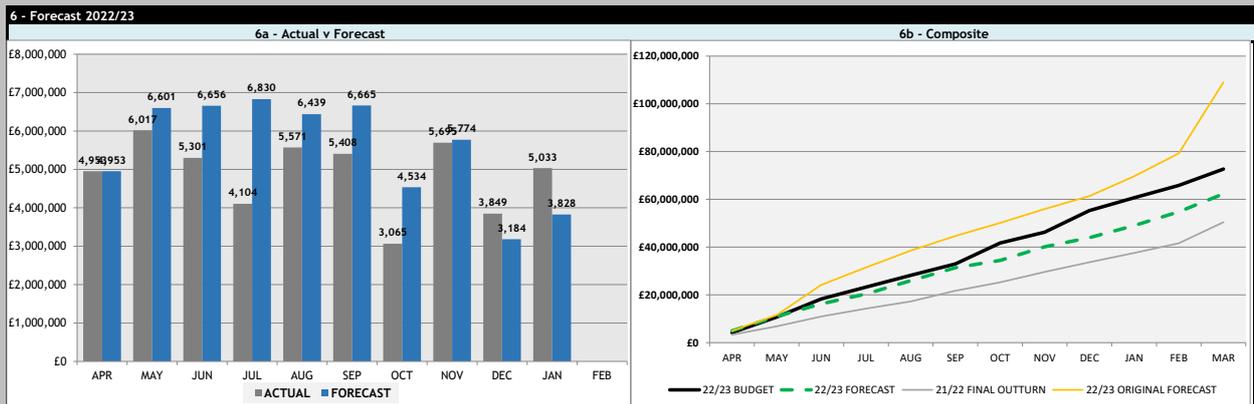
97585 SIP Corker Bottoms GN	3,800,000	-3,780,000	£3,800,000 is the majority of the 50% deposit to be paid to SHC on contract signing. The delay with the project has meant that the deposit has been reprofiled into 2023/34
97572 SIP Newstead Enabling Works	4,417,604	-1,293,960	The final spend for Enabling Works is £4,278,409, an underspend of £1,146,204 against approved budget due to anticipated risk allowances not being required. It is proposed that the remaining funds are held in the contingency until a decision is made regarding the next phase of the project as funds may be required to help fund the next phase. The scheme is therefore currently forecasting to budget and the underspend in year of £1.3m reflects slippage required into next financial year when remaining funds may be spent.
97475 Elemental Refurbs 2021-26	2,509,726	-800,062	A number of empty properties have required extensive repairs and structural works increasing the average unit costs at this early stage of the contract. The cost of materials and labour has risen by circa 28% impacting on project costs, The ability of the contractor to engage with subcontractors at tender rates has been extremely challenging. Although the overall number of completed properties remains low, so does current spend with a predicted slippage of around £800k in 2022/23. The average cost of a void property is higher due to the excessive scope of works to each property. It is anticipated that this issue will ease from April 2023 to project completion. The Contractor is currently completing roofing works to properties previously opened by Avonside, prior to them entering into administration. The cost of this work is currently being charged to the Elementals project. However these costs will be recharged to the Pitched Roofing program once roofing work is completed (anticipated in February 2023) . The expenditure against the Elementals project will show a higher than expected expenditure initially due to this, however this expenditure will be journalled to the Pitched roofing project on completion of the roofing works.
97993 Lad 2 Private Sector Works	2,597,307	-689,089	The main reason for the underspend was due to lack of time. In particular, despite the scheme ending 30th Sept '22, BEIS closed all new applications in Mar '22 with the remaining 6 months dedicated for works only and no new lead generation. A request for an extension for new applications was made, but this was denied. The challenge was the number of homes that 'fell' out of the process, mostly due to i) property unsuitable ii) Ineligible iii) decided not to proceed. We needed an ongoing stream of new leads to replace these. Had we been allowed to target new applicants after Mar'22 it is likely we would have been very close to the target spend
97968 Lift Replacements	500,000	-412,000	We are planning a series of surveys on numerous sites around the city including the installation of fire safe lifts that stop at every floor level in high rise blocks. The costs are for consultancy and feasibility works. There has been a delay in the procurement process and therefore the project budget is proposed to be slipped into 2023/24  •43 x low rise blocks studies £88K •2 X studies at Wentworth block and Elm Tree £3440.00 •An additional fee of £88K on further addresses to follow.
97444 General/RTB Acquisitions Chs	435,027	-338,104	The forecast is for £338,104 to be slipped to 23/24. This is as a result of a decision to procure a separate contract for this work.
97469 Fire Suppression Systems	332,085	-272,037	Variance of £5,835 to be carried forward to 2022/23. Fees slightly behind profile due to impact of scope change (OPIIL to OPIIL + GN). We are still waiting for CDS to progress with the tender for the next phase of this project. This is expected in May/ June 2022. This project is now commencing as per programme. No variation/slippage reported as yet. Slippages may be recorded, as this project will be delivered on a request basis (when a resident requires the misting system installing, as a result of a person centred risk assessment or SYFR referral). These systems are installed on an 'as and when required' basis, i.e. when an individual is assessed and is considered as unable to self-evacuate, via a person-centred risk assessment. There hasn't been a consistent trend of applications. In previous months, data from the previous year has been used to forecast the delivery over the two months.
97994 Ps Homes Upgrade Grant (hug)	681,816	-271,821	The spend and outputs have been revised down based on the project progress to date. This is based on 50 completions and £410k spend, down by 38 properties and £266k spend The variation reflects the current project position which is behind against the target profile. The primary challenge has been generating a sufficient number of leads. We will continue to work hard through the remainder of the project to recover this
97991 Lad 2 Council Housing Works	1,418,366	-217,504	The contract value is forecasting an underspend of approximately £200k.. The underspend is explained by the fact that a number of properties have been omitted from the programme due to fewer works being required than originally anticipated and due to a lower number of outputs delivered subsequently.
<b>Total (Of Top 10 Listed)</b>	<b>21,424,931</b>	<b>-12,337,576</b>	

#### 5 - Top 10 Forecast Overspends over Full Year Budget

The schemes below represent the 10 largest overspends against budget in the current financial year. Explanations of variances are drawn from the Capital Highlight Reports completed by project managers.

Business Unit	FY Budget	FY variance on budget	Explanation
97551 Council Hsg Acquisitions Prog	7,152,240	901,024	The current forecast is for an overspend of £901K. This is as a result of the purchase of 13 strategically important 4 bedroom homes at nearly double the budgeted amount as well as increasing property purchase costs in the Sheffield market. There is a reduction in the forecast overspend from last period due to the uncertainty around completion dates. It is anticipated that the same number of acquisitions will be completed but some are likely to slip into 23/24.
97464 Roofing Replacements Prog	3,736,226	505,060	Work is underway with the appointed administrator to finalise liabilities to the Avonside contractor (outstanding payments for works completed minus incurred costs). Properties which were part completed or required works for making good defects have been undertaken by the Elementals contractor and all roofs that were partially completed have now been completed. Ongoing defects identified until September 2023 will be undertaken by the elementals contractor. Work has started on reviewing and developing the scope and procurement plan for the remaining properties that were originally included in this contract. Approvals for the next phase will be submitted through a new BC once the programme and leaseholder consultation has been planned.
Q0087 Stock Increase (chs)	0	370,000	This cost variation represents the draw down of £370k required from the Q-number that was previously allowed within the SIP budget to cover an anticipated Daresbury & Berners CAF Variation. This money will therefore be used to part fund the Daresbury & Berners CAF variation that was submitted at the end of Jan 23 and is awaiting approval.
97470 Adaptations 2020-25 Contract	2,964,657	321,168	The January valuation £265k has been issued. Moving forward, this costs will reflect the agreed uplift to the contract from October 1st 2023, including the back pay as per December 2022 application. Present internal forecasting by SCC is being undertaken presently to manage the remaining budget going forward. Due to this, bi-weekly contract meetings have been set up with the contractor to closely monitor the emerging situation. The overspend forecast due to the contractually agreed uplift and inflation rise seen post Covid-19 along with the improved performance of the contractor and their outputs per month. The average forecast spend profile for the remaining months will continue to increase against historical profiles, however, the report being compiled for Housing and Neighbourhoods Service will highlight the options available to us at this time.
97560 SIP Newstead OPIIL	1,100,711	282,682	Forecast overspend on in-year budget is an error. No Financial Year overspend is anticipated. This error will be corrected asap.

97477 Electrical Upgrades Ph 2	4,143,031	259,569	The year end forecast is £4.4m including fees, the current average price per property continues to be higher than the estimate average cost per dwelling based on the contract tender sum, which if this continues to be case for the duration of the project it will lead to either a decrease in the outputs that can be achieved or will require an increase in the budget for the project.
97466 Capitalised Repairs	501,864	250,000	
97586 SIP Fraser Road Move On Provision Ph1	679,805	161,040	FBC approved at the sum of £1.4m, as per total budget plus variance reported. Final contract sum negotiations still ongoing with additional costs anticipated but expected within current contingency allowance. CAF variation unable to be formally submitted until the HRA Business Plan is approved. CAF variation submission for additional £435k expected end of Feb 23, including updated spend forecast and financial movements within years as required.
97338 Programme Management Costs Rtb	377,000	143,000	These costs depend on how many RTBs are processed at £1,300 per property and therefore can vary.
97480 Single Staircase Tower Blocks	6,453,905	138,330	Extract from latest Cost Report (February 23)... The overall expenditure is £725,833 more than the current approved amount. The Contract Administrator has notified the client of the expected overspend. The main reasons for the change since the last report are as follows: 1) The Contractor has provided quotations for a number of variations, the value of these have been included in full. 2) Further to the previous cost report a number of variations have now been verified and the values agreed with the contractor, these values have been updated in this Report. The Contract Administrator has notified the client of the expected overspend and it has been agreed that a full assessment is completed in March and a submission will be made to the housing board for additional funding to complete the required works.
<b>Total (Of Top 10 Listed)</b>	<b>27,109,438</b>	<b>3,331,874</b>	



Slippage in the capital programme has been a recurring issue therefore monitoring has been put in place to analyse the accuracy of forecasting. Graphs at 6a compare the actual expenditure incurred in each month with the forecast expenditure for that month. As can be seen expenditure lags behind forecasts most months indicating over optimistic budgets and forecasting. Project managers are requested to review accuracy of forecasts.

The graph at 6b compares the original forecast for the current financial year with the current approved budget and forecast, with the prior year final outturn position provided for reference. As can be seen the current forecast outturn has fallen significantly from that originally anticipated and a recent exercise was undertaken to align budgets more closely to this.

**7 - Key Issues and Risks**

**7a) Key Issues**

**7b) Key Risks**

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. This is having significant impact across all New Build schemes

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