May 2022

CAPITAL OUTTURN REPORT 2021/22

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Sheffield City Council

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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.

Last year, our capital spending fell 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 May 2022 we moved to a committee system of governance, and priorities have been realigned. Next year's reporting will therefore reflect these new priorities.

In March 2021, Cabinet approved a capital programme budget for the financial year 2021/22. This Outturn Report sets out how we delivered against the 2021/22 approved budget, including:

- levels of actual spend that occurred throughout 2021/22 (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

As the initial impact of the COVID-19 pandemic subside, we are left with a legacy of challenging supply chain issues, rising prices, and a surfeit of work. Throughout the pandemic, the Council 'kept the wheels turning', ensuring a decent throughput of work to support our local economy – both contractors and suppliers. But we now face a new set of challenges as we deal with rising inflation and the impact of the war in Ukraine.

The pandemic and the war have undoubtedly had an impact on what we've been able to deliver. We are feeling these impacts today and will do so for some years to come. We've seen sharp rises in some material prices – in some cases over 50% -with many items in very short supply with long lead-in times. Contractors are struggling to recruit labour. The release of pent-up demand means they can be selective which jobs they tender for, and on what terms. We've done our best to mitigate the impacts of these challenges and will continue to do so as we 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 2022/23 will be no less challenging for us as prices rise, supply chains struggle and labour shortages bite. 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 2022

2 KEY FACTS

Key high-level budget and expenditure information

2.1 Budget and expenditure headlines

(a)	Approved capital programme budget for 2021/22 at 31 March 2021 (Month 1)	£222.8m
(b)	Approved capital programme budget for 2021/22 at 31 November 2021 (Month 8) – the latest report to Cabinet	£267.0m
(c)	Approved capital programme budget for 2020/21 at 31 March 2022 (Month 12)	£193.8m
(d)	Actual expenditure against the revised budget of £193.8m	£151.03m

2.2 Reasons for budget changes between Month 8 (b) and Month 12 (c)

These approved capital budgets were reduced by £115.97m between the end of November 2021 and March 2022:

		2020/21
(b)	Month 8 approved budget	£267m
(e)	Reprofiling	-£25.4m
(f)	Slippage	-£53.4m
(g)	Additions	+£4.9m
(h)	Variations	£+0.7m
(c)	Month 12 approved budget	£193.8m

The key projects and programmes which had in-year budget changes at (e) to (h) above (and were approved by Cabinet by March 2022) are:

Reprofiling (e)		Slippage (f)		Additions (g)		Variations (h)	
New Homes and Council Housing Investment Annual Programme Refresh	-£23.2m	Heart of The City II Programme	-£21.1m	Purchase of Housing at Corker Bottom	+£3.8m	Annualised capital interest - Heart of the City II	+2.5m
Future High Streets Fund (Public Realm and Front Door Intervention schemes)	-£1.5m	New Homes and Council Housing Investment Annual Programme Refresh	-£16m	Town Hall Square Animation Scheme	+£0.3m	Corporate Adjustment re: Grant Payments	+£4.7
Broadfield Road Junction Scheme	-£0.6m	Transport Programme (Clean Air Zone £2.8m, Broadfield Road £1.5m)	-£5.8m			Changes to Housing Programme Block Allocations resulting from annual refresh	-£6.3m
		Economic Growth Programme (Upper Don valley Flood £2.2m, West Bar CPO scheme £1.8m)	-£4.6m				
		People Capital Programme (Astrea Sports Pitch £1m, Aldine House Extension £1m)	-£2.9m				
		Green and Open Spaces Programme	-£1.3m				

Further details are 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 £193.8m was £151.03m. 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 £28.3m. This represents 15% of the approved Month 12 budget.

Priority	Approved Expenditure Budget	Expenditure 31/03/22 (Qtier)	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Percentage Year End Net Slippage
GROWING & INCLUSIVE ECONOMY	8,885,542	7,109,886	1,775,656	2,056,141	29,896	(98,000)	(2,000)	1,200	(211,582)	22%
ESSENTIAL COMPLIANCE & MAINT	4,934,023	3,305,852	1,628,171	946,869	172,478	(29,535)	(22,537)	608,176	(47,280)	19%
GREEN & OPEN SPACES	2,658,684	2,078,586	580,097	362,106	233,007	(26,760)	(12,231)	23,974	0	13%
HEART OF THE CITY II	55,678,756	42,807,189	12,871,567	12,843,655	-	-	(4,061)	31,973	-	23%
NEW HOMES	45,600,496	28,436,802	17,163,693	4,840,696	12,138,573	(31,805)	(7,376)	3,066,267	(2,842,662)	11%
HOUSING INVESTMENT	26,069,840	22,327,197	3,742,643	3,165,049	144,838	(384,699)	(268,955)	907,328	179,082	11%
PEOPLE CAPITAL & GROWTH	18,096,993	15,719,969	2,377,025	1,821,558	1,048,374	(62,967)	(2,367,944)	1,967,013	(29,010)	10%
CLEANER GREENER SAFER	19,555,017	18,495,370	1,059,647	987,924	57,157	-	-	4,566	10,000	5%
TRANSPORT	7,614,406	6,045,243	1,569,163	2,072,118	54,254	(150,068)	(448,408)	17,545	23,722	25%
CORPORATE*	4,707,441	4,707,441	-	-	-	-	-	-	-	0%
GRAND TOTAL	**193,801,198**	**151,033,536**	**42,767,662**	**29,096,118**	**13,878,578**	**(783,834)**	**(3,133,511)**	**6,628,041**	**(2,917,730)**	15%

* Corporate Transactions relate capital grant and loan transactions with the South Yorkshire Mayoral Combined Authority

The highest levels of year-end net slippage were on Transport (25%), Heart Of The City (23%) and Growing & Inclusive Economy (22%). The key reasons for this are:

Growing & Inclusive Economy

- Delay in Upper Don Valley Flood Scheme due to contractor entering administration (£1m)
- Delays to M1 Gateway Project due to funding issues and pandemic (£0.2m)
- Delay to Future High Streets Fund Public Realm works due to extended tender period required (£0.2m).

Transport

- Delays to the Clean Bus Technology Grant Scheme to private Bus operators (£0.5m)
- Delays to delivery of Transforming Cities Fund Housing Zone North Scheme (£0.2m)
- Delays to Network Management Scheme – caused by requirement to redesign (£0.2m).

Heart Of The City

- Delay to Pounds Park Scheme due to contractor negotiations and need to secure additional funding (£3.3m)
- Slippage on Blocks B&C Programmes due to delays encountered by contractor on site (£3.9m)
- Slippage on Block H due to delays encountered by contractor on site (£2.6m).

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.

The overspend identified in People: Capital & Growth Area was largely driven by the Accelerated Adaptations and High Value Equipment elements of the Disabled Facilities Grant (DFG) funded expenditure (£2.1m). This was partly because of changes to the Private Sector Housing Policy, giving more flexibility on the use of this government funding. We also made headway in tackling the backlog of works caused by the COVID pandemic. However, this was also partly offset by underspending in other areas of DFG funded expenditure (see below).

In relation to **underspends**:

- In **People Capital & Growth,** £1.6m related to expenditure due to be funded by the Disabled Facilities Grant. This is largely reflective of the shift towards delivery of works through the more flexible Accelerated Adaptations Grant process (and away from the mandatory Disabled Facilities Grant process).

- £3m underspend against **New Homes** funding related to the allocation for the acquisition of sundry properties to be included in Council Housing Stock. Changes in the availability of suitable properties and government regulations on the use of Right To Buy capital receipts mean that these funds will be returned to the overall Council Housing Stock Increase Programme allocation.
- Underspending on **Housing Investment** relates largely to a saving at the conclusion of the Pitched Roofing and Roofline contract (£0.6m)
- In **Essential Compliance,** underspends were identified on the allocation for the Mechanical Replacement Programme (£0.4m). This will now be used to provide match funding to Public Sector Decarbonisation works and the Ecclesfield Depot Scheme (£0.2m) which is currently on hold.

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.

Priority	Scheme Title	Approved Expenditure Budget	Integra Expenditure 31/03/22 (Qtier)	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Comments
NEW HOMES	NEW BUILD COUNCIL HOUSING PURCHASE -CORKER BOTTOMS	3,826,843	1,024	3,825,819	-	3,825,819	-	-	-	-	Delay on purchase of properties from Sheffield Housing Company due to agreeing specification changes. It is anticipated to be resolved in quarter 1 22/23
HEART OF THE CITY	POUNDS PARK	4,061,312	807,087	3,254,225	3,254,225	-	-	-	-	-	Slippage of expenditure from 21/22 to 22/23 has occurred due to significant delays to the start of the works as a result of negotiations with the contractor on their tender price and the need to seek additional budget to cover the higher than expected costs.
NEW HOMES	BROWNFIELD SITE ACQUISITIONS & DEVELOPMENT	3,355,308	109,659	3,245,649	-	3,238,273	-	-	-	7,376	1. The purchase of Allen Street has been delayed as a live substation that didn't show on the land searches, has been found in the building. 2. The purchase of the other ownerships at Attercliffe Waterside hasn't progressed yet as greater certainty of the funding from the Combined Authority was required.
NEW HOMES	COUNCIL HSG ACQUISITIONS PROG	7,483,200	4,489,121	2,994,079	-	-	-	-	2,994,079	-	The underspend reflects a slowdown in the programme due to the continuing housing market conditions, and will be returned to block allocation for Stock Increase Programme
HEART OF THE CITY	BLOCK C PEPPER POT BUILDING	8,786,853	6,141,063	2,645,790	2,645,790	-	-	-	-	-	Extensive delays encountered by contractor on site have resulted in reduced construction expenditure in the year, but also delays to tenant fit-out works, capital incentive & fee expenditure as a result.
HEART OF THE CITY	BLOCK H HENRYS BLOCK	16,337,855	13,703,761	2,634,094	2,634,094	-	-	-	-	-	Construction delays encountered by contractor on site have resulted in reduced construction expenditure.
NEW HOMES	NEW BUILD COUNCIL HOUSING DARESBURY/BERNERS	6,221,484	4,823,469	1,398,015	1,398,015	-	-	-	-	-	Major delays caused by Covid, resource availability, and unexpected finds of mine shaft/tunnels during ground consolidation at Berners Road. Anti-social behaviour issues at Daresbury caused a delayed start due to the need to install reinforced fencing, floodlighting and CCTC coverage. New programme has been agreed with Housing Officers.
HEART OF THE CITY	BLOCK B LAYCOCK HOUSE	7,978,956	6,652,837	1,326,119	1,326,119	-	-	-	-	-	Extensive delays encountered by contractor on site have resulted in reduced construction expenditure in the year, but also delays to tenant fit-out works, capital incentive & fee expenditure as a result.
NEW HOMES	NEW BUILD COUNCIL HOUSING PURCHASE-BAXTER COURT	1,340,325	68,625	1,271,700	-	1,271,700	-	-	-	-	Purchase of properties delayed as developer has run into problems including installation of gas meters linked to energy price crisis and willingness of companies to take on new customers A new longstop date of June 2022 has been agreed for completion but a completion inspection is now pencilled in for 25th April so it could be earlier.
NEW HOMES	NEW BUILD COUNCIL HOUSING ADLINGTON RD-OLDER PERSONS INDEPENDENT LIVING	12,187,785	11,042,870	1,144,915	1,144,915	-	-	-	-	-	Programme delayed due to inclusion of pay as you go metering and gas meter installation
Total		**71,579,920**	**47,839,515**	**23,740,405**	**12,403,159**	**8,335,792**	**-**	**-**	**2,994,079**	**7,376**	

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.

Priority	Scheme Title	Approved Expenditure Budget	Integra Expenditure 31/03/22 (Qtier)	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Comments
PEOPLE CAPITAL & GROWTH	DISBLED FACILITIES GRANT ACCELERATED ADAPTATIONS GRANT	1,600,000	3,306,168	(1,706,168)	-	-	-	(1,706,168)	-	-	High levels of demand experienced following changes to Private Sector Housing Assistance Policy
PEOPLE CAPITAL & GROWTH	DISABLED FACILITIES GRANT HIGH VALUE EQUIPMENT	325,000	762,962	(437,962)	-	-	-	(437,962)	-	-	High levels of demand due to COVID backlog
TRANSPORT	TRANSFORMING CITIES FUND SOUTH WEST BUS CORRIDORS	135,014	400,690	(265,676)	-	-	-	(265,676)	-	-	Increased costs associated with consultation and subsequent additional design and survey work required to respond to concerns raised. Will be funded from next tranche of Transforming Cities Funding from the Combined Authority
HOUSING INVESTMENT	COUNCIL HOUSING ELECTRICAL UPGRADES PHASE 2	2,209,715	2,436,114	(226,399)	-	-	(226,399)	-	-	-	Still early stages of the contract, however cost per unit have been higher than tender prices. Will continue to be managed throughout 22/23.
GROWING & INCLUSIVE ECONOMY	NURSERY STREET ACQUISITION	-	171,096	(171,096)	-	-	-	-	-	(171,096)	The project received approval via a Cabinet Report for £309k however, budget information not completed before year end
HOUSING INVESTMENT	DEMOLITION PROGRAMME	578,450	718,712	(140,262)	-	-	(140,262)	-	-	-	Additional unforeseen costs due to Leaseholder disputes, additional asbestos removal and fly-tipping costs. Project is ongoing dependent on future decisions on outhouses a budget increase may be required in 22/23.
TRANSPORT	CLEAN AIR ZONE SIGNAGE	2,000	120,790	(118,790)	-	-	(118,790)	-	-	-	Signs and post ordered earlier than planned due to supply issues in the market causing excessive lead times.
GROWING & INCLUSIVE ECONOMY	WEST BAR COMPULSARY PURCHASE ORDERS	1,299,203	1,397,203	(98,000)	-	-	(98,000)	-	-	-	Accelerated spend: CPO slightly ahead of schedule
HOUSING INVESTMENT	COUNCIL HOUSING WINDOWS& DOORS PLACEMENT	-	83,214	(83,214)	-	-	-	(83,214)	-	-	Final contract payments not accrued for. Overspend funded from HRA block allocation
TRANSPORT	PARKHILL PARKING SCHEME	10,145	89,618	(79,473)	-	-	-	(79,473)	-	-	Additional costs due to additional time spent over budgeted to enable feasibility design to be completed. Additional costs will be confirmed as part of delivery stage. Funded via Local Transport Plan
Total		**4,559,526**	**6,180,399**	**(1,620,872)**	**-**	**-**	**(583,451)**	**(866,325)**	**-**	**(171,096)**	

6 SLIPPAGE

A statement of slippage levels for 2021/22 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 said we would do 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 a high risk as supply chains and working practices are impacted by COVID-19 and the war in Ukraine.
- **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 and war are undoubtedly placing unprecedented pressures on our – and our supply chain's – ability to deliver. We are planning for this to become the 'new normal'. So as ever, we must learn from our experiences to respond with innovation and flexibility to tackle the issues we face.

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 –** whilst project delays due to sickness are falling, issues with the supply chain, rising costs and availability of materials are worsening. This will not improve any time soon.
- **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 was identified as a risk last year and has materialised this year. Construction inflation is predicted to increase further. We will configure our specifications accordingly, but the risk of high tender returns – or no 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. We're providing guidance for project managers in how to forecast expenditure more accurately so we are all clear on what can be delivered and when.

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 several 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 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 2020/21 to 2021/22. This table summarises the breakdown between slippage and re-profiling in 2021/22, including:

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

<table>
<tr><th>Maximum authorised expenditure in-year</th><th>Expenditure delivered</th><th>In-year slippage (£m)</th><th>Year-end net slippage (£m)</th><th>Total slippage (£m)</th><th>Slippage as % of budget</th></tr>
<tr><td rowspan="3">£279.4m</td><td rowspan="3">£151.0m</td><td>55.7</td><td>28.3</td><td>84.0</td><td>30.1%</td></tr>
<tr><th>In-year reprofile (£m)</th><th>Year-end new reprofile (£m)</th><th>Total reprofile (£m)</th><th>Reprofile as % of budget</th></tr>
<tr><td>30.5</td><td>13.9</td><td>44.4</td><td>15.9%</td></tr>
</table>

Total slippage for the period 2020/21 was therefore £84.0m or 30.1%. This is comparable with last year's 29.8% figure.

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 8 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 2021/22 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 challenging supply market is unlikely to improve. We need to be honest with ourselves about this and set more realistic forecasts up-front. We are ambitious for Sheffield and impatient to deliver. But over-promising serves no-one's interests.

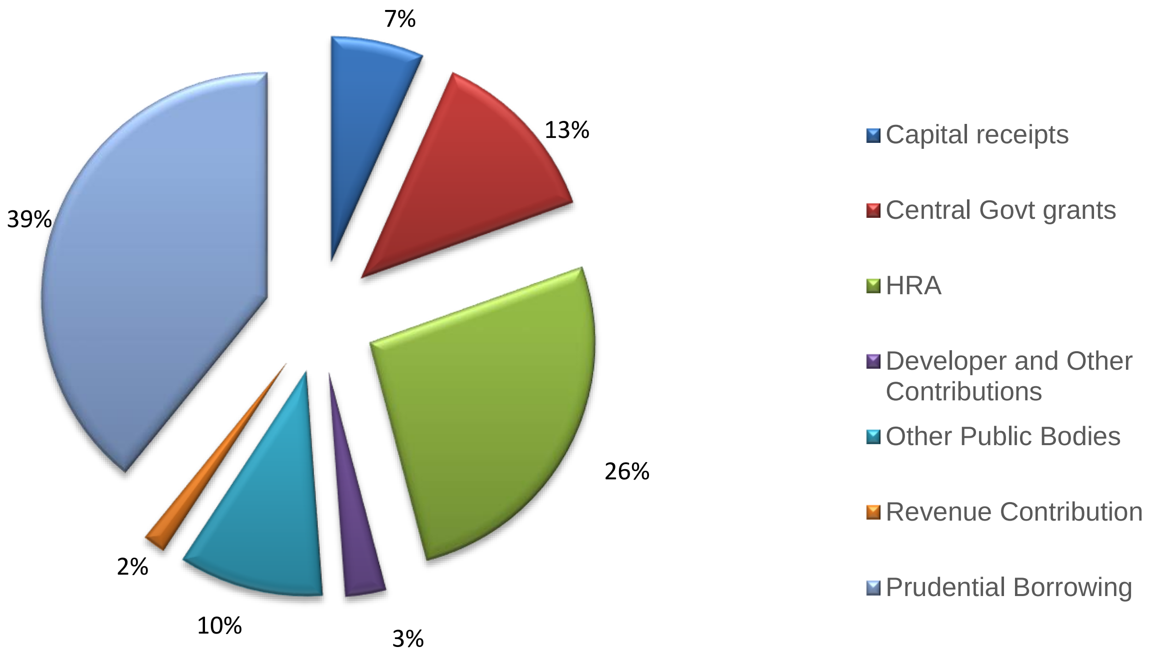
The major contributory factors to the **Year End Net Re-profile** are identified in Section 4. Key elements of the **In-Year Re-profile** amount are largely identified in the changes between month 8 and month 12 at Section 2.2 above

7 FUNDING AND RESOURCES

How the capital programme is funded; key risks to note

7.1 Breakdown of capital funding

Capital expenditure in 2021/22 totalled £151m, broken down in the proportions set out below:



Taking each of the key funding streams in turn:

A Prudential borrowing

The £59.1m of Prudential Borrowing makes up almost 40% of the capital programme. This funds:

- Heart of The City II scheme (£42m). 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 (£15.6m).
- Vehicle Fleet upgrade to improve air quality and reduce repair costs (£1.6m).

B Capital receipts

Expenditure funded by capital receipts (£10m) has been directed mainly to investments in in Housing Growth (£5.2m), investment in the corporate estate (£1.2m), and completion of compulsory purchases as part of West Bar Development (£1.4m), with the remainder contributing to smaller investments such as investments in Parks, Libraries and accommodation for young care leavers.

C Central government grants

The majority of the £19.5m 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 (£8.4m) which included the repayment of corporate cash flow from prior years and Disabled Facilities Grant funded activity (£6.5m).

- Future High Streets Fund Investment at Fargate (£2m)
- Contributions towards Clean Air Targets (£1.8m)

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 £15.7m are made up of:

- various grants from non-departmental government bodies such as the Environment Agency in respect of flood alleviation schemes, and Homes England in relation to Affordable Housing Grants.
- Sheffield City Region grants which includes Active Travel Funding, Transforming Cities Transport Funding and Local Transport Plan Funding and Get Britain Building Funds.

7.2 Key risks and issues

As rehearsed throughout this document, there are many risks facing the delivery of the capital programme include. Indeed, many of these are now issues:

- Increase in scheme costs on projects in progress – possible compensation payments for delay and increased costs resulting from price increases of materials.
- Reduced overall investment capacity - costs of tendered works are inflated to accommodate risk and supply chain issues.
- Lack of interest in our tender opportunities - smaller contractors struggle to source materials due to relative lack of purchasing power and therefore do not tender; larger contractors are now much more selective when deciding which tender opportunities to prioritise.
- Tenderers are unwilling to hold tenders open for acceptance for the usual period due to unprecedented price increases for some materials or trades.
- Delays to schemes due to inability to source materials.
- Increased disputes due to cost increases incurred since the scheme was tendered.
- An increased focus on net zero potentially leads to further increases in costs if more environmentally friendly solutions cost more.
- 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 have had no choice other than to accept these risks and issues and respond flexibly when they arise. We have taken steps to mitigate some of the largest risks – such as increasing contingency pots – and will continue to plan accordingly, sharing best practice with other local authorities as we adjust to the 'new normal'.

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. Further guidance has been provided at the start of this new financial year and there is a key focus on ensuring the deliverability of schemes to profile in the light of the market challenges we are facing.

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 helps to ensure that business cases are deliverable on time and in budget.

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 continue to work with elected Members to ensure our investment priorities are clearly articulated and meet the City's changing needs.

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. We are piloting new ways of working to reduce duplication and increase efficiency

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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