

Appendix 1

CAPITAL PROGRAMME MONITORING AS AT DECEMBER 2022

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	63,761	123,304	399,803	586,868
Variance	-8,933	12,340	-77,587	-74,179

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	As the main roofing contractor has gone into administration, the remaining value of the contract is now forecasted against the block allocation. This is awaiting budget approval for a new proposed pitched roofing contract which will re-balance this budget.
97571 SIP Gaunt Road New Build 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 closer to £11m.
97551 Council Hsg Acquisitions Prog	52,325,844	4,040,840	The current forecast is for an overspend of £1.372 million. This is as a result of the purchase of 13 strategically important 4 bedroom homes at nearly double the budgeted average cost amount as well as increasing property purchase costs in the Sheffield market.
97578 SIP Bolehill New Build GN	5,407,000	1,291,000	Additional cost variance reflects the forecast additional costs to the approved budget following receipt of the latest revised cost plan for the project. CAF Variation not expected to be submitted until approval obtained to proceed to tender at this cost level.
97564 SIP Daresbury & Berners New Build GN	12,606,643	1,069,952	Following CPG approval CAF has been updated to £12,606,642
97444 General and RTB Acquisitions - Refurbishment and Repairs	8,592,153	818,940	Anticipated Final Account figure produced by CDS evaluation and indicated in variance although discussions with Contractor still ongoing and it is likely that further delays will occur into 2023/24, even though some units have and will be handed over in 2022/23. Homes England are aware of the potential delays and are working with SCC to slip the affected unit funding.
97480 Single Staircase Tower Blocks	10,222,003	677,325	The forecast is for £298,881 to be slipped to 23/24. This is as a result of a decision to procure a separate contract for this work. Extract from latest Cost Report (January 23)... The overall expenditure is £677,325 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. 3)since the last report a claim for an extension of time has been received with prelims, pending further discussions £150k has been allocated provisionally against the claim. The Contract Administrator has notified the client of the expected overspend and it has been agreed that a full assessment is completed in January and a submission will be made to the Homes Programme Group for additional funding to complete the required works.
97338 Programme Management Costs Rtb	7,404,649	520,000	Budget awaiting approval as part of annual Business Plan Review.
97497 SIP Knowle Hill New Build TA	81,542	273,000	Revised budget of £81,542 covers up to mid-phase report to provide three delivery options and recommendations for the site. Demolition of existing building on site to be progressed asap and forecast of additional £273k reflects addition of demolition and related fees into current task scope. Appropriation of site and FBC/CAF Variation for £273k to be approved in January 2023.
97150 Rhb Loans Hal	3,194,477	250,000	Budget awaiting approval as part of annual Business Plan Review.
Total (Of Top 10 Listed)	114,039,123	41,115,819	

3 - Current Year to date and Forecast Outturn Position

The current year forecast indicates an underspend against budget of £8.9m. 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
43,963.0	55,291.6	-11,328.7	63,760.7	72,693.2	-8,932.5

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 New Build Acquisitions 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 New Build Acquisitions 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 2023/24

97475 Elemental Refurbs 2021-26	2,509,726	-800,180	A number of void properties require extensive structural work and building surveys. This has meant the average property cost has increased. The cost of materials and labour has risen significantly, some to circa 28% in some instances impacting on overall project costs. There are some concerns in relation to this contract's performance in terms of the length of time properties are taking to complete. An improvement action plan is in place and will be closely monitored and managed in the forthcoming period. Although the overall number of completed properties remains low, so does current spend with a predicted slippage of around £800k in 2022/23. It is anticipated that this issue will ease from April 2023 to project completion. The contractor is also currently completing roofing works to properties previously opened by the previous roofing contractor who entered 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 January 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	-332,000	Surveys are currently in progress, however due to the lead in time for the surveys/designs and estimated material delivery timescales of 26 weeks, it is envisaged an Outline Business Case and Procurement Strategy will now be finalised in early 2023 to procure a new contract for manufacturing, supplying and installing new lifts. The contract is to run for 3 years when awarded. The project will include the installation of fire safe lifts that stop at every floor level in high rise blocks. There has been a delay in the procurement process and therefore the project budget is proposed to be slipped into 2023/24. The project includes •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 and RTB Acquisitions - Refurbishment and Repairs	435,027	-298,881	The forecast is for £298,881 to be slipped to 23/24. This is as a result of a decision to procure a separate contract for this work.
97994 Private Sector Homes Upgrade Grant (hug)	681,816	-271,260	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	-213,473	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.
97127 Obsolete Heating	1,938,730	-199,905	Due to RMS diverting engineers to the gas failed access programme (As requested by Housing Services), this has necessitated a variation with this project as predicted in last month's PHR. The revised install numbers will be 902 units at an overall cost of £1,738,827.00 This is a financial reduction of £199,903.00 and an install number reduction of 154. This may require further reduction depending on the gas failed entry requirements and the variance in the average cost of works. Any actual / predicted underspend will need to be slipped into the 23/24 funding programme for next year, as this is not a reported saving.
97468 Demolition Programme	217,795	-199,405	In-year project costs currently forecast to spend to budget pending decision on demolishing remaining outhouses. This is a 3 year contract, with all identified demolition included in the programme up to 2022/23. £160k is to be slipped into the next financial year following impending approval to proceed with demolition of outhouses.
Total (Of Top 10 Listed)	18,831,767	-11,047,192	

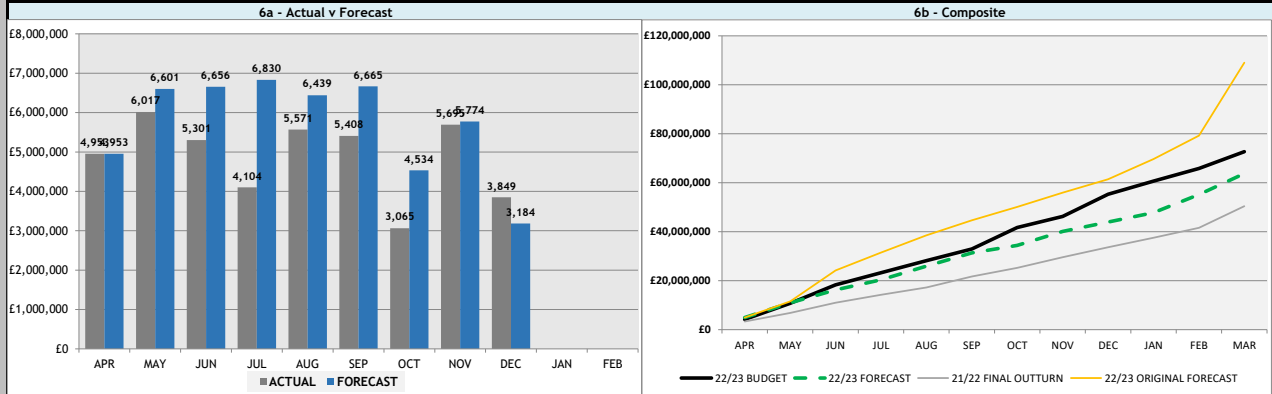
5 - Top 10 Forecast Overspends over Full Year Budget

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	1,372,820	The current forecast is for an overspend of £1.372 million. 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.
97464 Roofing Replacements Prog	3,736,226	577,491	The previous forecast underspend in the year 2 phase of the works was a result of the contract being terminated due to the main contractor entering administration. Slippage has been completed for the project and is currently showing an overspend due to a monthly financial transaction of a payment owed to the contractor that was not accrued for when slippage was completed. Work is underway with the appointed administrator to finalise liabilities to the Avonside contractor (outstanding payments for works completed minus incurred costs). Properties that were partway through the reroofing works when the previous roofing contractor entered into administration will all be completed by the end of January / early February 2023 by the Elementals contractor. Defects surveys are ongoing for any outstanding defects identified post works and will be completed as these emerge over the next 9 months. A new procurement will be required to deliver the remaining properties originally included in the project. This is anticipated to be presented following a review of procurement options in early 2023.
97560 SIP Newstead New Build OPIL	1,100,711	521,482	Forecast overspend on in-year budget is an error. No Financial Year overspend is anticipated. This error will be corrected asap.
Q0087 Stock Increase Programme	0	370,000	Additional requirement for the Daresbury & Berners contract anticipated to be drawn down from Q0087 Stock Increase budget allocation to part fund the CAF Variation expected in quarter 4 - £370k was the previous allowance for anticipated variation included in the SIP budget allocation.
97466 Capitalised Repairs	501,864	248,854	A higher volume of qualifying capital repairs has been identified through the year resulting in a forecasted overspend to yearend
97470 Adaptations 2020-25 Contract	2,964,657	209,550	The December valuation £422k has been agreed. However, this does not include the agreed uplift to the contract from October 1st 2023. The forecast to year end includes the uplift rate for building costs inflation as per the contract and agreed with the contractor up to year end on orders raised from October 2022. Current internal forecasting is being undertaken 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 average forecast spend profile for the remaining months will continue to increase without any further action. A paper setting out the options on the way forward is currently being developed to address this.
97338 Programme Management Costs Rtb	377,000	143,000	

97477 Electrical Upgrades Ph 2	4,143,031	101,379	The year-end forecast is £4.242m 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.
97564 SIP Daresbury & Berners New Build GN	4,650,760	79,164	Following CPG approval CAF has been updated to £12,606,642 Anticipated Final Account figure produced by CDS evaluation and indicated in variance although discussions with Contractor still ongoing and it is likely that further delays will occur into 2023/24, even though some units have and will be handed over in 2022/23. Homes England are aware of the potential delays and are working with SCC to slip the affected unit funding.
97561 SIP Small Sites	11,843	14,157	Revised budget of £29,157 approved at Homes Programme Group but CPG advised project should now be revenue funded
Total (Of Top 10 Listed)	24,638,332	3,637,897	

6 - Forecast 2022/23



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

A number of existing contracts have recently had contract rates reviewed in line with the contract requirements. The reviews have resulted in increases of contract costs due to the construction industry inflation in the of cost of fuel, labour and materials. Further analysis will be required to understand the overall impact of these increases on the overall programme costs and will be reported at future meetings.

We continue to see an increase in construction costs which will have an impact on pipeline projects or where tenders which are yet to be received. In most instances project budgets will have taken into accounts adjustments required going forward with approvals in place for increases in budgets as necessary. However the situation remain volatile and is being kept under close review.

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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