

## Bristol City Council Quarter 2/Period 5 2023/24 - Finance Monitoring Capital Report

### 1. CAPITAL

1.1. The revised Capital programme budget for 2023/24 is £366.7m comprising £221.3m for General Fund, £3.8m corporate contingency and £141.6m for the HRA. Excluding Corporate Contingency, the forecast variation at P5 is a £68.8m underspend, of which £49.3m is on General fund and £19.5m on HRA. Details of these variations are set out in Table 1 below.

**Table 1: Capital Programme 2023/24 By Directorate**

Approved Budget (Feb 23)	Budget Changes upto P5	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date	P5 Forecast Outturn	Variance
£m	£m		£m	£m	%	£m	£m
2.6	3.7	Adults & Communities	6.3	0.0	0%	6.3	0.0
24.7	6.7	Childrens & Education	31.4	4.9	16%	21.2	(10.2)
7.7	0.7	Resources	8.4	2.1	25%	7.0	(1.4)
114.5	60.7	Growth and Regeneration	175.2	33.5	19%	137.5	(37.7)
<b>149.5</b>	<b>71.8</b>	<b>GF service Total</b>	<b>221.3</b>	<b>40.5</b>	<b>18%</b>	<b>172.0</b>	<b>(49.3)</b>
133.3	8.3	Housing Revenue Account	141.6	21.3	15%	122.1	(19.5)
<b>133.3</b>	<b>8.3</b>	<b>HRA service Total</b>	<b>141.6</b>	<b>21.3</b>	<b>15%</b>	<b>122.1</b>	<b>(19.5)</b>
<b>282.8</b>	<b>80.1</b>	<b>HRA &amp; GF Service Total</b>	<b>362.9</b>	<b>61.8</b>	<b>17%</b>	<b>294.1</b>	<b>(68.8)</b>
15.3	(11.5)	Corporate Contingencies & Funds	3.8	0.0	0%	(1.8)	(5.6)
<b>298.1</b>	<b>68.6</b>	<b>Capital Programme Grand Total</b>	<b>366.7</b>	<b>61.8</b>	<b>17%</b>	<b>292.3</b>	<b>(74.4)</b>

#### Last Year 2022/23 Comparison at end of Period 5

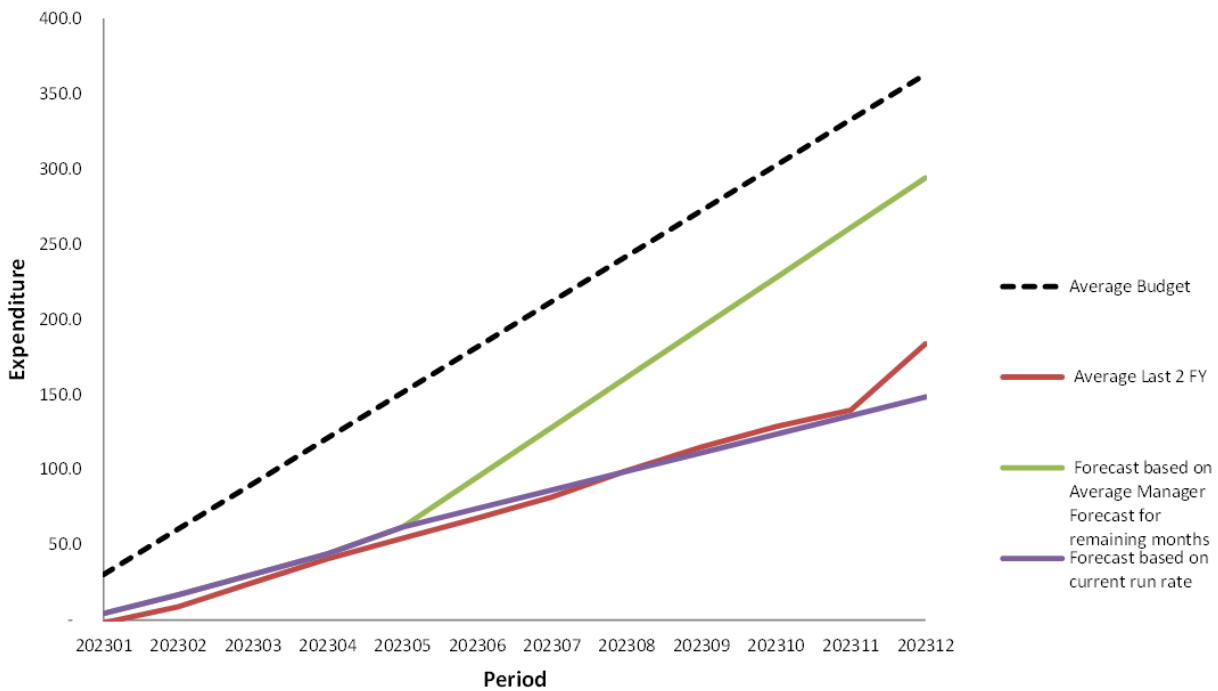
<b>300.5</b>	<b>30.3</b>	<b>Capital Programme Grand Total</b>	<b>333.9</b>	<b>55.8</b>	<b>17%</b>	<b>252.2</b>	<b>(81.7)</b>
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Actual Expenditure achieved - 2022/23 Outturn Report £199m

1.2. The actual spend at Period 5 is £61.8m, and should this trajectory follow the same path over the remaining months of the year this predicts a spend deficit of £145.8m (50%) compared to the latest forecast. However, this does not take account of the council's pattern of higher expenditure towards the end of the financial year that would indicate an outturn in the region of £200m (31% slippage). This is reflected in the current run rate graph below which includes previous years' spend patterns. (Table 2).

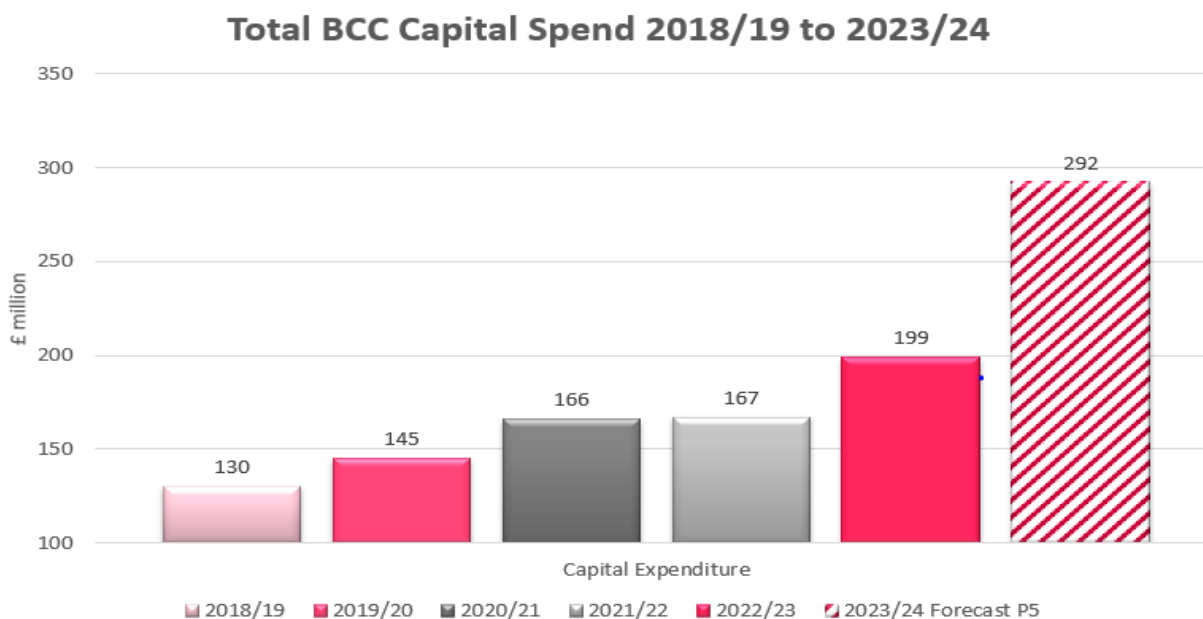
**Table 2: 2023/24 Capital Programme run rate graph**

**Cumulative run rates**



1.3. The 2023/24 forecast outturn target of £294.1m at Period 5, is optimistic given the level of spend to date along with the historic trend analysis of capital expenditure across previous years seen in Table 3 below.

**Table 3: Capital Expenditure trend analysis by years**



- 1.4. Further work, reviews and analysis of projects and programmes will be undertaken over the coming months with project leads to challenge forecasts to ensure budgets and forecasts are profiled accurately and reported accordingly.
- 1.5. Capital Portfolio Transformation Project – The Council has set up a project to review and implement changes to improve capital delivery and promote best practice. The project will cover all aspects of the capital programme lifecycle including governance, programme information along with ensuring the necessary tools and skills are available to support effective decisions to improve delivery. Further updates will be provided as the project develops.
- 1.6. The £68.8m re-profiling reflects alignments with the latest expected programme delivery schedule. Delays are linked to planning and procurement processes are taking longer than anticipated along with continuing shortage of raw materials and skilled labour and capacity to deliver. The programmes to which these primarily relate are summarised within Table 4 amounting to circa £57.0m, with further departmental information in section 2 along with detailed commentary within directorate appendices.

**Table 4: Capital Programme re-profiling by value (Top 10)**

2023/24 Capital Programme re-profiling schedule			Current Year 2023/24 - Period 5				Performance to budget	
Directorate	Ref	Programme description	Budget	Expenditure to Date	Forecast	Budget to Forecast Variance	Expenditure to date	Forecast
			£000s				%	
HRA	HRA1	Planned Programme - Major Projects	69,756	10,144	57,260	(12,497)	15%	82%
HRA	HRA2	New Build and Land Enabling	70,015	11,101	63,093	(6,922)	16%	90%
		<b>HRA Subtotal</b>	<b>139,771</b>	<b>21,245</b>	<b>120,353</b>	<b>(19,418)</b>	<b>15%</b>	<b>86%</b>
C & E	PE01	School Organisation/ Children's Services Capital Programme	11,785	982	5,869	(5,916)	8%	50%
C & E	PE02	Schools Organisation/SEN Investment Programme	10,178	3,477	6,227	(3,951)	34%	61%
		<b>C&amp;E Subtotal</b>	<b>21,962</b>	<b>4,458</b>	<b>12,095</b>	<b>(9,867)</b>	<b>20%</b>	<b>55%</b>
G & R	GR01	Strategic Property – Temple Meads Development	16,647	1,617	8,022	(8,626)	10%	48%
G & R	GR09	Clean Air Zone Programme	16,388	1,479	10,386	(6,002)	9%	63%
G & R	PL10	Highways & Traffic Infrastructure - General	18,741	3,286	14,507	(4,234)	18%	77%
G & R	PL30	Housing Delivery Programme	20,046	1,495	16,520	(3,526)	7%	82%
G & R	PL24	Bristol Beacon	29,317	10,110	26,469	(2,848)	34%	90%
G & R	PL35	Harbour Operational Infrastructure	2,774	38	313	(2,462)	1%	11%
		<b>G&amp;R Subtotal</b>	<b>103,914</b>	<b>18,024</b>	<b>76,217</b>	<b>(27,697)</b>	<b>17%</b>	<b>73%</b>
		<b>General Fund Sub Total</b>	<b>103,914</b>	<b>18,024</b>	<b>76,217</b>	<b>(27,697)</b>	<b>17%</b>	<b>73%</b>
		<b>Total</b>	<b>265,647</b>	<b>43,727</b>	<b>208,665</b>	<b>(56,982)</b>	<b>16%</b>	<b>79%</b>

- 1.7. This reprofiling has been provided by project managers. Details of the changes at programme level are included within the Capital Programme Summary Monitor Report as at the end of Period 5 (August) 2023 with further detail and commentary in Directorate appendices.

**Cabinet is recommended to approve the reprofiling of this underspend of £68.8m from 2023/24 into future periods.**

### **Additional Grant Income**

- 1.8. The capital grant allocation for the provision of disabled facilities paid by Ministry of Housing, Communities and Local Government (MHCLG) has been uplifted by £0.3m from £3.5m to £3.8m and will be reported within NH07 Private Housing Programme.

## **2. DIRECTORATE COMMENTARY**

### **2.1. Adults and Communities**

2.1.1. The directorate is at present not indicating any re-profiling against its three programmes, however these are currently under review since no spend had been incurred to date and the forecast will be updated for the next monitoring report.

- CRF1 – Covid Recovery Fund – Community Improvements (current forecast £1.0m): Bidders have been appointed and project managers are awaiting spending plans.
- PE06B - Better Lives at Home Programme (current forecast £1.1m): Spending plans and phasing are currently being reviewed.
- PE06C - Local Authority Housing Fund - Refugee Resettlement (current forecast £4.2m): Agreements are being reviewed and once agreed will enable the release of funding to registered providers.

### **2.2. Children and Education**

2.2.1. Two of the top 10 programmes for re-profiling sit within Children and Education and currently have a combined budget of £22.0m.

- PE01 – Schools Organisation / Childrens Services (variance £5.9m): The re-profiling of projects within this programme primarily relates to main-stream schools that are managed by the Private Finance Initiative (PFI) provider / operator with any works to these schools being carried out by the PFI provider as per the PFI agreement. Works have begun, later than first anticipated with project forecasts being significantly impacted.
- PE02 – Schools Organisation / SEN Investment Programme (variance £4.0m): This programme has numerous projects that has encountered technical, planning and procurement challenges reported by the project team that has delayed delivery of the programme, as an example during the construction phase subsidence was identified. The latest forecast represents a cautious view of delivery.

### **2.3. Resources**

- 2.3.1. Resources are forecasting overall slippage of £1.5m due to delays in commissioning a Digital Strategic Partner, this however has now been completed and work is currently underway. There is a £0.1m increase in the forecast for the Flax Bourton Mortuary expansion project. Following the project's overspend of £1.0m in 2022, the project was reviewed and design changed to bring it back within the approved Budget envelope. Design fees and project management costs have increased however work is ongoing to mitigate this.

### **2.4. Growth and Regeneration**

- 2.4.1. G&R are reporting a net variance due mainly to programme slippage of £37.7m against a Budget of £175.2m. This represents a delivery of 78% of the current revised budget. The year-to-date spend of £33.5m (19%) represents an average of £6.7m per month. To achieve the forecast target for 2023/24, the directorate will need to increase the average spend per month by £8m to an average of £14.9m each month for the rest of the year.
- 2.4.2. The Directorate is continuing to focus on robust and accurate forecasting so any slippage is captured at the earliest opportunity. As well as on an improvement plan that is to accelerate the delivery of the remaining Capital programme over the year 23/24 and into the future.
- 2.4.3. The council's top 10 capital programmes with the largest variances include the following five for Growth and Regeneration:
- GR01 - Strategic Property – Temple Meads Development (variance £8.6m): This project is currently under review owing to a recent fire at the site and other events. All budgets will therefore be moved to 24/25 and beyond to account for the project delays.

- GR06 - Clean Air Zone Programme (variance £6.0m): The take up for this scheme is below expected levels. This has led to an underspend will be transferred into the following year.
- PL10 - Highways & Traffic Infrastructure (variance £4.2m): The forecast for this year is below budget due to delays in delivery, this has led to the current underspend which will be moved into the following year.
- PL30 - Housing Delivery Programme (variance £3.5m): The forecast for the year is below budget due to various delays in delivery and the slippage will be moved to into the following year.
- PL35 - Harbour Operational Infrastructure (variance £2.5m): This forecast reflects delays in delivery, this has led to the current underspend which will be moved into the following year.

2.4.4. The following three projects have material variances greater £1.0m:

- GR10 - Improvement to Local Centres (variance £1.5m): Minimal spend expected against this scheme this year following a review. The budget is to be reprofiled to 24/25.
- NH02 - Investment in Parks & Green Spaces (variance £1.2m): The forecast for this year is below budget due to delays in delivery, this has led to the current underspend which will be moved into the following year.
- PL18 - Energy Services – Renewable Energy Investment Scheme (variance £1.0m): This underspend reflects the latest position regarding the level of grants received. As further grant applications are received these will be processed and the underspend will reduce accordingly.

## 2.5. HRA

2.5.1. HRA1 – Home Improvement Programme - HIP (variance £12.5m)

2.5.2. Housing Services are forecasting overall slippage across the programme of £12.5m. Circa £9.6m of this slippage is as a result of both BCC and contractor labour shortages reducing capacity to undertake works, but also to undertake key procurement exercises required in order to award contracts due to vacancies and a restructure within the Procurement Team. This matter has now been resolved and procurements are progressing well, though remain behind the original planned target dates. Project and Programme engineers within the Fire Alarm and Fire Sprinkler Installation teams, as well as surveyors in general have been impacted by this issue.

2.5.3. A number of projects totalling £2.4m (Lifts, Block Refurb, Barton Hill, Beaufort House, Francombe and Neighbourhood Investment) are currently going through a tender process. The reasons for delays to tendering contracts are detailed in the paragraph above, whilst £1.1m are awaiting contracts being signed and/or other approvals (Barton House, Windows – H & HTF's and Cavity Wall Insulation).

- 2.5.4. The delay in the replacement of windows at Gilton House has given rise to £1.6m of delayed spend.
- 2.5.5. Legal issues and delays in acquiring access to homes are responsible for moving spend into future years against the Walwyn Gardens Block Refurbishment and Rewiring contract (£0.2m and £0.4m respectively)
- 2.5.6. There are various other miscellaneous schemes giving rise to a reprofile of £0.3m.
- 2.5.7. The acceleration of works across a number of schemes during 2022/23 has resulted in bringing forward spend of £2.5m against Major Refurbs, Roofing, Retrofit and Energy Efficiency works.
- 2.5.8. HRA2 - New Build and Land Enabling (variance £6.9m)
- 2.5.9. A number of budgets within the overall programme have been re-aligned within the total budget envelope for those schemes as a result of schemes progressing towards or being on site, resulting in updated scheme cashflows from development partners.

### **3. FLEXIBLE USE OF CAPITAL RECEIPTS**

- 3.1. Local authorities have the continued freedom for a period of 3 years which began on 1 April 2022 to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. Updated directions were provided by government in April 2022 detailing the type of expenditure that qualifies for the flexible use of capital receipts and a new sign off and reporting process via the Secretary of State (SOS), for each financial year in which the direction is used.
- 3.2. £8.0m has been budgeted in 2023/24 for revenue expenditure which relates to the delivery of savings within the estates (£5.0m) and digital transformation programmes (£3.0m) to be funded from flexible use of capital receipts along. In addition, £1.8m is carried forward from 2022/23 which is earmarked specifically for the Digital Transformation Programme. In this way, planned use of capital receipts totals £9.8m.
- 3.3. The flexible use of capital receipts strategy was approved as part of the budget process and submitted to the Secretary of State, a requirement before this flexibility can be applied. The value of expenditure capitalised must not exceed the amount set out in the plan, however changes can be made and submitted to the Secretary of State subject to Full Council approval.
- 3.4. It should be noted that the financing of these projects along with projects in the capital programme is dependent on securing circa £23m capital receipts in 2023/24 from the disposal of assets over the remaining periods as detailed in the 'Estate Rationalisation – Surplus Asset Disposals' report presented to Cabinet on the 5<sup>th</sup> September 2023. However, as part of the re-profiling of the Capital Programme it is anticipated that this target for 2023/24 will reduce.

**Cabinet is asked to note the planned use of capital receipts of £9.8m**