Bristol City Council
Quarter 3/Period 8 2023/24 - Finance Monitoring Capital Report

1. CAPITAL

1.1. The revised Capital programme budget for 2023/24 is £261.5m comprising £148.7m for General Fund, £4.3m corporate contingency and £108.5m for the HRA. Excluding Corporate Contingency, the forecast variation at P8 is a £1.5m underspend. This relates to an overspend of £2.3m on the general fund and an underspend of £3.8m on the 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 P8	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date	P8 Forecast Outturn	Variance
£m	£m		£m	£m	%	£m	£m
2.6	(1.6)	Adults & Communities	1.0	0.2	20%	1.0	0.0
24.7	(8.2)	Childrens & Education	16.5	8.2	51%	18.0	1.5
7.7	(2.0)	Resources	5.7	2.3	40%	4.0	(1.7)
114.5	11.0	Growth and Regeneration	125.5	60.5	48%	128.0	2.5
149.5	**(0.8)**	**GF service Total**	**148.7**	**71.2**	**48%**	**151.0**	**2.3**
133.3	(24.8)	Housing Revenue Account	108.5	40.6	37%	104.7	(3.8)
133.3	**(24.8)**	**HRA service Total**	**108.5**	**40.6**	**37%**	**104.7**	**(3.8)**
282.8	**(25.6)**	**HRA & GF Service Total**	**257.2**	**111.8**	**43%**	**255.7**	**(1.5)**
15.3	(11.0)	Corporate Contingencies & Funds	4.3	0.0	0%	4.3	0.0
298.1	**(36.6)**	**Capital Programme Grand Total**	**261.5**	**111.8**	**43%**	**260.0**	**(1.5)**

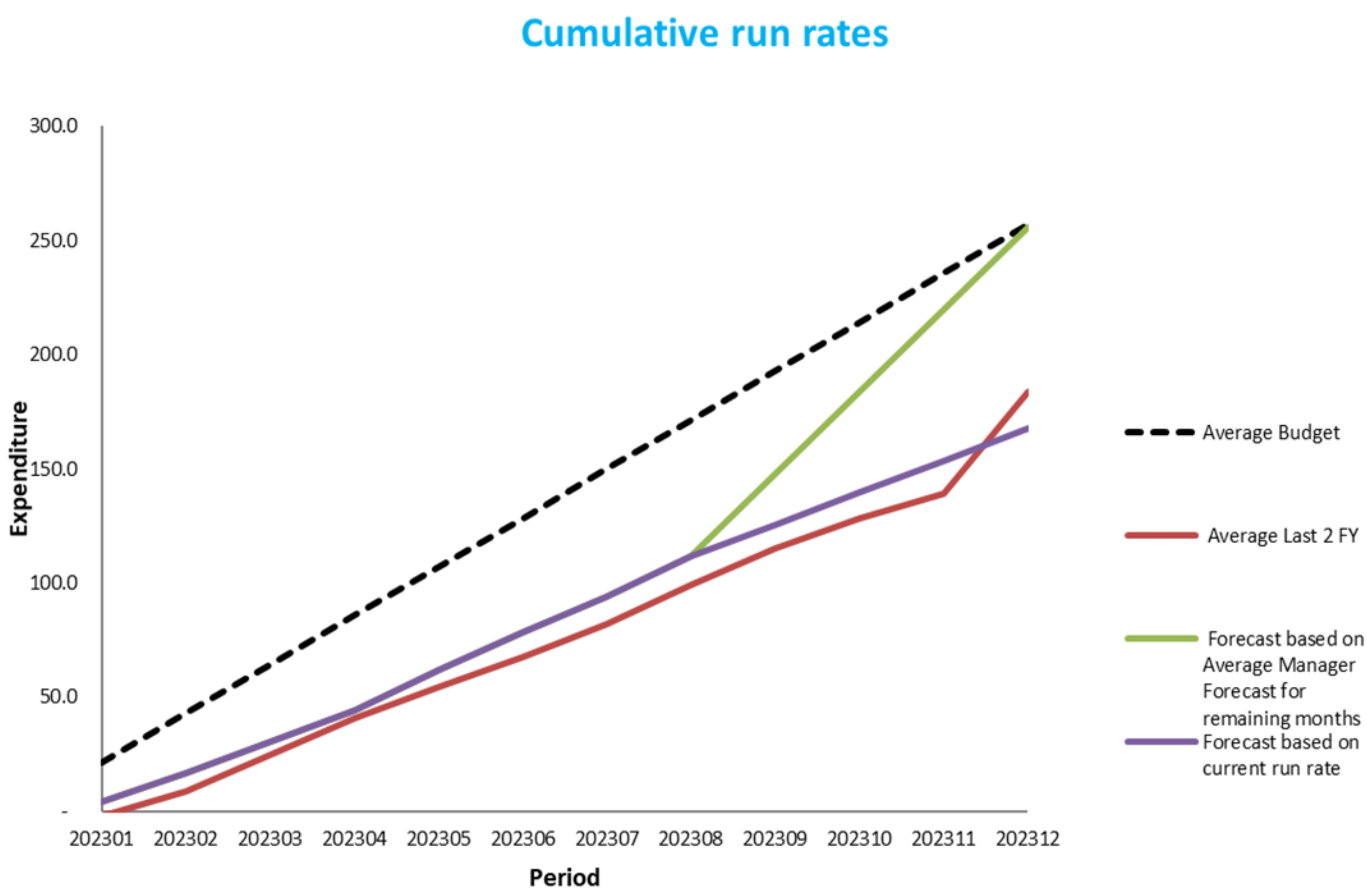
Last Year 2022/23 Comparison at end of Period 8

300.5	**(45.8)**	**Capital Programme Grand Total**	**254.7**	**105.0**	**41%**	**223.2**	**(31.5)**

Actual Expenditure achieved - 2022/23 Outturn Report £199m

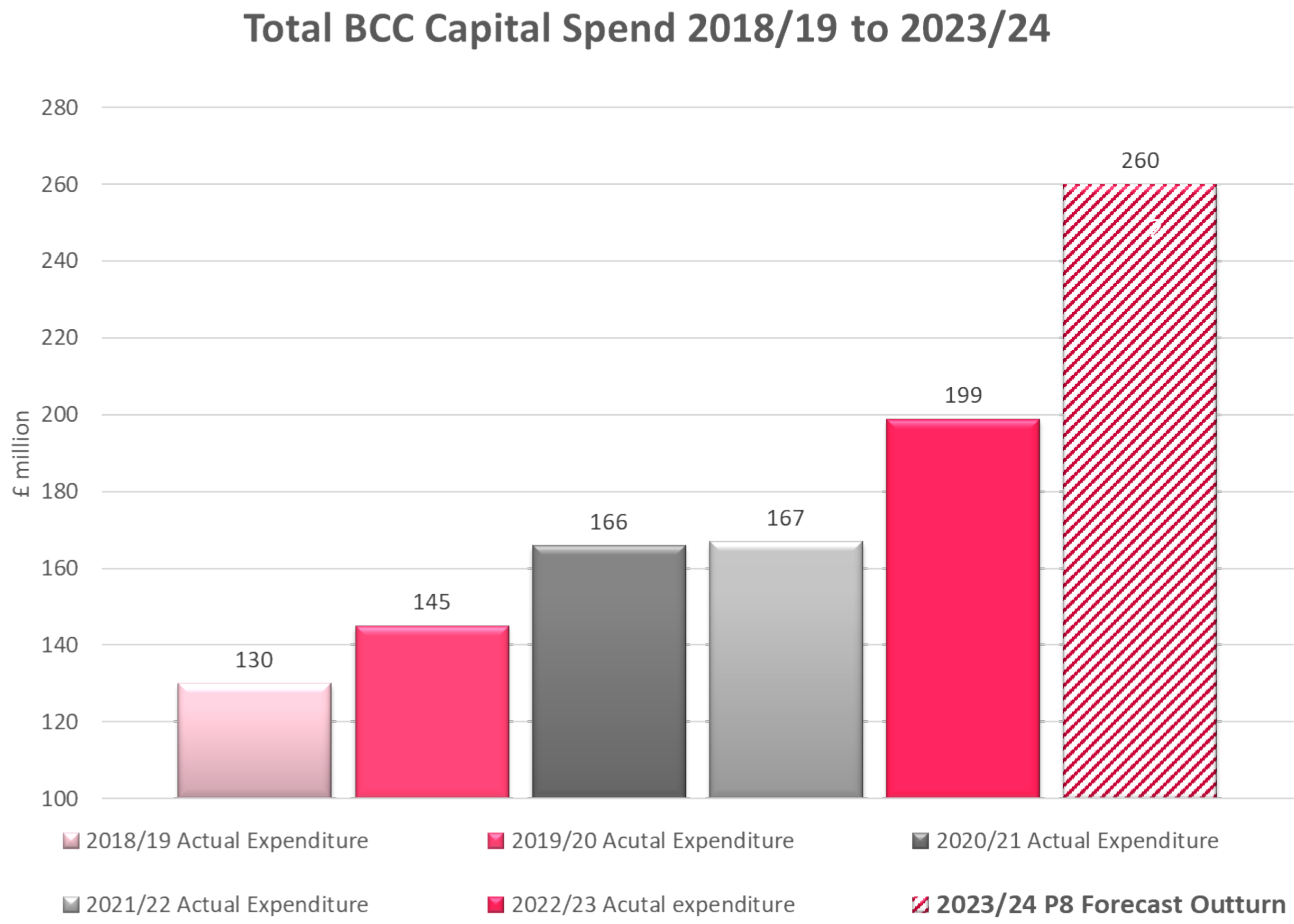
1.2. The actual spend at Period 8 is £111.8m, and should this trajectory follow the same path over the remaining months of the year this predicts a spend deficit of £88.0m (34%) compared to the latest forecast excluding corporate contingencies. However, this does not take account of the council's pattern of higher expenditure towards the end of the financial year that would indicate an outturn in the region of £210m (18% slippage). This is reflected is the current run rate graph below which includes previous years' spend patterns (Table 2) along with additional directorate commentary provided by the teams delivering the capital projects.

Table 2: 2023/24 Capital Programme run rate graph



1.3. The 2023/24 forecast outturn target of £255.7m at Period 8, 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. Reviews and analysis of high value projects and programmes have been undertaken over the past couple of months with project leads by challenging their forecasts, including reviewing the life cycle of the project and cost plans to ensure budgets and forecasts are profiled accurately and reported accordingly for this monitoring cycle and for the preparation of the Medium-Term Financial Plan.

The outcome led to changes to the profile of forecasts and budgets as represented within this P8 monitoring report in addition to the amendments approved within P7. The current forecasts remain challenging and there remains an element of risk in terms of delivery including external factors such as developer and partner led projects meeting delivery milestones and the awarding of contracts and funding agreements. Should these be delivered as planned then this will be evidenced by an acceleration of spend over remaining months of the financial year.

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 net variations comparing budget to forecasts is an underspend of £1.5m. The significant value items are reflected in the Table 4 below with further details set out in the Directorate commentary below and Directorate appendix.

Table 4: Capital Programme variances by material value

2023/24 Capital Programme High Value Variances Budget v Forecast

			Current Year 2023/24 - Period 8			
Directorate	Ref	Programme Description	Budget	Expenditure to Date	Forecast	Budget to Forecast Variance
			£000s			
HRA	HRA2	New Build and Land Enabling	56,465	19,433	52,316	(4,149)
		Housing Revenue Account Subtotal	56,465	19,433	52,316	(4,149)
G & R	GR01	Strategic Property – Temple Meads Development	6,026	2,884	8,151	2,125
G & R	PL18	Energy services - Renewable energy investment scheme	2,971	1,662	4,377	1,406
G & R	PL04	Strategic Transport	10,968	3,735	10,108	(860)
G & R	PL05	Sustainable Transport	2,222	836	1,481	(741)
G & R	PL01	Metrobus	1,965	787	1,411	(554)
		Growth & Regeneration Subtotal	24,152	9,904	25,527	1,375
Resources	RE07	Digital Transformation Programme - Networks	3,507	1,852	2,129	(1,378)
		Resources Subtotal	3,507	1,852	2,129	(1,378)
C & E	PE06	Children Social Care Services	1,107	171	2,232	1,125
		Children & Education Subtotal	1,107	171	2,232	1,125
		General Fund Subtotal	28,766	11,927	29,888	1,122
		Combined Total	57,531	23,853	59,776	(3,027)

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 8 (November) 2023 with further detail and commentary in Directorate appendices.

Cabinet is recommended to note this underspend of £1.5m with any further changes in forecasts to be reported within future reports.

Additional Grant Income

1.8. No additional grant income to be reported.

2. DIRECTORATE COMMENTARY

2.1. **Adults and Communities**

2.1.1. The directorate is not indicating any re-profiling against its two programmes, however these are under review since low spend had been incurred to date, though spend is expected to accelerate in the remaining periods especially given for “CRF1 – Covid Recovery Fund – Community Improvements”, bidders have been appointed and project managers are progressing spending plans.

2.2. Children and Education

2.2.1. C&E are reporting a forecast overspend of £1.5m against a Budget of £16.5m. The year-to-date spend of £8.2m (50%) is low if spend is assumed to be spread evenly throughout the year. To achieve the forecast outturn, spend will need to accelerate significantly over the remaining months which is currently expected as evidenced in previous years.

2.3. Resources

2.3.1. Resources are reporting a forecast underspend of (£1.7m) against a budget of £5.7m. The material variances at Period 8 are below and further detail is at Appendix A4.

- (RE07) Digital Transformation – Networks - The project has undertaken a deep dive for Period 8 and is forecasting an in-year underspend of (£1.4m). Approval has been provided by the Director of Digital Transformation to return £0.5m capital funding that is no longer required. This funding was a contingency amount set aside in case of additional costs in procuring hardware. This process is now complete and the contingency was not required.

- (RE08) Digital Transformation Programme (DTP) – After a deep-dive of the DTP projects in scope, the Period 8 forecast of £0.6m has returned an in-year overspend of £0.05m, an increase of £0.05m from the Period 7 position. In addition, eDiscovery for SARS project has descoped and has confirmed a project underspend of £0.15m.

- (RE01) ICT Refresh Programme - The project budget and forecast spend was reprofiled in Period 6 from £1.8m to £0.5m, reflecting that the Programme was largely complete. The forecast has been reduced further in Period 8 to bring it in line with the current commitment for new laptops of £0.15m, representing an underspend of (£0.35m) against budget.

2.3.2. Cabinet is asked to recommend the transfer of resources of £667,000 (£517,000 in relation to RE07 and £150,000 in relation to RE08) to Corporate Contingencies to support the emerging pressures of the council and or Invest to Save projects to make on-going revenue savings to support the MTFP budget pressures.

2.4. Growth and Regeneration

2.4.1. G&R are reporting a forecast overspend of £2.5m against a Budget of £125.5m. This represents a delivery of 78% of the current revised budget. The year-to-date spend of £60.5m (48%) represents an average of £7.6m per month. To achieve the forecast target for 2023/24, the directorate will need to increase the average spend per month by £9m to an average of £16.3m each month for the rest of the year. However, in many cases the bulk of spending does happen in the final months of the year so this may prove possible.

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.
- HRA2 - New Build and Land Enabling (variance £4.1m). There have been supply chain issues affecting delivery but now working with delivery partners to determine the feasibility of reprofiling spend on other schemes to reduce or eliminate the variance.
- PL06. Portway Park and Ride Investment (variance £1.7m). Now working to agree final grant settlements and payments to WECA and Network Rail with variance expected to be resolved before the end of the year.
- PL18. Energy Services – Renewable Energy Investment Scheme (variance £1.4m). This is driven by variances with the first and second phase of the Home Upgrade Grants (HUG). We are now returning an underspend in HUG1 and finalising the budget for HG2 based on our developing sense of demand.
- PL04. Strategic Transport (variance £0.9m). Delays in appointing a contractor and reaching agreement with Network Rail mean this work will be delayed into 2024-25.
- PL05. Sustainable Transport (variance £0.7m). The variance is driven by delays in the East Bristol Liveable Neighbourhood programme caused by Barton House.
- PL01. Metrobus (variance £0.6m). Forecast to be revised based on actual claims received.

2.5. **HRA**

2.5.1 The HRA are reporting a forecast underspend of £3.8m against a Budget of £108.5m. The year-to-date spend of £40.6m (37%) is low based on a linear basis and to achieve the forecast outturn spend will need to accelerate significantly over the remaining months. This acceleration is supported by the recent 'check and challenge' reviews with key stakeholders delivering the projects. However, it should be noted that there are external risks outside of the HRA control such as new build developments provided by developers.

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. However, as part of the revenue review of period 8 project spend is being reviewed and it is anticipated that the value of receipts needed to support projects in 2023/24 is lower than planned and any underspend will be profiled into future periods.

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 £13.3m capital receipts in 2023/24 from the disposal of assets over the remaining periods. There is a pipeline of disposals to meet this target and the current expectation is that these will be completed this financial year. This will be carefully monitored over the remaining months and any increase to this risk will be reviewed and reported accordingly along with any mitigations.

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