

Decision Report - Executive Decision
Forward Plan Reference: FP/24/05/04
Decision Date - 6 December 2023
Key Decision - No



2023/24 General Fund Capital Budget Monitoring Report Q2

Executive Member(s): Cllr Liz Leyshon, Deputy Leader and Lead Member on Resources and Performance

Local Member(s) and Division: All

Lead Officer: Nicola Hix, Director of Finance & Procurement

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Summary

1. This report is to inform Members of the forecast capital spend as at the 30 September 2023 for the year 2023/24 and an explanation of the key differences from the revised capital budget agreed by Council in September 2023.
2. The capital programme is a combination of the five predecessor councils' capital programmes, together with the approved new schemes agreed in February 2023 as part of the 2023/24 Budget. The programme includes carry forward underspends of £76m from 2022/23 and sets out how the resulting programme is forecast to be financed.
3. The report also provides an overview of the Council's capital programme financial position and highlights any known potential risks and their impact on the Council's resources. This report does not include anything in relation to the Council's Housing Revenue Account.
4. A high-level update on the significant schemes that are planned to be delivered is provided. Each scheme has a nominated budget holder who is responsible for ensuring the scheme stays within budget, and who provides the projected spend figures, working with either Finance Business partners and/or for large and complex schemes or programmes the Corporate Finance team.

5. Capital investment decisions are now required to be underpinned by a robust business plan that sets out the full costs and risks and any expected financial return alongside the broader outcomes including economic and social benefits. Where possible the PIDS/business cases have been collected to provide details on each project, Officers are responsible for monitoring and delivering projects within approved budgets and reporting variances.
6. The budget monitoring position cannot be viewed in isolation and needs to be considered alongside the Medium-Term Financial Strategy (MTFS) 2024/25 to 2026/27.
7. **Table 1** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of September with further detail and mitigations being taken by the responsible director outlined in the body of the report.

Table 1: 2023/24 Summary Budget Monitoring Report as at the end of September 2023 (Month 6)

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Adults and Health	8.758	0.274	7.582	(1.176)	1.082	(0.094)
Children's Services	48.635	11.918	47.176	(1.459)	0.159	(1.300)
Climate & Place Other Services	7.759	0.581	3.724	(4.035)	4.035	
Climate & Place Economy and Regeneration	107.346	9.726	61.000	(46.346)	46.346	
Climate & Place Infrastructure	87.461	26.370	78.501	(8.960)	8.610	(0.350)
Community Services	22.274	1.141	6.990	(15.284)	14.990	(0.294)
Resources & Corporate Services	32.022	2.835	18.397	(13.625)	8.810	(4.815)
Strategy and Workforce	0.235		0.235			
Paused Schemes	1.721	0.011	0.100	(1.621)	1.621	
Grand Total	316.211	52.856	223.705	(92.506)	85.653	(6.853)

8. The projected outturn for 2023/24 is £224m against an original budget of £316m, and of this £92m forecast underspend for the year, £85m has been reprofiled into future years, with £7m as a forecast underspend. There are various reasons for this forecast underspend as detailed in Appendix A, but if it can be maintained at outturn it will help reduce the capital borrowing requirement of the Council, therefore having a positive revenue effect.
9. It is important to note that all figures (opening balances reserves etc) are potentially subject to change until all legacy Council Financial Statements of Accounts for 2022/23 and prior years, have been audited and approved by our

external auditors. Therefore, the table showing the combined Capital programme is indicative and will need to be reviewed by services who in some cases are still familiarising themselves with their capital budgets.

Recommendations

10. That the Executive:

- a. Notes the revised capital forecast spend for the financial year 2023/24 of £224m and the key risks, future issues detailed in the report.

Reasons for recommendations

11. To ensure that the Council continues to maintain tight financial control over its budget and mitigates as far as possible the forecast budget pressures.

Other options considered

12. No other options were considered.

Links to Council Plan and Medium-Term Financial Plan

13. The 2023/24 Capital Budget was approved by Council in February 2023 as part of the Medium-Term Financial Plan (MTFP) and is the financial resourcing plan to deliver the Council Plan.

Financial and Risk Implications

14. As noted in the revenue report a new Strategic Risk ORG0070 Budget Overspend in the current financial year has been created and in the light of this report Strategic Risk ORG0057 Sustainable MTFP has had its current score increased with both Strategic risks now being:

Likelihood	5	Impact	5	Risk Score	25
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15. In the initial stages of any development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views and interest of residents and stakeholders who must be consulted,

ground conditions, or the costs of rectifying or demolishing existing buildings. Construction companies and developers contracting with the Council which experience financial instability, particularly an issue following Post Covid-19 pandemic pressures, Brexit and the war in Ukraine and the impact of cost inflation with as mentioned CPI at 6.7 % in September 2023.

16. Suppliers may not be able to raise sufficient finance to cash flow operations, any potential insolvency process could lead to a costly process of changing suppliers without any guarantee of remaining within overall budget. Consequently, the Council could suffer direct financial loss and any defects or other issues may not be resolvable as anticipated. To mitigate this the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.

17. Large scale capital projects can operate in environments which are complex, with a range of variables, and continually evolving. Effective risk identification and control within such a dynamic environment includes populating a project risk register. In addition, it requires amplifying the known risks so that they are not hidden or ignored, demystifying the complex risks into their more manageable sum of parts and anticipating emerging risks which can escalate rapidly are all necessary components of good capital programme risk management.

Legal Implications

18. There are no specific legal implications arising from this report.

HR Implications

19. There are no specific HR implications arising from this report.

Other Implications:

VAT

20. The Council needs to carefully consider its VAT partial exemption calculation and the risk of breaching the partial exemption threshold. Capital projects represent the bulk of this risk. A breach would likely cost the Council several million pounds (for Somerset County Council alone in 2021 £1.5m and for the new Unitary much

higher with addition of the districts) per year if in breach. Finance is working closely with departments to ensure that partial exemption risks are considered as part of significant capital projects.

Equalities Implications

21. There are no specific equalities implications arising from this report.

Community Safety Implications

22. There are no community safety implications arising from this report.

Climate Change and Sustainability Implications

23. There are no climate change and sustainability implications arising from this report.

Health and Safety Implications

24. There are no health and safety implications arising from this report.

Health and Wellbeing Implications

25. There are no health and wellbeing implications arising from this report.

Social Value

26. There are no Social Value implications arising from this report.

Scrutiny comments / recommendations:

27. This report will be presented to Scrutiny for Corporate & Resources Committee, on 5 December 2023.

Background

28. Full Council approves the capital budget in February each year. Monitoring of the agreed programme is delegated to the Executive and is undertaken on a quarterly basis (although a quarter one position was not produced due to the work involved in amalgamating the final capital position from each legacy Council, together with the new Finance System and other pressures in the team).

29. This report is the first capital monitoring report for 2023/24 and has been produced using a mixture of the Capital Programme excel report and Solver, the Council's budget monitoring tool linked to the new finance system Microsoft Dynamics. It is envisaged that the next quarter report will be fully produced from Solver. Business partners will work with capital budget holders to provide the latest forecast and flag risks and opportunities in relation to capital.
30. Going forward we will also look to include more charts and graphs in this report to clearly show the areas of capital spend against budget, but also show the outcomes that have been achieved from the Council's spend.
31. This report is for the General Fund. The General Fund (GF) mainstream programme cuts across the departments and represents schemes which are funded from Council resources (capital receipts or borrowing). It is the area of the programme where the Council has the greatest discretion.

Overall Forecast Capital Position Q2 2023/24

32. The original budget for 2023-24 totalled £316m. Actual expenditure as of 30 September was £52.8m, with a revised forecast of £224m for 2023-24. This is a variance of £92m from the original budget of which, £85m has been reprofiled into future years with the remaining £7m being shown as an underspend.
33. The overall programme budget (2023-24 to 2026-27) totalled £390m. The focus of this report has been on the in-year budget position, which shows an underspend of £7m on the programme. A wider report based on the full programme will be included in the quarter three report.
34. **Table 1** (in the summary section) shows the forecast outturn position against the original 2023-24 budget. **Table 3** provides a Directorate level forecast of the overall capital programme (2023-24 to 2026-27).
35. A high-level detail and summary per Directorate can be seen in **Appendix A**. **Appendix B** shows a scheme-by-scheme breakdown of these figures.
36. There are a number of pressures the Council is facing with regard to the delivery of its capital programme. The main one being inflation. The rise in inflation is putting significant cost pressure on MTFP and the ability to deliver capital projects on budget with CPI in September at 6.7 % and a number of schemes will have started in lower inflation periods.

37. To alleviate budget pressures, the Council must reduce the high Capital Financing Requirement (CFR) by reviewing the programme for potential savings and make recommendations based on the outcome of the review e.g., discretionary project and for projects not started aligning with new Capital bids criteria of required for Health and safety or fully funded e.g., by grants. Some invest to save schemes may also be considered.
38. A review has been undertaken of Capital projects under the check and challenge process with a view to ‘pausing’ or curtailing capital schemes, particularly those that are supported by borrowing, however, any delay of capital spend increases cash balances which attracts investment income and is therefore financially beneficial. The exact mechanism to take decisions based on the review will be advised. A separate report on capital savings will be presented to MTFP board.
39. Any projects that are stopped with existing spend will have negative revenue implications if no asset is delivered so the savings must justify these costs.
40. Part of the review of the capital programme has already identified a number of capital schemes that are paused in the capital programme, that can be seen in Table 2.

Table 2 – Already Paused Schemes

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Homes for Children with Disabilities Phase 2						
Bridgwater Library Improvements						
Wincanton Regeneration	1.131			(1.131)	1.131	
Yeovil Crematorium Refurbishment	0.590	0.011	0.100	(0.490)	0.490	
Paused Schemes Total	1.721	0.011	0.100	(1.621)	1.621	

41. These schemes were paused as part of the 2023-24 MTFP process. The slippage reported above relates to outturn carry forward approvals from 2022-23.

The Overall Capital Programme Forecasts (2023-24 to 2026-27)

42. The overall capital programme is made up of approvals totalling £389.8m. Chart 1 reflects how this approval is split across the directorates. Chart 2 shows the funding sources attributable to this forecast spend.

Chart 1- Summarising the budget totals by Directorate/ Service Area

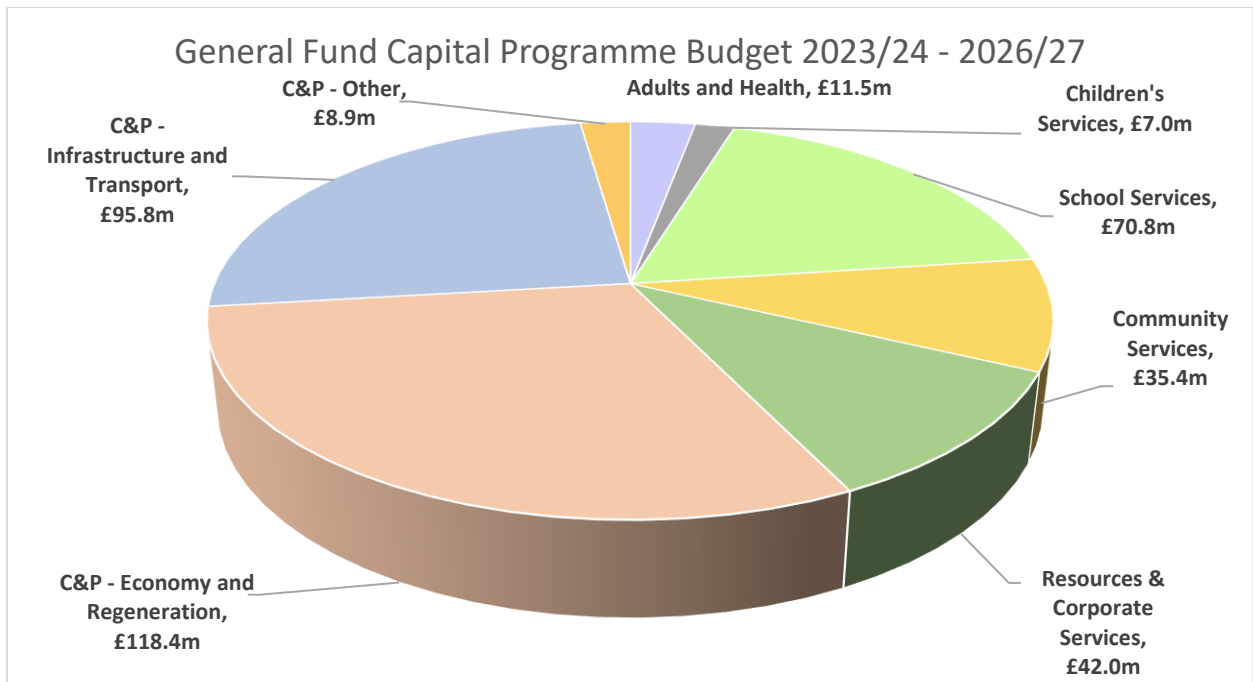
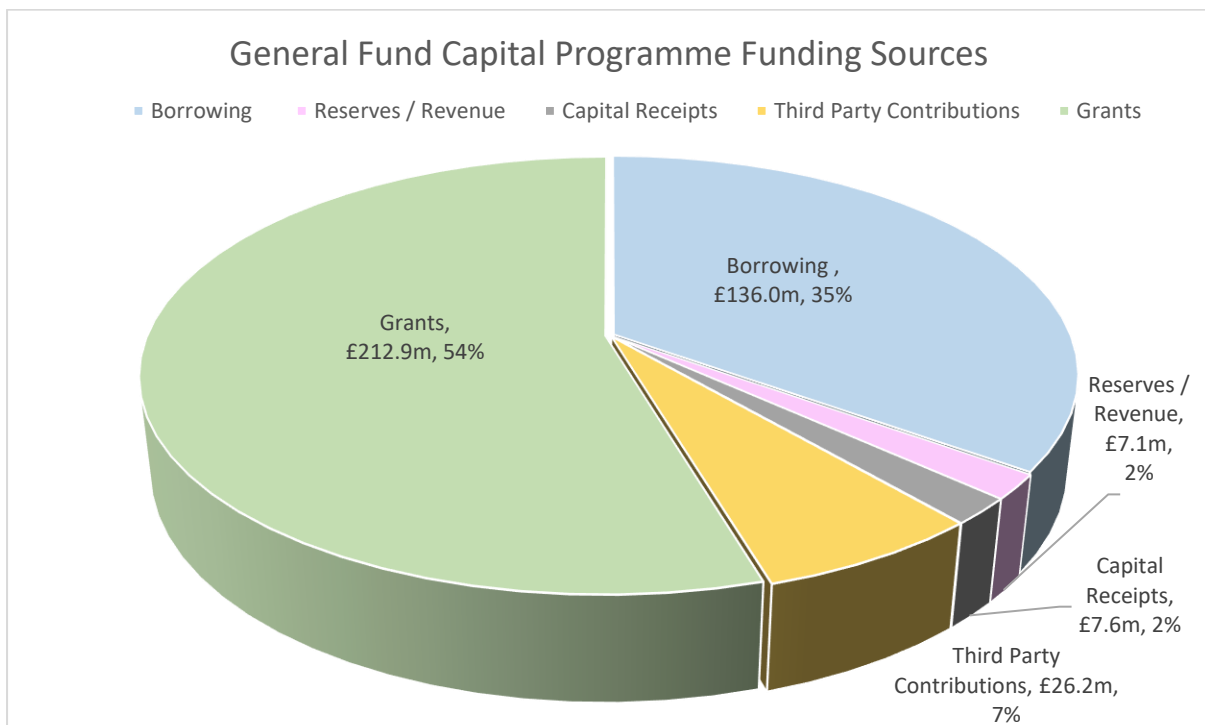


Chart 2 - Funding sources for the overall programme



43. Table 3 shows the forecast profiled expenditure for the current year and future three years. The variance column shows the forecast underspend of £6.8m.

Table 3 – The Overall Capital Programme Summary

Service/ Project	Total Budget £m	Forecasted Expenditure					Variance £m
		2023/24	2024/25	2025/26	2026/27 >	Total	
		£m	£m	£m	£m	£m	
Adults and Health	11.556	7.582	2.512	1.368		11.462	(0.094)
Children's Services	76.415	47.176	19.800	5.715	2.424	75.115	(1.300)
Climate & Place - Other Services	8.920	3.724	4.108	1.088		8.920	
Climate & Place - Economy and Regeneration	115.704	61.000	35.213	19.491		115.704	
Climate & Place - Infrastructure	95.766	78.501	16.467	0.448		95.416	(0.350)
Community Services	35.329	6.990	16.869	10.748	0.428	35.035	(0.294)
Resources & Corporate Services	36.090	18.397	10.673	2.205		31.275	(4.815)
Strategy and Workforce	0.506	0.235	0.135	0.136		0.506	
Paused Schemes	9.516		9.377	0.139		9.516	
Total	389.802	223.605	115.154	41.338	2.852	382.949	(6.853)
Funded By:							
Grant	212.839	126.265	58.726	27.404		212.395	(0.444)
CIL/ S106/ Other Contributions	26.200	16.234	8.936	1.030		26.200	
Capital Receipts	7.547	6.727	0.681			7.408	(0.139)
Borrowing	136.114	69.704	44.552	12.736	2.852	129.844	(6.270)
Reserves/ Revenue	7.102	4.675	2.259	0.168		7.102	
Total	389.802	223.605	115.154	41.338	2.852	382.949	(6.853)

Background Papers

44. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023
45. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023

Appendices

- Appendix A - high level detail and summary per Directorate
- Appendix B – General Fund Capital Programme Forecasts 2023-24 to 2026-27

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	27/11/2023
Communications	Peter Elliott	27/11/2023
Finance & Procurement	Nicola Hix	27/11/2023
Workforce	Dawn Bettridge	27/11/2023
Asset Management	Oliver Woodhams	27/11/2023

Executive Director / Senior Manager	Jason Vaughan	27/11/2023
Strategy & Performance	Alyn Jones	27/11/2023
Executive Lead Member	Cllr Liz Leyshon	27/11/2023
Consulted:	Councillor Name	
Local Division Members	All	27/11/2023
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	27/11/2023
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	27/11/2023

Adults and Health and Children's Services Overview

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Adults ICT Infrastructure	0.094			(0.094)		(0.094)
Adults Residential Programme	1.332		0.250	(1.082)	1.082	
Disabled Facilities Grant	7.188	0.270	7.188			
Learning Disabilities	0.104	0.004	0.104			
Housing Technology Grant	0.040		0.040			
Adults and Health Total	8.758	0.274	7.582	(1.176)	1.082	(0.094)
Children's Residential	3.733	0.677	3.533	(0.200)	0.200	
Children Looked After	0.429		0.182	(0.247)	0.247	
Special Education Needs	4.582	0.359	5.082	0.500	(0.500)	
Schools Access Initiative	0.449	0.133	0.449			
Early Years	0.918	0.236	0.218	(0.700)		(0.700)
Schools Services	38.524	10.513	37.712	(0.812)	0.212	(0.600)
Children's Services Total	48.635	11.918	47.176	(1.459)	0.159	(1.300)

Adults and Health

A historic approval for Adults ICT Infrastructure costs has been identified as surplus to requirements in the current programme. This offers up an underspend of £0.094m.

A review of the Adults Residential Programme has been undertaken as part of the overall capital programme review. More details and recommendations surrounding this will form part of the MTFP update to Executive in January.

Children's Services

Some slippage has been reported within the Children's Residential, Children Looked After, and School Services programmes.

An acceleration of spend has been forecasted within the Special Education Needs programme as projects have been identified for using some of the funds.

Early Years has identified an underspend of £0.700m within their condition programme. This will be considered within the forthcoming MTFP update.

The Schools Basic Need Programme has reported an underspend of £0.600m from a project that is no longer required.

As part of the ongoing capital programme review, a number of opportunities have arisen from the Early years and School' Services budget lines. These include potential funding switches (from borrowing to external funding such as CIL and S106

Contributions) and from projects that are no longer required or have been scaled back. Full details of these and their recommendations will be put forward within the January MTFP update.

Climate and Place – Other Services

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Flood & Water Management (Non SRA)	4.335	0.118	0.300	(4.035)	4.035	
Somerset Waste Partnership	2.336	0.457	2.336			
Chard Reservoir Dam Works	0.078		0.078			
North Hill Cliff Stabilisation	1.010	0.006	1.010			
Climate & Place Other Services Total	7.759	0.581	3.724	(4.035)	4.035	

Slippage reported in the above table relates to Flood Prevention schemes for the Taunton area, brought forward from the Somerset West and Taunton capital programme. These are now likely to commence in the second half of 2024.

Climate and Place – Economy and Regeneration

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Business Growth Fund & Other Projects	2.988	0.504	2.988			
Taunton Digital Innovation Centre	1.831	1.114	1.831			
Bridgwater Town Deal	22.000		5.766	(16.234)	16.234	
Bridgwater Levelling Up Fund	19.700	1.968	6.345	(13.355)	13.355	
Glastonbury Town Deal	15.271	1.069	5.600	(9.671)	9.671	
Saxonvale, Frome	0.100			(0.100)	0.100	
Taunton Town Centre Regeneration	0.080		0.080			
Phosphates	1.986			(1.986)	1.986	
Firepool Development FHSF Phase	7.800	1.792	3.800	(4.000)	4.000	
Chard Regeneration	2.050	0.022	1.050	(1.000)	1.000	
Yeovil Refresh	18.399	3.257	18.399			
Staplegrave Housing Infrastructure Fund	14.216		14.216			
Contribution to CDS Broadband	0.550		0.550			
Frome Enterprise Centre	0.375		0.375			
Climate & Place Economy and Regeneration Total	107.346	9.726	61.000	(46.346)	46.346	

The large slippage reported within this area of the programme relates to the reprofiling of legacy projects from the previous authorities. The details of the original forecasts were not included in the combined programme approved in September.

The Bridgwater Town Deal and Levelling Forecasts have been amended to reflect the funding profiles for each scheme.

Climate and Place – Infrastructure and Transport

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Bridge Structures	4.273	0.531	2.273	(2.000)	2.000	
Road Structures	31.914	12.447	29.914	(2.000)	2.000	
Traffic Control	5.549	5.286	5.549			
Active Travel	3.709	0.677	3.709			
Integrated Transport	1.446	1.087	1.446			
Small Improvement Schemes	1.938	0.364	1.938			
Highway Lighting	0.827	0.234	0.827			
Rights of Way	1.937	0.089	1.937			
Car Parks & Parking Services	0.867	0.855	0.867			
M5 Junction 25 Improvements	2.297	0.004	2.297			
Toneway Corridor Capacity Improvements	2.274	0.290	2.274			
Trenchard Way Residual Works	0.271	1.023	1.500	1.229		
Major Road Network	1.744	0.001	1.744			
A38 Chelston Link	5.110	0.159	0.500	(4.610)	4.610	
J23 Dunball Improvements	5.178	0.256	5.178			
Blue Anchor Coast Protection	3.756	2.636	3.406	(0.350)		(0.350)
Various Other Schemes	4.034	0.136	2.805	(1.229)		
Fleet Management	5.919	0.295	5.919			
Bus Service Improvement Programme	4.418		4.418			
Climate & Place Infrastructure Total	87.461	26.370	78.501	(8.960)	8.610	(0.350)

Bridge Structures are anticipating slippage of around £2m into the next financial year. This relates to their annual programme and three major projects which are being undertaken at the same time.

Road Structures anticipate slippage of £2m due to the end of the current term maintenance contract.

A38 Chelston Link Resurfacing project has progressed through the pre-construction phase. However, the main construction is now not scheduled to commence until the second half of 2024/25. This is due to the tendering process and availability of road space with several Highways England works planned within the local area.

The Blue Anchor Coast Protection scheme is due to complete this year. Current indications are that an underspend of £0.350m will be achieved.

Community Services

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
	£m	£m	£m	£m	Slippage into future years £m	(Under) / Over Spend £m
Wellington Library Improvements	1.186	0.013	1.186			
Library Services	0.419	0.075	0.453	0.034	(0.034)	
Cultural and Heritage Services	(0.747)	0.145	0.162	0.909	(0.909)	
Grants to Registered Social Landlords (RSLs)	0.504	0.040	0.504			
Gypsy Site	0.109			(0.109)		(0.109)
IAC Staffing and Support	0.204		0.204			
Energy Efficiency Grants	0.099		0.099			
Home Maintenance	0.108		0.108			
Other Schemes	2.756	0.409	2.756			
Wellington Leisure Centre	0.754	0.175	0.754			
Norton Fitzwarren Playing Pitches (S106)	0.264	0.172	0.264			
Brewhouse Theatre	0.185			(0.185)		(0.185)
Octagon Redevelopment	16.433	0.112	0.500	(15.933)	15.933	
Community Services Total	22.274	1.141	6.990	(15.284)	14.990	(0.294)

Two projects within this area have been identified as surplus to requirements, creating an underspend of £0.294m. These schemes will be recommended for removal from the programme in the MTFP update paper.

The Octagon Theatre project was acknowledged not to be deliverable in its current form at the Executive meeting held on the 4th of October 2023. The direction set at that meeting was for a future options appraisal to come back to Council and if appropriate to be supported by a new capital bid. The historical capital scheme will therefore be removed from future capital reports.

Resources and Corporate Services

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Finance - Capital Programme Contingency	4.029			(4.029)	4.029	
Corporate ICT Investment	4.196	0.304	1.496	(2.700)	1.000	(1.700)
Property Services General	13.247	2.403	13.247			
Building Compliance Health & Safety	0.250		0.210	(0.040)	0.040	
Asset Rationalisation	0.130		0.130			
New Somerset Council Signage	0.078			(0.078)		(0.078)
Office Rationalisation	0.500		0.500			
Building Condition Programme (Non Schools)	0.900		0.100	(0.800)	0.800	
Outdoor Education Centres Improvements	0.647	0.009	0.046	(0.601)	0.601	
Saltlands Solar Park	3.137	0.011	0.100	(3.037)		(3.037)
South West Heritage Trust Building Condition	0.360		0.050	(0.310)	0.310	
Outdoor Education Centres Building Condition	1.080		0.050	(1.030)	1.030	
Estate De-carbonisation	1.000			(1.000)	1.000	
Birchfield Gas Control System	0.458	0.023	0.458			
Capital Works for Investment Properties	2.010	0.085	2.010			
Resources & Corporate Services Total	32.022	2.835	18.397	(13.625)	8.810	(4.815)

At present, there is no requirement to call on the programme contingency in this financial year.

ICT Services are forecasting an underspend of £1.7m on their current programme. This will form part of the recommendations within the MTFP update paper.

£0.078m of approval earmarked for New Council Signage has been deemed surplus to requirements and may also be offered up as a potential saving.

The Saltlands Solar Park will not proceed. Any capital costs to date will need to be transferred back to revenue. The revenue implications around future income/ savings will be factored into the MTFP workings for next year's budget setting.

Strategy, Workforce, and Localities

Service/ Project	2023/24 Budget	Actual Spend at Mth 6	Revised Q2 Forecast for 2023/24	Variance to Original Budget	Of which:	
					Slippage into future years	(Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Hinkley CIM Funded SWT Projects	0.100		0.100			
Various Other Schemes	0.135		0.135			
Strategy and Workforce Total	0.235		0.235			

No change in forecasts to report in this area.