

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
7th November 2017**

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance

SUBJECT: Capital Programme Update for September 2017

REPORT FOR: Decision

1. Current Capital Programme 2017-18

1.1 The revised Capital Programme after accounting for approved virements is £101,309m, of which committed expenditure is £50.028m (49%) of the budget. The actual spend to the end of September is £24.0m (spend to the end of August was £19.4m). This compares to £10.8m the end of September the previous year.

1.2 Table 1 below summarises the position for each directorate and service.

1.3 Table 1 Capital Table as at 30th September 2017

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2017/18 as at 30th September 2017 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People								
Adult Services & Commissioning	0	833	0	0	833	111	722	86.7%
Childrens Services	0	32	0	0	32	0	32	100.0%
Housing	2,943	550	0	-870	2,623	1,170	1,453	55.4%
Schools and Inclusion	30,086	1,185	0	-2,843	28,428	19,345	9,083	32.0%
Resources								
Business Services	446	192	0	0	638	320	318	49.8%
Information Services	1,192	824	0	0	2,016	528	1,488	73.8%
Legal Services	0	23	0	0	23	4	19	82.6%
Financial Services	500	-396	0	0	104	0	104	100.0%
Corporate Activities	0	0	0	0	0	0	0	
Place								
Highways, Transport & Recycling	21,826	8,949	0	-3,149	27,626	11,467	16,159	58.5%
Leisure & Recreation	4,451	5,820	0	0	10,271	7,185	3,086	30.0%
Regeneration, Property & Commissioning	3,655	842	0	-345	4,152	382	3,770	90.8%
Total Capital	65,099	18,854	0	-7,207	76,746	40,512	36,234	47.2%
Housing Revenue Account	21,260	3,503	-200	0	24,563	9,516	15,047	61.3%
TOTAL	86,359	22,357	-200	-7,207	101,309	50,028	51,281	50.6%

2. Funding

2.1 The funding of the capital programme is shown in Table 2. This has changed by £0.870 and reflects the virements above and additional grants listed in section 4.

2.2 Table 2 Funding of the Capital Budget as at 30th September 2017

	Revised Working Budget 2017/18 as at 30th September 2017 (after virements approved and required)					
	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont's To Capital	Capital Receipts	Total
Council Fund	-11,302	-19,967	-24,504	-9,581	-11,392	-76,746
HRA	0	-13,441	-3,844	-5,606	-1,672	-24,563
Total	-11,302	-33,408	-28,348	-15,187	-13,064	-101,309

3. Virements

3.1 This report requests that the following virements are carried out to amend the capital budgets for the following projects:

3.2 Housing Revenue Account

- The project to develop mobile working within the HRA Landlord Services Teams is now not going ahead because the proposed purchase of equipment was incompatible with the ICT strategy. This virement requests that the £200k budget is removed. The project was funded from prudential borrowing.

3.3 The other virements in Table 1 were reported in the July Capital Report and are in the process of being approved through Cabinet and Council.

4. Grant Changes as at 30th September 2017

4.1 Adult and Commissioning

- Intermediate Care Fund (ICF) £285k to install a conservatory at The Rhyd, Brecon and kitchen and electrical improvements at Castell y Dail, Newtown.

5. Capital Receipts

5.1 A capital receipt occurs when an asset of the authority is sold. Capital receipts historically could only be used to finance new capital expenditure or repay loans. This changed in 2015/16 when it was possible to use capital receipts to finance the revenue costs from transformation. This option has been used in both 2015/16 (£1.6m) and 2016/17 (£0.9m), which has required additional Prudential Borrowing.

5.2 The current capital receipt target, excluding the HRA, for 2017/18 is £1m for Property and £1m for County Farms, of which £717k has been agreed subject to contract and should be received before year end. Two sales of £329k has been completed as at 30th September 2017. These capital receipts has been earmarked to finance £100k County Farm Capital expenditure and £900k for the 21st Century Schools Programme.

5.3 The HRA is still subject to Right to Buy Disposals and six sales have been completed as at 30th September 2017 amounting to £575k and other land and garage sales amount to £69k

5.4 As at 31st March 2017 the total Capital Receipts held by the authority was £15.402m of this £13.064m is a commitment in the capital budgets for 17/18.

5.5 A recent decision by Cabinet to suspend declaring any further property from the Farm estate surplus will effectively mean the target for capital receipts will not be met.

6. Borrowing Requirements

6.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

6.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.

6.3 Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

CFR Position:

	As at 31.03.17 Actual	2017/18 Original Estimate	2018/19 Original Estimate	2019/20 Original Estimate
	£M	£M	£M	£M
Capital Financing Requirement	307,524	326,461	357,224	382,433

The Authority had outstanding long-term external debt of £226.4M at 31st March 2017. In relation to the CFR figure for 31st March 2017, this equated to the Authority being under borrowed by £81M. This is a prudent and cost effective approach in the current economic climate. However, members will be aware that internal borrowing is only a temporary situation and officers have advised that, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years. The following temporary borrowing is applicable to this financial year. It is expected that temporary borrowing will be necessary on further occasions throughout the financial year.

BORROWED					REPAID	
Date	Borrower	Type	Amount £000	Rate%	Date	Amount
28-Mar-17	Derbyshire Pension Fund	Fixed to 4/4	0	0.50	04-Apr	10,000,000
29-Mar-17	Edinburgh City Council	Fixed to 5/4	0	0.50	05-Apr	10,000,000
29-Mar-17	City of London	Fixed to 5/4	0	0.50	05-Apr	5,000,000
29-Sep-17	Manchester City Council	Fixed to 5/10	5,000	0.20	05-Oct	5,000,000

Alongside this, it is likely that some longer term borrowing will take place. This is a prudent approach to ensure some borrowing takes place whilst interest rates are at their low levels as opposed to borrowing at a future date at increased rates.

- 6.4 The CFR figures above include the increase in the amount of borrowing of £41m that is anticipated in 2017/18. Any borrowing undertaken will have a revenue implication, which includes both the payment of interest on the loan but also the repayment of the principal of the loan. The Minimum Revenue Provision is a prudent way of setting aside the funds required to repay the principal. Work is also ongoing to improve the forecast for capital spend, so that Treasury Management are able to improve the cashflow predictions for the authority.

7. **Options Considered/Available**

No alternative options are considered appropriate as a result of this report.

8. **Preferred Choice and Reasons**

None to consider.

9. **Impact Assessment**

Is an impact assessment required?

No

10. **Corporate Improvement Plan**

To achieve the Corporate Improvement Plan (CIP) objectives the Council undertakes forward planning with its medium term financial strategy (MTFS) - this sets out the financial requirements to deliver the short and longer term council vision. These capital and revenue monitoring reports, are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

11. **Local Member(s)**

This report relates to all service areas across the whole County.

12. **Other Front Line Services**

This report relates to all service areas across the whole County.

13. **Communications**

This report has no specific communication considerations. Detailed finance reports are presented to Heads of Service, Cabinet and the Audit Committee. These reports are public and are part of a range of statutory and non-statutory financial information documents including the Statement of Accounts.

14. **Support Services (Legal, Finance, HR, ICT, BPU)**

This report has no specific impact on support services other than reporting on those service areas with capital programmes. Financial Services work closely with all service areas in monitoring financial performance on capital programmes against budgets. The Capital and Financial Planning Accountant confirms that the project included in paragraph 3.2 is included in the Capital Programme.

15. Scrutiny

This report presents financial information which will help inform the future capital strategy and therefore has implications for any related organisation.

16 Statutory Officers

The Strategic Director, Resources (Section 151 Officer) notes the contents in the report.

The Monitoring Officer has no specific concerns with this report.

17. Members' Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
<p>a. The contents of this report are noted by Cabinet; and</p> <p>b. The Capital virements set out in Section 3 are approved, and those over £500k be submitted to full council for approval.</p>	<p>To outline the capital budget position as at 30th September.</p> <p>To ensure appropriate virements are carried out.</p>

Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

Relevant Local Member(s):	
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Person(s) To Implement Decision:	
Date By When Decision To Be Implemented:	

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Background Papers used to prepare Report: