

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
5th December 2017**

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance

SUBJECT: Capital Programme Update for October 2017

REPORT FOR: Decision

1. Current Capital Programme 2017-18

1.1 The revised Capital Programme after accounting for approved virements is £89.063m, of which committed expenditure is £52.547m (59%) of the budget. The actual spend to the end of October is £28.9m (spend to the end of September was £24.0m). This compares to £13.3m to the end of October the previous year.

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

1.3 Table 1 Capital Table as at 31st October 2017

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2017/18 as at 31st October 2017 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People								
Adult Services & Commissioning	0	1,089	0	0	1,089	79	1,010	92.7%
Childrens Services	0	32	0	0	32	0	32	100.0%
Housing	2,943	-320	0	0	2,623	1,318	1,305	49.8%
Schools and Inclusion	30,086	-1,490	-140	0	28,456	19,964	8,492	29.8%
Resources								
Business Services	446	192	0	0	638	324	314	49.2%
Information Services	1,192	824	0	0	2,016	642	1,374	68.2%
Legal Services	0	23	0	0	23	4	19	82.6%
Financial Services	500	-402	0	0	98	0	98	100.0%
Corporate Activities	0	0	0	0	0	0	0	
Place								
Highways, Transport & Recycling	21,826	5,345	-123	-7,327	19,721	12,371	7,350	37.3%
Leisure & Recreation	4,451	5,827	-471	0	9,807	7,244	2,563	26.1%
Regeneration, Property & Commissioning	3,655	494	-133	0	4,016	660	3,356	83.6%
Total Capital	65,099	11,614	-867	-7,327	68,519	42,606	25,913	37.8%
Housing Revenue Account	21,260	3,559	-200	-4,075	20,544	9,941	10,603	51.6%
TOTAL	86,359	15,173	-1,067	-11,402	89,063	52,547	36,516	41.0%

2. Funding

2.1 The funding of the capital programme is shown in Table 2. This has changed by £12,246k and reflects the virements above and additional grants listed in section 4.

2.2 Table 2 Funding of the Capital Budget as at 31st October 2017

	Revised Working Budget 2017/18 as at 31st October 2017 (after virements approved and required)					
	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont's To Capital	Capital Receipts	Total
Council Fund	-10,831	-23,452	-17,929	-4,767	-11,540	-68,519
HRA	0	-9,366	-3,875	-5,631	-1,672	-20,544
Total	-10,831	-32,818	-21,804	-10,398	-13,212	-89,063

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 Highways Transport and Recycling

- The Project to consider the location and type of Fleet Workshops has nearly completed the Business Case stage. The planning and construction of any new sites will take place in 2018/19. It is therefore recommended to roll forward £1.941m to 2018/19.
- The Fleet Replacement Programme now has a project Board to oversee the work of, Fleet, Procurement and Finance. However, despite best efforts several factors, including long lead time in procuring vehicles and issues with tenders has meant that a significant number of vehicles will be delivered in 2018/19. This virement requests that £4.8m is rolled forward from 2017/18 to 2018/19. A detailed programme has been drawn up along with a project plan for 2018/19.
- The work on the Flood Alleviation Scheme for Phase 2 at the River Enig, Talgarth has now had a favourable outcome from the Welsh Government (WG) determination of the objection to the scheme. Work will progress this year with the revised design and tender. It is therefore recommended to roll forward the budget of £585K to 2018/19 when the construction can take place. This is dependent on WG approving their 85% contribution of £497k.
- Work on the design of the Flood Alleviation Scheme for Phase 3 Welshpool is progressing well. Work in the water course cannot now take place until spring 2018. It is therefore recommended to roll forward the budget of £123k to 2018/19. This is dependent on WG approving their 85% contribution of £104k.

3.3 Schools and Inclusion

- Due to additional demands with Early Years setting and safe guarding issues at some schools, the Major Improvement Budget is now showing a forecast overspend. It is recommended to vire £140k from Radnor Valley School Roof to the unallocated budget. The school roof will instead be included in the 2018/19 Major Improvement Programme as a priority. It is more appropriate to do the roof work during the Summer Holidays.

3.4 Leisure and Recreation

- The project to fit out the Library at Y Gaer is now going to take place once the construction of the building is completed, which will be in 2018/19. It is therefore recommended to roll forward the grant and match funding to 2018/19 of £275k
- Development and implementation of some of the co-locations/community delivery solutions and implementation of the Wales Library Management System have taken longer than originally anticipated, causing delay to starting on this project. The concept paper has been approved by ICT governance, and the service is now working on the full business case and drafting the tender specification which it is hoped to get out early in the new year. Therefore it is recommended to roll forward the £196k budget from 2017/18 to 2018/19.

3.5 Regeneration, Property and Commissioning

- The Project to undertake remedial works to Nantmel Landfill site is now going to take place in 2018/19. Due to the nature of the works it is beneficial to commence the site operations next spring or preferably later as we need a period of lower rainfall to complete the works in one go. It is therefore recommended that the budget of £133k is rolled forward to 2018/19.

3.6 Housing Revenue Account

- Due to the late start to the Welsh Housing Quality Standard Capital Programme this year because of procurement and Health and Safety delays, it is recommended to roll forward £1,725k from 2017/18 to 2018/19 with a further £950k from 2017/18 to 2019/20.
- The work to the Older Persons Accommodation is progressing, however the volume of work required the £700k is rolled forward from 2017/18 to 2018/19 and a further £700k is rolled forward from 2017/18 to 2018/19.

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

4. Grant Changes as at 30th September 2017

4.1 Schools and Inclusion

- The WG Grant for the new Schools in the Gwernyfed Catchment has been reduced by £3.807m. The authority has now been given this funding through the Financial Settlement under the Local Government Borrowing Initiative and means it will borrow the funding instead.

4.2 Adult and Commissioning

- Award of a grant from Welsh Government to purchase and refurbish the Old TSB Bank, Welshpool in order to secure the provision of a long term base to deliver substance misuse services in Powys. The grant is profiled over two financial years with £256k in 2017/18, and the remaining £443k in 2018/19.

4.3 Leisure and Recreation

- A grant of £715k from the Federation of Museums and Art Galleries Wales towards the restoration of the Artefacts in Y Gaer.

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 £334k has been agreed subject to contract and should be received before year end. Three sales of £729k has been completed as at 31st October 2017, Land and Property sales £175k; Smallholding/Farm Sales £554k.
- 5.3 The HRA is still subject to Right to Buy Disposals and seven sales have been completed as at 31st October 2017 amounting to £667k 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 £13.212m is a commitment in the capital budgets for 2017/18.
- 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 in future.

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 (MRP) is a statutory and 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. The net cost of borrowing together with the MRP are the real capital charges.

6.5 The virements in section 3 have an impact on the CFR figures for future years. In addition, any capital bids and approved projects for future years will increase the CFR. This in turn increases the MRP and the borrowing requirements. The real capital charge revenue budgets while showing an underspend in the current year will require additional budget to meet the additional borrowing and MRP costs in the future years.

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 projects included in section 3 are 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 Head of Financial Services & Acting 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 31st October. 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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