

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

10 April 2018

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance, Countryside and Transport

SUBJECT: Capital Programme Update for the period to 28th February 2018

REPORT FOR: Decision

1. Current Capital Programme 2017-18

1.1 The revised Capital Programme after accounting for approved virements is £78.950m (Jan £79.816m), of which committed expenditure is £65.796m (83.3%) (Jan £62.941m 78.9%) of the budget an increase of £2.855m or 4.5% during the month.

1.2 The actual spend to the end of February is £46.526m (spend to the end of January was £42.083m).

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

1.4 Table 1 Capital Table as at 28th February 2018

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2017/18 as at 28 th February 2018 (after virements approved and required)	Actuals	Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People									
Adult Services & Commissioning	0	1,103	0	0	1,103	124	9	970	87.9%
Childrens Services	0	289	0	0	289	0	0	289	100.0%
Housing	2,943	-307	0	0	2,636	1,275	693	668	25.3%
Schools and Inclusion	30,086	-2,600	0	0	27,486	18,849	3,227	5,410	19.7%
Workforce, OD and Comms	0	0	0	0	0	0	0	0	
Resources									
Business Services	446	233	0	0	679	385	54	240	35.3%
Information Services	1,192	783	0	0	1,975	467	858	650	32.9%
Legal Services	0	23	0	0	23	4	0	19	82.6%
Financial Services	500	-432	0	0	68	0	0	68	100.0%
Corporate Activities	0	0	0	0	0	0	0	0	
Place									
Highways, Transport & Recycling	21,826	-878	0	0	20,948	12,365	4,201	4,382	20.9%
Leisure & Recreation	4,451	5,359	0	0	9,810	3,943	4,730	1,137	11.6%
Regeneration, Property & Commissioning	3,655	-639	0	0	3,016	503	441	2,072	68.7%
Total Capital	65,099	2,934	0	0	68,033	37,915	14,213	15,905	23.4%
Housing Revenue Account	21,260	-599	-7,734	-2,010	10,917	8,611	5,057	-2,751	-25.2%
TOTAL	86,359	2,335	-7,734	-2,010	78,950	46,526	19,270	13,154	16.7%

2. Funding

2.1 The funding of the capital programme is shown in Table 2. This stands at £78.948m as at 28th February 2018 and has reduced by £0.868m from that reported at the end of January.

2.2 Table 2 Funding of the Capital Budget as at 28th February 2018

Revised Working Budget 2017/18 as at 28th February 2018 (after virements approved and required)						
Funding Source	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont'S To Capital	Capital Receipts	Total
COUNCIL FUN	-10,871	-22,454	-18,972	-4,628	-11,204	-68,129
HRA	0	-2,142	-3,869	-3,761	-1,047	-10,819
Total	-10,871	-24,596	-22,841	-8,389	-12,251	-78,948

3. Virements as at 28th February 2018:

3.1 There were no further virements requested in the month of February.

3.2 The Housing Revenue Account virement of £7.734m that was requested in January was approved by Council on 8th of March 2018.

4. Grants

4.1 At the end of February, the total amount of grant received in 2017/18 stood at £16.84m

4.2 This consists of £13.41m Capital grant and £3.43m Revenue grant. These have already been earmarked for the financing of Capital expenditure as tabulated in 2.2 above.

5. Capital Receipts

A capital receipt occurs when an asset of the authority is sold. Capital receipts can only be used to finance new capital expenditure or repay loans. In 2015/16 Welsh Government issued a directive that enabled Authorities to use capital receipts obtained during the year to finance the revenue costs from transformation incurred in the same period. This directive ends on 31st March 2018. Welsh Government are currently reviewing this policy.

5.1 The current capital receipt target, excluding the HRA, for 2017/18 is £1m for Property and £1m for County Farms, of which £213k has been agreed subject to contract and £881k has actually been received to date.

5.2 The HRA is still subject to Right to Buy Disposals. Total receipt to the period ending 28 February is £987k.

5.3 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. There have been instances of temporary borrowing throughout this financial year for cashflow purposes.

Date	Lender	Type	Amount	Rate
29-Sep-17	Manchester City Council	Fixed to 5/10	5,000,000	0.20000
20-Oct-17	Powys Pension Fund	Fixed to 23/10	730,000	0.20000
24-Oct-17	Powys Pension Fund	Fixed to 25/10	300,000	0.20000
30-Oct-17	Newport City Council	Fixed to 7/11	5,000,000	0.14000
31-Oct-17	Rhondda Cynon Taff CBC	Fixed to 6/11	3,000,000	0.20000
30-Nov-17	Scarborough Borough Council	Fixed to 5/12	4,000,000	0.35000
04-Dec-17	Powys Pension Fund	Fixed to 6/12	1,000,000	0.40000
05-Dec-17	Powys Pension Fund	Fixed to 6/12	750,000	0.40000
28-Dec-17	Manchester City Council	Fixed to 4/1	6,000,000	0.38000
23-Jan-18	Powys Pension Fund	Fixed to 30/1	1,050,000	0.40000
30-Jan-18	Middlesbrough Borough Council	Fixed to 12/2	5,500,000	0.36000
31-Jan-18	Hastings Borough Council	Fixed to 5/2	5,000,000	0.40000

Alongside this, longer term borrowing totalling £20M has taken place during February as interest rates were conducive to this. This was 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 Any borrowing undertaken will have a revenue implication which includes both the payment of interest on the loan and the repayment of the principal of the loan via the Minimum Revenue Provision (MRP) required. MRP is a statutory and prudent way of setting aside the funds required to repay loan principal in the future. Work is 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 future years.
- 6.6 It is important to highlight that there is likely to be an underspend on the capital financing revenue budget because the actual spend on capital is lower than predicted and we anticipate further virements to roll forward capital budgets into 2018/19.

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:
The contents of this report are noted by Cabinet.	To outline the capital budget position as at 28 th February 2018. To ensure appropriate virements, if any, are carried out.

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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