

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

10 July 2018

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance

SUBJECT: Capital Programme Update for the period to 31st May 2018

REPORT FOR: Decision

1. Current Capital Programme 2018-19

1.1 The Revised working budget 2018/19 Capital Programme, after accounting for approved virements, is £106.353m (The Original budget was £87.703m). The Increase in budget is largely due to virements from previous year's programme that have lapsed into 2018/19.

1.2 The actual spend to the end of May is £3.712m and a further £39.073m has been committed.

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

1.4 Table 1 Capital Table as at 31st May 2018

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2018/19 as at 31st May 2018 (after virements approved and required)	Actuals	Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People									
Adult Services & Commissioning	819	0	0	0	819	22	108	689	84.1%
Childrens Services	0	0	0	0	0	-219	220	-1	
Schools and Inclusion	39,367	297	0	0	39,664	579	23,010	16,075	40.5%
Workforce, OD and Comms	0	0	0	0	0	0	0	0	
Resources									
Business Services	0	0	0	0	0	2	30	-32	
Information Services	1,610	0	0	0	1,610	13	293	1,304	81.0%
Legal Services	0	0	0	0	0	0	0	0	
Financial Services	578	-20	0	0	558	0	0	558	100.0%
Corporate Activities	0	0	0	0	0	0	0	0	
Place									
Highways, Transport & Recycling	16,380	6,947	0	0	23,327	1,500	2,856	18,971	81.3%
Housing	1,825	253	0	0	2,078	110	778	1,190	57.3%
Leisure & Recreation	3,357	154	0	0	3,511	685	3,043	-217	-6.2%
Regeneration	1,125	345	0	0	1,470	45	75	1,350	91.8%
Property, Planning And Public Protection	2,503	20	0	0	2,523	16	514	1,993	79.0%
Total Capital	67,564	7,996	0	0	75,560	2,753	30,927	41,880	55.4%
Housing Revenue Account	20,139	10,654	0	0	30,793	959	8,146	21,688	70.4%
TOTAL	87,703	18,650	0	0	106,353	3,712	39,073	63,568	59.8%

2. Funding

2.1 The funding of the capital programme is shown in Table 2. This stands at £106.334m as at 31st May 2018 this matches the expenditure budget to ensure a balanced budget

2.2 Table 2 Funding of the Capital Budget as at 31st May 2018

Revised Working Budget 2018/19 as at 31st May 2018 (after virements approved and required)						
Funding Source	Supported Borrowing £'000	Prudential Borrowing £'000	Grants £'000	Revenue Contributions To Capital £'000	Capital Receipts £'000	Total £'000
Council Fund	-11,264	-23,204	-26,431	-10,656	-3,986	-75,541
HRA	0	-16,385	-6,414	-7,369	-625	-30,793
Total	-11,264	-39,589	-32,845	-18,025	-4,611	-106,334

3. Virements as at 31 May 2018:

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

4. New Grants accepted as at 31st May 2018

4.1 Total Capital Grant Allocation for 2018/19 is £32.845m

4.2 This consists of £26.431m General Fund grant and £6.414m HRA grant. These have already been earmarked for the financing of Capital expenditure as tabulated in 2.2 above.

4.3 A further £947k was received in the month of May for the Active Travel Scheme (£175k), the Powys Passenger Transport Infrastructure Enhancement scheme (450k) and the Knighton Safe Routes programme (322k).

5. Capital Receipts

5.1 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 up to 31 March 2018. This directive has now been extended to 31 March 2022 and the flexible use of Capital Receipts has also been broadened to include investments that promote Economic and Business growth.

5.1 The current capital receipt target, excluding the HRA, for 2018/19 is 1.728m for Property and £1m for County Farms. £45k of the property sales has been completed and a further £485k has been agreed subject to contract.

5.2 With the suspension of the Right to Buy scheme in Powys, no capital receipt from the sale of Council Dwelling is expected in 2018/19, unless sales that started in 2017/18 but did not complete before 31 March 2018.

- 5.4 A recent decision by Cabinet to suspend declaring any further property from the Farm estate surplus, will also result in a reduced income from capital receipts.

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 31.03.18 Actual	2018/19 Current Estimate	2019/20 Current Estimate	2020/21 Current Estimate
	£M	£M	£M	£M
Capital Financing Requirement	332,072	373,530	407,313	425,561

The Authority had outstanding long-term external debt of £251.4M at 31st March 2018. In relation to the CFR figure for 31st March 2018, this equated to the Authority being under borrowed by £62.5M. 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. In line with this, £10M of longer-term borrowing has taken place in the current financial year. 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.

- 6.3.1 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.
- 6.4 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.

6.5 It is important to highlight that the capital financing revenue budget is likely to be lower than estimated because the actual spend on capital is lower than predicted and we anticipate further virements to roll forward capital budgets into 2018/19. This will have no effect on the draw down of MRP.

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 31 st May 2018. To ensure appropriate virements, if any, are carried out.

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

Within Budget:	Y / N
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Relevant Local Member(s):	
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Person(s) To Implement Decision:	
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Date By When Decision To Be Implemented:	
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