

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE 28th July 2020

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

REPORT TITLE: Capital Forecast as at 30th June 2020

REPORT FOR: **Decision**



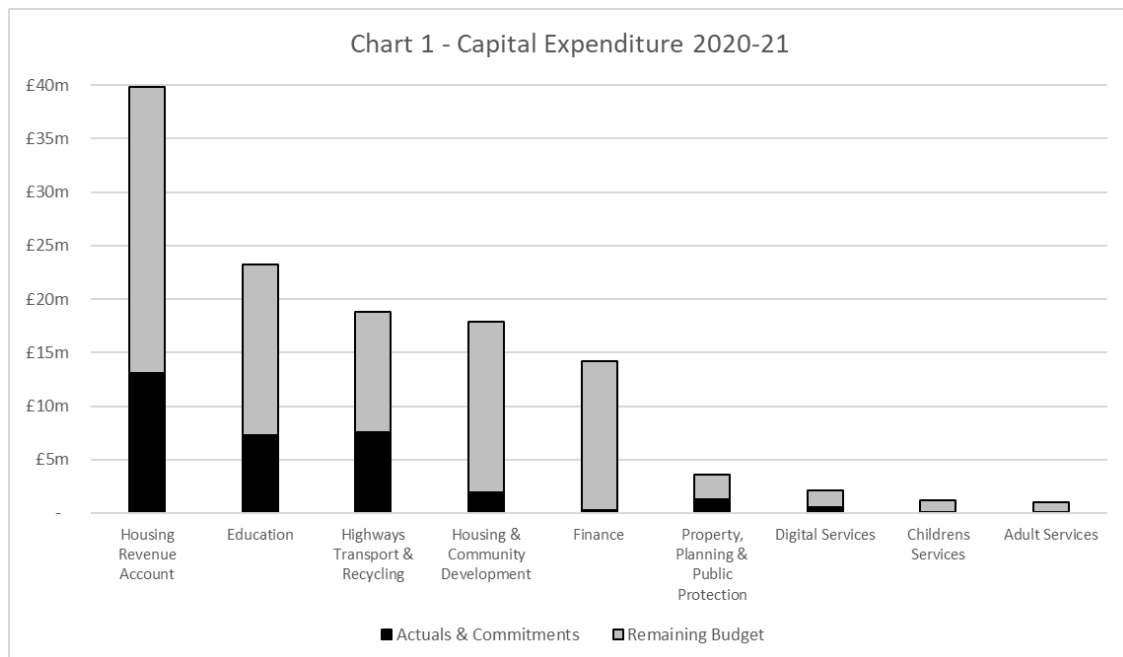
Heol y Ffynnon, Brecon

1. Purpose

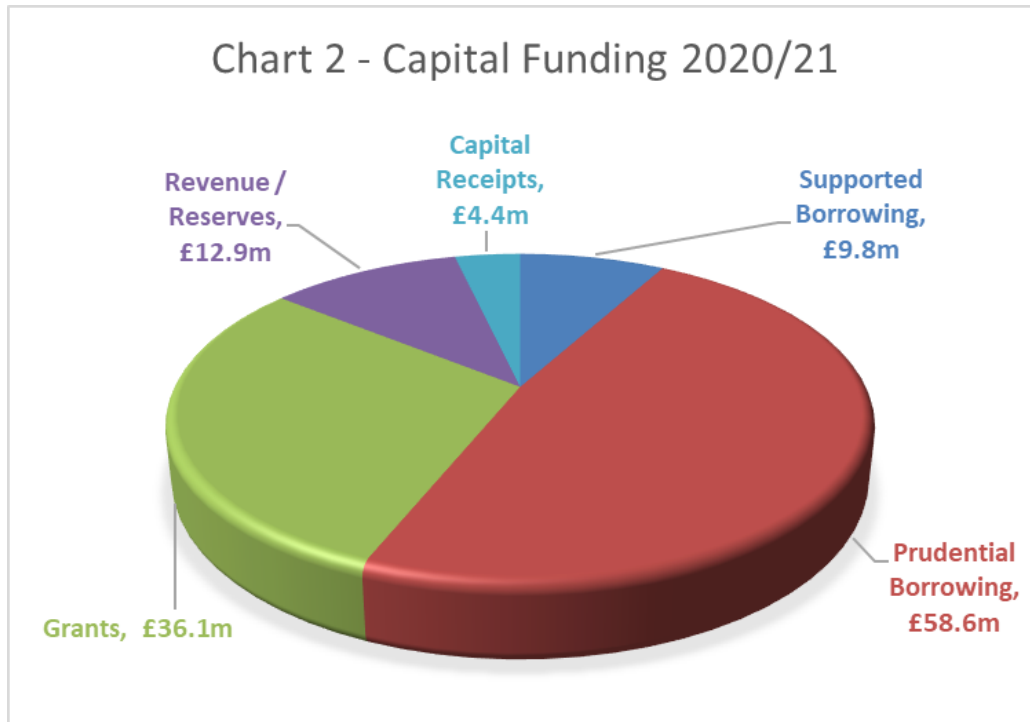
- 1.1 The revised working budget for the 2020/21 Capital Programme, after accounting for approved virements, is £121.81 million.
- 1.2 The original budget was £132.87 million, after the original budget was approved, £14.79 million was reprofiled from 2019/20 into 2020/21. At the end of 2019/20 a further £6.25 million was carried forward to enable the schemes to continue into this financial year.
- 1.3 £34.79 million has been reprofiled into future financial years to match the anticipated spend profiles. This has reduced the overall borrowing requirement in this year by £13.92 million and reduces the call on revenue budgets that support the cost of borrowing.
- 1.4 Due to the current situation it is likely that there will be further slippage on the delivery of some schemes, with spend needing to be reprofiled into future years. Finance will be working with budget holders and project managers to ensure that schemes are

reprofiled in a timely manner to reduce the borrowing requirement in this year which will reduce the debt servicing expenditure in the Councils revenue budget.

- 1.5 Actual spend and committed expenditure amounts to £32.48 million representing 26% of the total budget. The actual spend to date is £7.91 million, with £24.39 million the committed figure. The actual spend equates to only 6% of the annual budget.
- 1.6 The revenue expenditure to cover the borrowing for past and present capital schemes is estimated to be £13 million in 2020/21 and the Minimum Revenue Provision (MRP) required is estimated at £3.60 million.
- 1.7 The Housing Revenue Account (HRA) proportion of these costs is expected to be £5.60 million.
- 1.8 Based on the estimates above, 4.1% of our net revenue budget of £269 million is supporting the past and present capital spend. It is essential that the investment in our capital programme is affordable over the short, medium, and longer term and can demonstrate tangible benefits linked to the council's priorities.
- 1.9 Chart 1 below summarises the financial position for each service.



1.10 Chart 2 below sets out how the 2020/21 capital programme is funded, 56% is funded through borrowing, the interest cost for this is charged to the revenue account.



1.11 The Covid 19 Pandemic is having a significant impact on the Council's revenue budget and corrective action must now be implemented, not only to address the deficit in the current year but to reduce the financial pressure on future years and ensure the financial sustainability of the Council.

1.12 This action should include a review of the schemes included in the forward Capital Programme identifying those which can be delayed or even stopped. The 10 year Capital Programme was approved in principle in March but the commitment from the revenue budget to support the programme is significant at over £12 million in the current financial year (4.2% of the revenue budget), and this will increase further over future years, can we now afford that level of investment, do the projects within the programme align with changes in service delivery now being explored? All projects in the programme should be reviewed and prioritised alongside the re-evaluation of services.

2. Head of Service Comments

2.1 Appendix A provides Head of Service commentary on the services' capital projects.

3. Virement

3.1 The virement detailed below is proposed for approval.

3.2 Highways, Transport and Recycling

£0.13 million is required to fund the purchase of four tipper vehicles to deliver the new Housing Grounds SLA contract. Last year was the first year of the Housing Grounds

SLA agreement and there was insufficient time to procure new vehicles. Whilst procurement is pending, the highways service has been utilising hire vehicles and old Highways vehicles which are now at the end of their useful life. It is proposed that the budget is vired from the corporate unallocated capital budget.

4. Reprofile Budgets Across Financial Years

4.1 The following services have requested the reprofiling of their capital programme budgets into 2020/21, as the expected spend on projects will be significantly less than planned. We encourage services to reprofile budgets as soon as they become aware of forecast changes, rather than waiting until the end of the year.

4.2 There were several schemes in 2019/20 capital programme which are continuing into 2020/21. The budget carried forward for these schemes is shown in the following table and has been included in the figures shown in the charts above

Table 1 Funding carried forward from 2019/20

Service	£,000
Education	1,058
Housing & Community Development	1,458
Highways Transport & Recycling	1,197
Adult Services	16
Childrens Services	100
Property, Planning & Public Protection	1,399
Finance	225
Digital Services	215
HRA	577
Total	6,245

4.3 Digital Services

£0.40 million relating to the System Rationalisation and Cloud projects.

4.4 Education

A review of the Schools Major Improvement schemes has identified £1.06 million that has been reprofiled into 2020/21 in line with anticipated spend.

The latest send profile for the 21st Century Schools Programme has been submitted to Welsh Government, this has reduced the requirement in 2020/21 by £30.73 million, which has been reprofiled into future years.

4.5 Highways, Transport and Recycling

Following a review of the planned schemes within Highways they require £2.60 million less than originally allocated, £1.30 million has been reprofiled into 2021/22 and £1.30 million into 2022/23 to avoid future peaks and troughs.

4.6 Leisure

EMT considered the new and additional elements to the existing Leisure Capital bid on 15th April 2020 and approved it in principal. These schemes were included in "capital bids awaiting approval" line of the Capital Programme included within the

Capital Strategy approved by Cabinet and Council in February. Following approval of the detailed business case by EMT it was recommended that the projects are progressed but prioritised to manage the capital funding budgets. In addition, some small schemes have been brought forward from future years to be completed early whilst the use of these sites is lower due to Covid 19 restrictions currently in place. Further details can be found in summary report at Appendix B.

5. Grants Received

5.1 The following grants have been received since the last report and are included for information. These have not yet been included in the tables shown above.

5.2 Highways, Transport and Recycling

5.3 £0.70 million in relation to Local Transport Fund and Local Transport Network Fund. This is made up of £0.10 million awarded to develop a bus data service prototype on behalf of Transport for Wales and £0.60 million for the construction of a rail/bus interchange at Machynlleth Railway Station.

5.4 £0.20 million Resilient Roads funding awarded to support transport projects that mitigate and adapt to the effects of climate change, including addressing disruptions caused on the highway network by severe weather.

5.5 £0.07 million Road Safety and Safer Routes in Communities funding to support schemes and projects that reduce casualties on the road and encourage walking and cycling in communities.

5.6 £0.05 million for 'Environmental Growth on Your Doorstep' and £0.03 million for 'Greening the Council Estate' received from Wales Council for Voluntary Action (WCVA). Both projects focus on greening areas of previously neglected public land either in urban areas or habitat areas.

5.7 Housing and Community Development

5.8 £0.50 million awarded to undertake a 'greening' project within Newtown town centre. The project will focus on providing multifunctional green infrastructure and biodiversity components at four sites within the town centre.

5.9 Customers and Communication

5.10 £1.17 million Hwb EdTech Funding awarded from Welsh Government. The purpose of the funding is to ensure school ICT networks are adequate and performant to maximise the opportunities digital can offer to teaching and learning.

6. Capital Bids

6.1 Leisure

6.2 As part of the new governance process EMT considered a business case for the new and additional elements of the existing Leisure Capital bid on 15th April 2020 and approved it in principal. These schemes were included in "capital bids awaiting approval" line of the Capital Programme included within the Capital Strategy approved by Cabinet and Council in February. Following approval of the detailed business case by EMT it was recommended that the projects are progressed but prioritised to manage the capital funding budgets. In addition, some have been brought forward from future years to be completed early whilst the use of these sites is lower due to Covid 19 restrictions currently in place.

6.3 Further details can be found in the Appendix B.

7. Capital Receipts

- 7.1 Capital receipts totaling £0.18 million have been received since the start of the financial year. There are currently sales agreed to the value £1.56 million which are at the legal stage of the process.
- 7.2 The year-end forecast is estimated at £4.14 million.
- 7.3 The year-end forecast is very much reliant on being able to market property in a timely way to allow acceptable offers to be received and sales being completed. A further delay to marketing and a general fall in demand and increased uncertainty will have a detrimental effect to overall targets.
- 7.4 The Council's transformation programme is funded through a capitalisation directive that allows capital receipts to fund revenue transformation spend and transformation redundancies.
- 7.5 This year the budget requirement is £3.44 million of capital receipts to support the transformation programme. There are sufficient receipts from previous years to support this year's requirement. However additional capital receipts will be required to support any future year transformation costs, the directive ends in March 2022.

8. Resource Implications

- 8.1 The Head of Finance (Section 151 Officer) has provided the following comments:
Expenditure on the Capital Programme has slipped considerably in previous financial years, the effective monitoring and re-profiling of schemes is essential to enable us to more accurately project expenditure, the consequential need to borrow and the impact on the revenue budget.

Based on previous years' performance the budget was set for 2020/21 based on 70% delivery of the programme recognising that schemes will slip and therefore reducing the commitment on the revenue budget and the potential underspend.

The pandemic has already impacted on the delivery of some schemes and projects will continue to be reviewed closely over the coming months and the projections on spend updated accordingly.

Project Managers and Service leads will be supported to improve financial monitoring and forecasting of expenditure.

9. Legal implications

- 9.1 The Monitoring Officer has no specific concerns with this report.

10. Comment from local member(s)

- 10.1 This report relates to service areas across the whole county.

11. Integrated Impact Assessment

- 11.1 No impact assessment is required

12. Recommendations

- That the contents of this report are noted.
- That Cabinet approves the virement proposed in section 3 of this report.
- That Cabinet recommends the release of the funding for the Leisure Capital bid in section 6 and submits to full council for approval.
- That a review of the schemes included in the forward Capital Programme is undertaken to identify those which can be delayed or removed and to ensure that the schemes included remain a priority alongside the re-evaluation of services.

12.1 Reason for Recommendation

- To report on the projected Capital Outturn position for the 2020/21 financial year.
- To ensure appropriate virements, are carried out to align budgets and financing requirements.
- To ensure that the Councils Capital investment is prioritized and affordable.

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Appendix A:

Table 1 - Capital Table as at 30th June 2020

Service	Original Budget	Virements Approved	Revised Budget	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	689	287	976	115	861	88%
Childrens Services	1,092	87	1,179	130	1,049	89%
Education	44,865	(21,597)	23,268	7,277	15,991	69%
Highways Transport and Recycling	16,257	2,548	18,805	7,533	11,272	60%
Property, Planning and Public Protection	967	2,594	3,561	1,304	2,257	63%
Housing and Community Development	16,251	1,590	17,841	1,973	15,868	89%
Digital Services	1,000	1,110	2,110	505	1,605	76%
Legal and Democratic Services	0	22	22	22	0	0%
Finance	16,521	(2,359)	14,162	270	13,892	98%
Total Capital	97,642	(15,718)	81,924	19,129	62,795	77%
Housing Revenue Account	35,230	4,652	39,882	13,119	26,763	67%
TOTAL	132,872	(11,066)	121,806	32,248	89,558	74%

Table 2 - Funding of the Capital Budget as at 30th June 2020

	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contributions	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	9,777	38,540	23,152	6,060	4,395	81,924
HRA	0	20,086	12,965	6,831	0	39,882
Total	9,777	58,626	36,117	12,891	4,395	121,806

Head of Service Commentary

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	976	115	861	88

HOS Comment

The spend to date has been minimal, however, the rest of the budget is committed and required for the year. A large amount of the budget is set aside for older person's care homes capital work required and technology enabled care. One of the recovery sprints for Adult Social Care is considering the development of technology enabled care further with cobotics in order to reduce longer term care demand.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	1,179	130	1,049	89

HOS Comment

There has been some delay in progressing the various capital projects however plans are in place for delivery before the end of the financial year. There has been a delay with the Oldford school project due to delays in the school moving out however we have negotiated access for over the summer period prior to the school moving out before Jan 21. The refurbishments of Bannau Camlas project is nearing completion. A large amount of the budget is set aside for the development of the Flying Start Early Help Hub in Brecon and this work is progressing according to project plan.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	23,268	7,277	15,991	69

HOS Comment

Crickhowell High School new accommodation works – the first phase work is progressing on site to install new drainage service connections. The project is planned to complete in September 2020.

3+ Childcare new early years accommodation:

Rhayader C in W School site and Little Acorns, Crossgates C.P. School site – the project is out tender and is subject to the appointment of a contractor.

Ysgol Pennant and Guilsfield C.P. School sites – planning permission has been granted for both sites and tenders are being prepared for the new early years accommodation.

Ysgol Dyffryn Y Glowyr New 3+ Childcare and Flying Start accommodation – contractor appointed and awaiting approval of planning.

Major Improvements programme has 71 schemes in 2020/21, including schemes carried forward from 2019/20. There are 2 schemes awaiting approval, 2 schemes to commission, no schemes on hold, 20 schemes at the design stage, 16 are out to tender, 13 under construction and 18 schemes have been handed over to the end user. Any uncommitted funding within projects will be reallocated back to the programme contingency to cover for emergencies, unforeseeable and legislative requirements and budget fluctuations over the course of the year and to ensure school service continuity.

21st Century Schools Programme

June 2020 expenditure focus is on the construction of Welshpool Church in Wales Primary School, which is being delivered by Paveaways. Other expenditure includes Ysgol Gymraeg y Trallwng technical design completion, further feasibility work for Ysgol Bro Hyddgen scheme, and early design work for two new special schools, Cedewain and Brynlllywarch, which are schemes that are progressing at pace.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	18,805	7,533	11,272	60

HOS Comment

The substantial part of spend to date is the Carriageway Surface Dressing programme; circa £1.9m and now completed, and the commitment and expenditure of £1.5m for the continuation of the Recycling Bulking Facility North that is currently progressing. The remainder of spend is made up from smaller commitments and expenditure against various other projects including Storm Dennis recovery works.

Despite the potential for a major impact from COVID-19 measures and restrictions, the HTR capital programme remains on track at this point of the financial year.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	3,561	1,304	2,257	63

HOS Comment

There has been some delay in implementing projects due to staff resource being allocated to covid-19 activities. Projects such as the Abermule scheme are now progressing towards the planning stage with an aim to secure planning permission and implement immediately afterwards.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%

Housing and Community Development	17,841	1,973	15,868	89
Housing Revenue Account	39,882	13,119	26,763	67

HOS Comment

There have been delays to the start of some projects due to dealing with the covid19 response, however, work is now ongoing on the capital projects across the Service. 27.1% (£14,473m) of the total capital budget has been spent or committed to date.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Digital Services	2,110	505	1,605	76

HOS Comment

We are on track to utilise our capital investment in line with our planned programme of improvements including ICT infrastructure, enterprise programme and systems improvements, SharePoint delivery, Cloud programme and the Hwb Schools investment programme. All of these are progressing well as the business critical work has continued over recent months.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Legal	22	22	0	0

HOS Comment

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Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Finance	14,162	270	13,892	98

HOS Comment

£3.4 million of the budget relates to Transformation schemes which under the Welsh Government Capitalisation Directive are funded from Capital Receipts. This is forecast to be utilised by the year end.

The remaining budget relates to capital bids that have yet to complete the Capital Governance process, if the schemes are approved the budgets will be released to the service area.

Appendix B - Leisure Capital Allocation 2020-21 Proposal

1. Background

EMT considered the new and additional elements to the existing Leisure Capital bid on 15th April 2020 and approved it in principal – strongly recommending projects are supported as poor previous financial planning and management mean that assets are deteriorating fast with the potential for some to close if investment is not made.

EMT asked if the bid could be updated considering what, as an authority we think, is most important in terms of our agendas.

It is possible that there could be a reduced number of contractors available due to the COVID-19 situation, but many are already returning to, and actively looking for, work. Therefore, we need to be realistic about which projects can be completed in this financial year although, it is an opportune time to undertake many of the planned works in readiness for the reopening and reactivation of leisure buildings and facilities. This in turn will significantly support and contribute to the health and well-being agendas (physical, mental, social & emotional) of residents and communities, especially to help reintegration following the extended lock-down period.

2. Proposals

The following list of projects and works (with expected budget in 2020/21) are necessary to ensure essential replacement of facilities, plant and equipment to ensure Health & Safety and contractual compliance and to support sustainability and lifecycle of leisure assets.

- **Llanidloes Sports Centre £450k** – Replacement Outdoor Sports Pitch. This has been delayed for a number of years and cannot currently be played on due to health and safety issues. There is also £150k funding available from the local Wind Farm development to support the replacement of the pitch, which if this can be utilised now will reduce the capital amount required from Powys. There is potentially some funding available from the School's Capital Programme, but this has not been confirmed. The replacement of the pitch will support exercise and physical activity for the High & Primary Schools and community when lockdown ends.
- **Flash Leisure Centre, Welshpool approx. £500k - £600k** – (critical) Replacement Outdoor Sports Pitch – this facility is one of the main pitches in Powys and will support the High School and community including competitions and events when lockdown ends. This project is ready to progress.
- **Maldwyn Leisure Centre, Newtown approx. £100k** – Replacement Lights for Outdoor Pitch & Athletics Track. It is essential that this work is undertaken as soon as possible to ensure that lights are available so that the pitches and track can be used from September 2020. If these works are not completed it will be detrimental to the facility.
- **Maldwyn Leisure Centre, Newtown approx. £52k** – Replacement Car Park Surface. The number of complaints prior to lockdown was increasing steadily and now is an ideal time to complete this work. Quotes from PCC Highways Engineering Team have been received and work can progress.

- **Flash Leisure Centre, Welshpool approx. £40k** - Replacement Car Park Surface. The number of complaints prior to lockdown had been increasing steadily and on a regular basis. The lining of the car park is not able to be seen in many places. Now is an ideal time to complete this work. Quotes from PCC Highways Engineering Team have been received and work can progress.
- **Brecon Leisure Centre Swimming Pool approx. £950k** - Further investigatory assessments / surveys / planning to determine the specific works needed, leading to the completion of all structural works together with additional protection against future structural damage. Replacement of major building components including pool plant, water services, electrical installations. Failed internal and external fabric will be replaced together with all backlog maintenance works. This will significantly improve the condition of the building to allow improvements to the delivery of leisure services.
- **Bro Ddyfi Leisure Centre approx. £180k** - Roof Replacement required. Repair work exhausted. Roof leaks causing significant issues within the leisure building and damaging floors. Health & Safety implications. Exact works and costs to be agreed prior to works being undertaken.
- **Knighton Sports Centre approx. £25k** – Replacement of Circulation Flooring. This is becoming a Health & Safety issue within the centre.
- **Brecon Leisure Centre approx. £45k** – Replacement Air Handling Unit, which has exceeded original service life expectancy. Complete failure can be expected if not replaced, including non-compliance.
- **Maldwyn Leisure Centre, Newtown & Bro Ddyfi LC, Machynlleth approx. £25k** – Replacement of lighting and suspended ceilings. Both centres still have original fittings, which have now exceeded their economic service life and require replacement to LED technology to ensure efficiency and cost reduction.
- **Builth Wells Sports Centre approx. £65k** – Replacement of major fixtures & equipment to fitness suite area. This will support the health and well-being agendas of residents, communities and clubs in Builth Wells and surrounding areas. Much of the existing equipment is failing and is becoming a Health & Safety concern.

There are also projects within the Leisure Capital Programme for 2021-22 which can be 'ready to go' in this financial year if approved to be brought forwards.

- **Knighton Sports Centre Air Handling Unit £60k** – replacement of plant that has exceeded service life expectancy and economic viability.
- **Various Centres Sports Hall Lighting £30k-£40k** - complete replacement of systems due to regular failure and need to update technology which will ensure environmental efficiency.
- **Flash Leisure Centre, Welshpool £15k** - replacement of necessary pool plant to ensure the efficient operation of the centre.
- **Llanfyllin Sports Centre £14k** – complete replacement of floor & ceiling structures due to failure and age.

3. Resource Implications

The budgetary implications / requirements for each of the projects are listed above. The projects and works will be undertaken collaboratively between Powys CC - Housing &

Community Development Service, Freedom Leisure, HOWPS and Powys Engineering Design Team. The original Business Case has been approved by EMT.

The Capital Accountant acknowledges the content of the report. Whilst this request to bring forward some capital investment will incur additional borrowing costs it is expected that slippage in other areas of the capital programme will offset these increases in the current financial year.