

# CYNGOR SIR POWYS COUNTY COUNCIL

## CABINET EXECUTIVE

3<sup>rd</sup> November 2020

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

**REPORT TITLE:** Capital Forecast as at 30<sup>th</sup> September 2020

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**REPORT FOR:** Decision

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### 1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2020/21.

### 2. Financial Update

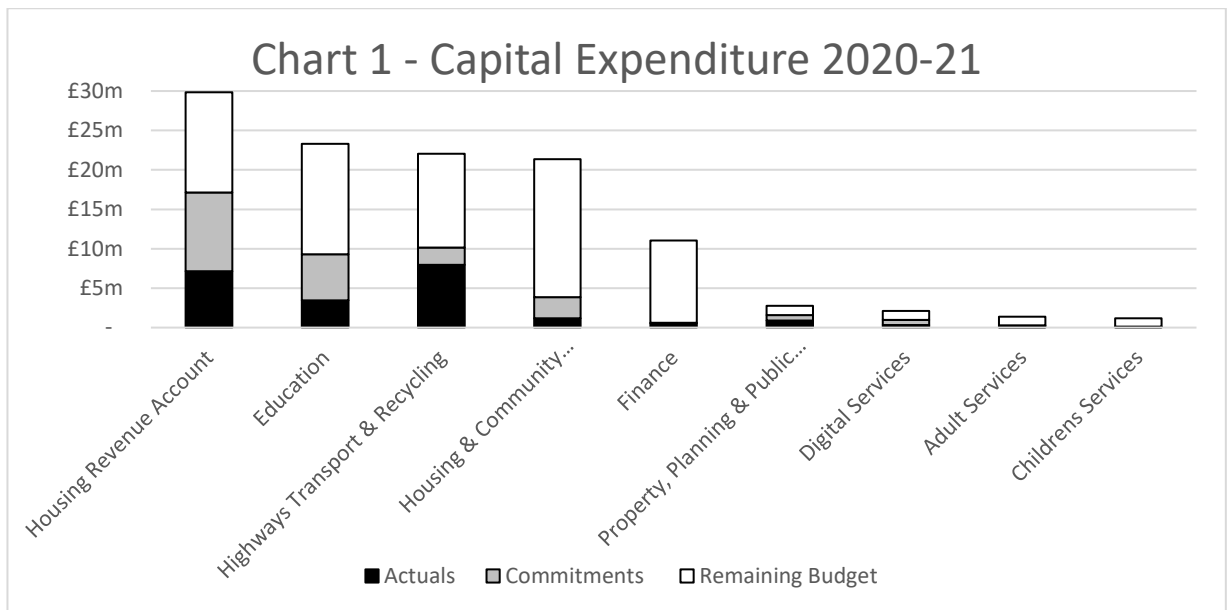
2.1 The revised working budget for the 2020/21 Capital Programme, after accounting for approved virements, is £115.05 million.

2.2 Actual spend and committed expenditure amounts to £44.05 million representing 38% of the total budget. The actual spend to date is £21.62 million, with £22.43 million the committed figure. The actual spend equates to 19% of the annual budget.

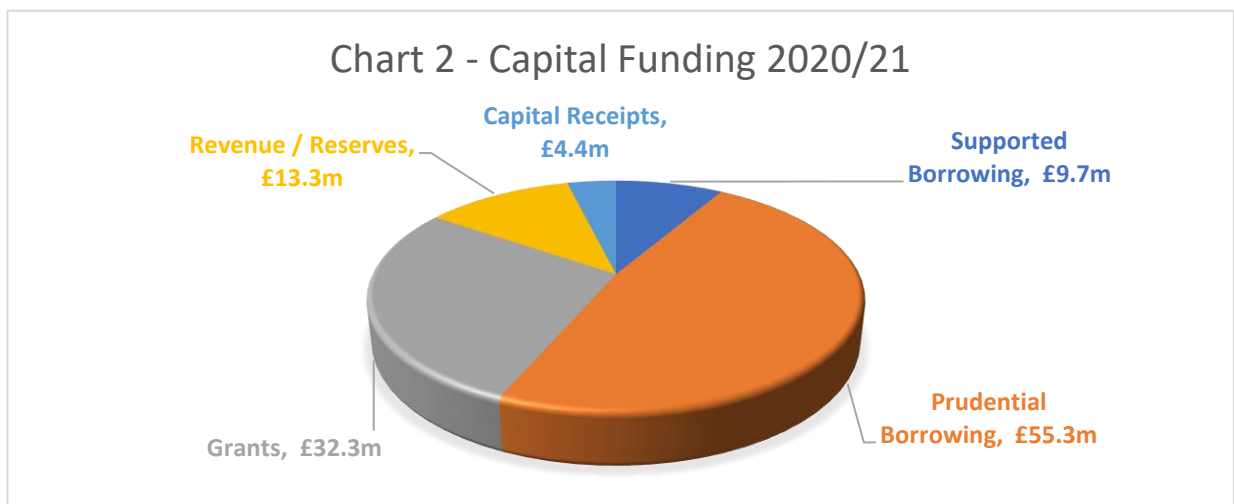
2.3 The revenue expenditure to cover the borrowing for past and present capital schemes is estimated to be £12.18 million in 2020/21 and the Minimum Revenue Provision (MRP) required is estimated at £3.78 million. The Housing Revenue Account (HRA) proportion of these costs is expected to be £5.34 million.

2.4 Based on the estimates above, 3.9% 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.

2.5 Chart 1 below summarises the financial position for each service.



2.6 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.



### 3. Grants Received

3.1 The following grants have been received since the last report and are included for information.

#### 3.2 Highways, Transport and Recycling

£1.61 million Active Travel funding awarded with the aims of increasing levels of active travel, improving health & wellbeing, improving air quality, reducing carbon emissions, connecting communities and improving active travel access to employment, education and key services, destinations and public transport. Key projects to be delivered with the funding include construction of a new bridge in Newtown and active travel routes at Llanidloes Road, Newtown and Spa Road East to Cefnlllys Lane, Llandrindod Wells.

£0.02 million award of funding in relation to Flood and Coastal Erosion Risk Management Programme emergency works following severe weather in spring 2020.

£0.60 million in relation to Local Sustainable Transport COVID Response. The purpose of the funding is to fund 'pop up' measures which favour sustainable forms of transport.

### 3.3 Housing and Community Development

Access Improvement Grant funding of £0.24 million has been awarded from Welsh Government. The purpose of the grant is to improve routes, information and access to the Public Rights of Way network, open access land and green spaces in Powys.

This year's allocation of the Housing Major Repairs Grant has been confirmed by Welsh Government. The amount for 2020-21 is £3.70 million, an increase of £0.02 million from the previous year's allocation.

£0.73 million has awarded by Welsh Government as part of Phase 2 Homelessness and Housing Related Support Services grant. This will be used to acquire / repurpose additional accommodation.

## 4. Virements

### 4.1 Housing and Community Development

4.2 The following virements are to realign the budgets on these schemes in line with the funding secured for each scheme and the progress being made on each site and these need to be recommended to Council for approval.

### 4.3 Heol y Ffynnon, Brecon, New Build Scheme

This scheme is partially funded by the Affordable Housing Grant, this is a Welsh Government revenue contribution of £0.17 million per annum for 29 years towards the repayment of borrowing for this scheme.

A virement is requested to realign the 2020/21 budget, removing the Capital Grant funding expectation (£1.51 million) and replace with borrowing in line with the confirmed revenue grant.

The capital grant equivalent of this funding is £3,285,785. This grant funding equates to around 58% of the scheme costs.

Works on site are moving at pace so £2.30 million borrowing is to be brought forward from the 2021/22 allocation to ensure that the works will complete in 2021. The current spend profile anticipates £0.28 million borrowing is required to complete the scheme in 2021/22.

### 4.4 Bowling Green, Newtown, New Build Scheme

This development has been successful in securing £2.19 million Innovative Housing Grant, the request is to update the budget to reflect the grant received. Based on the current cost plan £1.55 million grant will be required in 2020-21. The remaining grant (£0.64 million) together with £1.20 million borrowing is required to complete the scheme in 2021/22.

The virement request is to realign 2020/21 budgets with the grant amount confirmed and the updated spend profile outlined above.

## 5. Reprofiling Budgets Across Financial Years

5.1 The following services have requested the reprofiling of their capital programme budgets into future years, 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.

### 5.2 Property, Planning and Public Protection

£0.80 million of the £1.36 million allocated for the construction of business units at Abermule Business Park has been reprofiled into 2021/22.

### 5.3 Highways, Transport and Recycling

PCC and Brecon Mountain Rescue, who occupy the site next to Brecon Recycling Centre are looking to improve access and parking at our respective sites. Consultations are currently ongoing; construction is not expected to begin in this financial year. £0.47 million of the £0.49 million budget for the Recycling Centre has been reprofiled into 2021/22.

### 5.4 Housing and Community Development

A review of the budget allocated for works to the existing Council housing has identified £8.60 million which has been reprofiled into future years to match the anticipated spend by the service. This leaves £13.71 million allocated in this financial year. The service is currently looking at future capital budgets to ensure they more accurately represent the anticipated spend which should reduce the amount of reprofiling between financial years.

## 6. Capital Receipts

6.1 Capital receipts totaling £0.78 million have been received since the start of the financial year. There are currently sales agreed to the value of £1.96 million which are at the legal stage of the process.

6.2 The year-end forecast is estimated at £4.14 million.

5.3 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.

6.4 The Council's transformation programme is funded through a capitalisation directive that allows capital receipts to fund revenue transformation spend and transformation redundancies.

6.5 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.

## 7. Resource Implications

7.1 The Head of Finance (Section 151 Officer) notes the content of the report and can support the recommendation to approve the virements. Expenditure on the Capital Programme has slipped considerably in previous financial years, and it is likely the current forecast outturn will reduce further as the year progresses. 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. Project Managers and Service leads will be supported to improve financial monitoring and forecasting of expenditure.

## 8. Legal implications

8.1 The Monitoring Officer has no specific concerns with this report.

**9. Comment from local member(s)**

9.1 This report relates to service areas across the whole county.

**10. Integrated Impact Assessment**

10.1 No impact assessment is required

**11. Recommendation**

- That the contents of this report are noted.
- The Virements in section 4 are recommended to Council for approval.

11.1 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.

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## Appendix A:

### Table 1 - Capital Table as at 30<sup>th</sup> September 2020

Service	Original Budget	Virements Approved	Revised Budget	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	689	687	1,376	296	1,080	78.5%
Childrens Services	1,092	87	1,179	137	1,042	88.4%
Education	44,865	-21,558	23,307	9,298	14,009	60.1%
Highways Transport & Recycling	16,257	5,787	22,044	10,136	11,908	54.0%
Property, Planning & Public Protection	967	1,794	2,761	1,568	1,193	43.2%
Housing & Community Development	16,251	5,107	21,358	3,862	17,496	81.9%
Digital Services	1,000	1,110	2,110	986	1,124	53.3%
Legal & Democratic Services	0	22	22	22	0	0.0%
Finance	16,521	-5,474	11,047	619	10,428	94.4%
<b>Total Capital</b>	<b>97,642</b>	<b>-12,438</b>	<b>85,204</b>	<b>26,924</b>	<b>58,280</b>	<b>68.4%</b>
Housing Revenue Account	35,230	-5,384	29,846	17,125	12,721	42.6%
<b>TOTAL</b>	<b>132,872</b>	<b>-17,822</b>	<b>115,050</b>	<b>44,049</b>	<b>71,001</b>	<b>61.7%</b>

### Table 2 - Funding of the Capital Budget as at 30<sup>th</sup> September 2020

	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contributions	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	9,700	38,799	25,795	13,347	4,395	92,036
HRA	0	16,503	6,511	0	0	23,014
<b>Total</b>	<b>9,700</b>	<b>55,302</b>	<b>32,306</b>	<b>13,347</b>	<b>4,395</b>	<b>115,050</b>

## Head of Service Commentary

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Adult Services</b>	<b>1,376</b>	<b>296</b>	<b>1,080</b>	<b>79%</b>

### 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 and technology enabled care. One of the recovery sprints for Adult Social Care is regarding the development of technology enabled care further with robotics in order to right-size care interventions and reduce longer term care demand.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Childrens Services</b>	<b>1,179</b>	<b>137</b>	<b>1,042</b>	<b>88</b>

### HOS Comment

Welsh Government have confirmed that the Flying Start capital grants for Oldford School Early Help Hub and Brecon early help hub can be rolled over to next financial year 2021/2020. There has been some delay in progressing these capital projects however plans are in place for delivery before the end of the financial year 2022. 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 autumn period prior to the school moving out before Jan 21. The refurbishments of Bannau Camlas project is nearing completion.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Education</b>	<b>23,307</b>	<b>9,298</b>	<b>14,009</b>	<b>60</b>

### HOS Comment

**Major Improvements** programme has 74 schemes in 2020/21, including schemes carried forward from 2019/20. There are 1 schemes awaiting approval, 1 schemes to commission, 5 schemes commissioned, 1 scheme on hold, 18 schemes at the design stage, 16 are out to tender, 15 under construction and 17 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.

**21<sup>st</sup> Century Schools programme**

Expenditure focus is on the construction of Welshpool Church in Wales Primary School, the building is due to be completed and handed over to Powys County Council at the end of the month. Other expenditure includes finalising Bro Hyddgen Community Campus feasibilities and tender package preparation for Ysgol Gymraeg y Trallwng and Ysgol Cedewain schemes, which have now been published. Work on early designs for the Brynllwarch project is also progressing at pace. Any remaining allocated budget for 2020/21 will be rolled to the next financial year; main reason being the delay in starting on site on the Bro Hyddgen Community Campus scheme due to change in strategic direction, and the delay in starting on site on the Ysgol Gymraeg y Trallwng scheme due to Covid-19.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Highways, Transport and Recycling</b>	<b>22,044</b>	<b>10,136</b>	<b>11,908</b>	<b>54</b>

**HOS Comment**

The Highways Core Capital scheme of £1.5 million is currently on target, along with £1.5 million on structural maintenance. There was a £2.6 million roll over to next year from the HAMP programme, along with an element from the Vehicle replacement programme. Other projects which are in development are the North Powys Bulking facility along with Brecon HWRC and Brecon Transfer Station.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Property, Planning and Public Protection</b>	<b>2,761</b>	<b>1,568</b>	<b>1,193</b>	<b>43</b>

**HOS Comment**

Delays to projects are being experienced due to covid-19. The pre-application consultation process for the Abermule business units has commenced and a planning application is to be submitted later this year. Work on site is unlikely to commence until the 2021/22 financial year.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Housing and Community Development</b>	<b>21,358</b>	<b>3,862</b>	<b>17,496</b>	<b>82</b>



<b>Housing Revenue Account</b>	<b>29,846</b>	<b>17,125</b>	<b>12,721</b>	<b>43</b>
<b><u>HOS Comment</u></b>				
The affordable housing new build programme is progressing with a number of sites in construction; therefore, some profiling of the capital budgets is required to reflect that progress and the grant funding allocated. Some capital spend within the service is being delayed due to the ongoing Covid 19 pandemic and the service is working with Finance to ensure this is reflected in the profiling of expenditure as soon as possible.				

<b>Service Area</b>	<b>Net Budget</b>	<b>Actual Spend</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Digital Services</b>	<b>2,110</b>	<b>986</b>	<b>1,124</b>	<b>53</b>
<b><u>HOS Comment</u></b>				
Digital services have reviewed all capital projects for the current year and expect to complete the remaining infrastructure and cyber security investment programme by year end.				

<b>Service Area</b>	<b>Net Budget</b>	<b>Actual Spend</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Legal</b>	<b>22</b>	<b>22</b>	<b>0</b>	<b>0</b>
<b><u>HOS Comment</u></b>				
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<b>Service Area</b>	<b>Net Budget</b>	<b>Actual Spend</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Finance</b>	<b>11,047</b>	<b>619</b>	<b>10,428</b>	<b>94</b>
<b><u>HOS Comment</u></b>				
£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 utilized 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.				