

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE 15th February 2021

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

REPORT TITLE: Capital Forecast as at 31st December 2020

REPORT FOR: **Decision**

1. Purpose

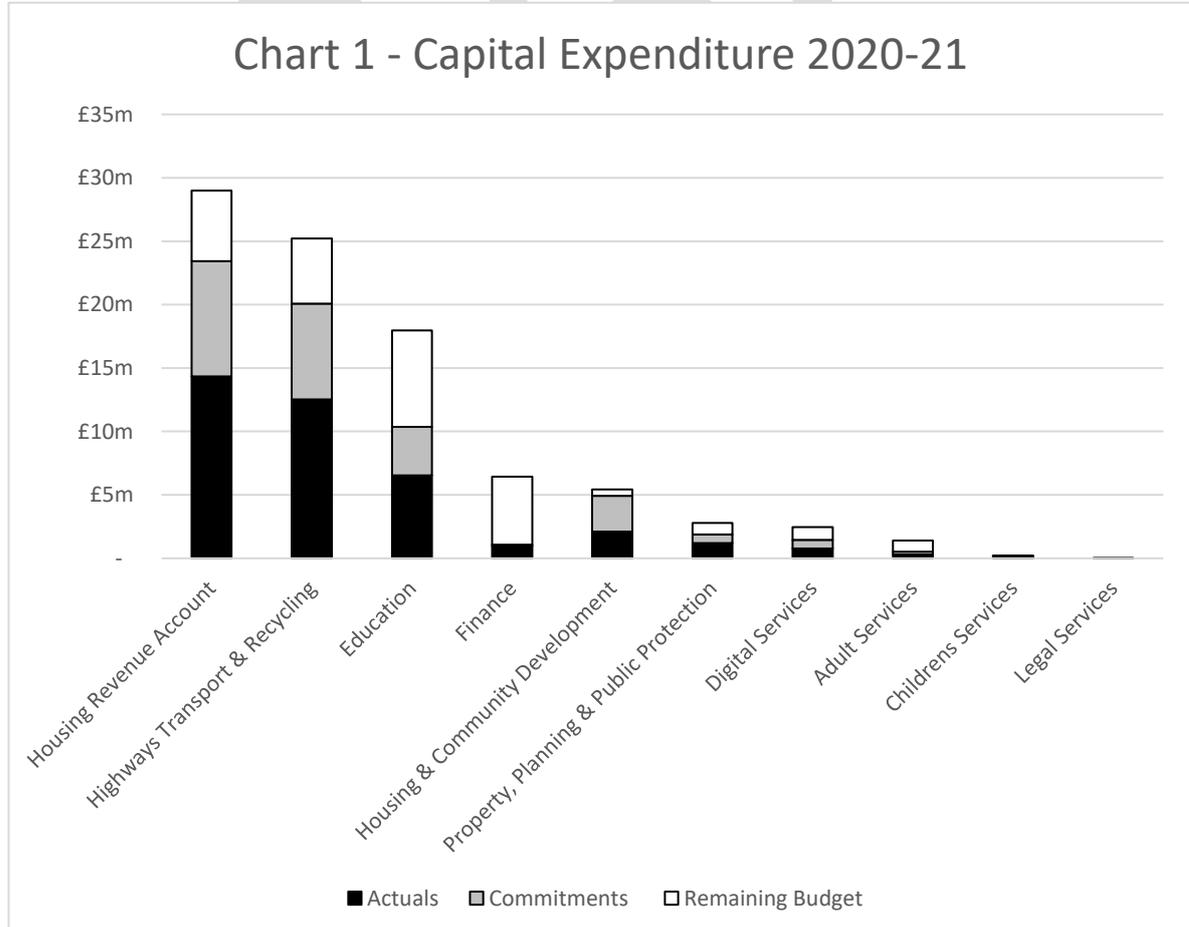
1.1 This report provides an update on the financial position of the Council's capital programme as at 31st December 2020.

2. Financial Update

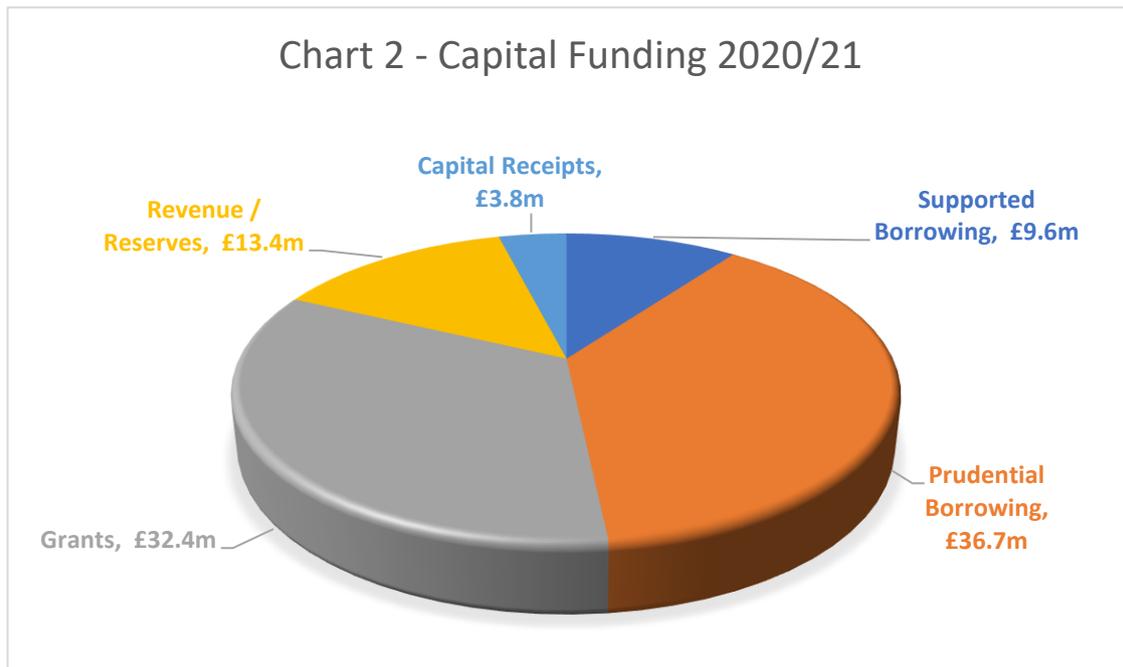
2.1 The revised working budget for the 2020/21 Capital Programme, after accounting for approved virements, is £95.85 million.

2.2 Actual spend and committed expenditure amounts to £64.94 million representing 68% of the total budget. The actual spend to date is £39.52 million, with £25.42 million the committed figure. The actual spend equates to 41% of the annual budget.

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



2.4 Chart 2 below sets out how the 2020/21 capital programme is funded, 48% is funded through borrowing, the interest cost for this is charged to the revenue account.



- 2.5 The revenue expenditure to cover the cost of borrowing for past and present capital schemes, which includes the Minimum Revenue Provision (MRP), is estimated at £15.89 million. The Housing Revenue Account (HRA) proportion of these costs is expected to be £5.27 million.
- 2.6 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.

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
- 3.3 An award of £0.21 million funding for Ultra Low Emission Vehicles (ULEV) has been received from Welsh Government. This will fund the increased cost of replacing an existing diesel-powered recycling vehicle with an electric vehicle and fund the charging infrastructure that will be required.
- 3.4 Welsh Government have awarded £1.69 million to deliver capital projects supporting the move to a circular economy in Wales – where waste is avoided, and materials kept for as long as possible. This will fund the North Powys Bulking Site and South Powys Bulking Site projects with £0.50 million allocated to each scheme, £0.49 million for recycling vehicles and storage containers, and the Brecon Household Waste Recycling Centre scheme which was allocated £0.20 million.
- 3.5 Several grants for flood alleviation schemes totaling £0.81 million have been received from Welsh Government. Some schemes are at the business case stage meaning that no physical works will be carried out however it is expected that once each case is explored, further funding for construction will be made available. The funding rate for

the schemes has also been increased from 85% to 100% meaning local authority contributions are no longer required. Table 1 shows a breakdown of the schemes.

Table 1 – Breakdown of Flood Alleviation Grants received

Scheme	Total
	£
Cwmbach Village Business Justification Case	15,500
Llowes Business Justification Case	15,000
Pontfaen Business Justification Case	35,500
Woodlands Avenue & Brynderwen SOC & OBC	61,500
Guilsfield Brook Natural Flood Management	69,624
Upper Teme Natural Flood Management	150,000
Lower Green Flood Pump Project	40,000
Aelybryn & Eldercroft Culvert Replacement	49,500
Castle Cottage & Zoar House Flood Defence	24,200
Cwrt-y-Gollen Flood Defence	49,995
Park Villa Culvert Replacement	38,000
Castle Close Drainage Improvement	95,200
Pantffynon Road Flood Relief – Construction	74,700
Pen-Llewelyn & Tayberry Drainage Improvement	38,000
Tynymaen Bothy Drainage Improvement	43,000
Arlais Brook Telemetry Installation	7,500
Dolfor Brook Telemetry Installation	7,500
Total	814,719

3.6 Housing and Community Development

3.7 The New Build Housing team have been successful in securing Welsh Government grant towards the costs of the following schemes.

3.8 The Clyro New Build Scheme has been awarded £1.72 million Innovative Housing Programme (IHP) Grant. A further £2.41 million IHP grant has been awarded for the Red Dragon New Build Scheme.

3.9 The confirmation of the grant allocations has ensured that these New Build schemes remain affordable within the HRA Business Plan. The HRA's contribution will be financed using borrowing with future rental income covering the debt repayment costs. The affordability of future schemes will depend on the availability of grant funding and their impact on the HRA Business Plan.

3.10 Childrens Services have been awarded £0.12 million for All Wales Play Opportunities Grant to provide play equipment.

3.11 Adults Services

An award of £0.03 million funding has been received in relation to Substance Misuse Action Fund, this will be used to purchase of ICT Hardware Equipment (Laptops) to allocate to current and future APB Commissioned Substance Misuse Services across Powys.

4. Virements

4.1 Housing and Community Development

4.2 Nant Helen Fund

- 4.3 Funding of £100,000 per annum from 2014 to 2019 was agreed between Powys County Council and Celtic Energy under Section 106 of the Town and Country Planning Act (1990). This funding came as the result of an extension to the Nant Helen Surface Coal Mine and its use is restricted to not-for-profit capital projects split equally between 4 areas: Abercrave, Ystradgynlais, Tawe Uchaf and 'Strategic', for those projects outside the areas stated but that impact said areas.
- 4.4 Funds are distributed via a panel made up of the 5 councillors in the Ystradgynlais area, a Celtic Energy representative, Portfolio Holder for Regeneration, and the Council's Regeneration Manager.
- 4.5 This virement seeks approval to create 4 area budgets, broken down as per table 2 below to monitor the spend of the remaining £110,138.51 currently held on Powys County Council's balance sheet.

Table 2 – Breakdown of Nant Helen Fund virement

Budget	2020/21	2021/22	2022/23	Total Cost
	£	£	£	£
Strategic Fund	7,000.00	4,230.83	-	11,230.83
Abercrave	20,000.00	20,000.00	20,706.17	60,706.17
Tawe Uchaf	20,000.00	8,500.90	-	28,500.90
Ystradgynlais	5,000.00	4,700.61	-	9,700.61
Total	52,000.00	37,432.32	20,706.17	110,138.51

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. Since the last report £22.58 million has been reprofiled, details are shown below. 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 Education

The 2020/30 capital programme included a spend profile for schemes within the 21st Century Schools programme. As the projects within this programme progress the profile needs to be revised, based on the latest programme £5.37 million has been reprofiled into future years.

5.3 Housing and Community Development

- 5.4 The 2020/30 capital programme included the Housing New Build schemes (included those listed in section 3.3 above) which at that time set out indicative grant and borrowing amounts. As the scheme costs and grant funding has now been confirmed for all the schemes in the tender/construction stage the uncommitted budgets (totaling £3.01 million) have been reprofiled accordingly across the 2020/30 capital programme. This ensures that the funding is available for future schemes.
- 5.5 Due to delays resulting from COVID-19 £0.05 million of the library self-service terminals budget and the £0.03 million budget for works at Newtown Library have been rolled forward to 2021/22.
- 5.6 The survey to identify the issues with the swimming pool in Brecon Leisure Centre is nearly complete which will provide detailed costings around the works required. As the works to rectify issues highlighted are not going to be completed in this financial year £0.92 million has been reprofiled into 2021/22.

- 5.7 The works to replace the reception desk at Maldwyn Leisure Centre will take place next financial year, as a result £0.04 million has been reprofiled into 2021/22.
- 5.8 Schemes including Monks Trod and other byways together with Fron, Langadfan and Alpine bridges will not complete in this financial year due to delays caused by the impact of COVID 19. This has resulted in £0.57 million being reprofiled into 2021/22.
- 5.9 The £10 million allocated to loans for registered social landlords will not be required this financial year, this has been reprofiled into 2022/23 and 2023/24.

5.10 Childrens Services

Welsh Government have confirmed that the £1.09 million Flying Start capital grants for Oldford School and Brecon Early Help Hub can be rolled over to next financial year. There has been some delay in progressing these capital projects however plans are in place for delivery before the end of the 2021/22 financial year.

5.11 Digital Services

£0.08 million has been rolled forward into 2021/22 so this funding can be used for archiving automation and SharePoint modern sites.

5.12 Financial Services

Several schemes that are part way through the capital governance process have not progressed this financial year due to the demands of dealing with the impact of COVID 19. £2.59 million allocated for these schemes has been reprofiled into 2021/22. The allocations for these schemes are held in the finance budget, once schemes have been approved the budget is released to the relevant service. The capital budget includes an allocation for the Council's transformation programme to fund transformation spend. At this stage in the year £0.60 million of this year's allocation will not be required so has been reprofiled into 2021/22.

6. Capital Receipts

- 6.1 Capital receipts totaling £1.37 million have been received since the start of the financial year. There are currently sales agreed to the value of £1.58 million which are at the legal stage of the process, although they may not all complete before the end of the financial year.
- 6.2 The year-end forecast is estimated at £2.72 million, a reduction of £1.42 million from £4.14 million estimated in the September report.
- 6.3 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. The further Covid lockdown in Wales from 20th December will lead to further delays in marketing and the potential for 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 £2.84 million of capital receipts to support the transformation programme and severance costs. There are sufficient receipts from previous years to support this year's requirement.

6.6 Assuming the £2.72 million estimate above is achieved, a further £2.58 million capital receipts will be required to cover the anticipated transformation costs in 2021/22. The directive is due to end in March 2022.

7. Capital Bids

7.1 As part of the new governance process the councils Executive Management Team (EMT) considered the following business cases. The bids in 7.3 and 7.4 were not already in the capital programme. The revenue impact of funding these schemes is estimated to be £0.12 million per year.

7.2 Digital Services

Cyber Security, the business case recommendation is to continue to fund this programme for at least the next 5 years (20/21, 21/22, 22/23, 23/24 and 24/25) with regular reviews. This was approved by EMT with an allocation of 0.10 million in each of the financial years requested. Unified Communications, this business case requests funding to procure combined telephony and contact centre solution providing unified communications across the council. This was approved by EMT with £0.35 million to be allocated to the service from the “capital bids awaiting approval” line of the Capital Programme.

7.3 Property, Planning and Public Protection

A business case was presented to EMT requesting £0.23 million to procure a new suite of bespoke ICT software to manage its data (held within the context of a Corporate Landlord model) across the whole of its property portfolio on behalf of Powys County Council. This was approved by EMT and will be included in the 2021/22 financial year.

7.4 Highways, Transport and Recycling

This business case sought approval for £1.00 million to build a Household Waste and Recycling Centre in Welshpool Depot and make improvements to Newtown and Llanfyllin depots. This was approved by EMT and is included in the “capital bids awaiting approval” line of the 21/22 Capital Programme. An Outline/Final Business Case will need to be approved for the funding to be released to the service.

8. Resource Implications

8.1 All of the items noted above with the exception of the virement in paragraph 4.5 (see paragraph 8.2) have been included in the proposed 2021-2031 Capital Programme. The impact of these changes has been included in the figures shown in the Capital Strategy and Treasury Management Strategy (Appendix F) of the 2021/22 budget papers.

8.2 The virement in paragraph 4.5 is not included in the proposed 2021-2031 Capital Programme. As these are funded from external contributions already held by the council there is no impact on the borrowing requirement of the council.

8.3 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.

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. Recommendation

12.1 That the contents of this report are noted.

12.2 That Cabinet approves the Virements proposed in section 4.

12.3 That Cabinet approves the Capital Bids proposed in section 7.2, 7.3 and 7.4.

12.4 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.

Contact Officer:	Jane Thomas, Head of Financial Services
Tel:	01597 827789
Email:	jane.thomas@powys.gov.uk
Corporate Director:	

Appendix A:

Table 1 - Capital Table as at 31st December 2020

Service	Original Budget	Virements Approved	Revised Budget	Actuals & Commitments	Remaining Budget £	Remaining Budget %
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	689	723	1,412	525	887	62.8%
Childrens Services	1,092	(885)	207	137	70	33.8%
Education	44,865	(26,896)	17,969	10,358	7,611	42.4%
Highways Transport & Recycling	16,257	8,959	25,216	20,090	5,126	20.3%
Property, Planning & Public Protection	967	1,826	2,793	1,871	922	33.0%
Housing & Community Development	13,072	(7,650)	5,422	4,916	506	9.3%
Regeneration	3,179	1,725	4,904	1,057	3,847	78.4%
Digital Services	1,000	1,466	2,466	1,464	1,002	40.6%
Legal & Democratic Services	0	22	22	22	0	0.0%
Finance	16,521	(10,073)	6,448	1,077	5,371	83.3%
Total Capital	97,642	(30,783)	66,859	41,517	25,342	37.9%
Housing Revenue Account	35,230	(6,239)	28,991	23,424	5,567	19.2%
TOTAL	132,872	(37,022)	95,850	64,941	30,909	32.2%

Table 2 - Funding of the Capital Budget as at 31st December 2020

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	9,620	23,569	23,333	6,542	3,795	66,859
HRA	0	13,134	9,026	6,831	0	28,991
Total	9,620	36,703	32,359	13,373	3,795	95,850

Head of Service Commentary

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	1,412	525	887	63

HOS Comment

With an increased, but limited spend, the remaining 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. It is likely that a request will be made to roll-over some capital into the next financial year.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	207	137	70	34

HOS Comment

Welsh Government have confirmed that the £1.09 million Flying Start capital grants for Oldford School and Brecon Early Help Hub can be rolled over to next financial year. There has been some delay in progressing these capital projects however plans are in place for delivery before the end of the 2021/22 financial year.

Remaining capital for 20/21 is on schedule to be spent by end of March 21.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	17,969	10,358	7,611	42

HOS Comment

Major Improvements programme has 98 schemes in 2020/21, including schemes carried forward from 2019/20. There are no schemes awaiting approval, no schemes to commission, 2 schemes commissioned, 1 scheme on hold, 20 schemes at the design stage, 6 are out to tender, 14 under construction and 55 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. There are 7 projects to re-profiled from financial year 2020/21 into financial year 2021/22 due to health and safety with COVID-19 pandemic and maintaining safe operational schools.

21st Century Schools programme

The 21st Century Schools Programme is progressing at pace, and with the successful transitioning and opening of Welshpool CIW Primary School new building, the programme has now delivered 11 school building projects since 2016.

Expenditure in December has focused on Welshpool CIW Primary school construction and highways access and car park works, Ysgol Gymraeg y Trallwng and Ysgol Cedewain procurement exercises, and Bro Hyddgen Community Campus and Brynllwarch design works. The remaining budget will be utilised to continue progressing with the above-mentioned schemes, and to commence feasibilities and concept design work for pipeline projects. Ysgol Gymraeg y Trallwng is also scheduled to start construction in February.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	25,216	20,090	5,126	20

HOS Comment

Highways core of £1.5 million and £1.5 million structural maintenance is currently on target. Great success with £1.2 million being awarded for Waste & Recycling, which will fund the North and South Powys bulking facilities. Further success was achieved with £48,000 being secured for the culvert at Tanyrallt cottages, and a further £95,000 has been secured for Powys to deal with flood risk activities.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	2,793	1,871	922	33

HOS Comment

Spend on the commercial units at Abermule is to principally take place during the 2021-22 financial year. Adjustments to the budget profile are being made to reflect this carry forward.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	5,422	4,916	506	9
Housing Revenue Account	28,991	23,424	5,567	19

HOS Comment

The affordable housing new build programme is progressing well with approx.100 units in construction around the county. The team have successfully applied for WG grant funding, the confirmation of which assists in ensuring that these new build schemes remain affordable within the HRA Business Plan. The affordability of future schemes will depend on the availability of grant funding, more information from WG is expected in 2021. Some capital spend within the service has been delayed due to the ongoing Covid 19 pandemic, the service has worked with Finance colleagues to reprofile expenditure accordingly.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Regeneration	4,904	1,057	3,847	78

HOS Comment

Regeneration capital programme budget is made up of both external grant funding and PCC capital funding. External WG grant funding is on target to be spent by the end of the financial year. Funding for the one large project will now take place during 2021-22 and adjustments to the budget profile are being made to reflect this carry forward.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Digital Services	2,466	1,464	1,002	41

HOS Comment

A complete review of capital funding programmes and capacity to implement subject to current workloads has been completed. The remaining budget has been planned for delivery within year and mostly captures spend on education technology which is due for delivery and committed spend in January 2021.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Legal	22	22	0	0
<u>HOS Comment</u>				

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Finance	6,448	1,077	5,371	83
<u>HOS Comment</u>				
<p>£2.9 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.</p> <p>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.</p>				