

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE 27 July 2021

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

REPORT TITLE: Capital Forecast as at 30th June 2021

REPORT FOR: Decision / Information

1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2021/22.

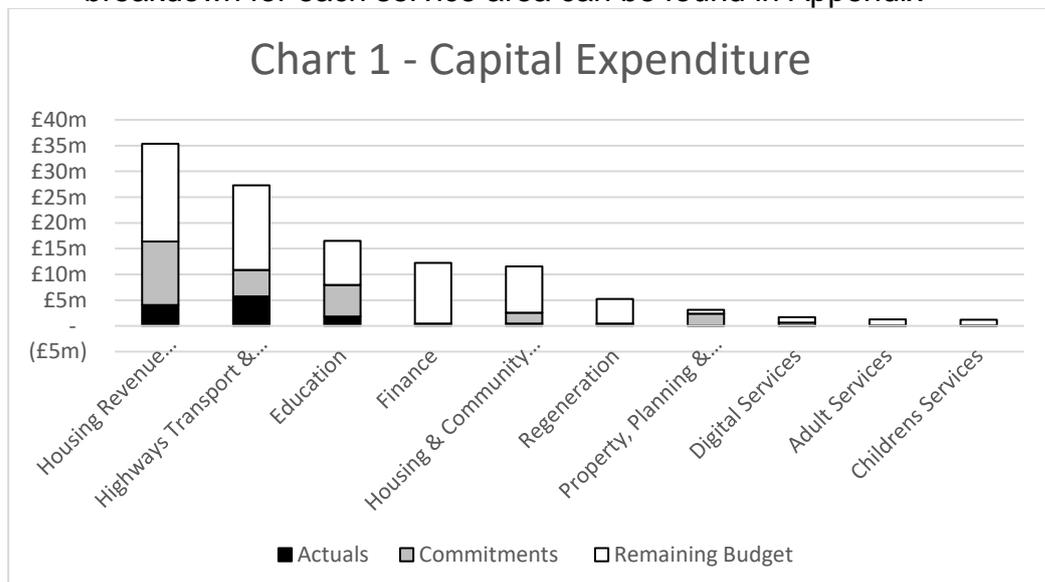
2. Background

2.1 The council approved the 2021 to 2031 Treasury Management and Capital Strategy on the 25th February 2021. This included a Capital Programme for 2021/22 totalling £101.53 million.

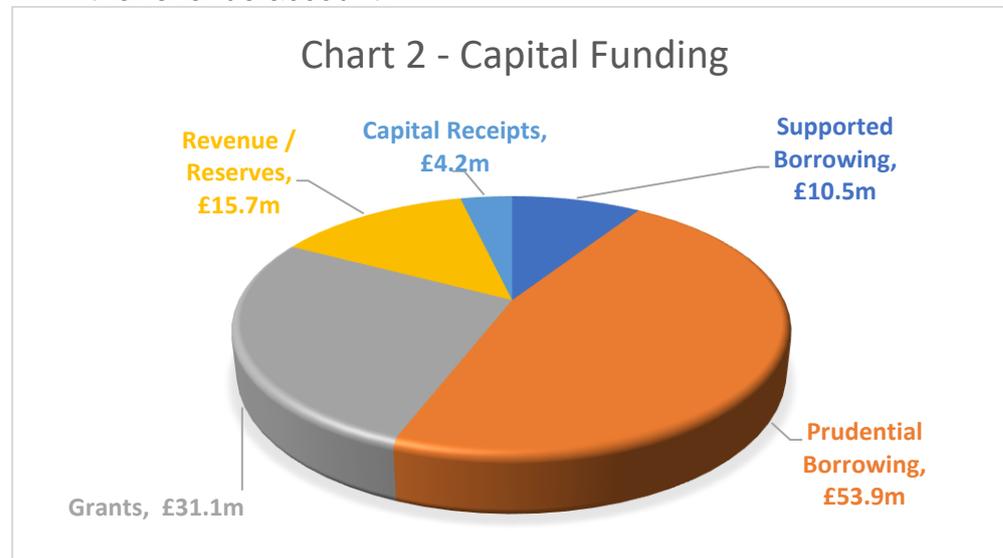
2.2 The revised programme at the 30th June 2021 has increased to £115.30 million following the successfully awarding of grants and the reprofiling of budgets between financial years which are outlined in the this report.

2.3 Actual spend amounts to £12.49 million, representing 11% of the total budget.

2.4 Chart 1 below summarises the financial position for each service. A full breakdown for each service area can be found in Appendix



- 2.5 Appendix B provides an update about each Services capital position from the Head of Service.
- 2.6 Chart 2 below sets out how the 2021/22 capital programme is funded, 44% is funded through borrowing, the interest cost for this is charged to the revenue account.



- 2.7 The revenue expenditure to cover the borrowing for past and present capital schemes is which includes the Minimum Revenue Provision (MRP) is estimated at £18.49 million. The Housing Revenue Account (HRA) proportion of these costs is expected to be £5.75 million. This includes an over provision of MRP of £2.10 million (of which £1.34 million relates to the HRA) following the change of the MRP policy. This will allow the council to repay its debt earlier. The council retains the option to claw back an overprovision in future years to support the ongoing MRP provision limiting the impact on revenue in the short term should it be required.
- 2.8 Based on the estimates above, 4.55% of our net revenue budget of £280 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. **Advice**

3.1 **Grants Received.**

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

3.3 **Highways, Transport and Recycling**

- 3.4 Welsh Government (WG) have awarded £1.59 million to help support the financing of public highways refurbishment.

- 3.5 £0.23 million Access Improvement Grant awarded by WG to improve the public rights of way network, open access land and green space in Powys.
- 3.6 £0.11 million awarded by WG in relation to the Flood and Coastal Erosion Risk Management programme.
- 3.7 WG award of £0.95 million Local Transport Fund to develop transport systems that support WG strategic outcomes as outlined in the Programme for Government and Wales Transport Strategy.
- 3.8 WG award of £0.43 million Resilient Roads funding for transport projects to mitigate and adapt to the effects of climate change, including addressing disruptions caused on the highway network by severe weather.
- 3.9 WG award of £0.12 million Ultra Low Emission Vehicle Transformation Fund grant to promote electric vehicle charging infrastructure projects in alignment with WG's Electric Vehicle Charging Strategy.
- 3.10 WG award of £0.02 million Road Safety funding to support projects that contribute to the WG objective to reduce casualties on Welsh roads.
- 3.11 WG award of £0.05 million Safe Routes in Communities funding to support schemes that contribute to WG's objectives to improve accessibility and safety and encourage walking and cycling in communities.
- 3.12 WG award of £1.31 million Active Travel Fund to increase the levels of active travel, improve health & wellbeing, improve air quality, reduce carbon emissions, connect communities, and improve active travel access to employment, education and key services, destinations and public transport.
- 3.13 **Regeneration**
- 3.14 £1.26 million awarded from WG to enable Powys and Ceredigion County Council to support projects delivered in town centres within the Mid Wales region.
- 3.15 **Virements**
- 3.16 Due to the receipt of grant reported in 3.4 above, it is proposed that work already approved in the Capital Programme (HAMP) is supported by this funding and not by prudential borrowing as originally intended. This reduces the Council's need to borrow by £1.59 million. A virement is recommended to action this change.
- 3.17 **Reprofiling Budgets Across Financial Years.**
- 3.18 There were several schemes in the 2020/21 capital programme which are continuing into 2021/22. The budget carried forward to reprofile 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 2020/21

Service	£,000
Education	3,157
Housing & Community Development	1,076
Highways Transport & Recycling	1,817
Adult Services	216
Childrens Services	60
Property, Planning & Public Protection	1,256
Regeneration	3,936
Finance	183
Digital Services	119
HRA	322
Total	12,142

3.19 **Education**

- 3.20 The profile of the 21st Century Schools Capital schemes has been updated to reflect the current position of each scheme. With projects of this scale, minor changes to progress of the scheme will have a significant impact on the capital programme.
- 3.21 This has resulted in a reprofiling of £27.24 million from the 2021/22 budget into 2022/23, 2023/24 and 2024/25 in line with the revised spend profile. This has reduced the borrowing requirement in this financial year by £8.85 million but it will be required in the next few years.

3.22 **Capital Receipts**

- 3.23 The Council's transformation programme is currently funded through a capitalisation directive that allows capital receipts to fund revenue transformation spend and transformation redundancies. This directive is due to end on the 31st March 2022.
- 3.24 This year the budget requirement is £4.013 million, following the decision to fund the Transformation costs in 2020/21 from the revenue budget there is sufficient capital receipts already held to cover this year's requirement.
- 3.25 There are currently sales agreed to the value of £1.48 million which are at the legal stage of the process and will generate future capital receipts. The year-end forecast is estimated at £3.38 million.
- 3.27 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. Any increase in the Covid restrictions in Wales will clearly increase the risk that the completion of some agreed sales will be delayed or indeed lost. There is clearly increased market uncertainty which may lead to a reduction on demand and offers.

- 3.28 At the end of 2020/21 there is £4.54 million of capital receipts already in hand. Any capital receipts above those required to cover Transformation costs, will be used to support the Capital Strategy in future years.

4. Resource Implications

- 4.1 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 needs to be monitored carefully as the year progresses. The 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. Our capital financing strategy must look to utilise all sources of funding before committing to borrowing and we must take every opportunity to maximise the use of resources to support projects already approved in the Programme. Prioritisation of resources at a corporate level ensures that the council can effectively meet its objectives whilst maintaining an affordable level of investment.

5. Legal implications

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

6. Data Protection

- 6.1 This report does not involve the processing of personal data.

7. Comment from local member(s)

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

8. Impact Assessment

- 8.1 No impact assessment is required.

9. Recommendation

- That the contents of this report are noted.
- That Cabinet approves the virements proposed in sections 3.15. to 3.16 and recommend to Council for approval as per the virement rules.

- 9.1 Reason for Recommendation

- To report on the projected Capital Outturn position for the 2021/22 financial year.
- To ensure appropriate virements, are carried out to align budgets and manage financing requirements.

Contact Officer:	Jane Thomas
Tel:	01597 827789
Email:	jane.thomas@powys.gov.uk

Appendix A:

Table 2 - Capital Table as at 30th June 2021

Service	Original Budget	Virements Approved	Revised Budget	Actuals & Commitments	Remaining Budget £	Remaining Budget %
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	300	883	1,183	42	1,141	96.4%
Childrens Services	1,092	80	1,172	72	1,100	93.9%
Education	34,949	(18,463)	16,486	7,950	8,536	51.8%
Highways Transport & Recycling	13,771	13,550	27,321	10,862	16,459	60.2%
Property, Planning & Public Protection	1,525	1,581	3,106	2,379	727	23.4%
Housing & Community Development	10,419	1,125	11,544	2,572	8,972	77.7%
Regeneration	0	5,233	5,233	462	4,771	91.2%
Digital Services	1,130	519	1,649	615	1,034	62.7%
Finance	10,440	1,800	12,240	423	11,817	96.5%
Total Capital	73,626	6,308	79,934	25,377	54,557	68.3%
Housing Revenue Account	27,903	7,456	35,359	16,378	18,981	53.7%
TOTAL	101,529	13,764	115,293	41,755	73,538	63.8%

Table 3 - Funding of the Capital Budget as at 30th June 2021

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	10,453	35,675	20,790	8,840	4,176	79,934
HRA	0	18,234	10,294	6,831	0	35,359
Total	10,453	53,909	31,084	15,671	4,176	115,293

Appendix B

Head of Service Commentary

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	1,183	42	1,141	96

HOS Comment

The budget allocation is in respect of Community Equipment, Telecare, Innovative use of Robotics and Powys Care Homes. It is anticipated that that the vast majority of this budget will be committed and spent in year.

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	1,172	72	1,100	94

HOS Comment

Planned activity is currently to schedule to spend full allocation this financial year.

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	16,486	7,950	8,536	52

HOS Comment

The Schools Major Improvements Programme supports the improvement of education facilities and infrastructure for pupils. In this financial year, 67 projects were completed.

There

The improvements include the installation of roof refurbishment works, new classroom extension, new staff accommodation, new windows, replacement of fire doors, installation of new boilers and controls, disability alterations, resurfacing of road, playground and pathways, upgrading of accommodation for early years, flood prevention schemes, upgrading and installing new electrical, gas, water and foul/waste infrastructure and safeguarding (fencing/gates/school reception) works to meet legislative and Estyn requirements.

The impact of COVID-19 has a number of projects resume on site to ensure safe delivery in 2021/22 financial year.

21st Century Schools Programme

The 21st Century Schools Programme continues to progress at pace. Expenditure during the month of June has focused mostly on design development, especially on the Cedewain project now we have Wynne Construction contracted to deliver RIBA 3 and 4 stage designs. The Bro Hyddgen Community Campus is also nearing the end of RIBA 3 stage spatial designs.

There are delays in starting on site to deliver the Ysgol Gymraeg y Trallwng project due to public rights of ways issues. Work has already started on site to demolish the former buildings.

The budget will be utilised to see the commencement in construction of Ysgol Gymraeg y Trallwng and Ysgol Cedewian. Work will also continue in progressing with the Brynlywarch and Bro Hyddgen schemes, and to commence feasibilities and concept design work for pipeline projects.

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	27,321	10,862	16,459	60
<u>HOS Comment</u>				
This year's surface dressing contract has been completed and we are broadly on programme for the remaining highways capital works programme.				
W&R vehicle renewal programme is substantially completed.				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	3,106	2,379	727	23
<u>HOS Comment</u>				
Progress is being made with capital projects. It is anticipated that the allocated capital budget will be spent within the financial year.				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	11,544	2,572	8,972	78
Housing Revenue Account	35,359	16,378	18,981	54
<u>HOS Comment</u>				
Good progress has been made with the HRA capital projects, with 46% of the annual budget spent or committed by the end of Q1.				
22% of the annual capital budget for H&CD has been spent or committed to date. This is expected to rise over the next quarter. Projects are on track at this point.				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Regeneration	5,233	462	4,771	91
<u>HOS Comment</u>				
Planned activity is currently to schedule to spend full allocation at the current point				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Digital Services	1,649	615	1,034	63
<u>HOS Comment</u>				
A robust plan for delivery of capital investment in ICT is already underway and closely managed for any changes.				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Finance	12,240	423	11,817	97
<u>HOS Comment</u>				

£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.