

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE
2nd November 2021

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Portfolio Holder for Finance and Transport

REPORT TITLE: Capital Forecast as at 30th September 2021

REPORT FOR: Decision / Information

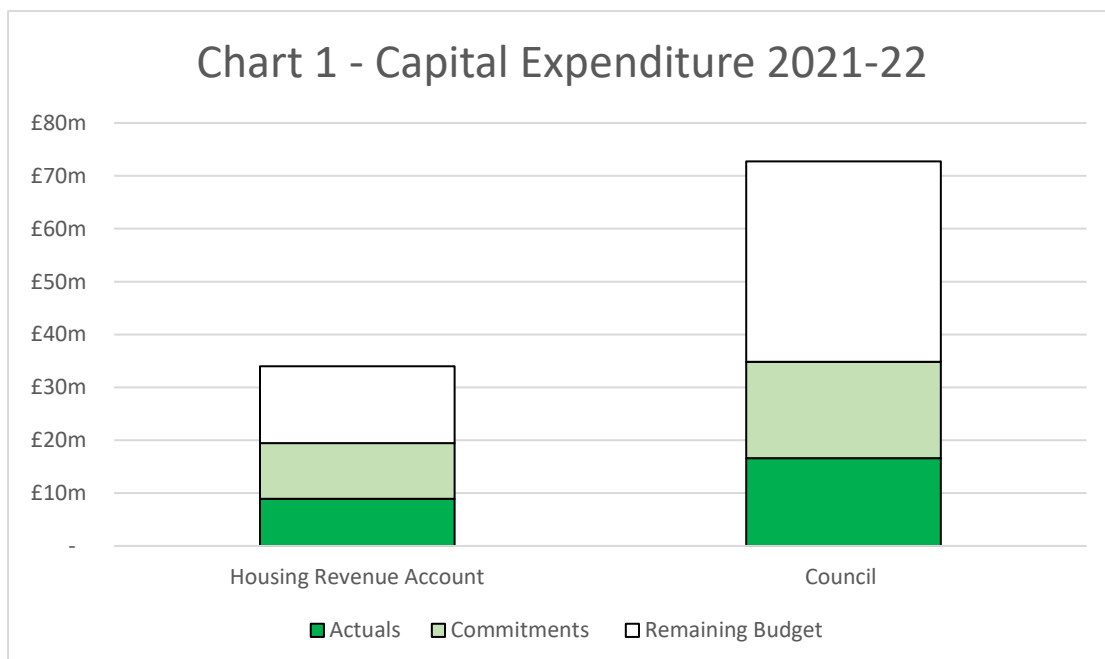
1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2021/22 as at 30th September 2021.

2. Background

2.1 The revised programme at the 30th September 2021 stands at £106.75 million following the successful award of additional grants and the reprofiling of budgets between financial years.

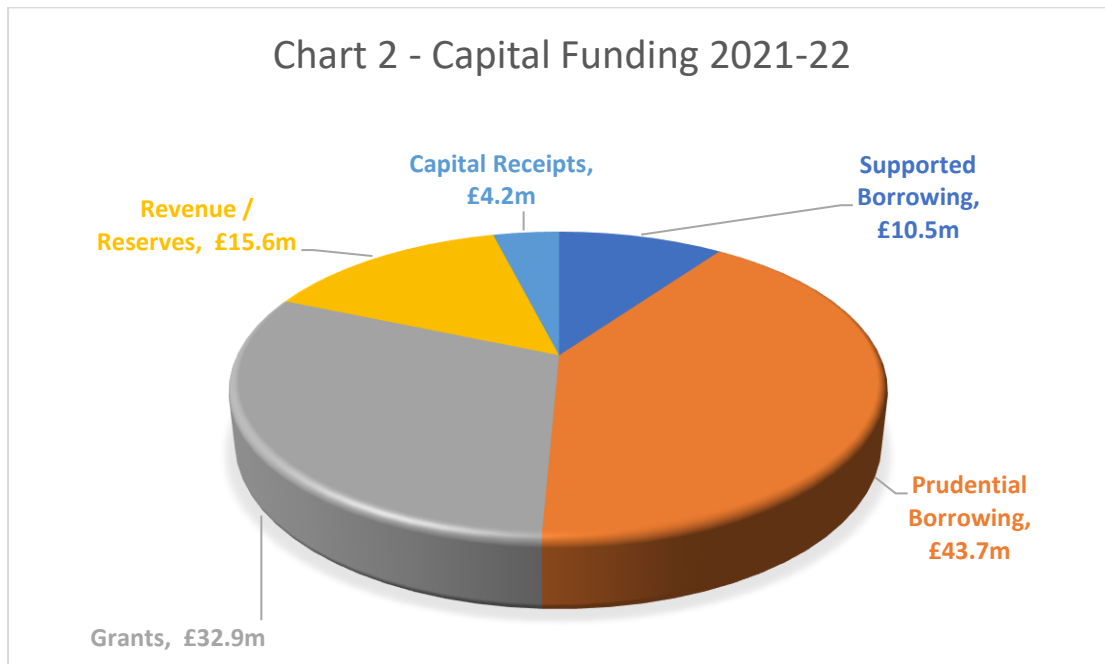
2.2 Actual spend amounts to £25.48 million, representing 24% of the total budget. Chart 1 below summarises the financial position. A full breakdown for each service area can be found in Appendix A.



2.3 Significant cost pressures are materialising due to the increasing costs of materials, this together with the limited numbers of contractors tendering

for schemes and the rurality of Powys is impacting on the cost of schemes. This may lead to some schemes being paused or stopped until additional funding is secured, or schemes being changed to deliver them in line with the funding available.

- 2.4 Chart 2 below sets out how the 2021/22 capital programme is funded, 51% is funded through borrowing, the interest cost for this is charged to the revenue account.



- 2.5 The revenue expenditure to cover the borrowing for past and present capital schemes is which includes the Minimum Revenue Provision (MRP) is estimated at £18.16 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 £2.72 million (of which £1.02 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.
- 2.6 Based on the estimates above, 4.4% of our net revenue budget of £279.80 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 a £0.03 million Allotment Support Grant to increase the availability of good quality allotment plots.

3.5 The Wales Council for Voluntary Action have awarded £0.08 million funding for a Local Places for Nature programme. The grant will be used to develop a community wildlife and sensory garden in Knighton and improve road verge management, increasing grassland connectivity and biodiversity on verges.

3.6 The Welsh Local Government Association have awarded £0.30 million in grant funding for electric vehicle charging infrastructure. The purpose of the funding is to accelerate transition to an ultra-low emission fleet and is to be used to install infrastructure in depots. Any surplus funding may be used to fund the purchase of ultra-low emission vehicles.

3.7 The North and Mid Wales Trunk Road Agency (NMWTRA) have contributed £0.30 million in relation to matched funding for an Active Travel Scheme from Llandrindod Wells to Howey.

3.8 WG have awarded £0.53 million additional Active Travel Grant taking the total award to £1.85 million. The additional funding will be used to develop schemes in Newtown and to improve the current route between Rhayader and Elan Valley.

3.9 WG have awarded £0.19 million additional Local Transport Fund grant bringing the total amount of funding up to £1.14 million. The additional funding will be used to refurbish T9 bus service vehicles and to continue the development of the Machynlleth bus/rail interchange scheme.

3.8 Regeneration

3.9 WG have granted £0.16 million in additional funding for the Riverside Venue in Newtown.

3.10 Property, Planning and Public Protection

3.11 £0.19 million in grant funding has been approved as part of the Salix funding programme. The funding is to be used for roof mounted solar installations at six high schools in Powys. Estimated energy cost savings are £0.03 million per annum.

3.12 Housing and Community Development

3.13 WG have awarded £0.19 million funding through the Enable – Support for Independent Living Grant. The purpose of the funding is to support the delivery of adaptations, preventing unnecessary hospital admissions and facilitating earlier discharge.

3.14 **Virements**

3.15 In order to comply with recently updated environmental permit conditions, additional fire management measures are required at the North Powys Bulking Site. The project has also seen additional costs due to ongoing COVID-19 measures and increased material and plant costs. A virement of £0.17 million from the South Powys Bulking Site Project is recommended in order to fund these works. The South Powys project has been paused while a new business case is developed to ensure that the site is fully compliant with updated NRW permitting requirements and has the capacity to deal with additional recyclable materials in the future.

3.16 **Reprofiling Budgets Across Financial Years.**

3.17 As a result of an adjustment made to the 2020/21 accounts discovered as part of the audit process a change has been made to the Highways, Transport & Recycling budgets carried forward from 2020/21 resulting in a reduction of £0.09 million budget in 2021/22.

3.18 In order to align with the timetable of other works at Kirkhamsfield Depot, Newtown, the planned construction of the Strategic Salt Reserve has been postponed by a year. £0.03 million budget will be rolled forward from 2021/22 into 2022/23 and the construction budget of £750,000 will be rolled forward from 2022/23 into 2023/24. The project budget will be reviewed to ensure it remains adequate given the recent rises in material costs.

3.19 Digital Services have reviewed their budgets and £0.48 million has been rolled forward into 2022/23 to reflect the anticipated spend profile.

3.20 Following a review of the budgets in Housing for works to existing council houses, £0.85 million has been reprofiled into future years.

3.21 Following a review of the pipeline schemes held under the Corporate capital heading a total of £2.85 million has been reprofiled into future years. This funding will be released to the relevant projects when they have reached the relevant stage of approval under the capital governance process.

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 £3.60 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 £1.88 million which are at the legal stage of the process and will generate future capital receipts. The year-end forecast is estimated at £2.12 million.
- 3.26 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.
- 3.27 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 virement proposed in section 3.15.

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.

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Appendix A:

Table 2 - Capital Table as at 30th September 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	(27)	1,210	102.3%
Childrens Services	1,092	80	1,172	132	1,040	88.7%
Education	34,949	(18,463)	16,486	10,731	5,755	34.9%
Highways Transport & Recycling	13,771	16,144	29,915	14,934	14,981	50.1%
Property, Planning & Public Protection	1,525	1,771	3,296	2,579	717	21.8%
Housing & Community Development	10,419	(2,900)	7,519	3,586	3,933	52.3%
Regeneration	0	5,389	5,389	1,007	4,382	81.3%
Digital Services	1,130	34	1,164	1,056	108	9.3%
Legal & Democratic Services	0	0	0	25	(25)	
Finance	10,440	(3,817)	6,623	791	5,832	88.1%
Total Capital	73,626	(879)	72,747	34,814	37,933	52.1%
Housing Revenue Account	27,903	6,102	34,005	19,465	14,540	42.8%
TOTAL	101,529	5,223	106,752	54,279	52,473	49.2%

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

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	10,453	26,886	22,461	8,771	4,176	72,747
HRA	0	16,784	10,390	6,831	0	34,005
Total	10,453	43,670	32,851	15,602	4,176	106,752

Head of Service Commentary

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	1,183	(27)	1,210	102
<u>HOS Comment</u>				
With the exception of £500k (£100k for staff-plan system for domiciliary care and £400k on advanced robotics, delayed due to business continuity) the budget will be spent in full.				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	1,172	132	1,040	89
<u>HOS Comment</u>				
The anticipated spend during this financial year of £820k in Brecon for Flying Start childcare provision at Priory Church in Wales primary school and £293k at Oldford Primary School, as well as £60k at Bannau/Camlas will ensure that this capital budget will be fully spent.				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	16,486	10,731	5,755	35
<u>HOS Comment</u>				
21st Century Schools Programme				
Delivery is progressing well for the 21 st C Schools Programme projects. Ysgol Gymraeg y Trallwng demolition works are now complete with construction work for the new-build element due to start imminently. Design work for Ysgol Cedewain is progressing well and the Full Business Case is due to be submitted for Cabinet and Welsh government final approval in the new year. Brynllwarch tender package is also due to be issued in the coming months.				

The remaining 21st C Schools budget for the year will be to progress with construction works at Ysgol Gymraeg y Trallwng and Cedewain, and to continue with the Brynllwarch, Bro Hyddgen Community Campus, and Ysgol Calon y Dderwen RIBA design processes.

Schools Major Improvements Capital programme 2021/22

The Schools Major Improvements Programme supports the improvement of education facilities and infrastructure for pupils. In this financial year, 104 projects are planned to be completed.

There are 6 schemes to commission, 13 schemes commissioned, 9 at the design stage, 13 at the tender stage, 20 at the construction stage and 43 schemes are practically completed on site.

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, compliance and Estyn requirements.

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	29,915	14,934	14,981	50
<u>HOS Comment</u>				
<p>Highways – Delivery on-going with many projects completed or programmed Q3/Q4, and on target to meet spend by end of year W&R Infrastructure – Some project delays need to monitor Q3 and liaison with the finance team continues regarding spend profiles.</p> <p>Risks – material supply and contractor availability remain</p>				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	3,296	2,579	717	22
<u>HOS Comment</u>				
<p>Projects are progressing and the budget remaining as a percentage of budget is expected to reduce.</p>				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	7,519	3,586	3,933	52
Housing Revenue Account	34,005	19,465	14,540	43
<u>HOS Comment</u>				
<p>Projects are progressing with works on site in many cases. Majority of culture projects complete and awaiting final invoices. One project no longer required, and Finance informed. Leisure capital looking on track, a couple of projects will straddle two financial years so working with Finance partners to profile accordingly. HRA - Some concerns over delays to construction projects due to the supply and cost of materials, and shortage of labour. Clauses have been included in contracts and are being monitored.</p>				

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Regeneration	5,389	1,007	4,382	81

HOS Comment
Capital funding supports specific projects approved by WG. Current projects are progressing, and it is anticipated full spend against all of the remaining budget available.

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Digital Services	1,164	1,056	108	9

HOS Comment
A review of capital expenditure against current and future project for 21/22 has taken place with £0.48 million of capital projects rolled forward into 2022/23 to reflect the anticipated project delivery. Against this 91% of spend has already been committed. The final 9% of capital projects are being progressed with anticipated delivery in early 2022.

Service Area	Budget	Actuals & Commitments	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Corporate	6,623	791	5,832	88

HOS Comment
£4 million of the budget relates to Transformation schemes which under the Welsh Government Capitalisation Directive are funded from Capital Receipts. At this point the majority 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.