

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

5th July 2022

REPORT AUTHOR: County Councillor Cllr David Thomas
Portfolio Holder for Finance and Corporate
Transformation

REPORT TITLE: Capital Position as at 31st March 2022

REPORT FOR: Decision / Information

1. Purpose

- 1.1 This report sets out the financial outturn position of the Council's capital programme for 2021/22 as at 31st March 2022. This includes information on the additional funding streams received from Welsh Government since the last report and how these impacts on the funding of the capital programme.

2. Background

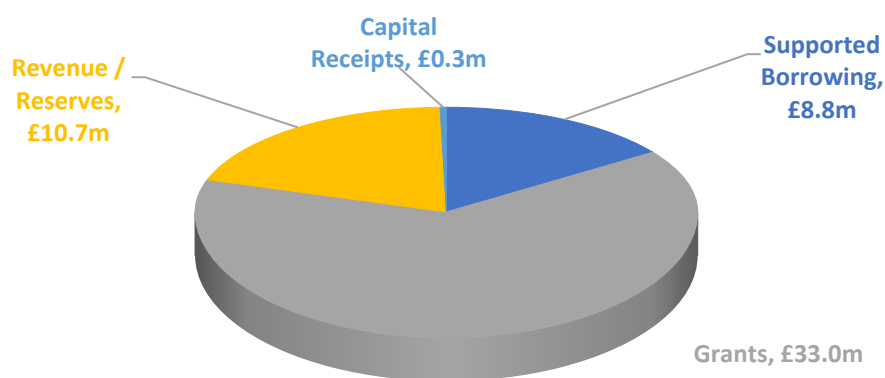
- 2.1 The revised programme at the 31st March 2022 is budgeted at £94.74 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £72.60 million, representing 77% of the total budget. This includes the Housing Revenue Account (HRA) capital spend which totalled £19.78 million against a budget of £23.73 million.
- 2.2 Table 1 below shows a summary of 2021/22 capital expenditure,

Table 1 Capital Spend by Service

Service Area	2021/22 £'m
Schools	£12.929
Social Care	£1.871
Highways, Transport & Recycling	£21.310
Leisure & Recreation	£2.292
Housing	£26.201
Property, Planning and Public Protection	£1.888
Economy & Digital	£6.104
Total	£72.595

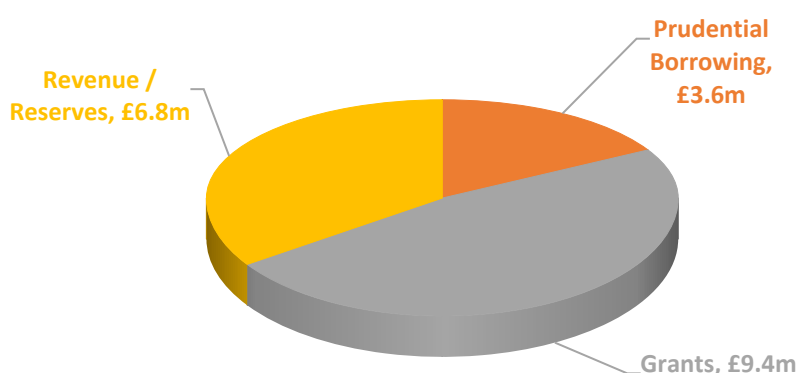
- 2.3 Chart 1 below sets out how the Council funded element of the capital programme is funded, 16%, £8.8 million has been funded through borrowing, the interest cost for this is charged to the revenue account. This is significantly lower than the original budget of £39.5 million and results in an underspend within the revenue budgets

Chart 1 - Council Capital Funding 2021-22



- 2.4 Chart 2 below sets out how the Housing Revenue Account (HRA) funded element of the capital programme was financed, £3.6 million, 18% has been funded through borrowing, the interest cost for this is charged to the HRA revenue account.

Chart 2 - HRA Capital Financing 2021-22



- 2.5 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources

2.6 Table 2 - Capital Financing Requirement (CFR)

£'m	2020/21	2021/22
Original Estimates 25/02/2021	422.77	468.58
Quarter 1 estimate	397.10	436.96
Quarter 2 estimate	397.10	431.17
Quarter 3 estimate	397.10	419.11
Actual	397.10	405.21

- 2.7 The budget reprofiling into future financial years has reduced the CFR as shown Table 2. As outlined in the amendment of the 2022/23 Budget approved by Council on the 3rd March 2022, the additional funds provided by Welsh Government for capital (£3.6m) and revenue (£2.3m), together with the projected underspend on MRP and interest for 2021/22 (£1.5m) has been used to fund existing Capital schemes, replacing borrowing, which has reduced the CFR.

- 2.8 A further £1.3m of the revenue underspend was used at the year end to replace further borrowing, again this reduces the CFR and the cost of borrowing in future years which is charged to the Council's revenue budget.

3. Grants Received.

- 3.1 The following grants have been received since the quarter 2 report and are included for information.
- 3.2 **Education** - £0.21 million Welsh Government Grant for the purchase of musical instruments for school and ensemble music activities and adaptive musical instruments and specialist equipment to support learners with Additional Learning Needs (ALN) in both mainstream and special schools.
- 3.3 A further £2.29 million of Capital Funding Grant towards Improving Ventilation, Supporting Decarbonisation and Reducing Backlog Maintenance in Schools has been received from Welsh Government.
- 3.4 Welsh Government have provided a £1.10 million capital grant to support the rollout of universal primary free school meals, this will be used for purchasing new equipment, upgrading existing equipment, upgrading existing kitchen/dining facilities; and works to increase the capacity of school meal infrastructure.
- 3.5 **Housing** - £1.15 million awarded from Welsh Government (WG) to refurbish the existing King's Meadow site in Brecon to improve the living standards for the residents. WG has also awarded a further £0.03 million to support adaptations to dwellings to prevent unnecessary hospital admissions and facilitate earlier discharge.
- 3.6 **Economy and Digital Services** - £0.42 million WG Regional Capital Stimulus Fund to support the delivery of 3 high specification industrial units at Abermule Business Park to meet an identified demand from an existing local company.
- 3.7 **Adult Services** – Welsh Government have awarded through their Integrated Care Fund (ICF) £1.00 million for the Brecon Extra Care scheme which will be used to acquire land for delivery of approx. 60 extra care accommodation units.
- 3.8 **Regeneration** - £0.17 million additional funding has been received from Welsh Government in relation to the Targeted Regeneration Investment programme taking the total grant award to £0.67 million.
- 3.9 £0.74 million additional funding has been awarded under the Welsh Government's Transforming Towns Programme which increases the total grant award to £2.00 million.
- 3.10 **Highways, Transport & Recycling** - £0.25 million additional funding received under Welsh Government's Active Travel Grant for works at Machynlleth Archway.
- 3.11 £1.04 million received from Welsh Government for the funding of electric recycling vehicles.

4. Reprofile Budgets Across Financial Years.

- 4.1 There were several schemes in the 2021/22 capital programme which are continuing into 2022/23. The budget carried forward to reprofile these schemes is shown in the Table 3 and has been included in the figures shown in the charts above.

Table 3 - Funding carried forward from 2021/22

Service Area	2021/22 £'m
Schools	£3.106m
Adults Services	£0.139m
Childrens Services	£1.111m
Highways, Transport & Recycling	£1.777m
Housing & Community Development (ex HRA)	£0.378m
Property, Planning and Public Protection	£0.858m
Finance	£0.183m
Economy & Digital	£3.810m
Housing Revenue Account (HRA)	£4.265m
Total	£15.627m

5. Capital Receipts

- 5.1 Capital receipts totalling £1.20 million have been received during the financial year.
- 5.2 The Council's Transformation Programme was budgeted to be funded by Capital receipts through the capitalisation directive. Due to the improved financial position for this year these costs have been funded from the revenue budget, retaining the capital receipts to support the Capital Strategy in future years.

6. Resource Implications

- 6.1 The Head of Finance (Section 151 Officer) notes the content of the report and can support the recommendation to approve the virements. The additional capital funding received during 2021/22 together with the opportunity provided by using revenue to support Capital has reduced the Councils need to borrow. This has benefited the Councils ongoing revenue budget and improves affordability. Rising inflation, rising material costs and supply chain issues will impact on Capital schemes during 2022/23. Careful monitoring, cost management and accurate profiling of projects will be key to prioritise our resources and maintain affordability.

7. Legal implications

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

8. Recommendation

- 8.1 That the contents of this report are noted.

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Appendix A:

Table 4 - Capital Table as at 31st March 2022

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget £	Remaining Budget %
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	300	336	636	707	(71)	(11.2%)
Childrens Services	1,092	1,199	2,291	1,165	1,126	49.1%
Education	34,949	(18,809)	16,140	12,929	3,211	19.9%
Highways Transport & Recycling	13,771	14,342	28,113	21,314	6,799	24.2%
Property, Planning & Public Protection	1,525	1,222	2,747	1,888	859	31.3%
Housing & Community Development	10,419	(2,150)	8,269	8,705	(436)	(5.3%)
Economy & Digital Services	1,130	8,499	9,629	6,080	3,549	36.9%
Corporate	10,440	(7,257)	3,183	0	3,183	100.0%
Total Capital	73,626	(2,618)	71,008	52,813	18,195	25.6%
Housing Revenue Account	27,903	(4,171)	23,732	19,783	3,949	16.6%
TOTAL	101,529	(6,789)	94,740	72,596	22,144	23.4%

Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	636	707	(71)	(11)

HOS Comment

The substance misuse grant of 65K has been spent in full.

The community equipment services grant of £190K through ICF has been spent in full.

97K around day and employment bases has been carried forward.

The balance is regarding improvement to fixtures and fittings of Shaw Care Homes so as to meet CIW standards. This has overspent by £64K but monies allocated for through funding being carried over from previous financial year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	2,291	1,165	1,126	49

HOS Comment

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	16,140	12,929	3,211	20

HOS Comment

Sustainable Communities for Learning Programme (previously known as 21st C Schools Programme)

The Programme has made steady progress this year:

- Welshpool C.i.W Primary School, a passivhaus primary school, opened its doors to pupils in January 2021, and access and highways works are being undertaken before final completion of the scheme.
- Ysgol Gymraeg y Trallwng, a 150 place Welsh-medium school in Welshpool – construction started on this scheme in Summer 2021. Following Cadw listing

of the former Ysgol Maesydre school, the design team have developed a scheme which is an innovative hybrid passivhaus/remodelled building. The programme is on target for completion in the autumn term 2022.

- Cedewain Special School, Newtown – during 2021/22, activity focused on completion of designs, obtaining planning approval and full business case approval. However, the scheme was impacted by the inflationary increases and the outbreak of the Ukrainian war which necessitated a re-pricing of the scheme by the contractor. This resulted in a new contract sum which has now been approved by both Council and Welsh Government. Construction due to start within the next month.
- Brynllwarch Hall School, Kerry – RIBA 2 outline design stage has now been completed on this BESD school for pupils with complex behavioural needs, and the contract has been awarded to ISG to complete the next design stages.
- Ysgol Bro Hyddgen, Machynlleth – Following completion of the RIBA 3 design stage on this Community Campus scheme, which includes early years, primary, secondary, leisure and library facilities, a review has been carried out due to concerns about costs at £48m. This has focused on reducing areas within the scheme. A decision will now be required by the new Cabinet about proceeding to tender.
- Ysgol Calon y Dderwen, Newtown – this primary school opened in September 2021 following the merger of two schools in Newtown, and it forms part of the North Powys Wellbeing Campus development. Work has focused on developing the initial Stage 1 feasibility, understanding user requirements and identifying the siting and location of the school, which allows the Campus sufficient space to develop as well. Linkages between both projects are a key factor for this school design. Next steps are to finalise the project brief to move on to RIBA 2 outline design stage.
- Sennybridge C.P. School – following a review of schools in the Brecon catchment area, a preferred way forward was identified and agreed by Cabinet, which included a new build 150 place school to replace the current poor condition buildings at Sennybridge C.P. School. This year, the Strategic Outline Case was approved by Cabinet and Welsh Government, and the RIBA 2 stage is being completed.

Cost uncertainty, market fluctuations and material availability has been the main issue for the Programme in the last financial year and will continue to need robust management and scrutiny of costs as projects develop this year.

Schools Major Improvements Capital programme 2021/22

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	28,113	21,314	6,799	24
<u>HOS Comment</u>				

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Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	2,747	1,888	859	31
<u>HOS Comment</u>				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	8,269	8,705	(436)	(5)
Housing Revenue Account	23,732	19,783	3,949	17
<u>HOS Comment</u>				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Economy & Digital Services	9,629	6,080	3,549	37
<u>HOS Comment</u>				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Corporate	3,183	0	3,183	100
<u>HOS Comment</u>				
<p>£3 million of the budget relates to Transformation schemes which under the Welsh Government Capitalisation Directive are funded from Capital Receipts. This year the transformation activities have been funded from the revenue surplus, retaining the capital receipts to support the Capital Strategy in future years.</p>				

The balance is held as a contingency and has not been utilised during the year.