

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

26th July 2022

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

REPORT TITLE: Capital Forecast 2022-23, as at 30th June 2022

REPORT FOR: Decision / Information

1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2022/23 as at 30th June 2022.

2. Background

2.1 The 2022/23 Capital Programme was approved by Council on the 3rd March 2022. It included capital schemes totalling £133.88 million, of which £25.55 million related to the Housing Revenue Account (HRA). The programme has been updated following the reprofiling of projects from 2021/22 (outlined in the March 2022 capital report) and additional grants received from Welsh Government.

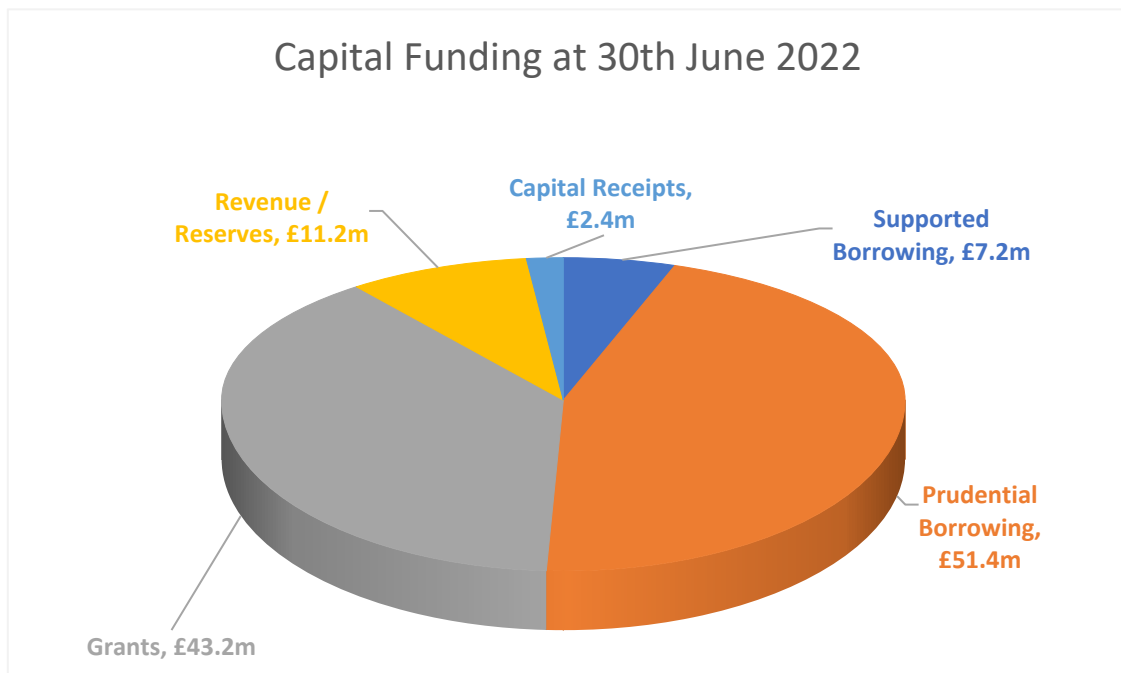
2.2 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	139	851	(13)	864	102%
Childrens Services	0	1,111	1,111	283	828	75%
Education	27,868	3,641	31,509	1,256	30,253	96%
Highways Transport & Recycling	14,163	7,268	21,431	4,470	16,961	79%
Property, Planning & Public Protection	100	2,158	2,258	620	1,638	73%
Housing & Community Development	2,462	2,696	5,158	(887)	6,045	117%
Economy & Digital Services	9,974	4,236	14,210	806	13,404	94%
Finance	53,047	(45,525)	7,522	29	7,493	100%
Total Capital	108,326	(24,276)	84,050	6,564	77,486	92%
Housing Revenue Account	25,550	5,708	31,258	4,651	26,607	85%
TOTAL	133,876	(18,568)	115,308	11,215	104,093	90%

2.3 The revised programme at the 30th June 2022 is budgeted at £115.31 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £11.22 million, representing 10% of the total budget. The £45.00 million that was included in the original programme for the Global Centre of Rail Excellence (GCRE) has at this stage been removed and will be reinstated when it is required.

2.4 51%, £58.6 million, of the capital programme will be supported through borrowing, the interest cost for this is charged to the revenue account. Finance will be working with the services to ensure the profiling of budgets is accurate to effectively manage the borrowing.

2.5 Chart 1 – Capital Programme funding



2.6 Inflation is having a significant impact on the cost of schemes due to rising material and construction costs. It is unclear at this stage how this will impact the programme over the coming years. Services are aware of this impact and are mitigating increases as far as possible, some schemes may be reduced or paused. Any additional funding required is likely to increase borrowing, this will increase costs on the revenue budget. The funding for any additional borrowing will need to be identified and approved with regard given to affordability against a positive cost benefit analysis.

3. Grants Received.

3.1 The following grants have been received since the start of the financial year. These are for additional schemes and have been included in the Capital Programme.

3.2 **Highways, Transport & Recycling** - £0.68 million Welsh Government Grant to support the roll out of a 20mph default speed limit on restricted roads.

3.3 £0.12 million from Welsh Government has been awarded under the Road Safety Grant scheme to support schemes and projects that contribute to reduce casualties on Welsh roads

3.4 £2.36 million has been awarded from the Welsh government for the Active Travel Scheme to help increase levels of active travel, improve health & well-being, improve air quality, reduce carbon emissions, connect communities and improve active travel access to employment, education and key services, destinations and public transport.

3.5 Local Places for Nature Capital Funding received from Wales Council for Voluntary Action, £0.15 million for Nature on your doorstep and £0.08 million for Greening the public service estate.

3.6 £0.29 million has been awarded from the Welsh Government for the Local Transport Fund to enable us to develop integrated, effective, accessible, affordable and

sustainable transport systems. £0.08 million for the Resilient Roads fund to enable us to support transport projects that mitigate and adapt to the effects of climate change, including addressing disruptions caused on the highway network by severe weather.

- 3.7 £0.35 million from the Welsh Government has been awarded for Safe Routes in Communities to improve accessibility and safety and encourage walking and cycling in communities. There is particular emphasis on improving routes to and from schools. The aim is to change how people travel, resulting in greater social inclusion and improved community safety.
- 3.8 £0.28 Million grant has been awarded from the Welsh government for FCERM Small Scale works and £0.16 million for Flood Alleviation Schemes for the purpose of supporting the National Strategy for Flood and Coastal Erosion Risk Management in Wales which aims to ensure the risks to people and communities from flooding and coastal erosion are effectively managed
- 3.9 **Regeneration** – Welsh Government have awarded £0.20 million funding in relation to the Brilliant Basics Fund for the purpose of delivering basic small scale tourism infrastructure improvements across all of Wales in order to ensure that all visitors to Wales have a positive and memorable experience throughout all aspects of their stay.
- 3.10 **Education** – Welsh Government have allocated £0.88 million Community Focused schools grant to safely adapt and effectively open schools outside traditional hours through a number of targeted small and medium scale capital investment, thus enabling community use of the existing facilities.
- 3.11 **Housing Revenue Account** – Welsh Government have confirmed this year's allocation of the Major Repairs Allowance (MRA) grant, it remains the same as last financial year at £3.72 million. This is used towards the capital works to the councils existing housing stock.

4. Virements

- 4.1 An additional £0.14 million is required for vehicles for the operative and staff transferred back from HOWPS. The additional costs are for the 'fitting out' of the vans and this increase is attributed to a more detailed specification to meet Health and Safety standards and the general cost of materials going up. This virement has been approved by the Chief Executive and Head of Service in line with the delegation of powers over the election period and the works have been carried out. This is included for ratification by Cabinet.
- 4.2 A virement of £0.5 million is requested to fund the renewal of the Catering Management and Cashless System to ensure there is continuity of service to learners, families and schools, enhancements to the back-office support that the system provides to schools and the central Catering team will reduce administration. The business case to proceed to procure the system was considered and supported by the Capital Oversight Board . The introduction of the original system made savings and if the system is not renewed manual processes would have to be reintroduced with additional staffing and other associated costs. At this stage, no specific funding has been identified so additional borrowing will be required to fund this scheme. Based on the cost and a life expectancy of 5 years for this type of equipment/software, this will increase the costs of borrowing in the revenue budget by £104,000 per year, payable for 5 years.
- 4.3 During the procurement and construction periods of the Abermule Business Park there have been significant material and resource price increases, especially steelwork and concrete, which are a significant element of the project, and these have impacted on the original scheme budget. Value engineering has been undertaken to minimise the

effect of the cost increases, however, this has not fully mitigated the impact. The additional budget of £0.14 million will assist in contributing towards these increases. This increase will be funded from the unallocated amount already included in the capital programme so there is no impact on the revenue budget.

5. Reprofile Budgets Across Financial Years

- 5.1 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 2022/23 into 2023/24 and the construction budget of £750,000 will be rolled forward from 2023/24 into 2024/25. The project budget will be reviewed to ensure it remains adequate given recent rises in material costs.
- 5.2 Small works in the Glasbury bridge replacement programme are being brought forward and require £0.05 million of budget to be reprofiled from future years into 2022/23.

6. Capital Receipts

- 6.1 There are currently sales agreed to the value of £1.36 million (including £0.39 million for the HRA), these are at the legal stage of the process and will generate future capital receipts. At this stage it is expected that sales totalling £2.00 million will be achieved this financial year.

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. 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. Expenditure on the Capital Programme continues to be monitored carefully through the year, the impact of rising costs, supply chain issues and additional borrowing costs will have to be carefully considered. Prioritisation of resources at a corporate level ensures that the council can effectively meet its objectives whilst maintaining an affordable level of investment.

8. Legal implications

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

9. Recommendation

- 9.1 That the contents of this report are noted.
- 9.2 That Cabinet approves the virements proposed in section 4, this is to comply with the virement rules for budget movements between £100,000 and £500,000 set out in the financial regulations

Contact Officer: Jane Thomas Email: jane.thomas@powys.gov.uk Head of Service: Jane Thomas

Appendix A:

Chart 2 - Capital Programme as at 30th June 2022

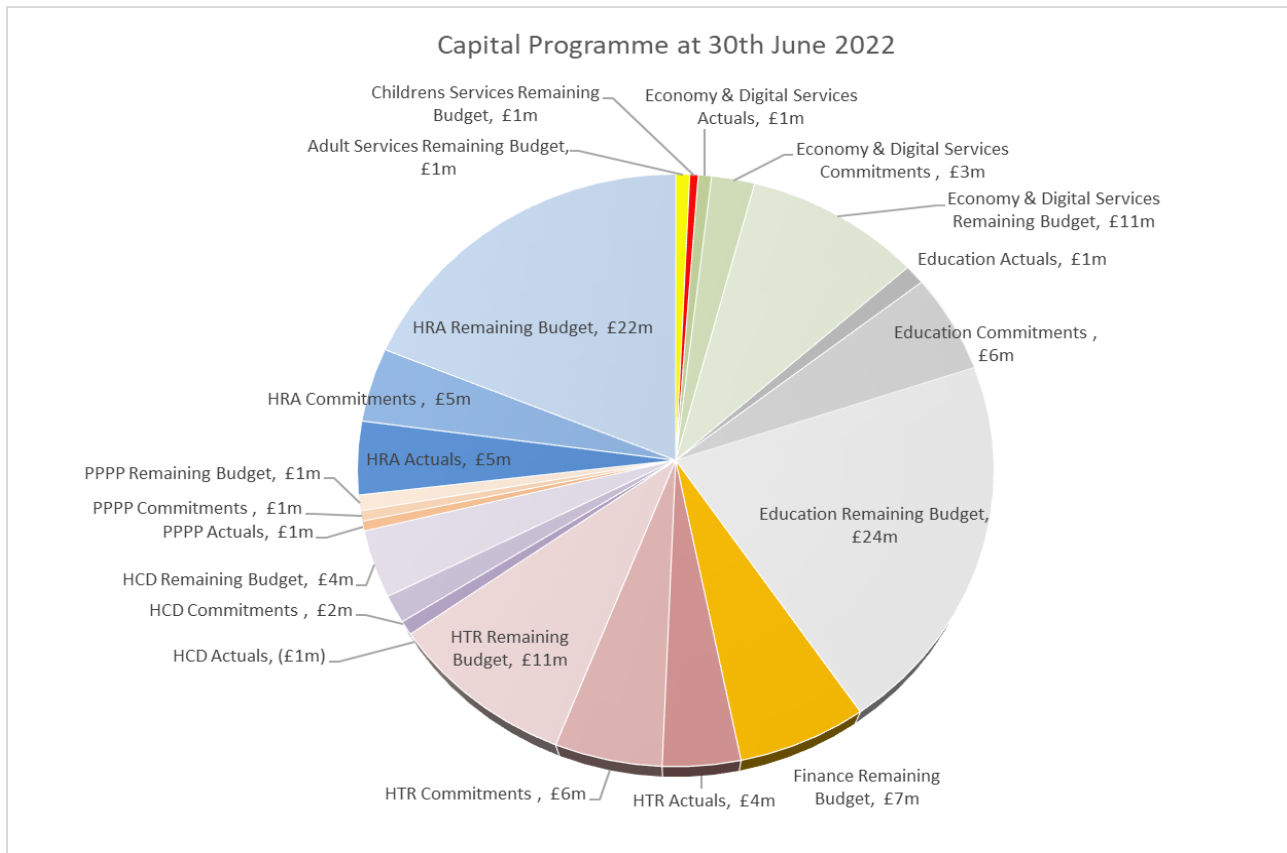


Table 2 - Capital Programme funding as at 30th June 2022

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,211	32,835	37,273	4,347	2,385	84,051
HRA	0	18,526	5,886	6,846	0	31,258
Total	7,211	51,361	43,159	11,193	2,385	115,309

Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	851	(13)	864	102

HOS Comment

The budget above does not currently include the £200k for the care homes ,this will be corrected for future reports. The care home capital funds will be fully utilised.

The capital amounts available include monies used for purchasing TEC and robotics to a value of half a million pounds. These monies will either be spent or carried forward.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	1,111	283	828	75

HOS Comment

Children's Services capital budgets for this year are for redeveloping residential provision including developing safe accommodation for children and young people, and to develop a childcare venue in south Powys and an integrated family centre in Welshpool. The work is progressing as planned with full expenditure expected at end of year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	31,509	1,256	30,253	96

HOS Comment

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

Approved projects

- Cedewain – WG approved increase in budget and contract now signed. Start on site in July.
- Brynllwarch – contract awarded to ISG 18/05/22. Discussions have taken place about the timescale with a suggested alternative way of agreeing the contract sum in order to speed up the programme.

- Ysgol Gymraeg y Trallwng – construction on schedule. Scrutiny of additional costs for some work packages continues and this was presented to Welsh Government, as they are jointly-monitoring the costs. Welsh Government approved additional costs.
- Ysgol Calon y Dderwen – work has focused on refining the scope of the school in order to bring size and costs to within the agreed funding envelope.
- Sennybridge – OBC has been developed.
- Bro Hyddgen – Cost modelling has taken place, engagement with key stakeholders, and energy report has been received to understand whether the project can become carbon zero in operation.

New projects

- Ysgol Calon Cymru – option appraisal for Llandrindod campus prepared, high-level feasibility undertaken on the Builth campus, and informal engagement report prepared.
- Brecon Primary School – process of establishing temporary governing body started, awaiting task plan for first stage feasibility from PDS for the new build.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	21,431	4,470	16,961	79

HOS Comment

The Highways Capital programme has been significantly affected by the sharp rise in construction costs. To mitigate this rising of costs, several schemes have had to be removed from the programme. This adjustment to the programme has been based upon the schemes ranking and priority. Without further funding to mitigate the increased costs (should costs remain at current levels into the future), then this will significantly limit the outcomes that can be achieved within the Highways Capital budget and in time this will affect the rate at which the network deteriorates.

Brecon HWRC - Consultations with stakeholders is on-going.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	2,258	620	1,638	73

HOS Comment

The Property, Planning and Public Protection capital programme has been impacted by the rise in construction costs, especially steel and concrete costs. The construction of the commercial units has been adversely impacted and is likely to exceed allocated budget. Alternative funding options are being explored.

Delays are being experienced with the construction of the proposed Machynlleth cemetery. Solutions to the contractual issues are being sort and the budgetary implications are under review.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	5,158	(887)	6,045	117
Housing Revenue Account	31,258	4,651	26,607	85

HOS Comment

The Housing Revenue Account is experiencing some slight delays in completing new housing build schemes due to availability of labour and materials. The Welsh Housing Quality Standards programme has been delayed, twelve lots or packages of works have been tendered, with only eighteen tenders received. Two lots or packages of work did not receive any bidders. This has delayed the start for these packages of work.

It has been noted that costs have increased, with material costs an area which will be monitored. No anticipated significant delays to planned capital works at this point in the financial year but this will be kept under review.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Economy & Digital Services	14,210	806	13,404	94

HOS Comment

Economy

Transforming Towns Programme have applied for £5,080,000 for Placemaking Grant – this grant is managed through an application process with Private Sector, Town Council and, in some cases, Third Sector organisations – We provide support to applicants, they must follow the appropriate procurement procedures in line with PCC policy and they are advised to include a contingency in the application to cover such occasions as material prices increases. This creates very low risk to the Council and is not likely to affect PCC capital funds.

Levelling-up Capital Projects - Current demand for materials and labour is high which in turn could impact on our ability to secure them for our construction projects. To mitigate these actions, contingency costs and inflation have been included in cost estimates. The local authority has through its procurement procedures an approved suppliers list for the provision of goods and services and will be able to secure contractors and materials for the construction elements of the project within budget. Given the short term nature of the construction projects our exposure to this risk is low to moderate. We are also working with our partners to mitigate through similar actions.

Digital Services Capital

The majority of the Digital/ICT Capital budget was not expected to be spent in the first Quarter of 2022/23. It is anticipated that this will be spent throughout the following quarters and will be closely monitored.

Due to the increase of costs and historic supply issues; ICT will need to closely monitor the budget and expected spend – particularly for hardware related purchase e.g., Staff Laptops.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Corporate	7,522	29	7,493	100

HOS Comment

This 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.