

# CYNGOR SIR POWYS COUNTY COUNCIL.

## CABINET EXECUTIVE 8<sup>th</sup> November 2022

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

**REPORT TITLE:** Capital Forecast 2022-23, as at 30<sup>th</sup> September 2022

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**REPORT FOR:** Decision / Information

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### 1. Purpose

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

### 2. Background

2.1 The 2022/23 Capital Programme was approved by Council on the 3<sup>rd</sup> 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 and additional grants received from Welsh Government.

#### 2.2 Table 1 - Breakdown by service

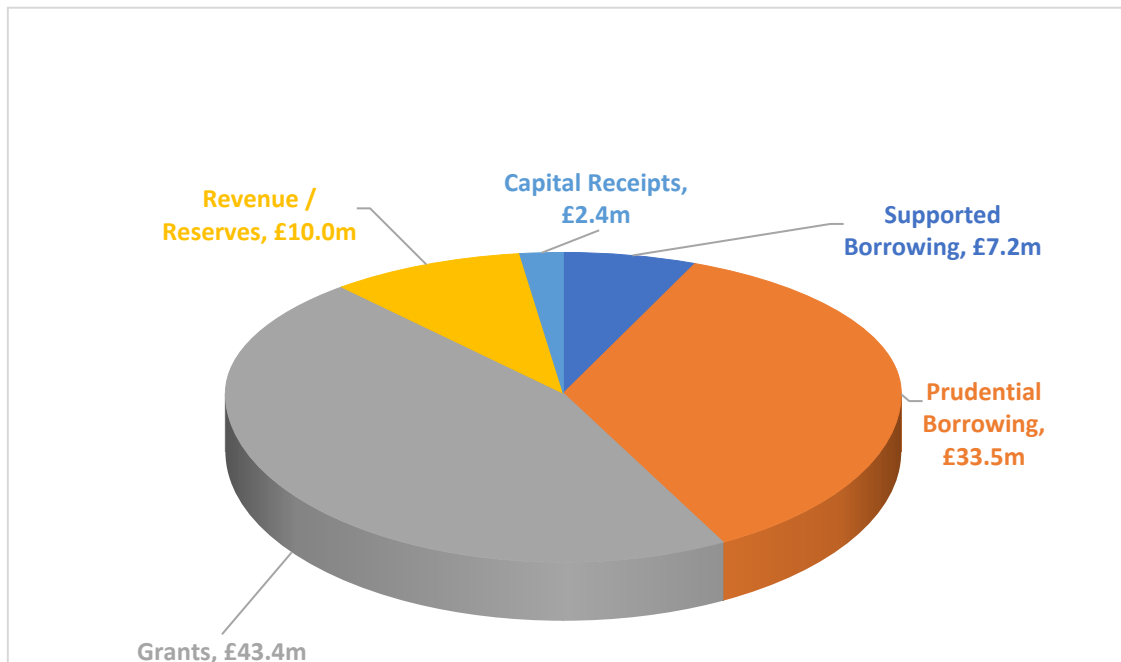
Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	339	1,051	-8	1,059	100%
Childrens Services	0	1,111	1,111	597	514	46%
Education	27,868	827	28,695	5,126	23,569	82%
Highways Transport & Recycling	14,163	6,298	20,461	8,383	12,078	59%
Property, Planning & Public Protection	100	2,427	2,527	1,514	1,013	40%
Housing & Community Development	2,462	3,052	5,514	-152	5,666	102%
Economy & Digital Services	9,974	4,944	14,918	1,756	13,162	88%
Corporate	53,047	(53,001)	46	0	46	100%
<b>Total Capital</b>	<b>108,326</b>	<b>(34,003)</b>	<b>74,323</b>	<b>17,216</b>	<b>57,107</b>	<b>77%</b>
Housing Revenue Account	25,550	(3,412)	22,138	7,156	14,982	68%
<b>TOTAL</b>	<b>133,876</b>	<b>(37,415)</b>	<b>96,461</b>	<b>24,372</b>	<b>72,089</b>	<b>75%</b>

2.3 The revised programme at the 30<sup>th</sup> September 2022 is budgeted at £96.46 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £24.37 million, representing 25% of the total budget. This is set out graphically at Appendix A. Updates from Project leads on the capital schemes are provided at Appendix B.

2.4 42%, £40.66 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 Continued increasing 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 until greater certainty about cost and funding. 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.

2.7 The in year revenue financial position is forecasting a £7 million deficit, including the expected pay award for teachers and NJC staff and inflationary pressures. Removing pipeline schemes that haven't progressed to approval stage and delaying other schemes results in a greater underspend on borrowing this year by £0.5 million and helps to reduce the call on reserve.

### 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** - Natural Resources Wales have awarded £0.02 million to construct an aggregate path on the B4518 road.

**3.3 Education** - Welsh Government have awarded £0.67 million of Welsh Medium Capital Grant for a childcare setting at Ysgol Pennant.

3.4 Welsh Government have awarded £0.88 million Capital Funding to Support Learners with Additional Learning Needs,

3.5 Welsh Government have awarded an additional £0.48 million from their Childcare Offer Capital Grant Programme to cover the increased costs for the childcare schemes in Rhayader and Dyffryn Y Glowyr.

- 3.6 A grant of £1.53 million has been awarded by the Welsh Government with the aim to support the rollout of universal primary free school meals.
- 3.7 **Housing General Fund** – A grant of £0.26 million has been awarded by the Welsh Government to help deliver adaptations to the homes of older, disabled and vulnerable people. The adaptations help individuals to maintain independence at home, reducing dependency on carers, prevent inappropriate hospital admissions and accelerate hospital discharges.

#### **4. Virements**

- 4.1 An allocation of £0.10 million is included in the capital programme in each of the following years - 2022/23, 2023/24 and 2024/25. This is used to help defend the council against cyber-attacks and enhance cyber security. The tools used are not capital in nature due to the length of the contracts involved. It is proposed to fund this spend in revenue from the IT reserve and transfer the capital funding originally allocated to cyber security to the IT Equipment Refresh programme.

#### **5. Reprofiling Budgets Across Financial Years**

- 5.1 **Highways, Transport & Recycling** - £0.97 million for the Welshpool Household Waste and Recycling Centre (HWRC) and £0.66 million for the Brecon HWRC has been reprofiled into 2023/24 as the schemes are not currently in a position to require the funding in this financial year. A further £0.57 million has been reprofiled from other small Highways, Transport and Recycling schemes because of delays.
- 5.2 **Education** - The 21<sup>st</sup> Century Schools budget has been updated following the revised costs for Bro Hyddgen and Sennybridge school and a review of the other schemes to better reflect the anticipated spend profile. The Net Zero Grant allocation for the Cedewain school has also been included in the revised programme. A total of £8.07 million (£5.66 million grant and £2.41m borrowing) has been reprofiled from 2022/23 into future years.
- 5.3 **Housing** - Following a review of this year's allocations, £9.12 million (borrowing) relating to the new build schemes has been reprofiled into future years. This is to reflect unavoidable delays in commencing works on a number of sites affected by the ongoing resolution of phosphate management.
- 5.4 **Digital Services** - Following a review of this year's allocations, £0.69 million (£0.07 million funding from reserves and £0.62 million borrowing) relating to Information Services schemes has been reprofiled into future years.
- 5.5 **Pipeline Schemes** - There have been a number of schemes, totalling £6.36 million, that are yet to reach the final business case stage of the capital governance process, these were included in the capital programme under Pipeline schemes but due to the worsening financial position these have been removed from the capital programme. If business cases for these schemes are submitted, they will be considered and possibly included in the capital programme.

#### **6. Capital Receipts**

- 6.1 £0.81 million has been received so far for this year (including £0.39 million for the HRA). There are currently sales agreed to the value of £0.87 million, 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.

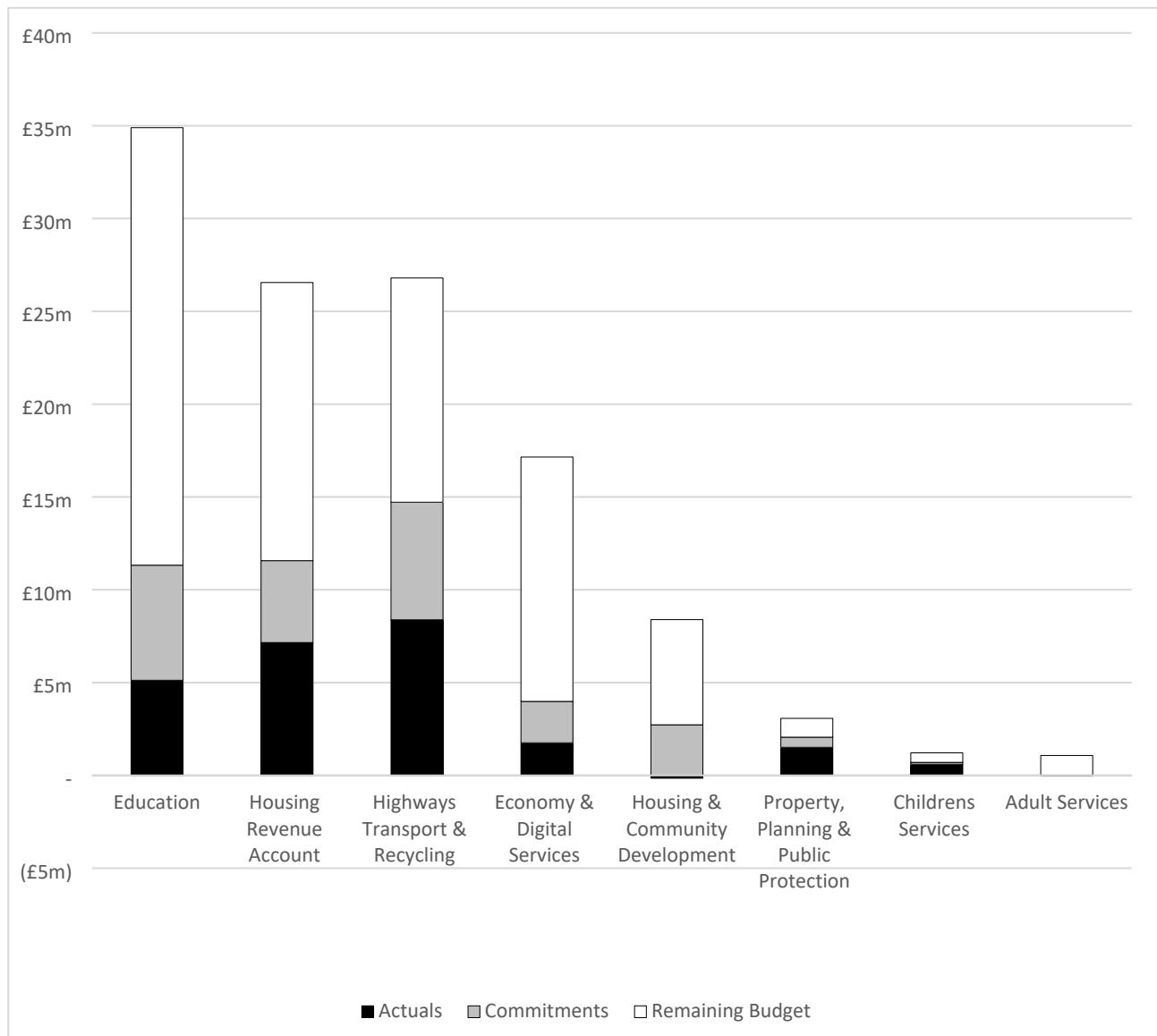
## **9. Recommendation**

- 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.

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## Appendix A:

**Chart 2 - Capital Programme as at 30<sup>th</sup> September 2022**



**Table 2 - Capital Programme funding as at 30<sup>th</sup> September 2022**

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,211	24,044	37,525	3,158	2,385	<b>74,323</b>
HRA	0	9,406	5,886	6,846	0	<b>22,138</b>
<b>Total</b>	<b>7,211</b>	<b>33,450</b>	<b>43,411</b>	<b>10,004</b>	<b>2,385</b>	<b>96,461</b>

## Appendix B Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Adult Services</b>	<b>1,051</b>	<b>(8)</b>	<b>1,059</b>	<b>100</b>

### HOS Comment

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	%
<b>Childrens Services</b>	<b>1,111</b>	<b>597</b>	<b>514</b>	<b>46</b>

### HOS Comment

Children's Services remain committed to our closer to home strategy, placement strategy and early intervention. Using capital money for this year we are redeveloping residential provision including developing safe accommodation for children and young people. We are also developing 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	%
<b>Education</b>	<b>28,695</b>	<b>5,126</b>	<b>23,569</b>	<b>82</b>

### HOS Comment

#### Sustainable Communities for Learning Projects (21<sup>st</sup> C Schools)

Ysgol Gymraeg y Trallwng - in construction, opening in the new year (this date has slipped, and latest date from the contractor is handover 19<sup>th</sup> December – this will mean that the school won't open any earlier than February half term 2023. Further progress updates will be obtained from the contractor.)

Ysgol Cedewain - in construction, opening in autumn 2023

Brynlywarch Hall School - a design and build contractor has been appointed - RIBA 3 stage (detailed design) has started. Aim to open in 2024

Sennybridge CP School - Following completion of RIBA 2 stage (concept design), Cabinet has approved an Outline Business Case which has now been submitted to the WG.

Ysgol Calon y Dderwen, Newtown - RIBA 2 stage (concept design) has started, along with a plan to develop a joint North Powys Wellbeing Campus Business Justification Case  
 Ysgol Bro Hyddgen - Cabinet approved a new Strategic Outline Case/Outline Business Case which includes a new preferred option for a new build school without the leisure element. This will now be considered by the WG.

New Brecon Primary School - initial surveys have been commissioned as part of early feasibility work

Ysgol Calon Cymru - initial feasibility study to understand if Builth Wells Campus can be remodelled into an all through school - this is part of the wider Transformation Programme for the area which includes a potential new build high school building in Llandrindod for Ysgol Calon Cymru, and to establish a new Welsh medium all-age school in Builth Wells, to replace the current Ysgol Calon Cymru model of a 2 sided school.

### **Welsh-medium Capital Grant**

The Council has been successful in obtaining capital grant from the Welsh Government for an extension at Ysgol Pennant – approximately £650k. This will be combined with £200k from the Childcare Capital Grant which will provide a new demountable for the Cylch Meithrin at Penybontfawr.

<b>Service Area</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Highways, Transport and Recycling</b>	<b>20,461</b>	<b>8,383</b>	<b>12,078</b>	<b>59</b>

### **HOS Comment**

- HAMP & Core capital funding delivery programme is on target
- Street lighting capital funding delivery programme is on target
- Brecon HWRC capital funding has been rolled forward aiding the capital finance borrowing position
- Cwrt y Plyffin capital funding has been rolled forward aiding the capital finance borrowing position

As previously reported, it is noted that to mitigate high inflation we have reduced the scope of works within delivery programmes. This adjustment has been based upon scheme ranking and prioritisation.

<b>Service Area</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Property, Planning and Public Protection</b>	<b>2,527</b>	<b>1,514</b>	<b>1,013</b>	<b>40</b>

### **HOS Comment**

The commercial units at Abermule business park have been completed. Work at Machynlleth cemetery and Ladywell House have commenced.

Capital expenditure is on track to be spent by the end of the financial year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	5,514	(152)	5,666	102
Housing Revenue Account	22,138	7,156	14,982	67

### HOS Comment

#### Housing Services

Demand for disabled facilities grants (DFGs) remains high but with challenges being experienced securing contractors to undertake work. This is due to a general shortage of trades people.

The recent tendering exercise for WHQS contractors did not yield enough suitable bids to cover all the works planned. This has meant that some lots have had to be retendered to make sure that works can be done. If it is still not possible to appoint contractors, then consideration will be given to internalising works where that is a practicable option.

The new housing development programme continues to be limited in those areas of the county in the river catchment areas of the River Usk and River Wye, where development of all kinds is currently being held over pending resolution of the management of phosphates. The development team is now focusing work on identifying and bringing forward schemes in communities not affected by the phosphate issue.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Economy & Digital Services	14,918	1,756	13,162	88

### 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 has been re-profiled for future years supporting the current financial position for the authority. Work has been re-programmed to support non-capitalised areas of improvement.

Due to the increase of costs and historic supply issues; ICT are closely monitor the budget and expected spend – particularly for hardware related purchase e.g., Staff Laptops. This element has been reduced over time and will need to be re-profiled in 2024-25 budgets.