

# CYNGOR SIR POWYS COUNTY COUNCIL.

## CABINET EXECUTIVE

7<sup>th</sup> February 2023

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

**REPORT TITLE:** Capital Forecast 2022-23, as at 31<sup>st</sup> December 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 31<sup>st</sup> December 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.

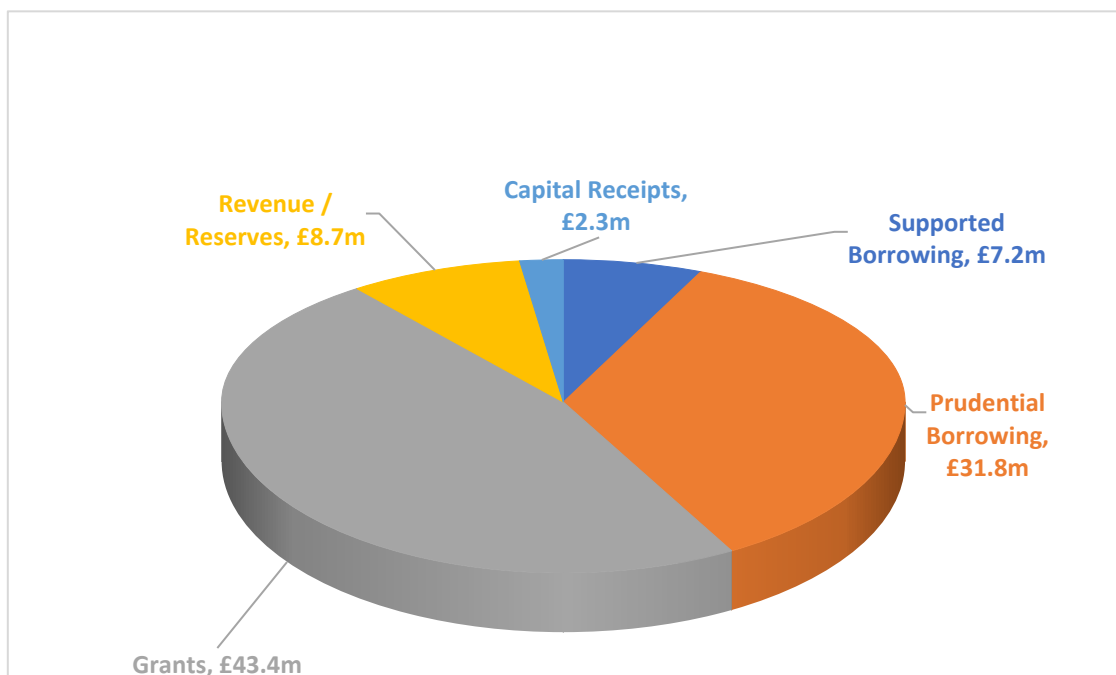
### 2.2 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	439	1,151	36	1,115	97%
Childrens Services	0	1,111	1,111	695	416	37%
Education	27,868	481	28,349	10,319	18,030	64%
Highways Transport & Recycling	14,163	6,104	20,267	13,001	7,266	36%
Property, Planning & Public Protection	100	2,527	2,627	1,739	888	34%
Community Development	714	1,612	2,326	1,013	1,313	56%
Housing General Fund	1,748	1,159	2,907	197	2,710	93%
Economy & Digital Services	9,974	4,885	14,859	3,363	11,496	77%
Unallocated	53,047	(53,001)	46	0	46	100%
<b>Total Capital</b>	<b>108,326</b>	<b>(34,683)</b>	<b>73,643</b>	<b>30,363</b>	<b>43,280</b>	<b>59%</b>
Housing Revenue Account	25,550	(5,828)	19,722	10,714	9,008	46%
<b>TOTAL</b>	<b>133,876</b>	<b>(40,511)</b>	<b>93,365</b>	<b>41,077</b>	<b>52,288</b>	<b>56%</b>

2.3 The revised programme at the 31<sup>st</sup> December 2022 is budgeted at £93.37 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £41.08 million, representing 44% of the total budget.

2.4 42%, £39 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. 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 Narrative is provided in Appendix A for each service area highlighting progress of their schemes and any issues being encountered.

## 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 **Community Development**

3.3 £0.03 million awarded from the UK Government to install open access technology as part of the Powys Community Skills Initiative project.

### 3.4 **Property, Planning and Public Protection**

3.5 £0.10 million awarded from Welsh Government for capital improvements to improve energy efficiency in PCC buildings.

### 3.6 **Adults Services**

3.7 £0.10 million has been awarded from the Welsh Government Housing with Care Fund for specialist equipment.

#### **4. Reprofiled Budgets Across Financial Years**

##### **4.1 Highways, Transport & Recycling**

4.2 £0.28 million for the Monk's Trod Byway works scheme and £0.01 million for the works at Alpine bridge has been reprofiled into 2023/24 & 2024/25 as the schemes are not currently in a position to require the funding in this financial year.

##### **4.3 Community Development**

4.4 £0.08 million for Leisure Centre works reprofiled into 2023/24 as the works will not be completed in the current financial year.

##### **4.5 Housing**

4.6 A review of the budgets allocated to the housing schemes against the anticipated spend in this financial year has identified £2.72 million which has been reprofiled into future years.

##### **4.7 Digital Services**

4.8 £0.04 million has been reprofiled back into this financial year for the system rationalisation, cloud and unified communications schemes. This reverses part of the amounts that were previously reprofiled into 2023/24 earlier this year.

#### **5. Capital Receipts**

5.1 £0.88 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 £2.09 million, these are at the legal stage of the process and will generate future capital receipts. At this stage it is estimated that sales totalling £3.53 million will be achieved this financial year.

5.2 This year's capital programme is part financed by £2.30 million of capital receipts. This is already in hand from sales receipts received in previous years. Capital receipts received in this financial year will be used towards the funding of the 2023/24 and future years capital programme, reducing the borrowing requirement.

#### **6. Resource Implications**

6.1 The Head of Finance (Section 151 Officer) notes the content of the report. 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.

#### **7. Legal implications**

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

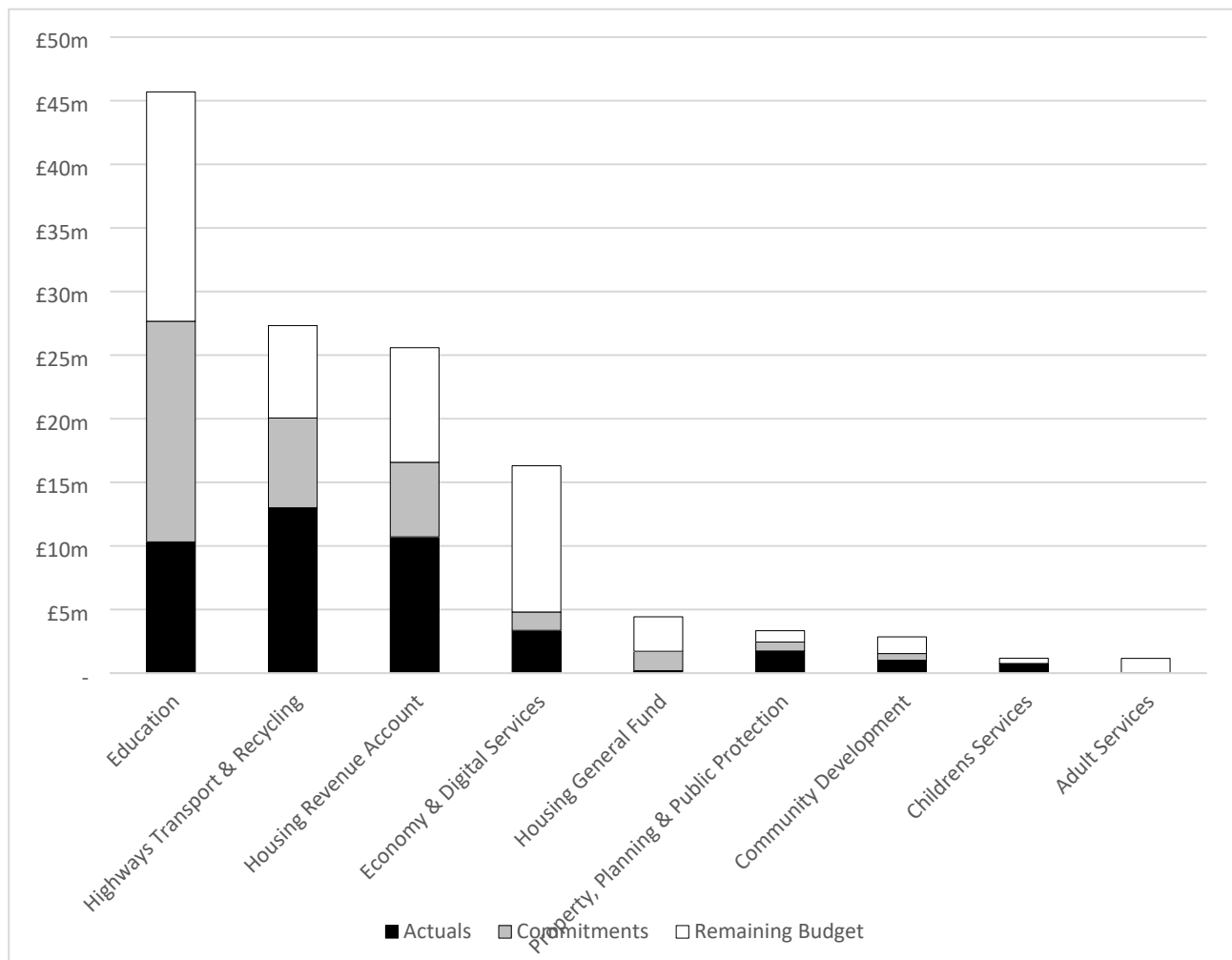
#### **8. Recommendation**

8.1 That the contents of this report are noted.

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## Appendix A:

**Chart 2 - Capital Programme as at 31<sup>st</sup> December 2022**



**Table 2 - Capital Programme funding as at 31<sup>st</sup> December 2022**

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,211	23,790	37,481	2,876	2,285	73,643
HRA	0	8,027	5,886	5,809	0	19,722
<b>Total</b>	<b>7,211</b>	<b>31,817</b>	<b>43,367</b>	<b>8,685</b>	<b>2,285</b>	<b>93,365</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>1,151</b>	<b>36</b>	<b>1,115</b>	<b>97</b>

### HOS Comment

Allocations for the Powys Leased Care Homes and RIF Specialist Equipment will be fully utilised and on target.

The remainder of the projects (Innovative use of Robotics, Staff Recording system etc) will need to be evaluated and the respective underspend requesting a virement to roll forward if not on plan to deliver by 31<sup>st</sup> March 2023.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Childrens Services</b>	<b>1,111</b>	<b>695</b>	<b>416</b>	<b>37</b>

### HOS Comment

Integrated Family Centre works are now complete and formal opening is planned for Feb 2023. All funding will be claimed by end of year,

Childcare facility in Brecon has been impacted by various issues, however works are continuing with completion due by the end of February 2023. All expenditure will be claimed by end of March 2023.

Safe Accommodation for Children with Complex needs – works are ongoing to make adaptations to comply with CIW regulations for registration. This capital allocation will be fully spent by end of March 2023.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Education</b>	<b>28,349</b>	<b>10,319</b>	<b>18,030</b>	<b>64</b>

### HOS Comment

The Council's Transforming Education Programme includes 6 approved school building projects and 2 pipeline projects – We are currently reviewing the cost and profiles of all the 21<sup>st</sup> century schools programme for the project board and there may be changes that will be reflected in future reports. The latest status of each project is outlined below:

- Ysgol Gymraeg y Trallwng - construction has continued. Due to material supply issues, the opening date has been changed to first day of the summer term. The team have been working with the contractor to understand implications of delays to the work programme and costs. Cabinet has visited the project and had a presentation about the route towards zero carbon.
- Ysgol Cedewain - in construction, currently on target in terms of timescales and cost.
- Brynllwarch Hall School - contractor has completed the outline design stage. Programme Board agreed to proceed with next stage subject to approval of updated cost tracker.
- Ysgol Bro Hyddgen - Welsh Government considered the new Strategic Outline Case/Outline Business Case for the project in December and formal approval has now been obtained. Activity will now focus on re-starting the project and will proceed to tender for a design and build contractor to take the designs forward.
- Sennybridge CP School - Welsh Government considered the Outline Business Case and has requested that costs are further reviewed as they are concerned that the costs presented are above the cost agreed in the initial Strategic Outline Case. The team are now proceeding to tender for a design and build contractor in order to get further cost certainty, and a revised Outline Business Case will be revised to reflect this.
- Ysgol Calon y Dderwen, Newtown - work has focused on completing the outline design stage.

#### Pipeline projects

- New Brecon Primary School – surveys on the Penlan site have been carried out and will inform the feasibility stage for a new 360 place primary school.
- Ysgol Calon Cymru – architects have been commissioned to carry out feasibility work to understand if the Builth Wells site can be remodelled as an all-age school, and the outcome is that it is possible. This information will be provided to the Transforming Education Programme Board in February, when the general strategic direction for the Ysgol Calon Cymru Transformation Plan will be discussed.

<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>20,267</b>	<b>13,001</b>	<b>7,266</b>	<b>36</b>

**HOS Comment**

- HAMP & Core capital funding delivery programme remains on target
- Street lighting capital funding delivery programme remains on target
- As previously reported, Brecon HWRC capital funding has been rolled forward aiding the capital finance borrowing position
- As previously reported, 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.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Property, Planning and Public Protection</b>	<b>2,627</b>	<b>1,739</b>	<b>888</b>	<b>34</b>

**HOS Comment**

Works due to commence on the new cemetery at Machynlleth in February 2023. Project expected to be completed this financial year.

Listed Building consent has been given for external work at the Automobile Palace, Llandrindod Wells. A contract has been awarded for the works and subject to the discharge of planning conditions should commence in the next couple of months. Capital funding will therefore need to be rolled forward to the next financial year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Community Development</b>	<b>2,326</b>	<b>1,013</b>	<b>1,313</b>	<b>56</b>

**HOS Comment**

It was expected and planned that by this stage of the year, a larger proportion of the budget would have been committed and spent. However, some works within the leisure programme have been delayed due to a poor number or no responses to tenders which has meant revision of specifications and re-tendering, which has taken longer than expected. This includes the Phase 2 of Brecon Swimming Pool which received a disappointing response from contractors.

With the transfer of HoWPS to the Council in July 2022, a number of works have not made as much progress as expected due to resourcing but with some projects being weather dependent they could not be carried out. The costs of some materials have increased more than originally expected and contractor quotes are higher than anticipated, even though the marketplace is being constantly monitored.

A proposal was made to Powys by Freedom Leisure with regards to the pitch surface in Ystradgynlais i.e. that it could change due to new / different demands in the area. Powys asked for evidence to support the proposal which is still being worked on and has created a subsequent delay in the replacement pitch surface.

It is expected for approximately another £400k to be spent by year end with the remainder being requested to carry into 2023-24. All tenders and works will be progressed and completed as quickly as possible.

<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>Housing General Fund</b>	<b>2,907</b>	<b>197</b>	<b>2,710</b>	<b>93</b>
<b>Housing Revenue Account</b>	<b>19,722</b>	<b>10,714</b>	<b>9,008</b>	<b>46</b>

#### **HOS Comment**

There have been challenges securing bids from contractors to deliver the WHQS and improvement programmes.

In the current financial year, letting will take place of a new build scheme completed in Newtown, adding 26 apartments to the housing options available in the town. In addition, the 18-home Red Dragon housing project, also in Newtown, is scheduled for completion in 2022-2023. Future new build schemes will until phosphate management matters are resolved be focused in areas where this is not deemed to be a challenge.

In Q4 2022-2023, the Council's housing acquisition programme will begin in earnest, now that capacity in the team is available for this work. This will help add to the range of affordable and secure rented homes available for the people of Powys.

Demand for disabled facilities grants (DFGs) remains high as do the challenges experienced in securing contractors to undertake work. This is due to a general shortage of trades people.

<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>Economy &amp; Digital Services</b>	<b>14,859</b>	<b>3,363</b>	<b>11,496</b>	<b>77</b>

#### **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. Project expenditure is currently behind schedule but this is regularly reviewed with partners to ensure delivery against grant terms and conditions.

### **Digital Services Capital**

There is no significant change in this quarters update. As reported in Q2 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. We have seen slight increases of hardware costs e.g., staff laptops, but ICT are closely monitoring the situation. This element of the funding has been reduced over time and will need to be re-profiled in 2024-25 budgets. We have rolled 40k back into this year's budget from 2023/24 as we are expecting to spend against the councils Cloud strategy which enables us to invest in up-to-date cloud-based technologies including 'Azure' cloud technologies.