

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

18th April 2023

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

REPORT TITLE: Capital Forecast 2022-23, as at 28th February 2023

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 28th February 2023

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 and additional grants received from Welsh Government.

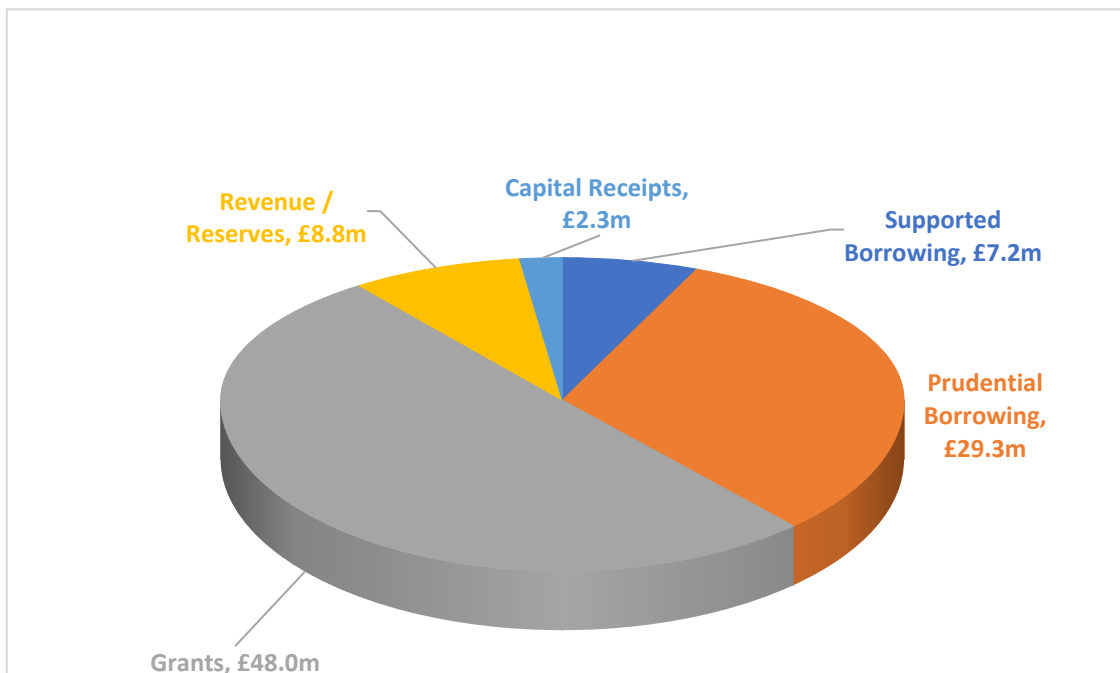
2.2 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	444	1,156	236	920	80%
Childrens Services	0	1,491	1,491	724	767	51%
Education	27,868	959	28,827	13,643	15,184	53%
Highways Transport & Recycling	14,163	6,165	20,328	16,144	4,184	21%
Property, Planning & Public Protection	100	2,349	2,449	1,903	546	22%
Community Development	714	1,812	2,526	1,191	1,335	53%
Housing General Fund	1,748	1,159	2,907	381	2,526	87%
Economy & Digital Services	9,974	5,068	15,042	3,518	11,524	77%
Finance	53,047	(53,001)	46	0	46	100%
Total Capital	108,326	(33,554)	74,772	37,740	37,032	50%
Housing Revenue Account	25,550	(4,791)	20,759	11,995	8,764	42%
TOTAL	133,876	(38,345)	95,531	49,735	45,796	48%

2.3 The revised programme at the 28th February 2023 is budgeted at £95.53 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £49.74 million, representing 52% of the total budget.

2.4 38%, £36.47 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.

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 **Shared Prosperity Fund**

3.3 The allocations for the 2022/23 - £0.36 million, 2023/24 – £0.37 million and 2024/25 - £0.31 million Shared Prosperity Fund capital schemes have been included within the capital programme. This replaces the indicative figures previously included in the capital programme.

3.4 **Housing**

3.5 Welsh Government have awarded £0.14 million of Housing with Care Grant towards the Disabled Facilities Grants administered by the council.

3.7 £1.04 million of grant funding has been awarded by Welsh Government as part of their Optimised Retrofit Programme for energy efficiency works on the existing housing stock.

3.6 **Education**

3.7 Welsh Government have awarded £0.40 million from their Childcare and Early Years Capital funding 2022/23 – Small Grants Scheme.

3.8 An award of £2.20 million has been received from Welsh Government as a Capital Funding Grant to Support Capital Maintenance and Energy Efficiency Works. This must be utilised in this financial year. It is proposed to carry forward the displaced council funding to fund future energy efficiency and other urgent capital works to schools.

3.9 Childrens

3.10 Welsh Government have awarded £0.38 million of Housing with Care Grant for childrens accommodation.

3.11 Regeneration

3.12 Welsh Government have awarded £0.04 million of Sustainable Food Grant.

3.13 Leisure

3.14 A grant of £0.09 million has been awarded from Sport Wales for solar PV works at Flash Leisure Centre and floodlights at Brecon Leisure Centre. The borrowing that previously funded these works has been removed from the Capital Programme.

3.15 Adults

3.16 £0.03 million of Welsh Government Substance Misuse Action Fund Capital has been awards to provide a grant to Kaleidoscope for the purchase of video, intercom and alarm system.

4. Reprofiling Budgets Across Financial Years

4.1 Property, Planning and Public Protection

4.2 The anticipated underspend of £0.13 million has been re-profiled into 2023/24 and 2024/25.

5. Virements

5.1 The current Building Control, Planning and Public Protection systems are due for renewal in 2024. A business case was presented to the Capital Oversight Board (COB) setting out the case to procure a joint system. This was supported by the COB and cabinet are requested to approve an allocation of £0.23 million for the service to procure and implement a replacement system ready for use in 2024.

5.2 Over 120 interactive whiteboards were purchased through the Welsh Government Education Technology Grant. However, no funding was allocated for installation. In the 2022/23 revenue budget, £0.10 million was allocated for the installation. This virement seeks approval to use the funding in revenue to finance the capital expenditure to ensure this expenditure is recorded correctly in the council accounts.

6. Capital Receipts

6.1 £1.46 million has been received so for this year (including £0.39 million for the HRA). There are currently sales agreed to the value of £2.64 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 £3.50 million will be achieved this financial year, any delays in the selling process may see some receipts being received in the next financial year.

7. Resource Implications

7.1 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.

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 The displaced council funding by utilising grant, as outlined in 3.8 is carried forward to 2023/24.

9.3 That the virements in section 5 are approved.

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Appendix A:

Chart 2 - Capital Programme as at 28th February 2023

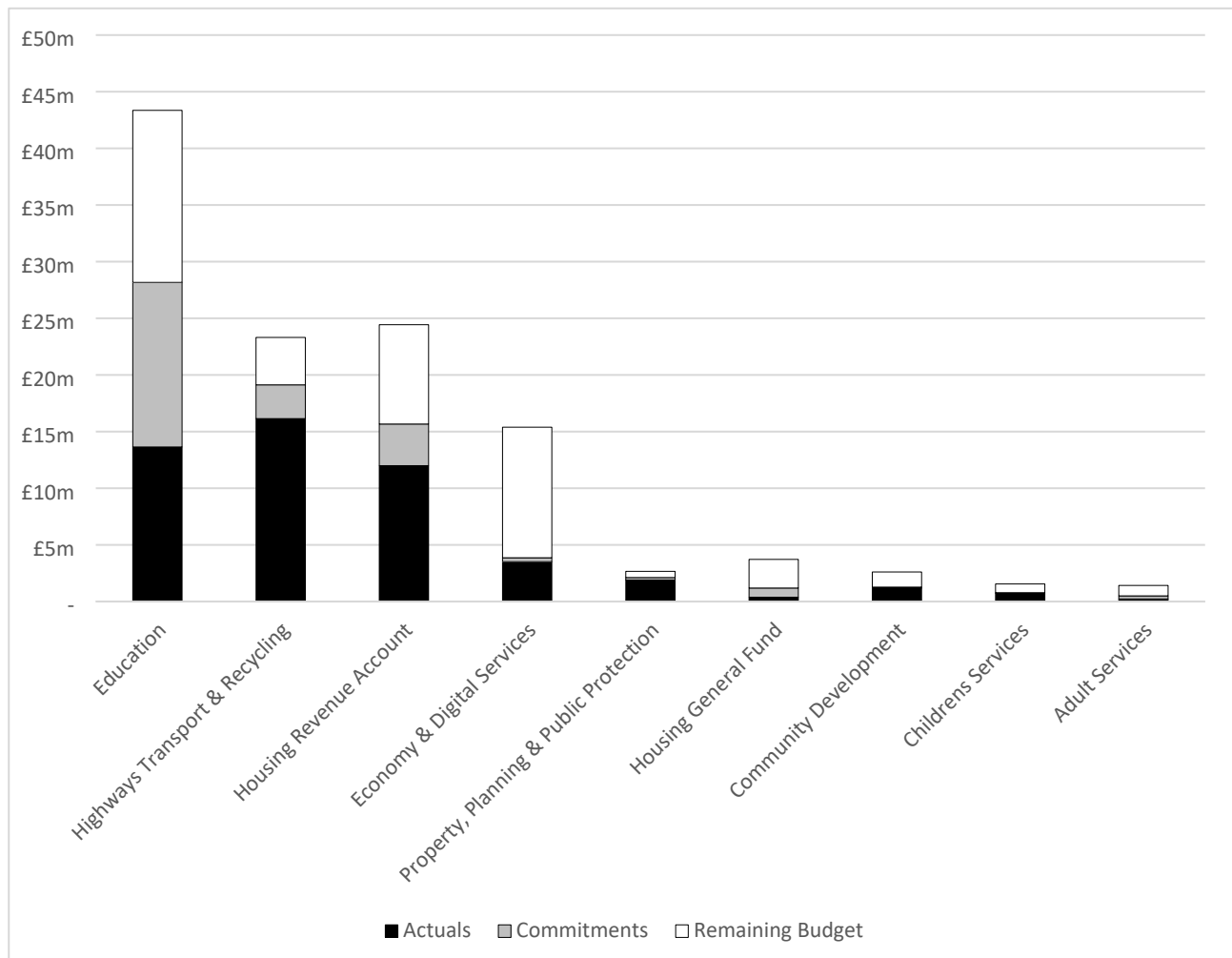


Table 2 - Capital Programme funding as at 28th February 2023

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,211	21,227	41,096	2,953	2,285	74,772
HRA	0	8,027	6,923	5,809	0	20,759
Total	7,211	29,254	48,019	8,762	2,285	95,531

Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	1,156	236	920	80

HOS Comment

RIF funding will be fully utilised £100k. The Powys care homes £266k works will be fully spent.

A request to roll forward £742k has been made to fund innovative robotics, staff plan and equipment in next year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	1,491	724	767	51

HOS Comment

Integrated Family Centre works are now complete and formal opening 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 mid-May 2023. The majority of the expenditure will be claimed by end of March 2023, and we are awaiting WG confirmation that £100k can be carried forward to 2023/24.

Safe Accommodation for Children with Complex needs – works are ongoing to make adaptations to comply with Care Inspectorate Wales (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	%
Education	28,827	13,643	15,184	53

HOS Comment

The Council's Transforming Education Programme includes 6 approved school building projects and 2 pipeline projects. The latest status of each project is outlined below:

- Ysgol Gymraeg y Trallwng – the project is nearing completion, however, there has been further slippage due to delays with supplies. The contractor is

working towards a handover date of March 31st but there may be a further 2 weeks work required before this happens. The school is aware of this issue and are working with officers on a phased transition process, planned to begin after the Easter holidays. Currently, costs to completion are estimated to be within budget. Legal advice is being obtained about any financial penalties caused by the delays.

- 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. Currently, financial estimates indicate that the project costs are significantly higher than previously estimated - the Council's Property Design Service is currently analysing these estimated costs and are due to report these to Programme Board in April. Issues around cost may delay the submission of a Full Business Case to Cabinet and Welsh Government, which could mean slippage on current timescales for school opening. In the meantime, a pre-planning consultation has been carried out with full planning application expected to be submitted soon.
- Ysgol Bro Hyddgen – meetings have been held with contractors as part of a 'soft market test' to understand a) market interest in the project and b) most appropriate procurement route. The main designers have been re-engaged on the project to review the design up to completion of RIBA 2 stage. Decision will be required about whether to proceed to tender for a D & B contractor after this stage, or to continue to RIBA 3 completion before tendering. Following public engagement on the inclusion of Machynlleth town library in the scheme, it is recommended that it is not included, and that further consideration needs to be given to the location of future library provision within the town.
- Sennybridge CP School – RIBA 2 stage complete, preparations to go to tender for a D & B contractor underway. Outline Business Case (OBC) to be re-submitted to Cabinet and WG following their appointment.
- Ysgol Calon y Dderwen, Newtown – Programme Board considered the outline designs at its meeting in February and has requested the completion of the RIBA 2 report for its next meeting in April with an estimation of costs. The next stage will be to prepare to tender for a D & B contractor. A revised timeline for the project has been developed and this has informed the overall critical path for the North Powys Wellbeing Programme. The school is the first phase of the development of the Wellbeing Campus.

Pipeline projects

- New Brecon Primary School – progress has been unable to be made due to an application for a judicial review being held up in the court system. However, the Council has been informed that the application has not been granted. This enables the project to now move ahead – the focus at the moment is to start the headteacher recruitment process. Property Design Service will now be commissioned to take forward the initial feasibility for a new 360 place school on the Penlan site in Brecon.

- Ysgol Calon Cymru – The Transforming Education Programme Board considered the outcome of the Builth Wells campus feasibility/options report in February and a further report will be considered by Cabinet/EMT in April. This will enable confirmation of the strategic direction for this project following which Property Design Service will be commissioned to take forward the plans.

Other

- Welshpool Church in Wales Primary School – final accounts indicate an overspend of approx. £117k. A report is being prepared to understand this further.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	20,328	16,144	4,184	21

HOS Comment

- HAMP & Core capital funding delivery programme on target
- Street lighting capital funding delivery programme 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
- Budget remaining, mainly consists of grant claims which are being finalised, and are on programme.

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	%
Property, Planning and Public Protection	2,449	1,903	546	22

HOS Comment

Work to create a new cemetery at Machynlleth is unlikely to be completed within the 2022/23 financial year. Capital funding for the project will therefore need to be taken forward into the next financial year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Community Development	2,526	1,191	1,335	53

HOS Comment

It was expected and planned that by this stage of the year a larger proportion of the budget would have been spent. However, some works within the leisure programme have been delayed due to a poor number or no responses to tenders which has meant revisions to specifications and re-tendering which has taken longer than expected. There has been some renewed interest from contractors and a couple of the projects/works have now been awarded.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing General Fund	2,907	381	2,526	87
Housing Revenue Account	20,759	11,995	8,764	42

HOS Comment

Housing Revenue Account

Challenges have been experienced securing bids from contractors to deliver WHQS programme as well as both improvement programmes and voids works. The costs of materials have continued to increase and contractor quotes, when received, are higher than anticipated. Recruitment of additional tradespeople is now underway to reduce reliance on external contractors.

In 2022-2023, letting has taken place of the Bowling Green development in Newtown, adding 26 apartments to the affordable, secure housing options available in the town. However, the 18-home Red Dragon housing project, also in Newtown, which was scheduled for completion in 2022-2023, will now need to be carried forward to 2023-2024 as a result of the principal contractor going into administration.

With proposals to resolve phosphate management in the Llandrindod Wells area now coming forward, with a provisional completion date for 2025-2026, preparatory work on affordable housing schemes for the town will now begin. This will make sure that Council is ready to start construction as soon as practicable once the phosphate mitigation schemes are in place.

The initial purchases for a growing programme of acquisitions are scheduled for completion by the end of March, with the programme accelerating in 2023-2024.

The ECO-4/ORP3 Retrofit programme began this month, after formal funding approvals were secured at the beginning of Q4 2022-2023 with works already taking place to properties with low E, F, G Energy Performance Certificates (EPC)

to increase their energy efficiency. This programme will continue through 2023-2024 and 2024-2025.

Housing General Fund

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 tradespeople across Powys.

Demand for homelessness related services remains high, with cost pressures being experienced in covering the costs of temporary accommodation.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Economy & Digital Services	15,042	3,518	11,524	77

HOS Comment

Economy

Overall capital budgets are managed from grant funds and profiled until March 2025. This process is managed through quarterly reporting fund management and slippage is being managed in monthly review meetings with partners and contractors. This includes:

Transforming Towns Programme £5,080,000 for Placemaking Grant is managed through an application process. The capital fund is managed through a local and regional panel and the spend profile for 2022/23 is slightly under target spend but with approval for roll forward to 2023/24 being confirmed.

Levelling-up Capital Projects. Project expenditure is currently behind schedule, but this is regularly reviewed with partners to ensure delivery against grant terms and conditions. Council project aspects are being managed carefully and costs are within contingency limits with work slightly behind schedule but within grant agreements.

Digital Services Capital

Again, there has been no significant change since the previous quarters update. The majority of the reprofiled allocation has been spent as planned.