

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
21st November 2023**

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

REPORT TITLE: Capital Forecast 2023-24, as at 30th September 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 2023/24 as at 30th September 2023.

2. Background

2.1 The 2023/24 Capital Programme was approved by Council on the 23rd February 2023. It included capital schemes totalling £93.29 million, of which £23.48 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		Commitments
	£,000	£,000	£,000	£,000	£,000	%	£,000
Adult Services	200	922	1,122	65	1,057	94	405
Childrens Services	0	379	379	102	277	73	121
Education	33,005	(5,238)	27,767	7,670	20,097	72	10,231
Highways Transport & Recycling	12,681	7,078	19,759	7,210	12,549	64	4,442
Property, Planning & Public Protection	100	998	1,098	305	793	72	126
Community Development	922	1,337	2,259	21	2,238	99	595
Housing General Fund	1,748	1,279	3,027	1,043	1,984	66	469
Economy & Digital Services	16,196	(1,679)	14,519	1,234	13,283	91	6,821
Unallocated	4,953	(454)	4,499	0	4,499	100	75
Total Capital	69,805	4,622	74,427	17,650	56,777	76	23,285
Housing Revenue Account	23,482	(1,587)	21,895	5,195	16,700	76	4,483
TOTAL	93,287	3,035	96,322	22,845	73,477	76	27,768

- 2.3 The revised programme at the 30th September 2023 is budgeted at £96.32 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £22.85 million, representing 24% of the total budget. An increase of £15.24 million since that reported at Quarter 1.
- 2.4 Currently 42%, £40.59 million, of the capital expenditure is budgeted to be financed by borrowing, the interest cost for this is charged to the revenue account.
- 2.5 Table 2 – Capital Programme funding

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	4,562	24,860	39,018	2,272	3,715	74,427
HRA	0	11,163	5,832	3,900	1,000	21,895
Total	4,562	36,023	44,850	6,172	4,715	96,322

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 Education

3.3 Welsh Government have awarded an additional £0.05 million for project management costs relating to the Childcare and Early Years Capital Programme. This takes the total grant awarded for the programme to £0.52 million.

3.4 Welsh Government have awarded £0.87 million of Capital Grant to Support Learners with Additional Learning Needs. The service will look to bring forward appropriate schemes to use this funding before the end of the financial year.

3.5 £0.19 million has been awarded by Welsh Government as part of the Asset Collaboration Program Phase 3 (ACPW3) Grant.

3.5 Community Development

3.6 £0.15 million has been received from Welsh Athletics for the development of Penlan Athletics track.

3.7 Highways, Transport and Recycling

3.8 Grants of £0.15 million and £0.10 million have been received from Welsh Government to develop flood alleviation schemes at sites in Llowes and Felindre respectively.

3.9 Welsh Government have awarded £0.68 million grant to develop four natural flood management schemes throughout Powys.

3.10 Regeneration

3.11 Welsh Government have awarded a £0.30 million Brilliant Basics Fund which will be used to develop visitor amenities.

4. Reprofiting Budgets Across Financial Years

- 4.1 During the last quarter, the finance team asked the services to provide estimates of the spend in this financial year, to ensure the budgets are accurately profiled. The following paragraphs detail the reprofiling that has resulted from this exercise.
- 4.2 **Housing Revenue Account** - The latest spend profile for the new build schemes has necessitated £7.95 million to be reprofiled from 2023/24 into 2024/25. This is due to the programme being limited to the areas of the county not affected by phosphate matters in the Wye and Usk river catchments.
- 4.3 **Highways, Transport and Recycling** - Due to problems faced in finding a location for one of the replacement highways weather stations, £25,000 budget has been reprofiled into 2024/25. The station is expected to be installed at the beginning of the financial year.
- 4.4 **Education** – The majority of the Schools Major Improvements Programme schemes in now place or planned, limited by the constraints of the school holidays and capacity available. It is not currently expected to require all of the allocation in this financial year, as a result, £1.45 million has been reprofiled into 2024/25 to carry out much needed schemes in future years.
- 4.5 **Digital Services** – A review of the allocation which used to replace the councils IT equipment has resulted in a reduced requirement of £0.30 million in this financial year. Due to the reduction in staff following the cessation of the Test, Trace and protect scheme, the service has been reallocating surplus equipment to staff rather than purchasing new equipment which had resulted in a reduced cost in the financial year.

5. Capital Receipts

- 5.1 A total of £1.24 million has been received to date. There are currently sales agreed to the value of £0.78 million (including £0.28 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 £8.01 million (including £0.28 million for the HRA), could be achieved this financial year.

6. Resource Implications

- 6.1 The Head of Finance (Section 151 Officer) notes the content of the report. The reprofiling of schemes that has taken place is welcomed and is essential to enable us to 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, although inflation has stabilised, costs are high, alongside supply chain issues and additional borrowing costs which 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. The delay in utilising the Capital allocated creates slippage in the revenue budget as borrowing is delayed, and although the funding will be required at some point, the revenue budgets will be reviewed and reprofiled.

7. Legal implications

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

6. Climate Change & Nature Implications

6.1 Not applicable

7. Data Protection

7.1 Not applicable

8. Comment from local member(s)

8.1 Not applicable

9. Impact Assessment

9.1 Not applicable

10. Recommendation

10.1 That the contents of this report are noted.

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Appendix A:

Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	1,122	65	1,057	84

HOS Comment

Expenditure will occur in the second half of the financial year as expected.

- Regional Integration Fund allocation of £100,000 for community equipment, £65,000 actual expenditure to date, if consistent with previous years, will be utilised later in the year to respond to winter pressures, for example, to support hospital discharge.
- Community Equipment Store contract roof improvements £265,000, initial works have commenced, and this will be completed and allocation fully utilised.
- Powys owned care homes £335,000 - lift improvements at one of the care homes will absorb a large element of the available allocation. The last property condition survey on all of the 13 homes identified a list of improvements required and as part of the contract the landlord is responsible for completing the list of improvements. There is a high confidence that the allocation will be fully utilised.
- An allocation for 'robotics' of £420,000, which means using technology to support care, this is not on course to spend, and a business case will be submitted for approval to use these monies.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	379	102	277	73

HOS Comment

The Flying Start childcare provision in Brecon is nearing completion. The setting was formally opened by Welsh Government at the end of September. Final financial housekeeping is underway to complete the project administration. This budget will be fully spent by end of March 2024.

Works to renovate Childrens Safe accommodation in order to meet CIW registration is continuing and is due to be completed shortly.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	27,767	7,670	20,097	72

The Council's Transforming Education Programme

Major Improvement Programme

The Programme supports the improvement of education and early years setting facilities and infrastructure for pupils and staff. In this financial year, there are 116 projects with:

- 2 projects on hold
- 7 schemes to commission
- 12 schemes commissioned
- 26 at the design stage
- 10 at the tender stage
- 16 at the construction stage
- 43 schemes are practically completed on site.

The overall programme budget is £6,477,208 for 2023/24 with expenditure of £930,427 to end of September 2023. There are contract commitments of £2.399million for projects in progress. The combined expenditure and commitments represent 37% of the overall budget is committed. There is some project's part funded by Community Focus WG Capital grant as agreed with Schools Service. There has been an allocation of £870,208 WG ALN Grant and agreement is agreed on the priorities for this work with Schools Service. This grant sits outside of this programme until the priorities are agreed.

Welsh Medium Grant – Ysgol Pennant classroom extension - The classroom extension work is progressing on site with completion anticipated by the end October 2023.

Early Years Capital Grant – Ysgol Pennant new early years accommodation – The contract has been awarded and work is anticipated to be completed before end March 2024.

Universal Primary Free School Meals (UPFSM) - The overall programme budget is £2,016,343 with current expenditure of £909,722. However, there are significant contract commitments, and all expenditure is expected by the end of March 2024. A significant programme of kitchen equipment installation and associated mechanical and electrical works is on track. This has significantly increased cooking capacity within many schools and supported the UPFSM rollout in line with specified timelines. It is anticipated that the completion of these works will effectively support the remaining rollout milestones.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	19,759	7,210	12,549	64

HOS Comment

- The Highways Capital Programme is on track.
- Implementation for the 20mph default speed limit for restricted roads was substantially completed on the 17th September (grant funded).
- The Street Lighting programme is on track.
- Consultation on the refurbishment of Brecon HWRC has been undertaken. construction is programmed to start in Q3 and is on-track.

The Service notes that the Q2 financial profile in terms of expenditure is 36% mid-way through the financial year, however it is often lighter in Q1&2, as it is predominantly a period for designing/ planning with works programmed for Q3/Q4.

As noted last year, inflationary costs continue to significantly reduce the scope of works achievable within the highway's capital programme.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	1,098	305	793	72

HOS Comment

Capital programme is on track. Service area expected spend to be low in Q1 and Q2 and to mainly be spent in Q3 and Q4. No reprofiling of capital expenditure currently required.

Inflationary costs are being monitored and appropriate action will be taken to ensure works fall with funding envelopes.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Community Development	2,259	21	2,238	99

HOS Comment

Some projects / works were unavoidably delayed in 2022/23 which resulted in capital budget being carried forward, with the intention of spending the full amount in 2023/24 which was planned for within the programme. The 'Review of Leisure Services' commenced in the spring 2023 (as a result of the energy crisis/increased costs of utilities) which meant that much of the capital programme is paused, apart from essential works, where agreed and progressed.

Of the £2,238,000 - £595,000 is already committed to the end of September with an additional £970,000 worth of projects and works ready for either tender / procurement or progression or is contributing to support grant funding received. to be spent by March 2024.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing General Fund	3,027	1,043	1,984	66
Housing Revenue Account	21,895	5,195	16,700	76

HOS Comment

Housing General Fund - Disabled Facilities Grants: Taking into account both works completed (as reported above) and those committed and good to go, Housing Services will be able to end the year on target for both works and use of financial resources. Any works that cannot be funded in 2023-2024 will be rolled forward to 2024-2025.

Improvement Loans for Private Property Owners: Demand is high for Home Improvement Loans and the Zero Interest Loan Fund scheme important schemes aimed at private property owners. Taking into account both loans completed (as reported above) and those committed and good to go, it is possible that towards year end demand may exceed funds. The schemes are administered on behalf of Housing Services by the Robert Owen Community Banking Fund (ROCBF), based in Newtown. The ROCBF has advised that it may be able to consider supporting clients with loan support for the remainder of the year using its own funds. Core funding from the Council will then, subject to funds being made available, return for 2024/25. Landlord Loans and Town Centre Loans are running well, and we do not expect in-year demand to exceed budgets.

Housing Revenue Account - New build - our development programme remains limited to the areas of the county not affected by the moratorium on new house building until the management of phosphate matters is resolved in the Wye and Usk river catchments. Six Powys County Council social rented housing schemes (approximately 120 homes) fall within the affected area. The Housing Development Team have continued to work on other areas. Within Q2, the official opening of Red Dragon scheme in Newtown took place. Tenders are being assessed for the letting of a thirty-home development in Newtown. A scheme in Ystradgynlais, which was under consideration for future development, will not go ahead after preliminary site

investigations revealed that the level of works needed to make the site developable would be uneconomic. However, tenders are now being sought for the development of new homes in the Ael-y-bryn and Pen-y-bryn area of Ystradgynlais.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Economy & Digital Services	14,517	1,234	13,283	91

HOS Comment

Digital Services Capital

The desktop refresh programme is a continual programme and is on track to spend this years' calculated figure although our replacement strategy is being reviewed to realise carbon reduction savings and to meet anticipated service staffing changes which may result in changes to forecast.

Cloud transformation capital, much of this is planned to be spent this financial year but further business cases will be required to highlight changes in capital funding.

For the individual projects, these are being reviewed in light of the new Digital Programme and will be drawn down as part of individual Project Business cases.

Economy Capital

An underspend from 2022-2023 capital programme from UK Government has resulted in monies being utilised through freedoms and flexibilities which is shown in the difference between allocated budget and remaining budget.

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. Projects are developed with partners and approved as bids are received. The team work hard to create opportunity for partners to draw down the capital investment and this is regularly monitored with Welsh Government.

Levelling-up Capital Projects. Project expenditure is currently behind schedule, 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. Any required changes will be considered as a one-off Performance Assessment Review (PAR) during the lifetime of the project. We are assuming continued underspend of capital receipts from UK Government in quarters 1 to 3 at which point it is estimated a PAR review will take place to align predicted spend and schedule of works to the capital programme. This review is being left late in year as we need to

be confident of anticipated delivery timescale from partners as changes can only be made once in the lifetime of the programme between 2022 and 2025. Current boards are monitoring progress on a monthly basis to ensure the programme remains on track against the current profiled spend for quarter 4.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Unallocated	4,499	0	4,499	100

HOS Comment

The budget held here is the currently unallocated funds set aside for pipeline projects.