

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE  
Date**

**REPORT AUTHOR:** County Councillor Aled Davies  
Portfolio Holder for Finance

**SUBJECT:** Capital Programme Update for July 2017

**REPORT FOR:** Decision

**1. Current Capital Programme 2017-18**

- 1.1 The revised Capital Programme after virements approved is £102.416m, of which committed expenditure is £37.043m (36.2%) of the budget. The actual spend to the end of July is £12.7m, this compares to £4.4m the previous year. Table 1 below summarises the position for each directorate and service.
- 1.2 The biggest shift relates to Actual and Commitments for Schools which has increased from £4.496m in the previous report to £17.6m. The reason for the £13.1m increase is because of the use of E Procurement to record the capital orders. Previously the orders would have been recorded on a stand-alone system, ROCC, which did not show as a commitment in the accounts. This improvement will continue over the next few months as orders are raised on E Procurement to reflect the work that is due to be carried out by the end of the financial year.

**1.3 Table 1 Capital Table as at 31 July 2017**

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2017/18 as at 31st July 2017 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
<b>People</b>								
Adult Services & Commissioning	0	448	0	0	448	11	437	97.5%
Childrens Services	0	32	0	0	32	0	32	100.0%
Housing	2,943	550	0	-870	2,623	909	1,714	65.3%
<b>Schools and Inclusion</b>	30,086	1,185	0	-925	30,346	17,600	12,746	42.0%
<b>Chief Executive</b>	0	0	0	0	0	0	0	
<b>Resources</b>								
Business Services	446	192	0	0	638	218	420	65.8%
Information Services	1,192	824	0	0	2,016	522	1,494	74.1%
Legal Services	0	23	0	0	23	4	19	82.6%
Financial Services	500	-396	0	0	104	0	104	100.0%
Corporate Activities	0	0	0	0	0	0	0	
<b>Place</b>								
Highways, Transport & Recycling	21,826	8,524	-200	-3,149	27,001	10,042	16,959	62.8%
Leisure & Recreation	4,451	5,820	0	0	10,271	1,067	9,204	89.6%
Regeneration, Property & Commissioning	3,655	728	113	-345	4,151	337	3,814	91.9%
<b>Total Capital</b>	<b>65,099</b>	<b>17,930</b>	<b>-87</b>	<b>-5,289</b>	<b>77,653</b>	<b>30,710</b>	<b>46,943</b>	<b>60.5%</b>
Housing Revenue Account	21,260	3,503	0	0	24,763	6,333	18,430	74.4%
<b>TOTAL</b>	<b>86,359</b>	<b>21,433</b>	<b>-87</b>	<b>-5,289</b>	<b>102,416</b>	<b>37,043</b>	<b>65,373</b>	<b>63.8%</b>

## 2. Funding

2.1 The funding of the capital programme is shown in Table 2.

### 2.2 Table 2 Funding of the Capital Budget as at 31<sup>st</sup> July 2017

	Revised Working Budget 2017/18 as at 31st July 2017 (after virements approved and required)					
	Supported Borrowing	Prudential Borrowing	Grants and Other Contributions	Revenue Cont's To Capital	Capital Receipts	Total
Council Fund	-11,352	-21,128	-23,797	-9,687	-11,689	<b>-77,653</b>
HRA	0	-13,641	-3,844	-5,606	-1,672	<b>-24,763</b>
<b>Total Council</b>	<b>-11,352</b>	<b>-34,769</b>	<b>-27,641</b>	<b>-15,293</b>	<b>-13,361</b>	<b>-102,416</b>

## 3. Virements

3.1 This report requests that the following virements are carried out to amend the capital budgets for the following projects:

3.2 21<sup>st</sup> Century School Programme.

Table 3 shows the current budget for the 21<sup>st</sup> Century schools. A number of changes have been recommended by the Schools Transformation Board which will amend the budget for some of the projects. Welsh Government have been kept informed of the changes.

**Table 3 Current Budgets for 21<sup>st</sup> Century schools**

	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	Total
	£000	£000	£000	£000
Brecon High School	1,450	15,341	4,965	21,756
Ysgol Bro Hyddgen	1,301	8,689	0	9,990
Gwernyfed HS Refurbishment	31	0	0	31
Welshpool	2,892	10,888	0	13,779
Federation Carno etc	274	1,623	0	1,897
Gwernyfed Primary Schools	21,720	0	0	21,720
<b>Total</b>	<b>27,975</b>	<b>36,540</b>	<b>4,965</b>	<b>69,481</b>

3.3 Table 4 shows the revised budget. Apart from the Gwernyfed Primary Schools virement the other virements involve moving the budgets to the appropriate project and as a whole balance back to zero. The Federation - Carno, Glantwymyn and Llanbrynmair was approved by Cabinet on 11<sup>th</sup> July (item 8) but is included here for completeness.

**Table 4 Revised Budgets for 21<sup>st</sup> Century schools**

	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	Total
	£000	£000	£000	£000
Brecon High School	800	15,497	2,759	19,056
Ysgol Bro Hyddgen	1,115	4,885		6,000
Gwernyfed HS Refurbishment	150	6, 522		6,672
Welshpool	2,793	10,112	0	12,905
Federation Carno etc	295	2,526	0	2,821
Gwernyfed Primary Schools	20,587	0	0	20,587
<b>Total</b>	<b>26,047</b>	<b>39,542</b>	<b>2,759</b>	<b>68,348</b>

### 3.4 The virement are detailed below

- Brecon High School – The budget for this project has been reduced by £2.7m following receipt of the tender.
- Welshpool Primaries – The budget for this project has been reduced by £875k following receipt of the tenders.
- Gwernyfed High School – The budget of £6.672m for this project had been moved to Band B, however, it is now possible to progress this project and the Board have moved the project back to Band A.
- Ysgol Bro Hyddgen – This has always been the balancing project which spans Band A and Band B. The budget in Band A is reduced £3.99m and increased in Band B.
- A reconciliation of the overall Gwernyfed primary Schools budgets has been carried out and there is £1.133m to much in these budgets due to the confusion with the timing of the grant in 2016/17.

### 3.5 Table 5 shows the virements for the project and across the financial years.

**Table 5 Virements Required for 21<sup>st</sup> Century Schools**

	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	Total
	£000	£000	£000	£000
Brecon High School	-650	156	-2,206	-2,700
Ysgol Bro Hyddgen	-186	-3,804	0	-3,990
Gwernyfed HS Refurbishment	119	6,522	0	6,641
Welshpool	-99	-776	0	-875
Carno Federation	21	903	0	924
Gwernyfed Primary Schools	-1,133	0	0	-1,133
<b>Total</b>	<b>-1,928</b>	<b>3,002</b>	<b>-2,206</b>	<b>-1,133</b>

### 3.6 Highways, Transport and Recycling

- Abermule Business Park – The Abermule Business Park construction is now going to take place in 2018/19, with planning and the design work in 2017/18. This virement requests the roll forward of £2.059m to 2018/19 for the whole project, £345k is rolled forward for the Regeneration, Property element of this project.
- Strategic Salt Reserve - The Project to provide additional Strategic Salt Reserves is now going to take place in 2018/19 and 2019/20. This virement requests that the budget of £1.435m is followed forward and £0.835m is added to 2018/19 and £0.6m is added to 2019/20.
- Depot Consolidation - The Depot Consolidation project has been delayed and the planning and design of the work will take place in 2017/18 with construction occurring in 2018/19. This virement requests that the budget of £200k is rolled forward to 2018/19.

### 3.7 Regeneration, Property and Commissioning

- Llangammarch Depot - The project to remove the Asbestos, which was delaminating and then re-clad Llangammarch depot was not completed in 16/17. The virement requests that the remaining budget of £113k is added to 2017/18 to complete the project and so address this health and safety issue. This virement was not actioned earlier in the year when the other year end roll overs were requested.

### 3.8 Housing

- Machynlleth Gypsy and Traveller site - The project to provide a new Gypsy site in Machynlleth is taking longer than originally anticipated. The planning and design work will take place this financial year with the construction happening in 18/19. This virement requests that £870k is rolled forward to 18/19.

## 4. Grant Changes as at 31 July 2017

- 4.1 The contribution of £500k towards the new Fleet Facility from the Mid and West Wales Fire Authority is not going to be happen. A contribution may be made towards the running costs but this is being explored during the business case stage of this project.
- 4.2 A Rural Development Plan grant towards the Llandrindod Wells Lake Regeneration project of £63k for 2017/18 has been received. The total grant awarded for the project which will run until 2019/20 is £126.4k.

## 5. Capital Receipts

- 5.1 A capital receipt occurs when an asset of the authority is sold. Capital receipts historically could only be used to finance new capital expenditure or repay loans. This changed in 2015/16 when it was possible to use capital receipts to finance the revenue costs from transformation.
- 5.2 The current target, excluding the HRA, for Capital Receipts for 2017/18 is £1m for the Property and £1m for County Farms, of this £899k has been agreed, but no sales have been completed as at 31<sup>st</sup> July 2017. These capital receipts has been earmarked to finance £100k County Farm Capital expenditure and £900k for the 21<sup>st</sup> Century Schools Programme.
- 5.3 As at 31<sup>st</sup> March 2017 the total Capital Receipts for the authority was £15.402m of this £13.361m is commitment in the capital budgets for 17/18.

## 6. Borrowing Requirements

- 6.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 6.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.
- 6.3 Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

### CFR Position:

	As at 31.03.17 Actual	2017/18 Original Estimate	2018/19 Original Estimate	2019/20 Original Estimate
	£M	£M	£M	£M
Capital Financing Requirement	307,524	326,461	357,224	382,433

- 6.4 The Authority had outstanding long-term external debt of £226.4M at 31<sup>st</sup> March 2017. In relation to the CFR figure for 31<sup>st</sup> March 2017, this equated to the Authority being under borrowed by £81M. This is a prudent and cost effective approach in the current economic climate. However, internal borrowing is only a temporary situation and, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years. As such, the Authority needs to be mindful that it may be prudent to borrow whilst interest rates are at their low levels and carry the cost of this borrowing as opposed to borrowing at a future date at increased rates.
- 6.5 The CFR figures above includes the increase in the amount of borrowing of £46m that is anticipated in 2017/18. Any borrowing undertaken will have a revenue implication, which includes both the payment of interest on the loan but also the repayment of the principal of the loan. The Minimum Revenue Provision is a prudent way of setting aside the funds required to repay the principal. Work is also ongoing to improve the forecast for capital spend, so that Treasury Management are able to improve the cashflow predictions for the authority.

## 7. Options Considered/Available

No alternative options are considered appropriate as a result of this report.

## 8. Preferred Choice and Reasons

None to consider.

**9. Impact Assessment**

Is an impact assessment required? Yes/No

**10. Corporate Improvement Plan**

To achieve the Corporate Improvement Plan (CIP) objectives the Council undertakes forward planning with its medium term financial strategy (MTFS) - this sets out the financial requirements to deliver the short and longer term council vision. These capital and revenue monitoring reports, are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

**11. Local Member(s)**

This report relates to all service areas across the whole County.

**12. Other Front Line Services**

This report relates to all service areas across the whole County.

**13. Communications**

This report has no specific communication considerations. Detailed finance reports are presented to Heads of Service, Cabinet and the Audit Committee. These reports are public and are part of a range of statutory and non-statutory financial information documents including the Statement of Accounts.

**14. Support Services (Legal, Finance, HR, ICT, BPU)**

This report has no specific impact on support services other than reporting on those service areas with capital programmes. Financial Services work closely with all service areas in monitoring financial performance on capital programmes against budgets.

**15. Scrutiny**

This report presents financial information which will help inform the future capital strategy and therefore has implications for any related organisation.

**16. Statutory Officers**

The Strategic Director, Resources (Section 151 Officer) notes the overall capital position.

The Monitoring Officer has no specific concerns with this report.

**17. Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
a. The contents of this report are noted by Cabinet; and b. The Capital virements set out in Section 3 are approved, and those over £500k	To outline the capital budget position as at 31 <sup>st</sup> July. To ensure appropriate virements are carried out.

be submitted to full council for approval.	
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<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>Y / N</b>	<b>Within Budget:</b>	<b>Y / N</b>

<b>Relevant Local Member(s):</b>	
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<b>Person(s) To Implement Decision:</b>	
<b>Date By When Decision To Be Implemented:</b>	

<b>Contact Officer Name</b>	<b>Tel</b>	<b>Fax</b>	<b>E mail</b>
Jane Thomas	01597-826341	01597-826290	<a href="mailto:jane.thomas@powyscc.gov.uk">jane.thomas@powyscc.gov.uk</a>

**Background Papers used to prepare Report:**