

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE  
10<sup>th</sup> October 2017**

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

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

**REPORT FOR:** Decision

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

1.1 The revised Capital Programme after virements approved is £101.224m, of which committed expenditure is £48.465m (48.1%) of the budget. The actual spend to the end of August is £19.4m (spend to the end of July was £12.7m). This compares to £8.2m the end of August the previous year. Table 1 below summarises the position for each directorate and service.

**1.2 Table 1 Capital Table as at 31<sup>st</sup> August 2017**

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2017/18 as at 31st August 2017 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
<b>People</b>								
Adult Services & Commissioning	0	548	0	0	548	11	537	98.0%
Childrens Services	0	32	0	0	32	0	32	100.0%
Housing	2,943	550	0	-870	2,623	1,026	1,597	60.9%
<b>Schools and Inclusion</b>	30,086	1,185	0	-2,843	28,428	19,218	9,210	32.4%
<b>Resources</b>								
Business Services	446	192	0	0	638	244	394	61.8%
Information Services	1,192	824	0	0	2,016	541	1,475	73.2%
Legal Services	0	23	0	0	23	4	19	82.6%
Financial Services	500	-396	0	0	104	0	104	100.0%
<b>Place</b>								
Highways, Transport & Recycling	21,826	9,149	-200	-3,149	27,626	10,906	16,720	60.5%
Leisure & Recreation	4,451	5,820	0	0	10,271	6,971	3,300	32.1%
Regeneration, Property & Commissioning	3,655	729	113	-345	4,152	377	3,775	90.9%
<b>Total Capital</b>	<b>65,099</b>	<b>18,656</b>	<b>-87</b>	<b>-7,207</b>	<b>76,461</b>	<b>39,298</b>	<b>37,163</b>	<b>48.6%</b>
Housing Revenue Account	21,260	3,503	0	0	24,763	9,167	15,596	63.0%
<b>TOTAL</b>	<b>86,359</b>	<b>22,159</b>	<b>-87</b>	<b>-7,207</b>	<b>101,224</b>	<b>48,465</b>	<b>52,759</b>	<b>52.1%</b>

**2. Funding**

2.1 The funding of the capital programme is shown in Table 2. This has changed by £1.192 and reflects the virements above and additional grants listed in section 4.

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

	Revised Working Budget 2017/18 as at 31st August 2017 (after virements approved and required)					
	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont's To Capital	Capital Receipts	Total
Council Fund	-10,895	-16,261	-26,550	-10,539	-12,216	<b>-76,461</b>
HRA	0	-13,641	-3,844	-5,606	-1,672	<b>-24,763</b>
<b>Total</b>	<b>-10,895</b>	<b>-29,902</b>	<b>-30,394</b>	<b>-16,145</b>	<b>-13,888</b>	<b>-101,224</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 Schools

- The project to provide an extension to the Crickhowell High School is now going to occur over two financial years. The design will take place in 2017/18 and the construction in 2018/19. It is recommended to roll forward £925k.

3.3 The other virements in Table 1 were reported in the July Capital Report and are not included here.

### 4. Grant Changes as at 31 August 2017

#### 4.1 Highways Transport and Recycling

- Local Transport Fund (LTR) award of funding for the Newtown by-pass de-trunking scheme for the purpose of the Newtown Active Travel Network Package for £200k.
- Local Transport Network Fund Grant for the Integrated Transport Connections Package Scheme for the purpose of the Traws Cymru Corridor Passenger Enhancements through improved Accessibility for £425k.

#### 4.2 Schools

- The Grant for the new Schools in the Gwernyfed Catchment has been reduced by £2m. The authority has been given funding via the Financial Settlement under the Local Government Borrowing Initiative and have been asked by WG to use this source of funding to replace the £2m grant. This is part of the £9.8m approval for the authority.

#### 4.3 Adult and Commissioning

- Intermediate Care Fund (ICF) Specialist Equipment Grant for £100k.

#### 4.4 Housing

- Intermediate Care Fund (ICF) Adaptations Grant for £52k for a HRA property.

### 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 £563k has been agreed subject to contract. Two sales of £329k has been completed as at 31<sup>st</sup> August 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 The HRA is still subject to Right to Buy Disposals and 4 have been completed as at 31<sup>st</sup> August, 2017 amounting to £356k and other land and garage sales amount to £69k
- 5.4 As at 31<sup>st</sup> March 2017 the total Capital Receipts held by the authority was £15.402m of this £13.888m 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 £41m 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>
<p>a. The contents of this report are noted by Cabinet; and</p> <p>b. The Capital virements set out in Section 3 are approved, and those over £500k be submitted to full council for approval.</p>	<p>To outline the capital budget position as at 31<sup>st</sup> August. To ensure appropriate virements are carried out.</p>

<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>
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**Background Papers used to prepare Report:**