

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE**

**30th January 2018**

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

**SUBJECT:** Capital Programme Update for the period to 31<sup>st</sup> December 2017

**REPORT FOR:** Decision

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

1.1 The revised Capital Programme after accounting for approved virements is £87.643m (Nov £88.188m), of which committed expenditure is £59.190m (67.5%) (Nov £57.066m 65%) of the budget an increase of £2.124m or 3.7% during the month.

1.2 The actual spend to the end of December is £38.6m (spend to the end of November was £34.6m). This compares to £19.3m to the end of December the previous year.

1.3 Table 1 below summarises the position for each directorate and service.

**1.4 Table 1 Capital Table as at 31<sup>st</sup> December 2017**

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2017/18 as at 31st December 2017 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
<b>People</b>								
Adult Services & Commissioning	0	1,089	0	0	1,089	108	981	90.1%
Childrens Services	0	289	0	0	289	0	289	100.0%
Housing	2,943	-320	0	0	2,623	1,391	1,232	47.0%
<b>Schools and Inclusion</b>	30,086	-1,490	0	-1,091	27,505	20,814	6,691	24.3%
<b>Workforce, OD and Comms</b>	0	0	0	0	0	0	0	
<b>Resources</b>								
Business Services	446	192	0	0	638	367	271	42.5%
Information Services	1,192	824	0	0	2,016	864	1,152	57.1%
Legal Services	0	23	0	0	23	4	19	82.6%
Financial Services	500	-402	0	0	98	0	98	100.0%
Corporate Activities	0	0	0	0	0	0	0	
<b>Place</b>								
Highways, Transport & Recycling	21,826	5,404	0	-7,327	19,903	13,784	6,119	30.7%
Leisure & Recreation	4,451	5,356	0	0	9,807	8,283	1,524	15.5%
Regeneration, Property & Commissioning	3,655	361	0	-1,000	3,016	774	2,242	74.3%
<b>Total Capital</b>	<b>65,099</b>	<b>11,326</b>	<b>0</b>	<b>-9,418</b>	<b>67,007</b>	<b>46,389</b>	<b>20,618</b>	<b>30.8%</b>
Housing Revenue Account	21,260	3,451	0	-4,075	20,636	12,801	7,835	38.0%
<b>TOTAL</b>	<b>86,359</b>	<b>14,777</b>	<b>0</b>	<b>-13,493</b>	<b>87,643</b>	<b>59,190</b>	<b>28,453</b>	<b>32.5%</b>

## 2. Funding

2.1 The funding of the capital programme is shown in Table 2. This has reduced by £1,421k from that reported at the end of October 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> December 2017

	Revised Working Budget 2017/18 as at 31 <sup>st</sup> December 2017 (after virements approved and required)					
	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont's To Capital	Capital Receipts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
COUNCIL FUND	-10,891	-22,453	-17,928	-4,628	-11,204	-67,104
HRA	0	-9,366	-3,844	-5,656	-1,672	-20,538
<b>Total</b>	<b>-10,891</b>	<b>-31,819</b>	<b>-21,772</b>	<b>-10,284</b>	<b>-12,876</b>	<b>-87,642</b>

## 3. Virements

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

- 3.1 Schools and Inclusion - The procurement of the new School at Ysgol Bro Hyddgen has been delayed, which will impact on the delivery timescales for the overall project of the replacement Primary and Secondary School for Ysgol Bro Dyfi. This virement rolls forward £1.091m from 2017/18 to 2018/19.
- 3.2 Regeneration, Property & Commissioning - The refurbishment of Ladywell House is to take place in 2018/19. This virement is to roll £1m into 2018/19.

## 4. Grants accepted as at 31<sup>st</sup> December 2017

- 4.1 Childrens Services - Welsh Government Grant of £257k to create a new Flying Start hub in the former Dafydd Llwyd Primary School.
- 4.2 £182k for the Local Transport Network Fund in respect of funding for the T4/T6 bus infrastructure improvements.
- 4.3 Revised Local Transport Fund award of £1.520m, bringing the total amount allocated to Powys in 2017/18 for Road Safety Capital projects and Safe Routes in Communities to £1.580m.

## 5. Capital Receipts

- 5.1 A capital receipt occurs when an asset of the authority is sold. Capital receipts can only be used to finance new capital expenditure or repay loans. In 2015/16 Welsh Government issued a directive that enabled Authorities to use capital receipts obtained during the year to finance the revenue costs from transformation incurred in the same period. This option has been utilised in both 2015/16 (£1.6m) and 2016/17 (£0.9m), a further £0.5m is forecast to be capitalised in 2017/18. The impact is the need for additional Prudential Borrowing. This directive ends on the 31<sup>st</sup> March 2018. Welsh Government are currently reviewing this policy.

- 5.1 The current capital receipt target, excluding the HRA, for 2017/18 is £1m for Property and £1m for County Farms, of which £213k has been agreed subject to contract and £828k has actually been received to date. Since the end of October, two Land and Property sales totalling £99k have been completed; Kensington Public Convenience £44k and Gwernyfed Sports field £55k.
- 5.2 The HRA is still subject to Right to Buy Disposals; additional capital receipts of £114k have been received in respect of the sale of a council house, since last reported at the end of October.
- 5.3 As at 31<sup>st</sup> March 2017 the total Capital Receipts held by the authority was £15.402m of this £12.876m is a commitment in the capital budgets for 2017/18.
- 5.4 A recent decision by Cabinet to suspend declaring any further property from the Farm estate surplus, will effectively mean the target for capital receipts will not be met in future.

## 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

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, members will be aware that internal borrowing is only a temporary situation and officers have advised that, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years. The following temporary borrowing is applicable to this financial year. It is expected that temporary borrowing will be necessary on further occasions throughout the financial year.

<b>BORROWED</b>					<b>REPAID</b>
<b>Date</b>	<b>Borrower</b>	<b>Type</b>	<b>Amount</b>	<b>Rate</b>	<b>Date</b>
29-Sep-17	Manchester City Council	Fixed to 5/10	5,000,000	0.20000	05-Oct
20-Oct-17	Powys Pension Fund	Fixed to 23/10	730,000	0.20000	23-Oct
24-Oct-17	Powys Pension Fund	Fixed to 25/10	300,000	0.20000	25-Oct
30-Oct-17	Newport City Council	Fixed to 7/11	5,000,000	0.14000	07-Nov
31-Oct-17	Rhondda Cynon Taff CBC	Fixed to 6/11	3,000,000	0.20000	06-Nov
30-Nov-17	Scarborough Borough Council	Fixed to 5/12	4,000,000	0.35000	05-Dec
04-Dec-17	Powys Pension Fund	Fixed to 6/12	1,000,000	0.40000	06-Dec
05-Dec-17	Powys Pension Fund	Fixed to 6/12	750,000	0.40000	06-Dec
28-Dec-17	Manchester City Council	Fixed to 4/1	6,000,000	0.38000	04-Jan

Alongside this, it is likely that some longer term borrowing will take place, if interest rates are conducive to this. This is a prudent approach to ensure some borrowing takes place whilst interest rates are at their low levels as opposed to borrowing at a future date at increased rates.

- 6.4 The CFR figures above include the increase in the amount of long-term borrowing that is anticipated in 2017/18. Any borrowing undertaken will have a revenue implication which includes both the payment of interest on the loan and the repayment of the principal of the loan via the Minimum Revenue Provision (MRP) required. MRP is a statutory and prudent way of setting aside the funds required to repay loan principal in the future. 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. The net cost of borrowing together with the MRP are the real capital charges.
- 6.5 The virements in section 3 have an impact on the CFR figures for future years. In addition, any capital bids and approved projects for future years will increase the CFR. This in turn increases the MRP and the borrowing requirements. The real capital charge revenue budgets, while showing an underspend in the current year, will require additional budget to meet the additional borrowing and MRP costs in future years.
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?  
**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. The Capital and Financial Planning Accountant confirms that the projects included in section 3 are included in the Capital Programme.

**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 Head of Financial Services & Acting Section 151 Officer notes the contents in the report.

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> December. To ensure appropriate virements are carried out.</p>

<b>Relevant Policy (ies):</b>	
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<b>Within Policy:</b>	<b>Y / N</b>	<b>Within Budget:</b>	<b>Y / N</b>
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<b>Relevant Local Member(s):</b>	
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<b>Person(s) To Implement Decision:</b>	
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<b>Date By When Decision To Be Implemented:</b>	
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<b>Contact Officer Name</b>	<b>Tel</b>	<b>Fax</b>	<b>E mail</b>
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