

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

19 June 2018

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance

SUBJECT: Capital Programme Outturn Report 2017/18

REPORT FOR: Decision

1. Capital Programme 2017-18

- 1.1 The revised Capital Programme after accounting for approved virements of £4.1m was £82.233m (£86.359m at start of year).
- 1.2 The actual spend to the end of 31 March 2018 was £61.625m. This represents 75% of the total budget. Many of the projects are yet to be completed and virements will now be required to carry forward budgets to 2018/19 where appropriate.
- 1.3 Table 1 below summarises the position for each directorate and service at the end of the year ending 31 March 2018.

1.4 Table 1 Capital Table as at 31 March 2018

	Service	Original Budget	Virements Approved	Revised Working Budget 2017/18 as at 31st March 2018 (after virements approved and required)	Actuals	Remaining Budget	
		£,000	£,000	£,000	£,000	£,000	%
	People						
P50	Adult Services & Commissioning	0	840	840	341	499	59.4%
P60	Childrens Services	0	289	289	228	61	21.1%
HGF	Housing	2,943	-560	2,383	1,620	763	32.0%
P20	Schools and Inclusion	30,086	-2,847	27,239	21,758	5,481	20.1%
G10	Workforce, OD and Comms	0	0	0	0	0	
	Resources						
G20	Business Services	446	189	635	438	197	31.0%
G50	Information Services	1,192	783	1,975	1,053	922	46.7%
LS04	Legal Services	0	23	23	4	19	82.6%
G60	Financial Services	500	-432	68	0	68	100.0%
G80	Corporate Activities	0	0	0	605	-605	
	Place						
G70	Highways, Transport & Recycling	21,826	-878	20,948	18,146	2,802	13.4%
P40	Leisure & Recreation	4,451	6,205	10,656	5,388	5,268	49.4%
R40	Regeneration, Property & Commissioning	3,655	-639	3,016	899	2,117	70.2%
	Total Capital	65,099	2,973	68,072	50,480	17,592	25.8%
	HRA						
	Housing Revenue Account	21,260	-7,109	14,151	11,145	3,006	21.2%
	TOTAL	86,359	-4,136	82,223	61,625	20,598	25.1%

2. Virements Required

2.1 The remaining budget of £20.598m will need to be carried forward to 2018/19 to meet commitments to on-going projects that are continuing into future years. A virement is therefore requested for all projects with an outstanding budget balance of over £100k.

2.2 The tables below, provide details of all projects requiring a virement to carry forward to 2018/19. All projects with remaining budgets of less than £100k will automatically be carried forward to 2018/19.

2.3 Table 2a. Leisure and Recreation

Project Name	Original Budget	Working budget	Actual	Budget Remaining	Virement Required
2015 LC Improvements	-	142,020	17,602	124,418	124,418
2016 RESTORATION OF ARTEFACTS	-	108,875	1,655	107,220	107,220
2012 Brecon Cultural Hub	4,133,820	9,313,141	4,045,131	5,268,010	5,268,010
2017 Captain's Walk Gardens	-	375,540	4,000	371,540	371,540
	4,133,820	9,939,576	4,068,388	5,871,188	5,871,188

Work at The Brecon Cultural Hub is still on-going and the remaining budget will be required to see through the completion of the project. A virement to carry forward the remaining budget of £5.871m is therefore requested.

2.4 Table 2b. Schools Transformation and the 21st Century School Project.

Project Name	Original Budget	Working budget	Actual	Budget Remaining	Virement Required
CLYRO SCHOOL	3,576,519	3,109,128	2,791,427	317,700	317,700
Ysgol Y Mynydd Du	4,010,810	4,420,901	3,965,287	455,614	455,614
WELSHPOOL CATCHMENT	1,161,000	569,095	220,971	348,124	348,124
HAY ON WYE SCHOOL	4,769,946	4,552,868	3,817,140	735,728	735,728
GWERNYFED HS REFURBISHMENT	-	150,206	35,638	114,568	114,568
2015 Crickhowell HS Sport Centre	440,000	204,169	81,553	122,616	122,616
	13,958,275	13,006,367	10,912,016	2,094,351	2,094,351

This is a 2 phased project funded jointly by the Council and the Welsh Government, with the funding budget split into Bands A and B. The first phase of the project is funded from Band A and is progressing well. The virement of £2.094m is to re-profile the balance of the 2017/18 budget into 2018/19. An application to re-profile the budget has already been approved by the Welsh Government in accordance with the terms and conditions of the Grant, therefore there is no risk to loss of funding.

2.5 Table 2c. Regeneration and Regulatory Services

<u>Project Name</u>	<u>Original Budget</u>	<u>Working budget</u>	<u>Actual</u>	<u>Budget Remaining</u>	<u>Virement Required</u>
2017 LADYWELL HOUSE	-	300,000	22,874	277,126	277,126
2017 COUNTY HALL	-	550,660	99,169	451,491	451,491
NEW INDUSTRIAL UNIT AT FFRWDGRECH	-	301,750	4,393	297,357	297,357
2017 ABERMULE BUSINESS PARK	-	330,000	3,065	326,935	326,935
	-	1,482,410	129,500	1,352,910	1,352,910

The Budget for these projects were secured late in the financial year and works did not start until the latter half of the year. Due to this delay the work, along with the bulk of the budget has slipped into the 2018/19 financial year. Approval is sought to carry forward the budget accordingly to enable the works to be completed.

2.6 Table 2d. Information Services.

<u>Project Name</u>	<u>Original Budget</u>	<u>Working budget</u>	<u>Actual</u>	<u>Budget Remaining</u>	<u>Virement Required</u>
2007 DESKTOP ICT REFRESH STRATEGY	220,000	262,990	145,170	117,820	117,820
2016 Finance System	-	300,000	6,235	293,765	293,765
2016 Share Point	-	200,000	86,295	113,705	113,705
	220,000	762,990	237,700	525,290	525,290

There is a number of works currently on-going across the council to improve and upgrade the Council's ICT systems and infrastructure. Virement of the remaining budget of £525k is paramount to ensure availability of funding to complete the projects.

2.7 Table 2e. Housing

<u>Project Name</u>	<u>Original Budget</u>	<u>Working budget</u>	<u>Actual</u>	<u>Budget Remaining</u>	<u>Virement Required</u>
2016 Welshpool Gypsy Site	405,000	483,681	104,580	379,100	379,100
MANAGEMENT FEES	-	761,000	571,919	189,081	189,081
Asbestos Management	-	285,270	84,436	200,834	200,834
Bathrooms South - 4	-	430,000	167,402	262,598	262,598
Roofing North - 9	-	600,000	219,202	380,798	380,798
Wallwork North - 10	-	340,000	133,167	206,833	206,833
Level Access Bungalows North	1,000,000	220,800	56,474	164,326	164,326
Adaptations	250,000	250,000	123,899	126,101	126,101
FIT FOR PURPOSE SOUTH	400,000	495,110	381,324	113,786	113,786
NEW BUILD/REPURCHASE	-	3,124,000	1,859,112	1,264,888	1,264,888
	2,055,000	6,989,861	3,701,516	3,288,345	3,288,345

All of these projects relate to the Housing Revenue Account (HRA) which is therefore ring-fenced. Works on the HRA projects are progressing well. The project report suggests that more work has been done than is currently reflected in the general ledger due to outstanding invoices from HOWPS.

2.8 Table 2f. Highways Transport and Recycling

<u>Project Name</u>	<u>Original Budget</u>	<u>Working budget</u>	<u>Actual</u>	<u>Budget Remaining</u>	<u>Virement Required</u>
2010 ST LIGHTING EFFICIENCY UPGRADES	-	926,395	627,150	299,245	299,245
Structures Planned Mnt - North	-	175,000	33,864	141,136	141,136
2013 ABERMULE BUSINESS PARK	1,880,464	343,500	22,216	321,284	321,284
2014 LLANDRINDOD CA SITE (HWRC)	400,000	417,102	80,131	336,970	336,970
2016 Newtown HWRC	-	644,924	47,835	597,089	597,089
2017 Relocation to Cwt y Plyffin	300,000	300,000	4,917	295,084	295,084
2016 Baling and Compaction Equipment	-	213,413	85,967	127,446	127,446
2017 Presteigne Safe Routes Project	-	299,530	126,439	173,091	173,091
2017 Llandrindod Wells AT Interchange	-	450,000	304,838	145,162	145,162
HIGHWAYS DSO - CAPITAL	7,563,000	2,743,005	1,351,714	1,391,291	1,391,291
	10,143,464	6,512,869	2,685,071	3,827,798	3,827,798

A number of Highway works are weather dependent and had to be suspended during the severe winter conditions. These works are now continuing and will run alongside the 2018/19 planned works. A carry forward of the remaining £3.827m will be needed to pay for on-going works.

3. Funding

- 3.1 The capital programme was funded from various Funding sources including Grants and Contributions from Central Government and other third parties, the use of Council resources from Capital Receipts, Reserves and Borrowing. This is summarised in Table 2 below.
- 3.2 Prudential Borrowing is only used as a last resort after all available resources have been utilised, as it is also the most expensive. Keeping this to a minimum helps the revenue budget.

3.3 Table 3. Funding Sources for the Capital Programme 2017/18

<u>Funding</u>	<u>Supported Borrowing</u>	<u>Prudential Borrowing</u>	<u>General Capital</u>	<u>Capital Receipts</u>	<u>Grants</u>	<u>Reserves/ Revenue</u>	<u>Total</u>
General Fund	3,572,705	7,983,186	2,827,000	8,904,620	24,221,878	2,970,036	50,479,425
HRA		298,640		1,137,681	4,056,253	5,652,430	11,145,004
Total	3,572,705	8,281,825	2,827,000	10,042,301	28,278,131	8,622,467	61,624,429

4. Grants

- 4.1 Total grants and contributions applied in the year amounted to £31.105m.

This consists of £26m from the Welsh Government, £4m contributions from third parties and £1.10m from the Heritage Lottery Fund. The Welsh Government grant includes some £6m which was received in the closing month of the financial year. This was used to reduce borrowing in 2017/18 financial year.

5. Capital Receipts

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 the 2017/18 financial year, capital receipts of £927k were received from the sale of Properties (274k), Vehicles (54k) and County Farms (596k). £605k of the capital receipts were used to fund the capitalisation direction linked to the delivery of transformation.

- 5.1 Total receipts to the period ending 31 March 2018 is £1.207m.
- 5.2 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. Table 4. CFR Position

	As at 31.03.18 Actual	2018/19 Original Estimate	2019/20 Original Estimate	2020/21 Original Estimate
	£M	£M	£M	£M
Capital Financing Requirement	332,072	326,461	357,224	382,433

- 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 resource.
- 6.2 The carry forward underspends and virements have an impact on the CFR figures for future years. In addition, any capital bids and approved projects for future years, for which borrowing is required will increase the CFR. This in turn increases the MRP and the borrowing requirements. The real capital charge revenue budgets, while showing underspend in the current year, will require additional budget to meet the additional borrowing and MRP costs in future years.

7. Borrowing Requirements

- 7.1 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.
- 7.2 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.

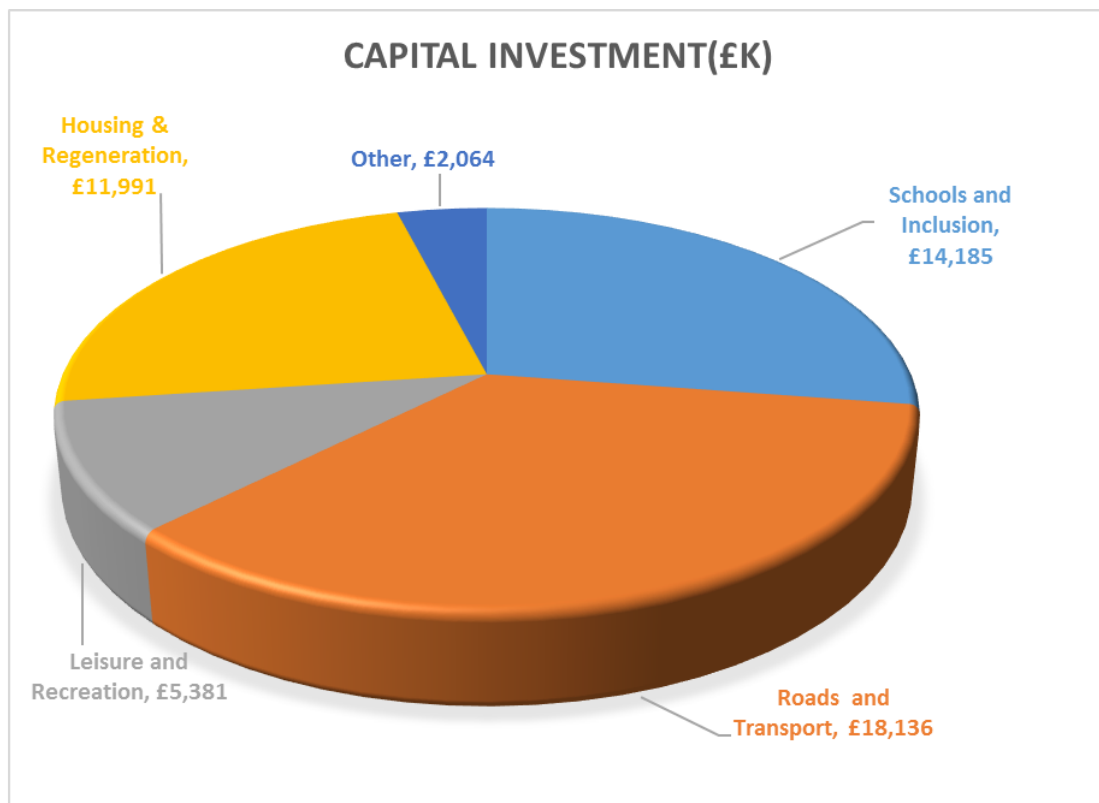
The Authority had outstanding long-term external debt of £246.4M at 31st March 2018. In relation to the CFR figure for 31st March 2018, this equated to the Authority being under borrowed by £85.7M. This is a prudent and cost effective approach in the current economic climate. However, members will be 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. There have

been instances of temporary borrowing throughout this financial year for cash flow purposes.

- 7.3 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 ongoing to improve the forecast for capital spend so that Treasury Management are able to improve the cash flow predictions for the authority. The net cost of borrowing together with the MRP are the real capital charges.

8. Investment Output

- 8.1 The investment of £61.625m has been necessitated by the need to acquire new assets or enhance ageing, and in some cases, dilapidated assets that will enable the council to provide services to its residents more effectively, in the pursuit of its statutory obligations. The diagram below, shows some of the priority areas where the Council has invested in the 2017/18 financial year.



8.2 Education

The Council, with the aid of Welsh Government grant, is investing substantially to bring schools in the County Council to the 21st century. The investment involves, the construction of new schools, enhancement of existing schools, expansion of classroom places and development of ICT infrastructure and sports facilities. Work has already begun and will continue over the next 5 years.

All levels of education, including Pre-primary, Primary, Secondary and Special schools are being improved as part of this programme. The Council is also working in partnership with other Foundation and Faith schools to improve facilities and conditions with the view to raising standards across the County. A total of £14m has been spent in 2017/18 financial year, with a further £166m earmarked for the next five years.

8.3 Transport and Highways

A total of £18.136m was spent in 2017/18 and a further £44m is earmarked for the next five years. Investment in Transport and Highways will see our roads infrastructure renewed to improve road safety and traffic calming measures over the next few years. Improvement in public transport, footways, Bridges and structural maintenance also constitute a substantial proportion of our Highways and transport strategy. The Council is also investing on Street Lighting, car parking and Land Drainage and Flood Prevention as part of the Transport and Highways strategy.

8.4 Housing and Regeneration

About £12m has been spent on major refurbishment and general repairs of Council Dwellings. Renewal of Kitchens, Bathrooms, Heating, and replacement of Roofs have started across the County and more investment has been committed in the next few years to improve living conditions and general wellbeing of our residents.

8.5 Leisure and Recreation.

A total of £4.963m was spent on Museum and galleries, parks and open spaces and sports facilities. Part of this project will be to develop Brecknock Museum and Brecon Library as a valuable community resource for the people of Brecon and the surrounding area, provide opportunities for participation and volunteering and become a significant tourist attraction.

9. Capital Forecast and Spend profile

- 9.1 The outturn result indicates that more work needs to be done to improve the way we forecast and profile our spend intentions of capital through the year to reflect the real performance of our projects. An analysis of the spend pattern indicates that about 40% of the total spend was incurred in the final quarter of the financial year.
- 9.2 At the beginning of the financial year, a budget of £86.359m was approved for Capital development works. This budget was revised through the forecast by project managers to £82.33m and a virement of £4.136m to 2018/19 was requested and approved.
- 9.3 Despite forecasting full spend of the £82.233m, there was still some £20.597m underspend at the end of the financial year which will need to be transferred to 2018/19 financial year. While several factors could have contributed to this level of underspend, the forecast by project managers failed to capture and reflect these factors accordingly. A robust monitoring arrangement should have highlighted this oversight.

10. Governance Framework

- 10.1 A new governance framework for Capital is being developed by the Head of Financial Services with the view to implement in the 2018/19 financial year. This will provide appropriate gateways for scrutiny and robust monitoring of all Capital projects from inception to completion.
- 10.2 The new framework will underpin the monitoring arrangement for all projects and project managers will be required to report on the progress of their projects on a monthly basis. All exceptions will be discussed and reported to Cabinet/Council accordingly. This, it is hoped, will bring greater transparency and make project forecasts more realistic.

11. Impact Assessment

Is an impact assessment required?

No

12. 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.

13. Local Member(s)

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

14. Other Front Line Services

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

15. 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.

16. 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.

17. Scrutiny

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

18. Statutory Officers

The Head of Financial Services & Deputy Section 151 Officer notes the contents in the report.

The Monitoring Officer has no specific concerns with this report.

19. 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.

Recommendation:	Reason for Recommendation:
a. The contents of this report are noted by Cabinet. b. Virements as set out in section 2 are approved and where necessary recommended to Council for final sign off	To outline the capital budget position as at 31 st March 2018. To ensure appropriate virements, are carried out.

Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

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

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