

# CYNGOR SIR POWYS COUNTY COUNCIL

## CABINET EXECUTIVE

16<sup>th</sup> June 2020

**REPORT AUTHOR:** County Councillor Aled Davies, Portfolio Holder for Finance, Countryside and Transport

**REPORT TITLE:** Capital Position for the year ended 31<sup>st</sup> March 2020

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**REPORT FOR:** Decision

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### 1 Purpose

- 1.1 The revised working budget for the 2019/20 Capital Programme, after accounting for approved virements, is £72.60 million. The original budget was £92.34 million. The decrease is due to the reprofiling of budgets resulting in the roll forward into future years, in particular 2020/21.
- 1.2 The outturn for 2019/20 amounts to £62.36 million representing 86% of the total revised budget.
- 1.3 Currently it is estimated that 3.4% of our net revenue budget of £255 million is supporting the past and present capital spend. It is essential that the investment in our Capital Programme is affordable over the short, medium and longer term and can demonstrate tangible benefits linked to the council's priorities.
- 1.4 Table 1 below summarises the financial position for each portfolio and service. Countryside Services are now reported under Highways, Transport and Recycling rather than Housing and Community Development due to structure changes.

**Table 1: Capital Table as at 31<sup>st</sup> March 2020**

Service	Original Budget	Virements Approved	Revised Budget (after virements approved and required)	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	290	411	701	722	(21)	(3.00)%
Childrens Services	0	206	206	102	104	50.49%
Education	44,818	(30,352)	14,466	13,269	1,197	8.27%
Highways Transport and Recycling	15,542	3,812	19,354	15,453	3,901	20.16%
Property, Planning and Public Protection	2,046	3,686	5,732	4,333	1,399	24.41%
Housing and Community Development	8,363	(2,824)	5,539	3,605	1,934	34.92%
Digital Services	973	785	1,758	1,278	480	27.30%
Legal Services	0	0	0	0	0	0.00%
Finance	3,650	215	3,865	3,202	663	17.15%
<b>Total Capital</b>	<b>75,681</b>	<b>(24,061)</b>	<b>51,621</b>	<b>41,964</b>	<b>9,657</b>	<b>18.71%</b>
Housing Revenue Account	16,662	4,314	20,976	20,399	577	2.75%
<b>TOTAL</b>	<b>92,343</b>	<b>(19,747)</b>	<b>72,597</b>	<b>62,363</b>	<b>10,234</b>	<b>14.10%</b>

1.5 Table 2 below sets out how the 2019/20 Capital Programme has been financed, 51% is funded through borrowing, the interest cost of this is charged to the revenue account.

**Table 2: Funding of the Capital Programme as at 31<sup>st</sup> March 2020**

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont's To Capital	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,264	11,793	18,799	465	3,642	41,964
HRA	0	12,548	3,995	3,856	0	20,399
<b>Total</b>	<b>7,264</b>	<b>24,341</b>	<b>22,794</b>	<b>4,321</b>	<b>3,642</b>	<b>62,363</b>

1.6 Financing the capital programme has, as always sought to maximise the use of grant and other external sources of funding.

1.7 The Council has also set aside revenue reserves to support the programme where appropriate, this reduces the need to borrow for some assets particularly those that have a short asset life. The balance between the use of reserves and borrowing is reconsidered at year end.

1.8 Due to the impact of COVID 19 pandemic on the Council's budget in 2020/21 it is essential that action taken now creates the greatest flexibility moving into the new financial year. Holding funding in reserves provides this flexibility.

1.9 Accordingly, we have not utilised the revenue reserves set aside in the Transport and Equipment Funding Reserve to fund Highways, Transport and Recycling Assets. Assets totalling £2.384m have been funded through borrowing.

1.10 Improvements to council dwellings are usually partially funded from the Housing Revenue Account Reserve. The draw from this reserve has also been reduced this year and costs supported by borrowing.

1.11 Two types of borrowing have been used to fund the remaining elements of the programme.

1.12 Supported Borrowing, where the revenue costs arising from the borrowing are funded by the Welsh Government through the annual revenue settlement.

1.13 Once the allocation of supported borrowing had be used the remainder was financed using Prudential (Unsupported) Borrowing. Again, the Council borrows the funding but is required to finance the revenue costs from its own resources

## **2 Head of Service Comments**

2.1 Appendix A provides commentary on the services' capital projects.

## **3 Virements**

3.1 It is recommended that Cabinet note the contents of this report and recommend all virements over £0.5 million to the Council for approval and approve all the other virements listed below:

3.2 Property, Planning and Public Protection £0.07 million

A budget increase of £0.07 million is required to fund the demolition of the former DSO yard and Archive at County Hall. This is as a result of cost increases on estimates for environmental reports, asbestos removal requirements as well as pre demolition works. The budget increase will be funded from both the County Hall external works

which is £0.03 million underspent with the balance funded from the corporate unallocated budget.

### 3.3 Adult Social Care

A budget increase of £0.30 million is requested to carry out urgent capital works at the Council owned Residential Care Homes. A business case was approved by EMT on the 20<sup>th</sup> May 2020. This will be financed from revenue funding set aside in 2019/20.

## 4 Reprofiling Budgets Across Financial Years

4.1 The following services have requested the reprofiling of their capital programme budgets into 2020/21.

4.2 Legal Services £0.02 million - The upgrade of the congress system in the council chamber was due to take place in March. Unfortunately, this did not take place and is likely to now happen in June. The £0.02 million budget has been reprofiled.

4.3 Other Services - Where underspends in the 2019/20 programme have occurred services will need to confirm that they still require this allocation, an update will be provided in the next report.

## 5 Grants Received

5.1 Highways, Transport and Recycling £0.40 million

5.2 The Active Travel Grant allocation has increased by £0.55 million to £2.29 million. £1.30 million of this has been allocated to Machynlleth Rail Arch re-opening using the increased allocation and a reduction in grant funding for the Newtown Bridge project. The Newtown Bridge project allocation has been reduced by £0.75 million to £0.25 million due to delays to the scheme.

5.3 Local Transport Network Fund allocation has reduced by £0.15 million to £0.20 million on Machynlleth Interchange project. Again, this reduction is the result of delays to this scheme.

5.4 Customers and Communication £0.66 million - £0.66 million of computer hardware has been received as part of the Hwb in Schools Infrastructure Grant. This equipment was purchased on our behalf by another authority using grant funding and we must include this within our accounts.

## 6 Capital Receipts

6.1 Capital receipts received during March are £0.04 million. The total receipts for the year are now £5.4 million. This comprises £0.07 million vehicle receipts, £2.58 million property receipts, £0.09 million Housing Revenue Account and £2.66 million county farms.

6.2 £3.18m of Transformation and Redundancy costs have been capitalised under the Welsh Government Capitalisation Directive and have been financed with Capital Receipts.

6.3 This leaves £3.53m of Capital receipts available to fund future Transformation and Redundancy costs.

6.4 The forecast capital receipts from the sale of surplus property in 2020-21 is £4.3m. Achieving any capital receipt relies on being able to market the properties, receive acceptable offers and complete a sale. In the current climate this may prove a challenge.

## **7 Resource Implications**

7.1 The Head of Financial Services (Section 151 Officer) has provided the following comments:

Expenditure on the Capital Programme has slipped considerably in previous financial years, the effective monitoring and re-profiling of schemes is essential to enable us to more accurately project expenditure, the consequential need to borrow and the impact on the revenue budget. Project Managers and Service leads will be supported to improve financial monitoring and forecasting of expenditure.

## **8 Legal Implications**

8.1 The Monitoring Officer has no specific concerns with this report.

## **9 Comment from Local Member(s)**

9.1 This report relates to service areas across the whole county.

## **10 Integrated Impact Assessment**

10.1 No impact assessment is required.

## **11 Recommendation**

- That the contents of this report are noted.
- That Cabinet approves the virements proposed in section 3 of this report.
- That all virements over £0.50 million are recommended to Council for approval.

11.1 Reasons for recommendation

- To report on the Capital Outturn position for the 2019/20 financial year.
- To ensure appropriate virements are carried out to align budgets and financing requirements.

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## Appendix A – Updates on Capital projects by Service

### Head of Service Commentary

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
<b>Adult Services</b>	<b>701</b>	<b>722</b>	<b>(21)</b>	<b>(3.0)</b>

#### HOS Comment

The overspend was as a result of additional works required to the substance misuse building development in Welshpool where a cellar was discovered under the building and works were required to remove and make good.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
<b>Childrens Services</b>	<b>206</b>	<b>102</b>	<b>104</b>	<b>50.5</b>

#### HOS Comment

The underspend relates to a number of ongoing projects which include the establishment of a Powys Children's Residential Home in South Powys and the refurbishments to Bannau Camlas. The projects have suffered some delays in relation to building works due to Covid 19. Works will continue as soon as feasibly possible and all monies will be fully spent 20/21.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
<b>Education</b>	<b>14,466</b>	<b>13,269</b>	<b>1,197</b>	<b>8.3</b>

#### HOS Comment

The main area of underspend is in the Schools Major Improvements Programme.

In financial year 2019/20, there were 82 projects. At the end of the financial year there were 2 schemes on hold, 4 schemes at the design stage and 3 are out to tender which will be delivered in financial year 2020. There were 16 projects under construction and due to COVID-19 they were stopped on site resulting in an underspend. There are 57 schemes have been handed over to schools.

There is only one 21<sup>st</sup> C Schools Programme project in construction at the moment, and this was also impacted by Covid-19, but work has now re-started on site. Some other projects were put on hold whilst the new Transformation Strategy was developed, and Ysgol Bro Hyddgen design has been revisited to consider the possible inclusion of leisure facilities. All other projects are in feasibility or design stage.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
<b>Highways, Transport and Recycling</b>	<b>19,354</b>	<b>15,453</b>	<b>3,901</b>	<b>20.2</b>
<b><u>HOS Comment</u></b>				
A spend of £15.453m against a total budget of £19.354m is reported at the end of period 12. The majority of the budget underspend is in the areas of Active Travel, Major Structural and Flood Alleviation schemes. These schemes involve significant design, planning and in many cases land acquisition, and will span into 2020/21. Storm Dennis and COVID-19 had a severe impact on the progress of all capital schemes programmed for quarter 12.				

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
<b>Property, Planning and Public Protection</b>	<b>5,732</b>	<b>4,333</b>	<b>1,399</b>	<b>24.4</b>
<b><u>HOS Comment</u></b>				
Capital spend has been rolled forward in relation to the construction of commercial units at Abermule that were unable to be constructed in the last financial year.				

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
<b>Housing and Community Development</b>	<b>5,539</b>	<b>3,605</b>	<b>1,934</b>	<b>34.9</b>
<b>Housing Revenue Account</b>	<b>20,976</b>	<b>20,399</b>	<b>577</b>	<b>2.7</b>
<b><u>HOS Comment</u></b>				
Capital spend to be rolled forward for some of the projects unable to be completed in the last financial year.				

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
<b>Digital Services</b>	<b>1,758</b>	<b>1,278</b>	<b>480</b>	<b>27.3</b>
<b><u>HOS Comment</u></b>				

Some variances in our capital programme has occurred with an overspend on our refresh strategy where equipment has been purchased early to support home working -£76k also some projects have been delayed whilst we respond to COVID19 emergency totalling £140. Our Education technology capital grant to support learners was also delayed ensuring robust national procurement of equipment, and this delayed our own ability to commission installation works to the value of £340k. The remaining spend include orders that have been placed but have not been received before year end and are due imminently.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget
	£'000	£'000	£'000	%
Finance	3,865	3,202	663	17.2

**HOS Comment**

£3.64 million of the budget relates to Transformation, eligible costs were £3.18 million resulting in an underspend of £457k, in addition the corporate unallocated budget of £225k is held here.