

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

13 April 2021

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

REPORT TITLE: Capital Forecast as at 28th February 2021

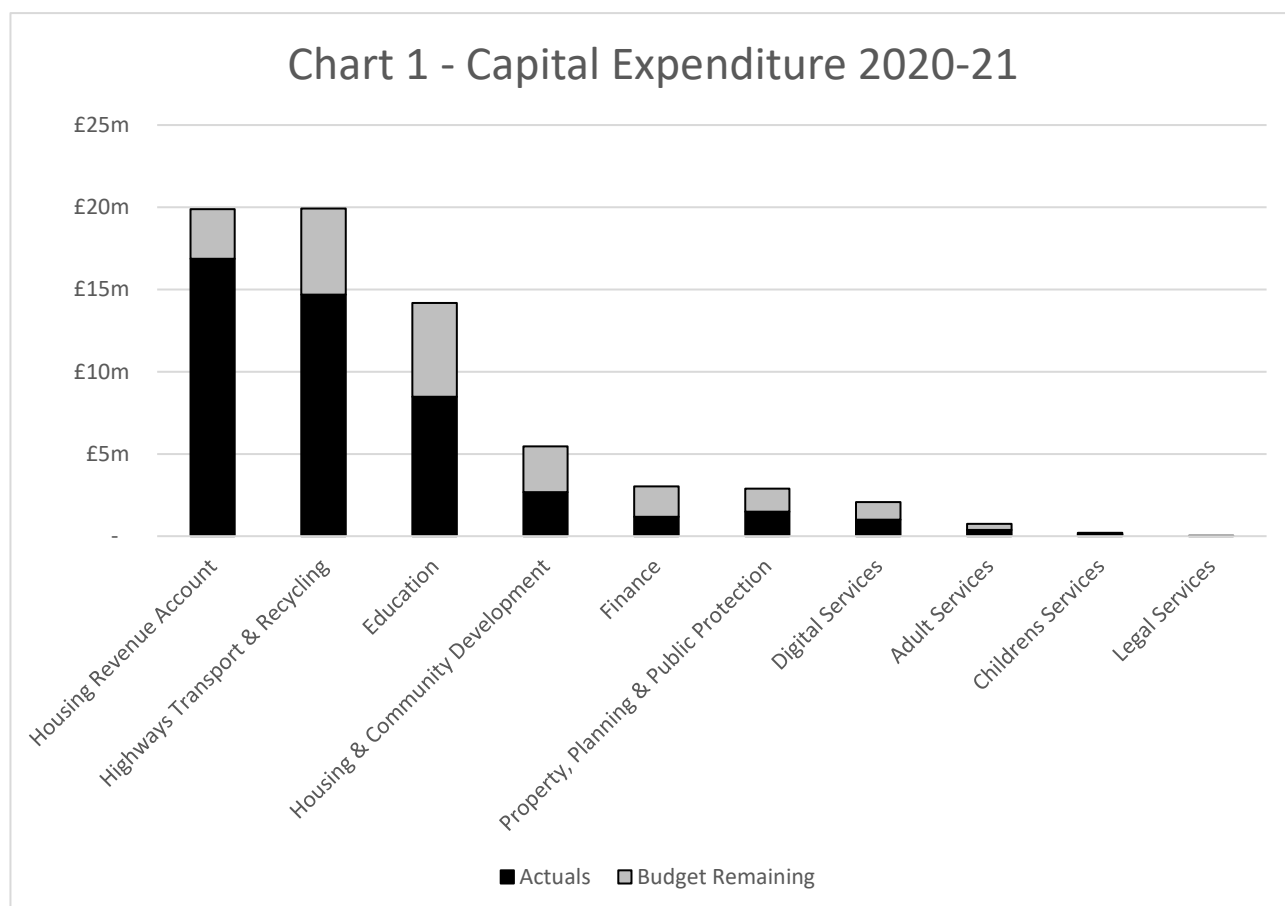
REPORT FOR: Decision

1. Purpose

- 1.1 This report provides an update on the financial position of the Council's capital programme for 2020/21.

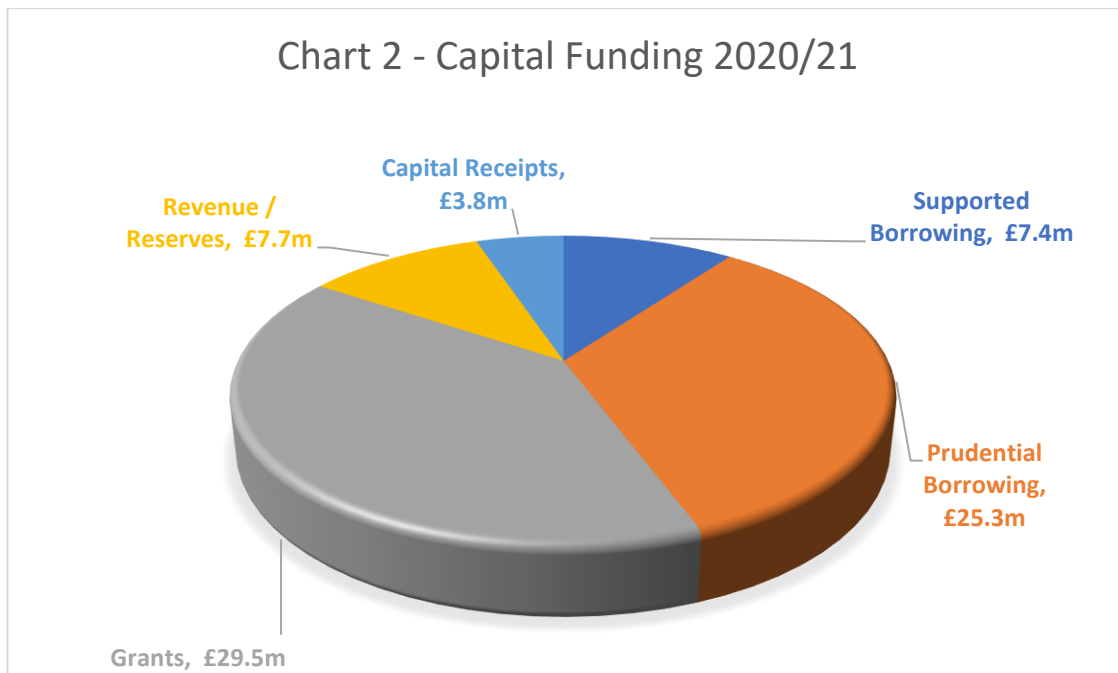
2. Financial Update

- 2.1 The revised working budget for the 2020/21 Capital Programme, after accounting for approved virements, is £73.69 million.
- 2.2 Actual spend amounts to £48.27 million, representing 65% of the total budget.
- 2.3 Chart 1 below summarises the financial position for each service.



- 2.4 Chart 2 below sets out how the 2020/21 capital programme is funded, 44% is funded through borrowing, the interest cost for this is charged to the revenue account.

Chart 2 - Capital Funding 2020/21



- 2.5 The revenue expenditure to cover the borrowing for past and present capital schemes is which includes the Minimum Revenue Provision (MRP) is estimated at £15.19 million. The Housing Revenue Account (HRA) proportion of these costs is expected to be £5.40 million.
- 2.6 Based on the estimates above, 3.6% of our net revenue budget of £269 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.
- 2.7 A £0.77 million MRP over provision as approved by Council in the 2021/22 Budget report will also be made in this financial year.

3. Grants Received

- 3.1 The following grants have been received since the last report and are included for information.
- 3.2 Highways, Transport and Recycling
- 3.3 An award of £0.11 million has been received from Welsh Government (WG) to be used in repair and reuse activities. The funding will be used for the construction of re-use shops at household waste recycling centres (HWRCs).
- 3.4 The Welsh Local Government Association (WLGA) have allocated funds to be spent on "green recovery priorities" in accordance with the priority actions identified in the *Green Recovery: Priorities for Action Report*¹ published in December by Sir David Henshaw, chair of Natural Resources Wales (NRW). Of Powys County Council's share of the allocation £0.084 million is to be spent on vehicles and equipment to address ash die back.
- 3.5 WG has awarded £0.05 million to replace the culvert at Old Tanyrallt cottages. This work will reduce the risk of future flooding to over 20 properties.

¹ Henshaw, D 2020, *Green Recovery: Priorities for Action Report*, Natural Resources Wales, <<https://cdn.cyfoethnaturiol.cymru/media/692667/final-green-recovery-priorities-for-action-report-english.pdf>>

- 3.6 £0.50 million Resilient Roads Fund received from WG to support transport projects that mitigate and adapt to the effects of climate change, including addressing disruptions caused on the highway network.

3.7 Regeneration

A grant of £0.05 million to assist local business in Ystradgynlais with COVID-19 recovery has been awarded from WG. A further £0.50 million has been awarded to establish a grant fund to support businesses with growth or recovery plans by providing financial contribution towards capital expenditure. A grant of £0.38 million has also been secured towards the development of business units on Abermule Business Park.

3.8 Education

A grant of £2.20 million has been received to address backlog capital maintenance on schools across the county. This will be used to displace the Council's borrowing commitment for these schemes which will be carried forward into 2021/22 and used for future schemes (see 5.2).

3.9 Adults Services

- 3.10 £1.74 million has been allocated various schemes as part of the Intermediate Care Fund (ICF) Grant. The schemes allocated have not progressed as planned this year, agreement has been received to programme manage any amounts with certain eligible schemes the council is funding in the capital programme with the displaced council funding to be used on the ICF schemes in 2021/22.

4. Virements

- 4.1 There are currently no virements that require approval.

5. Reprofiling Budgets Across Financial Years

- 5.1 The following services have requested the reprofiling of their capital programme budgets into future years, as the expected spend on projects will be significantly less than planned. Since the last report £24.83 million has been reprofiled, details are shown below. We encourage services to reprofile budgets as soon as they become aware of forecast changes, rather than waiting until the end of the year.

5.2 Education

- 5.3 £2.20 million of borrowing allocated to Schools Major Improvements has been transferred into 2021/22 following the award of the grant outlined in 3.8.

- 5.4 A total of £3.53 million relating to schemes within the 21st Century Schools Programme has been reprofiled into 2021/22 to reflect the anticipated spend in this financial year.

5.5 Adult Social Care

- 5.6 A total of £0.42 million has been transferred into 2021/22 for the Telecare, Smart Technology, Robotics, Community Equipment and Mobile Working schemes. This will allow these schemes to continue in the next financial year.

- 5.7 £0.25 million for capital works to care homes has been carried forward to 2021/22 as there are no further spend anticipated this financial year.

5.8 Highways, Transport & Recycling

- 5.9 £0.09 million rolled forward for In Cab Vehicle Technology. Current collection rounds will not be sequenced and loaded into the software until the new Waste Transfer Station in Abermule opens and routes change.
- 5.10 £5.80 million for replacement of the council fleet has been carried forward, this is due to significant lead times for these vehicles the majority of this should be spend in the first half of the next financial year.
- 5.11 £0.20 million carried forward for works to Gas Street Car Park in Newtown. This project is linked to a regeneration project in the area which has been delayed due to COVID-19. All works are expected to be completed in 2021/22.
- 5.12 £1.30 million for works at Cwrt y Plyffin Transfer Station in Brecon has been carried forward to 2021/22. It is expected that the works will be completed in the first half of 2021/22.
- 5.13 £1.00 million rolled forward for de-trunking works in Newtown carried forward. Works have been delayed due to COVID-19 and the response to Storm Dennis.
- 5.14 Financial Services
- 5.15 £0.53 million for two pipeline schemes has been reprofiled into the 2021/22 and an approved business case will be required before this funding is released.
- 5.16 Housing and Community Development
- 5.17 A total of £4.86 million has been transferred into 2021/22 for Welsh Quality Housing and other HRA schemes to reflect the anticipated year end spend.
- 5.18 £4.25 million for New Build Housing has been rolled forward. The majority relates to the Newtown, Llanidloes and Clyro schemes where the in-year expenditure has not been incurred inline with expectations when the budgets were originally set over 12 months ago due to the pandemic.
- 5.19 Digital Services
- 5.20 £0.40 million has been carried forward to 2021/22, the tender process for these schemes was delayed.

6. Capital Receipts

- 6.1 Capital receipts totaling £1.59 million have been received since the start of the financial year. There are currently sales agreed to the value of £1.58 million which are at the legal stage of the process, although they may not all complete before the end of the financial year.
- 6.2 The year-end forecast is estimated at £2.13 million, down from £2.72 million estimated in the December report.
- 6.3 The year-end forecast is very much reliant on being able to market property in a timely way to allow acceptable offers to be received and sales being completed. The current Covid lockdown in Wales will clearly increase the risk that the completion of some agreed sales will be delayed or indeed lost. There is clearly increased market uncertainty which may lead to a reduction on demand and offers.
- 6.4 The Council's transformation programme is funded through a capitalisation directive that allows capital receipts to fund revenue transformation spend and transformation

redundancies. This year the budget requirement is £2.84 million of capital receipts to support the transformation programme and severance costs.

- 6.5 The forecast outturn is £2.70 million and we propose to fund transformation activities from the revenue surplus, keeping the capital receipts intact to support the Capital Strategy in future years.

7. Capital Bids

7.1 Small Capital Bids

- 7.2 An allocation of £500,000 is approved annually as part of the Capital Programme for small capital bids. Services may bid for small capital projects up to £100,000 which are prioritised. It is recommended that Cabinet delegate the approval of the Small Capital Bids to the Strategic Asset Board, the process is outlined in Appendix B.

8. Resource Implications

- 8.1 The Head of Finance (Section 151 Officer) notes the content of the report and can support the recommendation to approve the virements. Expenditure on the Capital Programme has slipped considerably in previous financial years, and it is likely the current forecast outturn will reduce further as the year progresses. 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.

9. Legal implications

- 9.1 The Monitoring Officer has no specific concerns with this report.

10. Comment from local member(s)

- 10.1 This report relates to service areas across the whole county.

11. Integrated Impact Assessment

- 11.1 No impact assessment is required.

12. Recommendation

- That the contents of this report are noted.
- That Cabinet delegates the approval of the small capital bid allocation to the Strategic Asset Board.

12.1 Reason for Recommendation

- To report on the projected Capital Outturn position for the 2020/21 financial year.
- To ensure appropriate virements, are carried out to align budgets and financing requirements.

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Appendix A:

Table 2 - Capital Table as at 28th February 2021

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget £	Remaining Budget %
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	689	56	745	389	356	47.8%
Childrens Services	1,092	(885)	207	102	105	50.7%
Education	44,865	(30,684)	14,181	8,469	5,712	40.3%
Highways Transport & Recycling	16,257	3,661	19,918	14,692	5,226	26.2%
Property, Planning & Public Protection	967	1,916	2,883	1,490	1,393	48.3%
Housing & Community Development	13,072	(7,604)	5,468	2,672	2,796	51.1%
Regeneration	3,179	2,124	5,303	1,405	3,898	73.5%
Digital Services	1,000	1,066	2,066	999	1,067	51.6%
Legal & Democratic Services	0	22	22	0	22	100.0%
Finance	16,521	(13,499)	3,022	1,184	1,838	60.8%
Total Capital	97,642	(43,827)	53,815	31,402	22,413	41.6%
Housing Revenue Account	35,230	(15,352)	19,878	16,864	3,014	15.2%
TOTAL	132,872	(59,179)	73,693	48,266	25,427	34.5%

Table 3 - Funding of the Capital Budget as at 28th February 2021

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,402	18,817	22,922	889	3,785	53,815
HRA	0	6,458	6,589	6,831	0	19,878
Total	7,402	25,275	29,511	7,720	3,785	73,693

Head of Service Commentary

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	745	582	356	48

HOS Comment

The service is working to spend as much of the budget as possible within this financial year, but recognises the need to programme manage significant amounts of the budget into next year.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	207	102	105	51

HOS Comment

Children's Services forecast that the capital allocation of funding detailed above will be fully spent within 20/21

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	14,181	8,469	5,712	40

HOS Comment

Major Improvements programme has 99 schemes in 2020/21, including schemes carried forward from 2019/20. There are no schemes awaiting approval, no schemes to commission, 1 schemes commissioned, 2 schemes on hold, 11 schemes at the design stage, 12 are out to tender, 13 under construction and 60 schemes have been handed over to the end user. Any uncommitted funding within projects will be reallocated back to the programme contingency to cover for emergencies, unforeseeable and legislative requirements, and budget fluctuations over the course of the year and to ensure school service continuity. There are projects re-profiled from financial year 2020/21 into financial year 2021/22 due to health and safety with COVID-19 pandemic and maintaining safe operational schools.

21st Century Schools programme

The 21st Century Schools Programme is continuing to progress and deliver at pace; the programme has now delivered 11 school building projects since 2016.

Expenditure in January has focused on the construction of the access works to Welshpool CIW Primary School, and to progress the Bro Hyddgen Community Campus project through RIBA Stage 2.

Ysgol Gymraeg y Trallwng is slightly delayed due to the need to undertake site enabling works and gaining funding approval from WG; this has now been received and works are due to start soon. Ysgol Cedewain will also see the appointment of a design and build contractor imminently, therefore project pace and expenditure will elevate over the coming months.

Demolition of the former Brecon High School building has now also commenced.

Any remaining budget amount will need to be transferred to the next financial year and will be utilized to continue to deliver the programme.

Closure reports on completed schemes will also be submitted to Welsh Government in the next financial year, and full retentions will be released.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	19,918	14,692	5,226	26

HOS Comment

Highways core of £1.5M, HAMP £2.4M (adjusted), structural maintenance £1.5M, Structures £0.5m and Street Lighting £1.25M is currently on target.

HTR have been successful in gaining in year grants from various sources within WG from Circular Economy Funding, Transport, Flood Alleviation and Highways refurbishment, which is supporting capital projects.

North Bulking/Transfer Station works are substantially complete.

Rhayader Green Waste bay is completed.

Funding (100%) for Storm Dennis recovery works in 20/21 have been received from WG.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	2,883	1,490	1,393	48

HOS Comment

The service area is looking to work with finance business partners to roll forward capital allocated to Abermule and a small number of minor projects that have not be able to be completed in the current financial year.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	5,468	2,672	2,796	51
Housing Revenue Account	19,878	16,864	3,014	15

HOS Comment

The affordable housing new build programme is progressing well with more than 100 units in construction around the county. The team have successfully applied for WG grant funding, the confirmation of which assists in ensuring that these new build schemes remain affordable within the HRA Business Plan. The affordability of future schemes will depend on the availability of grant funding, more information from WG is expected in 2021. Some capital spend within the service has been delayed due to the ongoing Covid 19 pandemic, the service has worked with Finance colleagues to reprofile expenditure accordingly.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Regeneration	5,303	1,405	3,898	73

HOS Comment

Projects have been identified and assured of spend before year end subject to meeting grant funding requirements.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Digital Services	2,066	999	1,067	52

HOS Comment

Plans to deliver against target are on against the re-profiled spend.

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Legal	22	0	22	100

HOS Comment

Service Area	Net Budget	Actual Spend	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Finance	3,022	1,184	1,838	61

HOS Comment

£2.9 million of the budget relates to Transformation schemes which under the Welsh Government Capitalisation Directive are funded from Capital Receipts. This is now under review and these costs may be funded from revenue which will release the capital receipts to support the Capital Strategy in future years.

Appendix B

Small Capital Bids Process

An allocation of £0.50 million is approved annually as part of the Capital Programme for small capital bids. Services may bid for funding for small capital projects between £10,000 and £100,000.

Accompanying each bid will be documentation which includes the following.

The Case for Change

- Describe the proposed intervention and the business needs you are seeking to satisfy. How does satisfying these needs contribute to Vision 2025, or service goals and objectives?

Options Analysis & Recommended Option

- Describe the options considered: advantages & disadvantages, and conclusions.
- Describe the recommended option: scope, main deliverables and why this option has been selected over other options.
- Do you require planning permission?
- Describe the recommended option: benefits and risks.
- What are the risks to the service & the significance of the impacts should the project not proceed?
- Describe the recommended option: timescale, start and end date.
- Total value of works including fees.
- How have the value of works and fees been calculated & are there any risks of over/under spend?
- What are the revenue implications of the project?
- Will there be any revenue costs or savings?

Delivery Arrangements

- Describe the arrangements in place for successful delivery of the project.

The bids are then prioritised based on the following criteria.

RED	Essential works necessary due to breach of statutory standard to ensure building operation - or to achieve sufficient standard for divestment.
AMBER	Priority work that could be managed by Risk Assessment or reactive failure. May necessitate loss of service, mothballing areas or time zoning.
GREEN	Although priority works fall beyond the scope of red / amber.