

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
8th February 2022**

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Portfolio Holder for Finance

REPORT TITLE: Capital Forecast as at 31st December 2021

REPORT FOR: Decision / Information

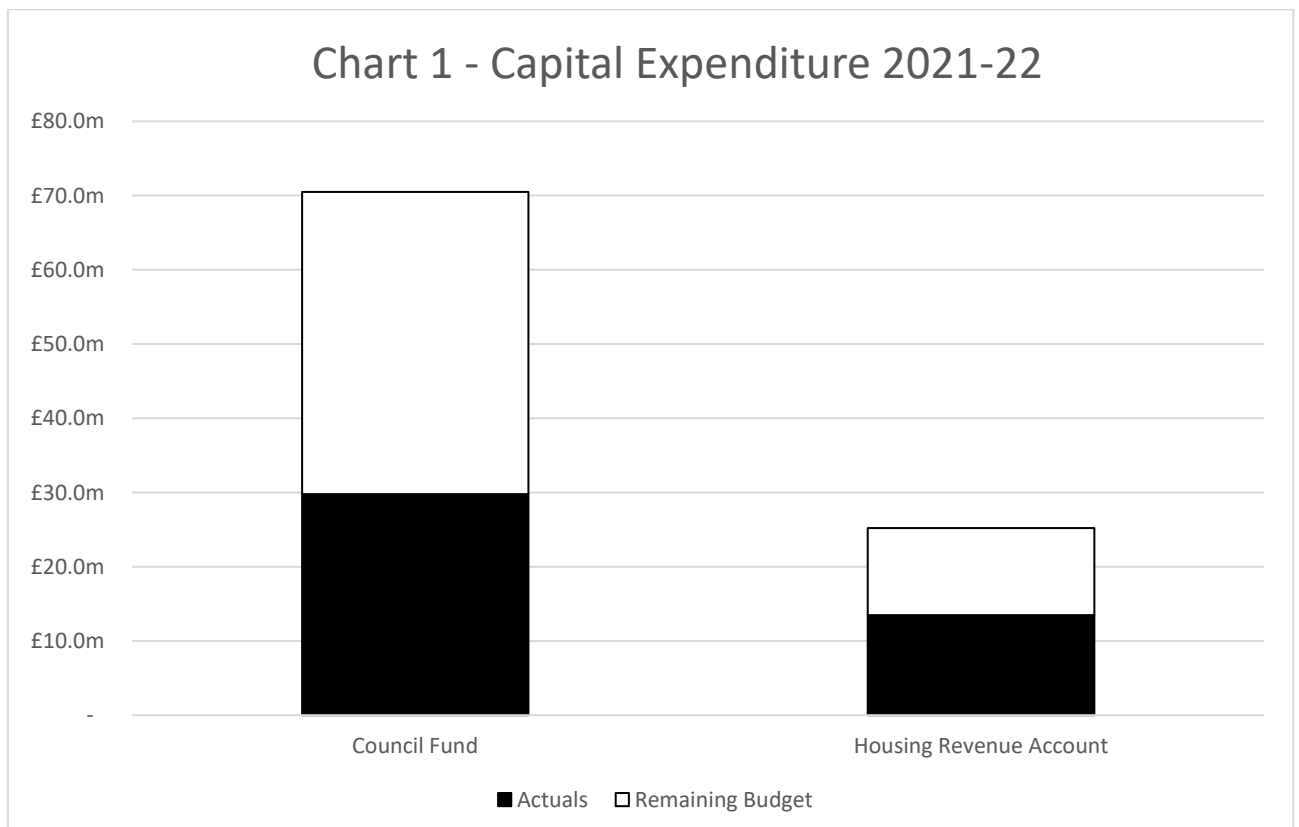
1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2021/22 as at 31st December 2021.

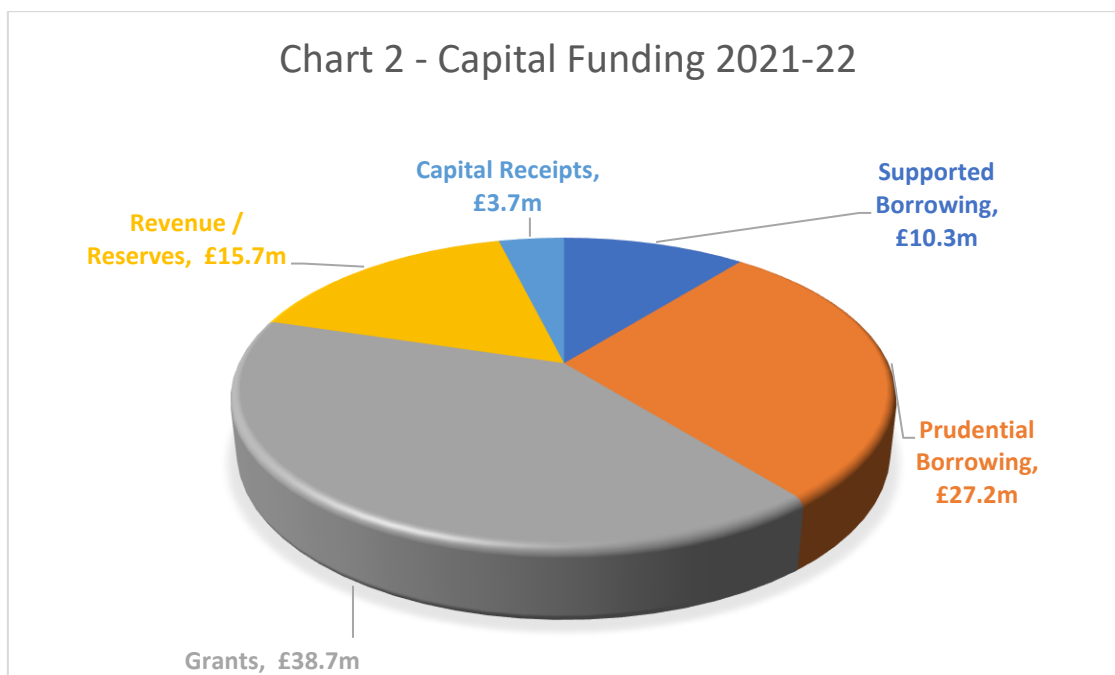
2. Background

2.1 The revised programme at the 31st December 2021 is budgeted at £95.59 million following the successful award of additional grants and the reprofiling of budgets between financial years.

2.2 Actual spend amounts to £43.18 million, representing 45% of the total budget. Chart 1 below summarises the financial position. A full breakdown for each service area can be found in Appendix A and includes a service manager's update.



- 2.3 The affordability of the capital programme is challenging with significant cost pressures due to the increasing costs of materials, this together with the limited numbers of contractors tendering for schemes and the rurality of Powys is impacting on the cost of schemes. A number of schemes are currently out for tender, once these are evaluated it will provide an indication of the level and impact of these cost increases. This may lead to some schemes being paused or stopped until additional funding is secured, or schemes being changed to deliver them in line with the funding available.
- 2.4 Chart 2 below sets out how the 2021/22 capital programme is funded, 39% is funded through borrowing, the interest cost for this is charged to the revenue account.



- 2.5 The revenue expenditure to cover the borrowing for past and present capital schemes, which includes the Minimum Revenue Provision (MRP), is estimated at £17.98 million. The Housing Revenue Account (HRA) proportion of these costs is expected to be £5.75 million. The total includes an over provision of MRP of £2.60 million (of which £1.22 million relates to the HRA) following the change of the MRP policy. This will allow the council to repay its debt earlier. The council retains the option to claw back an overprovision in future years to support the ongoing MRP provision limiting the impact on revenue in the short term should it be required.
- 2.6 Based on the estimates above, 4.4% of our net revenue budget of £279.80 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.

3. **Advice**

- 3.1 **Grants Received.** - The following grants have been received since the last report and are included for information.
- 3.2 **Education** - Welsh Government (WG) have awarded an additional sum of £0.49 million which forms part of the Covid recovery capital to support early years and childcare provision. This will be used to meet the increased costs on the existing childcare capital

schemes at Ysgol Dyffryn y Glowyr, Crossgates – Little Acorns, Guilsfield CP Primary School, Cylch Meithrin Rhayader and Ysgol Pontrobert. It also includes £0.13 million Covid 2021-22 Small Grant funding which is allocated to other early years and childcare settings.

- 3.3 **Childrens** - £0.07 million, which forms part of the Welsh Government Covid recovery capital to support Flying Start provision has been awarded to complete canopy works at Priory School.
- 3.4 £0.24 million of Welsh Government Flying Start Capital 2021/22 has been awarded for additional refurbishment to create a community kitchen, outdoor meeting area and demolition of building at the Oldford Integrated Family Centre.
- 3.5 £0.20 million of Welsh Government All Wales Play Opportunities Grant funding has been awarded. The purpose of the capital funding is to support, some of the actions within the Play Sufficiency (PSA) Action Plan and can also be used to complement play work provision.
- 3.6 **Economy and Digital Services** - £0.49 million awarded from Welsh Government for purchase of Hwb EdTech equipment for schools to maximise the opportunities digital can offer to teaching and learning in the delivery of the new curriculum in Wales.
- 3.7 An award of £0.63 million has been received from Welsh Government for the Connect Powys – Local Broadband Programme. The main project will connect 13 ‘hard to reach properties’ largely located at the ‘end of the line’ in Powys with an additional 139 properties passed on route also being connected as part of the project. £0.07 million is allocated for 2021/22 and the remaining amount will be utilised in 2022/23.
- 3.8 A total of £23.20 million has been included in the capital programme following the central Government Levelling Up Funding announcement that the Montgomery Canal scheme and schemes in Brecon and Radnorshire have been approved. £20.90 million is funded by Central Government, £1.00 million from third parties and the remaining £1.30 million funded by the council.
- 3.9 **Adult Services** - An allocation of £0.05 million has been awarded from the Welsh Government Substance Misuse Action Fund to provide a grant to Kaleidoscope towards refurbishment and alarm works.
- 3.10 **Virements**
- 3.11 **Adult Services** - A business case was considered by Executive Management Team for continued urgent capital works on the Powys owned residential homes. This £0.40 million investment is required as part of the extension of the agreement between Powys and Shaw Healthcare who manage these properties. Cabinet is requested to approve this virement with the amount being split equally between 2022/23 and 2023/24.
- 3.12 **Reprofiling Budgets Across Financial Years.**
- 3.13 Following a review of the pipeline schemes held under the corporate capital heading a total of £1.68 million has been reprofiled into future years. This funding will be released to the relevant projects when they have reached the relevant stage of approval under the capital governance process.

- 3.14 Following a review of the Highway Asset Management Plan (HAMP) £0.13 million has been rolled forward into 2022/23 for projects that will continue into the new financial year.
- 3.15 The South Powys Bulking Site project has been paused while a new business case is developed to ensure that the site is fully compliant with updated NRW permitting requirements and has the capacity to deal with additional recyclable materials in the future. The remaining budget of £1.20 million budget has been rolled forward into 2022/23.
- 3.16 Due to the project still being in the design phase, £0.43 million of the budget for Brecon Household Waste Recycling Centre project has been rolled forward into next financial year.
- 3.17 Welsh Government funding of £0.36 million in relation to implementation of separate household collections for absorbent hygiene product waste has been rolled forward into 2022/23 as it is not viable to progress with separate collections at the current time.
- 3.18 £0.50 million has been reprofiled into 2022/23 for Ysgol Gymraeg Y Trallwng, there have been some delays in this financial year with this scheme. Construction is now well underway, and this roll forward is required based on the latest spend profile.
- 3.19 A total of £0.46 million budget for delayed Countryside Services schemes has been reprofiled into future years. Of this amount £0.15 million has been rolled forward to enable applications for match funded grants and £0.28 million for works at Monks Trod that cannot currently go ahead for ecological reasons.
- 3.20 £1.36 million funding for the regeneration of the Autopalace in Llandrindod Wells has been rolled forward into 2022/23 as the scheme is experiencing delays and is still in the design stage.
- 3.21 **Capital Receipts**
- 3.22 The Council's transformation programme is currently funded through a capitalisation directive that allows capital receipts to fund revenue transformation spend and transformation redundancies. This directive is due to end on the 31st March 2022. This year the budget requirement is £3.00 million. Following the decision to fund the Transformation costs in 2020/21 from the revenue budget there is sufficient capital receipts already held to cover this year's requirement.
- 3.23 There are currently sales agreed to the value of £1.88 million which are at the legal stage of the process and will generate future capital receipts. The year-end forecast is estimated at £2.10 million. 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. Any increase in the Covid restrictions 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.

3.24 At the end of 2020/21 there is £4.54 million of capital receipts already in hand. Any capital receipts above those required to cover Transformation costs, will be used to support the Capital Strategy in future years.

4. Resource Implications

4.1 The Head of Finance (Section 151 Officer) notes the content of the report and can support the recommendation to approve the virement. Expenditure on the Capital Programme needs to be monitored carefully as the year progresses. The 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. Our capital financing strategy must look to utilise all sources of funding before committing to borrowing and we must take every opportunity to maximise the use of resources to support projects already approved in the Programme. Prioritisation of resources at a corporate level ensures that the council can effectively meet its objectives whilst maintaining an affordable level of investment.

5. Legal implications

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

9. Recommendation

9.1 That the contents of this report are noted.

9.2 That Cabinet approves the virement proposed in section 3.10.

Appendix A:

Table 2 - Capital Table as at 31st December 2021

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget £	Remaining Budget %
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	300	336	636	68	568	89
Childrens Services	1,092	674	1,766	173	1,593	90
Education	34,949	(18,477)	16,472	9,068	7,404	45
Highways Transport & Recycling	13,771	13,597	27,368	13,644	13,724	50
Property, Planning & Public Protection	1,525	1,861	3,386	677	2,709	80
Housing & Community Development	10,419	(2,900)	7,519	2,323	5,196	69
Regeneration	0	7,307	7,307	874	6,433	88
Digital Services	1,130	526	1,656	1,070	586	35
Corporate	10,440	(6,172)	4,268	1,762	2,506	59
Total Capital	73,626	(3,248)	70,378	29,659	40,719	58
Housing Revenue Account	27,903	(2,695)	25,208	13,498	11,710	46
TOTAL	101,529	(5,943)	95,586	43,157	52,429	55

Table 3 - Funding of the Capital Budget as at 31st December 2021

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	10,254	18,295	29,306	8,857	3,666	70,378
HRA	0	8,952	9,425	6,831	0	25,208
Total	10,254	27,247	38,731	15,688	3,666	95,586

Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	636	68	568	89
<u>HOS Comment</u>				
With the exception of budget allocation of £130k for Community Equipment the budget will be utilised in full.				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	1,766	173	1,593	90
<u>HOS Comment</u>				
Oldford Integrated Family Centre - We have been successful with the commissioning process for Oldford and have appointed a company local to Welshpool, with a wealth of experience in similar projects. The majority of project and spend will be completed 21/22 and WG have confirmed carry forward of any funding not spent in 21/22.				
Flying Start Childcare provision, Priory – Planning permission granted and contract awarded. We have contacted WG about seeking a formal extension to the project and carry over of funding which has been agreed.				
Play opportunities Grant – On track for full spend by end of March 2022.				
Bannau Camlas – All funding will be spent by end of March 2022.				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	16,472	9,068	7,404	45
<u>HOS Comment</u>				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
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	£'000	£'000	£'000	%
Highways, Transport and Recycling	27,368	13,644	13,724	50
<u>HOS Comment</u>				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	3,386	677	2,709	80
<u>HOS Comment</u>				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing and Community Development	7,519	2,323	5,196	69
Housing Revenue Account	25,208	13,498	11,710	46
<u>HOS Comment</u>				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Regeneration	7,307	874	6,433	88
<u>HOS Comment</u>				
Capital grant funding for regeneration projects are monitored on a regular basis. Any delays to planned delivery are raised with grant funders as soon as this becomes apparent to ensure roll-over is acceptable or delivery can be adjusted to achieve project delivery. All known changes for planned delivery have been approved and revised within the profile.				

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Digital Services	1,657	1,070	586	35

HOS Comment

Capital spend is currently on track against planned spend profile. The remaining budget supports Infrastructure investment, cyber security improvements and digital transformation and are on track for delivery in year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Corporate	4,268	1,762	2,506	59

HOS Comment

£3 million of the budget relates to Transformation schemes which under the Welsh Government Capitalisation Directive are funded from Capital Receipts.

The remaining budget relates to capital bids that have yet to complete the Capital Governance process, if the schemes are approved the budgets will be released to the service area.