

## CABINET

<b>Date of Meeting</b>	Tuesday, 24 <sup>th</sup> September 2019
<b>Report Subject</b>	Capital Programme Monitoring 2019/20 (Month 4)
<b>Cabinet Member</b>	Cabinet Member for Finance
<b>Report By</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### **EXECUTIVE SUMMARY**

The report summarises changes made to the Capital Programme 2019/20 since it was set in February 2019 to the end of Month 4 (July 2019), along with expenditure to date and projected outturn.

The Capital Programme has seen a net increase of £27.844m during the period. This is comprised of:-

- Net increases in the programme of £15.914m (Council Fund (CF) £15.390m, Housing Revenue Account (HRA) £0.524m);
- Introduction of Carry Forward from 2018/19 of £11.930m (CF £11.930m, HRA £0.000m)

Actual expenditure was £15.106m.

The Capital Programme Monitoring 2018/19 final outturn position, for the 3 year budget set in February 2018 ending in 2020/21, reflected a deficit of £1.187m.

The combined current deficit position of the Capital Programme, for the 3 year budget set in February 2019 ending in 2021/22 is £1.230m. This is in advance of any additional capital receipts or other funding being generated in year.

## RECOMMENDATIONS

1	Cabinet are requested to approve the overall report.
2	Cabinet are requested to approve the carry forward adjustments set out in 1.16.
3	Cabinet are requested to approve the funding of schemes from the current 'headroom', re-profiling of the Disability Discrimination Act (DDA) budget and if required, funding for flooding impact on the Highway Network as set out in 1.17.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE MONTH 4 CAPITAL PROGRAMME MONITORING POSITION- 2019/20</b>
	<b>Background</b>
1.01	The Council approved a Council Fund (CF) capital programme of £27.751m and a Housing Revenue Account (HRA) capital programme of £34.208m for 2019/20 at its meeting of 19 <sup>th</sup> February, 2019.
1.02	For presentational purposes the capital programme is shown as a whole, with sub-totals for the Council Fund and HRA. In reality the HRA programme is ring fenced and can only be used for HRA purposes.
	<b>Changes since Budget approval</b>
1.03	Table 1 below sets out how the programme has changed during 2019/20. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-

**Table 1**

<b>REVISED PROGRAMME</b>	<b>Original Budget 2019/20</b>	<b>Carry Forward from 2018/19</b>	<b>Changes - This Period</b>	<b>Revised Budget 2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
People & Resources	0.250	0.203	0.000	0.453
Governance	1.057	0.199	0.000	1.256
Education & Youth	9.943	4.336	0.585	14.864
Social Care	1.001	3.084	6.150	10.235
Planning, Environment & Economy	0.000	0.661	0.100	0.761
Streetscene & Transportation	0.600	1.403	8.337	10.340
Strategic Programmes	0.700	0.424	0.027	1.151
Housing & Assets	14.200	1.620	0.191	16.011
<b>Council Fund Total</b>	<b>27.751</b>	<b>11.930</b>	<b>15.390</b>	<b>55.071</b>
<b>HRA Total</b>	<b>34.208</b>	<b>0.000</b>	<b>0.524</b>	<b>34.732</b>
<b>Programme Total</b>	<b>61.959</b>	<b>11.930</b>	<b>15.914</b>	<b>89.803</b>

**Carry Forward from 2018/19**

1.04

Carry forward sums from 2018/19 to 2019/20, totalling £11.930m (CF £11.930m, HRA £0.000m), were approved as a result of the quarterly monitoring reports presented to Cabinet during 2018/19.

**Changes during this period**

1.05

Funding changes during this period have resulted in a net increase in the programme total of £15.914m (CF £15.390m, HRA £0.524m). A summary of the changes, detailing major items, is shown in Table 2 below:-

**Table 2**

<b>CHANGES DURING THIS PERIOD</b>		
	<b>Para</b>	<b>£m</b>
<b><u>COUNCIL FUND</u></b>		
<b>Increases</b>		
Local Transport / Active Travel / Safe Routes Grant	1.06	7.203
Children's Services Grants	1.07	6.150
Highways	1.08	0.954
Educational Grants	1.09	0.585
Waste Services	1.10	0.180
Other Aggregate Increases		0.318
		15.390
<b>Decreases</b>		
Other Aggregate Decreases		0.000
		0.000
<b>Total</b>		<b>15.390</b>
<b><u>HRA</u></b>		
<b>Increases</b>		
Other Aggregate Increases	1.11	0.524
		0.524
<b>Decreases</b>		
Other Aggregate Decreases		0.000
		0.000
<b>Total</b>		<b>0.524</b>

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|------|--|
| 1.06 | It is usual in the early part of the financial year to receive notification of funding allocations that were not available at budget setting time. This is the case with the Local Transport, Active Travel and Safe Routes grants from Welsh Government (WG). These grants will provide a range of transportation schemes across the County, including cycling links and construction of a Park & Ride on the Deeside Industrial Park.  |
| 1.07 | Award of funding received from WG for the Childcare Offer Capital Grant, £5.390m and Flying Start Capital Funding, £0.760m. The purpose of the Childcare funding is to enable the Council to support or provide sufficient childcare places to meet demand generated by the Childcare Offer. This provides 3-4 year olds with 30 hours of funded early education and childcare per week. The Flying Start grant will enable the Council to build, develop and refurbish suitable premises from which Flying Start services can be delivered, which provides support services to children under 3 years old and their families. |

1.08	Introduction of Highways Maintenance Grant funding from WG of £0.954m which will support the Councils core funding allocation of £0.600m for the Highway Asset Management Plan which is invested to maintain current network performance where required.
1.09	Voluntary Aided (VA) Schools Grant Funding awarded from WG for works at Richard Gwyn Catholic High School, £0.434m and St Ethelwolds Primary School, £0.151m.
1.10	WG grant awarded of £0.180m in relation to the development of waste transfer depot facilities and equipment to deliver operational efficiencies and improved management of residual waste and recyclates going to the residual waste treatment plant.
1.11	Introduction of budget in the Strategic Housing and Regeneration Programme (SHARP) to accommodate schemes rolled over from 2018/19 to match expenditure.
1.12	<p><b>Capital Expenditure compared to Budget</b></p> <p>Expenditure as at Month 4, across the whole of the capital programme was £15.106m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget. This shows that 16.82% of the budget has been spent (CF 16.13%, HRA 17.91%). Corresponding figures for Month 4 2018/19 were 17.97% (CF 16.08%, HRA 20.18%).</p>
1.13	The table also shows a projected underspend (pending carry forward and other adjustments) of £0.057m on the Council Fund and a break even position on the HRA.

**Table 3**

EXPENDITURE	Revised Budget	Outturn Expenditure	Percentage Spend v Budget	Projected Outturn	Variance Budget v Outturn (Under)/Over
	£m	£m	%	£m	£m
People & Resources	0.453	0.00	0.00	0.453	0.000
Governance	1.256	0.001	0.09	1.256	0.000
Education & Youth	14.864	3.223	21.68	15.064	0.200
Social Care	10.235	1.305	12.75	10.235	0.000
Planning, Environment & Economy	0.761	0.062	8.15	0.771	0.010
Streetscene & Transportation	10.340	1.996	19.30	10.193	(0.147)
Strategic Programmes	1.151	0.745	64.73	1.031	(0.120)
Housing & Assets	16.011	1.553	9.70	16.011	0.000
<b>Council Fund Total</b>	55.071	8.885	16.13	55.014	(0.057)
Disabled Adaptations	1.082	0.290	26.80	1.082	0.000
Energy Schemes	0.639	0.061	9.55	0.639	0.000
Major Works	1.871	0.749	40.03	1.871	0.000
Accelerated Programmes	0.728	0.111	15.25	0.728	0.000
WHQS Improvements	18.624	3.513	18.86	18.624	0.000
SHARP Programme	11.788	1.497	12.70	11.788	0.000
<b>Housing Revenue Account Total</b>	34.732	6.221	17.91	34.732	0.000
<b>Programme Total</b>	<b>89.803</b>	<b>15.106</b>	<b>16.82</b>	<b>89.746</b>	<b>(0.057)</b>

1.14 Details of the variances for individual programme areas are listed in Appendix B, which includes the reasons, and remedial actions which may be required, where those variances exceed +/- 10% of the revised budget. In addition, where carry forward into 2020/21 has been identified, this is also included in the narrative.

1.15 **Carry Forward into 2020/21**  
During the quarter carry forward of £0.617m (all CF) has been identified which reflects reviewed spending plans across all programme areas; these committed amounts have been identified as now required to meet the cost of programme works and/or retention payments in 2020/21.

1.16 Information relating to each programme area is contained in Appendix B and summarised in Table 4 below:-

**Table 4**

<b>CARRY FORWARD INTO 2020/21</b>	
	<b>Month 4 £m</b>
Streetscene & Transportation	0.497
Strategic Programmes	0.120
<b>Council Fund</b>	<b>0.617</b>
<b>TOTAL</b>	<b>0.617</b>

**Additional Allocations**

1.17

Additional allocations have been identified in the programme in this quarter as follows:

- Arosfa Extension - £0.085m. Arosfa is a short term care facility supporting children and young people who have a physical or learning disability. The facility is regularly oversubscribed meaning short term care has to be purchased out of county at additional cost. The revised extension and refurbishment costs of this existing scheme estimate a £0.085m shortfall in the funding allocated to complete the scheme. Development to proceed is required as soon as possible as this will generate revenue savings by reducing the costs of Out of County placements, and provide additional, higher quality short term care closer to home for our clients.
- Flint High School ATP Surface Replacement - £0.040m. Cost of replacing ATP surface, was more than the original estimate approved (£0.130m) in the capital programme.

Both can be funded from within the current 'headroom' provision, leaving a remaining balance of £0.305m.

Disability Discrimination Act (DDA) Adaptations Programme Projects

This is a statutory requirement on Local Authorities to complete adaptations. In recent years this budget has been sufficient. There is a pressure of £0.200m on DDA Projects due to the size of the schemes in 2019/20. It is proposed to underwrite this by taking £0.200m from the 2020/21 school building works allocation.

### Flooding impact on Highway Network, June 2019

A pressure of £0.350m has been identified within the Streetscene & Transportation portfolio's Highways Asset Management Plan. Reconstruction of the Highway Network was necessary to keep transportation routes open as a result of damage created from flooding across the County in June, following an extreme weather event. The network damage was widespread and included road foundations being undermined, particularly on roads adjacent to water courses, and road surfaces being lifted by inspection covers, due to the pressure created by the sheer volume of water within the drainage system.

A grant funding request has been submitted to Welsh Government to mitigate the pressure, which is awaiting confirmation on eligibility and outcome of award of funding.

If not successful, the shortfall in funding for the capital programme for 2019/20 – 2021/22 will increase from £1.230m to £1.580m

### **Savings**

1.18 No savings have been identified in the programme in this quarter.

### **Funding of 2019/20 Approved Schemes**

1.19 The position at Month 4 is summarised in Table 5 below:-

**Table 5**

<b>FUNDING OF APPROVED SCHEMES - OUTTURN</b>		
	<b>£m</b>	<b>£m</b>
Capital Receipts Available as at 31/03/19		(13.633)
Carry Forward to 2019/20 - Approved	11.930	
Assumed in 2019/20 - 2021/22 Budget	2.562	14.492
		<b>0.859</b>
<b>Increases</b>		
Shortfall in 2019/20 to 2021/22 Budget	0.374	0.374
<b>Decreases</b>		
Actual In year receipts	(0.003)	(0.003)
<b>Funding - (Available)/Shortfall</b>		<b>1.230</b>

1.20 The final outturn funding deficit from 2018/19 – 2020/21 was £1.187m.



	<p>In addition, schemes put forward for the years 2019/20 - 2021/22 showed a potential shortfall in funding of £0.374m. The supporting detail can be found in the report 'Development of 2019/20 - 2021/22 Capital Programme' which was presented to Council on 19<sup>th</sup> February 2019.</p> <p>Combined, there is currently a funding shortfall of £1.230m over the 3 year period, prior to the realisation of additional capital receipts and/or other funding sources.</p>																																												
	<p><b>Investment in County Towns</b></p>																																												
1.21	<p>At its meeting on 12<sup>th</sup> December 2017, the Council approved a Notice of Motion relating to the reporting of investment in county towns. The extent and format of the reporting was agreed at the Corporate Resources Overview and Scrutiny Committee on 14<sup>th</sup> June 2018.</p>																																												
1.22	<p>Table 6 below shows a summary of the 2018/19 actual expenditure, the 2019/20 revised budget and budgets for future years as approved by Council at its meeting of 19<sup>th</sup> February, 2019. Further detail can be found in Appendix C, including details of the 2019/20 spend to Month 4.</p> <p><b><u>Table 6</u></b></p> <table><tr><th colspan="4"><b>INVESTMENT IN COUNTY TOWNS</b></th></tr><tr><th></th><th><b>2018/19 Actual £m</b></th><th><b>2019/20 Revised Budget £m</b></th><th><b>2020 - 2022 Budget £m</b></th></tr><tr><td>Buckley / Penyffordd</td><td>3.485</td><td>3.658</td><td>1.381</td></tr><tr><td>Connah's Quay / Shotton</td><td>10.903</td><td>4.528</td><td>0.000</td></tr><tr><td>Flint / Bagillt</td><td>2.209</td><td>1.911</td><td>0.000</td></tr><tr><td>Holywell / Caerwys / Mostyn</td><td>3.905</td><td>2.420</td><td>0.000</td></tr><tr><td>Mold / Treuddyn / Cilcain</td><td>1.897</td><td>1.546</td><td>0.500</td></tr><tr><td>Queensferry / Hawarden / Sealand</td><td>5.661</td><td>6.561</td><td>0.000</td></tr><tr><td>Saltney / Broughton / Hope</td><td>0.548</td><td>7.382</td><td>0.207</td></tr><tr><td>Unallocated / To Be Confirmed</td><td>3.202</td><td>12.831</td><td>23.695</td></tr><tr><td><b>Total</b></td><td><b>31.810</b></td><td><b>40.837</b></td><td><b>25.783</b></td></tr></table>	<b>INVESTMENT IN COUNTY TOWNS</b>					<b>2018/19 Actual £m</b>	<b>2019/20 Revised Budget £m</b>	<b>2020 - 2022 Budget £m</b>	Buckley / Penyffordd	3.485	3.658	1.381	Connah's Quay / Shotton	10.903	4.528	0.000	Flint / Bagillt	2.209	1.911	0.000	Holywell / Caerwys / Mostyn	3.905	2.420	0.000	Mold / Treuddyn / Cilcain	1.897	1.546	0.500	Queensferry / Hawarden / Sealand	5.661	6.561	0.000	Saltney / Broughton / Hope	0.548	7.382	0.207	Unallocated / To Be Confirmed	3.202	12.831	23.695	<b>Total</b>	<b>31.810</b>	<b>40.837</b>	<b>25.783</b>
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1.23	<p>The inclusion of actuals for 2018/19 and approved schemes for future years allows a slightly fuller picture of investment plans. However, expenditure which has occurred in years' prior to 2018/19 has not be included, and the expenditure and budgets reported should be considered in that context.</p>																																												
1.24	<p>There are two significant factors which increase allocations to particular areas, which are homes developed under SHARP, and new or remodelled schools. The impact of these can be seen in the detail shown in Appendix C.</p>																																												

1.25	Some expenditure cannot yet be allocated to specific towns as schemes are not yet fully developed or are generic in nature and not easily identifiable to one of the seven areas. As such schemes are identified the expenditure will be allocated to the relevant area.																											
1.26	Information on the split between internal and external funding can be found in Appendix C.																											
1.27	<p>In addition to the information contained in Appendix C, there is also considerable capital expenditure on the HRA Welsh Housing Quality Standard (WHQS), which was originally outside the scope of this analysis. A summary is provided in Table 7 below, albeit using a slightly different catchment area basis.</p> <p><b><u>Table 7</u></b></p> <table><tr><th colspan="3"><b>WHQS Programme</b></th></tr><tr><th></th><th><b>2018/19 Actual £m</b></th><th><b>2019/20 Budget £m</b></th></tr><tr><td>Holywell</td><td>0.800</td><td>2.400</td></tr><tr><td>Flint</td><td>3.040</td><td>2.100</td></tr><tr><td>Deeside &amp; Saltney</td><td>4.400</td><td>0.300</td></tr><tr><td>Buckley</td><td>2.400</td><td>0.300</td></tr><tr><td>Mold</td><td>1.230</td><td>7.200</td></tr><tr><td>Connah's Quay &amp; Shotton</td><td>1.740</td><td>0.300</td></tr><tr><td><b>Total</b></td><td><b>13.610</b></td><td><b>12.600</b></td></tr></table>	<b>WHQS Programme</b>				<b>2018/19 Actual £m</b>	<b>2019/20 Budget £m</b>	Holywell	0.800	2.400	Flint	3.040	2.100	Deeside & Saltney	4.400	0.300	Buckley	2.400	0.300	Mold	1.230	7.200	Connah's Quay & Shotton	1.740	0.300	<b>Total</b>	<b>13.610</b>	<b>12.600</b>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications - As set out in the body of the report.
2.02	Personnel implications - None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	No consultation is required as a direct result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	At this stage in the financial year and given the size and complexity of schemes within the programme, it is considered that the level of spend against budget is appropriate and poses no risk or negative impact for the Council e.g. loss of external funding.

	<p>If the grant funding bid is not successful in relation to the works on the Highway Network as a result of flooding in June 19, the funding shortfall over the 3 year Capital Programme will increase from £1.230m to £1.580m.</p> <p>The Council has developed a prudent policy of allocating its own capital receipts to fund capital projects only when receipts are actually received rather than when it is anticipated the receipt will be received, and this position continues to be the case. In recent years, much of the Council's investment programme has been funded from capital receipts. Whilst the Council's ability to generate significant capital receipts is getting harder the Council is in the process of negotiating a number of capital receipts and will wherever possible seek to identify assets for sale (as appropriate) which will address the funding shortfall in the current 3 year capital programme. There is risk relating to such receipts due to their size and complexity. The timing of these receipts are also subject to market forces outside of the Council's control. In line with current policy no allowance has been made for these receipts in reporting the Council's capital funding position.</p> <p>When shortfalls in the Capital Programme are approved the funding is kept flexible. Options include a combination of future capital receipts, alternative grants (if available), prudential borrowing or the re-phasing of schemes can be considered. Capital budgets and funding options will be closely monitored and considered throughout the year.</p>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A: Capital Programme - Changes during 2019/20
5.02	Appendix B: Variances
5.03	Appendix C: Investment in Towns

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>Capital Programme monitoring papers 2019/20.</p> <p><b>Contact Officer:</b> Chris Taylor Principal Accountant</p> <p><b>Telephone:</b> 01352 703309</p> <p><b>E-Mail:</b> <a href="mailto:christopher.taylor@flintshire.gov.uk">christopher.taylor@flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Budget Re-profiling:</b> Capital schemes are very dynamic and a number of factors can influence their timing and funding. Budget re-profiling assures that the correct resources are available in the correct accounting period to finance the actual level of expenditure.

**Capital Expenditure:** Expenditure on the acquisition of **non-current assets** or expenditure which extends the useful life of an existing asset

**Capital Programme:** The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.

**Capital Receipts:** Receipts (in excess of £10,000) realised from the disposal of assets.

**Carry Forward:** Carry forward occurs when schemes due to be completed in a given financial year are delayed until a subsequent year. In this case the relevant funding is carried forward to meet the delayed, contractually committed expenditure.

**CERA: Capital Expenditure charged to Revenue Account.** The Council is allowed to use its revenue resources to fund capital expenditure. However the opposite is not permissible.

**Council Fund (CF):** The fund to which all the Council's revenue and capital expenditure is charged.

**Housing Revenue Account (HRA):** The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.

**MRA:** Major Repairs Allowance. A general capital grant from WG for HRA purposes.

**Non-current Asset:** A resource controlled (but not necessarily owned) by the Council, from which economic benefits or service potential are expected to flow to the Council for more than 12 months.

**Section 106:** Monies are received from developers/contractors pursuant to Section 106 of the Town & Country Planning Act 1990. These sums are available for use once the relevant terms of the individual agreement have been met. The monies are most commonly used for educational enhancement, play areas, highways and affordable housing.

**Target Hardening:** Measures taken to prevent unauthorised access to Council sites.

**Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing -** Each year Welsh Government provide Councils with a Supported Borrowing allocation. Councils borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

**Unsupported (Prudential) Borrowing:** Borrowing administered under the Prudential Code, whereby Authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows Authorities to take out loans in response to overall cash flow forecasts and

	other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.
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