

CABINET

Date of Meeting	Tuesday, 20 th February 2024
Report Subject	Capital Programme Monitoring 2023/24 (Month 9)
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The report summarises changes made to the Capital Programme 2023/24 since it was set in January 2023 to the end of Month 9 (December 2023), along with expenditure incurred to date and the projected outturn.

The Capital Programme has seen a net decrease in budget of (£1.803m) during the period which comprises of:-

- Net budget decrease in the programme of (£0.477m) (See Table 2 - All Council Fund (CF));
- Net Carry Forward to 2024/25 approved at Month 6 of (£1.151m)
- Identified savings at Month 9 of (£0.175m) (CF)

Actual expenditure was £43.441m (See Table 3).

Capital receipts received in the third quarter of 2023/24, along with savings identified total £0.316m. This provides a revised projected surplus in the Capital Programme at Month 9 of £2.312m (from a Month 6 funding surplus of £1.996m) for the 2023/24 – 2025/26 Capital Programme, prior to the realisation of additional capital receipts and/or other funding sources.

RECOMMENDATIONS

	Cabinet are requested to:
1	Approve the overall report.
2	Approve the carry forward adjustments, as set out at 1.12.

REPORT DETAILS

1.00	EXPLAINING THE 2023/24 CAPITAL PROGRAMME MONITORING POSITION – MONTH 9
1.01	Background Council approved a Council Fund (CF) Capital Programme of £33.041m and a Housing Revenue Account (HRA) Capital Programme of £29.457m for 2023/24 at its meeting on 24 January 2023.
1.02	For presentational purposes the Capital Programme is shown as a whole, with sub-totals for the Council Fund and HRA. The HRA programme is 'ring fenced' and can only be used for HRA purposes.
1.03	Changes since Budget approval Table 1 below sets out how the programme has changed during 2023/24. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-

Table 1

REVISED PROGRAMME	Original Budget 2023/24	Carry Forward from 2022/23	2023/24 Previously Reported		Savings - This Period	Changes - This Period	Revised Budget 2023/24
			Changes	Carry Forward to 2024/25			
			£m	£m			
People & Resources	0.350	0.150	(0.113)	0.000	0.000	(0.023)	0.364
Governance	0.357	0.294	0.585	(0.100)	(0.055)	0.023	1.104
Education & Youth	3.696	8.462	4.802	(0.527)	(0.120)	(1.468)	14.845
Social Services	3.680	0.171	2.210	(1.337)	0.000	0.969	5.693
Planning, Environment & Economy	0.040	1.018	1.531	(0.725)	0.000	0.270	2.134
Streetscene & Transportation	1.500	5.756	9.692	(0.546)	0.000	(0.296)	16.106
Housing and Communities	1.660	0.186	0.987	0.000	0.000	0.000	2.833
Capital Programme and Assets	21.758	1.992	0.698	(0.996)	0.000	0.048	23.500
Council Fund Total	33.041	18.029	20.392	(4.231)	(0.175)	(0.477)	66.579
HRA Total	29.457	0.000	(3.177)	0.000	0.000	0.000	26.280
Programme Total	62.498	18.029	17.215	(4.231)	(0.175)	(0.477)	92.859

1.04

Carry Forward from 2022/23

Carry forward sums from 2022/23 to 2023/24, totalling £18.029m (all CF), were approved as a result of the quarterly monitoring reports presented to Cabinet during 2022/23.

1.05

Changes during this period

Funding changes during this period have resulted in a net decrease in the programme total of (£0.477m) (all CF) A summary of the changes, detailing major items, is shown in Table 2 below:-

Table 2

CHANGES DURING THIS PERIOD		
	Para	£m
<u>COUNCIL FUND</u>		
Increases		
Services to Older People	1.06	2.930
Other Aggregate Increases		1.025
		3.955
Decreases		
Learning Disability	1.07	(1.961)
Schools Modernisation	1.08	(1.935)
Other Aggregate Decreases		(0.536)
		(4.432)
Total		(0.477)

1.06 Introduction of Housing with Care Fund and the Integration and Rebalancing Capital Fund grant from Welsh Government (WG) in relation to Croes Atti Newydd Residential Care scheme.

1.07 Re-profiling of prudential borrowing and grant adjusted for in year expenditure in relation to the relocation of day service provision relocation project.

1.08 Re-profiling of grant funding over financial years following the commencement of works at Ysgol Croes Atti, Flint.

1.09 **Capital Expenditure compared to Budget**

Expenditure incurred as at Month 9, across the whole of the Capital Programme was £43.441m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget.

This shows that 46.78% of the budget has been spent (CF 44.09%, HRA 53.59%). Corresponding figures for Month 9 2022/23 were 49.32% (CF 42.37%, HRA 60.70%).

1.10 The table also shows a projected underspend (pending carry forward and other adjustments) of £1.810m on the Council Fund and a break-even position on the HRA.

Table 3

EXPENDITURE	Revised Budget	Cumulative Expenditure Month 9	Percentage Spend v Budget	Projected Outturn	Variance Budget v Outturn (Under)/Over
	£m	£m	%	£m	£m
People & Resources	0.364	0.000	0.00	0.364	0.000
Governance	1.104	0.651	58.97	1.016	(0.088)
Education & Youth	14.845	6.454	43.48	13.601	(1.244)
Social Services	5.693	2.067	36.31	5.619	(0.074)
Planning, Environment & Economy	2.134	0.603	28.26	2.134	0.000
Streetscene & Transportation	16.106	6.744	41.87	15.780	(0.326)
Housing & Communities	2.833	1.652	58.31	2.833	0.000
Capital Programme & Assets	23.500	11.187	47.60	23.422	(0.078)
Council Fund Total	66.579	29.358	44.09	64.769	(1.810)
Disabled Adaptations	1.100	0.660	60.00	1.100	0.000
Energy Schemes	5.235	3.337	63.74	5.235	0.000
Major Works	1.714	1.422	82.96	1.714	0.000
Accelerated Programmes	0.595	0.241	40.50	0.595	0.000
WHQS Improvements	13.436	7.558	56.25	13.436	0.000
Modernisation / Improvements	2.200	0.000	0.00	2.200	0.000
SHARP Programme	2.000	0.865	43.25	2.000	0.000
Housing Revenue Account Total	26.280	14.083	53.59	26.280	0.000
Programme Total	92.859	43.441	46.78	91.049	(1.810)

1.11 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 2024/25 has been identified, this is also included in the narrative.

1.12 **Carry Forward into 2024/25**
During the quarter, carry forward requirements of £1.810m (all CF) have been identified which reflects reviewed spending plans across all programme areas. These amounts can be split into two areas, those required to meet the cost of programme works and/or retention payments in 2024/25.

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

Table 4

CARRY FORWARD INTO 2024/25	Month 4	Month 6	Reversed	Sub Total	Month 9	Total
	£m	£m	£m	£m	£m	£m
	Governance	0.143	0.012	(0.055)	0.100	0.088
Education & Youth	0.197	0.330	0.000	0.527	1.244	1.771
Social Services	1.337	0.000	0.000	1.337	0.074	1.411
Planning, Environment & Economy	0.508	0.217	0.000	0.725	0.000	0.725
Streetscene & Transportation	0.046	0.500	0.000	0.546	0.326	0.872
Capital Programme & Assets	0.898	0.154	(0.056)	0.996	0.078	1.074
Council Fund	3.129	1.213	(0.111)	4.231	1.810	6.041
TOTAL	3.129	1.213	(0.111)	4.231	1.810	6.041

1.14 **Additional Allocations**

There have been no additional allocations identified in this quarter.

1.15 **Savings**

The following savings have been identified in the programme this quarter:

- Demolition of former Penyffordd Junior CP School - £0.120m. Core funding returned to the programme following award of grant funding from WG for the works.
- Governance £0.055m. The environmental monitoring systems replacement funding can be returned following the approval of the datacentre relocation project.

1.16 **Funding of 2023/24 Approved Schemes**

The position at Month 9 is summarised in Table 5 below for the three year Capital Programme between 2023/24 – 2025/26:-

Table 5

FUNDING OF APPROVED SCHEMES 2023/24 - 2025/26		
	£m	£m
Balance carried forward from 2022/23		(0.937)
Increases		
Surplus in 2023/24 to 2025/26 Budget	(0.365)	
		<u>(0.365)</u>
Decreases		
Actual In year receipts	(0.835)	
Savings	(0.175)	<u>(1.010)</u>
Funding - (Available)/Shortfall		(2.312)

1.17 Capital receipts received in the third quarter of 2023/24, along with savings identified total £0.316m. This provides a revised projected surplus in the Capital Programme at Month 9 of £2.312m (from a Month 6 funding surplus of £1.996m) for the 2023/24 – 2025/26 Capital Programme, prior to the realisation of additional capital receipts and/or other funding sources.

1.18 The 2024/25 – 2026/27 Capital Programme was approved on the 6th December 2023, with a funding surplus of £0.052m. Following the provisional local government settlement, the Council will receive a reduced allocation in 2024/25 of £0.033m compared to the estimated funding. This gives a potential reduction of £0.099m over the three-year programme, resulting in a deficit of £0.047m.

The capital receipts and savings identified this quarter results in the programme being back in a surplus position of £0.269m.

1.19 **Investment in County Towns**

At its meeting on 12th 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 14th June 2018.

1.20 Table 6 below shows a summary of the 2022/23 actual expenditure, the 2023/24 revised budget and budgets for future years as approved by Council at its meeting of 6th December, 2023. Further detail can be found in Appendix C, including details of the 2023/24 spend to Month 9.

Table 6

INVESTMENT IN COUNTY TOWNS			
	2022/23	2023/24	2024 -
	Actual	Revised	2027
	£m	Budget	Budget
	£m	£m	£m
Buckley / Penyffordd	0.745	5.408	9.288
Connah's Quay / Shotton	2.225	1.438	0.000
Flint / Bagillt	2.135	5.868	26.498
Holywell / Caerwys / Mostyn	4.195	1.246	0.000
Mold / Treuddyn / Cilcain	5.713	22.659	36.188
Queensferry / Hawarden / Sealand	0.520	2.839	0.000
Saltney / Broughton / Hope	1.250	0.326	16.000
Unallocated / To Be Confirmed	0.980	5.554	27.580
Total	17.763	45.338	115.554

- 1.21 The inclusion of actuals for 2022/23 and approved schemes for future years allows a slightly fuller picture of investment plans. However, expenditure which has occurred in years prior to 2022/23 has not been included, and the expenditure and budgets reported should be considered in that context.
- 1.22 There are two significant factors which increase allocations to 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.
- 1.23 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.
- 1.24 Information on the split between internal and external funding can be found in Appendix C.
- 1.25 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.

Table 7

WHQS Programme		
	2022/23 Actual £m	2023/24 Budget £m
Holywell	3.380	4.210
Flint	1.450	1.390
Deeside & Saltney	2.250	1.390
Buckley	1.060	1.390
Mold	3.000	3.451
Connah's Quay & Shotton	1.970	1.390
Total	13.110	13.221

1.26 The 2021 Prudential Code introduced a new requirement that monitoring of prudential indicators should be reported quarterly as part of capital monitoring. This update is provided in Appendix D.

2.00 RESOURCE IMPLICATIONS

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.

3.00 IMPACT ASSESSMENT AND RISK MANAGEMENT

3.01 The legacy impacts of the pandemic along with the supply and demand of materials, leading to cost increases, higher tender prices and project delays will continue to be monitored closely during the year. Due to the re-profiling of schemes from 2022/23 and resources available to manage and deliver schemes, the levels of planned expenditure in 2023/24 may be affected, resulting in a high level of carry forward requests to re-phase budgets into the 2024/25 programme.

Grants received will also to be closely monitored to ensure that expenditure is incurred within the terms and conditions of the grant. The capital team will work with project leads to report potential risks of achieving spend within timescales and assist in liaising with the grant provider.

The Council has a prudent policy of allocating its own capital receipts to fund capital projects only when receipts are received rather than when it is anticipated the receipt will be received, and this position continues to be the case. In line with current policy no allowance has been made for these receipts in reporting the Council's capital funding position.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	No consultation is required as a direct result of this report.

5.00	APPENDICES
5.01	Appendix A: Capital Programme - Changes during 2023/24
5.02	Appendix B: Variances
5.03	Appendix C: Investment in Towns
5.04	Appendix D: Prudential Indicators – Quarter 3 2023/24

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Capital Programme monitoring papers 2023/24.

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Chris Taylor, Strategic Finance Manager Telephone: 01352 703309 E-mail: christopher.taylor@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	<p>Budget Re-profiling: 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.</p> <p>Capital Expenditure: Expenditure on the acquisition of non-current assets or expenditure which extends the useful life of an existing asset</p> <p>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.</p> <p>Capital Receipts: Receipts (in excess of £10,000) realised from the disposal of assets.</p> <p>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.</p>

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.