

CABINET

Date of Meeting	Tuesday, 16 th February 2021
Report Subject	Capital Programme Monitoring 2020/21 (Month 9)
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The report summarises changes made to the Capital Programme 2020/21 since it was set in January 2020 to the end of Month 9 (December 2020), along with expenditure to date and projected outturn.

The Capital Programme has seen a net increase in budget of £0.506m during the period which comprises of:-

- Net budget increase in the programme of £0.423m (See Table 2 - Council Fund (CF) £0.821m, Housing Revenue Account (HRA) (£0.398m));
- Net Carry Forward to 2021/22, approved at Month 6 of £0.083m (all CF)

Actual expenditure was £35.853m (See Table 3).

The final outturn funding surplus from the 2019/20 – 2021/22 Capital Programme was £1.145m. The 2020/21 – 2022/23 Capital Programme was approved on the 28th January 2020, with a funding deficit of £2.264m. The surplus carried forward led to an opening funding position deficit of £1.119m.

The reported Month 6 funding position for the 3 year period ending in 2022/23 was a surplus of £0.403m. Capital receipts received in the third quarter of 2020/21, total £0.864m. This gives a revised projected surplus in the Capital Programme at Month 9 of £1.267m for the 2020/21 – 2022/23 Capital Programme, prior to the realisation of additional capital receipts and/or other funding sources.

RECOMMENDATIONS

1	Cabinet are requested to approve the overall report.
2	Cabinet are requested to approve the carry forward adjustments set out at 1.17.
3	Cabinet are requested to approve the funding of schemes from the current 'headroom', as set out in 1.18.

REPORT DETAILS

1.00	EXPLAINING THE CAPITAL PROGRAMME MONITORING POSITION – MONTH 9 2020/21
1.01	Background The Council approved a Council Fund (CF) Capital Programme of £42.582m and a Housing Revenue Account (HRA) Capital Programme of £30.464m for 2020/21 at its meeting of 28 th January, 2020.
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.
1.03	Changes since Budget approval Table 1 below sets out how the programme has changed during 2020/21. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-

Table 1

REVISED PROGRAMME	Original Budget 2020/21 £m	Carry Forward from 2019/20 £m	2020/21 Previously Reported			Changes - This Period £m	Revised Budget 2020/21 £m
			Changes £m	Carry Forward to 2021/22 £m	Savings £m		
People & Resources	0.400	0.170	(0.260)	0.000	0.000	0.000	0.310
Governance	1.176	0.975	0.000	(0.068)	0.000	0.207	2.290
Education & Youth	10.166	8.519	(0.629)	(3.207)	(0.027)	(1.510)	13.312
Social Services	1.247	4.188	4.434	(0.288)	0.000	(0.283)	9.298
Planning, Environment & Economy	3.078	0.905	0.078	(0.217)	0.000	0.526	4.370
Streetscene & Transportation	3.030	1.302	11.320	(0.593)	0.000	(0.314)	14.745
Strategic Programmes	0.985	0.636	0.184	(1.162)	0.000	1.895	2.538
Housing & Assets	22.500	3.071	(11.365)	(0.699)	(0.650)	0.300	13.157
Council Fund Total	42.582	19.766	3.762	(6.234)	(0.677)	0.821	60.020
HRA Total	30.464	0.000	(13.124)	0.000	0.000	(0.398)	16.942
Programme Total	73.046	19.766	(9.362)	(6.234)	(0.677)	0.423	76.962

1.04

Carry Forward from 2019/20

Carry forward sums from 2019/20 to 2020/21, totalling £19.766m (CF £19.766m, HRA £0.000m), were approved as a result of the quarterly monitoring reports presented to Cabinet during 2019/20.

1.05

Changes during this period

Funding changes during this period have resulted in a net increase in the programme total of £0.423m (CF £0.821m, HRA (£0.398m)). 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		
Theatr Clwyd	1.06	1.800
Waste Services	1.07	0.500
Primary Schools	1.08	0.880
Other Aggregate Increases		0.841
		4.021
Decreases		
School Modernisation	1.09	(1.129)
Primary Schools	1.09	(1.125)
Local Transport Grant	1.10	(0.814)
Other Aggregate Decreases		(0.132)
		(3.200)
Total		0.821
<u>HRA</u>		
Increases		
WHQS Improvements	1.11	3.951
Other Aggregate Increases		0.104
		4.055
Decreases		
SHARP	1.12	(4.453)
Other Aggregate Decreases		0.000
		(4.453)
Total		(0.398)

1.06	Introduction of grant funding for the redevelopment of Theatr Clwyd. The grant is for the final design and technical stage of the project, before the commencement of construction. Total grant awarded is £3m, which is split over two financial years.
1.07	In addition to the above, Welsh Government (WG) funding has been introduced for improvement works at Standard Waste Transfer Station.
1.08	There has also been an introduction of grant funding from WG relating to school extension and improvement works at Ysgol Glanrafon, Mold.
1.09	Re-profiling of grant funding and Prudential Borrowing for two school modernisation programmes at the Queensferry Campus and Ysgol Croes Atti, Shotton. Works will be carried out over two financial years with budget being re-profiled to match projected actual expenditure in year.

1.10	Re-profiling of Local Transport Funding to match expenditure across financial years.
1.11	At the beginning of the financial year, budgets were re-profiled across all of the HRA programme. Works have progressed on the Welsh Housing Quality Standard (WHQS) resulting in bringing budget back in, to match projected actual expenditure.
1.12	As part of the Strategic Housing and Regeneration Programme (SHARP), the Council are building new social and affordable houses. The programme is currently developing the latest batch of sites for which expenditure will be incurred over two financial years. Re-profiling of Prudential Borrowing has been carried out to match projected actual expenditure.
1.13	<p>Capital Expenditure compared to Budget</p> <p>Expenditure as at Month 9, across the whole of the Capital Programme was £35.853m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget.</p> <p>This shows that 46.59% of the budget has been spent (CF 42.33%, HRA 61.65%). Corresponding figures for Month 9 2019/20 were 55.78% (CF 44.09%, HRA 75.09%).</p>
1.14	The table also shows a projected underspend (pending carry forward and other adjustments) of £4.352m 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	0.310	0.000	0.00	0.310	0.000
Governance	2.290	0.734	32.05	1.984	(0.306)
Education & Youth	13.312	5.066	38.06	12.325	(0.987)
Social Services	9.298	6.355	68.35	9.298	0.000
Planning, Environment & Economy	4.370	1.693	38.74	3.909	(0.461)
Streetscene & Transportation	14.745	5.203	35.29	13.113	(1.632)
Strategic Programmes	2.538	1.068	42.08	2.303	(0.235)
Housing & Assets	13.157	5.290	40.21	12.426	(0.731)
Council Fund Total	60.020	25.409	42.33	55.668	(4.352)
Disabled Adaptations	0.691	0.453	65.56	0.691	0.000
Energy Schemes	0.874	0.874	100.00	0.874	0.000
Major Works	1.760	1.321	75.06	1.760	0.000
Accelerated Programmes	0.343	0.193	56.27	0.343	0.000
WHQS Improvements	12.141	6.697	55.16	12.141	0.000
SHARP Programme	1.133	0.906	79.99	1.133	0.000
Housing Revenue Account Total	16.942	10.444	61.65	16.942	0.000
Programme Total	76.962	35.853	46.59	72.610	(4.352)

1.15 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 2021/22 has been identified, this is also included in the narrative.

1.16 **Carry Forward into 2021/22**
During the quarter, carry forward of £4.352m (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 2021/22.

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

Table 4

CARRY FORWARD INTO 2021/22						Total
	Month 4	Month 6	Reversed	Sub Total	Month 9	
	£m	£m	£m	£m	£m	£m
Governance	0.171	0.000	(0.103)	0.068	0.306	0.374
Education & Youth	4.539	0.039	(1.371)	3.207	0.987	4.194
Social Services	0.000	0.288	0.000	0.288	0.000	0.288
Planning, Environment & Economy	0.187	0.030	0.000	0.217	0.461	0.678
Streetscene & Transportation	0.543	0.050	0.000	0.593	1.632	2.225
Strategic Programmes	0.200	0.962	0.000	1.162	0.235	1.397
Housing & Assets	0.780	0.000	(0.081)	0.699	0.731	1.430
Council Fund	6.420	1.369	(1.555)	6.234	4.352	10.586
TOTAL	6.420	1.369	(1.555)	6.234	4.352	10.586

1.18

Additional Allocations

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

- Brynford CP School - £0.050m. The capital programme has an allocation of £1.040m to invest in Brynford CP School, to bring the building up to Building Bulletin standards to deliver high quality services efficiently. An additional £0.050m is required for the scheme.
- Member IT Support - £0.014m. Provision of Council laptops to each Member who requires one, to support remote attendance of Member meetings and in order to reduce the costs of printing and postage which are being incurred.

Both can be funded from within the current 'headroom' provision.

Wepre Country Park

£0.080m has been allocated in the capital programme over two years to repair bridges at Wepre Country Park. Three of the four bridges have been completed and the costs of the fourth bridge are anticipated to be within budget, leaving an expected saving of £0.032m.

Severe weather conditions caused a landslip and path collapse at Red Rocks, a key route in the park. It is proposed that the expected underspend is used to repair the path at this location.

1.19

Savings

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

1.20

Funding of 2020/21 Approved Schemes

The position at Month 9 is summarised in Table 5 below for the three year Capital Programme between 2020/21 – 2022/23:-

Table 5

FUNDING OF APPROVED SCHEMES 2020/21 - 2022/23		
	£m	£m
Balance carried forward from 2019/20		(1.145)
Increases		
Shortfall in 2020/21 to 2022/23 Budget	2.264	
Additional allocation to Queensferry Campus	0.217	
		2.481
Decreases		
Actual In year receipts	(1.926)	
Savings	(0.677)	(2.603)
Funding - (Available)/Shortfall		(1.267)

1.21

The final outturn funding surplus from the 2019/20 – 2021/22 Capital Programme was £1.145m. The 2020/21 – 2022/23 Capital Programme was approved on the 28th January 2020, with a funding deficit of £2.264m. The surplus carried forward led to an opening funding position deficit of £1.119m.

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1.22

Update on Capital Programme 2021/22 – 2023/24

The 2021/22 – 2023/24 Capital Programme was approved by Council on the 8th December 2020, with a funding deficit of £1.317m. On the 22nd December 2020, WG announced its provisional local government settlement for 2021-22.

This provides a net increase in 2021/22 of £1.526m compared with the estimated funding assumed in December's Capital Programme budget report. The Un-hypothecated Supported Borrowing (USB) has reduced by £0.033m and the General Capital Grant (GCG) has increased by £1.559m. Since 2018/19 WG have been providing additional GCG, with £50m allocated on an all Wales level in 2018/19, £30m in 2019/20, and £35m in 2020/21. The £35m additional capital funding has been continued into 2021/22.

Using the Provisional Settlement figures over the three year Capital Programme 2021/22 – 2023/24, reflecting the reduced USB figure and assuming that the GCG remains at the lower level, with no additional funding for the following two years (2022/23 and 2023/24), this gives an estimated funding increase of £1.460m over the approved three year period when compared with the December Capital Programme budget report.

This results in the programme being in a surplus position of £0.143m.

As it stands, the surplus carried forward will lead to an opening funding position surplus of £1.410m, in 2021/22.

1.23 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.

1.24 Table 6 below shows a summary of the 2019/20 actual expenditure, the 2020/21 revised budget and budgets for future years as approved by Council at its meeting of 28th January, 2020. Further detail can be found in Appendix C, including details of the 2020/21 spend to Month 9.

Table 6

INVESTMENT IN COUNTY TOWNS			
	2019/20 Actual £m	2020/21 Revised Budget £m	2021 - 2023 Budget £m
Buckley / Penyffordd	7.729	12.496	1.644
Connah's Quay / Shotton	3.844	4.495	1.295
Flint / Bagillt	3.048	3.417	0.169
Holywell / Caerwys / Mostyn	3.291	1.037	3.406
Mold / Treuddyn / Cilcain	3.406	8.562	5.306
Queensferry / Hawarden / Sealand	5.925	7.052	7.089
Saltney / Broughton / Hope	0.748	4.528	2.851
Unallocated / To Be Confirmed	0.728	4.721	38.372
Total	28.719	46.308	60.132

1.25 The inclusion of actuals for 2019/20 and approved schemes for future years allows a slightly fuller picture of investment plans. However, expenditure which has occurred in years' prior to 2019/20 has not be included, and the expenditure and budgets reported should be considered in that context.

1.26 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.																											
1.27	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.																											
1.28	Information on the split between internal and external funding can be found in Appendix C.																											
1.29	<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><u>Table 7</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: left;">WHQS Programme</th> </tr> <tr> <th></th> <th style="text-align: center;">2019/20 Actual £m</th> <th style="text-align: center;">2020/21 Budget £m</th> </tr> </thead> <tbody> <tr> <td>Holywell</td> <td style="text-align: center;">2.950</td> <td style="text-align: center;">0.300</td> </tr> <tr> <td>Flint</td> <td style="text-align: center;">2.110</td> <td style="text-align: center;">0.300</td> </tr> <tr> <td>Deeside & Saltney</td> <td style="text-align: center;">0.420</td> <td style="text-align: center;">2.611</td> </tr> <tr> <td>Buckley</td> <td style="text-align: center;">0.600</td> <td style="text-align: center;">4.579</td> </tr> <tr> <td>Mold</td> <td style="text-align: center;">7.130</td> <td style="text-align: center;">1.432</td> </tr> <tr> <td>Connah's Quay & Shotton</td> <td style="text-align: center;">0.480</td> <td style="text-align: center;">1.400</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">13.690</td> <td style="text-align: center;">10.622</td> </tr> </tbody> </table>	WHQS Programme				2019/20 Actual £m	2020/21 Budget £m	Holywell	2.950	0.300	Flint	2.110	0.300	Deeside & Saltney	0.420	2.611	Buckley	0.600	4.579	Mold	7.130	1.432	Connah's Quay & Shotton	0.480	1.400	Total	13.690	10.622
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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 recent adverse weather has caused significant damage to the highway network. Assessments are ongoing but impacts are likely to be numerous and expensive. Bids for funding will be submitted to WG, with the outcome of these bids, determining the impact on the Council's programme. This will be monitored during the final quarter of the year.

	<p>The impact of the current pandemic will continue to be monitored closely during the final quarter. Any changes to the Government guidelines may have an adverse impact on the ability of Portfolios to deliver schemes before the end of the year. This may result in them being re-profiled into the next financial year.</p> <p>These delays could impact the delivery of the programme in 2021/22, which could result in future schemes being stalled in order to deliver the schemes carried forward from 2020/21. There is a risk around having resources available to manage and deliver schemes.</p> <p>Grants received in year will also continue 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.</p> <p>The Council has 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. Due to the pandemic there may be a delay in obtaining capital receipts as 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>
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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 2020/21
5.02	Appendix B: Variances
5.03	Appendix C: Investment in Towns

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Capital Programme monitoring papers 2020/21.

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Chris Taylor, Principal Accountant Telephone: 01352 703309 E-mail: christopher.taylor@flintshire.gov.uk</p>

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> <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.</p> <p>Council Fund (CF): The fund to which all the Council's revenue and capital expenditure is charged.</p> <p>Housing Revenue Account (HRA): The fund to which all the Council's revenue and capital expenditure relating to its housing stock is charged.</p> <p>MRA: Major Repairs Allowance. A general capital grant from WG for HRA purposes.</p> <p>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.</p> <p>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.</p> <p>Target Hardening: Measures taken to prevent unauthorised access to Council sites.</p> <p>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</p>

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.