

CABINET

Date of Meeting	Tuesday, 12 th July 2022
Report Subject	Capital Programme Monitoring 2021/22 (Outturn)
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 the final outturn position for 2021/22 together with changes made to the Capital Programme during the last quarter.

The Capital Programme has seen a net reduction in budget of £10.146m during the last quarter which comprises of:-

- Net budget reduction in the programme of £7.008m (see Table 2 - Council Fund (CF) (£6.293m), Housing Revenue Account (HRA) (£0.715m));
- Net Carry Forward to 2022/23, approved at Month 9 of (£0.667m), switch of additional capital grants for Primary Free School Meals (£1.262m) and Integrated Care Fund (£0.839m) (all CF)
- Identified savings at outturn (£0.370m) (all CF)

Actual expenditure for the year was £67.907m (see Table 3).

The final outturn funding surplus from the 2021/22 – 2023/24 Capital Programme is £6.296m. The 2022/23 – 2024/25 Capital Programme was approved on the 7th December 2021, utilising £4.147m of the current year surplus towards the programme and leaving a projected funding deficit of £0.081m, following the final local government settlement. The final outturn for 2021/22 has the impact of a revised opening funding position surplus of £2.068m, 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 1.14.
3	Approve the additional allocations, as set out in 1.18.

REPORT DETAILS

1.00	EXPLAINING THE CAPITAL PROGRAMME MONITORING POSITION – OUTTURN 2021/22
1.01	Background <p>The Council approved a Council Fund (CF) Capital Programme of £12.706m for 2021/22 at its meeting on 8th December 2020 and a Housing Revenue Account (HRA) Capital Programme of £34.835m for 2021/22 at its meeting on 16 February 2021.</p>
1.02	For presentational purposes the Capital Programme is shown as a whole, with sub-totals for the CF and HRA. In reality the HRA programme is ‘ring fenced’ and can only be used for HRA purposes.
1.03	Changes since Budget approval <p>Table 1 below sets out how the programme has changed during 2021/22. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-</p>

Table 1

REVISED PROGRAMME	Original Budget 2021/22	Carry Forward from 2020/21	2021/22 Previously Reported			Savings - This Period	Changes - This Period	Revised Budget 2021/22
			Changes	Carry Forward to 2022/23	Savings			
			£m	£m	£m			
People & Resources	0.350	0.260	(0.455)	0.000	0.000	0.000	0.000	0.155
Governance	0.422	0.505	0.052	(0.103)	0.000	(0.020)	0.743	1.599
Education & Youth	5.877	7.570	12.124	(4.111)	0.000	0.000	2.081	23.541
Social Services	1.020	0.598	5.401	(0.932)	(0.450)	0.000	(0.788)	4.849
Planning, Environment & Economy	0.168	0.850	2.137	(0.674)	(0.060)	(0.006)	(0.195)	2.220
Streetscene & Transportation	2.015	2.527	15.984	(2.241)	(0.400)	0.000	(8.464)	9.421
Strategic Programmes	0.550	1.425	1.223	(0.960)	0.000	0.000	0.303	2.541
Housing & Assets	2.304	1.900	0.931	(1.171)	(0.386)	(0.344)	0.027	3.261
Council Fund Total	12.706	15.635	37.397	(10.192)	(1.296)	(0.370)	(6.293)	47.587
HRA Total	34.835	0.000	(10.265)	0.000	0.000	0.000	(0.715)	23.855
Programme Total	47.541	15.635	27.132	(10.192)	(1.296)	(0.370)	(7.008)	71.442

1.04

Carry Forward from 2020/21

Carry forward sums from 2020/21 to 2021/22, totalling £15.635m (CF £15.635m, HRA £0.000m), were approved as a result of the quarterly monitoring reports presented to Cabinet during 2020/21.

1.05

Changes during this period

Funding changes during this period have resulted in a net reduction in the programme total of £7.008m (CF (£6.293m), HRA £0.715m). 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		
Education - General	1.06	1.262
Investment grant for ICT in schools	1.07	0.743
Other Aggregate Increases	1.10	1.349
		3.354
Decreases		
Transportation Grants	1.08	(7.193)
Children's Services	1.09	(0.788)
Other Aggregate Decreases	1.10	(1.666)
		(9.647)
Total		(6.293)
<u>HRA</u>		
Increases		
Other Aggregate Increases	1.10	0.516
		0.516
Decreases		
Other Aggregate Decreases	1.10	(1.231)
		(1.231)
Total		(0.715)

1.06	In the final quarter, the Council was allocated additional Welsh Government (WG) grant funding to support the rollout of universal primary free school meals. This funding was used for existing expenditure on schools and a corresponding sum carried forward into 2022/23 (see Table 5) to be used in accordance with grant conditions.
1.07	WG have awarded funding for the purchase of equipment to improve schools IT infrastructure to meet the National Digital Standard for Schools.
1.08	A number of Local Transport Fund grant schemes have been re-profiled to match expenditure across financial years.
1.09	Re-profiling of the Child Care Offer Capital Grant for delivery of the final schemes in 2022/23.
1.10	During the final quarter of the year there have been a number of adjustments made to schemes that are funded from grants, revenue contributions to fund capital expenditure (CERA) and prudential borrowing, reflecting the need to re-profile funding between financial years to align expenditure incurred with the relevant funding source. This is the case with a number of the movements above.

1.11 **Capital Expenditure compared to Budget**

Outturn expenditure, across the whole of the Capital Programme was £67.907m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget.

This shows that 95.05% of the budget has been spent (CF 92.57%, HRA 100%). Corresponding figures for Outturn 2020/21 were 94.99% (CF 93.25%, HRA 100%).

1.12 The table also shows a projected underspend (pending carry forward and other adjustments) of £3.535m on the Council Fund and a break even position on the HRA.

Table 3

EXPENDITURE	Revised Budget	Outturn Expenditure	Percentage Spend v Budget	Variance Budget v Outturn (Under)/Over
	£m	£m	%	£m
People & Resources	0.155	0.000	0.00	(0.155)
Governance	1.599	1.319	82.49	(0.280)
Education & Youth	23.541	21.595	91.73	(1.946)
Social Services	4.849	4.743	97.81	(0.106)
Planning, Environment & Economy	2.220	2.076	93.51	(0.144)
Streetscene & Transportation	9.421	8.979	95.31	(0.442)
Strategic Programmes	2.541	2.537	99.84	(0.004)
Housing & Assets	3.261	2.803	85.96	(0.458)
Council Fund Total	47.587	44.052	92.57	(3.535)
Buy Back / Strategic Acquisition	0.504	0.504	100.00	0.000
Disabled Adaptations	0.960	0.960	100.00	0.000
Energy Schemes	1.998	1.998	100.00	0.000
Major Works	0.773	0.773	100.00	0.000
Accelerated Programmes	0.509	0.509	100.00	0.000
WHQS Improvements	17.079	17.079	100.00	0.000
Modernisation / Improvements	0.008	0.008	100.00	0.000
SHARP Programme	2.024	2.024	100.00	0.000
Housing Revenue Account Total	23.855	23.855	100.00	0.000
Programme Total	71.442	67.907	95.05	(3.535)

1.13 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 2022/23 has been identified, this is also included in the narrative.

1.14	<p>Carry Forward into 2022/23</p> <p>During the quarter, carry forward requirements of £3.535m (all CF) have been identified which reflects reviewed spending plans across all programme areas; these amounts can be split into 2 areas, those required to meet the cost of programme works and/or retention payments in 2022/23 and Corporate provisions that are allocated as requested and approved.</p>																																																												
1.15	<p>The Corporate provisions are as follows:-</p> <ul style="list-style-type: none"> • 'Headroom' – A sum set aside for urgent works for which no other funding is available; and • Health & Safety – A sum set aside for urgent health and safety works for which no other funding is available. 																																																												
1.16	<p>Information relating to each programme area is contained in Appendix B and summarised in Table 4 below:</p> <p><u>Table 4</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: left;">OUTTURN CARRY FORWARD - ANALYSIS</th> </tr> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;">£m</th> <th style="text-align: right; width: 20%;">£m</th> </tr> </thead> <tbody> <tr> <td colspan="3">Contractually Committed</td> </tr> <tr> <td>Governance</td> <td style="text-align: right;">0.280</td> <td></td> </tr> <tr> <td>Education - General</td> <td style="text-align: right;">0.745</td> <td></td> </tr> <tr> <td>Primary Schools</td> <td style="text-align: right;">0.593</td> <td></td> </tr> <tr> <td>Secondary Schools</td> <td style="text-align: right;">0.152</td> <td></td> </tr> <tr> <td>Special Education</td> <td style="text-align: right;">0.456</td> <td></td> </tr> <tr> <td>Services to Older People</td> <td style="text-align: right;">0.106</td> <td></td> </tr> <tr> <td>Engineering</td> <td style="text-align: right;">0.091</td> <td></td> </tr> <tr> <td>Townscape Heritage Initiatives</td> <td style="text-align: right;">0.053</td> <td></td> </tr> <tr> <td>Highways</td> <td style="text-align: right;">0.424</td> <td></td> </tr> <tr> <td>Transportation</td> <td style="text-align: right;">0.018</td> <td></td> </tr> <tr> <td>Leisure Centres</td> <td style="text-align: right;">0.004</td> <td></td> </tr> <tr> <td>Administrative Buildings</td> <td style="text-align: right;">0.458</td> <td style="text-align: right; border-top: 1px solid black;">3.380</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">3.380</td> </tr> <tr> <td colspan="3">Corporate Allocations</td> </tr> <tr> <td>'Headroom'</td> <td style="text-align: right;">0.140</td> <td></td> </tr> <tr> <td>Health & Safety Works</td> <td style="text-align: right;">0.015</td> <td style="text-align: right; border-top: 1px solid black;">0.155</td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">3.535</td> </tr> </tbody> </table>	OUTTURN CARRY FORWARD - ANALYSIS				£m	£m	Contractually Committed			Governance	0.280		Education - General	0.745		Primary Schools	0.593		Secondary Schools	0.152		Special Education	0.456		Services to Older People	0.106		Engineering	0.091		Townscape Heritage Initiatives	0.053		Highways	0.424		Transportation	0.018		Leisure Centres	0.004		Administrative Buildings	0.458	3.380			3.380	Corporate Allocations			'Headroom'	0.140		Health & Safety Works	0.015	0.155	Total		3.535
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1.17	<p>In some instances amounts which had previously been identified as requiring carry forward have been reversed as it became clear that the expenditure was going to be incurred in the 2021/22 financial year, as shown</p>																																																												

below. Information relating to each programme area is contained in Appendix B and summarised in Table 5 below:-

Table 5

CARRY FORWARD INTO 2022/23	Month 4	Month 6	Reversed	WG Grant	Month 9	Sub Total	Outturn	Total
	£m	£m	£m	£m	£m	£m	£m	£m
	People & Resources	0.000	0.000	0.000	0.000	0.000	0.000	0.155
Governance	0.095	0.008	0.000	0.000	0.000	0.103	0.280	0.383
Education & Youth	(0.200)	0.093	0.000	3.900	0.318	4.111	1.946	6.057
Social Services	0.000	0.000	0.000	0.839	0.093	0.932	0.106	1.038
Planning, Environment & Economy	0.572	0.025	(0.003)	0.000	0.080	0.674	0.144	0.818
Streetscene & Transportation	1.976	0.000	0.000	0.000	0.265	2.241	0.442	2.683
Strategic Programmes	0.959	0.427	(0.746)	0.000	0.320	0.960	0.004	0.964
Housing & Assets	0.697	0.386	(0.042)	0.000	0.130	1.171	0.458	1.629
Council Fund	4.099	0.939	(0.791)	4.739	1.206	10.192	3.535	13.727
TOTAL	4.099	0.939	(0.791)	4.739	1.206	10.192	3.535	13.727

1.18

Additional Allocations

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

- Highways Asset Management Plan (HAMP) - £1.450m. Additional allocation required due to the withdrawal of the Highways Refurbishment Grant plus funding towards immediate repairs following the County's bridge assessments.
- Well-Fed Shop Premises - £0.080m. The Council's capital contribution towards "Well-Fed", a social 'good food' business, intent on providing meal/food options for residents regardless of their income levels and thus helping to stop local food poverty via the provision of affordable good food.
- Demolition of former Penyffordd Junior CP School - £0.120m. Funding required to complete the demolition of the former school.
- Fuel Tank Replacement at Alltami Depot - £0.045m. There is a requirement to replace the existing fuel tank at Alltami Depot, as it is nearing the end of its useful life.
- Joint Archive Facility - £0.197m. Following an extended feasibility study that was completed in November 2021, the expected total cost of the project is to increase by £0.371m. Based on the original percentage split of funded allocated, the Council would be required to fund an additional £0.197m.

- Croes Atti Residential Care Home - £0.300m. Additional funding required for the design and development costs for the scheme, for the build of the new residential home.
- Flintshire Safer Streets - £0.160m. Match funding is required by the Community and Business Protection team for a proposed grant bid to support safer street initiatives.
- Levelling Up Fund - £0.250m. Funding for full design and procurement work for the Council's Levelling Up Fund bids. The incurred costs can be claimed from UK Government, should the bids be successful or contribute towards match funding.

All can be funded from the additional General Capital Grant awarded in February 2022.

1.19

Savings

The following savings have been identified in the programme in the last quarter.

Table 6

IDENTIFIED SAVINGS	
	Savings
	£m
Information Technology	0.020
Private Sector Renewal/Improvement	0.006
Disabled Facilities Grants	0.344
Total	0.370

1.20

Funding of 2021/22 Approved Schemes

The position at outturn is summarised in Table 7 below for the three year Capital Programme between 2021/22 – 2023/24:-

Table 7

FUNDING OF APPROVED SCHEMES 2021/22 - 2023/24		
	£m	£m
Balance carried forward from 2020/21		(1.968)
Increases		
Shortfall in 2021/22 to 2023/24 Budget	1.317	
Additional allocations from February 2022 GCG	2.602	
		<u>3.919</u>
Decreases		
Additional GCG - 2021/22 Confirmed December 2020	(1.461)	
Additional GCG - 2021/22 Confirmed February 2022	(3.185)	
Actual In year receipts	(1.935)	
Savings	(1.666)	<u>(8.247)</u>
Funding - (Available)/Shortfall		(6.296)

1.21 Capital receipts received in the final quarter of 2021/22, along with savings identified, total £0.809m. In February 2022, WG allocated the Council additional GCG funding of £3.185m. A request for additional allocations of £2.602m is proposed to be funded from this allocation, leaving a surplus of £0.583m.

The final outturn funding surplus from the 2021/22 – 2023/24 Capital Programme is £6.296m. The 2022/23 – 2024/25 Capital Programme was approved on the 7th December 2021, utilising £4.147m of the current year surplus towards the programme and leaving a projected funding deficit of £0.081m, following the final local government settlement. The final outturn position has the impact of a revised opening funding position surplus of £2.068m, prior to the realisation of additional capital receipts and/or other funding sources.

1.22 **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.

1.23 Table 8 below shows a summary of the 2020/21 and 2021/22 actual expenditure, and budgets for future years as approved by Council at its meeting of 8th December, 2020. Further detail can be found in Appendix C, including details of the 2021/22 revised budget.

Table 8

INVESTMENT IN COUNTY TOWNS			
	2020/21	2021/22	2022 -
	Actual	Revised	2024
	£m	Budget	Budget
		£m	£m
Buckley / Penyffordd	10.157	2.035	16.004
Connah's Quay / Shotton	1.412	0.842	4.423
Flint / Bagillt	2.181	0.368	8.884
Holywell / Caerwys / Mostyn	1.457	4.512	4.144
Mold / Treuddyn / Cilcain	5.655	7.241	48.760
Queensferry / Hawarden / Sealand	5.825	8.031	6.592
Saltney / Broughton / Hope	4.841	4.929	25.000
Unallocated / To Be Confirmed	1.256	1.748	20.025
Total	32.784	29.706	133.832

- 1.24 The inclusion of actuals for 2020/21 and approved schemes for future years allows a slightly fuller picture of investment plans. However, expenditure which has occurred in years prior to 2020/21 has not been included, and the expenditure and budgets reported should be considered in that context.
- 1.25 There are two significant factors which increase allocations to particular areas, these are homes developed under SHARP, and new or remodelled schools. The impact of these can be seen in the detail shown in Appendix C.
- 1.26 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.
- 1.27 Information on the split between internal and external funding can be found in Appendix C.
- 1.28 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 9 below, albeit using a slightly different catchment area basis.

Table 9

WHQS Programme			
	2020/21 Actual £m	2021/22 Budget £m	2021/22 Actual £m
Holywell	0.136	0.800	0.850
Flint	0.189	0.800	0.870
Deeside & Saltney	2.151	4.260	4.430
Buckley	3.568	4.800	4.820
Mold	1.160	5.010	5.150
Connah's Quay & Shotton	0.632	0.860	0.960
Total	7.836	16.530	17.080

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 There are no risks associated with the information contained herein relating to capital outturn.

The impact of the pandemic will continue to be monitored closely during the next financial year. Due to the re-profiling of schemes from the 2021/22 and resources available to manage and deliver schemes, the levels of planned expenditure in 2022/23 may be affected, resulting in a high level of carry forward requests to re-phase budgets into the 2023/24 programme.

In addition to the above, the supply and demand of materials is being significantly impacted by the overseas supply market disruption, leading to cost increases, higher tender prices and project delays.

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 actually received rather than when it

	is anticipated the receipt will be received, and this position continues to be the case.
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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 2021/22
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 2021/22.

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.