

CABINET

Date of Meeting	Tuesday, 22 nd November 2022
Report Subject	Capital Programme Monitoring 2022/23 (Month 6)
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 2022/23 since it was set in December 2021 to the end of Month 6 (September 2022), along with expenditure to date and projected outturn.

The Capital Programme has seen a net decrease in budget of £0.154m during the period which comprises of:-

- Net budget increase in the programme of £1.639m (See Table 2 - Council Fund (CF) (£2.647m), Housing Revenue Account (HRA) £4.286m;
- Carry Forward to 2023/24 approved at Month 4 of (£1.543m) (all CF);
- Identified savings at Month 6 of (£0.250m) (CF)

Actual expenditure was £22.471m (See Table 3).

No capital receipts have been received in the second quarter of 2022/23. Savings identified total £0.250m. This gives a revised projected surplus in the Capital Programme at Month 6 of £3.376m (from a Month 4 funding position surplus of £3.126m) for the 2022/23 – 2024/25 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 1.14.
3	Approve the additional allocations, as set out in 1.16.

REPORT DETAILS

1.00	EXPLAINING THE CAPITAL PROGRAMME MONITORING POSITION – MONTH 6 2022/23
1.01	Background <p>The Council approved a Council Fund (CF) Capital Programme of £37.469m for 2022/23 at its meeting on 7th December 2021 and a Housing Revenue Account (HRA) Capital Programme of £25.074m for 2022/23 at its meeting on 15th February 2022.</p>
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 <p>Table 1 below sets out how the programme has changed during 2022/23. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-</p>

Table 1

REVISED PROGRAMME	Original Budget 2022/23	Carry Forward from 2021/22	2022/23 Previously Reported		Savings - This Period	Changes - This Period	Revised Budget 2022/23
			Changes	Carry Forward to 2023/24			
			£m	£m			
People & Resources	0.350	0.155	0.000	0.000	0.000	(0.060)	0.445
Governance	0.363	0.383	0.000	0.000	0.000	0.000	0.746
Education & Youth	10.010	6.057	(0.112)	(0.461)	0.000	(3.406)	12.088
Social Services	1.364	1.038	2.169	(0.189)	0.000	0.168	4.550
Planning, Environment & Economy	0.128	0.817	2.394	(0.250)	0.000	0.520	3.609
Streetscene & Transportation	3.519	2.683	12.849	(0.046)	0.000	0.079	19.084
Strategic Programmes	19.400	0.964	0.000	0.000	0.000	0.052	20.416
Housing and Communities	1.660	0.386	0.286	0.000	(0.250)	0.000	2.082
Capital Programme and Assets	0.675	1.243	0.035	(0.597)	0.000	0.000	1.356
Council Fund Total	37.469	13.726	17.621	(1.543)	(0.250)	(2.647)	64.376
HRA Total	25.074	0.000	(1.757)	0.000	0.000	4.286	27.603
Programme Total	62.543	13.726	15.864	(1.543)	(0.250)	1.639	91.979

1.04

Carry Forward from 2021/22

Carry forward sums from 2021/22 to 2022/23, totalling £13.726m (CF £13.726m, HRA £0.000m), were approved as a result of the quarterly monitoring reports presented to Cabinet during 2021/22.

1.05

Changes during this period

Funding changes during this period have resulted in a net increase in the programme total of £1.639m (CF (£2.647m), HRA £4.286m). 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	1.852
Townscape Heritage Initiatives	1.07	0.465
Other Aggregate Increases		0.354
		2.671
Decreases		
School Modernisation	1.08	(5.227)
Other Aggregate Decreases		(0.091)
Total		(2.647)
<u>HRA</u>		
Increases		
WHQS Improvements	1.09	3.350
Energy Schemes	1.10	1.035
		4.385
Decreases		
Other Aggregate Decreases		(0.099)
		(0.099)
Total		4.286

1.06	Introduction of Welsh Government grant funding to support the rollout of universal primary free school meals in schools along with an All Wales Play grant.
1.07	Introduction of Transforming Town Place Making grant from WG as well as match funding required for improvements to properties within the County.
1.08	Re-profiling of prudential borrowing and WG grant for school modernisation schemes to match projected actual expenditure in this financial year.
1.09	Introduction of Optimised RetroFit Programme grant funding into the WHQS programme.
1.10	WG grant introduced as well as CERA contributions towards the programme of energy efficiency measures being undertaken on the housing stock.

1.11

Capital Expenditure compared to Budget

Expenditure as at Month 6, across the whole of the Capital Programme was £22.471m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget.

This shows that 24.43% of the budget has been spent (CF 17.21%, HRA 41.27%). Corresponding figures for Month 6 2021/22 were 50.29% (CF 52.37%, HRA 45.73%).

1.12

The table also shows a projected underspend (pending carry forward and other adjustments) of £4.563m on the Council Fund and a break even position on the HRA.

Table 3

EXPENDITURE	Revised Budget	Cumulative Expenditure Month 6	Percentage Spend v Budget	Projected Outturn	Variance Budget v Outturn (Under)/Over
	£m	£m	%	£m	£m
People & Resources	0.445	0.000	0.00	0.445	0.000
Governance	0.746	0.156	20.91	0.746	0.000
Education & Youth	12.088	2.030	16.79	11.868	(0.220)
Social Services	4.550	2.685	59.01	4.550	0.000
Planning, Environment & Economy	3.609	0.468	12.97	3.201	(0.408)
Streetscene & Transportation	19.084	3.890	20.38	15.424	(3.660)
Strategic Programmes	20.416	0.719	3.52	20.141	(0.275)
Housing & Communities	2.082	0.862	41.40	2.082	0.000
Capital Programme & Assets	1.356	0.268	19.76	1.356	0.000
Council Fund Total	64.376	11.078	17.21	59.813	(4.563)
Disabled Adaptations	1.015	0.376	37.04	1.015	0.000
Energy Schemes	2.136	2.136	100.00	2.136	0.000
Major Works	0.726	0.473	65.15	0.726	0.000
Accelerated Programmes	0.561	0.161	28.70	0.561	0.000
WHQS Improvements	18.912	6.307	33.35	18.912	0.000
SHARP Programme	4.253	1.940	45.61	4.253	0.000
Housing Revenue Account Total	27.603	11.393	41.27	27.603	0.000
Programme Total	91.979	22.471	24.43	87.416	(4.563)

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 2023/24 has been identified, this is also included in the narrative.

1.14

Carry Forward into 2023/24

During the quarter, carry forward requirements of £4.563m (all CF) has 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 2023/24.

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

Table 4

CARRY FORWARD INTO 2023/24	Month 4	Month 6	Total
	£m	£m	£m
Education & Youth	0.461	0.220	0.681
Social Services	0.189	0.000	0.189
Planning, Environment & Economy	0.250	0.408	0.658
Streetscene & Transportation	0.046	3.660	3.706
Strategic Programmes	0.000	0.275	0.275
Capital Programme & Assets	0.597	0.000	0.597
Council Fund	1.543	4.563	6.106
TOTAL	1.543	4.563	6.106

1.16 **Additional Allocations**

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

- Penyffordd Primary School - £0.270m. Outline cost plans for an additional 60 pupils classroom extension has increase above the original budget due to the current market conditions.
- Holywell Road, Northop - £0.035m. Damage has been identified to the highway infrastructure, along the west-bound lane of Holywell Road near to the access to Coleg Cambria in Northop. Funding required to carry out remedial works to the road.

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

1.17 **Savings**

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

- Disabled Facilities Grant- £0.250m. During 2022/23, outstanding works that have been funded from previously carried forward budget are now completed enabling this budget to be released back into the capital programme.

1.18

Funding of 2022/23 Approved Schemes

The position at Month 6 is summarised in Table 5 below for the three year Capital Programme between 2022/23 – 2024/25:-

Table 5

FUNDING OF APPROVED SCHEMES 2022/23 - 2024/25		
	£m	£m
Balance carried forward from 2021/22		(2.149)
Increases		
Shortfall in 2022/23 to 2024/25 Budget	0.867	
		<u>0.867</u>
Decreases		
Additional GCG - 2022/23 Confirmed	(0.786)	
Savings	(0.250)	
Actual In year receipts	(1.058)	<u>(2.094)</u>
Funding - (Available)/Shortfall		(3.376)

1.19

No capital receipts have been received in the second quarter of 2022/23. Savings identified total £0.250m. This gives a revised projected surplus in the Capital Programme at Month 6 of £3.376m (from a Month 4 funding position surplus of £3.126m) for the 2022/23 – 2024/25 Capital Programme, prior to the realisation of additional capital receipts and/or other funding sources.

1.20

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.

1.21

Table 6 below shows a summary of the 2021/22 actual expenditure, the 2022/23 revised budget and budgets for future years as approved by Council at its meeting of 7th December, 2021. Further detail can be found in Appendix C, including details of the 2022/23 spend to Month 6.

Table 6**INVESTMENT IN COUNTY TOWNS**

	2021/22	2022/23	2023 -
	Actual	Revised	2025
	£m	Budget	Budget
	£m	£m	£m
Buckley / Penyffordd	1.928	4.517	10.202
Connah's Quay / Shotton	0.842	2.662	1.500
Flint / Bagillt	0.368	1.243	7.939
Holywell / Caerwys / Mostyn	4.495	4.023	0.000
Mold / Treuddyn / Cilcain	6.968	20.879	22.298
Queensferry / Hawarden / Sealand	8.031	3.492	3.000
Saltney / Broughton / Hope	4.929	1.284	27.430
Unallocated / To Be Confirmed	1.540	4.794	18.092
Total	29.101	42.894	90.461

1.22 The inclusion of actuals for 2021/22 and approved schemes for future years allows a slightly fuller picture of investment plans. However, expenditure which has occurred in years' prior to 2021/22 has not be included, and the expenditure and budgets reported should be considered in that context.

1.23 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.

1.24 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.

1.25 Information on the split between internal and external funding can be found in Appendix C.

1.26 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		
	2021/22 Actual £m	2022/23 Budget £m
Holywell	0.850	4.550
Flint	0.870	1.450
Deeside & Saltney	4.430	1.700
Buckley	4.820	1.250
Mold	5.150	4.262
Connah's Quay & Shotton	0.960	2.350
Total	17.080	15.562

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	<p>The impact of the pandemic will continue to be monitored closely during this 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.</p> <p>In addition to the above there are currently indications that material supplies, and demand, are being impacted by overseas supply market disruption leading to potential cost increases, higher tender prices and project delays.</p> <p>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.</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</p>

	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.
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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 2022/23
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 2022/23.

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</p>

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.