

CABINET

Date of Meeting	Tuesday, 20 th November 2018
Report Subject	Capital Programme Monitoring 2018/19 (Month 6)
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report By	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The report summarises changes made to the Capital Programme 2018/19 since it was set in February 2018 to the end of Month 6 (September 2018), along with expenditure to date and projected outturn.

The Capital Programme has seen a net decrease of £6.105m during the period. This is comprised of:-

- Net decreases in the programme of £6.031m (CF £1.264m, HRA (£7.295));
- Carry Forward to 2019/20, approved at Month 4 (£.074m).

Actual expenditure was £25.985m.

The final outturn for 2017/18 was a minor funding deficit of £0.068m. There have been a small number of capital receipts in year which, together with a projected shortfall of £8.216m in the capital programme 2018/19 to 2020/21, a request for an additional allocation of £0.500m towards the relocation of services to Unity House and a small increase in capital funding announced in the Provisional Settlement, puts the current funding deficit, for the 3 year period, at £8.577m. This is in advance of any additional capital receipts or other funding being realised.

RECOMMENDATIONS

(1)	Cabinet are requested to approve the overall report.
(2)	Cabinet are requested to approve the carry forward adjustments set out at 1.12.

REPORT DETAILS

1.00	EXPLAINING THE MONTH 6 CAPITAL PROGRAMME MONITORING POSITION- 2018/19																																																																																																						
1.01	<p>Background</p> <p>The Council approved a Council Fund (CF) capital programme of £23.773m and a Housing Revenue Account (HRA) capital programme of £36.496m for 2018/19 at its meeting of 20th February, 2018.</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	<p>Changes since Budget approval</p> <p>Table 1 below sets out how the programme has changed during 2018/19. More detailed cumulative information relating to each Portfolio is provided in Appendix A:-</p> <p>Table 1</p> <table border="1"> <thead> <tr> <th rowspan="3">REVISED PROGRAMME</th> <th rowspan="3">Original Budget 2018/19</th> <th rowspan="3">Carry Forward from 2017/18</th> <th colspan="3">2018/19 Previously Reported</th> <th rowspan="3">Changes - This Period</th> <th rowspan="3">Revised Budget 2018/19</th> </tr> <tr> <th>Changes</th> <th>Carry Forward to 2019/20</th> <th>Savings</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>People & Resources</td> <td>0.250</td> <td>0.233</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.483</td> </tr> <tr> <td>Governance</td> <td>0.408</td> <td>0.068</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0.476</td> </tr> <tr> <td>Education & Youth</td> <td>17.000</td> <td>0.385</td> <td>0</td> <td>0</td> <td>0</td> <td>0.130</td> <td>17.515</td> </tr> <tr> <td>Social Care</td> <td>1.955</td> <td>2.168</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>4.123</td> </tr> <tr> <td>Planning, Environment & Economy</td> <td>0</td> <td>0.664</td> <td>0</td> <td>0</td> <td>0</td> <td>0.150</td> <td>0.890</td> </tr> <tr> <td>Transport & Streetscene</td> <td>1.100</td> <td>2.845</td> <td>8.217</td> <td>0</td> <td>0</td> <td>0</td> <td>12.162</td> </tr> <tr> <td>Strategic Programmes</td> <td>0.660</td> <td>0.453</td> <td>1.383</td> <td>(0.074)</td> <td>0</td> <td>0.518</td> <td>2.940</td> </tr> <tr> <td>Housing & Assets</td> <td>2.400</td> <td>0.889</td> <td>0</td> <td>0</td> <td>0</td> <td>0.466</td> <td>3.755</td> </tr> <tr> <td>Council Fund Total</td> <td>23.773</td> <td>7.705</td> <td>9.676</td> <td>(0.074)</td> <td>0.000</td> <td>1.264</td> <td>42.344</td> </tr> <tr> <td>HRA Total</td> <td>36.496</td> <td>0</td> <td>(1.256)</td> <td>0</td> <td>0</td> <td>(7.295)</td> <td>27.945</td> </tr> <tr> <td>Programme Total</td> <td>60.269</td> <td>7.705</td> <td>8.420</td> <td>(0.074)</td> <td>0.000</td> <td>(6.031)</td> <td>70.289</td> </tr> </tbody> </table>	REVISED PROGRAMME	Original Budget 2018/19	Carry Forward from 2017/18	2018/19 Previously Reported			Changes - This Period	Revised Budget 2018/19	Changes	Carry Forward to 2019/20	Savings	£m	£m	£m	People & Resources	0.250	0.233	0	0	0	0	0.483	Governance	0.408	0.068	0	0	0	0	0.476	Education & Youth	17.000	0.385	0	0	0	0.130	17.515	Social Care	1.955	2.168	0	0	0	0	4.123	Planning, Environment & Economy	0	0.664	0	0	0	0.150	0.890	Transport & Streetscene	1.100	2.845	8.217	0	0	0	12.162	Strategic Programmes	0.660	0.453	1.383	(0.074)	0	0.518	2.940	Housing & Assets	2.400	0.889	0	0	0	0.466	3.755	Council Fund Total	23.773	7.705	9.676	(0.074)	0.000	1.264	42.344	HRA Total	36.496	0	(1.256)	0	0	(7.295)	27.945	Programme Total	60.269	7.705	8.420	(0.074)	0.000	(6.031)	70.289
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1.04

Carry Forward from 2017/18

Carry forward sums from 2017/18 to 2018/19, totalling £7.705m (CF £7.705m, HRA £0.000m), were approved as a result of the quarterly monitoring reports presented to Cabinet during 2017/18.

1.05

Changes during this period

Funding changes during this period have resulted in a net decrease in the programme total of £6.031m (CF £1.264m, HRA (£7.295m)). 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		
Leisure Centres - PB allocation from 2017/18	1.06	0.614
Unity House Additional Allocation	1.07	0.500
Energy Services	1.08	0.100
Townscape Heritage Initiatives	1.08	0.050
Other Aggregate Increases		0.468
		1.732
Decreases		
Other Aggregate Decreases		(0.468)
		(0.468)
Total		1.264
<u>HRA</u>		
Increases		
Other Aggregate Increases		0.000
		0.000
Decreases		
SHARP - Budget reprofiled to match expenditure	1.09	(7.295)
Other Aggregate Decreases		0.000
		(7.295)
Total		(7.295)

1.06

At its meeting on 18th July 2017, Cabinet approved additional expenditure on new health & fitness facilities and changing spaces at both Mold Leisure Centre and Jade Jones Pavilion in order to assist Aura Leisure & Libraries ADM in generating additional income. This is to be funded from Prudential Borrowing but offset by a reduction in the funding provided to Aura, resulting in a nil cost to the Council.

As much of this work will now take place in the current financial year funding was rephased from 2017/18 into 2018/19.

1.07	An additional allocation for the relocation of services to Unity House has been introduced as approved by cabinet as part of the Month 4 Capital Monitoring Report.																																																																																																																								
1.08	Grant income is often held on the Balance Sheet until such time as expenditure has been incurred and is then introduced to fund this. This is the case with both Energy Schemes and the Flint Townscape Heritage Initiative.																																																																																																																								
1.09	The need to Prudentially Borrow within the SHARP programme has been reduced as the budget is re-aligned to match projected actual expenditure.																																																																																																																								
1.10	<p>Capital Expenditure compared to Budget</p> <p>Expenditure as at Month 6, across the whole of the capital programme was £25.985m. The breakdown of expenditure is analysed in Table 3, along with the percentage spend against budget. This shows that 36.97% of the budget has been spent (CF 34.41%, HRA 40.85%). Corresponding figures for Month 6 2017/18 were 39.50% (CF 28.28%, HRA 50.90%).</p>																																																																																																																								
1.11	<p>The table also shows a projected underspend (pending carry forward and other adjustments) of £2.209m on the Council Fund and a break even position on the HRA.</p> <p>Table 3</p> <table border="1"> <thead> <tr> <th>EXPENDITURE</th> <th>Revised Budget</th> <th>Cumulative Expenditure Month 6</th> <th>Percentage Spend v Budget</th> <th>Projected Outturn</th> <th>Variance Budget v Outturn (Under)/Over</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> <th>%</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>People & Resources</td> <td>0.483</td> <td>0</td> <td>0.00</td> <td>0.483</td> <td>0</td> </tr> <tr> <td>Governance</td> <td>0.476</td> <td>0.059</td> <td>12.46</td> <td>0.476</td> <td>0</td> </tr> <tr> <td>Education & Youth</td> <td>17.515</td> <td>7.807</td> <td>44.57</td> <td>15.839</td> <td>(1.676)</td> </tr> <tr> <td>Social Care</td> <td>4.123</td> <td>0.546</td> <td>13.23</td> <td>4.123</td> <td>0</td> </tr> <tr> <td>Planning, Environment & Economy</td> <td>0.890</td> <td>0.313</td> <td>35.12</td> <td>0.357</td> <td>(0.533)</td> </tr> <tr> <td>Transport & Streetscene</td> <td>12.162</td> <td>2.604</td> <td>21.41</td> <td>12.162</td> <td>0</td> </tr> <tr> <td>Strategic Programmes</td> <td>2.940</td> <td>1.995</td> <td>67.84</td> <td>2.940</td> <td>0</td> </tr> <tr> <td>Housing & Assets</td> <td>3.755</td> <td>1.247</td> <td>33.21</td> <td>3.755</td> <td>0</td> </tr> <tr> <td>Council Fund Total</td> <td>42.344</td> <td>14.570</td> <td>34.41</td> <td>40.135</td> <td>(2.209)</td> </tr> <tr> <td>Buy Back / Strategic Acquisition</td> <td>0.500</td> <td>0.415</td> <td>83.06</td> <td>0.500</td> <td>0</td> </tr> <tr> <td>Disabled Adaptations</td> <td>1.051</td> <td>0.330</td> <td>31.44</td> <td>1.051</td> <td>0</td> </tr> <tr> <td>Energy Schemes</td> <td>0.357</td> <td>0.190</td> <td>53.23</td> <td>0.357</td> <td>0</td> </tr> <tr> <td>Major Works</td> <td>1.855</td> <td>1.073</td> <td>57.86</td> <td>1.855</td> <td>0</td> </tr> <tr> <td>Accelerated Programmes</td> <td>0.714</td> <td>0.309</td> <td>43.32</td> <td>0.714</td> <td>0</td> </tr> <tr> <td>WHQS Improvements</td> <td>18.289</td> <td>7.748</td> <td>42.36</td> <td>18.289</td> <td>0</td> </tr> <tr> <td>SHARP Programme</td> <td>5.179</td> <td>1.349</td> <td>26.05</td> <td>5.179</td> <td>0</td> </tr> <tr> <td>Housing Revenue Account Total</td> <td>27.945</td> <td>11.415</td> <td>40.85</td> <td>27.945</td> <td>0.000</td> </tr> <tr> <td>Programme Total</td> <td>70.289</td> <td>25.985</td> <td>36.97</td> <td>68.080</td> <td>(2.209)</td> </tr> </tbody> </table>	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	0.483	0	0.00	0.483	0	Governance	0.476	0.059	12.46	0.476	0	Education & Youth	17.515	7.807	44.57	15.839	(1.676)	Social Care	4.123	0.546	13.23	4.123	0	Planning, Environment & Economy	0.890	0.313	35.12	0.357	(0.533)	Transport & Streetscene	12.162	2.604	21.41	12.162	0	Strategic Programmes	2.940	1.995	67.84	2.940	0	Housing & Assets	3.755	1.247	33.21	3.755	0	Council Fund Total	42.344	14.570	34.41	40.135	(2.209)	Buy Back / Strategic Acquisition	0.500	0.415	83.06	0.500	0	Disabled Adaptations	1.051	0.330	31.44	1.051	0	Energy Schemes	0.357	0.190	53.23	0.357	0	Major Works	1.855	1.073	57.86	1.855	0	Accelerated Programmes	0.714	0.309	43.32	0.714	0	WHQS Improvements	18.289	7.748	42.36	18.289	0	SHARP Programme	5.179	1.349	26.05	5.179	0	Housing Revenue Account Total	27.945	11.415	40.85	27.945	0.000	Programme Total	70.289	25.985	36.97	68.080	(2.209)
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1.12	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 2019/20 has been identified, this is also included in the narrative.																											
1.13	<p>Carry Forward into 2019/20</p> <p>During the quarter carry forward of £2.246m (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 2019/20.</p>																											
1.14	<p>Information relating to each programme area is contained in Appendix B and summarised in Table 4 below:-</p> <p>Table 4</p> <table border="1" data-bbox="360 786 1342 1317"> <thead> <tr> <th rowspan="2">CARRY FORWARD INTO 2019/20</th> <th colspan="2"></th> <th>Total</th> </tr> <tr> <th>Month 4 £m</th> <th>Month 6 £m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Education & Youth</td> <td></td> <td>1.676</td> <td>1.676</td> </tr> <tr> <td>Planning, Environment & Economy Strategic Programmes</td> <td>0.074</td> <td>0.570</td> <td>0.570</td> </tr> <tr> <td>Council Fund</td> <td>0.074</td> <td>2.246</td> <td>2.320</td> </tr> <tr> <td>Housing Revenue Account</td> <td>0.000</td> <td>0.000</td> <td>0.000</td> </tr> <tr> <td>TOTAL</td> <td>0.074</td> <td>2.246</td> <td>2.320</td> </tr> </tbody> </table>	CARRY FORWARD INTO 2019/20			Total	Month 4 £m	Month 6 £m	£m	Education & Youth		1.676	1.676	Planning, Environment & Economy Strategic Programmes	0.074	0.570	0.570	Council Fund	0.074	2.246	2.320	Housing Revenue Account	0.000	0.000	0.000	TOTAL	0.074	2.246	2.320
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1.15	<p>Additional Allocations</p> <p>No additional allocations have been identified in the programme in this quarter.</p>																											
1.16	<p>Savings</p> <p>No savings have been identified in the programme in this quarter.</p>																											
1.17	<p>Funding of 2018/19 Approved Schemes</p> <p>The position at Month 6 is summarised in Table 5 below:-</p>																											

Table 5

FUNDING OF APPROVED SCHEMES		
	£m	£m
Capital Receipts Available as at 31/03/18		(7.637)
Carry Forward Funding		7.705
		0.068
Increases		
Shortfall in 2018/19 to 2020/21 budget	8.216	
Additional allocation to Unity House	0.500	8.716
Decreases		
Actual In year receipts	(0.067)	
Provisional Settlement - £0.070m pa	(0.140)	
Savings		(0.207)
Funding - (Available)/Shortfall		8.577

1.18 The final outturn funding deficit from 2017/18 was £0.068m.

In addition, schemes put forward for the years 2018/19 - 2020/21 showed a potential shortfall in funding of £8.216m. The detail behind this figure can be found in the report 'Development of 2018/19 - 2020/21 Capital Programme' which was presented to Council on 20th February 2018.

Additional allocations amount to £0.500m.

Actual in year receipts as at Month 6 amount to £0.067m.

The WG Provisional Settlement, issued on 9th October, increased the Council's capital allocation by £0.070m per annum. This therefore represents an increase of £0.140m for the period 2019/20 and 2020/21 above that taken into account when setting the budget in February.

Taken together this indicates a current funding shortfall of £8.577m over the 3 year period, prior to the realisation of additional capital receipts and/or other funding sources.

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 2017/18 actual expenditure, the 2018/19 revised budget and budgets for future years as approved by Council at its meeting of 20th February, 2018. Further detail can be found in Appendix C, including details of the 2018/19 spend to Month 6.

Table 6

INVESTMENT IN COUNTY TOWNS			
	2017/18	2018/19	2019 -
	Actual	Revised	2021
	£m	Budget	Budget
		£m	£m
Buckley / Penyffordd	1.062	6.214	2.382
Connah's Quay / Shotton	8.133	13.897	0.492
Flint / Bagillt	3.180	2.245	0.241
Holywell / Caerwys / Mostyn	1.564	3.938	0
Mold / Treuddyn / Cilcain	6.201	1.671	0
Queensferry / Hawarden / Sealand	1.275	4.150	0
Saltney / Broughton / Hope	0.453	0.980	4.207
To Be Confirmed	0	3.229	7.942
Total	21.868	36.324	15.264

- 1.21 The inclusion of actuals for 2017/18 and approved schemes for future years allows a slightly fuller picture of investment plans. However, expenditure which has occurred in years' prior to 2017/18 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 particular areas, which are homes developed under the SHARP programme, 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		
	2017/18 Actual £m	2018/19 Budget £m
Holywell	0.250	0.550
Flint	2.500	3.950
Deeside & Saltney	1.300	4.550
Buckley	2.500	2.150
Mold	1.500	1.550
Connah's Quay & Shotton	5.500	1.050
Total	13.550	13.800

2.00 RESOURCE IMPLICATIONS

2.01 As set out in the body of the report.

3.00 CONSULTATIONS REQUIRED / CARRIED OUT

3.01 No consultation is required as a direct result of this report.

4.00 RISK MANAGEMENT

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.

5.00 APPENDICES

5.01 Appendix A: Capital Programme - Changes during 2018/19.

5.02 Appendix B: Variances.

5.03 Appendix C: Investment in Towns.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Capital Programme monitoring papers 2018/19.</p> <p>Contact Officer: Andrew Elford Accountant</p> <p>Telephone: 01352 702291</p> <p>E-Mail: andrew.j.elford@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<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</p>

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.