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## **CABINET REPORT**

Date Written	4 <sup>th</sup> February 2021
Report Author	Adele Lewis/Geoff Francis
Service Area	Finance
Committee Division	Strategic
Exempt/Non Exempt	Non Exempt
Committee Date	24 <sup>th</sup> February 2021

*To: Chair, Ladies and Gentlemen*

### **Capital Budget Monitoring 2020/21 – Quarter 3**

#### **1.0 SUMMARY OF THE REPORT**

- 1.1 This report details the capital expenditure and financing position for the Period Ending 31<sup>st</sup> December 2020 for both core and externally funded capital projects.
- 1.2 The report details the capital expenditure position for the period 1st April 2020 to 31<sup>st</sup> December 2020, together with expenditure projections for the 2020/21 financial year.
- 1.3 There is an underspend of £532,000 on core funded projects and an underspend of £35,000 on externally funded projects for the financial year 2020/21 based on the financial position as at 31<sup>st</sup> December 2020, which is the end of the third quarter.

#### **2.0 RECOMMENDATIONS that:**

- 2.1 The Capital Monitoring Report for the third quarter of 2020/21 be noted.
- 2.2 The budget amendments for core-funded projects as outlined in 4.1 below be approved.
- 2.3 Variances to the budgets as per paragraphs 4.2 be noted.
- 2.4 The requirements for officers to continue to rigorously monitor budgets to ensure that expenditure remains within approved budgets be noted.

### **3.0 INTRODUCTION AND BACKGROUND**

- 3.1 The revised Core Capital Programme as agreed at Cabinet of 25th November 2020 for the 2020/21 financial year totalled £15.222 million. It is financed through General Capital Funding received from the Welsh Government, unsupported borrowing through the Prudential Code framework and the utilisation of capital receipts from fixed asset disposals.
- 3.2 Details in respect of core funded projects are outlined in Appendix 1.
- 3.3 The Council has also secured additional funding through external grants, mainly from the Welsh Government and Heritage Lottery Fund totalling £15.557 million for the 2020/21 financial year.
- 3.4 Details in respect of grant/externally funded projects are outlined in Appendix 2.

### **4.0 CORE FUNDED PROJECTS**

- 4.1 Amendments to the budgets of core funded projects are outlined in Appendix 1 and detailed further within Appendix 3.
- 4.2 Appendix 1 shows that £6.268 million of capital expenditure has been incurred on core financed projects up to 31<sup>st</sup> December 2020 with a net under spend of £532,000 against budget for the financial year. Appendix 4 details the schemes and reasons for the under spend position. It should be noted that capital expenditure tends to be weighted towards the second half of the financial year.

### **5.0 OTHER CAPITAL PROJECTS**

- 5.1 Other capital projects totalling £15.557 million funded from a variety of external capital grants together with the related financing profiles are detailed in Appendix 2.
- 5.2 During the quarter, £1.125 million in additional external grants were secured. However, these were partially offset by grant reductions as a result of project re-profiling and a funding re-classification leaving a net increase of £905,000 as detailed in Appendix 5
- 5.3 Appendix 2 shows that £10.034 million of capital expenditure has been incurred on externally financed projects up to the 31<sup>st</sup> December 2020 with an underspend of £35,000 against budget.
- 5.4 Utilisation of each individual grant is defined by detailed prescriptive terms and conditions specific to that grant, including eligibility for carry over to the following financial year.

## 6.0 FINANCIAL IMPLICATIONS

6.1 A total projected spend of £28.714 million with an underspend of £567,000 is projected for both core and grant funded projects for 2020/21 based on the position as at 31st December 2020 which is the end of the third quarter of the financial year.

## 7.0 INTEGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Not Applicable
<b>1. Merthyr Tydfil Well-being Objectives</b>	4 of 4	0 of 4	0 of 4
<b>2. Sustainable Development Principles - How have you considered the five ways of working:</b> <ul style="list-style-type: none"> <li>• Long term</li> <li>• Prevention</li> <li>• Integration</li> <li>• Collaboration</li> <li>• Involvement</li> </ul>	5 of 5	0 of 5	0 of 5
<b>3. Protected Characteristics</b> <i>(including Welsh Language)</i>	0 of 10	0 of 10	10 of 10
<b>4. Biodiversity</b>	0 of 1	0 of 1	1 of 1
<b>Summary:</b>			
The main positive impacts are that the capital budgets support the Council to achieve its Well-being Objectives through its Capital Programme.			

**ELLIS COOPER**  
**INTERIM CHIEF EXECUTIVE**

**COUNCILLOR ANDREW BARRY**  
**CABINET MEMBER FOR GOVERNANCE**  
**AND CORPORATE SERVICES**

<b>BACKGROUND PAPERS</b>		
Title of Document(s)	Document(s) Date	Document Location
Capital Budget Monitoring Reports	December 2020	Accountancy Department
Does the report contain any issue that may impact the Council's Constitution?		<b>No</b>

**Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.**

**Capital Monitoring Statement 2020/21**  
**(For the period Ended 31st December 2020)**

**Appendix 1**

<b>Core Funded Projects</b>	<b>Budget £'000</b>	<b>Amendment to Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Out turn to Date £'000</b>	<b>Projection 2020/21 £'000</b>	<b>Variance £'000</b>
<b>Education</b>						
21st Century Schools Programme	4,416	(60)	4,356	1,827	4,356	0
Education Other	1,685	4	1,689	1,184	1,689	0
<b>Physical Regeneration Programme</b>	1,850	(55)	1,795	827	1,795	0
<b>Engineering &amp; Transport Infrastructure</b>	1,338	(19)	1,319	807	1,345	26
<b>Land, Buildings &amp; Corporate</b>	5,933	(1,368)	4,565	1,622	4,007	(558)
<b>Total</b>	<b>15,222</b>	<b>(1,498)</b>	<b>13,724</b>	<b>6,268</b>	<b>13,192</b>	<b>(532)</b>
<b>Core Funding Available</b>	<b>Budget £'000</b>	<b>Amendment to Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Out turn to Date £'000</b>	<b>Projection 2020/21 £'000</b>	<b>Variance £'000</b>
<b>General Capital Grant</b>	1,582	0	1,582	1,582	1,582	0
<b>Supported Borrowing</b>	1,577	0	1,577	1,577	1,577	0
<b>Capital Receipts</b>	614	0	614	14	464	(150)
<b>Unsupported Borrowing</b>	10,995	(1,593)	9,402	2,566	9,020	(382)
<b>Capital Contribution Reserve</b>	454	95	549	530	549	0
<b>Total</b>	<b>15,222</b>	<b>(1,498)</b>	<b>13,724</b>	<b>6,268</b>	<b>13,192</b>	<b>(532)</b>

**Capital Monitoring Statement 2020/21**  
**(For the period Ended 31st December 2020)**

**Appendix 2**

	<b>Budget £000</b>	<b>Amendment to Budget £000</b>	<b>Revised Budget £000</b>	<b>Out turn 2020/21 £000</b>	<b>Projection 2020/21 £'000</b>	<b>Variance £000</b>
<b>Specified Grant/External Funded Projects</b>						
<b>Education</b>						
21st Century Schools Programme	1,402	0	1,402	1,211	1,402	0
Education Other	1,070	111	1,181	158	1,158	(23)
<b>Physical Regeneration Programme</b>	8,938	(90)	8,848	6,715	8,842	(6)
<b>Engineering &amp; Transport Infrastructure</b>	2,773	0	2,773	1,598	2,772	(1)
<b>Housing and Corporate</b>	469	884	1,353	351	1,348	(5)
<b>Total</b>	<b>14,652</b>	<b>905</b>	<b>15,557</b>	<b>10,034</b>	<b>15,522</b>	<b>(35)</b>

	<b>Budget £000</b>	<b>Amendment to Budget £000</b>	<b>Revised Budget £000</b>	<b>Out turn 2020/21 £000</b>	<b>Projection 2020/21 £'000</b>	<b>Variance £000</b>
<b>Specific Grant/Other Funding Available</b>						
<b>Welsh Government</b>	13,921	708	14,530	9,916	14,500	(30)
<b>Integrated Care Fund</b>	73	0	73	49	69	(4)
<b>Home Office Funding</b>	62	391	453	27	452	(1)
<b>Heritage Lottery Fund</b>	280	(91)	189	19	189	0
<b>Sports Concil for Wales</b>	0	125	125	0	125	0
<b>Other Contrbutions</b>	316	(228)	187	22	187	0
<b>Total</b>	<b>14,652</b>	<b>905</b>	<b>15,557</b>	<b>10,034</b>	<b>15,522</b>	<b>(35)</b>

**Capital Monitoring Statement 2020/21****Appendix 3****(For the period Ended 31st December 2020)****Proposed Budget Amendments - Core Funded Projects**

Ref.	Budget Head	Amendment £'000	Explanation
1	Pen-y-Dre School	(60)	Delays due to Covid-19 and the issue of contract tender documentation will result in lower than expected spend and so permission to carry forward surplus budget requested.
2	Cyfarthfa School Paving	4	The school has agreed to a revenue contribution towards the paving works
3	Taff Bargoed Regeneration	(55)	A request is made to carry forward £55k as match to attract external funding for the A465, Taff Bargoed and Hoover site in future years.
4	Safety Fence Renewal	(7)	Insufficient budget exists to finance complete schemes so the residual is requested to be carried over into 2021/22 to augment on-going funding
5	Cattle Grid Replacements	(12)	
6	Cefn Cemetery	56	Adjustment to reflect £99k of funding from Welsh Government from capital contributions to reserves. Also, due to adverse weather conditions outstanding works have been rescheduled to the spring of 2021 and a request made to carry forward the remaining budget of £43k to finance.
7	Shingrig Play Area	(22)	The scheme has been delayed due to the impact of Covid-19 and limited internal resources. A carry forward of the remaining budget into 2021/22 is required to complete the works
8	Afon Taff Track Development	14	To upgrade the existing gravel/cinder track to that of a porous macadam surface. £7k is being provided as a contribution from the school and £7k from Sports & Recreation.
9	Office alterations for Agile Working	24	Office reconfiguration at the Civic Centre has been agreed and a request for funding through additional borrowing made.
10	Riverside	(1,100)	Outstanding works to accommodate bats on site have yet to be completed. Several options exist and a request for funding to be carried forward is made to complete the chosen option.
11	Disabled Facilities Grant	(340)	This balance as at quarter 2 was identified as being surplus to requirements. It has since been requested that it be carried forward for application in 2021/22

**Capital Monitoring Statement 2020/21**  
**(For the period Ended 31st December 2020)**  
**Major Variances - Core Funded Projects**

**Appendix 4**

<b>Ref.</b>	<b>Budget Head</b>	<b>Variance £'000</b>	<b>Explanation</b>
1	SCMG 18/19 - Dowlais LRB (Bungalow)	12	The initial budget allocation for the bungalow was insufficient for works required but offset by lower than expected expenditure on the Coed-y-Dderwyn Roof and Lighting Replacement Schemes
2	SCMG 18/19 - Coed-y-Dderwyn Roof	(7)	
3	SCMG 18/19 - Replacement Lighting Programme	(5)	
4	Highways Congestion Improvement Schemes	18	As reported in quarter 2, due to the Covid-19 pandemic, additional costs are likely as a result of additional PPE requirements, longer collection times associated with material collection, inability to share vehicles to and from site, and extended construction times.
5	Road Bridge Masonry Repairs (5 bridges)	8	
6	Riverside	(400)	As reported in quarter 2, demolition costs were significantly lower than expected.
7	IT Switches & Wi-Fi Access	(10)	The cost of Wi-Fi controllers and memory was lower than anticipated.
8	Redundancy Costs	(150)	The Council has the flexibility to utilise capital receipts to finance revenue costs of service reform, specifically redundancy costs. Due to market changes as a result of the pandemic the target of £600,000 of new capital receipts for 2020/21 may not be achieved and so £450,000 of redundancy costs has been projected as capital expenditure.
9	Parking Machine Replacements / Upgrades	(15)	A reduced number (4-off) of parking machines will replace those currently in use.
10	CCTV Upgrades	17	As reported in quarter 2, unexpected repairs to ducting, civil works and additional wireless links were required within Merthyr Town Centre for which no budget had been provided.

**Capital Monitoring Statement 2020/21**  
**(For the period Ended 31st December 2020)**  
**Major New Scheme External Grant Funding**

**Appendix 5**

<b>Ref.</b>	<b>Grant Description</b>	<b>£'000</b>	<b>Grant Details</b>
1	Childcare Offer Capital Grant	60	To provide small capital grants to settings adversely impacted by Covid-19
2	Flying Start	33	For the construction of an outside canopy at the Troedyrhiew setting (£9k) and provision of C-touch screens at various locations (£24k)
3	Play Sufficiency Assessment (PSA) Action Plan	58	To facilitate the fulfilment of actions contained within the 2020/21 Play Sufficiency Assessment (PSA) Action Plan
4	21st Century Schools Post Digital 2030	18	Extra funding to provide improved Wi-Fi connectivity, additional community ICT equipment and enhancements to the digital learning environment
5	Cefn Cemetery	(99)	Adjustment to reflect £99k received from Welsh Government from capital reserves rather than contributions.
6	Circular Economy Funding	409	To enable the purchase of On street recycling bins (£130k), Kerbside recycling boxes (£51k), Solar Arrays (30k), 2 x Loading shovels / Manitou (£190k) and a Mattress recycling bin (£8k)
7	Afon Track Development	125	To upgrade the existing gravel / cinder track to that of a porous macadam surface
8	Home Office Safe Streets	391	To install CCTV systems incorporating 4K technology at strategic high risk locations together with alley gating to both private and local authority owned sites within the Merthyr town centre area.
9	Rights of Way Access Improvements	31	To improve the Public Rights of Way Network and open access to land and green spaces.
10	Heritage Lottery Fund / CADW / Private Finance	(121)	Continuing restrictions during the third quarter has further reduced progress on building refurbishment works and resultant external funding as detailed in appendix 2.