

Committee: **Cabinet**
 Date of meeting: **19th April 2023**
 Report Subject: **Capital Budget Monitoring, Forecast for 2022/2023
 Financial Year (As at 31 December 2022)**
 Portfolio Holder: **Cllr S Thomas – Leader & Cabinet Member Corporate
 Overview & Performance**
 Report Submitted by: **Rhian Hayden – Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance and Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	16/02/2023	30.03.23			16.03.23	19.04.23		

1. Purpose of the Report

- 1.1 To provide members with an overview of each Portfolio's actual and forecast capital expenditure against funding approvals for the 2022/2023 financial year, as at 31st December 2022.

2. Scope and Background

- 2.1 This report provides details on the following:

- Forecast financial position to 31st March 2023 across all portfolios
- Details of any significant adverse and/or favourable variances

- 2.2 This report forms part of the councils financial reporting framework.

3. Options for Recommendation

- 3.1 Corporate Overview and Performance Scrutiny Committee recommended Option 1 at its meeting on 16th March 2023.

3.2 Option 1 (Recommended Option)

To accept the report and

- Provide appropriate challenge to the financial outcomes in the report.
- Continue to support appropriate financial control procedures agreed by Council.
- To note the budgetary control and monitoring procedures in place within the Capital Team, to safeguard Authority funding.

3.3 Option 2

Do not accept the report.

4. **Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 This report supports the Forward Looking Corporate Plan 2022/27 as it ensures effective forward financial planning arrangements are in place to support the Council's financial resilience. This is a key element to achieving "An ambitious and innovative council delivering quality services at the right time and in the right place"

The Capital programme allows the council to invest in connectivity, Community & Decarbonisation measures, to aid us in "Responding to the nature and climate crisis and enable connected communities".

5. **Implications Against Each Option**

5.1 ***Impact on Budget (short and long term impact)***

5.1.1 The current capital programme is approximately £139m and is funded by: -

WG Grant - £110m

Other grant funding - £6m

Council Resources - £23m

It is forecast that expenditure of £71.81m will be incurred on capital projects / schemes during 2022/23, with the remainder allocated for use in future years.

The overall financial position as forecast at 31st December 2022 indicates an underspend of £0.171m against a total in year capital budget of £71.98m.

The overall position across all Portfolios is shown below: -

Total Approvals Q1 (Dec 2022)	Future funding	In year funding	Forecast Expenditure to 31/03/2023	Actual Expenditure to 31/12/2022 (Month 9)	Forecast Variance Underspent / overspent
£000	£000	£000	£000	£000	£000
138,701	66,716	71,985	71,815	25,492	171

5.1.2 Significant variances have or are expected to arise for the following:

The LTF Bus Stop Infrastructure scheme is forecasting an underspend of £242,822, the underspend has occurred as the Contractor was unable to deliver the project within the funding timeframe. This funding will therefore not be claimed from WG.

- 5.1.3 Childcare Offer - Swffryd Scheme has an overspend of £72,248. The overspend has arisen due to increased costs on construction. This includes a temporary access road, surfacing workings, external works play areas including draining and fencing and a retaining wall in association with the aforementioned. Discussions are ongoing with Lead project officers and Welsh Government regarding funding the additional expenditure.
- 5.1.4 There is a high level of uncertainty surrounding the impact inflation will have on construction costs, particularly where contracts have yet to be let / awarded.
- 5.1.5 Technical Services have been proactive in value engineering such as substitution of materials and methods with less expensive alternatives, without sacrificing functionality to ensure contracts are kept within budget.
- 5.1.6 Accountancy is working with Budget holders to ensure early identification of projects at risk of exceeding the budget. Where overspends are identified, budget holders will explore options for funding variation or re-profile.

5.2 Risk including Mitigating Actions

- 5.2.1 Expenditure against external funding approvals needs to be maximised in order to avoid loss of funding. If significant delays in capital expenditure are anticipated or contract costs rise due to the impact of Covid-19, inflation pressures and the cost of living crisis, liaison with funding bodies will be required at the earliest opportunity in order to secure approval for funding re-profile.
- 5.2.2 There is a high level of uncertainty surrounding the impact inflation will have on construction costs, particularly where contracts have yet to be let / awarded. For those contracts which have been let and are on site, Technical Services have been proactive in value engineering such as substitution of materials and methods with less expensive alternatives, without sacrificing functionality to ensure contracts are kept within budget. Where budgets are forecast to be exceeded, project officers are either exploring funding variations or re-profile.
- 5.2.3 If funding re-profile cannot be agreed and capital schemes are not kept within budget, then capital reserves may be committed beyond affordable levels, with the consequence that projects that have not yet commenced may be deferred or not undertaken, so impacting upon future Capital Programmes.
- 5.2.4 If capital schemes do not achieve the required level of expenditure within the correct financial year and further peaks of inflation results in projects facing significant delay, funding may be lost to the Authority and be detrimental to the Authority's chances of securing future funding.
- 5.2.5 The aforementioned risks are mitigated as far as possible through close working relationship with Budget Holders, Technical Services and external funding bodies such as Welsh Government. This ensures that where possible, funding is maximised or funding amendments are secured should the need arise

5.2.6 Where overall funding approvals are likely to be exceeded and additional compensatory funding sources cannot be identified, budget holders will initially report the consequences to the Corporate Leadership Team, including proposals to defer/delete other approved schemes.

5.3 **Legal**

N/A

5.4 **Human Resources**

N/A

6. **Supporting Evidence**

6.1 ***Performance Information and Data***

6.1.2 The Capital Expenditure Report is attached at Appendix 1.

6.1.3 Appendix 2 provides information of funding changes since the second quarter report.

6.2 ***Expected outcome for the public***

6.2.1 The report details the financial implications for the Council in providing capital investment for the communities of Blaenau Gwent.

All forecast overspends and underspends are managed in order that secured funding approvals are not lost and to mitigate any potential adverse impact upon future Capital investment in Blaenau Gwent.

6.3 ***Involvement (consultation, engagement, participation)***

The Capital Programme is developed to support the Council's strategic priorities and is considered and agreed by full Council. Corporate Overview & Performance Scrutiny and Cabinet consider the budget monitoring reports on a quarterly basis and provide challenge as appropriate.

6.4 ***Thinking for the Long term (forward planning)***

It is essential that all forecast overspends and underspends are managed in order that secured funding approvals are not lost and to mitigate any potential adverse impact upon the future capital programme.

6.5 ***Preventative focus***

Accountancy will continue their close working relationship with budget holders and external funding bodies to ensure that funding is maximised or funding amendments are secured in future financial years.

Accountancy with Budget holders monitor schemes / projects to ensure early identification of schemes / projects at risk of exceeding the budget. Where potential overspends are identified, budget holders will explore options to mitigate / minimise the forecast overspend.

6.6 ***Collaboration / partnership working***

The Capital Services Team works closely with budget holders in producing the financial forecast and with external funding bodies to ensure that where possible funding is maximised or funding amendments are secured should the need arise.

6.7 ***Integration (across service areas)***

N/A

6.8 ***Decarbonisation and Reducing Carbon Emissions***

The Council is committed to the Decarbonisation Plan to achieve a carbon neutral public sector by 2030. The Capital Programme currently contains schemes which promote the reduction of carbon emissions such as ReFIT, Electric Vehicle Charge Points, Innovation for Decarbonisation - WBRID and the purchase of Ultra Low Emission Vehicles. New Council buildings should be designed to the latest energy efficiency standards.

6.9 ***Integrated Impact Assessment***

N/A

7. ***Monitoring Arrangements***

The Corporate Leadership Team, Corporate Overview & Performance Scrutiny and Cabinet consider the budget monitoring reports on a quarterly basis and provide challenge as appropriate.

Background Documents /Electronic Links

Appendix 1 – Funding Estimates – Summary

Appendix 2 – Funding Charges