

Committee: **Cabinet**
 Date of meeting: **19th July 2023**
 Report Subject: **Capital Budget Monitoring, Provisional Outturn 2022/2023
 Financial Year (As at 31 March 2023)**
 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 & Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	15/06/23	29.06.23			05/07/23	19/07/23		

1. Purpose of the Report

1.1 To provide Members with an overview of each Portfolio’s actual capital expenditure against funding approvals for the 2022/2023 financial year, as at 31st March 2023.

2. Scope and Background

2.1 This report provides details on the following:

- Provisional financial position to 31st March 2023 across all portfolios (subject to External Audit)
- Details of any significant adverse and/or favourable variances

2.2 This report forms part of the Council’s financial reporting framework.

3. Options for Recommendation

3.1 The report will be considered by the Corporate Overview and Performance Scrutiny Committee on 5th July 2023, and any feedback will be provided verbally to Cabinet.

3.2 Option 1 (Recommended Option)

Members consider the information included within 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.

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 £152m and is funded by: -

Welsh Government Grant - £114m
 Other grant funding - £15m
 Council Resources — £23m

Expenditure of £47.85m was incurred on capital projects / schemes during 2022/23, with £105m allocated for use in future years.

The overall financial position at 31st March 2023 indicates a favourable variance of £0.33m against a total in year capital budget of £48.18m

The overall position across all Portfolios is shown below: -

Total Approvals Q4 (March 2022)	Future funding	In year funding	Actual Expenditure to 31/03/2023 (Month 12)	Forecast Variance underspent / (overspent)
£000	£000	£000	£000	£000
152,906	104,722	48,184	47,852	334

5.1.2 Previous reports have identified overspends against the Childcare Offer – Swffryd Scheme project, totalling £72,248. A variation request has been submitted to Welsh Government for virement of funding from an existing approved scheme, that no longer requires the funding. It is anticipated that a decision will be made by Welsh Government Panel in June. In anticipation of the variation request being approved, the project has been shown as fully funded. Officers will update members of the outcome in due course.

5.1.3

This report has identified three significant underspends within the Capital Programme.

Coal Tip Safety - £ 44,115

The scheme is due to be fully completed during 2023/24. However, the total cost of the works is forecast to be less than approved grant funding, Welsh Government made aware of this. Consequently, the remaining funding will not be drawn down from Welsh Government.

LTF Bus Stop Infrastructure - £ 242,882

The underspend relates to the LTF Bus Stop Infrastructure scheme with a variance of £242,822, the underspend has incurred as the Contractor was unable to deliver the project within the funding timeframe.

Childcare Offer - Small Grants Scheme - £ 40,781

The underspend has occurred due to the funding being received very late in the financial year. Despite advertising the scheme to the childcare settings very quickly, some childcare settings didn't apply at all, some were unable to supply quotes to submit with applications or they were unable to find Contractors to complete the work in the time period required, Welsh Government were made aware the full grant allocation was not going to be utilised.

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 third quarter report.

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

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 Committee 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***

The Capital Services Team 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.

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, Scrutiny Committee and Cabinet consider the budget monitoring reports on a quarterly basis and provide challenge as appropriate.

Background Documents /Electronic Links

Appendix 1 – Capital Programme – Summary

Appendix 2 – Capital Funding Changes