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MEETING:	<b>AUDIT COMMITTEE</b>
DATE:	<b>17 NOVEMBER 2011</b>
TITLE OF REPORT:	<b>CAPITAL PROGRAMME 2011/12 - END OF SECOND QUARTER REVIEW (30 SEPTEMBER 2011)</b>
PURPOSE OF REPORT:	<b>MONITORING REPORT ON THE EXPENDITURE AND FINANCING OF THE CAPITAL PROGRAMME</b>
ACTION:	<b>RECOMMEND THAT THE COUNCIL BOARD APPROVE OF THE REVISED FINANCING</b>
AUTHOR:	<b>DAFYDD L EDWARDS, HEAD OF FINANCE</b>
PORTFOLIO LEADER:	<b>COUNCILLOR SIÂN GWENLLŪAN</b>

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## **SUMMARY**

The main purpose of this report is to present the revised capital programme and recommend the relevant sources of finance. This report is in 5 parts:

Part 1: Analysis by Department of the £93m capital programme for the 3 years 2011/12 – 2013/14.

Part 2: An explanation of the sources of finance for the net increase of approximately £4.3m since the first quarter review, with the majority of the increase due to increased lending to fund the Investment Programme to Upgrade Schools' schemes.

The Council Board has the authorisation to adapt the capital programme. Approval is sought for the programme (part 1) and financing (part 2), and the Audit Committee is asked to recommend to the Board as appropriate.

The remainder of the report is for information:

Part 3: Slippages from 2011/12 to 2012/13.

Part 4: Expenditure for the first 6 months 2011/12.

Part 5: Expenditure profiles.

## **OPINION**

There are 2 main conclusions that arise from the second quarter review, which are:-

- The actual expenditure up to 30/9/11 is only 28% of the budget, compared with 34% in the equivalent half year last year (see 4.2 below).
- As much as £19.4million is to slip from 2011/12 to 2012/13. It is a positive step that this has already been identified by the second quarter, but this slippage could have an effect on services (see 3.4 below).

## 1 CAPITAL PROGRAMME 2011/12 to 2013/14

1.1 The table below shows a comparison of the capital programme up to the end of September against the situation at the end of June:

### COMPARISON OF THE MOVEMENT FROM THE FIRST QUARTER TO THE SECOND QUARTER POSITION

SUMMARY	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE / (DECREASE) £'000	
	2011/12 £'000	2012/13 £'000	2013/14 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000		TOTAL £'000
Human Resources	659	0	0	235	424	0	659	0
Education	13,403	7,235	2,350	7,971	14,182	3,048	25,201	2,213
Trunk Road Agency	0	0	0	0	0	0	0	0
Finance	60	0	0	0	60	0	60	0
Provider and Leisure	761	0	0	599	301	0	900	139
Democracy and Legal	0	0	0	0	0	0	0	0
Economy and Community	6,393	5,903	2,297	5,894	7,356	2,492	15,742	1,149
Customer Care	8,409	1,302	0	6,802	2,546	0	9,348	(363)
Social Services and Housing	3,471	0	0	3,087	325	0	3,412	(59)
Highways and Municipal	6,816	2,038	0	7,192	2,649	10	9,851	997
Regulatory	11,250	9,579	6,307	8,957	11,500	6,307	26,764	(372)
Strategic and Improvement	5	0	0	5	0	0	5	0
Council Housing	63	0	0	63	0	0	63	0
Gwynedd Consultancy	352	0	0	242	119	0	361	9
Corporate	16	0	0	2	601	0	603	587
<b>TOTAL</b>	<b>51,658</b>	<b>26,057</b>	<b>10,954</b>	<b>41,049</b>	<b>40,063</b>	<b>11,857</b>	<b>92,969</b>	<b>4,300</b>

## 2 CHANGES TO THE SOURCES OF FINANCE

2.1 The budget for the three year programme shows an increase of £4,300,000 since the first quarter position. The sources of financing for this are noted below:

SUMMARY	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE/ (DECREASE) £000
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	
	£000	£000	£000	£'000	£'000	£000	
<b>Source:</b>							
Supported Borrowing	5,443	0	0	5,443	0	0	0
Unsupported Borrowing	6,131	3,317	694	4,492	6,548	875	1,773
Grants and Contributions	20,917	18,761	10,181	18,209	21,952	10,917	1,219
Capital Receipts	4,408	0	0	4,144	175	0	(89)
Departmental & Corporate Revenue	3,828	25	0	4,441	447	10	1,045
Capital Fund	8,155	3,740	0	1,345	10,550	0	0
Renewals & Other Funds	2,776	214	79	2,975	391	55	352
<b>TOTAL</b>	<b>51,658</b>	<b>26,057</b>	<b>10,954</b>	<b>41,049</b>	<b>40,063</b>	<b>11,857</b>	<b>4,300</b>
<b>3 YEAR TOTAL</b>			<b>88,669</b>			<b>92,969</b>	

### 2.2 Unsupported Borrowing

A net increase of £1,773,000 can be seen in the use of borrowing, mainly to fund the Ysgol Ardal Dwyrain Dolgellau scheme (Education Department) which is a total of £1,800,000 over the three years. This scheme was approved by the Board on 26/7/11 as part of the Investment Programme to Upgrade Schools.

### 2.3 Grants and Contributions

A net increase of £1,219,000 in the Grants and Contributions over the programme mainly due to -

#### 2.3.1 Town Improvements Scheme (Economy and Community Department), increase of £500,000 in 2011/12, and £500,000 in 2012/13 (total of £1,000,000).

A grant was received over two years from the Welsh Government from the Mon Menai programme to improve towns, specifically Bangor Town Centre, Caernarfon Town Centre and The Slate Valleys (Arfon).

#### 2.3.2 Green Transport Schemes (Regulatory Department) increase of £305,000 in 2011/12.

Additional grant was allocated by the Welsh Government from the 'STA' programme (Sustainable Travel Activities) which brings the total for Gwynedd to £1,000,000.

### 2.4 Capital Receipts

There is a net decrease of £89,000 in the use of Capital Receipts, mainly due to adjustments by the Highways and Municipal Department-

- internal transfer of (£140,000) for an industrial unit in Cibyn between the Economy and Community Department and the Highways and Municipal Department, instead of through a receipt from an external sale.
- additional usage of £50,000 towards the North Meirionnydd Salt Barn scheme.

## 2.5 Revenue Contribution to Capital Expenditure

A net increase of £1,045,000 in the capital programme by the Highways and Municipal Department due to:

- Bangor Crematorium emissions scheme £496,610 in 2011/12 – adjustments between sources of financing (see also Other Funds below),
- Llwyn Isaf Lagoon scheme £136,000 in 2011/12 and £100,000 in 2012/13 (see below),
- County roads repair schemes £200,000 in 2011/12, and
- Tywyn recreation ground toilet upgrade scheme £30,000 in 2011/12 and £36,000 in 2012/13.

There have been problems with the Llwyn Isaf lagoon scheme which has led to delays in the scheme, due to weather and biodiversity issues. Increase costs of £136,000 were seen in 2011/12 as a result of the tender being higher and a claim from the contractor for the delay. An additional problem has arisen with the site itself (peat has been discovered) which means that the location needs to be moved, creating higher costs (an estimate of £100,000 in 2012/13). The department propose to try and claim the costs of the scheme against the GwyrriAD grant scheme, but there is no certainty that they will be successful. Therefore these costs are financed through higher revenue contributions at present.

## 2.6 Renewals and Other Funds

The increase of £352,000 in this source of funding is mainly due to the following:

- Carbon Management projects £541,000 (Customer Care Department)
- Capital Repair and Maintenance schemes £400,000 (Customer Care Department)
- Bangor Crematorium emissions scheme (£445,400) (Highways and Municipal Department) - see 2.5 above.

## 2.7 Recommendation

**The Audit Committee is asked to recommend that the Board accepts the 2011/12 revised programme and approves the relevant sources of finance (para. 2.2 to 2.6 above).** The remainder of the report is for information.

## 3 SLIPPAGES to 2012/13

**3.1** The current total level of slippages in the capital programme from 2011/12 to 2012/13 is £19,446,230. The figures in part 1 of the report reflect this, with the main items as follows:

Schemes financed from Council's resources:-

- Replacement of temporary classrooms (Education Department) - £4,756,910
- Bro Dysynni Area School (Education Department) - £2,011,000
- Waste Schemes (Highways and Municipal Department) - £1,618,610
- Avoidance of backlog repair and maintenance on buildings (Customer Care Department) - £1,101,800
- Technology block Syr Hugh Owen School (Education Department) – £817,600
- Two units instead of Coed Menai school (Education Department) - £790,000
- Disabled adaptations strategy for schools (Education Department) - £512,810
- Information technology system 'EDRMS' (Electronic Document and Records Management System), which is a corporate system to manage and process documents (Customer Care Department) - £463,200
- Renew security fencing (Highways and Municipal Department) - £313,260
- Dafydd Orwig Chamber adaptations (Highways and Municipal Department) - £302,700
- Relocation of Bala Library (Customer Care Department) - £200,000

Schemes financed (partly) through specific grants:-

- Briwet Bridge (Regulatory Department) - £1,920,880
- Pwllheli Sailing Academy (Economic and Community Department) - £713,550

3.2 The above slippages will not result in a loss of grant funding.

3.3 There are various valid reasons behind the slippages in a number of cases, but any delay prior to implementation of the schemes can result in the service having to cope for longer with the current assets without any improvements.

3.4 In circumstances where there have been significant slippages, it is expected that the relevant departments (along with the Strategic and Improvement Department) report appropriately to the relevant Scrutiny Committee, by noting the effect on the services provided by the relevant Department.

#### 4 CAPITAL EXPENDITURE FIRST SIX MONTHS 2011/12

4.1 The table below shows the actual capital expenditure by the end of the second quarter against the revised capital programme for 2011/12 –

<b>SUMMARY</b>	<b>FULL YEAR CAPITAL PROGRAMME (reviewed September) 2011/12 £'000</b>	<b>ACTUAL EXPENDITURE IN THE 6 MONTHS UP TO 30/09/2011 £'000</b>
Human Resources	235	28
Education	7,971	3,069
Finance	0	0
Provider and Leisure	599	274
Democracy and Legal	0	0
Economy and Community	5,894	638
Customer Care	6,802	2,288
Social Services and Housing	3,087	1,276
Highways and Municipal	7,192	1,503
Regulatory	8,957	2,304
Strategic and Improvement	5	1
Council Housing	63	3
Gwynedd Consultancy	242	213
Corporate	2	1
<b>TOTAL</b>	<b>41,049</b>	<b>11,598</b>

4.2 Over £11.5m has been spent in the first six months, which is 28% of the budget.

SUMMARY	END OF SEPTEMBER REVIEW 2011/12	END OF SEPTEMBER REVIEW 2010/11	(DECREASE)
Full Year Budget	£41.0miliwn	£42.8miliwn	(£1.8miliwn)
Expenditure for the first 6 months	£11.6miliwn	£14.6miliwn	(£3.0miliwn)
Expenditure as a % of the budget	28%	34%	(6%)

4.3 The percentage which has been spent this year is lower than the equivalent percentage last year. Even though over £19 million of slippage has already been identified, the expenditure profile this year could be an early indicator that there could potentially be more slippage in the programme by the end of the financial year.

4.4 However the expenditure during the second quarter this year is more encouraging, i.e. 22% compared to 19% last year. This means that the Departments spending has caught up somewhat during the second quarter of 2011/12, following a slow first quarter.

## 5 EXPENDITURE PROFILES

5.1 Unfortunately, this year, the majority of expenditure profiles were not received until September. Therefore, a comparison of expenditure against profiles would not be useful at this time. Is it intended to present these comparisons in the third quarter review.