
MEETING:	AUDIT COMMITTEE
DATE:	13 FEBRUARY 2012
TITLE OF REPORT:	CAPITAL PROGRAMME 2011/12 - END OF THIRD QUARTER REVIEW (31 DECEMBER 2011)
PURPOSE OF REPORT:	MONITORING REPORT ON THE EXPENDITURE AND FINANCING OF THE CAPITAL PROGRAMME
ACTION:	RECOMMEND THAT THE COUNCIL BOARD APPROVE THE REVISED FINANCING
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PORTFOLIO LEADER:	COUNCILLOR SIÂN GWENLLÏAN

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 £95m 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 £2.5m since the second quarter review, with the majority of the increase due to increased use of the Renewal Funds to purchase vehicles.

The Council Board has the authorisation to adapt the capital programme. Approval is sought for the programme (part 1) and financing (part 2). Therefore, 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 9 months 2011/12.

Part 5: Expenditure profiles.

OPINION

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

- It is encouraging that the actual expenditure up to 31/12/11 is 54% of the budget, compared with 46% in the equivalent period last year (see 4.2 below).
- £3.9m, which is in addition to the £19.4million reported in the second quarter, will slip from 2011/12 to 2012/13. It is a positive step that the slippages have been identified early in the financial year, but the 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 December against the situation at the end of September:

COMPARISON OF THE MOVEMENT FROM THE SECOND QUARTER TO THE THIRD QUARTER POSITION

SUMMARY	END OF SEPTEMBER REVIEW				END OF DECEMBER REVIEW				INCREASE / (DECREASE) £'000
	2011/12	2012/13	2013/14	TOTAL	2011/12	2012/13	2013/14	TOTAL	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Human Resources	235	424	0	659	239	420	0	659	0
Education	7,971	14,182	3,048	25,201	8,199	14,026	3,048	25,273	72
Trunk Road Agency	0	0	0	0	0	0	0	0	0
Finance	0	60	0	60	0	60	0	60	0
Provider and Leisure	599	301	0	900	601	301	0	902	2
Democracy and Legal	0	0	0	0	0	0	0	0	0
Economy and Community	5,894	7,356	2,492	15,742	3,222	10,454	2,492	16,168	426
Customer Care	6,802	2,546	0	9,348	6,146	2,992	0	9,138	(210)
Housing and Social Services	3,087	325	0	3,412	2,815	764	0	3,579	167
Highways and Municipal	7,192	2,649	10	9,851	8,836	2,694	10	11,540	1,689
Regulatory	8,957	11,500	6,307	26,764	8,254	12,492	6,307	27,053	289
Strategic and Improvement	5	0	0	5	5	0	0	5	0
Council Housing	63	0	0	63	63	0	0	63	0
Gwynedd Consultancy	242	119	0	361	327	119	0	446	85
Corporate	2	601	0	603	2	601	0	603	0
TOTAL	41,049	40,063	11,857	92,969	38,709	44,923	11,857	95,489	2,520

2 CHANGES TO THE SOURCES OF FINANCE

2.1 The budget for the three year programme shows an increase of £2,520,000 since the second quarter position. The sources of financing for this are noted below:

SUMMARY	END OF SEPTEMBER REVIEW			END OF DECEMBER REVIEW			INCREASE/ (DECREASE) £000
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	
	£000	£000	£000	£'000	£'000	£000	
Source:							
Supported Borrowing	5,443	0	0	5,443	0	0	0
Unsupported Borrowing	4,492	6,548	875	4,365	6,675	875	0
Grants and Contributions	18,209	21,952	10,917	15,661	25,314	10,917	814
Capital Receipts	4,144	175	0	4,202	297	0	180
Departmental & Corporate Revenue	4,441	447	10	3,863	1,013	10	(12)
Capital Fund	1,345	10,550	0	803	11,092	0	0
Renewals & Other Funds	2,975	391	55	4,372	532	55	1,538
TOTAL	41,049	40,063	11,857	38,709	44,923	11,857	2,520
3 YEAR TOTAL			92,969			95,489	

2.2 Grants and Contributions

A net increase of £810,000 in the Grants and Contributions over the programme is mainly due to -

2.2.1 'Lonydd Glas' Schemes (Regulatory Department), increase of £145,000 in 2011/12, and £260,000 in 2012/13 (Total of £405,000)

A two year grant was received from the Welsh Government from the 'Mon Menai' programme to improve our cycle routes, with a contribution of £10,000 from CADW.

2.2.2 Tegid Path Scheme (Economy and Community Department), increase of £58,300 in 2011/12, and £261,550 in 2012/13 (Total of £319,850)

This is a specific part of the Snowdonia Centre of Excellence scheme (Board report 26/1/10), and is an arrangement whereby the Council operates on behalf of the Urdd. The scheme is to develop a walking and cycle route between the Urdd Centre in Glanllyn and the village of Llanuwchllyn, and the Council will reclaim European grant and TraCC grant to finance the scheme on their behalf.

2.2.3 Housing Grant Schemes- Renewal Areas (Housing and Social Services Department) increase of £167,310 in 2011/12

Increased use of owners' contributions to finance the Renewal Areas schemes.

2.3 Capital Receipts

2.3.1 There is a net increase of £180,000 in the use of Capital Receipts, mainly due to-

- increased use of £70,000 for the Glyn Rhonwy electricity scheme (Economy and Community Department).

- additional usage of £88,500 capital receipts in order to repay the initial investment of £200,000 from the Business Investment Fund for the financing of the property rationalisation scheme in Barmouth in line with the Board's decision 8/4/2008 (administered by the Property Unit).

2.3.2 A considerable amount of time was taken to sell the above property in Barmouth, and the value of property has generally fallen in recent years, due to the economic situation, and a lack of credit resulting in a shortage of buyers. As a result, there could potentially be a strain on the financing arrangements of some capital schemes that are dependent on capital receipts from the disposal of Council land and property. There is an increasing number of capital projects being financed partly via capital receipts, and if actual capital receipts are lower than the estimated amounts, then alternative sources of financing need to be identified.

2.4 Renewals and Other Funds

The increase of £1,538,000 in the use of this source of financing by the Highways and Municipal Department, is mainly due to-

- Specific Funds - in the second quarter review the Bangor Crematorium emissions scheme and an element of the repairs and renewals work on county roads were financed temporarily from revenue contributions. Therefore a transfer between financing sources is necessary in order to finance the schemes from specific funds - £568,030 (see also 2.5 below).
- Renewals Funds - purchase of vehicles through the renewals funds £914,690, including £709,340 due to the change from leasing to buying, and £56,640 following the decision to use pool cars instead of paying travelling expenses.

2.5 Revenue Contribution to Capital Expenditure

A net decrease of £12,000 in the capital programme by the Highways and Municipal Department due to -

- transfer between sources of finance (see Other Funds above) total of (£568,030).
- Waste Schemes -
 - relocating the lagoon in Llwyn Isaf £250,000 in 2012/13
 - Development of the 4th Cell in Ffridd Rasus £149,460 in 2012/13
- Purchase of a car cleaning machine £130,000 in 2011/12.

2.6 Recommendation

The Audit Committee is asked to recommend that the Board accepts the 2011/12 revised programme and approve the relevant sources of finance (para. 2.2 to 2.5 above). The remainder of the report is for information.

3 SLIPPAGES to 2012/13

3.1 The total level of slippages in the capital programme from 2011/12 to 2012/13 has now increased to £23,292,240 (£19.4m had been identified by the second quarter review). The figures in part 1 of the report shows the situation after the slippages of the schemes, with the main additional items to the ones reported in the second quarter review as follows:

Schemes financed from Council's resources:-

- Housing Grants (Housing and Social Services Department) - £563,610
- Shortage of space in Llanrug Primary School (Education Department) - £498,000
- Buildings Repair and Maintenance (Customer Care Department) - £300,000
- Loans for Homeowners (Housing and Social Services Department) - £200,000

Schemes financed (partly) through specific grants:-

- Blaenau Ffestiniog Town Centre Regeneration (Economy and Community Department) - £1,737,980
- Physical Regeneration in North Wales (Regulatory Department) - £708,050

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 their relevant Scrutiny Committee, by noting the effect on the services provided by the relevant Department.

4 CAPITAL EXPENDITURE FIRST 9 MONTHS 2011/12

4.1 The table below shows the actual capital expenditure for each department by the end of the third quarter against their departmental allocation of the revised capital programme for 2011/12 –

SUMMARY	FULL YEAR CAPITAL PROGRAMME (reviewed December) 2011/12 £'000	ACTUAL EXPENDITURE IN THE 9 MONTHS UP TO 31/12/2011 £'000
Human Resources	239	168
Education	8,199	5,327
Finance	0	0
Provider and Leisure	601	276
Democracy and Legal	0	0
Economy and Community	3,222	1,132
Customer Care	6,146	3,903
Housing and Social Services	2,815	1,938
Highways and Municipal	8,836	4,001
Regulatory	8,254	4,099
Strategic and Improvement	5	1
Council Housing	63	13
Gwynedd Consultancy	327	213
Corporate	2	1
TOTAL	38,709	21,072

4.2 Over £21.0m (which is 54% of the budget) has been spent in the first nine months (£9.4m of this in quarter 3).

SUMMARY	END OF DECEMBER REVIEW 2011/12	END OF DECEMBER REVIEW 2010/11	DIFFERENCE
Full Year Budget	£38.7 million	£43.9 million	(£5.2 million)
Expenditure for the first 9 months	£21.0 million	£20.3 million	£0.7 million
Expenditure as a % of the budget	54%	46%	8%

- 4.3 Following from the significant activity and expenditure in quarter 3 the percentage that has been spent this year is higher than the equivalent percentage last year.

5 EXPENDITURE PROFILES

- 5.1 For information a summary is shown below of the actual expenditure on the capital schemes by the end of the third quarter against the original profiles of the departments -

ORIGINAL SCHEMES:	ORIGINAL EXPENDITURE PROFILES UP TO 31/12/11	ACTUAL EXPENDITURE UP TO 31/12/11	ACTUAL EXPENDITURE AS A % OF PROFILE	EXPENDITURE VARIANCE DIFFERENT TO THE PROFILES
	£'000	£'000	%	£'000
Human Resources	166	168	101 %	2
Education	4,591	5,327	116 %	736
Finance	0	0	0 %	0
Provider and Leisure	277	276	100 %	(1)
Democracy and Legal	0	0	0 %	0
Economy and Community	1,818	1,132	62 %	(686)
Customer Care	4,565	3,903	85 %	(662)
Housing and Social Services	2,168	1,938	89 %	(230)
Highways and Municipal	5,412	4,001	74 %	(1,411)
Regulatory	6,338	4,099	65 %	(2,239)
Strategic and Improvement	1	1	100 %	0
Council Housing	0	13	0 %	13
Gwynedd Consultancy	225	213	95 %	(12)
Corporate	1	1	100 %	0
CYFANSWM	25,562	21,072	82 %	(4,490)

- 5.2 The table above compares the recent expenditure position against the expenditure profile that was foreseen for the relevant schemes. However, the profiles for the Highways and Municipal Department, the Regulatory Department and the Economy and Community Department were received at the beginning of the year, whilst the remainder of the profiles were received approximately 6 months into the year. Naturally, the performance of these departments are closer to their profiles where these profiles have been set in the middle of the year.