

**REPORT TO THE CABINET**  
20 NOVEMBER 2012

**Cabinet Member:** COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

**Subject:** CAPITAL PROGRAMME 2012/13 - 2014/15

**Contact Officer:** DAFYDD L EDWARDS – HEAD OF FINANCE

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**The decision sought / purpose of the report**

A report on the second quarter review (30 September 2012 position) of the capital programme, and the Cabinet of 20<sup>th</sup> November 2012 is asked to approve the revised funding.

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**Introduction / 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 4 parts:

**Part 1:** Analysis by Department of the £113m capital programme for the 3 years 2012/13 – 2014/15.

**Part 2:** An explanation of the sources of finance for the net increase of approximately £5.412m since the last review.

The Cabinet has the authorisation to adapt the capital programme, therefore, approval is sought in paragraph 2.9 for the programme (part 1) and financing (part 2).

The remainder of the report is for information:

**Part 3:** Movements from 2012/13 to 2013/14.

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

**Main Findings:**

Approval is sought for the increase of £5.4m in the three year capital programme, the expenditure re-profiling of £5.3m from 2012/13 to 2013/14.

The total value of this year's capital programme has increased to over £42million, and the total three year programme has increased to nearly £113million, which is a significant achievement by the Council in the current financial climate.

There was an increase of 4% in the level of expenditure at the end of September this year (2012/13) compared to the same period (6 months) last year.

There has also been a significant change in the funding package of one scheme, which is a prudent step on behalf of the Council in order to give security to the current capital programme, and will also release relevant funds in the future when they are received.

## **Reasons for recommending the decision**

It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital, and the formal Cabinet must approve the capital programme and its sources of funding.

Incorporating funding via grant is a point of order, but it is also necessary to deal with situations where there has been a change in expenditure profiles between years and the value of capital receipts and contributions.

These are recommendations to ensure definite sources of funding for the 2012/13 – 2014/15 capital schemes.

## **Relevant considerations**

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted.

Delays on some schemes are reported on (part 3), and the relevant Scrutiny Committee could choose to assess the effect of the re-profiling on services which have to cope for longer with 'old' assets.

## **Next steps and timetable**

To implement the recommendations to finance the program in order to complete the capital projects, and report on the third quarter review to the Cabinet meeting on 19 February 2013.

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## **View of the Local Member**

Not relevant.

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## **Views of the Statutory Officers**

### **Chief Executive:**

I am pleased to see that the expenditure profile so far this year is looking better than last year, and there is now a clear responsibility on leaders of specific projects to ensure that this continues visibly during the rest of the year.

### **Monitoring Officer:**

Nothing to add regarding propriety.

### **Chief Finance Officer:**

I have collaborated with the Cabinet Member to prepare this report and endorse its contents.

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## **Appendix**

None

## 1 CAPITAL PROGRAMME 2012/13 TO 2014/15

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

### COMPARISON BETWEEN THE FIRST QUARTER AND THE SECOND QUARTER

	END OF JUNE REVIEW				END OF SEPTEMBER REVIEW				INCREASE / (DECREASE) SINCE THE LAST QUARTER
	2012/13	2013/14	2014/15	TOTAL	2012/13	2013/14	2014/15	TOTAL	
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	66	441	0	507	66	441	0	507	0
Education	7,529	9,538	1,744	18,811	6,207	11,960	1,780	19,947	1,136
Finance	59	0	0	59	0	59	0	59	0
Provider and Leisure	362	401	0	763	341	491	0	832	69
Democracy and Legal	0	0	0	0	0	0	0	0	0
Economy and Community	7,386	6,338	37	13,761	6,662	8,163	342	15,167	1,406
Customer Care – Property	7,379	6,900	4,995	19,274	8,917	6,560	4,995	20,472	1,198
Customer Care – Other	125	1,733	816	2,674	223	1,635	816	2,674	0
Housing and Social Services	3,245	2,295	2,000	7,540	3,137	2,440	2,000	7,577	37
Highways and Municipal	10,223	6,302	4,916	21,441	9,488	6,921	4,916	21,325	(116)
Regulatory	5,512	7,588	8,913	22,013	7,026	7,738	8,913	23,677	1,664
Strategic and Improvement	0	0	0	0	4	0	0	4	4
Housing – Revenue Account (Residual)	42	0	0	42	57	0	0	57	15
Consultancy	68	0	0	68	68	0	0	68	0
Corporate	1	78	276	355	0	78	276	354	(1)
<b>TOTAL</b>	<b>41,997</b>	<b>41,614</b>	<b>23,697</b>	<b>107,308</b>	<b>42,196</b>	<b>46,486</b>	<b>24,038</b>	<b>112,720</b>	<b>5,412</b>

## 2 CHANGES TO THE SOURCES OF FINANCE

2.1 The budget for the three year programme shows an increase of £5.412m since the first quarter position. The sources of financing for this are noted below:

SOURCE OF FINANCE	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE/ (DECREASE) £000
	2012/13 £000	2013/14 £000	2014/15 £000	2012/13 £'000	2013/14 £'000	2014/15 £000	
Supported Borrowing	4,860	4,039	4,039	4,860	4,039	4,039	0
Unsupported Borrowing	5,630	10,179	4,414	5,794	11,279	4,450	1,300
Grants and Contributions	19,040	17,540	11,303	20,024	19,440	11,608	3,189
Capital Receipts	3,217	2,351	2,096	2,109	2,340	2,096	(1,119)
Departmental & Corporate Revenue	2,377	1,965	527	1,847	1,965	527	(530)
Capital Fund	5,388	5,079	1,318	3,424	6,901	1,318	(142)
Renewals & Other Funds	1,485	461	0	4,138	522	0	2,714
<b>TOTAL</b>	<b>41,997</b>	<b>41,614</b>	<b>23,697</b>	<b>42,196</b>	<b>46,486</b>	<b>24,038</b>	<b>5,412</b>
<b>3 YEAR TOTAL</b>			<b>107,308</b>			<b>112,720</b>	

### 2.2 Unsupported Borrowing

An increase of £1,300,000 in this source of funding is mainly due to the following:

- **O.M. Edwards' School (Education Department) - £500,000 in 2012/13 and £500,000 in 2013/14**, which is the necessary investment needed for improvements to the school in accordance with the decision of the full Council 01/03/12.
- **Carbon Management Schemes (Customer Care Department - Property Unit) - £287,050 in 2012/13**, which is being financed through a loan from Salix.

### 2.3 Grants and Contributions

A net increase of £3,189,000 in this source of funding is mainly due to the following:

- **Our Heritage Scheme (Economy and Community Department) £439,230 in 2012/13, £686,610 in 2013/14, and £105,060 in 2014/15 = Total Grant £1,230,900**

Confirmation of a substantial grant (£783,330) was received by CADW (CADW is the lead on the Heritage Tourism Project in Wales), a contribution of over £200,000 from the Government through the Môn Menai Program, and also a contribution of over £200,000 from the other Partners within the scheme (see Board report 13 December 2011).

- **Sustainable Travel Initiative Grant (Regulatory Department) £700,000 in 2012/13**

A grant was received from the Welsh Government through the Sustainable Travel Initiative Centre for several schemes in relation to 'lonydd las' (the cycling network), and relevant cycling and walking initiatives.

- **Lôn Las Ogwen Scheme (Regulatory Department) £529,050 in 2012/13**

This scheme is financed through a combination of grants from various sources, i.e. £250,000 from the Sustainable Travel Initiative, £229,050 from the Countryside Council and £50,000 from the North Wales Trunk Road Agency. These are supported through the medium of the Government Communities and Nature (CAN) project, in order to improve Lon Las Ogwen from Felin Coetmor to Bethesda.

- **Rights Of Way Improvement Plan (Regulatory Department) £118,620 in 2012/13**

This is a scheme to create and improve rights of way e.g. works to provide two foot bridges and gates in the Nantlle Valley, reopening a pathway following erosion in Dolybont, Dinas Mawddwy, etc. This is financed by a contribution from the Countryside Council.

- **Waste Schemes (Highways and Municipal Department) £250,000 in 2012/13**

Grants were received from the Government as an additional contribution towards the GwyriAD project procurement costs (£150,000), and a contribution towards the lagoon costs at the Llwyn Isaf landfill site, in order to develop the site to establish the GwyriAD project.

- **Hendre School Scheme (Education Department) contribution decrease £355,000 and Grant increase £307,000 in 2012/13**

The initial financing of this scheme included a contribution (£355,000) from a private developer secured under a Section 106 agreement on Tyddyn Pandy. The legal contract has now been agreed with the developer, and specifies that the contributions will be received via instalments, between 2018/19 and 2023/24. As this is beyond the lifetime of the proposed capital programme, it would be prudent to determine a more definitive source of finance in the interim.

It was necessary with some former schemes to provide financing in advance of being able to claim grant. Eventually this led to a situation where financing was available to be released afresh. As part of the revised financing package, it is possible to use £307,000 of this financing.

See also 2.5, 2.6, 2.7 and the table in 2.8 below, which summarises the relevant funding.

## 2.4 Capital Receipts

A net decrease of £1,119,000 in this source of funding is mainly due to the following:

- **Hendre School Scheme (Education Department) (£1,200,000) in 2012/13.**

To reduce the reliance on the capital receipt from the sale of the old school site, because, for commercial reasons, the remarketing of the site was postponed for the time being. It is prudent to modify the funding scheme in order to minimise the uncertainty and risk to the Council, because of the volatility in the value of land in the present climate.

## 2.5 Departmental and Corporate Revenue

A decrease of £530,000 in this source of funding is mainly due to the following:

- **Waste Schemes (Highways and Municipal Department) (£447,000) in 2012/13**

An exchange of the revenue contribution by using the Department's Fund (see 2.7 below which details the alternative source of financing).

## 2.6 Capital Fund

A net decrease of £142,000 in this source of funding is mainly due to the following:

- **Hendre School Scheme (Education Department) £350,000 in 2012/13**

As part of the revised financing package, it is possible to use £350,000 from the balances in this fund, which have arisen as a result of historical differences between the requirements of the original capital programme and the final necessary funding level by the Council.

- **Waste Schemes (Highways and Municipal Department) (£505,490) in 2012/13**

Adjustment in the slippage figure from 2011/12 to reflect the actual position.

## 2.7 Renewals and Other Funds

The net increase of £2,714,000 in this source of funding is mainly due to the following:

- **Hendre School Scheme (Education Department) £998,000 in 2012/13**  
As part of the revised financing package, it is possible to exchange £998,000 of the funding from the Capital Schemes' Financing Requirement Fund that was established following the third quarter revenue review in 2011/12.
- **Carbon Management Schemes (Customer Care Department - Property Unit) £800,000 in 2012/13**  
Use of the Fund that is associated with Carbon Management.
- **Waste Schemes (Highways and Municipal Department) £447,000 in 2012/13**  
Reversal of the Departmental Revenue contribution (see 2.5 above) through the use of the Department Fund.
- **Bangor Crematorium Emissions Scheme (Highways and Municipal Department) £216,840 in 2012/13**  
Use of the Bangor Crematorium Emission Fund.
- **Our Heritage Scheme (Economy and Community Department) £51,510 in 2012/13 and £48,050 in 2013/14**  
Use of the Convergence Fund.
- **Lôn Las Ogwen Scheme (Regulatory Department) £80,000 in 2012/13**  
Use of the Convergence Fund that is administered by the Economy and Community Department.

## 2.8 Hendre School Scheme

The table below summarises the relevant steps explained above –

<b>Sources of funding:</b>	<b>Original Budget</b>	<b>Revised Funding</b>
	£'000	£'000
Grants and Contributions (2.3)	355	307
Capital Receipts (2.4)	1,200	0
Capital Fund (2.6)	0	350
Funds (2.7)	0	998
<b>Total</b>	<b>1,555</b>	<b>1,655</b>

The table above analyses the revised funding for this scheme, with additional funding of £100,000 for the demolition costs of the old school and safeguarding the old site. It also follows, by using other sources available to the Council, when the receipts and contributions are received in the future, these will be available for the Council afresh.

## 2.9 Recommendation

**The Cabinet is asked to accept the 2012/13 to 2014/15 revised programme and approve the relevant sources of finance (para. 2.2 to 2.8 above).**

### 3 ANNUAL EXPENDITURE PROFILES

3.1 The total level of re-profiling in the capital programme from 2012/13 to 2013/14 so far is £5,330,260. The figures in part 1 of the report reflect this, with the main items as follows-

Schemes financed from the Council's resources:-

- Dolgellau Area School (Education Department) £883,320
- Bro Dysynni Area School (Education Department) £879,660
- Council Vehicles Fleet Fund (Highways and Municipal Department) £263,180
- IT Network (Customer Care Department) £164,000
- Shortage of space at Llanrug Primary School (Education Department) £135,860
- Vehicles Washing Machine (Highways and Municipal Department) £130,000

Schemes (partly) financed through specific grants:-

- Pwllheli Sailing Academy (Economy and Community Department) £2,786,450

3.2 The above re-profiling will not mean a loss in grant.

3.3 There is a variety of valid reasons behind the re-profiling in many cases, but the delay prior to implementing these schemes can mean that services have to cope longer with the current assets not improved.

### 4 CAPITAL EXPENDITURE FIRST 6 MONTHS 2012/13

4.1 The table below shows the Council's departments' actual capital expenditure by the end of the second quarter (6 months), against the revised capital programme for 2012/13 (whole year) –

SUMMARY	FULL YEAR CAPITAL PROGRAMME (reviewed September) 2012/13 £'000	ACTUAL EXPENDITURE IN THE 6 MONTHS UP TO 30/09/2012 £'000
Human Resources	66	18
Education	6,207	833
Finance	0	0
Provider and Leisure	341	135
Democracy and Legal	0	0
Economy and Community	6,662	1,990
Customer Care – Property	8,917	3,701
Customer Care – Other	223	110
Housing and Social Services	3,137	1,348
Highways and Municipal	9,488	3,120
Regulatory	7,026	2,134
Strategic and Improvement	4	0
Council Housing	57	1
Consultancy	68	9
Corporate	0	0
<b>TOTAL</b>	<b>42,196</b>	<b>13,398</b>

**4.2** Almost £13.4m has been spent in the first six months, which is 32% of the budget.

<b>SUMMARY</b>	<b>END OF SEPTEMBER REVIEW 2012/13</b>	<b>END OF SEPTEMBER REVIEW 2011/12</b>	<b>INCREASE</b>
Full Year Budget	£42.2million	£41.0million	£1.2million
Expenditure for the first 6 months	£13.4million	£11.6million	£1.8million
Expenditure as a % of the budget	32%	28%	4%

**4.3** Despite the substantial re-profiling, the proportion that has been spent this year is higher than last year's equivalent proportion.