

REPORT TO THE CABINET
26 NOVEMBER 2013

Cabinet Member: COUNCILLOR PEREDUR JENKINS - RESOURCE CABINET MEMBER

Subject: CAPITAL PROGRAMME 2013/14 – 2015/16

Contact Officer: DAFYDD L EDWARDS - HEAD OF FINANCE

The decision sought / Purpose of the report

A report on the second quarter review (30 September 2013 position) of the capital programme, and the Cabinet of 26th November 2013 is asked to approve the revised funding.

Introduction / Summary

The main purpose of the report is to present the revised programme and to approve the relevant financing sources. The report is in 4 parts:

Part 1: Analysis by Department of the £121m capital programme for the 3 years 2013/14 – 2015/16.

Part 2: An explanation of the sources of finance for the net increase of approximately £12.732m since the last review.

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

The remainder of the report is for information:

Part 3: Movements from 2013/14 to 2014/15.

Part 4: Expenditure for the first 6 months of 2013/14.

Main Findings:

Approval is sought to increase the three year programme by £12.7m, re-profile the expenditure of £3.3m from 2013/14 to 2014/15.

It is evident that this year's capital programme has risen to over £49m, and the total of the current three year programme has risen to over £121m, which is a significant achievement by the Council in the current financial climate.

An increase of 3% in the expenditure level at the end of September (2013/14) compared to the same period (6 months) last year. This is an improvement for the second year running.

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 2013/14 – 2015/16 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 particular schemes are reported on (part 3), and the relevant Scrutiny Committee could chose 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 programme in order to complete the capital programme, and report on the 3rd quarter review to the Cabinet meeting on 18th February 2014

View of the Local Member

Not relevant.

Views of the Statutory Officers

Chief Executive:

As I have previously suggested whilst discussing these items, live management of the capital programme is key, not only for the Council's financial management but also to ensure that we, as a Council, realize what we have promised to the public whilst drawing up the Capital Budget for the year. In that context, it is reassuring that the comparative level of the expenditure against the budget is better than last year. Additionally, live management is key in order to respond to changes around us, such as financial sources and the circumstances of individual projects. I approve the report.

Monitoring Officer:

Nothing to add regarding propriety.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendix

None

1 CAPITAL PROGRAMME 2013/14 TO 2015/16

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

	END OF JUNE REVIEW				END OF SEPTEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE LAST QUARTER
	2013/14	2014/15	2015/16	TOTAL	2013/14	2014/15	2015/16	TOTAL	
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	55	449	0	504	45	459	0	504	0
Education	8,169	6,805	16,163	31,137	9,570	7,030	23,937	40,537	9,400
Finance	0	59	0	59	0	59	0	59	0
Provider and Leisure	307	301	0	608	229	379	0	608	0
Democracy and Legal	0	0	0	0	0	0	0	0	0
Economy and Community	7,725	2,733	100	10,558	5,796	6,622	100	12,518	1,960
Customer Care – Property Unit	9,657	4,802	3,097	17,556	8,957	5,442	3,097	17,496	(60)
Customer Care – Other	735	1,618	945	3,298	747	1,380	797	2,924	(374)
Housing and Social Services	3,015	2,000	2,000	7,015	3,095	2,027	2,000	7,122	107
Highways and Municipal	7,920	6,982	2,603	17,505	8,989	6,753	2,603	18,345	840
Regulatory	10,835	8,434	161	19,430	11,676	8,474	161	20,311	881
Strategic and Improvement	0	0	0	0	0	0	0	0	0
Council Housing (Residual)	32	0	0	32	32	0	0	32	0
Gwynedd Consultancy	51	16	18	85	29	16	18	63	(22)
Corporate	0	276	382	658	0	276	382	658	0
TOTAL	48,501	34,475	25,469	108,445	49,165	38,917	33,095	121,177	12,732

2. CHANGES TO THE SOURCES OF FINANCE

2.1 There is an increase of £12.732m in the budget for the three year programme since the first quarter position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE/ (DECREASE) £000
	2013/14 £000	2014/15 £000	2015/16 £000	2013/14 £'000	2014/15 £'000	2015/16 £000	
Supported Borrowing	4,166	4,166	4,166	4,166	4,166	4,166	0
Unsupported Borrowing	4,209	6,690	7,452	6,051	5,355	11,547	4,602
Grants and Contributions	25,681	15,295	7,424	23,124	20,698	11,103	6,525
Capital Receipts	1,573	1,096	1,680	1,526	1,291	1,680	148
Departmental & Corporate Revenue	4,531	721	3,160	4,704	722	3,160	174
Capital Fund	4,921	4,588	200	4,943	4,411	52	(303)
Renewals & Other Funds	3,420	1,919	1,387	4,651	2,274	1,387	1,586
TOTAL	48,501	34,475	25,469	49,165	38,917	33,095	12,732
3 YEAR TOTAL			108,445			121,177	

2.2 'Tranche 3' and '21st Century' Schools Schemes (Education Department)

The funding for some of the following schemes has been re-profiled –

'Tranche 3' – the Government's transitional capital funding fund

- Bro Dysynni area schools (which includes Craig y Deryn School, Penybryn School, Dyffryn Dulas School and Pennal School)

'21st Century' – the 21st Century Schools programme

- O.M.Edwards School, Llanuwchllyn and Bala area Schools
- Dolgellau area Schools
- New School – Groeslon
- New School – Hafod Lon
- New School – Glan Cegin

The re-profiling has had an effect on the timing of the necessary investment by the Council, which is mainly funded through unsupported borrowing, and also on the timing of the grant from the Government. Please note that only the effect of 3 years is shown here, which is the lifespan of the current capital programme, but the schemes will continue into the 2017/18 financial year. See the table below for a summary of the adjustments to the current funding position:

SOURCE OF FINANCE	2013/14	2014/15	2015/16	TOTAL
	£'000	£'000	£'000	£'000
Unsupported Borrowing	2,193	(504)	3,228	4,917
Grants and Contributions	(2,814)	2,050	3,679	2,915
Capital Fund	680	(680)	0	0
TOTAL	59	866	6,907	7,832

The expenditure and funding for the Bro Dysynni area schools has already been approved by the Government, and there is therefore no financial risk to these schemes. Apart from this the rest of the schemes are subject to approval of detailed business plans, and there therefore remains an element of financial risk. However, as the Government is keen for the Council to acknowledge its financial

commitment to the schemes, we have included the total funding for these schemes in the capital programme in part 1 above. If for some reason the business cases fail, the match funding will also have to be removed from the programme.

2.3 Unsupported Borrowing

In addition to the adjustment noted in 2.2 above there is a decrease of (£315,000) in this source of funding mainly due to:

- **Carbon Management Scheme (Customer Care Department- Property Unit) – (£253,000) in 2013/14**, which reflects the re- profiling of the current carbon management schemes which are financed through borrowing from Salix.

2.4 Grants and Contributions

In addition to the adjustment noted in 2.2 above there is a net increase of £3,610,000 in this source of funding, mainly due to the following:

- **Oriel Gwynedd Scheme (Economy and Community Department) - £400,000 in 2013/14, and £1,481,065 in 2014/15**

A grant was received from Menter Môn Menai £400,000, the Lottery Heritage Fund £1,400,000 and Bangor University £81,065 towards the scheme for a new museum and art exhibition in the Bishop's Palace, Bangor.

- **Learning in Digital Wales Scheme (Education Department) - £1,290,000 in 2013/14**

This scheme is financed through a specific grant from the Government towards improving the digital communication across schools in Wales.

- **Safe Paths in the Community Scheme – Ederm to Morfa Nefyn (Regulatory Department) - £205,000 in 2013/14**

A grant received by the Welsh Assembly for the improvements to the multi purpose path above.

- **Waste bins (Highways and Municipal Department) - £116,570 in 2013/14**

A Sustainable Waste Management Grant was received from the Welsh Government for the purchase of waste bins.

2.5 Capital Receipts

A net increase of £148,000 in this source of funding, mainly due to a contribution of £100,000 in 2014/15 from the Economy and Community Department towards the Oriel Gwynedd Scheme (see also 2.4 above and 2.6 below).

2.6 Departmental and Corporate Revenue

A net increase of £174,000 in this source of funding is mainly due to a contribution of £78,570 in 2013/14 from the Regulatory Department towards the Penamser Scheme in Porthmadog. This contribution is to finance the temporary overspend on the scheme to create a new roundabout on the Criccieth road out of Porthmadog, but it is hoped that grant funding will be obtained before the end of the financial year to substitute this.

2.7 Capital Reserve

A decrease of £302,600 in this source of funding, due to the transfer from capital financing to finance revenue staffing costs for a period of three years which is relevant to the information technology scheme 'EDRMS: (Electronic Document and Records Management System) in the Customer Care Department. This is a corporate system to manage and process documents.

2.8 Renewals and Other Funds

The net increase of £1,436,000 in this source of funding is mainly due to the following:

- **Water works scheme in Sandilands, Tywyn (Highways and Municipal Department) £506,310 in 2013/14**
Use of the Sewerage Reserve which was established in 2010 for this purpose.
- **Carbon Management Schemes (Customer Care Department- Property Unit) £498,570 in 2013/14 and 2014/15**
Use of the Reserve relevant to Carbon Management.
- **Bridges and Retaining Walls Schemes (Regulatory Department) £234,000 in 2013/14**
Use of the Adverse Weather Reserve which was established by the Cabinet when closing the 2012/13 accounts.
- **Caergyfchu improvements Scheme (Highways and Municipal Department) £236,530 in 2013/14**
Use of the relevant Renewals Reserve.
- **Oriel Gwynedd Scheme (Economy and Community Department) - £150,000 in 2014/15 (see also 2.4 and 2.5 above).**
Use of the Council's match funding reserve.

2.9 Recommendation

The Cabinet is asked to accept the 2013/14 to 2015/16 revised capital 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 2013/14 to 2014/15 so far is £3,322,070. The figures in part 1 of the report reflect this, with the main items as follows-

Schemes that are financed from the Council's resources:-

- Brynrefail School – removal of 6 temporary classrooms (Education Department) £450,000
- Carbon Management Schemes (Customer Care Department- Property Unit) £222,000
- Asbestos and Fire Schemes (Customer Care Department- Property Unit) £200,000

Schemes that are financed (partly) through specific grants:-

- Pwllheli Sailing Academy (Economy and Community Department) £1,817,800

3.2 The above re-profiling will not result in any 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 the services have to cope for longer with the current assets not improved.

4 CAPITAL EXPENDITURE FIRST 6 MONTHS 2013/14

4.1 The table below shows the actual departmental capital expenditure for the Council by the end of the second quarter (6 months), against the revised capital programme for 2013/14 (full year) -

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed September) 2013/14	ACTUAL EXPENDITURE FOR THE 6 MONTHS TO
	£'000	30/09/2013 £'000
Human Resources	45	11
Education	9,570	4,090
Finance	0	0
Provider and Leisure	229	35
Democracy and Legal	0	0
Economy and Community	5,796	987
Customer Care – Property Unit	8,957	5,232
Customer Care – Other	747	126
Housing and Social Services	3,095	1,531
Highways and Municipal	8,989	2,848
Regulatory	11,676	2,503
Strategic and Improvement	0	0
Council Housing (Residual)	32	0
Gwynedd Consultancy	29	0
Corporate	0	0
TOTAL	49,165	17,363

Some departments appear to be spending less than half their annual budget up to now, i.e. the Economy and Community Department (mainly due to the delay with the Pwllheli Sailing Academy Scheme), the Highways and Municipal Department (mainly due to the profiled spend on the GwyrAD scheme) and the Regulatory Department (mainly due to the profiled spend on Briwet Bridge). However the departments are confident that they will spend in line with the programme by the end of the second half of the year.

4.2 Nearly £17.4m has been spent in the first six months, which is 35% of the budget.

SUMMARY	END OF SEPTEMBER REVIEW 2013/14	END OF SEPTEMBER REVIEW 2012/13	INCREASE
Full year's budget	£49.2million	£42.2 million	£7.0 million
Expenditure for the first 6 months	£17.4million	£13.4 million	£4.0 million
Expenditure as a percentage of the budget	35%	32%	3%

4.3 Despite the re-profiling, the percentage that has been spent this year is higher than the equivalent percentage last year. This is an improvement for the second year running.