

REPORT TO THE CABINET
18 FEBRUARY 2014

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

To accept the report on the third quarter review (31 December 2013 position) of the capital programme, and approve the revised funding as shown in part 2.2 – 2.8 of the report.

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 £114m capital programme for the 3 years 2013/14 – 2015/16.

Part 2: An explanation of the sources of finance for the net decrease of approximately £7.464m 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 9 months of 2013/14.

Main Findings:

It is evident in Part 1 that this year's capital programme is approximately £47m, and the total of the current three year programme is nearly £114m, which is a significant achievement by the Council in the current financial climate.

Technically, approval is sought to:

- decrease the three year programme by £7.5m (please note that this is largely because two main schools' schemes have moved outside the window of this report, and this is not a true decrease to the programme in the long-run),
- re-profile the expenditure of £6.4m from 2013/14 to 2014/15.

The above will not result in any loss in grant.

The expenditure level at the end of December (2013/14) compared to the same period (9 months) last year is fairly stable, i.e. 58% and 59% consecutively.

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 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 programme in order to complete the capital programme, and report on the year end position to the relevant Cabinet meeting in June 2014.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Chief Executive:

I note the level of expenditure on the capital budget at the end of Quarter 3 at 58% and also that the re-profiling is unlikely to cause any loss of grant. However, as the report notes, there are implications for services due to the fact that the timescale of some of those plans has changed. That could be subject to scrutiny in due course.

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 December against the situation at the end of September.

COMPARISON BETWEEN THE SECOND QUARTER AND THE THIRD QUARTER

	END OF SEPTEMBER REVIEW				END OF DECEMBER 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	45	459	0	504	45	459	0	504	0
Education	9,570	7,030	23,937	40,537	9,048	6,596	17,044	32,688	(7,849)
Finance	0	59	0	59	38	59	0	97	38
Democracy and Legal	0	0	0	0	0	0	0	0	0
Economy and Community	5,796	6,622	100	12,518	5,216	7,253	100	12,569	51
Customer Care – Property Unit	8,957	5,442	3,097	17,496	7,686	6,346	3,098	17,130	(366)
Customer Care – Other	747	1,380	797	2,924	380	1,747	797	2,924	0
Social Services, Housing and Leisure	3,324	2,406	2,000	7,730	3,513	2,679	2,000	8,192	462
Highways and Municipal	8,989	6,753	2,603	18,345	8,017	7,477	2,053	17,547	(798)
Regulatory	11,676	8,474	161	20,311	12,165	8,406	161	20,732	421
Strategic and Improvement	0	0	0	0	14	0	0	14	14
Council Housing (Residual)	32	0	0	32	24	8	0	32	0
Gwynedd Consultancy	29	16	18	63	592	16	18	626	563
Corporate	0	276	382	658	0	276	382	658	0
TOTAL	49,165	38,917	33,095	121,177	46,738	41,322	25,653	113,713	(7,464)

2. CHANGES TO THE SOURCES OF FINANCE

2.1 There is a net decrease of £7.464m in the budget for the three year programme since the second quarter position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF SEPTEMBER REVIEW			END OF DECEMBER 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	6,051	5,355	11,547	5,989	6,759	5,561	(4,644)
Grants and Contributions	23,124	20,698	11,103	23,840	19,139	10,197	(1,749)
Capital Receipts	1,526	1,291	1,680	1,337	1,759	1,680	279
Departmental & Corporate Revenue	4,704	722	3,160	4,588	863	2,610	(525)
Capital Fund	4,943	4,411	52	2,884	5,388	52	(1,082)
Renewals & Other Funds	4,651	2,274	1,387	3,934	3,248	1,387	257
TOTAL	49,165	38,917	33,095	46,738	41,322	25,653	(7,464)
3 YEAR TOTAL			121,177			113,713	

2.2 Unsupported Borrowing / Grant and Contributions - '21st Century' Schools Schemes (Education Department)

Following recent discussions the funding for some of the 21st Century Schools Schemes has been re-profiled again since the second quarter review as shown in the table below, mainly due to –

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

- O.M.Edwards School, Llanuwchllyn and Bala area Schools – discussions have re-opened with Members in this area. The Government has attached some conditions to applications for this programme and the work to meet some of these conditions needs to be completed before work carries on. A report will be presented to the Cabinet next month to explain this necessary work and to set the outline work programme.
- Dolgellau area Schools – a report was presented to the Cabinet (December 2013) to explain a change in direction with this work and a decision was made in this meeting to apply for a plan for the whole area. Following this decision it was necessary to review the timing of the expenditure on this scheme.

Therefore, due to the re-profiling, there has been an effect on the timing of the necessary investment by the Council, which is mainly funded through unsupported borrowing. There has also been an effect 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 2018/19 financial year. See the table below for a summary of the adjustments to the current funding position as relevant to the Schools Scheme:

SOURCE OF FINANCE	2013/14 £'000	2014/15 £'000	2015/16 £'000	3 YEAR TOTAL £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	TOTAL £'000
Unsupported Borrowing	22	1,378	(5,985)	(4,585)	3,015	1,382	188	0
Grants and Contributions	0	(1,642)	(906)	(2,548)	1,368	1,180	0	0
TOTAL	22	(264)	(6,891)	(7,133)	4,383	2,562	188	0

These 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 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, and the situation considered further.

2.3 Unsupported Borrowing (remaining schemes)

In addition to the adjustment noted in 2.2 above there is a decrease of £59,000 in this source of funding mainly due to the fact that the temporary Schools' buildings projects have been achieved more efficiently than expected during the term of this programme.

2.4 Grants and Contributions (remaining schemes)

In addition to the adjustment noted in 2.2 above there is a net increase of £799,000 in this source of funding, mainly due to the following:

- **Land Drainage Scheme – Fridd Elin, Barmouth (Regulatory Department) - £330,000 in 2013/14**

A contribution was received of £250,000 from Welsh Water and £80,000 from the residents of the relevant housing estate towards necessary drainage work (see also 2.8 below).

- **General Housing Grants Schemes (Social Services, Housing and Leisure Department) - £180,570 in 2013/14**

An overspend of £180,570 on housing grants is funded through a grant of £125,000 from Mon Menai to be spent on empty properties' schemes, together with receipts/contributions from residents of £55,570 (see also 2.5 below).

- **Scheme to improve the Seiont II building (the old maritime museum) in Victoria Dock (Economy and Community Department) - £40,000 in 2013/14**

A grant of £40,000 received through Mon Menai from the Welsh Government for improvements to the Seiont II building in Victoria Dock to provide improved facilities to the marina (see also a contribution from reserves in 2.8 below).

2.5 Capital Receipts

A net increase of £279,000 in this source of funding, mainly due to the General Housing Grants Schemes (Social Services, Housing and Leisure Department) of £281,500 in 2013/14. An increase in expenditure is forecast on these schemes due to the number and nature of the referrals for disabled adaptation grants received from occupational therapists, and also an increase in the number of schemes included within the Blaenau Ffestiniog Renewal Area works package. The Department has a balance of £277,410 of historical capital receipts it can utilise to fund this additional expenditure, and it is expected that further capital receipts will be received in the current financial year to fund the rest.

In accordance with the Financial Procedure Rules the Department requires Cabinet approval to use capital receipts where the amount is in excess of £50,000 (which is included as part of the general recommendation in 2.9 below).

Please also note that the Asset Management Plan commits the Council to fund part of the capital programme through the use of corporate capital receipts. By now, there is some concern regarding the availability of the expected capital receipts, due to the condition of the property market in general. Up to now, there is uncertainty of the Council's ability to achieve up to £500,000 of capital receipts, and this will have to be taken into account when the ten year Asset Management Plan is reviewed.

2.6 Departmental and Corporate Revenue

A net decrease of £525,000 in this source of funding is mainly due to:

- **Waste Schemes – development of cells in Ffridd Rasus (Highways and Municipal Department) – (£358,000) in 2013/14 and (£550,000) in 2015/16**

A decrease of £908,000 in the use of corporate revenue to fund the development of waste cells as a result of a new business plan for Ffridd Rasus. New cells will no longer be developed, but the use of this funding is part of the business plan and therefore not available to the Council.

- **Transport Grant Scheme (Regulatory Department) - £208,580 in 2013/14**

Costs were incurred on this scheme because of compensation payments for land procurement. The Department has to fund this through a temporary contribution from revenue because a relevant property has failed to sell (which would generate capital receipts to this end).

- **Rural Schemes – flood damage (Regulatory Department) - £60,000 in 2013/14**

A contribution from the Regulatory Department's revenue underspend to assist with the restoration work following from the November 2012 flood damage to public footpaths and cycle tracks.

2.7 Capital Reserve

A decrease of £1,082,000 in this source of funding, due mainly to:

- **Scheme to build Two Units instead of Coed Menai School (Education Department) – (£200,000) in 2013/14 and (£600,000) in 2014/15**

This scheme has changed and therefore the above funding is no longer required. The original scheme also included capital receipts of £1,515,000 which have also been reconsidered, and which require reducing to £500,000, but not until after 2015/16. This will be considered as part of the Asset Management Plan review.

- **Occupational Skills Centre scheme and Dolgellau Energy Skill Centre scheme (Economy and Community Department) – (£250,000) in 2013/14**

As this scheme has been changed and is now funded directly from external grants, the Council's contribution is no longer required.

2.8 Renewals and Other Funds

The net increase of £257,000 in this source of funding is mainly due to the following:

- **Land Drainage Scheme – Ffridd Elin, Barmouth (Regulatory Department) - £232,650 in 2013/14**

Use of the Council's provision for this purpose (see also 2.4 above).

- **Office adaptations to relocate staff due to Oriel Gwynedd scheme (Economic and Community Department) £180,000 in 2013/14**
Use of the current reserve for the relevant work to relocate the staff due to the Oriel Gwynedd scheme in Bangor.
- **Scheme to adapt the Seiont II building (the old maritime museum), Victoria Dock (Economy and Community Department) - £60,000 in 2013/14 + £1,000 in 2014/15**
Use of the Improving Town reserve £41,000 and the Economy and Community Department reserve £20,000 (see also grant contribution in 2.4 above).
- **Carbon Management Schemes (Customer Care Department- Property Unit) (£304,680) in 2013/14**
A decrease in the use of the reserve relevant to Carbon Management because the expenditure forecast has now decreased against the original profile.

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 £6,375,100. 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:-

- Carbon Management Schemes (Customer Care Department- Property Unit) £798,940
- Brynrefail School – removal of 6 temporary classrooms (Education Department) £526,700
- Repairs and Maintenance Schemes for Council's buildings (Customer Care Department- Property Unit) £400,000
- Mortgage Deposit Scheme (Social Services, Housing and Leisure Department) £300,000
- Temporary units in schools (Education Department/ Customer Care Department- Property Unit) £289,000
- VOIP Project (voice over internet protocol) (Customer Care Department- Other) £287,090
- Asbestos and Fire Schemes (Customer Care Department- Property Unit) £200,000
- Scheme to demolish and secure Trefor Pier (Economy and Community Department) £160,000
- Improving traffic outside schools (Regulatory Department) £130,310

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

- Pwllheli Sailing Academy (Economy and Community Department) £1,817,800
- 'Our Heritage' schemes (Economy and Community Department) £395,050

- 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 9 MONTHS 2013/14

4.1 The table below shows the actual departmental capital expenditure for the Council by the end of the third quarter (9 months), against the revised capital programme for 2013/14 (full year) -

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed December) 2013/14 £'000	ACTUAL EXPENDITURE FOR THE 9 MONTHS TO 31/12/2013 £'000
Human Resources	45	12
Education	9,048	6,629
Finance	38	0
Democracy and Legal	0	0
Economy and Community	5,216	1,487
Customer Care – Property Unit	7,686	6,510
Customer Care – Other	380	157
Social Services, Housing and Leisure	3,513	2,585
Highways and Municipal	8,017	5,444
Regulatory	12,165	4,303
Strategic and Improvement	14	14
Council Housing (Residual)	24	4
Gwynedd Consultancy	592	56
Corporate	0	0
TOTAL	46,738	27,201

Some departments appear to be spending less than expected from the budget up to now. As reported in Quarter 2, the Economy and Community Department (mainly due to the delay with the Pwllheli Sailing Academy Scheme) and the Regulatory Department (mainly due to the profiled spend on Briwet Bridge) are confident that they will spend in line with the programme by the end of the year.

4.2 Over £27.2m has been spent in the first nine months, which is 58% of the budget.

SUMMARY	END OF DECEMBER REVIEW 2013/14	END OF DECEMBER REVIEW 2012/13	INCREASE / (DECREASE)
Full year's budget	£46.7million	£40.9 million	£5.8 million
Expenditure for the first 6 months	£27.2million	£24.2 million	£3.0 million
Expenditure as a percentage of the budget	58%	59%	(1%)

4.3 Despite the re-profiling, the percentage that has been spent this year is similar to the equivalent percentage last year.