

## REPORT TO THE CABINET

24 November 2015

**Cabinet Member:** Councillor Peredur Jenkins - Resource Cabinet Member

**Subject:** Capital Programme 2015/16 – Second Quarter Review  
(30 September 2015)

**Contact Officer:** Dafydd L Edwards - Head of Finance

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### The decision sought / Purpose of the report

To accept the report on the second quarter review (30 September 2015 position) of the capital programme, and approve the revised financing as shown in part 2.2 – 2.7 of the report, that is:

- an increase of £965,000 in the use of unsupported borrowing
- an increase of £3,278,000 in the use of grants and contributions
- an increase of £154,000 in the use of capital receipts
- an increase of £300,000 in the use of revenue contributions
- a decrease of £17,000 in the use of the capital reserve
- an increase of £847,000 in the use of renewal reserves

To approve the virement (in accordance with the relevant financial procedure rules) of £200,000 between two schemes, i.e. between the Relocation of Bala Library scheme (Economy and Community Department) and the Berwyn area schools' scheme (Education Department).

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### Introduction / Summary

This technical report is presented as part of the 2015/16 budget monitoring process. The main purpose of the report is to present the revised programme and to approve the relevant financing sources. The report is in 2 parts:

**Part 1:** Analysis by Department of the £81.6m capital programme for the 3 years 2015/16 – 2017/18.

**Part 2:** An explanation of the sources of finance for the net increase of approximately £5.5m since the last review, with £3.3m of the increase due to more grants.

The Cabinet has the authority to adapt the capital programme. Approval is sought for the programme (part 1) and financing (part 2).

The remainder of the report is for information:

**Part 3:** Movements from 2015/16 to 2016/17

**Part 4:** First 6 months spending profile for 2015/16

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## **Main Findings:**

The main conclusions that arise from the revised position are:

- There are definite projects in place to invest over £42m in 2015/16, with £16m being financed by attracting specific grants.
- The Council succeeded in spending just over £18.9m, which is over 44% of the budget on capital projects during the first 6 months of 2015/16, compared to 33% in the same period last year.
- No loss of funding was caused to the Council where schemes have slipped.

## **Reasons for recommending the decision**

It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital, and the 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 2015/16 – 2017/18 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.

## **Next steps and timetable**

To implement the recommendations to finance the programme.

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## **View of the Local Member**

Not relevant.

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## **Views of the Statutory Officers**

### **Chief Executive:**

It is good to see the expenditure profile for the first 6 months of the year compared to last year. Understandably, the management of the capital budget will never be a static matter and, clearly, it is necessary to make some adjustments during any year. I approve the report.

### **Monitoring Officer:**

The steps recommended in the report are in accordance with the requirements of the constitution.

### **Head of Finance:**

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

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## **Appendix**

Detailed report in parts 1-4.

## 1 CAPITAL PROGRAMME 2015/16 to 2017/18

1.1 The table below shows a comparison of the capital programme up to the end of September 2015 against the last review:

### MOVEMENT FROM THE FIRST QUARTER TO THE END OF THE SECOND QUARTER

	END OF JUNE REVIEW				END OF SEPTEMBER REVIEW				NCREASE/ (DECREASE) SINCE THE LAST REVIEW
	2015/16	2016/17	2017/18	TOTAL	2015/16	2016/17	2017/18	TOTAL	
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education	14,869	16,449	5,703	37,021	14,122	15,998	7,959	38,079	1,058
Finance	804	560	-	1,364	691	653	-	1,344	(20)
Economy and Community	5,147	656	-	5,803	5,748	1,315	-	7,063	1,260
Housing	3,153	2,238	-	5,391	4,768	2,237	-	7,005	1,614
Adults, Health and Wellbeing	775	397	155	1,327	572	693	155	1,420	93
Children and Families	10	-	-	10	10	-	-	10	-
Highways and Municipal	4,378	1,979	2,702	9,059	4,062	3,654	2,413	10,129	1,070
Corporate Support	61	105	-	166	353	114	-	467	301
Regulatory	12,013	3,619	18	15,650	11,956	3,797	51	15,804	154
Consultancy	128	-	-	128	102	23	-	125	(3)
Corporate	-	202	-	202	-	202	-	202	-
<b>TOTAL</b>	<b>41,338</b>	<b>26,205</b>	<b>8,578</b>	<b>76,121</b>	<b>42,384</b>	<b>28,686</b>	<b>10,578</b>	<b>81,648</b>	<b>5,527</b>

## 2. CHANGES TO THE SOURCES OF FINANCE

2.1 The budget for the three year programme shows an increase of £5.527m since the last review position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE/ (DECREASE) SINCE THE LAST REVIEW £000
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	
	£000	£000	£000	£'000	£'000	£000	
Supported Borrowing	6,637	6,637	2,817	6,637	6,637	2,817	-
Unsupported Borrowing	7,392	7,424	0	6,775	7,386	1,620	965
Grants and Contributions	13,210	8,027	2,886	15,988	8,191	3,222	3,278
Capital Receipts	1520	514	0	1,529	659	-	154
Departmental & Corporate Revenue	4,484	1,245	0	4,484	1,245	300	300
Capital Fund	3,353	859	155	2,390	1,805	155	(17)
Renewals & Other Funds	4,742	1,499	2,720	4,581	2,763	2,464	847
<b>TOTAL</b>	<b>41,338</b>	<b>26,205</b>	<b>8,578</b>	<b>42,384</b>	<b>28,686</b>	<b>10,578</b>	<b>5,527</b>
<b>3 YEAR TOTAL</b>			<b>76,121</b>			<b>81,648</b>	

### 2.2 Unsupported Borrowing

A net increase of £965,000 in this source of funding mainly due to:

- **Town Centre Repayable Funding Schemes (Economy and Community Department) £50,000 in 2015/16 and £650,000 in 2016/17**

A loan from the Welsh Government for a period of 15 years to be used to regenerate town centres by reducing the number of empty properties and to support the diversification of town centres (Cabinet report 14 April 2015).

- **Carbon Management Schemes (Regulatory Department – Property Unit) £307,476 in 2015/16**

New carbon management schemes financed through borrowing from Salix – (£250k upgrade to lighting in primary schools and £57,476 Bangor Swimming Pool).

### 2.3 Grants and Contributions

A net increase of £3,278,000 in this source of funding is mainly due to the following:

- **ECO (Energy Companies Obligation) Arbed projects (Housing Department) £1,631,277 in 2015/16**

A grant was received through the Welsh Government Warm Homes programme and specifically through the ECO Arbed project, which supports energy efficient schemes in specific areas within deprived communities. The relevant area in this instance is the Peblig area, Caernarfon. It is essential that the grant is used and claimed in full before 31<sup>st</sup> March 2016.

- **'Cartgylchu' (Highways and Municipal Department) £600,000 in 2015/16**

A Waste Resources Action Programme (WRAP) grant, funded by the Welsh Government, was received to purchase 'cartgylchu' bins for the waste strategy.

- **21<sup>st</sup> Century Schools Schemes (Education Department) £500,000 in 2017/18**

A successful application was made to the Government to expand the scheme to improve schools in the Berwyn area by £1million, and this is the 50% contribution from the Government to the programme by way of grant (Cabinet report 15<sup>th</sup> September 2015)(see also 2.5 and 2.6 below).

- **Bangor Language Centre (Corporate Support Department) £300,000 in 2015/16**  
A Capital Investment Fund grant was received from the Welsh Government in relation to the development of a Language Centre to promote Welsh in Gwynedd, through the purchase and adaptation of the Menai Workshop, Lon Bopty, Bangor.
- **Relocation of the Porthmadog Library to Glaslyn Centre (Economy and Community Department) £250,000 in 2015/16**  
A CyMAL (Museums, Archives and Libraries Wales) innovation grant was received from the Government to relocate the library in Porthmadog (see also 2.4 below).

## 2.4 Capital Receipts

A net increase of £154,000 in this source of funding mainly due to:

- **Relocation of the Porthmadog Library to Glaslyn Centre (Economy and Community Department) £58,000 in 2015/16**  
Match funding from the Council towards this scheme (see also 2.3 above).
- **Pwllheli Harbour and Foreshore Facilities (Economy and Community Department) £45,000 in 2015/16**  
The purchase of small parcels of land from the Crown office on the Glan Don peninsula (part of a package of works that is linked to the Sailing Academy scheme).

## 2.5 Departmental Revenue

An increase of £300,000 in 2017/18 on additional committed expenditure on the Berwyn Area Schools' scheme (Education Department), which is part of the 21<sup>st</sup> Century Schools' package (Cabinet report 15 September 2015)(see also 2.3 above and 2.6 below).

## 2.6 Capital Fund

A net decrease of £17,000 in this source of funding due to:

- **Information Technology Systems (Finance Department)** – transfer of £45,000 out of the capital programme to finance revenue costs.
- **21<sup>st</sup> Century Schools Schemes (Education Department)** – increase of £27,353 in the expenditure on Bro Llifon School to finance higher prices on the scheme
- **21<sup>st</sup> Century Schools Schemes (Education Department)** – as a result of the increase in the Berwyn area scheme of £1million (see also 2.3 and 2.5 above), an agreement was reached between the Education Department and the Economy and Community Department regarding the financing package, whereby a virement of £200,000 is required. The Relocation of Bala Library scheme budget (Economy and Community Department) is used for this virement.

## 2.7 Renewals Funds

The net increase of £847,000 in the use of renewal funds, mainly by the Highways and Municipal Department, for:

- **Vehicles £459,010 over 3 years**  
Purchase of vehicles as opposed to via lease arrangements.
- **Waste Bins and Skips £183,700 in 2015/16**  
An increase in purchases due to an increased call for bins and skips as a result of the waste strategy.

## 2.8 Recommendation

The Cabinet is asked to accept the 2015/16 to 2017/18 revised programme and approve the relevant sources of finance (para. 2.2 to 2.7 above).

The Cabinet is further asked to approve the virement (in accordance with the relevant financial procedure rules) of £200,000 between two schemes, i.e. between the Relocation of Bala Library scheme (Economy and Community Department) and the Berwyn area schools' scheme (Education Department) (para. 2.6 above).

## 3. ANNUAL EXPENDITURE PROFILES

3.1 The total level of re-profiling in the capital programme from 2015/16 to 2016/17 so far is £4,908,490. The figures in part 1 of the report reflects this, with the main items as follows-

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

- 21<sup>st</sup> Century Schools (Education Department) £2,191,110
- Council's Fleet (Highways and Municipal Department) £1,515,310
- EDRMS Scheme (electronic document and records management system) (Adults, Health and Wellbeing Department) £296,000

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 current assets which have not been improved.

## 4. CAPITAL EXPENDITURE FIRST 6 MONTHS 2015/16

4.1 The table below analyses the actual departmental capital expenditure for the Council by the end of the second quarter (6 months), against the revised capital programme for 2015/16 (full year) -

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed September) 2015/16 £'000	ACTUAL EXPENDITURE FOR THE 6 MONTHS TO 30/09/2015 £'000
Education	14,122	4,382
Finance	691	173
Economy and Community	5,748	3,736
Housing	4,768	887
Adults, Health and Wellbeing	868	180
Children and Families	10	2
Highways and Municipal	4,062	1,713
Corporate Support	353	0
Regulatory	11,956	7,834
Consultancy	102	32
<b>TOTAL</b>	<b>42,680</b>	<b>18,939</b>

Some departments appear to be spending significantly less than half their annual budget up to now, i.e. the Education Department (mainly due to the profiled spend on 21<sup>st</sup> Century Schools' schemes), and the Highways and Municipal Department (mainly due to the profiled spend on vehicles' renewals). However the departments are confident that they will spend in line with the programme by the end of the second half of the year.

The Regulatory Department shows significant expenditure in the first six months, mainly due to planned expenditure on Briwet Bridge, Penrhyndeudraeth. It has been reported in the past that there is an element of financial risk to the Council with this contract, which is still subject to discussions between the parties, but by now the majority of the expenditure has taken place, and the financial risk to the Council has been reduced. The Department has therefore succeeded to manage the contract without having to call for an additional corporate contribution.

**4.2** Over £18.9m has been spent in the first six months, which is 44% of the budget.

SUMMARY	END OF SEPTEMBER REVIEW 2015/16	END OF SEPTEMBER REVIEW 2014/15	INCREASE / (DECREASE)
Full year's budget	£42.7million	£45.0million	(£2.3million)
Expenditure for the first 6 months	£18.9million	£14.9million	£4.0million
Expenditure as a percentage of the budget	44%	33%	11%

**4.3** Despite the re-profiling, the percentage that has been spent this year is comparably higher than the position this time last year.