

## CYNGOR GWYNEDD – Report to Cyngor Gwynedd Cabinet

<b>Item Title:</b>	Capital Programme 2023/24 – End of March Review (31 March 2024 position)
<b>Cabinet Member:</b>	Councillor Paul Rowlinson, Finance Cabinet Member
<b>Relevant Officer:</b>	Ffion Madog Evans, Assistant Head of Finance
<b>Meeting Date:</b>	14 May 2024

### 1. Decision Sought:

- To accept the report on the end of the year review (31 March 2024 position) of the capital programme.
- Approve the revised financing as shown in part 3.2.3 of the report, that is:
  - an increase of £2,189,000 in the use of grants and contributions
  - an increase of £132,000 in the use of capital receipts
  - an increase of £645,000 in the use of revenue contributions
  - an increase of £87,000 in the use of renewal and other reserves.

### 2. The reason why the Cabinet needs to make the decision:

It is the Cabinet's responsibility to act, as necessary, to secure appropriate control over the Council's budgets. It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital. The Cabinet has the authority to adapt the capital programme. Approval is sought for the proposed programme (part 3.2.2) and financing (part 3.2.3).

These are recommendations to ensure definite sources of funding for the 2023/24 – 2025/26 capital schemes.

### 3. Introduction and Rationale

#### 3.1 Background/ Introduction

This technical report is presented as part of the 2023/24 end of year. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. There is a summary in parts 3.2.2 and 3.2.3 of the report, with the recommendations in part 1:

- Part 3.2.2: Analysis by Department of the £188.929m capital programme for the 3 years 2023/24 – 2025/26.
- Part 3.2.3: The sources of finance for the net increase of approximately £3.053m since the last review.

- Part 3.2.4: Detail of additional grants since the last review.
- Part 3.2.5: Analysis of the capital prudential indicators.

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

## **3.2 Rationale of, and introduction to, the recommended decision**

### **3.2.1 Main Findings**

The main findings that arise from the revised position are:

- £56.9m was invested in 2023/24 on capital projects, with £33.1m (58%) of it being financed by attracting specific grants.
- The impact of the recent financial challenges on the capital programme can still be seen in the reported figures. Re-profiling has occurred because of the significant increase in building material prices, some schemes have been deliberately delayed in addition to a delay in purchasing some vehicles.
- An additional £34.1m of proposed expenditure has been re-profiled from 2023/24 to 2024/25 and 2025/26, but no loss of funding was caused to the Council where schemes have slipped.

### 3.2.2 Capital Programme 2023/24 to 2025/26

See below the final capital programme for 2023/24 as at the end of March 2024, with the proposed revised position for the subsequent years:

DEPARTMENT	END OF MARCH REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW £'000
	2023/24	2024/25	2025/26	TOTAL	
	£'000	£'000	£'000	£'000	
Education	12,972	18,308	40	31,320	705
Environment	5,084	5,484	776	11,344	(579)
Corporate Support	-	-	-	-	-
Finance	716	2,252	498	3,466	161
Economy and Community	18,551	38,110	3,239	59,900	(1,511)
Housing and Property	10,319	28,915	7,130	46,364	2,647
Adults, Health and Wellbeing	382	6,680	-	7,062	101
Children and Supporting Families	1,131	490	-	1,621	1,089
Highways, Engineering and Consultancy	7,717	11,702	2,011	21,430	212
Chief Executive	39	-	-	39	39
Corporate	-	5,883	500	6,383	189
<b>CYFANSWM</b>	<b>56,911</b>	<b>117,824</b>	<b>14,194</b>	<b>188,929</b>	<b>3,053</b>

### 3.2.3 Changes to the Sources of Finance

The budget for the three year programme shows an increase of £3.053m since the last review. The finalised sources of financing for 2023/24 at the end of March 2024 can be seen below, with the proposed revised position for the subsequent years:

SOURCE OF FINANCE	END OF MARCH REVIEW				Technical Adjustment £'000	INCREASE / (DECREASE) SINCE THE LAST REVIEW £'000
	2023/24	2024/25	2025/26	CYFANSWM		
	£'000	£'000	£'000	£'000		
Supported Borrowing	4,061	8,233	6,610	18,904	(4,172)	0
Other Borrowing	4,047	13,006	2,880	19,933	0	0
Grants and Contributions	37,224	46,559	3,239	87,022	4,733	2,189
Capital Receipts	249	129	-	378	0	132
Departmental & Corporate Revenue	3,138	49	-	3,187	(230)	645
Capital Fund	1,417	21,160	41	22,618	(331)	0
Renewals & Other Funds	6,775	28,688	1,424	36,887	0	87
<b>CYFANSWM</b>	<b>56,911</b>	<b>117,824</b>	<b>14,194</b>	<b>188,929</b>	<b>0</b>	<b>3,053</b>

### 3.2.4 Additional Grants

Since the previous review at the end of November, the Council succeeded in attracting the additional grants totalling £5,939k, the largest of which are listed below. Several adjustments including a reduction on schemes lower than the original forecast brings the total movement to £2,189k (see Appendix A for more information):

- £1,755k Grant towards the Council's Heating Decarbonisation scheme
- £1,100k Flying Start and Childcare Capital Grant from the Welsh Government
- £659k Welsh Government Grant towards the purchase of a property to address needs in the Homelessness area
- £392k Waste Infrastructure Grant from Welsh Government – correction of 22/23 year end position
- £358k Schools Repairs and Maintenance Grant 2023/24

- £334k Housing with Care Fund (HCF) – an additional grant from Welsh Government to support innovative housing developments to meet care needs
- £261k ARFOR 2 scheme grants for the development of enterprising communities from Welsh Government
- £234k Regional Integrated Fund (RIF) – additional grant from Welsh Government towards adapting establishments as well as facilitating joint working arrangements with other agencies

### **3.2.5 Capital Prudential Indicators**

The CIPFA Prudential Code notes the need to report these Prudential Indicators (see Appendix C for more information).

### **3.3 Next Steps**

To implement the recommendations to finance the programme.

The latest position and information are reflected here, and in bringing the process to a close, there may be further changes. However, no substantial change to the general situation is anticipated.

## **4. Comments by Statutory Officers**

### **4.1 Principal Finance Officer**

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

### **4.2 Monitoring Officer**

No observations in relation to propriety.

### **Appendices List:**

Appendix A – Details on Main Changes

Appendix B – Re-profiling Details

Appendix C – Capital Prudential Indicators

### **Background Documents List:**

2023-2024 Budget : [Annual budgets \(llyw.cymru\)](#)

Capital Strategy 2023-24 : Full Council 02/03/23 [Item 9 - Capital Strategy 2023-24 including Investment and Borrowing Strategies.pdf \(llyw.cymru\)](#)

## APPENDIX A

### Details of Main Changes

See below the relevant schemes that have caused the main changes to the sources of finance since the previous review:

	2023/24	2024/25- 2025/26
	£'000	£'000
<b>Grants and Contributions</b>		
<ul style="list-style-type: none"> <li>Schools Repairs and Maintenance Grant 2023/24 (<i>Education Department</i>).</li> </ul>	358	
<ul style="list-style-type: none"> <li>Sustainable Communities for Learning Grant – adapt and add various schemes e.g. Ysgol Chwilog (<i>Education Department</i>).</li> </ul>	106	
<ul style="list-style-type: none"> <li>Sustainable Communities for Learning Grant – additional amount for Free School Meals (<i>Education Department</i>).</li> </ul>	60	
<ul style="list-style-type: none"> <li>Initial part of the Sustainable Schools’ Challenge Grant towards Ysgol Bontnewydd (<i>Education Department</i>).</li> </ul>	60	
<ul style="list-style-type: none"> <li>Targeted Regeneration Investment (TRI) Grant - Bangor Regeneration Scheme and other smaller grants in the area of regeneration (<i>Economy and Community Department</i>).</li> </ul>	78	
<ul style="list-style-type: none"> <li>ARFOR 2 scheme grants for the development of enterprising communities from Welsh Government (<i>Economy and Community Department</i>).</li> </ul>	261	
<ul style="list-style-type: none"> <li>Reprofiling of the Grant from the UK Government’s Shared Prosperity Fund – a sum is paid to Gwynedd Council to be distributed across the counties of north Wales (<i>Economy and Community Department</i>).</li> </ul>	(1,014)	(1,176)
<ul style="list-style-type: none"> <li>Flying Start and Childcare Capital Grant from the Welsh Government (<i>Children and Supporting Families Department</i>).</li> </ul>	1.100	
<ul style="list-style-type: none"> <li>Regional Integrated Fund (RIF) – additional grant from Welsh Government towards adapting establishments as well as facilitating joint working arrangements with other agencies (<i>Adults, Health and Wellbeing Department</i>).</li> </ul>	234	

• Brilliant Basics Grant from Welsh Government for the upgrading of public conveniences ( <i>Highways, Engineering and Consultancy Department</i> ).	131
• Welsh Government's Road Safety Capital Grant towards various 20 miles per hour schemes ( <i>Environment Department</i> ).	143
• Adjustments to the Local Transport Fund (LTF) and Active Travel Fund (ATF) grants from Welsh Government towards several different schemes ( <i>Environment Department</i> ).	(1,067)
• Adjustments to Welsh Government grants towards countryside schemes ( <i>Environment Department</i> ).	(251)
• Grant from Wales Council for Voluntary Action (WCVA) – the national body for voluntary organisations – towards countryside schemes ( <i>Environment Department</i> ).	169
• Grant towards zero and ultra low emission vehicles (ULEV) ( <i>Environment Department</i> ).	60
• Waste Infrastructure Grant from Welsh Government – correction of 22/23 year end position ( <i>Environment Department</i> ).	392
• Adjustment to contributions from local Housing Associations towards an IT system for use in the Housing area ( <i>Housing and Property Department</i> ).	(67)
• Housing with Care Fund (HCF) – an additional grant from Welsh Government to support innovative housing developments to meet care needs ( <i>Adults, Health and Wellbeing; Housing and Property Departments</i> ).	334
• Adjustments to grant contributions from Welsh Government in the Housing area ( <i>Housing and Property Department</i> ).	(177)
• Welsh Government Grant towards the purchase of a property to address needs in the Homelessness area ( <i>Housing and Property Department</i> ).	659
• Grant towards the Council's Heating Decarbonisation scheme ( <i>Housing and Property Department</i> ).	1,755

<ul style="list-style-type: none"> <li>Grant from the Energy Trust towards the Council's provision of electric vehicle charging points (<i>Chief Executive's Department</i>).</li> </ul>	39
<b>Capital Receipts</b>	
<ul style="list-style-type: none"> <li>Resurfacing of Y Glyn Car Park, Llanberis (<i>Economy and Community Department</i>).</li> </ul>	42
<ul style="list-style-type: none"> <li>Waste vehicles in-cab technology (<i>Environment Department</i>).</li> </ul>	90
<b>Departmental and Corporate Revenue</b>	
<ul style="list-style-type: none"> <li>Schools' contributions towards several schemes including a wellness Centre; play areas (<i>Education Department</i>).</li> </ul>	362
<ul style="list-style-type: none"> <li>Additional/match funding contributions towards several Maritime and Country Parks' schemes (<i>Economy and Community Department</i>).</li> </ul>	54
<ul style="list-style-type: none"> <li>Contribution towards several schemes including Pont Bodfel (<i>Highways, Engineering and Consultancy Department</i>).</li> </ul>	82
<ul style="list-style-type: none"> <li>Additional funding for several Transport schemes where the grant is insufficient (<i>Environment Department</i>).</li> </ul>	91
<ul style="list-style-type: none"> <li>Waste vehicles in-cab technology (<i>Environment Department</i>).</li> </ul>	31
<ul style="list-style-type: none"> <li>Adjustment to the revenue contribution towards capitalised repairs and maintenance schemes (<i>Housing and Property Department</i>).</li> </ul>	(131)
<ul style="list-style-type: none"> <li>Contribution towards the purchase of computer equipment (<i>Finance Department</i>).</li> </ul>	161



**Renewals and Other Funds**

- |  |       |
|--|-------|
| • Adjustment to match funding contributions towards various schemes ( <i>Economy and Community Department</i> ). | 207   |
| • Correction of 22/23 year end position for the Waste Infrastructure scheme ( <i>Environment Department</i> ).   | (196) |
| • Vehicle and Equipment Renewals ( <i>Environment Department</i> ).  | (74)  |
| • Contribution from the Climate Fund towards Heating Decarbonisation ( <i>Housing and Property Department</i> ). | 145   |

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**Details of Budget Re-profiling**

See below the main schemes that have been re-profiled since the original budget:

	2023/24	2024/25 - 2025/26
	£'000	£'000
Schools' Schemes (Sustainable Communities for Learning and Others) ( <i>Education Department</i> )	(14,458)	14,458
Economic Stimulus Schemes and Industrial Units ( <i>Economy and Community Department</i> )	(2,852)	2,852
Bangor Regeneration Scheme and others ( <i>Economy and Community Department</i> )	(434)	434
Levelling Up Fund ( <i>Economy and Community Department</i> )	(3,805)	3,805
Shared Prosperity Fund ( <i>Economy and Community Department</i> )	(6,382)	6,382
Maritime, Country Parks and Leisure schemes ( <i>Economy and Community Department</i> )	(490)	490
Maesgeirchen Integrated Centre scheme and others for Children ( <i>Children and Supporting Families Department</i> )	(490)	490
Penygroes Health and Care Hub ( <i>Adults, Health and Wellbeing Department</i> )	(3,500)	3,500
Residential Establishments, Day Care and other schemes in the Adults area ( <i>Adults, Health and Wellbeing Department</i> )	(3,179)	3,179
Highways Deterioration Prevention schemes and others in the Highways and Engineering area ( <i>Highways, Engineering and Consultancy</i> )	(983)	983
Vehicle and Equipment Renewals ( <i>Highways, Engineering and Consultancy; Environment; Housing and Property Departments</i> )	(5,696)	5,696
Coastal Risks and Flood Prevention schemes ( <i>Highways, Engineering and Consultancy</i> )	(3,282)	3,282
Transport schemes, Urban Improvements and Countryside schemes ( <i>Environment Department</i> )	(335)	335
Car Parks – Resurfacing, Charging Points etc ( <i>Environment Department</i> )	(467)	467

Waste/recycling facilities and specialist IT systems ( <i>Environment Department</i> )	(234)	234
Housing Grants and Other Schemes ( <i>Housing and Property Department</i> )	(798)	798
Housing Strategy Schemes ( <i>Housing and Property Department</i> )	(15,986)	15,986
Disabled Adaptation, Offices and Smallholdings Schemes ( <i>Housing and Property Department</i> )	(508)	508
Council's Carbon Management and Solar Panel Schemes and Heating Decarbonisation ( <i>Housing and Property Department</i> )	(4,081)	4,081
Asbestos Disposal schemes ( <i>Housing and Property Department</i> )	(694)	694
IT Equipment Renewal ( <i>Finance Department</i> )	(1,634)	1,634
Unallocated Asset Scheme Resources ( <i>Corporate</i> )	(3,760)	3,760

**Note:**

The above re-profiling will not result in any loss in grant.

There are 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 must cope for longer with current assets which have not been improved.

## APPENDIX C

### Capital Prudential Indicators 2023/24 - Outturn

The Council measures and manages its capital expenditure and borrowing with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a regular basis.

The latest position and information are reflected here, and in bringing the accounts closedown process to a close, there may be further changes. However, no substantial change to the general situation is anticipated.

### Capital Expenditure

The Council has undertaken and is planning capital expenditure as summarised below.

	<b>2022/23 Actual £m</b>	<b>2023/24 Actual £m</b>	<b>2024/25 Budget * £m</b>	<b>2025/26 Budget £m</b>
General Fund Services	38.0	56.9	118.2	14.6
Leasing General Fund *	0.0	0.0	5.0	0.0
<b>TOTAL</b>	<b>38.0</b>	<b>56.9</b>	<b>123.2</b>	<b>14.6</b>

*\* Capital Expenditure for 2024/25 includes £5m due to a change in the accounting for leases and does not represent cash expenditure.*

The main General Fund capital projects in 2023/24 include (see the review reports for reprofiling details as applicable) :

- Housing Schemes/Strategy - £21.6m
- Sustainable Communities for Learning Schemes - £16.6m
- Departmental Vehicles - £5.4m
- Property Schemes - £3.7m
- Coastal Flood Protection - £3.0m
- Industrial Units - £2.9m

### Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) and capital receipts used to replace debt.

	<b>31.3.2023</b>	<b>31.3.2024</b>	<b>31.3.2025</b>	<b>31.3.2026</b>
	<b>Actual</b>	<b>Actual</b>	<b>Forecast *</b>	<b>Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund Services *	170.8	173.5	190.1	191.1

*\* The Capital Financing Requirement for 2024/25 and subsequent years includes a £5m increase due to a change in the accounting for leases.*

### Gross Debt and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	<b>31.3.2023</b>	<b>31.3.2024</b>	<b>31.3.2025</b>	<b>31.3.2026</b>
	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Debt (including Private Finance Initiative (PFI) and leases)	102.5	101.3	98.7	94.0
Capital Financing Requirement	170.8	173.5	190.1	191.1

### Debt and the Authorised Limit and Operational Boundary

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	Maximum Debt 2023/24 £m	Debt at 31.03.2024 £m	2023/24 Authorised Limit £m	2023/24 Operational Boundary £m	Complied ?
Borrowing	100.5	99.6			
Private Finance Initiative (PFI) and Finance Leases	1.6	1.6			
<b>Total Debt</b>	102.1	101.2	200	190	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

### Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP) are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, National Non-Domestic Rates and general government grants.

	2022/23 Actual	2023/24 Actual	2024/25 Budget *	2025/26 Budget
Financing Costs * (£m)	£11.5m	£7.4m	£8.1m	£9.5m
Proportion of Net Revenue Stream (%)	3.9%	2.3%	2.5%	2.9%

\* Financing costs for 2024/25 and subsequent years includes a £0.7m increase due to a change in the accounting for leases.

### Treasury Management Indicators

These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are reported separately as part of the Treasury Management Report for the period under review.