

CYNGOR GWYNEDD – Report to Cyngor Gwynedd Cabinet

Item Title:	Capital Programme 2024/25 – End of August Review (31 August 2024 position)
Cabinet Member:	Councillor Paul Rowlinson, Finance Cabinet Member
Relevant Officer:	Ffion Madog Evans, Assistant Head of Finance
Meeting Date:	15 October 2024

1. Decision Sought:

- To accept the report on the end of August review (31 August 2024 position) of the capital programme.
- Approve the revision to the Capital Budget approved on 7 March 2024 from the programme's financing perspective (as shown in part 3.2.3 of the report), that is:
 - an increase of £370,000 in the use of borrowing
 - an increase of £17,080,000 in the use of grants and contributions
 - a decrease of £51,000 in the use of the capital reserve
 - an increase of £1,260,000 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 recommended steps to ensure definite sources of funding for the 2024/25 – 2026/27 capital schemes.

3. Introduction and Rationale

3.1 Background/ Introduction

This technical report is presented as part of the 2024/25 budget review. 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 £169.729m capital programme for the 3 years 2024/25 – 2026/27.

- Part 3.2.3: The sources of finance for the net increase of approximately £18.665m since the opening budget.
- Part 3.2.4: Detail of additional grants since the opening budget.
- 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 contributions and capital receipts.

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:

- Clear plans are in place to invest approximately £117.0m in 2024/25 on capital projects, with £48.8m (42%) of it being financed by attracting specific grants.
- An additional £17.2m of proposed expenditure has been reprofiled from 2024/25 to 2025/26 and 2026/27, but no loss of funding was caused to the Council where schemes have slipped.

3.2.2 Capital Programme 2024/25 to 2026/27

See below the revised capital programme as at the end of August 2024:

Department	END OF AUGUST REVIEW				Increase/(Decrease) since the Budget £000	Reprofiling Adjustment £000	Technical Adjustment £000	Other Changes £000
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000				
Education	23,529	8,666	2,795	34,990	14,173	2,213	-	11,960
Environment	8,399	1,446	1,742	11,587	5,598	2,062	-	3,536
Corporate Support	50	-	-	50	-	-	-	-
Finance	2,252	498	609	3,359	234	234	-	-
Economy and Community	34,372	9,166	-	43,538	11,219	9,440	-	1,779
Housing and Property	25,695	10,762	6,850	43,307	7,576	7,164	-	412
Adults, Health and Wellbeing	4,810	2,290	-	7,100	2,952	2,552	-	400
Children and Supporting Families	1,735	160	-	1,895	1,695	290	-	1,405
Highways, Engineering and Consultancy	12,151	2,518	4,244	18,913	5,865	5,237	-	628
Corporate	3,990	500	500	4,990	2,305	3,760	-	(1,455)
TOTAL	116,983	36,006	16,740	169,729	51,617	32,952	-	18,665

3.2.3 Changes to the Sources of Finance

The budget for the three year programme shows an increase of £51.617m since the opening budget position where £32.952m originates from the reprofiling at the end of the previous year. The proposed sources of financing for this are noted below :

Source of Finance	END OF AUGUST REVIEW				Increase/(Decrease) since the Budget £000	Reprofiling Adjustment £000	Technical Adjustment * £000	Other Changes £000
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000				
Supported Borrowing	4,057	4,057	4,057	12,171	(9,272)	-	-9,272	-
Other Borrowing	13,376	2,930	4,119	20,425	2,410	2,040	-	370
Grants and Contributions	58,075	17,424	4,536	80,035	37,535	11,183	9,272	17,080
Capital Receipts	129	-	-	129	129	129	-	0
Departmental & Corporate Revenue	1,131	31	-	1,162	(44)	(50)	-	6
Capital Fund	14,393	6,756	-	21,149	8,823	8,874	-	(51)
Renewals & Other Funds	25,822	4,808	4,028	34,658	12,036	10,776	-	1,260
TOTAL	116,983	36,006	16,740	169,729	51,617	32,952	-	18,665

**The General Capital Grant from the settlement is shown on the Grants row rather than as part of the Borrowing/Settlement as in the 2024/25 budget.*

3.2.4 Additional Grants

Since setting the original budget, the Council succeeded in attracting additional grants totalling £17,230k, the largest of which are listed below. Several adjustments including a reduction on schemes lower than the original forecast brings the total movement to £17,080k (see Appendix 1 for more information):

- £7,044k Sustainable Communities for Learning Grant – adjustments and the addition of various schemes
- £2,000k Grants from the Welsh Government’s Local Transport Fund (LTF) and Active Travel Fund (ATF) for several different schemes

- £1,325k Care Homes Fund Grant for children’s homes from the Welsh Government
- £1,070k Schools Repairs and Maintenance Grant 2024/25
- £891k Additional Learning Needs Capital Grant
- £800k Initial part of the Sustainable Schools’ Challenge Grant towards Ysgol Bontnewydd
- £762k Welsh Government Grant towards developing a library management system
- £700k Early Years Grant towards the Ysgol Hiraël scheme
- £580k Grant from Welsh Government towards the scheme to develop a Health and Wellbeing Centre in Bangor

3.2.5 Capital Prudential Indicators

The CIPFA Prudential Code notes the need to report these Prudential Indicators (see Appendix 4 for more information).

3.3 Next Steps

To implement the recommendations to finance the programme.

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 1 – Details of Main Changes

Appendix 2 – Details of Budget Reprofileing

Appendix 3 – Capital Expenditure First 5 months 2024/25

Appendix 4 – Capital Prudential Indicators 2024/25

Background Documents List:

2024/2025 Budget : [Annual budgets \(llyw.cymru\)](#)

Capital Strategy 2024/25 : Full Council 07/03/24 : [Item 12 - Capital Strategy 2024-25 including Investment and Borrowing Strategies.pdf \(llyw.cymru\)](#)

Details of Main Changes

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

	2024/25	2025/26- 2026/27
	£'000	£'000
Other Borrowing		
<ul style="list-style-type: none"> Vehicles for use in the areas of highways, waste and recycling (<i>Highways, Engineering and Consultancy; Environment Departments</i>). 	370	
Grants and Contributions		
<ul style="list-style-type: none"> Schools Repairs and Maintenance Grant 2024/25 (<i>Education Department</i>). 	1,070	
<ul style="list-style-type: none"> Sustainable Communities for Learning Grant – adjustments and the addition of various schemes (<i>Education Department</i>). 	4,209	2,835
<ul style="list-style-type: none"> Additional Learning Needs Capital Grant (<i>Education Department</i>). 	891	
<ul style="list-style-type: none"> Initial part of the Sustainable Schools' Challenge Grant towards Ysgol Bontnewydd (<i>Education Department</i>). 	800	
<ul style="list-style-type: none"> Early Years Grant towards the Ysgol Hirael scheme (<i>Education Department</i>). 	700	
<ul style="list-style-type: none"> Grant from Welsh Government towards the scheme to develop a Health and Wellbeing Centre in Bangor (<i>Economy and Community Department</i>). 	580	
<ul style="list-style-type: none"> Reprofile and increase the Grant from the UK Government's Levelling Up Fund (<i>Economy and Community Department</i>). 	505	(35)
<ul style="list-style-type: none"> Adjustment to 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>). 	(152)	
<ul style="list-style-type: none"> Contribution from the National Grid towards the resurfacing of a car park in Llanberis (<i>Economy and Community Department</i>). 	53	

<ul style="list-style-type: none"> • Welsh Government Grant towards developing a library management system (<i>Economy and Community Department</i>). 	762
<ul style="list-style-type: none"> • Sport Wales Grant towards the Arfon Tennis Centre (<i>Economy and Community Department</i>). 	106
<ul style="list-style-type: none"> • Childcare Capital Grant from the Welsh Government (<i>Children and Supporting Families Department</i>). 	80
<ul style="list-style-type: none"> • Care Homes Fund Grant for children’s homes from the Welsh Government (<i>Children and Supporting Families Department</i>). 	1,325
<ul style="list-style-type: none"> • Grant from the Welsh Government towards the residential scheme at Penrhos, Pwllheli (<i>Adults, Health and Wellbeing Department</i>). 	300
<ul style="list-style-type: none"> • Welsh Government grant towards the Afon Cadnant flood alleviation scheme (<i>Highways, Engineering and Consultancy Department</i>). 	170
<ul style="list-style-type: none"> • Correction of the 22/23 financing for Ultra Low Emission Vehicles (ULEV) with a grant received in 23/24, but unused at that point in time (<i>Children and Supporting Families; Highways, Engineering and Consultancy; Housing and Property Departments</i>). 	102
<ul style="list-style-type: none"> • Road Safety Capital Grant from the Welsh Government for several different 20 miles per hour schemes (<i>Environment Department</i>). 	20
<ul style="list-style-type: none"> • Grants from the Welsh Government’s Local Transport Fund (LTF) and Active Travel Fund (ATF) for several different schemes (<i>Environment Department</i>). 	2,000
<ul style="list-style-type: none"> • Grants and contributions from the Welsh Government, Natural Resources Wales and the Wales Council for Voluntary Action (CGGC/WCVA) towards countryside schemes (<i>Environment Department</i>). 	436
<ul style="list-style-type: none"> • Welsh Government Grant towards the “Enable” scheme (<i>Housing and Property Department</i>). 	247
<ul style="list-style-type: none"> • Leasing Scheme Wales Grant from the Welsh Government (<i>Housing and Property Department</i>). 	74

Departmental and Corporate Revenue

- Revenue contributions towards traffic schemes (Environment Department). 6

Capital Fund

- Correction of the 22/23 financing for Ultra Low Emission Vehicles (ULEV) with a grant received in 23/24, but unused at that point in time (Children and Supporting Families; Housing and Property Departments). (51)

Renewals and Other Funds

- Correction of the 22/23 financing for Ultra Low Emission Vehicles (ULEV) with a grant received in 23/24, but unused at that point in time (Highways, Engineering and Consultancy Department). (51)
- Adjustments to match funding / additional contributions towards various schemes (Economy and Community Department). (39)
- Vehicle and Equipment renewals from departmental funds (Highways, Engineering and Consultancy; Environment Departments). 607
- Contribution from the Climate Fund towards a renewals scheme to move to electric vehicles (Highways, Engineering and Consultancy; Adults, Health and Wellbeing; Environment; Housing and Property Departments). 742

Details of Budget Reprofileing

See below the main schemes that have been reprofiled since the original budget:

	2024/25	2025/26 - 2026/27
	£'000	£'000
Schools' Schemes (Sustainable Communities for Learning and Others) (<i>Education Department</i>)	(4,085)	4,085
Economic Stimulus Schemes and Industrial Units (<i>Economy and Community Department</i>)	(2,652)	2,652
Levelling Up Fund (<i>Economy and Community Department</i>)	(3,143)	3,143
Maritime, Country Parks and Leisure schemes (<i>Economy and Community Department</i>)	(168)	168
Maesgeirchen Integrated Centre scheme (<i>Children and Supporting Families Department</i>)	(160)	160
Penygroes Health and Care Hub (<i>Adults, Health and Wellbeing Department</i>)	(1,200)	1,200
Residential Establishments, Day Care and other schemes in the Adults area (<i>Adults, Health and Wellbeing Department</i>)	(1,090)	1,090
Vehicle and Equipment Renewals (<i>Highways, Engineering and Consultancy; Environment Departments</i>)	80	(80)
Coastal Risks and Flood Prevention schemes (<i>Highways, Engineering and Consultancy</i>)	(508)	508
Transport schemes (<i>Environment Department</i>)	(289)	289
Car Parks – Resurfacing (<i>Environment Department</i>)	(119)	119
Environment Department Specialist IT systems (<i>Environment Department</i>)	(48)	48
Waste and Recycling Schemes (<i>Environment Department</i>)	(174)	174
Housing Grants and Other Schemes (<i>Housing and Property Department</i>)	(179)	179
Disabled Adaptation and Offices Schemes (<i>Housing and Property Department</i>)	(154)	154

Council's Carbon Management and Solar Panel Schemes (<i>Housing and Property Department</i>)	(2,500)	2,500
Asbestos Disposal Schemes (<i>Housing and Property Department</i>)	(200)	200
Heating Decarbonisation Schemes (<i>Housing and Property Department</i>)	(600)	600

Note:

The above reprofiling will not result in any loss in grant.

There are a variety of valid reasons behind the reprofiling 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.

Capital Expenditure First 5 Months 2024/25

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed August) 2024/25 £'000	ACTUAL EXPENDITURE FOR THE 5 MONTHS TO 31/08/2024 £'000
Education	23,529	3,014
Environment	8,399	2,584
Corporate Support	50	-
Finance (and Information Technology)	2,252	569
Economy and Community	34,372	5,511
Housing and Property	25,695	3,338
Adults, Health and Wellbeing	4,810	151
Children and Supporting Families	1,735	64
Highways, Engineering and Consultancy	12,151	2,722
Corporate	3,990	-
TOTAL	116,983	17,953

Note:

The percentage spent this year (15%) is higher than the position this time last year (amount spent in 5 months in 2023/24 was 11%), and higher than two years ago (11% in 2022/23).

APPENDIX 4

Capital Prudential Indicators 2024/25

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.

Capital Expenditure

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

	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Budget £m	2026/27 Budget £m
General Fund Services	56.9	117.3	36.4	17.1
Leasing General Fund *	0.0	5.0	0.0	0.0
TOTAL	56.9	122.3	36.4	17.1

* 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 2024/25 include (see the review reports for reprofiling details as applicable) :

- Housing Schemes/Strategy - £17.9m
- Shared Prosperity Fund Schemes - £16.4m
- Sustainable Communities for Learning Schemes - £16.1m
- Levelling Up Fund Schemes - £10.1m
- Coastal Flood Protection - £3.9m
- Property Schemes - £3.7m

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.

	31.3.2024	31.3.2025	31.3.2026	31.3.2027
	Actual	Forecast	Budget	Budget
	£m	£m	£m	£m
General Fund Services *	173.5	190.5	191.4	193.4

** 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.

	31.3.2024	31.3.2025	31.3.2026	31.3.2027	Debt at
	Actual	Forecast	Budget	Budget	31.08.2024
	£m	£m	£m	£m	£m
Debt (including Private Finance Initiative (PFI) and leases)	101.3	98.7	94.0	88.6	100.0
Capital Financing Requirement	173.5	190.5	191.4	193.4	

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 2024/25 £m	Debt at 31.08.2024 £m	2024/25 Authorised Limit £m	2024/25 Operational Boundary £m	Complied ?
Borrowing	94.3	94.3			
Private Finance Initiative (PFI) and Finance Leases	5.7	5.7			
Total Debt	100.0	100.0	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.

	2023/24 Actual	2024/25 Forecast	2025/26 Budget	2026/27 Budget
Financing Costs * (£m)	7.1	9.1	9.6	10.2
Proportion of Net Revenue Stream (%)	2.2%	2.8%	2.9%	3.0%

* 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.