

CYNGOR GWYNEDD – Report to Cyngor Gwynedd Cabinet

Item Title:	Capital Programme 2024/25 – End of November Review (30 November 2024 position)
Cabinet Member:	Councillor Huw Wyn Jones, Finance Cabinet Member
Relevant Officer:	Ffion Madog Evans, Assistant Head of Finance
Meeting Date:	21 January 2025

1. Decision Sought:

- To accept the report on the end of November review (30 November 2024 position) of the capital programme.
- Approve the revision to the Capital Budget approved on 7 March 2024 and revised on 15 October 2024 from the programme’s financing perspective (as shown in part 3.2.3 of the report), that is:
 - an increase of £166,000 in the use of borrowing
 - an increase of £4,112,000 in the use of grants and contributions
 - an increase of £420,000 in the use of the revenue
 - an increase of £697,000 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. The structure of Part 3.2 of the report (The rationale and justification for recommending the decision) is as follows:

- Part 3.2.1: Main Findings

- Part 3.2.2: Analysis by Department of the £175.124m capital programme for the 3 years 2024/25 – 2026/27.
- Part 3.2.3: The sources of finance for the net increase of approximately £5.395m 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.

The Cabinet has a role in formally approving the incorporation of grant funding into the capital budget, 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 The rationale and justification for recommending the decision

3.2.1 Main Findings

The main findings that arise from the revised position are:

- Clear plans are in place to invest approximately £102.7m in 2024/25 on capital projects, with £51.1m (50%) of it being financed by attracting specific grants.
- An additional £19.7m 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 November 2024:

Department	END OF AUGUST REVIEW				Increase/(Decrease) since the Last Review £000
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	
Education	19,937	12,443	2,795	35,175	185
Environment	6,325	3,725	1,742	11,792	205
Corporate Services	74	-	-	74	24
Finance	2,263	498	609	3,370	11
Economy and Community	29,952	13,792	1,975	45,719	2,181
Housing and Property	25,652	11,472	6,850	43,974	667
Adults, Health and Wellbeing	2,556	4,565	-	7,121	21
Children and Supporting Families	2,337	320	-	2,657	762
Highways, Engineering and Consultancy	10,241	6,059	4,552	20,852	1,939
Corporate	3,390	500	500	4,390	(600)
TOTAL	102,727	53,374	19,023	175,124	5,395

3.2.3 Changes to the Sources of Finance

The budget for the three year programme shows an increase of £5.395m since the last review. The proposed sources of financing for this are noted below :

Source of Finance	END OF NOVEMBER REVIEW				Increase/(Decrease) since the Budget £000
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	
Supported Borrowing	4,057	4,057	4,057	12,171	-
Other Borrowing	12,094	4,378	4,119	20,591	166
Grants and Contributions	55,219	22,416	6,512	84,147	4,112
Capital Receipts	129	-	-	129	-
Departmental & Corporate Revenue	1,582	-	-	1,582	420
Capital Fund	9,576	11,266	307	21,149	-
Renewals & Other Funds	20,070	11,257	4,028	35,355	697
TOTAL	102,727	53,374	19,023	175,124	5,395

**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 £4,107k, the largest of which are listed below. Several additional adjustments brings the total movement to £4,112k (see Appendix 1 for more information):

- £1,626k Adjustment to the Grant from the UK Government's Shared Prosperity Fund
- £725k Welsh Government grant towards the North Prom scheme at Barmouth
- £710k Childcare Capital Grant from the Welsh Government

- £406k Grant from Cymru Football Foundation towards two football pitch schemes
- £185k Sustainable Communities for Learning Grant
- £149k Grant from Welsh Government's Regional Integrated Fund (RIF)
- £117k ARFOR 2 grant from Welsh Government Grant

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 8 months 2024/25

Appendix 4 – Capital Prudential Indicators 2024/25

Background Documents List:

2024/2025 Budget : [Annual budgets \(llyw.cymru\)](https://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 waste and Recycling; and information technology equipment (<i>Environment; Finance Departments</i>). 	166	
Grants and Contributions		
<ul style="list-style-type: none"> Sustainable Communities for Learning Grant – adjustments and the addition of various schemes (<i>Education Department</i>). 	185	
<ul style="list-style-type: none"> ARFOR 2 Grant from Welsh Government towards developing enterprising communities (<i>Economy and Community Department</i>). 	117	
<ul style="list-style-type: none"> Direct Food Assistance Grant from Welsh Government (<i>Economy and Community Department</i>). 	32	
<ul style="list-style-type: none"> Adjustment to the Grant from the UK Government's Shared Prosperity Fund - a sum is paid to Cyngor Gwynedd to be distributed across the counties of north Wales (<i>Economy and Community Department</i>). 	1,626	
<ul style="list-style-type: none"> Grant from Cymru Football Foundation towards two football pitch schemes (<i>Economy and Community Department</i>). 	406	
<ul style="list-style-type: none"> Childcare Capital Grant from the Welsh Government (<i>Children and Supporting Families Department</i>). 	710	
<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>). 	52	
<ul style="list-style-type: none"> 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>). 	149	

<ul style="list-style-type: none"> Welsh Government grant towards the North Prom scheme at Barmouth (<i>Highways, Engineering and Consultancy Department</i>). 	725
<ul style="list-style-type: none"> Grant from the Land and Buildings Development Fund from Welsh Government towards the feasibility of schemes (<i>Housing and Property Department</i>). 	50
<ul style="list-style-type: none"> Leasing Scheme Wales Grant from the Welsh Government (<i>Housing and Property Department</i>). 	55
Departmental and Corporate Revenue	
<ul style="list-style-type: none"> Revenue contributions towards several environmental schemes (<i>Environment Department</i>). 	21
<ul style="list-style-type: none"> Revenue contributions towards Capitalised Repairs and Maintenance (<i>Housing and Property Department</i>). 	400
Renewals and Other Funds	
<ul style="list-style-type: none"> Vehicle and Equipment renewals from departmental funds (<i>Highways, Engineering and Consultancy; Environment Departments</i>). 	627
<ul style="list-style-type: none"> Contribution from the Climate Fund towards a renewals scheme to move to electric vehicles (<i>Highways, Engineering and Consultancy; Corporate Services Departments</i>). 	40
<ul style="list-style-type: none"> Contribution towards works carried out in Block J, Headquarters (<i>Housing and Property Department</i>). 	30

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>)	(7,863)	7,863
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>)	(9,745)	9,745
Maritime, Country Parks and Leisure schemes (<i>Economy and Community Department</i>)	(167)	167
Children's establishments including the Maesgeirchen Integrated Centre scheme (<i>Children and Supporting Families Department</i>)	(320)	320
Penygroes Health and Care Hub (<i>Adults, Health and Wellbeing Department</i>)	(2,400)	2,400
Residential Establishments, Day Care and other schemes in the Adults area (<i>Adults, Health and Wellbeing Department</i>)	(2,165)	2,165
Highway schemes and purchase of burial land (<i>Highways, Engineering and Consultancy Department</i>)	497	(497)
Vehicle and Equipment Renewals (<i>Highways, Engineering and Consultancy; Environment Departments</i>)	(5,807)	5,807
Coastal Risks and Flood Prevention schemes (<i>Highways, Engineering and Consultancy</i>)	(1,368)	1,368
Transport schemes and Urban Improvements (<i>Environment Department</i>)	(309)	309
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>)	(745)	745

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 8 Months 2024/25

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed November) 2024/25 £'000	ACTUAL EXPENDITURE FOR THE 8 MONTHS TO 30/11/2024 £'000
Education	19,937	5,782
Environment	6,325	3,485
Corporate Services	74	74
Finance (and Information Technology)	2,263	641
Economy and Community	29,952	10,774
Housing and Property	25,652	6,844
Adults, Health and Wellbeing	2,556	214
Children and Supporting Families	2,337	1,403
Highways, Engineering and Consultancy	10,241	4,746
Corporate	3,390	-
TOTAL	102,727	33,963

Note:

The percentage spent this year (33%) is higher than the position this time last year (amount spent in 8 months in 2023/24 was 27%), but lower than two years ago (40% 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	103.1	53.7	19.4
Leasing General Fund *	0.0	5.0	0.0	0.0
TOTAL	56.9	108.1	53.7	19.4

* 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	189.2	191.7	193.7

** 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 30.11.2024
	Actual	Forecast	Budget	Budget	£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	189.2	191.7	193.7	

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 30.11.2024 £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	9.5	10.2
Proportion of Net Revenue Stream (%)	2.2%	2.8%	2.8%	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.