

REPORT TO THE CABINET
25 NOVEMBER 2014

Cabinet Member: COUNCILLOR PEREDUR JENKINS - RESOURCE CABINET MEMBER

Subject: CAPITAL PROGRAMME 2014/15 – 2016/17
SECOND QUARTER REVIEW 2014/15

Contact Officer: DAFYDD L EDWARDS – HEAD OF FINANCE

The decision sought / Purpose of the report

To accept the report on the second quarter review (30 September 2014 position) of the capital programme, and approve the revised financing as shown in part 2.2 – 2.8 of the report, that is:

- an adjustment of £2,699,000 due to actual slippages from 2013/14
 - a decrease of £3,111,000 in unsupported borrowing
 - an increase of £2,134,000 in the use of grants and contributions
 - an increase of £425,000 in the use of capital receipts
 - an increase of £176,000 in the use of revenue contributions
 - a decrease of £351,000 in the use of the capital fund
 - an increase of £417,000 in the use of other reserves
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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 £92m capital programme for the 3 years 2014/15 – 2016/17.

Part 2: An explanation of the sources of financing the net increase of approximately £2.389m since the last review.

The Cabinet has the authority to adapt the capital programme, therefore in paragraph 2.9 approval is sought for the proposed programme (part 1) and its financing (part 2).

The remainder of the report is for information.

Part 3: Movements from 2014/15 to 2015/16

Part 4: First 6 months spending profile 2014/15.

Main Findings:

This year's capital programme is nearly £45m, and the current total for the three year programme is over £92m, which is still a significant achievement by the Council in the current financial climate.

The end of September expenditure level is 33% of the budget as compared to 35% over the same period (6 months) last year.

Reasons for recommending the decision

It is necessary to ensure appropriate financing arrangements for the Council's capital spending plans, and the formal Cabinet must approve the capital programme and its sources of financing.

Incorporating grant funding is a routine matter, but it is also necessary to deal with situations where there has been a change in spending profiles between years and the value of capital receipts and contributions.

These recommendations aim to ensure definite sources of funding for the 2014/15 - 2016/17 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 specific 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 schemes, and report on the third quarter review to the relevant Cabinet meeting next February.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Chief Executive:

It is clear from the report that the management of the Capital Programme is a complex issue with fluctuations in funding, slippage on individual schemes and other changes. The Finance Department is to be commended that none of those changes will lead to loss of resources. However, it is the responsibility of the individual spending departments to ensure that expenditure is in accordance with profiles. Each capital scheme, of course, achieves results for the people of Gwynedd and any slippage delays that process. Doubtless, the Cabinet will therefore confirm its commitment as a team and as individual cabinet members to try to ensure that expenditure is in line with profiles in order to realize the promised results and to ensure live management of capital resources.

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 2014/15 to 2016/17

1.1 The table below shows a comparison of the capital programme up to the end September 2014 against the position up to the end of June:

MOVEMENT FROM THE FIRST QUARTER TO THE SECOND QUARTER

	END OF JUNE REVIEW				END OF SEPTEMBER REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW	ADJUSTMENTS FOR SLIPPAGES	OTHER CHANGES
	2014/15	2015/16	2016/17	TOTAL	2014/15	2015/16	2016/17	TOTAL			
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	109	400	0	509	39	130	0	169	(340)	0	(340)
Education	7,833	15,185	12,915	35,933	6,259	17,005	12,915	36,179	246	246	0
Finance	810	761	0	1,571	986	866	0	1,852	281	9	272
Economy and Community	7,417	439	200	8,056	5,738	3,868	610	10,216	2,160	350	1,810
Housing	2,665	2,000	0	4,665	2,986	2,000	0	4,986	321	20	301
Adults, Health and Wellbeing	831	397	0	1,228	1,012	397	0	1,409	181	277	(96)
Children and Families	1,750	0	0	1,750	1,750	0	0	1,750	0	0	0
Highways and Municipal	9,011	3,822	1,672	14,505	7,545	2,844	989	11,378	(3,127)	21	(3,148)
Regulatory	17,280	3,458	58	20,796	18,100	5,340	58	23,498	2,702	1,776	926
Consultancy	616	18	0	634	581	18	0	599	(35)	0	(35)
TOTAL	48,322	26,480	14,845	89,647	44,996	32,468	14,572	92,036	2,389	2,699	(310)

2 CHANGES TO THE SOURCES OF FINANCE

2.1 There is an increase of £2.389m in the budget in respect of the three year capital programme since the first quarter position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF JUNE REVIEW			END OF SEPTEMBER REVIEW			INCREASE / (REDUCTION) SINCE THE LAST REVIEW	ADJUSTMENTS FOR SLIPPAGES	OTHER CHANGES
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17			
	£000	£000	£000	£'000	£'000	£000			
Supported Borrowing	6,630	6,630	6,543	6,630	6,630	6,543	0	0	0
Unsupported Borrowing	9,415	7,272	1,627	7,539	6,980	911	(2,884)	227	(3,111)
Grants and Contributions	19,650	5,728	5,461	18,910	10,217	5,861	4,149	2,015	2,134
Capital Receipts	1,839	930	0	2,090	1,203	0	524	99	425
Departmental & Corporate Revenue	2,865	2,378	0	3,288	2,526	0	571	395	176
Capital Fund	3,475	2,161	200	2,141	2,754	200	(741)	(390)	(351)
Renewals & Other Funds	4,448	1,381	1,014	4,398	2,158	1,057	770	353	417
TOTAL	48,322	26,480	14,845	44,996	32,468	14,572	2,389	2,699	(310)
3 YEAR TOTAL			89,647			92,036			

2.2 Actual Slippages from 2013/14

This year's opening budget included estimated slippage figures to 2014/15 which were based on 2013/14's third quarter projection position. As was reported to the Cabinet on 10th June the final position for 2013/14 included an increased actual level of slippage. These are detailed in the 'Adjustments for Slippages' column above. Again, as reported on the 10th June, the slippage has not resulted in a loss of funding to the Council. The rest of the 'other changes' above are explained as follows.

2.3 Unsupported Borrowing

Net decrease of (£3,111,000) in this method of financing due to:

- **Historical Leased Vehicles Renewal Programme (Highways and Municipal Department) – (£619,600) in 2014/15, (£1,775,370) in 2015/16 and (£716,100) in 2016/17**

The above figures represent the opening estimate and the original proposal to purchase vehicles rather than leasing them (it has been an annual practice to assess the cost/benefit options at the end of the year and decide on the appropriate financing method at that point). It has now been decided to review all the historical leased vehicles and to rationalise the programme significantly, and until the results of this review is known, the above funding is not currently required in the programme.

2.4 Grants and Contributions

Net increase of £2,134,000 in this method of financing, mainly due to:

- **Caernarfon Town and Waterfront Regeneration Scheme (Economy and Community Department) - £150,000 in 2014/15, £475,000 in 2015/16 and £375,000 in 2016/17**

A Government grant through the Vibrant and Viable Places Programme of £1million over 3 years has been received to regenerate the Caernarfon area (see the report to the Cabinet 2nd July 2013). The intention is to use this grant to enable external bodies to attract grants from other sources, including the Lottery Fund and new European Programmes, towards schemes such as redevelopment of Slate Quay (Caernarfon Harbour Trust), Ffestiniog Railway Station development (Snowdonia Railway) and the Galeri 2 scheme (the Galeri).

- **Sailing Academy Scheme (Economy and Community Department) - £584,840 in 2015/16**

This increase is funded through a further ERDF (European Regional Development Fund) grant by the Government following a re-profiling of the scheme.

- **Coastal Access Scheme (Regulatory Department) - £136,100 in 2014/15**

Confirmation was received of the 2014/15 grant figure from Natural Resources Wales towards work on the coastal footpath.

2.5 Capital Receipts

A net increase of £425,000 in this method of funding, mainly due to:

- **Empty Properties Loan Scheme and Housing Enforcement Matters (Adults, Health and Wellbeing Department) - £250,000 in 2014/15**

This is part of the Council's 3 year Strategic Plan and funded through the use of capital receipts from the old Mynwy scheme.

- **Meirionnydd Materials Reclaiming Centre Scheme (Highways and Municipal Department) - £62,000 in 2014/15 and £14,000 in 2015/16** (see also a departmental revenue contribution in 2.6 below)

Following complications over the location of the Centre a new estimate for the cost of this scheme was received, which now includes additional equipment.

2.6 Departmental and Corporate Revenue

A net increase of £176,000 in this method of funding, mainly due to:-

- **Meirionnydd Materials Reclaiming Centre Scheme (Highways and Municipal Department) - £73,000 in 2014/15** (see also a contribution from capital receipts in 2.5 above).
- **Pontllyfni to Aberdesach Cycle Track Scheme (Regulatory Department) - £72,920 in 2014/15**

A further contribution from the Department in order to fully complete the cycle track between Caernarfon and Aberdesach – most of the scheme was financed through TAITH grants, but there was a gap in the track between Glynllifon and Llanwnda which would have created an unacceptable risk in terms of road safety had the track not been completed.

The items above are financed from contributions from the relevant Department's current revenue account.

2.7 Capital Fund

A decrease of £351,000 in this method of funding due to a transfer from capital funding to finance revenue costs over three years which is in respect of an internal solution to integrate the Human Resources and Salaries systems and arrangements throughout the Council (Human Resources Department).

2.8 Renewals and Other Funds

A net increase of £417,000 in this method of funding, mainly due to:-

- **Waste and Recycling Bin Purchases (Highways and Municipal Department) – £133,680 in 2014/15**

An increase in expenditure due to more call for recycling bins in light of the waste strategy.

- **Voice Over Internet Protocol (VOIP) Scheme (Finance Department) - £109,020 in 2014/15**

In light of re-assessing the scheme, it was necessary for the Council to go out to the open market (instead of using the service provided by the Government) and the contract has now been awarded to BT/Avaya company. The increased costs reflect this change.

2.9 Recommendation

The Cabinet is asked to accept the revised capital programme for 2014/15 to 2016/17, and approve the relevant sources of financing (para. 2.2 to 2.8 above), that is:

- **an adjustment of £2,699,000 due to actual slippages from 2013/14**
- **a decrease of £3,111,000 in unsupported borrowing**
- **an increase of £2,134,000 in the use of grants and contributions,**
- **an increase of £425,000 in the use of capital receipts**
- **an increase of £176,000 in the use of revenue contributions**
- **a decrease of £351,000 in the use of the capital fund**
- **an increase of £417,000 in the use of other reserves**

3. CHANGE IN SCHEME EXPENDITURE PROFILES

- 3.1** The total level of re-profiling in the capital programme from 2014/15 to 2015/16 so far is £7,425,780. 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:-

- Oriel Gwynedd and Museum (Economy and Community Department) £896,720
- Groeslon School (Education Department) £894,660
- Council's Fleet Fund (Highways and Municipal Department) £461,670
- Schools' Temporary Buildings removal (Education Department / Property Unit) £531,000
- Re-location of Segontiw Day Service (Adults, Health and Wellbeing) - £301,260
- Information Technology Equipment Renewal (Finance) – £200,000.

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

- Briwet Bridge, Penrhyndeudraeth (Regulatory Department) £1,882,130
- Pwllheli Sailing Academy (Economy and Community Department) £1,494,720

- 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 2014/15

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 2014/15 (full year) -

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed September) 2014/15 £'000	ACTUAL EXPENDITURE FOR THE 6 MONTHS TO 30/09/2014 £'000
Human Resources	39	0
Education	6,259	1,571
Finance	986	296
Economy and Community	5,738	1,377
Housing	2,986	1,382
Adults, Health and Wellbeing	1,012	162
Children and Families	1,750	0
Highways and Municipal	7,545	2,854
Regulatory	18,100	7,130
Consultancy	581	114
TOTAL	44,996	14,886

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 21st Century Schools' schemes), the Economy and Community Department (mainly due to the delay with the Pwllheli Sailing Academy Scheme in Pwllheli), the Highways and Municipal Department (mainly due to the profiled spend on vehicles' renewals) and the Regulatory Department (mainly due to the profiled spend on Briwet Bridge). However the departments are confident that they will spend in line with the programme by the end of the second half of the year.

4.2 Nearly £14.9m has been spent in the first six months, which is 33% of the budget.

SUMMARY	END OF SEPTEMBER REVIEW 2014/15	END OF SEPTEMBER REVIEW 2013/14	DECREASE
Full year's budget	£45.0million	£49.2million	£4.2million
Expenditure for the first 6 months	£14.9million	£17.4million	£2.5million
Expenditure as a percentage of the budget	33%	35%	2%

4.3 Despite the re-profiling, the percentage that has been spent this year equates closely to the position this time last year.