

CYNGOR GWYNEDD – Report to Cyngor Gwynedd Cabinet

Item Title:	Capital Programme 2023/24 – End of November Review (30 November 2023 position)
Cabinet Member:	Councillor Ioan Thomas, Finance Cabinet Member
Relevant Officer:	Ffion Madog Evans, Assistant Head of Finance
Meeting Date:	23 January 2024

1. Decision Sought:

- To accept the report on the end of November review (30 November 2023 position) of the capital programme.
- Approve the revised financing as shown in part 3.2.3 of the report, that is:
 - an increase of £3,576,000 in the use of borrowing
 - an increase of £2,373,000 in the use of grants and contributions
 - an increase of £317,000 in the use of revenue contributions
 - an increase of £1,038,000 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 budget review procedure. 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 £185.876m capital programme for the 3 years 2023/24 – 2025/26.
- Part 3.2.3: The sources of finance for the net increase of approximately £7.304m 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:

- There are firm schemes in place to invest approximately £86.8m in 2023/24 on capital projects, with £41.5m (48%) 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 in Appendix C, with £23.2m which is 27% of the budget having been spent by the end of November this year, compared to 40% for the same period a year ago.
- An additional £27.4m 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 revised proposed capital programme as at the end of November 2023.

DEPARTMENT	END OF NOVEMBER REVIEW				INCREASE / (DECREASE) SINCE THE LAST REVIEW £'000
	2023/24	2024/25	2025/26	TOTAL	
	£'000	£'000	£'000	£'000	
Education	14,480	16,095	40	30,615	(185)
Environment	7,725	3,423	775	11,923	493
Corporate Support	-	-	-	-	-
Finance	789	2,018	498	3,305	-
Economy and Community	29,502	28,670	3,239	61,411	2,421
Housing and Property	14,836	21,751	7,130	43,717	615
Adults, Health and Wellbeing	2,834	4,127	-	6,961	36
Children and Supporting Families	332	200	-	532	(22)
Highways, Engineering and Consultancy	12,741	6,466	2,011	21,218	3,961
Corporate	3,571	2,123	500	6,194	(15)
TOTAL	86,810	84,873	14,193	185,876	7,304

3.2.3 Changes to the Sources of Finance

The budget for the three year programme shows an increase of £7.304m 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 LAST REVIEW £'000
	2023/24	2024/25	2025/26	TOTAL	
	£'000	£'000	£'000	£'000	
Supported Borrowing	8,233	8,233	6,610	23,076	-
Other Borrowing	6,086	10,967	2,880	19,933	3,576
Grants and Contributions	41,485	35,376	3,239	80,100	2,373
Capital Receipts	246	-	-	246	-
Departmental & Corporate Revenue	2,673	99	-	2,772	317
Capital Fund	10,623	12,286	40	22,949	-
Renewals & Other Funds	17,464	17,912	1,424	36,800	1,038
TOTAL	86,810	84,873	14,193	185,876	7,304

3.2.4 Additional Grants

Since the previous review at the end of August, the Council succeeded in attracting the following additional grants totalling £2,418k, the largest of which are listed below. Several adjustments including a reduction on schemes lower than the original forecast brings the total movement to £2,373k (see Appendix A for more information):

- £661k Circular Economy Capital Grant from Welsh Government
- £550k Grants towards 3G Synthetic Pitch at Ysgol Syr Hugh Owen, Caernarfon from the Cymru Football Foundation and the Football Foundation
- £350k Network of Contemporary Art Galleries Grant from the Arts Council of Wales
- £329k Transforming Small Towns Grant from Welsh Government
- £140k Contributions from local Housing Associations towards an IT system for use in the Housing field
- £135k Targeted Regeneration Investment (TRI) Grant - Bangor Regeneration Scheme
- £117k Sports Wales Grant towards lighting at the Arfon Tennis Centre
- £100k Leasing Scheme Wales grant from Welsh Government

3.2.5 Capital Prudential Indicators

The CIPFA Prudential Code notes the need to report these Prudential Indicators (see Appendix Ch 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 to add in relation to propriety.

Appendices List:

Appendix A – Details on Main Changes

Appendix B – Re-profiling Details

Appendix C – First 8 months' 2023/24 expenditure

Appendix Ch – 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 original budget:

	2023/24	2024/25- 2025/26
	£'000	£'000
Other Borrowing		
<ul style="list-style-type: none"> Coastal Risk Management Programme, Local Government Borrowing Initiative (LGBI) – Hiraef Scheme (Bangor) (<i>Highways, Engineering and Consultancy Department</i>). 	3,598	
Grants and Contributions		
<ul style="list-style-type: none"> Targeted Regeneration Investment (TRI) Grant - Bangor Regeneration Scheme (<i>Economy and Community Department</i>). 	135	
<ul style="list-style-type: none"> Transforming Small Towns Grant from Welsh Government (<i>Economy and Community Department</i>). 	329	
<ul style="list-style-type: none"> Circular Economy Capital Grant from Welsh Government (<i>Economy and Community Department</i>). 	489	172
<ul style="list-style-type: none"> Network of Contemporary Art Galleries Grant from the Arts Council of Wales (<i>Economy and Community Department</i>). 	139	211
<ul style="list-style-type: none"> Grants towards 3G Synthetic Pitch at Ysgol Syr Hugh Owen, Caernarfon from the Cymru Football Foundation and the Football Foundation (<i>Economy and Community Department</i>). 	550	
<ul style="list-style-type: none"> Sports Wales Grant towards lighting at the Arfon Tennis Centre (<i>Economy and Community Department</i>). 	117	
<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>). 	36	

<ul style="list-style-type: none"> Contributions from local Housing Associations towards an IT system for use in the Housing field (<i>Housing and Property Department</i>). 	140
<ul style="list-style-type: none"> Leasing Scheme Wales grant from Welsh Government in the Housing field (<i>Housing and Property Department</i>). 	100
Departmental and Corporate Revenue	
<ul style="list-style-type: none"> Revenue contributions from numerous organisations towards a 3G Synthetic Pitch at Ysgol Syr Hugh Owen, Caernarfon (<i>Economy and Community Department</i>). 	220
<ul style="list-style-type: none"> Revenue Contribution towards an IT system for use in the Housing field (<i>Housing and Property Department</i>). 	75
Renewals and Other Funds	
<ul style="list-style-type: none"> Adjustment to match funding contributions towards various schemes (<i>Economy and Community Department</i>). 	(87)
<ul style="list-style-type: none"> Departmental contribution towards the Coastal Risk Management Programme – Hiraal Scheme (Bangor) (<i>Highways, Engineering and Consultancy Department</i>). 	54
<ul style="list-style-type: none"> Vehicle and Equipment Renewals (<i>Highways, Engineering and Consultancy; Environment Departments</i>). 	745
<ul style="list-style-type: none"> Contribution from the specific fund towards the Office Efficiency Scheme (<i>Housing and Property Department</i>). 	250
<ul style="list-style-type: none"> Contribution from the Climate Fund towards Heating Decarbonisation (<i>Housing and Property Department</i>). 	50

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>)	(12,245)	12,245
Economic Stimulus Schemes and Industrial Units (<i>Economy and Community Department</i>)	(1,424)	1,424
Bangor Regeneration Scheme (<i>Economy and Community Department</i>)	(145)	145
Levelling Up Fund (<i>Economy and Community Department</i>)	(1,718)	1,718
Maritime, Country Parks and Leisure schemes (<i>Economy and Community Department</i>)	(63)	63
Maesgeirchen Integrated Centre scheme (<i>Children and Supporting Families Department</i>)	(200)	200
Penygroes Health and Care Hub (<i>Adults, Health and Wellbeing Department</i>)	(2,500)	2,500
Residential Establishments, Day Care and other schemes in the Adults area (<i>Adults, Health and Wellbeing Department</i>)	(1,627)	1,627
Highways Deterioration Prevention programme (<i>Highways, Engineering and Consultancy</i>)	1,000	(1,000)
Vehicle and Equipment Renewals (<i>Highways, Engineering and Consultancy; Environment Departments</i>)	81	(81)
Coastal Risks and Flood Prevention schemes (<i>Highways, Engineering and Consultancy</i>)	(3,906)	3,906
Transport schemes, Urban Improvements and Countryside schemes (<i>Environment Department</i>)	(309)	309
Car Parks – Resurfacing, Charging Points etc (<i>Environment Department</i>)	(377)	377
Specialist IT systems (<i>Environment Department</i>)	(48)	48

Housing Grants and Other Schemes (<i>Housing and Property Department</i>)	(200)	200
Housing Strategy Schemes (<i>Housing and Property Department</i>)	(11,010)	11,010
Office and Disabled Adaptation Schemes (<i>Housing and Property Department</i>)	(398)	398
Council's Carbon Management and Solar Panel Schemes (<i>Housing and Property Department</i>)	(2,855)	2,855
Asbestos Disposal schemes (<i>Housing and Property Department</i>)	(580)	580
IT Equipment Renewal (<i>Finance Department</i>)	(1,400)	1,400

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.

Capital Expenditure First 8 Months 2023/24

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed November) 2023/24 £'000	ACTUAL EXPENDITURE FOR THE 8 MONTHS TO 30/11/2023 £'000
Education	14,480	8,519
Environment	7,725	1,319
Corporate Support	-	-
Finance (and Information Technology)	789	239
Economy and Community	29,502	3,252
Housing and Property	14,836	5,439
Adults, Health and Wellbeing	2,834	146
Children and Supporting Families	332	47
Highways, Engineering and Consultancy	12,741	4,213
Corporate	3,571	-
TOTAL	86,810	23,174

Note:

The percentage spent this year (27%) is lower than the position this time last year (amount spent in 8 months in 2022/23 was 40%).

Capital Prudential Indicators 2023/24

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.

Capital Expenditure

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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m
General Fund Services	38.0	87.2	85.2	14.6
Leasing General Fund *	0.0	0.0	5.0	0.0
TOTAL	38.0	87.2	90.2	14.6

** 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.

	31.3.2023	31.3.2024	31.3.2025	31.3.2026
	Actual	Forecast	Budget	Budget
	£m	£m	£m	£m
General Fund Services *	170.8	175.9	190.5	191.7

* 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.

	31.3.2023	31.3.2024	31.3.2025	31.3.2026	Debt at
	Actual	Forecast	Budget	Budget	30.11.2023
	£m	£m	£m	£m	£m
Debt (including Private Finance Initiative (PFI) and leases)	102.5	101.3	98.7	94.0	102.1
Capital Financing Requirement	170.8	175.9	190.5	191.7	

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 2023/24 £m	Debt at 30.11.2023 £m	2023/24 Authorised Limit £m	2023/24 Operational Boundary £m	Complied ?
Borrowing	100.5	100.5			
Private Finance Initiative (PFI) and Finance Leases	1.6	1.6			
Total Debt	102.1	102.1	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 Forecast	2024/25 Budget	2025/26 Budget
Financing Costs * (£m)	£11.5m	£7.7m	£8.0m	£9.3m
Proportion of Net Revenue Stream (%)	3.9%	2.4%	2.5%	2.8%

* 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.