

REPORT TO THE CABINET

2 JUNE 2015

Cabinet Member: COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

Subject: CAPITAL PROGRAMME 2014/15 – 2016/17

Contact Officer: DAFYDD L EDWARDS – HEAD OF FINANCE

The decision sought / Purpose of the report

To accept the report on the year end review (31 March 2015 position) of the capital programme, and approve the revised financing as shown in part 2.2 – 2.5 of the report, that is:

- a decrease of £478,000 in the need for grants and contributions;
 - an increase of £17,000 in the use of capital receipts;
 - a decrease of £195,000 in the use of revenue contributions;
 - an increase of £169,000 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 as part of the 2014/15 account closure process. The report is in 3 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 for the net reduction of approximately £0.487m since the last review.

The Cabinet has the authority to adapt the capital programme, therefore in paragraph 2.6 approval is sought for the 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, and spending profile.

Main Findings:

The main conclusions arising from the final position are:

- The Council succeeded in spending nearly £37m on capital projects in 2014/15, and attracted over £19m of specific grants to finance it.
- £15m of the spend budget will slip from 2014/15 to 2015/16, compared to the slippage of £9.07m at the end of 2013/14. However, there will be no loss of grant, or other source of financing.

Reasons for recommending the decision

It is necessary to ensure appropriate financing arrangements for the Council's capital spending plans, and the 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 profile 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, and in particular movements from 2014/15 to 2015/16.

Relevant considerations

It is technical issues regarding the financing of schemes that are presented, 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 that the Finance Department can move forward to close the Council's financial accounts for 2014/15, and publish the statutory statement by the end of June.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Chief Executive:

I note the contents of the report and the fact that it includes assurance for management of the program and also the fact that no resources have been lost due to any slippage. A matter that should be addressed is to what extent any of the various slippages noted in the report have affected outcomes for residents. I suggest that this could be a topic to research in order to see if there are any issues that should be scrutinized.

Monitoring Officer:

Nothing to add from a propriety perspective.

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 March 2015 against the position at the end of December 2014:

MOVEMENT FROM THE THIRD QUARTER TO THE END OF THE FINANCIAL YEAR

	END OF DECEMBER REVIEW				END OF YEAR REVIEW				INCREASE/ (DECREASE) SINCE THE LAST REVIEW
	2014/15	2015/16	2016/17	TOTAL	2014/15	2015/16	2016/17	TOTAL	
DEPARTMENT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	9	160	0	169	3	167	0	170	1
Education	5,217	17,649	13,333	36,199	4,905	16,013	15,275	36,193	(6)
Finance	898	954	0	1,852	788	976	0	1,764	(88)
Economy and Community	5,698	4,037	610	10,345	4,746	4,891	610	10,247	(98)
Housing	2,808	2,211	0	5,019	2,870	2,180	0	5,050	31
Adults, Health and Wellbeing	1,030	1,641	0	2,671	930	1,744	0	2,674	3
Children and Families	550	0	0	550	556	0	0	556	6
Highways and Municipal	6,677	3,609	989	11,275	6,164	4,205	989	11,358	83
Regulatory	17,881	5,778	58	23,717	15,176	8,169	58	23,403	(314)
Consultancy	569	18	0	587	464	18	0	482	(105)
TOTAL	41,337	36,057	14,990	92,384	36,602	38,363	16,932	91,897	(487)

2 CHANGES TO THE SOURCES OF FINANCING

2.1 There is a net reduction of £0.487m in the budget in respect of the three year capital programme since the third quarter position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF DECEMBER REVIEW			END OF YEAR REVIEW			INCREASE / (REDUCTION) SINCE THE LAST REVIEW
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17	
	£000	£000	£000	£'000	£'000	£000	
Supported Borrowing	4,122	6,630	6,543	4,122	6,630	6,543	0
Unsupported Borrowing	6,539	7,562	1,329	4,472	6,156	4,802	0
Grants and Contributions	21,324	10,216	5,861	19,704	12,889	4,330	(478)
Capital Receipts	1,866	1,461	0	1,873	1,471	0	17
Departmental & Corporate Revenue	2,508	3,552	0	2,303	3,562	0	(195)
Capital Fund	866	4,029	200	156	4,739	200	0
Renewals & Other Funds	4,112	2,607	1,057	3,972	2,916	1,057	169
TOTAL	41,337	36,057	14,990	36,602	38,363	16,932	(487)
3 YEAR TOTAL			92,384			91,897	

2.2 Grants and Contributions

There is a net reduction of £478,000 in this method of financing, mainly due to:

- Local Transport Fund (Regulatory Department) – (£176,640) in 2014/15**
 Feasibility work on the Mentwrog/Blaenau Ffestiniog and Llanbedr A496 junction was financed by using £171,000 Government grant. These schemes have cost less than the original estimate, which has resulted in a reduction in the necessary grant.
- Large Projects (Regulatory Department) – (£97,810) in 2014/15**
 Substantial work (over £1.276m to date) on a road improvement scheme between Pontbren and Nantygwenlli was financed by using the Government's Local Transport grant and the Local Government Borrowing Initiative. These schemes have cost less than the original estimate, which has resulted in a reduction in the necessary grant.
- Pwllheli Beach and Harbour Facilities (Economy and Community Department) – (£50,000) in 2014/15**
 A grant from Visit Wales (Government) has been transferred out of the capital programme to finance eligible revenue expenditure on the above scheme.
- Centre of Blaenau Ffestiniog Regeneration Scheme (Economy and Community Department) – (£38,670) in 2014/15**
 An underspend on the above scheme resulted in a reduction in the necessary grant from the Government.

2.3 Capital Receipts

A net increase of £17,000 in the use of capital receipts mainly to finance the costs of selling the Councils properties by the Property Unit (Regulatory Department).

2.4 Departmental and Corporate Revenue

A net reduction of £195,000 in the use of departmental revenue, mainly by the **Highways and Municipal Department in 2014/15** -

- **Capping of Cell 4 Ffridd Rasus (£120,000)** (see also 2.5 below)
Use of an internal fund rather than financing directly through revenue contribution
- **Road Surface Water Schemes (£40,000)**
The Department had proposed using departmental revenue as match funding to attract a grant from the Government to realize a scheme to improve a surface water scheme in Penisarwaun. Confirmation of the grant has not been received, accordingly, use of the departmental revenue has been retracted for the time being
- **Meirionnydd Materials Reclamation Centre (£30,000)** (see also 2.5 below)
Use of an internal fund rather than financing directly through revenue contribution.

2.5 Renewals and Other Funds

An increase of £169,000 in the use of this method of financing, mainly due to the following schemes:

- **Waste Bins (Highways and Municipal Department) – £142,320 in 2014/15**
Increased use of Renewal Funds to finance the purchase of waste, residual and commercial bins, due to the need to renew earlier than originally foreseen.
- **Capping of Cell 4 Ffridd Rasus (Highways and Municipal) - £120,000 in 2014/15** (see also 2.4 above)
Use of a specific waste fund for the purpose, rather than through revenue.
- **Meirionnydd Materials Reclamation Centre – £30,000** (see also 2.4 above)
Use of specific fund for the purpose, rather than through revenue.
- **VOIP Project (Voice Over Internet Protocol) (Finance Department) – (£90,030) in 2014/15**
Reduction in the use of this specific fund in respect of the capital aspect of this scheme.

2.6 Recommendation

The Cabinet is asked to accept the revised capital programme for 2014/15 to 2016/17, and approve the relative financing sources (details in para. 2.2 to 2.5 above), that is:

- **a decrease of £478,000 in the need for grants and contributions**
- **an increase of £17,000 in the use of capital receipts**
- **a reduction of £195,000 in the use of revenue contributions**
- **an increase of £169,000 in the use of other reserves**

3. SCHEME EXPENDITURE PROFILES

3.1 The total level of re-profiling in the capital programme from 2014/15 to 2016/17 is £14,972,330 compared to £10,785,470 that had been identified by the third quarter review. The figures in part 1 of the report reflect this.

3.2 The main slippages are as follows-

Schemes that are financed from the Council's resources:-

- Schools' Temporary Buildings (Education Department/Property Unit) £669,670
- Council's Fleet Fund (Highways and Municipal Department) £620,120
- Community Care Management System (Adults, Health and Wellbeing Department) £572,500
- EDRMS (Electronic Document and Records Management System) (Adults, Health and Wellbeing Department) £508,250
- Carbon Management Schemes for Council Buildings (Regulatory Department/Property Unit) £378,080
- Council's Information Technology Equipment Renewal (Finance) – £323,960
- Re-location of Segontiw Day Service (Adults, Health and Wellbeing Department) - £301,260
- Highways Provider Unit Vehicles (Highways and Municipal Department) £283,000
- Llanberis Tunnel Bends (Regulatory Department) £150,000
- Meirionnydd Materials Reclamation Centre (Highways and Municipal Department) £122,940.

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

- Briwet Bridge, Penrhyndeudraeth (Regulatory Department) £3,723,580
(an element of financial risk to the Council remains with this contract, which is subject to current discussions between the parties).
- Pwllheli Sailing Academy (Economy and Community Department) £1,929,610
- Oriel Gwynedd Museum (Economy and Community Department) £1,181,970
- Bro Llifon School (Education Department) £1,099,000
- Hafod Lon (New) School (Education Department) £717,150

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

3.4 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.

3.5 Despite the level of the above slippages, the actual spend of all departments on their capital projects at the end of the year was nearly £37 million.