

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	17 SEPTEMBER 2018
SUBJECT:	BUDGET MONITORING REPORT FIRST QUARTER 2018/19 - CAPITAL
PORTFOLIO HOLDER(S):	COUNCILLOR R WILLIAMS
HEAD OF SERVICE:	MARC JONES (EXT. 2601)
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

- It is recommended that the Executive note the progress of expenditure and receipts against the capital budget 2018/19 at quarter 1.

B - What other options did you consider and why did you reject them and/or opt for this option?

n/a

C - Why is this a decision for the Executive?

- This report sets out the financial performance of the Capital budget for the first quarter of the financial year.
- Budget monitoring is a designated Executive function.

CH - Is this decision consistent with policy approved by the full Council?

Yes

D - Is this decision within the budget approved by the Council?

Setting of the annual Capital Budget.

DD - Who did you consult?

What did they say?

	Who did you consult?	What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
<p>Appendix A - Capital Budget Monitoring Report – Quarter 1 2018/19 Appendix B - Summary of the Capital Projects' Expenditure to date against the Capital Budget and the Projected Expenditure at Year-End</p>		
FF - Background papers (please contact the author of the Report for any further information):		
<ul style="list-style-type: none"> • 2018/19 Capital Budget, as recommended by the full Council on 28 February 2018; • 2018/19 Treasury Management Strategy Statement, approved by the full Council on 28 February 2018; and • 2017/18 Capital Outturn Report, presented to this Committee on 18 June 2018. 		

1. INTRODUCTION

- 1.1 This is the Capital Budget monitoring report for the first quarter of the financial year, and allows Members to note the progress of Capital Expenditure and Capital Receipts against the Capital Budget.
- 1.2 In February 2018, the Council approved a Capital Programme for non-housing services of £37.017m for 2018/19 and a Capital Programme of £12.417m for the HRA. In addition, in June 2018, the Council approved Capital Slippage of £9.348m to be brought forward from 2017/18. Since the budget setting process, there have been additional schemes added onto the programme, most of which are grant funded which amounted to £2.556m, and revision of certain budgets amounting to a reduction of £2.485m. This brings the total Capital budget for 2018/19 to £58.853m.

2. PROGRESS ON EXPENDITURE 2018/19

- 2.1 Below is a summary table of the Capital expenditure to 30 June 2018, the profiled budget to 30 June 2018 and the proposed funding of the Capital Programme for 2018/19.

Service	Annual Budget £'000	Profiled Budget £'000	Actual Expenditure £'000	Committed Expenditure £'000	Total Expenditure £'000	% Profiled Budget Spent	% Annual Budget Spent
Housing General Fund	3,188	275	82	-	82	30	3
Housing HRA	15,998	1,266	1,205	19	1,224	97	8
Lifelong Learning	9,791	1,060	1,020	31	1,051	99	11
Economic and Regeneration	6,594	451	476	1	476	106	7
Highways	17,892	1,076	342	156	498	46	3
Waste Management	31	31	29	-	29	95	95
Property	843	-	7	-	7	-	1
Transformation	535	-	9	-	9	-	2
Planning	2,225	20	17	-	17	83	1
Adult Services	1,755	13	11	0	11	87	1
Total	58,853	4,192	3,198	206	3,404	81	6
Funded By:							
Capital Grant	33,559						
Capital Receipts	1,224						
Supported Borrowing	4,878						
Unsupported Borrowing	4,084						
Revenue Contribution	13,329						
Reserves	474						
Loan	264						
Underspend from 2017/18	1,040						
Total Funding	58,853						

- 2.2 The Profiled budget spent to the end of the first quarter for the general fund is 75%, however, only 5% of the annual budget has been spent to date. The reason for this is that a number of the capital schemes are weighted towards the latter part of the financial year. Some capital schemes are well underway, with the majority of the profiled budget for quarter 1 being spent, schemes such as the Llangefni Strategic Infrastructure and the purchase of a new weighbridge. Some capital schemes have yet to commence, but their budget is profiled towards the latter part of the financial year, such as the construction of a 3G pitch at Plas Arthur and fitness equipment at Holyhead Leisure Centre, the purchasing of ICT equipment, refurbishing education buildings and disabled access to education buildings. These schemes and their profile can be seen in Appendix B. There are a number of Capital Grants schemes in 2018/19 and an update on these is provided in section 3.1 of this report.

- 2.3** The Housing Revenue Account has spent 97% of its profiled budget, but only 8% of the annual budget. However, it is currently estimated that the budget will be spent in its entirety come the end of the financial year. During quarter 1, expenditure has predominantly been in connection with contracts procured during 2017/18 i.e. carried forward commitment. It is anticipated that new planned maintenance contracts procured during quarter 1 and anticipated tender results expected during quarter 2 and quarter 3 will fully commit the budget for 2018/19.
- 2.4** The smallholdings programme of improvements, financed from the ring-fenced capital receipts from the sale of smallholdings and rental income, completed during 2016/17, however, there were outstanding works to be completed during 2017/18. At the end of 2017/18 there was a deficit on the programme of £0.078m, to be funded by a further sale of one Smallholding. In April 2018, this smallholding was sold for £0.264m, meaning the programme is in surplus of £0.186m. There are further capital works to be undertaken in 2018/19 for £0.186m to be funded from this surplus. At the end of 2018/19 it is expected that the programme will have a balanced budget. This will bring to an end the major refurbishment programme and any subsequent work will be funded from the revenue funding available.

3. FUNDING

3.1 Capital Grants

3.1.1 There are a number of Capital Grant schemes in the Capital Programme for 2018/19, most of which are underway and progressing, with a brief update on the schemes provided below:-

- Llangefni Link Road – Work on Section 3 continued during quarter 1, 2018/19. Kerbing and road works to centre section up to base of tarmac level are complete. Completion is planned for January 2019.
- Llangefni Strategic Infrastructure – The scheme involves the construction of 5 (five) new industrial units on the old Môn Training site and office extension at the Business Centre for letting to the private sector. Work began on both sites during the latter part of 2017/18, work has continued into this financial year, with work progressing well on both sites. £0.472m of expenditure was incurred during the first quarter of 2018/19, which will be funded through the European Regional Development Fund. It is anticipated that both schemes will be completed by the end of October 2018.
- 21st Century Schools - The funding for Ysgol Cybi and Ysgol Rhyd y Llan has been fully drawn down as part of the 21st century schools programme, and any further works to these schools, including the payment of any outstanding retention, will be funded through borrowing and the Council's resources as part of the Council's 50% contribution towards the project. Work has continued on the new build for Ysgol Santes Dwynwen during the quarter, however, the actual expenditure was under the anticipated profile, but it is expected to be back on profile by the end of quarter 2. The works at Ysgol Brynsiencyn is scheduled to complete in September 2018.
- Market Hall - Following confirmation of the ERDF grant funding contribution towards the project, the Council were able to commit to the Phase II contract which, essentially, transforms a structurally sound and weather-tight Market Hall into a useable building, with a focus on internal changes, mechanical and electrical engineering, IT networks and insulation / heating. The contractor mobilised on the 4th June and progress has been in line with programme expectations, with the first valuation / claim for payment anticipated for the week beginning 23rd July 2018. As the outstanding works all relate to the inside of the building, no unforeseen works are expected and the project should be completed on budget.

3.1.2 There are schemes that are in the Capital Programme that have not yet started or are waiting approval from funding providers, with a brief update on the schemes provided below:-

- Beaumaris Flood Alleviation – Welsh Government has allocated funding for the Beaumaris Flood Alleviation scheme within their programme for 2018/19 financial year. However, a formal offer is subject to an application being made by the Authority once all consents and tender prices are in place to begin works. Currently, it is anticipated these will be in place by late September and, with approval of funding, it is hoped works can commence in late October. These will run into the next financial year, with completion anticipated in May/June 2019.
- Pentraeth Flood Alleviation - Welsh Government has allocated funding for the Nant y Felin, Pentraeth Flood Alleviation scheme within their programme for 2018/19 financial year. However, a formal offer is subject to an application being made by the Authority once all consents and tender prices are in place to begin works. Currently, it is anticipated these will be in place by September and, with approval of funding, it is hoped works can commence in October. It is currently anticipated that works may be completed by March 2019.
- Holyhead Strategic Infrastructure – This scheme is to construct 10 (ten) new industrial units at Penrhos, Holyhead, with the view for works to start on site during 2018/19 and complete by the end of 2019. European Regional Development Funding has been secured and a Joint Venture has been entered into with Welsh Government, which will provide the match funding for the scheme.
- Enable - £0.093m of Welsh Government Grant has been secured for the delivery of adaptations to support independent living. It is expected that this grant will be fully drawn down by the end of the year.
- Tourism Gateway – The project will involve investment in Holyhead Port Facilities including the Railway, improvements to Saint Cybi's church site and the Roman fort and improving the visitor experience in iconic visitor destinations such as Holyhead Mountain. The offer letter has been received for £1.716m of ERDF funding and Officers are currently working to finalise the details of the agreement before the project can commence.
- Road Safety Capital – This scheme will involve capital works on the A5025 road from Menai Bridge to Amlwch. Work will commence later on in the financial year, with the budget for the scheme being £0.220m.
- Tourism Amenity Investment Scheme (TAIS) – Limited expenditure has been incurred during quarter 1. However, the landscaping at the Oriel and the works at the Dingle are due to be completed by the end of September 2018. The grant is expected to be fully utilised this financial year.
- New Highway to Wylfa Newydd – No work is expected to take place during this financial year. The online works will still go ahead but is not likely to start until quarter 2 of 2019/20.

3.2 Capital Receipts

3.2.1 The Capital Receipts for this year to date and the budgeted Capital Receipts are:-

	Budget 2018/19 £'000	Received to 30-Jun-18 £'000	Projection to 31-Mar-19 £'000
Council Fund:			
Smallholdings	264	264	264
General	1,431	6	1,431
Industrial	105	0	105
Schools	1,246	0	1,246
Total	3,046	270	3,046

3.2.2 The projected Capital Receipts at 31 March 2019 is £3.046m, with only £0.270m being received at 30 June 2018 (8.9%), which was mainly from the sale of a smallholding (£0.264m). The forecast Capital Receipts include the sale of the remaining land from the old Ysgol Y Graig, an industrial unit and various schools as part of the 21st Century schools programme.

4. PROJECTED ACTUAL EXPENDITURE 2018/19

4.1 Below is a table with projected Expenditure at 31 March 2019 and the revised funding:-

Service	Annual Budget £'000	Projected Expenditure £'000	Projected Under / Over Expenditure £'000	% Variance
Housing General Fund	3,188	1,450	- 1,738	- 55
Housing HRA	15,998	14,187	- 1,811	- 11
Lifelong Learning	9,791	5,634	- 4,158	- 42
Economic and Regeneration	6,594	4,519	- 2,075	- 31
Highways	17,892	5,088	- 12,804	- 72
Waste Management	31	29	- 2	- 5
Property	843	836	- 7	- 1
Transformation	535	535	-	-
Planning	2,225	2,225	-	-
Adult Services	1,755	1,755	-	-
Total	58,853	36,258	- 22,594	- 38
Funded By:	Annual Budget £'000	Projected Funding £'000	Variance	% Variance
Capital Grant	33,559	14,883	- 18,676	- 56
Capital Receipts	1,224	2,716	1,492	122
Supported Borrowing	4,878	3,803	- 1,075	- 22
Unsupported Borrowing	4,084	2,043	- 2,041	- 50
Revenue Contribution	13,329	11,518	- 1,811	- 14
Reserves	474	1,031	557	118
Loan	264	264	-	-
Underspend from 2017/18	1,040	-	- 1,040	- 100
Total Funding	58,853	36,258	- 22,594	- 38

4.2 As can be seen from table 4.1 (above), the forecast underspend on the Capital Programme for 2018/19 is £22.594m, with this being potential slippage into the 2019/20 Capital Programme. The funding for this slippage will also slip into 2019/20 and will be factored in when producing the Treasury Management Strategy Statement and Capital Programme for 2019/20. The main projects that are forecast to be underspent are:-

- The New Highway to Wylfa Newydd. This project is fully funded from external funding (shown as Capital Grants in Table 4.1)
- Residential Sites for Gypsies and Travellers. The commencement of this project is dependent on the receipt of the necessary planning approval. Once this is obtained, an application will be submitted to the Welsh Government for grant funding to meet the majority of the costs of the temporary stopping site.
- Acquisition of existing properties (HRA) and the development of new properties. These projects will be funded from HRA reserves (shown as Revenue Contribution in Table 4.1) and via borrowing. Work has commenced to the building of new properties, but it is not anticipated that sufficient projects will have been developed to spend the available budget. Any unspent funding will be carried forward to 2019/20.
- 21st Century Schools Llangefni New Build – this project is to be funded through the Welsh Government's 21st Century School Modernisation programme – Band A – 50% from external grants and supported borrowing and 50% from capital receipts and unsupported borrowing. In order to secure the funding, the Final Business Case (FBC) needs to be approved by the Welsh Government as soon as possible, ideally by 31 March 2019. Any delays in moving ahead with this project may result in a loss of the Band A funding.

4.3 The Capital Finance Requirement forecasted at 31 March 2019 is £139.470m, which is the underlying need for the Authority to borrow to be able to fund its Capital Programme. The external borrowing currently stands at £111.422m, meaning the Authority essentially needs to borrow £28.048m to fund the current Capital Programme. If this borrowing is undertaken externally, the Authority will still be within its authorised borrowing limits as per the 2018/19 Treasury Management Strategy Statement (Appendix 11).

5. FUTURE YEARS

5.1 On 30 October 2017, the Executive approved a Capital Strategy for 2018/19 and it was recommended that the 2018/19 Capital Programme funding will be limited to the total of the general capital grant and supported borrowing (as determined by Welsh Government) and estimated value of any capital receipts that will be received. It is expected that the 2019/20 Capital Programme will follow the same principles, with the General Capital Grant and Supported Borrowing used to fund the annual replacement of Vehicles, Investment in ICT, Refurbishing existing assets and an annual allocation to meet the cost of statutory Disabled Facilities Grants. There will also be funding available for the resurfacing of roads and capital projects that attract external grants, and these will be evaluated on a case by case basis.

Once the above projects have been funded, there may be some funding available to fund new capital schemes with priority given to projects which contribute to the Council's objectives as set out in the Corporate Plan 2017 – 2022 and any schemes which can generate future revenue savings or generate additional income.

6. CONCLUSION

6.1 The results at the end of quarter 1 and the associated projected expenditure shows that the majority of projects are on target to be completed within budget but there are 3 major projects (Gypsy and Travellers Sites, Improvements to the A5025 to Wylfa and 21st Century School at Llangefni) which are expected to significantly underspend the budget in 2018/19. However, the funding will be carried forward to 2019/20 and it is not anticipated, at this point, that any funding will be lost due to the delays.

APPENDIX B

Summary of the Capital Projects' Expenditure to date against the Capital Budget and the Projected Expenditure at Year-End

Service	Annual Budget (£)	Profiled Budget (£)	Actual Expenditure (£)	Committed Expenditure (£)	Total Expenditure (£)	Variance to profile (£)	% Profiled Budget Spent	% Annual Budget Spent	Projected Expenditure (£)	Projected Under / Over (£)	% Variance
Housing General Fund											
Disabled Facilities Grants	1,006,790	251,700	75,144	0	75,144	-176,556	30	7	1,006,790	0	0
Residential Site for Gypsies and Travellers	1,858,000	0	0	0	0	0	0	0	120,000	-1,738,000	-94
Compulsory Purchase Scheme	199,095	0	0	0	0	0	0	0	199,095	0	0
Enable Grant	93,200	23,301	6,700	0	6,700	-16,601	29	7	93,200	0	0
Affordable Housing	30,650	0	477	0	477	477	0	2	30,650	0	0
Total	3,187,735	275,001	82,321	0	82,321	-192,680	30	3	1,449,735	-1,738,000	-55
Housing HRA											
Central Heating Contract	500,000	0	38,003	0	38,003	38,003	0	8	500,000	0	0
Planned Maintenance Contract	3,983,495	841,272	530,392	2,071	532,464	-308,808	63	13	3,983,149	-346	0
Energy Performance Improvement	1,000,000	0	0	0	0	0	0	0	1,000,000	0	0
Environmental Works	500,000	0	3,945	0	3,945	3,945	0	1	500,000	0	0
Acquisition of Existing Properties	8,274,781	150,000	150,100	0	150,100	100	100	2	6,464,000	-1,810,781	-22
Remodelling Llawr y Dref	190,000	190,000	189,519	0	189,519	-481	100	100	190,000	0	0
Public Sector Adaptations	350,000	85,000	94,902	16,868	111,770	26,770	131	32	350,000	0	0
Fire Risk	200,000	0	3,491	0	3,491	3,491	0	2	200,000	0	0
WHQS	1,000,000	0	194,984	0	194,984	194,984	0	19	1,000,000	0	0
Totals for : Housing HRA	15,998,276	1,266,272	1,205,335	18,939	1,224,275	-41,997	97	8	14,187,149	-1,811,127	-11
Lifelong Learning											
Disabled Access in Education Building	397,331	0	0	0	0	0	0	0	400,000	2,669	1
Refurbish Education Building	543,949	0	10,702	0	10,702	10,702	0	2	550,000	6,051	1
21st Century Schools - Ysgol Cybi	0	0	1,606	6,352	7,958	7,958	0	0	138,112	138,112	0
21st Century Schools - Ysgol Rhyd Y Llan	0	60,000	58,726	3,750	62,476	2,476	0	0	146,583	146,583	0
21st Century Schools - Ysgol Parc Y Bont	7,000	0	0	0	0	0	0	0	11,874	4,874	70
21st Century Schools - Ysgol Santes Dwynwen	3,357,000	1,000,000	948,546	7,581	956,127	-43,873	96	28	3,357,000	0	0
21st Century Schools - Ysgol Brynsciencyn	203,000	0	0	0	0	0	0	0	263,072	60,072	30
21st Century Schools - Ysgol Esgeifiog	50,000	0	0	0	0	0	0	0	50,000	0	0
21st Century Schools - Llangefni New Build	5,233,000	0	250	13,585	13,835	13,835	0	0	717,089	-4,515,911	-86
Total	9,791,280	1,060,000	1,019,831	31,268	1,051,098	-8,902	99	11	5,633,729	-4,157,551	-42
Economic and Regeneration											
Tourism Gateway	1,397,978	0	1,738	0	1,738	1,738	0	0	400,000	-997,978	-71
Holyhead Strategic Infrastructure	1,370,000	0	812	0	812	812	0	0	400,000	-970,000	-71
Llangefni Strategic Infrastructure	3,357,000	450,000	471,771	600	472,371	22,371	105	14	3,250,000	-107,000	-3
Planning System Invest to Save	69,346	1,371	1,371	0	1,371	0	100	2	69,346	0	0
Llangefni 3G pitch	200,000	0	0	0	0	0	0	0	200,000	0	0
Holyhead Fitness Equipment	200,000	0	0	0	0	0	0	0	200,000	0	0
Total	6,594,324	451,371	475,692	600	476,292	24,920	106	7	4,519,346	-2,074,978	-31

Service	Annual Budget (£)	Profiled Budget (£)	Actual Expenditure (£)	Committed Expenditure (£)	Total Expenditure (£)	Variance to profile (£)	% Profiled Budget Spent	% Annual Budget Spent	Projected Expenditure (£)	Projected Under / Over (£)	% Variance
Highways and Transportation											
Car Parks	12,920	6,000	5,990	0	5,990	-10	100	46	12,920	0	0
Vehicles	150,000	120,000	0	114,650	114,650	-5,350	96	76	150,000	0	0
County Prudential Borrowing Initiative	1,592,000	425,000	52,425	0	52,425	-372,575	12	3	1,592,000	0	0
Beaumaris Flood Alleviation Works (WG)	954,288	0	21,365	670	22,035	22,035	0	2	950,000	-4,288	0
Pentraeth Flood Alleviation Works (WG)	1,000,000	0	0	0	0	0	0	0	200,000	-800,000	-80
New Highways to Wylfa Newydd	12,000,000	0	0	0	0	0	0	0	0	-12,000,000	-100
Llangefni Link Road	1,671,000	339,000	127,973	8,752	136,725	-202,275	40	8	1,671,000	0	0
Tais Grant Oriel Mon, Lon Las & Dingle	128,000	0	1,187	0	1,187	1,187	0	1	128,000	0	0
A545 Beaumaris	120,000	120,000	91,076	31,606	122,681	2,681	102	102	120,000	0	0
Salix Phase 3 - Street Lights	264,000	66,000	42,258	0	42,258	-23,742	64	16	264,000	0	0
Total	17,892,208	1,076,000	342,274	155,677	497,951	-578,049	46	3	5,087,920	-12,804,288	-72
Waste Management											
New Weighbridge	30,590	30,590	28,995	0	28,995	-1,595	95	95	28,995	-1,595	-5
Total	30,590	30,590	28,995	0	28,995	-1,595	95	95	28,995	-1,595	-5
Property											
Refurbish Existing Assets	406,934	0	0	0	8,500	0	0	0	400,000	-6,934	-2
Invest To Save Property	250,000	0	0	0	0	0	0	0	250,000	0	0
Smallholdings	186,000	0	7,141	0	0	7,141	0	4	186,000	0	0
Total	842,934	0	7,141	0	8,500	7,141	0	1	836,000	-6,934	-1
Transformation											
ICT- Core Infrastructure	182,701	0	8,500	0	8,500	8,500	0	5	182,701	0	0
ICT - Desktop Refresh	121,000	0	0	0	0	0	0	0	121,000	0	0
ICT - Legacy System Migration	20,000	0	0	0	0	0	0	0	20,000	0	0
ICT - MS Licensing	106,000	0	0	0	0	0	0	0	106,000	0	0
CRM System Invest to Save	105,643	0	0	0	0	0	0	0	105,643	0	0
Total	535,344	0	8,500	0	8,500	8,500	0	2	535,344	0	0
Planning											
Holyhead Market Hall Hub Project	2,225,000	20,000	16,524	0	16,524	-3,476	83	1	2,225,000	0	0
Total	2,225,000	20,000	16,524	0	16,524	-3,476	83	1	2,225,000	0	0
Adult Services											
ICF	731,000	0	0	0	0	0	0	0	731,000	0	0
Invest to Save Wifi Canolfan Byron	8,750	3,000	2,708	0	2,708	-292	90	31	8,750	0	0
Seiriol	1,000,000	0	0	0	0	0	0	0	1,000,000	0	0
Garreglwyd	15,424	10,000	8,599	6	8,605	-1,395	86	56	15,424	0	0
Total	1,755,174	13,000	11,307	6	11,313	-1,687	87	1	1,755,174	0	0
Total	58,852,865	4,192,234	3,197,919	206,491	3,405,769	-787,824	81	6	36,258,393	-22,594,472	-38