

**ISLE OF ANGLESEY COUNTY COUNCIL**

<b>REPORT TO:</b>	<b>THE EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>18 FEBRUARY 2013</b>
<b>SUBJECT:</b>	<b>BUDGET MONITORING REPORT THIRD QUARTER 2012-13 - CAPITAL</b>
<b>PORTFOLIO HOLDER:</b>	<b>COUNCILLOR JOHN CHORLTON</b>
<b>LEAD OFFICER:</b>	<b>EINIR WYN THOMAS</b>
<b>CONTACT OFFICER:</b>	<b>EINIR WYN THOMAS</b> <b>(TEL: 2605)</b>

**Nature and reason for reporting**

To enable the Executive to be responsible for monitoring of budgets at a corporate level.

**A - Introduction / Background / Issues**

**1. BACKGROUND**

- 1.1** This is the capital budget monitoring report for the third quarter of the financial year. Appendix A is a summary of expenditure against the budget up to the end of December.
- 1.2** During the last two years, several major programmes were under review, including the residential homes programme and the leisure centre rationalisation programme which require a new direction. This has meant that related capital budgets have not been allocated (including a budget of £1.2m earmarked for residential homes).

**2. PROGRESS**

- 2.1** Expenditure to the end of December is £8.7m on general schemes, which equates to 45% of the total budget. This is on a par with the same time last year (£6.7m, 44%). This is because a number of larger schemes this year, as with last year, are weighted towards the year end. This year, for example, the relocation of Ysgol y Bont and the Penhesgyn Civic Amenities site enhancements and the Three Towns (Convergence) project are weighted towards the end of the year. Additionally, two large grant funded schemes have recently commenced (the Sustainable Travel Centre Initiative grant and the Streetscape Works grant). Last year a number of larger schemes, such as the Three Towns (Convergence) project, the Affordable Housing loan scheme and the preliminary works on the relocation of Ysgol y Bont were weighted towards the year end.
- 2.2** Expenditure to the end of September on housing schemes is £7.5m, which is 63% of the total budget. This is at a similar level as for this period last year (£6.4m, 56%). This is mainly due to the HRA works progressing at the same rate as last year. The WHQS works are now complete and slippage is anticipated on the planned maintenance and fuel switching works.
- 2.3** Total expenditure to the end of September is 52% of the budget. This is due to the two thirds of the capital programme being on non-housing schemes, containing large schemes weighted towards the year end.

- 2.4** These reports normally focus on grant aided schemes and other projects where there can be considerable risk if projects slip or over-run the budget. As previously reported, the number of grant aided projects has reduced following cuts in Welsh Government budgets although there are some large European Grant aided projects underway. There are also currently five Welsh Government aided projects underway, one of which is the relocation of Ysgol y Bont.
- 2.5** The budget for Ysgol y Bont is £6.2m for 2012-13 out of a total approved project budget of £10.9m. It has previously been reported that it was anticipated that expenditure on the scheme would amount to £5.0m by the year end. Due to delays suffered during the inclement weather, the construction works are currently six weeks behind programme. The project is expected to catch up during the next year and be completed as scheduled, in late summer 2013. There is a risk t this year's grant funding but officers are currently working to ensure that this risk is minimised.
- 2.6** Additionally, it has been reported previously that, in light of delayed and reduced capital receipts from the sales of smallholdings, the Property Service is working to revised plans for the remaining period of the smallholdings improvements programme. These revised plans are progressing well but, due to the continuing market situation, income from sales receipts remains depressed from earlier expectations. The Portfolio holders for Property and Finance have now been presented with the options for sales to support the programme. Their decision on the options was called in by the Corporate Scrutiny Committee, and the reaffirmed decision was published in January 2013.

## B - Considerations

### 3. RESOURCES

- 3.1** The Council's bids have already been approved for Convergence funding, both direct and indirect, and the match funding has already been earmarked for these schemes. No further bids are currently possible. There is the possibility that additional funding becomes available; if this was to happen the options would be reviewed.
- 3.2** The budgeted usable capital receipts for this year, after the effect of 2011-12 out-turn and the receipts to date, are as follows:-

	Original Budget £'000	Received to Month 9 £'000
Housing HRA		
<i>Right to Buy Sales</i>	100	70
<i>Land Sales</i>	Nil	Nil
Private Sector Housing		
<i>Sales of plots</i>		
<i>Repaid charges</i>	} 200	133
<i>Repaid grants</i>		
Other:		
<i>Smallholdings</i>	[250]	389*
<i>General</i>		
<i>Industrial</i>	} 800	363

\* *Smallholdings income against indicative budget.*

*The shortfall in last year's capital receipts is not reflected above. The effect of that is being received as part of the asset rationalisation plans.*

*The Authority's funding in the year for the relocation of Ysgol y Bont is derived from the anticipated capital receipts from the future sale of the Ysgol y Graig site.*

At this stage, it is anticipated that further general and industrial capital receipts will amount to between £100k and £200k. Receipts could, therefore, fall short of the budgeted level. This is due to current market conditions, with the timing and level of receipts becoming less favourable than initially anticipated.

#### **4. CHANGES AND POTENTIAL CHANGES THIS YEAR**

**4.1** There are no changes or potential changes that have come to light, other than those reported in the previous quarters.

**4.2** Unallocated contingencies are as follows:-

	<b>B/fwd 2011-12 £'000</b>	<b>Budget 2012-13 £'000</b>	<b>Allocated 2012-13 £'000</b>	<b>Total Available 2012-13 £'000</b>
Match funding/ Regeneration	848	Nil	113	735
Leisure Improvements Reserve	195	Nil	Nil	195
Unsupported borrowing contingency	Nil	1,000	Nil	1,000
Unallocated contingency (residential homes)	1,202	Nil	Nil	1,202
Unallocated	1,000	800	Nil	1,800
Feasibility Studies	460	100	30	530

The revenue based unallocated budgets are clawed back.

#### **5. FINANCIAL RISK**

**5.1** The main financial risks for the current year are the risks relating to the larger European Funded projects. Looking to the future there are risks relating to the delivery of the 21<sup>st</sup> Century Schools programme.

**5.1.1** The Coastal Project and the Three Towns Programme include complicated construction projects with compliance issues and potential for over-runs. These two projects are being managed with project management techniques overseen by the Director of Sustainable Development.

**5.1.2** It has previously been reported that officers have commenced a process of options appraisal with regard to the Council's asset rationalisation programme. Work is in progress with Local Partnerships to review a range of proposals aligned with the transformation of services, delivery options and associated asset requirements. A report will be presented to the Executive for decisions in due course when the options appraisal work has been concluded.

**5.1.3** It has previously been reported that the 21<sup>st</sup> Century Schools Band A scheme (new primary school in Holyhead) was progressing, with Strategic Outline Case (SOC) due for submission by the year end. During the quarter, the Education Department presented a report to this committee, entitled 'Modernising Primary Schools on Anglesey - Holyhead and Central Anglesey'. Following the report, this committee made a number of resolutions, including the formal consultation option for primary school closures relating to this project, the location of the new school and that prior to going out to consultation, a report is presented to the Executive Committee covering a number of matters, including land ownership, road safety and affordability. The SOC is therefore on hold for the time being.

<b>C - Implications and Impacts</b>		
<b>1</b>	<b>Finance / Section 151</b>	Comments included in the report
<b>2</b>	<b>Legal / Monitoring Officer</b>	
<b>3</b>	<b>Human Resources</b>	
<b>4</b>	<b>Property Services</b> (see notes – separate document)	
<b>5</b>	<b>Information and Communications Technology (ICT)</b>	
<b>6</b>	<b>Equality</b> (see notes – separate document)	
<b>7</b>	<b>Anti-poverty and Social</b> (see notes – separate document)	
<b>8</b>	<b>Communication</b> (see notes – separate document)	
<b>9</b>	<b>Consultation</b> (see notes – separate document)	
<b>10</b>	<b>Economic</b>	
<b>11</b>	<b>Environmental</b> (see notes – separate document)	
<b>12</b>	<b>Crime and Disorder</b> (see notes – separate document)	
<b>13</b>	<b>Outcome Agreements</b>	

<b>CH - Summary</b>
<p>The expenditure on general schemes to the end of December was £8.7m (45% of total budget). Housing schemes incurred expenditure of £7.5 (63% of total budget) to December. The overall expenditure was 52% of total budget, as many of the larger schemes, such as the relocation of Ysgol y Bont, are weighted more towards the end of the year.</p> <p>Total capital receipts to the end of December were £0.6m (excluding ring fenced small holdings receipts). General and industrial capital receipts are expected to reach £0.5 to £0.6m by year end. Smallholdings capital receipts, which are ring fenced for the smallholdings improvement programme, are expected to be £2m behind expenditure by year end, but to catch up in the following year.</p> <p>In light of the current revenue budget position and projected outturn, it may be necessary to scale back the potential use of the unallocated contingencies.</p> <p>The main financial risks relate to the Convergence Schemes, which are being overseen by the Director of Sustainable Development, and the delivery of the 21<sup>st</sup> Century Schools programme, which is running concurrently with the asset rationalisation programme. Work is in progress with Local Partnerships to review a range of proposals aligned with the transformation of services, delivery options and associated asset requirements. A report will be presented to the Executive for decisions in due course when the options appraisal work has been concluded. It has previously been reported that the he 21<sup>st</sup> Century Schools Band A scheme (new primary school in Holyhead) was progressing, with Strategic Outline Case (SOC) due for submission by the year end. During the quarter, the Executive Committee resolved to investigate a number of areas surrounding this project and the SOC is, therefore, on hold for the time being</p>

**D - Recommendation**

To note progress of expenditure and receipts against the capital budget.

**Name of author of report:** Einir Wyn Thomas

**Job Title:** Head of Service (Finance)

**Date:** 6 February 2013

**Appendices:**

Appendix A: Capital Budget 2012-13 – Summary: December 2012

**Background papers**

None

**EINIR W THOMAS  
HEAD OF SERVICE (FINANCE)**

**6 FEBRUARY 2013**

## Capital Budget 2012-13 : December 2012

Projects	Budget	Slippage	Total	Expenditure		Comments
	2012-13 £'000	2011-12 £'000		£'000	£'000	
<b>Housing</b>	<b>11,040</b>	<b>912</b>	<b>11,952</b>	<b>7,531</b>	<b>63</b>	
Council Houses	9,800	0	9,800	6,728	69	Works are generally proceeding as anticipated. As scheduled, the WHQS programme was completed during December. Utility infrastructure work in connection with fuel switching has commenced at 3 locations. A further major project is due to commence during April 2013 and there will be significant carried forward commitment to 2013-14. Slippage is also anticipated on the planned maintenance work. Forecast expenditure for the year is in the region of £8.0m for the total HRA programme.
Private - Grants	1,200	458	1,658	600	36	The new housing grants policy was adopted during the quarter and expenditure and commitments on grants/loans is slightly lower than anticipated. Year end slippage is expected to be on par with last year.
Affordable Housing	40	454	494	203	41	
<b>Education</b>	<b>7,456</b>	<b>1,008</b>	<b>8,464</b>	<b>3,604</b>	<b>43</b>	
Ysgol y Bont - Relocation	6,110	93	6,203	2,581	42	There have been some delays in the programme of works which will result in slippage at the year end. It is, however, expected that the project will catch up in the coming months and will be completed on schedule. Expenditure by the year end is expected to be in the region of £4 - £4.5m. Officers are in contact with WG to ensure that there are no risks to the grant funding.
Education : Other	1,346	915	2,261	1,023	45	These are minor schemes totalling £1.4m and a contingency of £0.9m towards 21st Century Schools costs. The minor schemes are expected to be complete by year end.
<b>Regeneration</b>	<b>7,390</b>	<b>-361</b>	<b>7,030</b>	<b>3,380</b>	<b>48</b>	
Econ Development: Strategic Infrastructure - Sites and Premises	150	0	150	0	0	As previously reported, a project officer has been appointed and the master plan is currently being developed.
Econ Development : Other	545	721	1,265	209	16	The significant part of the slippage relates to capital feasibility studies and partnership funding. Activity in these areas is gaining momentum and the majority of these balances are committed.
Property : Coastal Environment	502	0	502	432	86	All construction work is complete. Final account negotiations for the Beaumaris Pier project are continuing.
Property: Smallholdings Programme of Improvements	535	-1,081	-546	658	-121	The revisions to the programme of works as reported in quarter 2 are progressing well but, due to the continuing market situation, income from sales receipts remains depressed from earlier expectations with the result that the projected deficit for the financial year is now likely to be confirmed in due course. At the time of drafting this report, a decision is awaited regarding alternative proposals with regard to sales of a number of specific holdings in support of the overall improvement programme and these are expected to contribute to the income profile during 2013/14.
Waste Management: Civic Amenities Site - Penhesgyn	1,000	0	1,000	230	23	Works commenced on site this September. The project was programmed for completion by year end. Due to factors, including the weather, the project is now expected to be completed this April. The anticipated final cost is £150k over the initial budget.
Physical Regeneration (3 Towns)	1,601	0	1,601	739	46	The vast majority of the works this year relate to the Holyhead Town Heritage scheme, some grant schemes have now been approved.
Highways: Local Government Borrowing Initiative 2012/13	1,700	0	1,700	866	51	Works are significantly underway. It is expected that all the objectives will be achieved by year end.
Highways: Sustainable Travel Centre Initiative Grant 2012/13	480	0	480	25	5	The Park and Ride scheme (Llanfairpwll) and the Lôn Las Cefni improvements are proceeding as anticipated and the schemes will be completed by year end.
Highways: Streetscape and Environmental Works Grant 2012/13	585	0	585	13	2	All projects have either been completed or are on site and on programme to complete by year end.
Highways : Safe Routes in Communities Grant 2012-13	293	0	293	208	71	Works are now significantly complete and will be fully complete before year end.
<b>Other</b>	<b>2,886</b>	<b>809</b>	<b>3,695</b>	<b>1,674</b>	<b>45</b>	
Leisure: Heat Recovery Units	217	117	334	332	99	The project is now complete.
Highways : Other	900	59	959	546	57	The balance mainly relates to carriageway resurfacing, works on structures and vehicles. Expenditure on these is proceeding as anticipated and slippage is expected to be minimal.
Property: Other	653	576	1,229	531	43	Works are proceeding as anticipated.
Other Departmental Schemes	1,116	57	1,173	265	23	
<b>Total</b>	<b>28,772</b>	<b>2,369</b>	<b>31,141</b>	<b>16,188</b>	<b>52</b>	