

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO	EXECUTIVE COMMITTEE
DATE	10 JUNE 2013
SUBJECT	CAPITAL BUDGET 2012/13 OUT-TURN
PORTFOLIO HOLDER(S)	COUNCILLOR H E JONES
LEAD OFFICER(S)	CLARE J WILLIAMS
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Nature and reason for reporting

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

A – Introduction / Background / Issues

1. BACKGROUND

1.1 During the year progress against the capital budget and any financial consequences have been reported quarterly. This report gives the situation for the year just ended and draws attention to any problems identified. I will report any significant changes to final out-turn on the capital budget, as necessary, in the first appropriate report for the current year. The relevant departments will report on any individual projects according to normal reporting arrangements.

1.2 Expenditure on major items in the capital budget is shown below:-

Major Capital Projects	Funding	Expenditure in Year £'000	Cumulative Spend £'000	Total Project Budget £'000
Ysgol y Bont- relocation	IOACC / WG	4,335	4,562	10,932
Housing Stock – Internal Packages WHQS	Funded within HRA	7,378	28,470	Complete
Strategic Infrastructure on Anglesey – Llangefni & Mona Sites and Premises	WEFO / WG	Nil	Nil	2,013
Local Government Borrowing Initiative (LGBI)	WG	1,795	1,795	5,300
Penhesgyn Household Waste Recycling Centre (HWRC)	WG	986	986	1,000
3 Towns Regeneration	Convergence	669	4,765	8,248
Coastal Environment	Convergence	538	4,718	4,590
Smallholdings Programme of Improvements	IOACC / WG	1,043	3,489	Contingent

1.3 Major projects and schemes commenced during the year

1.3.1 There are a number of projects and schemes which have commenced this year.

1.3.2 The Sites and Premises scheme is in the preparatory stages. As previously reported, a project officer has been appointed and the master plan is currently being developed. Architectural design consultants have now been appointed and the planning application will be submitted this summer, with a decision expected in September. The scheme is expected to be completed in 2014/15.

- 1.3.3** The first year of the three year Local Government Borrowing Initiative scheme was completed, with £1,795 being invested in improving the functionality and condition of the Authority's highways asset. This scheme is funded from borrowing supported through Welsh Government grant. The following two years will see a further £3.6m of investment.

The other significant project to commence was the improvement works to the Penhesgyn Household Waste Recycling Centre. As previously reported, the initial project budget has been increased by £150k in order to enable additional enhancement works to be performed. Completion is expected this June, with opening date of early July. The project is funded from the Sustainable Waste Management Grant reserve.

1.4 Major projects and schemes completed during the year

- 1.4.1** There were three major projects that were completed during the year.
- 1.4.2** The first of these being the completion of the Welsh Housing Quality Standards (WHQS) programme of improvements. This authority was only the second in Wales to complete this scheme and years ahead of some other local authorities.
- 1.4.3** The only other major project to be completed during the year was the Convergence funded Coastal Environment works to Beaumaris Pier, for which final contract negotiations are underway. The Coastal Environment programme works are now complete.

1.5 Major ongoing projects and schemes commenced in prior years

- 1.5.1** There were a number of projects and schemes commenced prior to this year which run into future years.
- 1.5.2** The smallholdings programme of improvements, now entering its fourth year, saw a significantly reduced level of expenditure compared with the previous year. In quarter two, it was reported that the programme had been revised in order to reflect the depressed market conditions, which were resulting in the timing of capital receipts falling behind expenditure. The programme continues to run ahead of capital receipts, with a deficit of £1,589k at year end. It is anticipated that the revisions to the programme of works and the sales of smallholdings will see the programme return to a balanced/surplus funding position during 2013/14.
- 1.5.3** The construction of a new building for Ysgol y Bont continues into 2013/14 with completion expected towards January 2014. The expenditure for the year was £1,868k behind programme, mainly due to delays caused by inclement weather. The project is 70% funded from Welsh Government grant and the delays encountered and slippage incurred did not impact upon the grant eligibility for the year. The project will continue to be monitored until completion and any identified risks mitigated as far as possible.
- 1.5.4** The only other significant scheme is the Convergence funded Three Towns (Physical Regeneration) Scheme. As previously reported, the timeframe for this scheme has been extended and completion is now expected in 2015/16.

B - Considerations

2. EXPENDITURE IN THE YEAR

2.1 Provisional expenditure is £25.4m. This is higher than the previous year (£21.6m). There has been an increase in relative expenditure as a result of the relocation of Ysgol y Bont and (expenditure £4.1m greater than in 2011/12), together with the first year of the LGBI (£1.8m) and the Penhesgyn HWRC (£1m). This was countered by reduced activity on the Three Towns and Coastal Environment Convergence schemes as they come to a close (expenditure £2.3m lower than in 2011/12), and also the revised smallholdings improvements programme (expenditure £1.2m lower than in 2011/12). These movements, together with other more general minor movements on the programme, account for the increased expenditure.

2.2 The total budget available for spending in 2012/13 was £32.3m. There are also some unallocated contingencies. A significant part of the core capital budget is funded from resources which can be carried forward.

2.3 The expenditure by programme can be summarised as follows:-

	GENERAL		HOUSING (HRA)		HOUSING (PRIVATE)		TOTAL	
	£000	%	£000	%	£000	%	£000	%
Original	13,055		9,800		1,200		24,055	
Brought Forward	2,516		0		912		3,428	
Changes in Year	4,588		0		203		4,791	
Total Available	20,159		9,800		2,315		32,274	
Expenditure	15,589	77	8,751	89	1,088	47	25,428	79
Slippage	4,570	23	1,049	11	1,227	53	6,846	21

2.3.1 This shows that £32.3m was available and allocated in 2012/13, £24.0m from the original budget, a further £3.4m brought forward and £4.8m net arising in the year.

2.4 Overall, it is expected that projects and budgets totalling £4.9m will transfer to the current year, together with unallocated contingencies of £3.8m.

2.5 The comparable expenditure for 2011/12 was:-

	GENERAL		HOUSING (HRA)		HOUSING (PRIVATE)		TOTAL	
	£000	%	£000	%	£000	%	£000	%
Total Available	15,427		9,500		2,384		27,311	
Expenditure	10,910	71	9,237	97	1,472	62	21,619	79
Slippage	4,517	29	263	3	912	38	5,692	21

2.6 There were a small number of cost over-runs during the year which have been funded from service revenue budgets. The only significant risks, as reported during the year, were the Convergence funded works to Beaumaris Pier (Coastal Environment scheme) and the relocation of Ysgol y Bont. The works to Beaumaris Pier are complete and the outcome of the final negotiations will be reported at the first opportunity. The Ysgol y Bont relocation project will continue to be monitored closely.

3. CAPITAL RESOURCES

3.1 CAPITAL GRANTS

- 3.1.1 In previous reports it was reported that, for some grant aided projects, it would be necessary to spend the entire budget before year end or face the potential loss of resources. According to provisional out-turn figures the position is:-

21st Century Schools Transitional Funding (Tranche 3) – Relocation of Ysgol y Bont

Grant allocation for the year fully spent.

Amlwch, Plas Arthur and Holyhead Leisure Centres – Energy Efficiency Grant

Fully spent in year.

Plas Arthur and Holyhead Leisure Centres – Heat Recovery Units Grant

Fully spent in year.

Anglesey Business Centre – Energy Efficiency Grant

Fully spent in year.

Local Government Borrowing Initiative

Fully spent in year.

Sustainable Travel Centre Initiative Grant

Fully spent in year.

Safe Routes in Communities Grant

Fully spent in year.

Regional Transport Consortia Capital Grant

Fully spent in year.

Beaumaris, Amwlch and Treaddur Bay – Streetscape and Environmental Improvements Grant

Fully spent in year.

Sustainable Waste Management Grant

Fully spent in year.

Cemaes Toilets

Approval received from WG to carry forward unspent amount into 2013/14.

Convergence grants

Potential issues with Beaumaris Pier as reported.

- 3.1.2 The Authority received an additional grant (£310k) towards the end of the year for capital maintenance and investment in schools. This was fully utilised in the year.

3.2 CAPITAL RECEIPTS

- 3.2.1 It has previously been reported that projected capital receipts were below budget. The provisional actual receipts on a 'useable' basis are shown below:-

Capital Receipts (Useable)*			Budgeted Receipts £000	Receipts as at Q4 £000
Housing:	Housing Revenue Account	Right to Buy Sales	100	30
		Land Sales	500	0
	Private Sector Housing	Sales of plots Repaid Charges Repaid grants	} 200	163
Other:	Smallholdings**		250	391
	General***		} 1,150	375
	Industrial		}	

* Not including capital contributions

** Smallholdings income against indicative budget

***The Authority's funding in the year for the relocation of Ysgol y Bont is derived from the anticipated future capital receipts from the future sale of the former Ysgol y Graig site. Due to slippage in the scheme, the project is so far fully grant funded.

- 3.2.2** Other capital receipts are short of budget due to a downturn in market activity, particularly with regard to industrial and commercial land, where a number of sites have been on the market with very limited interest to date.
- 3.2.3** The reduced sales does not impact upon the Council's Outcome Agreement Grant, with those targets being achieved.
- 3.2.4** The receipts shown against smallholdings have been ring-fenced to finance the improvement of the Authority's smallholdings portfolio. As reported during the year, the expenditure is ahead of capital receipts but the receipts are expected to catch up in the coming year.
- 3.2.5** HRA capital receipts are short of the budget, mainly due to the £0.5m that was anticipated from land sales not being achieved. However, the WHQS programme has now been completed and slippage in the programme compensates for this shortfall.

4. FINANCING

- 4.1** At the time of producing this report, the financing of the capital programme is being reviewed and will be confirmed in the next quarterly report.
- 4.2** Borrowing is covered in separate reports on Treasury Management. No loans matured during the year and no new borrowing was taken out as it was decided that, subject to ongoing review, continuing to internalise borrowing would be most beneficial in the current economic climate. This resulted in external borrowing at the year end of £96.1m (31 March 2012: £96.1m). The average rate of the debt portfolio was 5.5% during the year. The capital financing requirement brought forward was £4.6m above external borrowing (i.e. £4.6m of borrowing had been internalised). The financing options for 2012/13 are being finalised and it will be necessary to further extend the capital financing requirement and therefore the extent of internal borrowing.

5. UNALLOCATED CONTINGENCIES AND SLIPPAGE

5.1 The unallocated contingencies will slip into 2013/14 and become:-

• Feasibility Studies	£0.5m
• Unallocated contingency (asset rationalisation programme)	£1.3m
• Regeneration/match funding contingency	£0.8m
• Leisure Improvements	£0.2m
• Unallocated	£1.0m

The unused element of the unsupported borrowing contingency is not carried forward.

5.2 Most of the slippage on general capital budgets (Council Fund £3.7m and Council Fund Housing £1.2m) can transfer to the current year. No slippage has been provided against the Housing Revenue Account: the current year's programme will be reviewed and any additional requirement for unsupported borrowing will be considered later in the year.

6. LOOKING AHEAD

6.1 There are two significant schemes to note at this point - the 21st Century Schools and the asset rationalisation programmes.

6.2 There are two elements to note in the 21st Century Schools programme. It has previously been reported that the Strategic Outline Case (SOC) for the Band A Scheme (new primary school in Holyhead) is currently on hold whilst investigation and options appraisal works are performed. It is anticipated that this SOC will be submitted to WG in early 2014.

6.2.1 Additionally, a revised draft Strategic Outline Programme (SOP) is currently being produced. This document covers the entire programme (Bands A to D). The latest draft is due to be submitted by mid June, and a response from WG is expected within a month of submission.

6.2.2 Progress with regards to the Band A SOC and the draft SOP are being reported separately and updates will be included in these quarterly reports as appropriate.

6.3 It has previously been reported that Local Partnerships are working with officers to perform option appraisal work with regards to the Council's asset rationalisation programme. Proposals are being reviewed that are aligned with the transformation of services, delivery options and associated asset requirements.

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

CH - Summary
<ol style="list-style-type: none"> 1. Provisional out-turn on an expenditure basis is £25.4m against an available total of £32.3m. As part of the 2012/13 budget, some budgets and contingencies were clawed back or re-profiled. Most of the other unspent budgets are funded from the Council's own resources and can be carried forward where services confirm that the funding is still required. Variances on capital receipts will be reflected in 2013/14 budgets where appropriate. 2. On the basis of the latest assessment of projects slipping into 2013/14, it is likely that it has been possible to safeguard the majority of the capital resources including those general grants, capital receipts and revenue contributions which could be used for the programme generally.

D - Recommendation
To note the report.

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Date : 28 May 2013

Appendices:
Appendix A : Draft Capital Out-turn 2012-13.

Background papers

Draft Capital Outturn 2012-13

Projects	Budget 2012-13	Slippage 2011-12	Total	Expenditure		Comments
	£'000	£'000	£'000	£'000	%	
Housing	11,203	912	12,115	9,839	81	
Council Houses	9,800	0	9,800	8,751	89	Works generally proceeded as anticipated. As scheduled, the WHQS programme was completed during December, with the Authority being the second in Wales to achieve this. Works on energy efficiency slip into next year due to delays in the external contractors performing the work.
Private - Grants	1,200	458	1,658	835	50	Slippage is slightly larger than anticipated. This was due to the timing of the revised housing renewal strategy being towards the end of the year.
Affordable Housing	203	454	657	253	39	
Education	7,406	1,008	8,414	5,528	66	
Ysgol y Bont - Relocation	6,110	93	6,203	4,335	70	The construction of a new building for Ysgol y Bont continues into 2013/14 with completion expected towards January 2014. The expenditure for the year was £1,867k behind programme mainly due to delays caused by inclement weather. The project is 70% funded from Welsh Government grant and the delays encountered and slippage incurred did not impact upon the grant eligibility for the year. The project will continue to be monitored until completion and any identified risks mitigated as far as possible.
Education : Other	1,296	915	2,211	1,193	54	These are minor schemes totalling £1.4m and a contingency of £0.9m towards 21st Century Schools costs. The minor schemes were significantly complete at year end.
Regeneration	7,359	-361	6,998	6,794	97	
Econ Development: Strategic Infrastructure - Sites and Premises	150	0	150	0	0	The scheme is in the preparatory stages. As previously reported, a project officer has been appointed and the master plan is currently being developed. Architectural design consultants have now been appointed and the planning application will be submitted this summer, with a decision expected in September. The scheme is expected to be completed in 2014/15.
Econ Development : Other	375	721	1,096	260	24	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	538	107	The works to Beaumaris Pier, for which final contract negotiations are underway, are complete. The Coastal Environment programme works are now complete.
Property: Smallholdings Programme of Improvements	535	-1,081	-546	1,043	-191	The programme of improvements, now entering its fourth year, saw a significantly reduced level of expenditure compared with the previous year. In quarter two it was reported that the programme had been revised in order to reflect the depressed market conditions, which were resulting in the timing of capital receipts falling behind expenditure. The programme continues to run ahead of capital receipts, with a deficit of £1,589k at year end. It is anticipated that the revisions to the programme of works and the sales of smallholdings will see the programme return to a balanced/surplus funding position during 2013/14.

Waste Management: Civic Amenities Site - Penhesgyn	992	0	992	986	99	As previously reported, the initial project budget was increased by £150k in order to enable additional enhancement works to be performed. Completion is expected this June, with opening date of early July. The project is funded from the Sustainable Waste Management Grant reserve.
Physical Regeneration (3 Towns)	1,601	0	1,601	669	42	The vast majority of the works this year relate to the Holyhead Town Heritage scheme. As previously reported, the timeframe for this scheme has been extended and completion is now expected in 2015/16.
Highways: Local Government Borrowing Initiative 2012/13	1,700	0	1,700	1,796	106	The objectives for the 2012/13 programme have been achieved. The scheme is funded from borrowing supported by WG grant and variances in expenditure can be addressed over the three year scheme.
Highways: Sustainable Travel Centre Initiative Grant / Regional Transport Consortia Grant 2012/13	626	0	626	626	100	All works were completed by the year end. This scheme encompassed the provision of a park and ride facility in Llanfairpwll and also improvements to Lôn Las Cefni.
Highways: Streetscape and Environmental Works Grant 2012/13	585	0	585	585	100	The project is complete.
Highways : Safe Routes in Communities Grant 2012-13	293	0	293	292	99	All the works were complete by year end.
Other	2,878	1,868	4,747	3,267	69	
Leisure: Heat Recovery Units	227	117	344	344	100	The project is complete.
Leisure: Leisure Centres Energy Efficiency	485	0	485	476	98	This project was implemented at Plas Arthur, Holyhead and Amlwch Leisure Centres. Works are significantly complete.
Highways : Other	896	59	955	523	55	The balance mainly relates to slippage on the purchase of new vehicles of £100k. This is planned to be spent in the coming year.
Property: Other	413	576	989	676	68	Works progressed as anticipated. The majority of the slippage relates to budget for works to cemeteries and the Cemaes Bay public conveniences.
Other Departmental Schemes	857	1,116	1,973	1,248	63	Schemes progressed as anticipated. The budget slippage relates to a number of minor budgets which are expected to be spent in the coming year.
Total	28,846	3,428	32,274	25,428	79	