

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE COMMITTEE
DATE:	9 SEPTEMBER 2013
SUBJECT:	BUDGET MONITORING REPORT FIRST QUARTER 2013/14 - CAPITAL
PORTFOLIO HOLDER:	COUNCILLOR H E JONES
LEAD OFFICER:	CLARE J WILLIAMS
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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 first quarter of the financial year. Appendix A is a summary of expenditure against the budget up to the end of June.

2. PROGRESS

2.1 Expenditure to the end of June is £2.2m on general schemes, which equates to 13% of the total budget. This is marginally ahead of the same time last year (£1.8m, 12%). Some large schemes were ongoing in the first quarter of 2012/13 but were completed by the end of that year, the most significant being the Coastal Environment scheme. Additionally, three other significant scheme saw reduced expenditure this quarter compared to the same period last year; (i) the smallholdings programme of improvements was modified last year as a result of capital receipts falling behind expenditure and that theme has continued into this year; (ii) the Household Waste Recycling Centre works at Penhesgyn were significantly complete by the end of 2012/13, with a tailing off of expenditure this year; and (iii) the Three Towns (Convergence) Scheme.

2.2 Expenditure to the end of June on housing schemes is £0.4m, which is 6% of the total housing budget. This is at a far lower level than last year (£1.8m, 15%) due to the WHQS programme of works (which accounted for £1.3m of the expenditure in quarter 1 of 2012/13), which was completed in the third quarter of 2012/13.

2.3 Total expenditure to the end of June is 11% of the budget. This is due to a number of large schemes being weighted towards the second half of the year.

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 (being the Three Towns scheme and the Llangefni and Mona Sites and Premises project). There are also currently seven (three continued from 2012/123) Welsh Government aided projects underway, the most significant of which being the relocation of Ysgol y Bont.

2.4.1 The three most significant projects in terms of risk are detailed below:-

- The budget for the relocation of Ysgol y Bont is £6.3m (including £1.8m slippage) for 2013-14 out of a total approved project budget of £10.9m (70% WG funded). As previously reported, the project was several weeks behind schedule at the end of 2012/13, mainly due to inclement weather. This did not affect the grant eligibility for that year, with the grant claimed in full. The project is expected to be completed late December 2013. This is not expected to affect grant funding eligibility, with the expenditure targets set by WG expected to be achieved based upon the latest cashflow projections. There is a risk of overspend arising as a result of the extended construction period, for which a contingency has been made. However, there is the risk of the contingency being insufficient and the project being overspent. It is not possible at this stage to make clearer projections but the project is being closely monitored and any identified risks are being mitigated as far as possible.
- The smallholdings programme of improvements (financed from the ringfenced capital receipts from the sale of smallholdings) is in its fourth year and the prioritised schedule of works for the current year have been progressed up to tender stage, pending approval to commence the site works. The programme of income generation has been under further review in order to reflect the depressed market conditions, which have resulted in the timing of capital receipts falling behind expenditure over the past two years. The programme continues to run ahead of capital receipts, with a deficit of £1,590k brought forward from 2012/13. 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. The programme of expenditure is to be reviewed further during the year prior to committing to further site works and in light of ongoing developments with regard to capital receipts.
- The final scheme to note is the Beaumaris Pier project (part of the Coastal Environment Scheme). It has previously been reported that although the renovation works have been completed, there are on-going discussions over the actual value of the works carried out under the contract. This may result in the Council being required to pay an additional sum under the works contract but the value of this sum cannot be assessed with any certainty at this time.

B - Considerations

3. RESOURCES

3.1 Capital Grants

- 3.1.1** The Council's bids have already been approved for the current Convergence programme, both direct and indirect, and the match funding has already been earmarked for these schemes. Since the end of the quarter the opportunity has arisen to bid for additional funding from the Coastal Environment Scheme, which could result in additional funding of up to £1.5m becoming available. At present the proposals are being finalised and matchfunding options investigated.
- 3.1.2** The current WG regeneration area programme (including Môn a Menai) will end at the end of this year. This is going to be replaced, from 2014/15 by the new regeneration framework for Wales entitled 'Vibrant and Viable Places'. This has made £90m available across Wales, for the three years up to March 2017. The funds are being targeted by the Welsh Government at strategically important places in economic need that involve the regeneration of Communities First areas, town centres or seaside towns. This Authority's Strategic Outline Programme (SOP) was submitted just after the end of quarter 1 (in July) and centres on Holyhead, with a bid of £9.6m. Given the targeted and limited funding only a small number of the first stage bids are expected to be successful. The outcome is expected this September.

3.2 Capital Receipts

3.2.1 The budgeted usable capital receipts for this year, after the effect of 2012-13 outturn and the receipts to date, are as follows:-

	Budget £'000	Received to 30 June 2013 £'000
Housing HRA		
Right to Buy Sales	75	Nil
Land Sales	500	Nil
Private Sector Housing		
Sales of plots	}150	14
Repaid charges		
Repaid grants		
Council Fund:		
Smallholdings	[250]	Nil
General		
Industrial	} 600	100

* Smallholdings income against indicative budget.

**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.

3.2.2 HRA capital receipts are short of the budget, with no sales made in the first quarter. It is expected that right to buy sales will be made during the remainder of the year.

3.2.3 Private sector housing capital receipts are quite far below the budget for the year. These receipts are more challenging to forecast as they are driven by the actions of the recipient of the funding.

3.2.4 Council fund capital receipts are £0.5m short of the annual budget. However, from current sales activity and negotiations taking place it is expected that the budget will be met by the year end.

3.2.5 The smallholdings capital receipts are discussed referred to within Section 2.4.3.

4. CHANGES AND POTENTIAL CHANGES THIS YEAR

4.1 There are no changes or potential changes that have come to light since the previous report.

4.2 Unallocated contingencies are as follows:-

	B/fwd 2012-13 £'000	Budget 2013-14 £'000	Allocated 2013-14 £'000	Total Available 2013-14 £'000
Matchfunding / Regeneration	784	Nil	Nil	784
Leisure Improvements Reserve	197	Nil	Nil	197
Asset Rationalisation	1,272	850	Nil	2,122
Unallocated	460	Nil	Nil	460
Feasibility Studies	460	Nil	Nil	460
Unsupported Borrowing*	Nil	1,000	Nil	1,000

* The unused element of the unsupported borrowing contingency is not carried forward into the new year.

The 'unallocated' contingency was reported in the 2012/13 outturn report as being £1m. Having reviewed capital resources and taken a view on the shortfalls in capital receipts over recent years the affordable limit for this contingency was calculated as being £460k.

If it becomes apparent that the budgeted capital receipts are not going to be achieved it may be necessary to scale back the potential use of the unallocated contingencies.

5. LOOKING AHEAD

5.1 There are currently two significant schemes worthy of note at this point; the Welsh Government backed 21st Century Schools programme and the asset rationalisation programme.

5.2 There are two elements to 21st Century Schools programme to note. These are the Strategic Outline Case (SOC) for the Band A schemes and the Strategic Outline Programme (SOP) for the programme as a whole.

5.2.1 The Band A SOC that was initially approved contained a single scheme for a new primary school in Holyhead. As previously reported, and continues to be the case, this scheme is on hold whilst investigation and options appraisal works are performed. It is anticipated that the Band A SOC will be submitted to WG in early 2014.

5.2.2 A revised SOP is currently being produced. The SOP covers the entire programme (Bands A to D). It was previously reported that the revised draft was due to be submitted by mid June 2013. Due circumstances such as negotiations with WG regarding the funding package that will be made available the revised SOP has not as yet been finalised.

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

5.3 It has previously been reported that Local Partnerships have been working with officers to carry out option appraisal work with regards to the Council's asset rationalisation programme. A report on the 'Options Appraisal of Potential Delivery Solutions' was provided earlier in the year. Since then Local Partnerships have been retained to carry out further work during the summer to develop proposals that are aligned with the transformation of key services and the associated asset requirements. It is intended that relevant services will be presenting their transformation plans in due course.

C - Implications and Impacts

1	Finance / Section 151	
2	Legal / Monitoring Officer	
3	Human Resources	
4	Property Services (see notes – separate document)	Property related implications are included in the report.
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

The expenditure on general schemes to the end of June was £2.2m (13% of total budget). Housing schemes incurred expenditure of £0.4m (6% of the total housing budget) to June. The overall expenditure was 11% of total budget, as many of the larger schemes are weighted towards the second half of the year.

There are schemes that contain risk relating to over running the budget or related to the receipt of grant funding. The significant schemes to note are the relocation of Ysgol y Bont, the final negotiations for Beaumaris Pier renovation works and the smallholdings programme of improvements. Work is ongoing to ensure that any risks arising from all schemes are properly identified and minimised.

During the quarter works were performed to produce the bid for the replacement for the current WG regeneration area programme. The new scheme is called 'Vibrant and Viable Places' and the outcome of this Authority's bid (£9.6m) will be known in September. Since the end of the quarter the opportunity to bid for additional Coastal Environment (Convergence) Scheme funds has arisen. The proposals are currently being developed and could result in additional funding for new schemes of up to £1.5m.

Total capital receipts to the end of June were £0.1m (excluding ring fenced small holdings receipts), all of which were Council Fund receipts. General and industrial capital receipts are expected to reach the budgeted £0.6m by year end. Smallholdings capital receipts, which are ring fenced for the smallholdings improvement programme, were £1.7m behind the expenditure incurred to 30 June. The smallholdings programme is expected to move to a balanced/surplus position by the year end.

Looking ahead, there are currently two significant schemes to note; these are the 21st Century Schools programme and the asset rationalisation programme. A revised SOP for the 21st Century Schools programme is currently being produced. The Band A SOC is then expected to be submitted in early 2014. With regards to the asset rationalisation programme, Local Partnerships are continuing to assist services and it is intended that relevant services will be presenting their transformation plans in due course.

D - Recommendation

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

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Job Title: Head of Function (Resources)

Date: 19 August 2013

Appendices:

Appendix A: Capital Budget 2013-14 – Summary: June 2013

Background papers

None

Appendix A

Capital Budget 2013-14 : June 2013

Projects	Budget 2013-14 £'000	Slippage 2012-13 £'000	Total £'000	Expenditure		Comments
				£'000	%	
Housing	5,848	1,227	7,075	428	6	
Housing Revenue Account (HRA)	4,948	0	4,948	300	6	The expenditure for the first quarter is low as projects gain momentum, with the majority of the expenditure weighted to the second half of the year. The comparative expenditure for quarter 1 2012/13 was £1.8m, being 15% of the budget. The reason for the significant difference is that the WHQS programme was completed in 2012/13 and that accounted for the majority of the expenditure.
Private : Grants	900	774	1,674	128	8	The grants and loans schemes are expected to gain increased momentum during the year and a significant part of the budget is expected to have been spent by the year end.
Affordable Housing	0	453	453	0	0	Proposals are being considered for the budget priorities. In 2012-13 the significant portion of the expenditure was a grant to Cymdeithas Tai Eryri towards the 'Home Buy / Mortgage Rescue' scheme. A similar payment is being considered this year, although set against competing expenditure priorities.
Education	6,185	2,712	8,897	1,479	17	
Ysgol y Bont – Relocation	4,500	1,868	6,368	1,307	21	As previously reported, the project was several weeks behind schedule at the end of 2012/13, mainly due to inclement weather. This did not affect the grant eligibility for that year, with the grant claimed in full. The project is expected to be completed late December 2013. This is not expected to affect grant funding eligibility, with the expenditure targets set by WG expected to be achieved based upon the latest cashflow projections. There is a risk of overspend arising as a result of the extended construction period, for which a contingency has been made. However, there is the risk of the contingency being insufficient and the project being overspent. It is not possible at this stage to make clearer projections but the project is being closely monitored and any identified risks are being mitigated as far as possible.
21st Century Schools Band A - New Primary School Holyhead	545	42	587	3	1	As previously reported, 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.
Flying Start Capital Grant 2013/14	550	0	550	0	0	Approval has been sought from WG to amend the plans for expenditure to enable an improved alignment to the expenditure priorities and requirements and to accommodate revised and updated estimates of cost. This confirmation is awaited and there may, therefore be a revision to the budget. Subject to WG approval and it is expected that all the intended projects will be completed before the year end and the grant funding claimed.
Learning in Digital Wales (LiDW) Grant 2013/14	590	0	590	0	0	WG have approved the detailed expenditure plans and the project is now underway. It is expected that the project will be completed on schedule (completion by the end of January 2014) and the grant claimed in full.
Education : Other	0	802	802	169	21	This relates to minor works schemes in the various schools. The budgets are fully committed and progress is as expected.
Regeneration	5,505	-568	4,937	624	13	
Econ Dev: Strategic Infrastructure - Sites and Premises	300	150	450	0	0	As previously reported, the scheme is in the preparatory stages, with a project officer and architectural design consultants having been appointed and the masterplan being developed. The planning application is due to be submitted, with a decision expected this September. The scheme is expected to be completed in 2014/15.
Econ Dev : Other	70	866	936	20	2	This mainly relates to the matchfunding and partnership funding contingencies, both of which have been almost fully committed.
Property: Smallholdings Programme of Improvements	250	-1,590	-1,340	141	-11	The programme of smallholding improvements is in its fourth year and the prioritised schedule of works for the current year have been progressed up to tender stage, pending approval to commence the site works. The programme of income generation has been under further review in order to reflect the depressed market conditions, which have resulted in the timing of capital receipts falling behind expenditure over the past two years. The programme continues to run ahead of capital receipts, with a deficit of £1,589k at the year end for 2012/13. 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. The programme of expenditure is to be reviewed further during the year prior to committing to further site works and in light of ongoing developments with regard to capital receipts.

Projects	Budget 2013-14 £'000	Slippage 2012-13 £'000	Total £'000	Expenditure £'000 %		Comments
Waste Management: Civic Amenities Site – Penhesgyn	0	6	6	212	3533	The HWRC site was completed and opened in July. As previously reported, the initial budget was increased from £850k to £1m to enable additional enhancement works to be performed. Further expenditure was incurred in Quarter 2 of this year and the project is expected to be overspent on the £1m budget by circa £0.3m. Part of the overspend is attributable to the initial designs/plans and the service is investigating options to minimise the final cost to the Authority, whilst additional work was commissioned, namely constructing an additional slab for storage of green waste and further concreting works for access roads and car parking.
Physical Regeneration (3 Towns)	2,000	0	2,000	50	3	The significant portion of the budget relates to Holyhead Townscape Heritage Initiative projects. The scheme is gaining momentum, with a significant increase in applications and awards expected over the coming months.
Highways: Local Government Borrowing Initiative 2013/14	1,800	0	1,800	201	11	The works are expected to gain momentum during the year, being weighted towards the second half of the year. It is expected that all the programmed works will be completed by the year end.
Highways: Regional Transport Consortia Grant 2013/14	663	0	663	0	0	This grant is for road safety and transport schemes. The road safety schemes have a grant allocation of £105k. Preparatory works are underway but no works have commenced on site. Officers are currently seeking approval to make an amendment to the programme. The transport schemes have a grant allocation of £558k. Preparatory works are underway, with the majority of the expenditure expected in the second half of the year. The works are loaded towards the second half of the year as the grant funding was only confirmed this April.
Highways : Safe Routes in Communities Grant 2013/14	422	0	422	0	0	Since the end of the quarter works have commenced on site. The project involves some more complicated aspects such as land purchase, design and consultation. Progress is currently as expected. The significant portion of the scheme is expected to be complete by the end of this December, with the grant expected to be utilised in full by year end.
Other	1,300	1,655	2,955	131	4	
Highways : Other	650	188	838	23	3	A third of this budget relates to the budget for vehicles, with options appraisal work ongoing and expenditure incurred in the second quarter. The remainder of the budget relates to resurfacing works, structures and street lighting. Expenditure in this is expected to gain momentum, being weighted towards the second half of the year.
Property: Other	650	321	971	101	10	This mainly relates to disabled access and building risk management work, the budgets for which are fully committed. The works are proceeding as anticipated.
Other Departmental Schemes	0	1,146	1,146	7	1	The majority of this budget relates to grants to third party schemes, funded by the Welsh Government. It also includes ICT budgets, including a contingency for future requirements.
Total	18,838	5,026	23,864	2,662	11	