

# ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>THE EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>2 DECEMBER 2013</b>
<b>SUBJECT:</b>	<b>BUDGET MONITORING REPORT SECOND QUARTER 2013/14 - CAPITAL</b>
<b>PORTFOLIO HOLDER:</b>	<b>COUNCILLOR H E JONES</b>
<b>LEAD OFFICER:</b>	<b>CLARE J WILLIAMS</b>
<b>CONTACT OFFICER:</b>	<b>CLARE J WILLIAMS</b> <b>(EXT: 2601)</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 second quarter of the financial year. Appendix A is a summary of expenditure against the budget up to the end of September.

### **2. PROGRESS**

**2.1** Expenditure to the end of September is £6.1m on general schemes, which equates to 36% of the total budget. This is ahead of the same time last year (£4.5m, 27%). Some large schemes were ongoing in the second 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 schemes 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. There has, on some ongoing works, been increased expenditure compared to the same period last year, most notably the relocation of Ysgol y Bont (expenditure is up by £2.4m on the same period last year). There have also been some new grant funded schemes commence this year, including the Learning in Digital Wales (LiDW) grant and the Flying Start capital grants. The overall effect has been an increased level of activity and progress on programme compared with the same period last year.

**2.2** Expenditure to the end of September on housing schemes is £1.3m, which is 18% of the total housing budget. This is at a far lower level than last year (£4.7m, 39%) due to the WHQS programme of works (which accounted for £3.5m of the expenditure in quarter 2 of 2012/13), which was completed in the third quarter of 2012/13.

**2.3** Total expenditure to the end of September is 31% of the budget. This is due to a number of large schemes, including the Local Government Borrowing Initiative highways works, Flying Start capital grant, Llangefni and Mona Sites and Premises and the Three Towns (Physical Regeneration) convergence scheme, 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 Llangefnï and Mona Sites and Premises project). There are also currently eight (two continued from 2012/13) 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:-

**2.4.1.1** Relocation of Ysgol y Bont - as previously reported, the project was several weeks behind schedule at the end of 2012/13, mainly due to inclement weather and the building works are now programmed for completion in late December 2013 and the project fully complete by late January 2014. The later completion date is not expected to affect the grant eligibility. 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.

**2.4.1.2** 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.

**2.4.1.3** 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 ongoing 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. Currently, the rectification works have not been performed and are expected to be deferred until the weather improves next year; consequently, the retention has not been paid and the final account has not been issued. Resolution is not, therefore, expected until next year.

## B - Considerations

### 3. RESOURCES

#### 3.1 Capital Grants

**3.1.1** The Council's bids have already been approved for the current Convergence programme and the match funding has already been earmarked for these schemes. During the quarter the opportunity has arisen to bid for additional funding to extend the Anglesey Coastal Environment Project, which could result in additional funding of up to £0.9m becoming available. In order to obtain this additional funding this Authority is required to provide matchfunding of £70,000. Further details are available at Appendix B and a recommendation is included in Section D.

**3.1.2** As previously reported, in response to a Welsh Government announcement on its future urban regeneration funding, the County Council submitted an outline proposal in July 2013 for a circa £9.5m allocation for a wide regeneration and homes investment programme for Holyhead in the period 2014 to 2017. In September it was announced that the Council was one of 11 authorities who were being invited to submit a more detailed proposal by the end of this November with perhaps 7 likely to be successful. The second stage proposal reflects Welsh Government feedback and guidance, and will be requesting a reduced sum of circa £7.5m in WG capital funds. Identified priorities include support for enabling new homes, improvement of existing buildings as homes, support for school modernisation, new business premises, town centre improvements, modernising tourism and leisure facilities, sustainable community development and the transformation of public facilities. Should the proposal to allocate funding to Holyhead be supported by the Welsh Government in January 2014, a suitable governance structure will need to be established and individual project mandates / business cases will be prepared and considered in accordance with Council procedures and WG grant conditions. If the proposal is not successful at this round, the Welsh Government may make a limited award for some development activity to take place. Progress will be updated as appropriate.

#### 3.2 Capital Receipts

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

	Budget £'000	Received to 30 September 2013 £'000
Housing HRA		
Right to Buy Sales	75	Nil
Land Sales	500	34
Private Sector Housing		
Sales of plots	}150	5
Repaid charges		
Repaid grants		
Council Fund:		
Smallholdings	[250]	65
General		
Industrial	} 600	416

\* 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 right to buy sales made in the first half of the year. 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 £0.2m 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 referred to within Section 2.4.1.2.

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

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

	<b>B/fwd 2012-13 £'000</b>	<b>Budget 2013-14 £'000</b>	<b>Allocated 2013-14 £'000</b>	<b>Adjustments 2013-14</b>	<b>Total Available 2013-14 £'000</b>
Matchfunding / Regeneration	784	Nil	(295)	Nil	489
Leisure Improvements Reserve	197	Nil	Nil	Nil	197
Asset Rationalisation	1,272	850	Nil	Nil	2,122
Unallocated	460	Nil	(120)	Nil	340
Feasibility Studies	460	Nil	Nil	Nil	460
Unsupported Borrowing*	Nil	1,000	Nil	Nil	1,000

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

**4.1.1** Since the last report the £225k has been allocated from the matchfunding/regeneration contingency in order to offer matchfunding towards the Beaumaris flood alleviation scheme, which could attract funding from WG at a rate of 85%. Further information and updates on this scheme, including the bids, will be contained within future reports.

**4.1.2** During the quarter this Committee approved the allocation of £120k for the refurbishment of bedrooms within Brwynog Residential Home. Approval is sought from this Committee for this funding to be allocated from the 'unallocated contingency'.

**4.1.3** As detailed in Section 3.1.1 the potential to receive additional funding and to extend the Anglesey Coastal Environment Project has arisen. It is proposed that, if this Committee wanted to support this project extension, the £70k funding be allocated from the 'matchfunding/regeneration' heading above. The effect of this has been accounted for in the table above.

**4.1.4** If it becomes apparent that the budgeted capital receipts are not going to be achieved or if other budget pressures arise, it may be necessary to further scale back the potential use of the unallocated contingencies. This review will need to be performed when considering any future commitments to be made from these contingencies. An example of note is the relocation of Ysgol y Bont which may require additional resources and which would, therefore, be taken into account when considering the further allocations from these contingencies.

#### **5. LOOKING AHEAD**

**5.1** There are currently two significant items worthy of note at this point: the Welsh Government backed 21<sup>st</sup> Century Schools programme and the asset rationalisation programme.

**5.2** There are two elements to 21<sup>st</sup> Century Schools programme to note. These are the Strategic Outline Case (SOC) for the schemes within Bands A – D and the Strategic Outline Programme (SOP) for the programme as a whole.

**5.2.1** The original, and currently approved, Band A 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 SOC for this scheme will be submitted to WG in 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 to circumstances, including negotiations with WG regarding the funding package that will be made available, the revised SOP has not as yet been finalised. It is anticipated that the revised SOP will be submitted to WG this December.

**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 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**

<b>1</b>	<b>Finance / Section 151</b>	
<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>	

#### **CH - Summary**

The expenditure on general schemes to the end of September was £6.1m (36% of total budget). Housing schemes incurred expenditure of £1.3m (18% of the total housing budget) to September. The overall expenditure was 31% 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.

As reported last quarter, the Authority submitted as bid for the replacement for the current WG regeneration area programme, entitled 'Vibrant and Viable Places'. The Authority was 1 of 11 authorities who were invited to enter the next round of bidding and this is due to be submitted imminently and a decision expected in January 2014.

During the quarter, the opportunity to bid for additional Coastal Environment (Convergence) Scheme funds arose. The proposals have been developed and could result in additional funding for new schemes of up to £0.9m being made available to the Authority.

Total capital receipts to the end of September were £0.5m (excluding ring fenced small holdings receipts), £0.4m 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 £1.9m behind the expenditure incurred to 30 September. The smallholdings programme is expected to move to a balanced/surplus position by the year end and measures have been adopted to minimise the risk of falling further behind.

Looking ahead, there are currently two significant schemes to note: these are the 21<sup>st</sup> Century Schools programme and the asset rationalisation programme. A revised SOP for the 21<sup>st</sup> Century Schools programme is due to be submitted in December. The Band A SOC for the new primary school in Holyhead is then expected to be submitted in 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 - Recommendations**

- (a) To note progress of expenditure and receipts against the capital budget;
- (b) To note the allocation of £225,000 towards the Beaumaris flood alleviation scheme from the Matchfunding/Regeneration contingency (see section 4.1.1);
- (c) To approve the allocation of £120,000 from the 'unallocated' unallocated contingency to fund the renovation works at Brwynog Residential Home (see section 4.1.2);
- (ch) To approve the allocation of £70,000 from the 'matchfunding/regeneration' unallocated contingency to matchfund the extension to the Anglesey Coastal Environment Project (see section 4.1.3).

**Name of author of report:** Clare J Williams

**Job Title:** Head of Function (Resources)

**Date:** 15 November 2013

#### **Appendices:**

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

Appendix B : Anglesey Coastal Environment Project – Phase 2 Funding Proposal.

#### **Background papers**

None

**CLARE J WILLIAMS  
HEAD OF FUNCTION (RESOURCES)**

**15 NOVEMBER 2013**

## Appendix A

### Capital Budget 2013-14 : September 2013

Projects	Budget 2013-14 £'000	Slippage 2012-13 £'000	Total £'000	Expenditure £'000 %		Comments
<b>Housing</b>	<b>5,848</b>	<b>1,227</b>	<b>7,075</b>	<b>1,298</b>	<b>18</b>	
Housing Revenue Account (HRA)	4,948	0	4,948	1,031	21	The works are progressing and all the significant contracts have been entered into. It is expected that the majority of the works will have been completed by the year end, with some slippage into next year.
Private : Grants	900	774	1,674	267	16	The grants and loans schemes are expected to gain increased momentum during the second half of the year and the significant part of the budget is expected to have been spent by the year end.
Affordable Housing	0	453	453	0	0	As previously reported, other expenditure priorities are being considered jointly with the funding required for the mortgage rescue/home buy scheme, which will benefit from a contribution from Cymdeithas Tai Eryri. The financial needs of the relative priorities will be determined in Q3.
<b>Education</b>	<b>6,923</b>	<b>2,012</b>	<b>8,935</b>	<b>3,880</b>	<b>43</b>	
Ysgol y Bont – Relocation	4,500	1,868	6,368	3,072	48	As previously reported, the project was several weeks behind schedule at the end of 2012/13, mainly due to inclement weather and the building works are now programmed for completion in late December 2013 and the project fully complete by late January 2014. The later completion date is not expected to affect the grant eligibility. 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 2014.
Flying Start Capital Grant 2013/14	505	0	505	85	17	It has previously been reported that approval had 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 approval has now been received and the budget amended accordingly. It is expected that the projects will be completed by the year end and the grant claimed in full.
Learning in Digital Wales (LiDW) Grant 2013/14	590	0	590	235	40	The works are now underway and are expected to be completed before the year end and the grant claimed in full.
Education : Other	783	102	885	485	55	This relates to minor works schemes in the various schools. The budgets are fully committed and progress is as expected. In addition to these budgets there is also a contingency set aside by Education for 21 <sup>st</sup> Century Schools, which stands at £850k.
<b>Regeneration</b>	<b>5,475</b>	<b>-639</b>	<b>4,836</b>	<b>1,756</b>	<b>36</b>	
Econ Dev: Strategic Infrastructure - Sites and Premises	200	150	350	100	29	The masterplan has now been developed, the planning application for the units has been approved and procurement is currently underway, with construction expected to commence in January 2014. The scheme is expected to be completed in 2014/15.
Econ Dev : Other	140	795	935	55	6	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	386	-29	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	355	5,917	As previously reported, 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 overspent on the £1m budget by circa £0.35m. Part of the overspend is attributable to the initial designs/plans and the service are investigating options to minimise the final cost to the Authority, whilst additional work was commission namely, constructing an additional slab for storage of green waste and further concreting works for access roads and car parking. The significant part of the additional costs were covered by the IVC partnership with Gwynedd and Conwy.
Physical Regeneration (3 Towns)	2,000	0	2,000	214	11	The significant portion of the budget relates to Holyhead Townscape Heritage Initiative projects. Grants of £2.1m have been approved so far this year and it is expected that they will be defrayed in full this year. This will not cause any funding issues as the external funding can be brought forward.
Highways: Local Government Borrowing Initiative 2013/14	1,800	0	1,800	637	35	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	7	1	This grant is for road safety and transport schemes. The road safety schemes have a grant allocation of £105k. Officers are currently seeking approval to make an amendment to the programme which will involve the budget being used solely for design work and feasibility studies. Some minor feasibility studies work has been performed to date within the terms of the grant. 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	2	0	The project involves some more complicated aspects such as land purchase, design and consultation. The consultation work and land purchases are complete. Works are ongoing and the scheme is expected to be complete by the end of the year and the grant expected to be utilised in full.
<b>Other</b>	<b>2,020</b>	<b>1,050</b>	<b>3,070</b>	<b>491</b>	<b>16</b>	
Highways : Other	650	188	838	168	20	A third of this budget relates to the budget for vehicles; the options appraisal work is now complete and procurement is underway. The remainder of the budget relates to resurfacing works, structures and street lighting which are progressing as anticipated.
Property: Other	650	321	971	294	30	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	720	541	1,261	29	2	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. In addition to this budget an indicative budget of £500k has been allocated within the Waste Management budget for upgrade works at a second household waste recycling centre. This is subject to the requisite approvals and would be funded from service reserves and grant. Updates on this second scheme will be provided as appropriate. .
<b>Total</b>	<b>20,266</b>	<b>3,650</b>	<b>23,916</b>	<b>7,425</b>	<b>31</b>	



**ANGLESEY COASTAL ENVIRONMENT PROJECT – PHASE 2 FUNDING PROPOSAL****Purpose**

To seek endorsement for additional match funding support to facilitate the delivery of the 'Anglesey Coastal Environment Project's' Phase 2 funding proposal.

**Background**

Anglesey's £5.6m ERDF Coastal Environment Project 2009-2013 (ACEP) has developed on-shore and off-shore facilities to maximise economic benefits and impacts from the spectacular coastline of Anglesey.

The project has delivered 14 capital infrastructure works at coastal sites in locations such as Beaumaris, Amlwch, Porth y Wrach, Porth Dafarch, Trearddur Bay, Moel y Don and Rhoscolyn and included improvements to piers, jetties, slipways, harbours, amenity areas, toilets and car parks facilities. ACEP (Phase 1) achieved:

**17.5** jobs created; **200,000+** Visitors (to date); **0.25km** improved access to the coastline.

**Current Position**

An opportunity has arisen to continue ACEP with further funding from ERDF Convergence 2007-13. Convergence funding will only be a maximum of about 60% funding, and the rest – 'match' will have to be sourced elsewhere. A business case has been produced and a funding application submitted to Welsh Government and European Funding Office.

**Proposal**

The proposed Phase 2 involved extending the project until March 2015 to deliver further coastal improvement schemes around Anglesey. A portfolio of schemes has been developed for Winter 2013 (all consented) and Winter 2014 (further development work required) at Cemaes, Rhosneigr, Trearddur Bay, Menai Straits and Porth Dafarch to the value of **£997k**. Three retrospective schemes at Porth Dafarch and Cemaes already carried out with Taith, Wales Government and IoACC monies costing **£354k** are also being included in the business case in order to minimise the amount of new 'match funding' required. Giving a total scheme value of **£1,351k**.

**Outputs**

The phase 2 would deliver the following outputs:

<b>Outputs</b>	<b>Total</b>
Capital Infrastructure schemes to provide increased opportunities for people (both local and visitors) to participate in recreational activities.	9
Jobs created (Direct and Indirect)	1.5
Increased visitors to the Island	70,000+
Participants in watersports activities	600+
Coastal Events supported	4
Access to the coast	1.6km

Outcomes include:

- Stronger offer for visiting yachts, disabled visitors, water sports, events;
- greater satisfaction and improved facilities for visitors and residents;
- Facilitating/ underpinning economic growth;
- Fostering stronger Maritime culture.

**Funding Proposal**

Retrospective match	£354,000 (confirmed)
Wales Government match	£110,000 (confirmed)
<b>IoACC Capital Match requested</b>	<b>£70,000 (pending)</b>
ERDF (Intervention rate of 60%)	£817,000 (pending)
<b>Total</b>	<b>£1,351,000</b>

*Report produced by Development Officer – Coastal Environment Project / Economic Development*