

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE COMMITTEE
DATE:	10 FEBRUARY 2014
SUBJECT:	BUDGET MONITORING REPORT THIRD 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 third quarter of the financial year. Appendix A is a summary of expenditure against the budget up to the end of December.

2. PROGRESS

- 2.1 Expenditure to the end of December is £9.6m on general schemes, which equates to 57% of the total budget. This is ahead of the same time last year (£8.7m, 45%). 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 December on housing schemes is £3.4m, which is 44% of the total housing budget. This is at a far lower level than last year (£7.5m, 63%) due to the WHQS programme of works (which accounted for £5.8m of the expenditure to quarter 3 of 2012/13), which was completed in the third quarter of 2012/13.
- 2.3 Total expenditure to the end of December is 53% of the budget. This is due to a number of large schemes, including Highways Local Government Borrowing Initiative, Flying Start capital grant, Llangefni and Mona Sites and Premises and the Three Towns (Physical Regeneration) convergence scheme, being weighted towards the end 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 ten (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 As previously reported, the relocation of Ysgol y Bont was several weeks behind schedule at the end of 2012/13, mainly due to inclement weather. The building works are now programmed for completion early this February and the project fully complete by late February. 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 ring-fenced 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 mostly 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 in the next year. The programme of expenditure is to be reviewed further 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 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. Currently, the rectification works have not been performed and are expected to be deferred until the weather improves later this year; consequently, the retention has not been paid and the final account has not been issued. Resolution is not, therefore, expected until next financial 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 approved schemes.

3.1.2 As reported in the previous report the opportunity arose to bid for additional funding to extend the Anglesey Coastal Environment (Convergence) Project. The bid has been successful and £1.2m has been approved from the convergence programme to undertake 8 additional coastal projects such as at Cemaes and Rhosneigr. The timescale of the project has been extended to June 2015. The works have not yet commenced and the budget has not therefore been included in Appendix A or section 2.1.

3.1.3 As reported in the second quarter, the County Council has submitted a second stage proposal for the Vibrant and Viable Places (VVP) grant scheme. The Welsh Government decision is expected by early February and approval of Council's proposal could provide up to £7.5m of capital funding for a package of public/private/community regeneration and housing projects in Holyhead over three years, commencing in April 2014. The Welsh Government's Môn a Menai Regeneration Area Programme, which the VVP is replacing, has been an important source of capital grants for various projects across Anglesey in recent years.

3.1.4 During the quarter the Authority submitted a bid to WEFO for funding of £520k in order to perform Phase 2 of the Llangefni and Mona Sites and Premises Project. This second phase involves the construction of a further three BREEAM "Excellent" business units on the Pen yr Orsedd site. The objective of the project is to address market failure by constructing business units to create additional floor space for rental to private sector businesses and is based upon an evidenced need. In order to secure the WEFO funding the County Council is required to provide £60k of match funding. The Economic and Community Regeneration Service has submitted a bid to transfer this from the budget for match funding the Cyfenter scheme. Further details can be found in Appendix B and a recommendation is included in section D.

3.1.5 It has previously been reported that officers are performing planning and preparatory works on the Beaumaris Flood Alleviation Scheme with a view to securing Welsh Government grant funding which, if successful, will require an element of match funding. The project proposals have been well received and have been amended following extensive public consultation and the planning works are continuing to enable a bid to be submitted. The service is very hopeful that Welsh Government will accept the bid.

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 31 December 2013 £'000
Housing HRA		
Right to Buy Sales	75	50
Land Sales	500	34
Private Sector Housing		
Sales of plots		
Repaid charges	}150	5
Repaid grants		
Council Fund:		
Smallholdings	[250]	193
General		
Industrial	} 600	284
Schools	n/a	209

* 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 mainly due to land sales falling short of initial estimates. There is expected to be some slippage in the programme of works, which should compensate for the current shortfall.

- 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 general and industrial capital receipts are expected to achieve the budget for the year. It should be noted that the forecasting the level and timing of capital receipts remains challenging in the current economic climate.
- 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/fwd 2012/13 £'000	Budget 2013/14 £'000	Allocated 2013/14 £'000	Adjustments 2013/14	Total Available 2013/14 £'000
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** 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 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 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 has now been produced and recently submitted to the Welsh Government and to County Council Members for review.
- 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	
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

The expenditure on general schemes to the end of December was £9.6 m (57% of total budget). Housing schemes incurred expenditure of £3.4m (44% of the total housing budget) to December. The overall expenditure was 53% of total budget, as many of the larger schemes are weighted towards the end 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.

Since the last quarter the bid for additional Coastal Environment (Convergence) Scheme funds has been successful and £1.2m has been made available on a programme running to June 2015.

As reported last quarter, the Authority submitted has bid for the replacement for the current WG regeneration area programme, entitled 'Vibrant and Viable Places'. The outcome of this process is expected imminently.

During Economic and Community Regeneration has submitted a bid for Phase 2 of Llangefni and Mona Sites and Premises (WEFO). If successful a further £520k of funding will be made available to construct a further three business units. The service has submitted a request to vire £60k from the Cyfenter match-funding allocation to be used as the Authority's match-funding towards this project. See Appendix B and section D.

Total Council Fund capital receipts to the end of December were £0.6m (excluding ring fenced small holdings receipts of £0.2m) and are expected to achieve the budget by the year end. Smallholdings capital receipts, which are ring fenced for the smallholdings improvement programme, were £1.9m behind the expenditure incurred to 31 December. The smallholdings programme is expected to move to a balanced/surplus position during the next financial year and measures have been adopted to minimise the risk of falling further behind. Total HRA receipts are short of the budget by £0.5m, mainly due to not achieving the budgeted level of land sales.

There have been no allocations from the unallocated contingencies during the quarter. If it becomes apparent that the budgeted capital receipts are not going to be achieved going forward or if other budget pressures arise, it may be necessary to further scale back the potential use of the unallocated contingencies.

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 has now been submitted. 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; and
- (b) To approve the virement of £60,000 of economic regeneration capital match-funding from the Cyfenter project to provide match-funding towards the Llangefni and Mona Sites and Premises scheme, Phase 2 (as detailed in section 3.1.3 and Appendix B).

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Date: 22 January 2014

Appendices:

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

Appendix B : Llangefni and Mona Sites and Premises – Phase 2 Funding Proposal

Background papers

None

APPENDIX A

Capital Budget 2013-14 : December 2013

Projects	Budget 2013/14 £'000	Slippage 2012/13 £'000	Total £'000	Expenditure		Comments
				£'000	%	
Housing	6,470	1,227	7,697	3,405	44	
Housing Revenue Account (HRA)	4,948	0	4,948	2,500	51	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 & Loans	1,522	774	2,296	884	39	The grants and loans schemes have gained momentum and the majority of the budget is expected to have been spent by the year end. The budget includes two grant funded schemes, including the Welsh Government's Houses into Homes funding of £0.4m.
Affordable Housing	0	453	453	21	5	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 quarter 4.
Education	6,840	2,012	8,852	5,858	66	
Ysgol y Bont – Relocation	4,500	1,868	6,368	4,924	77	As previously reported, the relocation of Ysgol y Bont was several weeks behind schedule at the end of 2012/13, mainly due to inclement weather. The building works are now programmed for completion early this February and the project fully complete by late February. 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	8	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	101	20	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. £30k of the funding links in to the potential new primary school in Holyhead (21 st Century Schools) and there could, therefore, be delays to these works. It is expected that all the other projects will be completed by the year end and the allocated grant claimed in full.
Learning in Digital Wales (LiDW) Grant 2013/14	590	0	590	316	54	The majority of the works were completed in the quarter and the grant will be claimed in full.
Education : Other	700	102	802	509	63	This relates to minor works schemes in the various schools. The budgets are fully committed and progress is as expected.
Regeneration	5,559	-639	4,920	2,941	60	
Econ Dev: Strategic Infrastructure - Sites and Premises	200	150	350	102	29	The contract for the construction of a block of 4 units at Pen Yr Orsedd next to the police station has been awarded and commencement imminent. Negotiations ongoing to get additional European funding to increase its size to 7 units. Further details can be found in section 3.1.3 and Appendix B.
Econ Dev : Other	223	795	1,018	105	10	This mainly relates to the match-funding 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 smallholdings improvements is in its fourth year and the prioritised schedule of works for the current year have been progressed mostly 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 prior to committing to further site works and in light of ongoing developments with regard to capital receipts.

Projects	Budget	Slippage	Total	Expenditure		Comments
	2013/14 £'000	2012/13 £'000		£'000	£'000	
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	415	21	The significant portion of the budget relates to Holyhead Townscape Heritage Initiative projects, and providing grants to private property owners to refurbish commercial and second floor flats in the town centre. The available grant fund will have all been offered by the end of January 2014 with works being carried out and claimed within the programme timescale.
Highways: Local Government Borrowing Initiative 2013/14	1,800	0	1,800	1,287	72	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	116	17	This grant is for road safety and transport schemes. The road safety schemes have a grant allocation of £105k. Officers have sought approval to make an amendment to the programme which will involve the budget being used solely for design work and feasibility studies. The transport schemes have a grant allocation of £558k and these are expected to be complete by year end. 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	423	0	423	75	18	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.
Other	2,021	1,050	3,071	797	26	
Highways : Other	650	188	838	259	31	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	393	40	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	721	541	1,262	145	11	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	20,890	3,650	24,540	13,001	53	

Capital Match-Funding Virement Proposal**Purpose**

To seek authorisation for the virement of £60k in capital match-funding from the Cyfenter Project to the Anglesey Sites and Premises Project.

Background

The Cyfenter Project to support social enterprises in North West Wales is mainly funded from the European Regional Development Fund (ERDF) with match-funding from four local authorities. The original profile provided for £400k in match-funding from Anglesey County Council. Changes to the Cyfenter programme have taken place which mean that the match-funding requirement from Anglesey County Council is now £340k, a reduction of £60k. Cyfenter is administered by Menter Môn.

The Anglesey Sites and Premises Project is led by the County Council, which provides for the construction of a block of four new small business units at Penyrsedd, next to the new Police HQ in Llangefni, and other improvements to industrial estates on the Island. The current profile involves a Council contribution of £183.5k and external grants (ERDF & WG) totalling £2,566.5k. Planning consent and design work has also taken place for an additional block of three slightly larger business units on an adjacent site to complete the redevelopment of the site, but the current budget does not provide for these to be built. There is a shortage of small business units in Llangefni and they would be rented to business occupiers.

Additional ERDF Grant Funding

Recent discussions with the Wales European Funding Office (WEFO) have resulted in the identification of opportunities to secure additional ERDF funding from remaining unspent WEFO budgets to three existing projects. The Local Investment Fund (LIF) grant for small businesses has now secured additional ERDF funding of £140k and the Coastal Environment Project has now secured an additional £826k of ERDF funding, with the additional match-funding being already agreed. The third project is the Anglesey Sites and Premises Project. In order to secure additional ERDF funding of £500k, WEFO require additional match-funding of £130k to be secured. The Economic and Community Regeneration Service has secured £70k from the Welsh Government Enterprise Zone Programme that can be used as match-funding, but needs an additional £60k to be in place to close the funding gap. Failure to complete the funding package now will mean that the second block of units remains unbuilt, with uncertain prospects of this happening in the future.