

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>9 JUNE 2014</b>
<b>SUBJECT:</b>	<b>CAPITAL BUDGET 2013/14 OUT-TURN</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR H E JONES</b>
<b>HEAD OF SERVICE:</b>	<b>RICHARD MICKLEWRIGHT</b>
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<b>LOCAL MEMBERS:</b>	<b>NOT APPLICABLE</b>

<b>A - Recommendation/s and reason/s</b>	
To note the report.	
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>	
Not applicable.	
<b>C - Why is this a decision for the Executive?</b>	
To enable the Executive Committee to be responsible for monitoring of the capital budget at a corporate level.	
<b>CH - Is this decision consistent with policy approved by the full Council?</b>	
Not applicable.	
<b>D - Is this decision within the budget approved by the Council?</b>	
Not applicable.	
<b>DD - Who did you consult?</b>	
	<b>What did they say?</b>
1	<b>Chief Executive / Strategic Leadership Team (SLT) (mandatory)</b>
2	<b>Finance / Section 151 (mandatory)</b>
3	<b>Legal / Monitoring Officer (mandatory)</b>
4	<b>Human Resources (HR)</b>
5	<b>Property</b>
6	<b>Information Communication Technology (ICT)</b>
7	<b>Scrutiny</b>
8	<b>Local Members</b>
9	<b>Any external bodies / other/s</b>
<b>E - Risks and any mitigation (if relevant)</b>	
1	<b>Economic</b>
2	<b>Anti-poverty</b>
3	<b>Crime and Disorder</b>
4	<b>Environmental</b>
5	<b>Equalities</b>
6	<b>Outcome Agreements</b>
7	<b>Other</b>
<b>F - Appendices:</b>	
Appendix A: Provisional capital outturn 2013/14 (including Table A)	
<b>FF - Background papers (please contact the author of the Report for any further information):</b>	
Not applicable	

**PROVISIONAL CAPITAL OUTTURN 2013/14****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	6,707	11,269	10,932
Strategic Infrastructure on Anglesey – Llangefni & Mona Sites and Premises	WEFO / WG	235	235	1,716
Highways Local Government Borrowing Initiative (LGBI)	WG	1,785	3,580	5,300
Penhesgyn Household Waste Recycling Centre (HWRC)	IOACC	295	1,281	1,000
3 Towns Regeneration	IOACC/Convergence	830	5,789	7,768
Coastal Environment	IOACC/Convergence			
Smallholdings Programme of Improvements	IOACC	683	4,172	Contingent
Equal Pay 2013/14	IOACC	3,300	3,300	3,300

1.3 Major projects and schemes commenced during the year:

1.3.1 No major projects or schemes were commenced during the year.

1.4 Major projects and schemes completed during the year:

1.4.1 There were two major projects that were completed during the year.

1.4.2 The first of these being the completion of the improvement works to the Penhesgyn Household Waste Recycling Centre (HWRC). 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 £0.3m. 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.

- 1.4.3** The second project being the construction of a new building for Ysgol y Bont. As previously reported, the construction works were several weeks behind schedule. The school was completed in the early part of quarter four and little further expenditure is anticipated. The project, as previously reported as anticipated, was overspent by £0.3m. The WG grant has been claimed in full.
- 1.5** Major ongoing projects and schemes commenced in prior years and continuing beyond 2013/14:-
- 1.5.1** There were a number of projects and schemes commenced prior to this year which run beyond 2013/14.
- 1.5.2** The smallholdings programme of improvements (financed from the ring-fenced capital receipts from the sale of smallholdings) has now completed its fourth year. The programme of works was reviewed and revised during the year to focus on high priority works. This was due to depressed market conditions resulting in the timing of capital receipts falling behind expenditure over the last three years. The programme continues to run ahead of capital receipts, with a deficit of £2,051k at 31 March 2014. In the meeting for this committee in February a report was requested from the Head of Environmental and Technical on the programme of improvements and how the deficit position was being addressed. This report was presented to this committee in March. 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.
- 1.5.3** The European Convergence funded Three Towns (Physical Regeneration) Scheme was significantly complete at the year end. The significant portion of the budget related 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 had all been offered by the year end, with the works expected to be carried out and funds claimed by late 2014.
- 1.5.4** It has been reported previously that the Coastal Environment Project has been extended, with additional funding being made available during 2013/14. Works commenced on this project towards the end of the year and are expected to be completed in early 2015.
- 1.5.5** The second year of the three year Highways Local Government Borrowing Initiative scheme has now been completed. The scheme will see a total of £5.3m invested in total, resulting in improved functionality and condition of the Authority's highways asset. Works completed to date have been on track and in line with the plans and business cases approved by the Welsh Government.

## **2. EXPENDITURE IN THE YEAR**

**2.1** Provisional outturn is £24.1m. This is lower than the previous year (£25.4m).

**2.1.1** There has been an reduction in year on year expenditure as a result of:

- (i) reduced activity on some ongoing projects/schemes, including: (a) HRA works (£5.5m less than 2012/13) mainly due to the WHQS programme of works which was completed in the third quarter of 2012/13 and (b) minor works to schools (£0.6m), Penhesgyn HWRC (£0.7m), smallholdings programme of improvements (£0.4m), Anglesey Coastal Environment Project (£0.4m), other schemes (£1.1m);

- (ii) schemes completed in 2012/13 such as the WG funded Streetscape and Environmental Works 2012/13 (£0.4m), the WG funded upgrade works to leisure centres (costing £0.8m in 2012/13), other schemes (£0.3m).

2.1.2 This was countered to an extent by increased expenditure as a result of:-

- (i) new items such as equal pay claims (£3.3m) and the WG funded Learning in Digital Wales grant (£0.6m).
- (ii) increased activity on ongoing projects and schemes such as: private sector housing grants (£0.7m), the WG funded relocation of Ysgol y Bont (£2.4m), and other projects and schemes (£1.9m).

2.2 The total budget available for spending in 2013/14 was £28.8m. 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	15,040		4,948		900		20,888	
Brought Forward	2,394		0		1,227		3,621	
Changes in Year	3,649		0		654		4,303	
Total Available	21,083		4,948		2,781		28,812	
Expenditure	19,243	91	3,169	64	1,693	61	24,105	84
Slippage	1,840	9	1,779	36	1,088	39	4,707	16

2.3.1 This shows that £28.8m was available and allocated in 2013/14, £20.9m from the original budget, a further £3.6m brought forward and £4.3m net arising in the year.

2.4 Overall, it is expected that projects and budgets totalling £2.2m will transfer to the 2014/15, together with unallocated contingencies of £3.3m.

2.5 The comparable expenditure for 2012/13 was:-

	GENERAL		HOUSING (HRA)		HOUSING (PRIVATE)		TOTAL	
	£000	%	£000	%	£000	%	£000	%
Total Available	19,705		9,800		2,315		31,820	
Expenditure	15,589	87	8,751	89	1,088	47	25,428	80
Slippage	4,116	21	1,049	11	1,227	53	6,392	20

2.6 There were a small number of cost over-runs during the year which are funded from service revenue budgets.

**2.7** The most significant risks, as reported during the year, were the relocation of Ysgol y Bont, the smallholdings programme of improvements and the final account for the Convergence funded Coastal Environment works to Beaumaris Pier. Ysgol y Bont was completed during the year, with the significant majority of expenditure having been incurred and an overspend position of £0.3m at the year end. The WG grant funding has been claimed in full. The smallholdings programme of improvements continues, as noted in section 1.5.2. The rectification works to Beaumaris Pier have now been completed and the final account is expected to be issued in the near future. It has previously been reported that 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 certainty at this time.

### **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 on these schemes and projects is:-

**21<sup>st</sup> Century Schools Transitional Funding (Tranche 3) – Relocation of Ysgol y Bont**

Allocation for the year fully spent.

**Flying Start**

Almost fully spent in year (99% of allocation).

**Learning in Digital Wales**

Fully spent in year.

**Anglesey Coastal Environment Project (extension)**

WG allocation for the year fully spent.

**Llangefni Link Road Phase 1**

Fully spent in year.

**Enterprise Zone Signage**

Fully spent in year.

**Regional Transport Consortia Grant**

Almost fully spent in year. All intended outcomes achieved, but at a lower cost than originally estimated.

**Local Government Borrowing Initiative**

Almost fully spent in year, some minor slippage into 2014/15 but this is not expected to impact upon grant eligibility.

**Safe Routes in Communities Grant**

Fully spent in year.

**Sustainable Waste Management Grant**

Fully spent in year.

**Houses into Homes Loans**

Nearly fully spent in the year (96%).

**Empty Homes Renovation**

Fully spent in the year.

## 3.2 CAPITAL RECEIPTS

3.2.1 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	75	47
	Private Sector Housing	Land Sales	500	34
		Sales of plots Repaid Charges Repaid grants	} 150	60
Other:	Smallholdings**		250	221
	General & Industrial		600	567

\* Not including capital contributions

\*\* Smallholdings income against indicative budget

3.2.2 HRA capital receipts are short of the budget, mainly due to the £0.5m that was anticipated from land sales not being achieved. However, slippage in the programme compensates for this shortfall.

3.2.3 The private sector housing capital receipts were below budget but this is not a significant figure. These receipts are more challenging to forecast as they are driven by the actions of the recipient of the funding.

3.2.4 The receipts shown against smallholdings have been ring-fenced to finance the improvement of the Authority's smallholdings portfolio. As detailed in section 1.5.2, the expenditure is ahead of capital receipts but the receipts are expected to catch up in the coming year.

3.2.5 The Council Fund general and industrial capital receipts almost achieved the budget for the year. It should be noted that forecasting the level and timing of capital receipts remains challenging. On this basis the budget for 2014/15 has not assumed a level of capital receipts will be achieved, this position can be reviewed as the year progresses.

## 4. FINANCING

4.1 At the time of producing this report, the financing of the capital programme is being finalised and the final position will be reported in the Statement of Accounts for 2013/14.

4.2 Borrowing is covered in separate reports on Treasury Management. One loan for £6.5m 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 £89.6m (31 March 2013: £96.1m). The average rate of the debt portfolio was 5.6% during the year. The capital financing requirement brought forward was £10.3m below external borrowing (i.e. £10.3m of borrowing had been internalised). The financing options for 2013/14 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 2014/15 and become:-

• Feasibility Studies	£0.5m
• Asset rationalisation	£2.1m
• Matchfunding / regeneration contingency	£0.2m
• Leisure Improvements	£0.2m
• Unallocated	£0.3m

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

5.2 Most of the slippage on general capital budgets (Council Fund £1.2m and Council Fund Housing £1.0m) will transfer to the current year. No slippage has been provided against the Housing Revenue Account: the 2014/15 programme will be reviewed based upon 2013/14 outturn.

## 6. LOOKING AHEAD

6.1 The significant items worthy of note at this point are as follows:-

6.2 21<sup>st</sup> Century Schools: 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.

6.2.1 The original Band A contained a single scheme for a new primary school in Holyhead. As previously reported a revised SOP approved by the Welsh Government. The revised SOP contains additional schemes and the Band A now contains, amongst others, plans for the Llannau area. A revised SOC for the Holyhead scheme is intended to be submitted to WG this summer and the SOC for the Llannau area is due to be submitted to WG in the coming weeks.

6.2.2 Progress with the SOC's is being reported separately and updates will be included in these quarterly reports as appropriate.

6.3 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.

6.4 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 service await the outcome of the bid from WG and are very hopeful of a successful outcome.

6.5 As reported in the quarter three report, officers have 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 outcome of this bid is expected in the coming weeks.

- 6.6** On a final note, as reported in the quarter three report, the County Council submitted a second stage proposal for the Vibrant and Viable Places (VVP) grant scheme. The Welsh Government has now approved the bid and the offer letter is awaited. The funding is dependent upon other sources of match funding and work is currently being performed to secure this, including submission of bids to separate funding bodies. A programme board has been set up and a programme manager has been appointed to move forward with detailed plans and bids. The grant offer letter from WG is awaited but is anticipated that £2m will need to have been claimed by the end of 2014/15. Progress on this will be reported during the year.



Table A

## Provisional Capital Outturn 2013/14

Projects	Budget 2013/14 £'000	Slippage 2012/13 £'000	Total £'000	Expenditure		Comments
				£'000	%	
<b>Housing</b>	<b>6,955</b>	<b>1,227</b>	<b>8,182</b>	<b>4,862</b>	<b>59</b>	
Council Houses	4,948	0	4,948	3,169	64	Works generally proceeded as anticipated. There was quite a significant level of slippage due to the timing of the commencement of works and the progress being made by some appointed contractors.
Private - Grants	1,947	774	2,721	1,573	62	Slippage is as anticipated. This is due to WG funding being made available which was used in place of the Authority's initial budget allocation. The two grant sources were the Empty Homes Renovation Grant, of which the full £160k was spent in the year. The other grant was the Houses into Homes loans scheme; a total of £434,000 was available, the significant amount of which was spent during the year.
Affordable Housing	60	453	513	120	23	As previously reported, other expenditure priorities were being considered jointly with the funding required for the mortgage rescue/homebuy scheme, which will benefit from a contribution from Cymdeithas Tai Eryri. This was the position through most of the year and as a consequence there is slippage into 2014/15.
<b>Education</b>	<b>6,870</b>	<b>2,012</b>	<b>8,882</b>	<b>8,461</b>	<b>95</b>	
Ysgol y Bont - Relocation	4,500	1,868	6,368	6,707	105	As previously reported, the construction works were several weeks behind schedule. The school was completed in the early part of quarter four and little further expenditure is anticipated. The WG grant has been claimed in full.
21st Century Schools Band A - New Primary School Holyhead	545	42	587	10	2	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 this summer.
Flying Start Capital Grant 2013/14	535	0	535	527	98	The works were completed as anticipated.
Learning in Digital Wales (LiDW) Grant 2013/14	590	0	590	614	104	Some of the items of equipment necessary for the fulfilment of the project objectives were more expensive than initially anticipated.
Education : Other	700	102	802	603	75	The minor schemes were significantly complete at year end.
<b>Regeneration</b>	<b>5,768</b>	<b>(639)</b>	<b>5,129</b>	<b>5,332</b>	<b>103</b>	
Econ Development: Strategic Infrastructure - Sites and Premises	300	150	450	235	52	Construction of the 4 units at Pen Yr Orsedd is now underway with completion expected this summer. A bid has been submitted for additional European funding to increase its size to 7 units and the outcome is expected in the near future.
Econ Development: Anglesey Coastal Environment Project (extension)	80	0	80	89	111	As reported in section 1.5.4, additional European funding has been made awarded and works have now commenced.
Econ Development : Other	282	795	1,077	356	33	This mainly relates to the match-funding and partnership funding contingencies, both of which have been almost fully earmarked / committed.
Property: Smallholdings Programme of Improvements	221	(1,590)	(1,369)	683	(50)	The smallholdings programme of improvements (financed from the ring-fenced capital receipts from the sale of smallholdings) has now completed its fourth year. The programme of works was reviewed and revised during the year to focus on high priority works. This was due to depressed market conditions resulting in the timing of capital receipts falling behind expenditure over the last three years. The programme continues to run ahead of capital receipts, with a deficit of £2,051k at 31 March 2014. In the meeting for this committee in February a report was requested from the Head of Environmental and Technical on the programme of improvements and how the deficit position was being addressed. This report was presented to this committee in March. 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.
Waste Management: Civic Amenities Site - Penhesgyn	0	6	6	295	4916	The Penhesgyn Household Waste Recycling Centre (HWRC). 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 £0.3m. 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 commissioned namely constructing an additional slab for storage of green waste and further concreting works for access roads and car parking. The overspend has been funded from service reserves.
Planning: Physical Regeneration (3 Towns)	2,000	0	2,000	830	42	The Three Towns (Physical Regeneration) Scheme was significantly complete at the year end. The significant portion of the budget related 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 had all been offered by the year end, with the works expected to be carried out and funds claimed by late 2014.
Highways: Local Government Borrowing Initiative 2013/14	1,800	0	1,800	1,785	99	The second year of the three year Highways Local Government Borrowing Initiative scheme has now been completed. The scheme will see a total of £5.3m invested in total, resulting in improved functionality and condition of the Authority's highways asset. Works completed to date have been on track and in line with the plans and business cases approved by the Welsh Government.
Highways: Regional Transport Consortia Grant 2013/14	663	0	663	621	94	The works were completed as intended and there was some cost savings due to initial estimates being higher than the requirement.
Highways : Safe Routes in Communities Grant 2013/14	422	0	422	438	103	The objectives of the scheme were fulfilled, with an overspend arising due to complexities of the scheme such as land purchase.
<b>Other</b>	<b>5,598</b>	<b>1,021</b>	<b>6,619</b>	<b>5,450</b>	<b>82</b>	
Highways : Other	775	188	963	585	61	A quarter of this budget relates to the budget for vehicles; the options appraisal work is now complete and procurement is underway and the majority of the slippage relates to the vehicles budget.
Property: Other	724	322	1,046	593	57	This budget relates to a number of minor schemes including building risk management, disabled access, Holyhead fish dock and llanbedrgeoch cemetery. It is expected that these budgets will be spent in 2014/15.
Equal pay 2013/14 claims	3,300	0	3,300	3,300	100	This relates to equal pay claims incurred in 2013/14 for which a WG capitalisation direction was received.
Other Departmental Schemes	799	511	1,310	972	74	The majority of this budget ICT budgets, including a contingency for future requirements.
<b>Total</b>	<b>25,191</b>	<b>3,621</b>	<b>28,812</b>	<b>24,105</b>	<b>84</b>	