

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	8 SEPTEMBER 2014
SUBJECT:	BUDGET MONITORING REPORT FIRST QUARTER 2014/15 - CAPITAL
PORTFOLIO HOLDER:	COUNCILLOR H E JONES
LEAD OFFICER:	GARETH ROBERTS
CONTACT OFFICER:	RICHARD MICKLEWRIGHT (EXT: 2601)

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 £1.3m on general schemes, which equates to 5.9% of the total budget. This was behind the same time last year (£2.2m, 13%). The reason for this is that some of the projects are at a very early stage, such as the Flying Start Capital Expansion Programme, where only planning application and ecology work has commenced, and other schemes will spend most of their budget at a later stage in the year, such as the refurbishment of various schools, which will mainly be carried out over the summer holidays. During the first quarter, work has progressed on a number of schemes including the Strategic Infrastructure Sites & Premises, where 25% of the budget has been spent and the Physical Regeneration (3 Towns), where 37% of the budget has been spent. Additionally, there are schemes that saw reduced expenditure this quarter compared to the same period last year, such as Waste Management: Civic Amenities Sites, where there was £0.2m spend last year compared to nil expenditure this year. There have also been some new grant funded schemes commence this year, including the Intermediate Care Fund within Adult Social Care. The overall effect has been a decreased level of activity and progress on programme compared with the same period last year.
- 2.2 Expenditure to the end of June on housing schemes is £1.3m, which is 13% of the total housing budget. This is a slightly higher level than last year (£0.4m, 6%), mainly due to works on Planned Maintenance Contract of Council Housing progressing well, with expenditure of £0.9m this quarter compared to expenditure of £0.3m at the same period last year.
- 2.3 Total expenditure to the end of June is 12% of the budget. This is due to a number of large schemes, including the Highways Local Government Borrowing Initiative, 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, the Llangefni and Mona Sites and Premises project and the Anglesey Coastal Environment). There are also currently 8 (1 continued from 2013/14) Welsh Government aided projects underway, the most significant of which being the Vibrant and Viable Places Grant.

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

2.4.1.1 The Isle of Anglesey County Council has secured funding of £7,490k from the Welsh Government Vibrant and Viable Places programme over the next three financial years. The Capital Budget approved in June by the Welsh Government for 2014/15 is £2,050k. This Budget of £2,050k has been split over seven projects, Enabling New Homes (£485k), Town Homes (£225k), Viable Town Centre (£385k), Market Hall Hub (£10k), Jobs and Business (£190k), Active Community (£635k) and Sustainable Delivery (£120k). The late approval of funding (June 10th) and the associated requirements by WG (e.g. legal charges condition 4th August) mean that there has not been any capital spend by the end of the first quarter, and that there is a significant risk of underspend. Arrangements are now being made to satisfy the WG grant conditions and progress viable capital expenditure plans during the current financial year to reduce this risk of underspend.

2.4.1.2 The smallholdings programme of improvements (financed from the ring-fenced capital receipts from the sale of smallholdings) is in its fifth and final year of the current programme. The programme of electrical installation is progressing, tenders have been received for the refurbishment of two houses and are being evaluated. Refurbishment of another four houses will be tendered in the next quarter. 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 three years. The programme continues to run ahead of capital receipts, with a deficit of £2,051k brought forward from 2013/14 to which must be added any expenditure in 2014/15. It is anticipated that major sales will take place in the autumn, although there is no certainty that these will be sufficient to cover the shortfall as outlined above.

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. The retention has not been paid and the final account has not been issued. Resolution is not, therefore, expected until next financial year.

2.4.1.4 A number of projects and schemes aligned to service and corporate transformation are in progress or are expected over the short to medium term; this includes the recent, in principle, approval of the 21st Century Schools Programme, Band A, and projects involving older adult social care. These projects and schemes will place a significant capital financing requirement on this Authority and the corporate strategic asset management plans will need to be closely aligned to deliver the capital receipts necessary to minimise the need to borrow. Any borrowing that is taken up will increase the pressures on the future budgets and increase the general risks associated with debt.

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** The Council has been awarded a Grant of £185,071 from the Welsh Government for Safer Route in Communities. The purpose of the funding is to enable the Authority to implement capital schemes to support the delivery of local routes that contribute to the Welsh Government's objective to improve accessibility and safety, and encouraging walking and cycling in communities, with particular emphasis on improving routes to and from schools. The aim is to change how people travel, resulting in greater social inclusion and improved community safety. There are two schemes for the 2014/15 financial year, Cwm Cadnant (£125,850) and Valley (£59,221).
- 3.1.3** The Flying Start Capital Programme is in its second year. The grant award for 2014/15 is £720k. During the first quarter there was only a negligible spend, which was on planning application and ecology, with work on site due to commence in the autumn. There is a risk of the project costing more than the grant award, and the project costs are now being re-evaluated. Shortfall will be sought through VVP Grant, although approval will be needed.
- 3.1.4** WEFO have not formally approved the additional funds to build the additional three BREEAM "Excellent" business units on the Pen yr Orsedd site, but it is anticipated that they will in the near future. Also, there is a process ongoing to demolish Môn Training which should be funded from this WEFO scheme, with no additional funding needed. This is yet to be approved by WEFO.
- 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.
- 3.1.6** The Authority has secured £377k of Capital Grant funding from the Welsh Government in relation to the Intermediate Care Fund for Adult Social Care. The purpose of the funding is to assist us to build on effective working across health, social services and housing to improve the planning and provision of more integrated services and to support people to maintain their independence and remain in their own home.

This Capital funding will be split between 8 projects and is 100% grant funded. The Projects and their budgets are:

- 24/7 Health and Social Care support service (£5k);
- Embedding intermediate care Pharmacy role into primary care (£5k);
- Provision of Equipment and Adaptations (£90k);
- Telecare Equipment (£30k);
- Mobile and Smarter Working (£97k);
- Specialist Equipment (£50k);
- Co-location of MDT Staff (£20k);
- Community Hubs (£80k).

The funding from the Welsh Government is a one-off contribution for 2014/15.

3.2 Capital Receipts

3.2.1 The capital receipts for this year to date are:-

	Received to 30 June 2014 £'000
Housing HRA	
Right to Buy Sales	0
Land Sales	0
Private Sector Housing	
Sales of plots	0
Repaid charges	0
Repaid grants	5
Council Fund:	
Smallholdings	170
General	69
Industrial	44
Schools	0
Total	288

3.2.2 All receipts are showing below anticipated levels, although many projects have yet to become fully operational. Forecasting the level and timing of receipts remains an ongoing problem, although the economic climate is easing nationally.

4. CHANGES AND POTENTIAL CHANGES THIS YEAR

4.1 Unallocated contingencies are as follows:-

	B/fwd 2013/14 £'000	Budget 2014/15 £'000	Allocated 2014/15 £'000	Adjustments 2014/15	Total Available 2014/15 £'000
Matchfunding / Regeneration	200	Nil	Nil	Nil	200
Leisure Improvements Reserve	196	Nil	Nil	Nil	196
Asset Rationalisation	2,100	Nil	Nil	Nil	2,100
Unallocated	340	Nil	Nil	Nil	340
Feasibility Studies	460	Nil	Nil	Nil	460
Spend to Save	Nil	850	Nil	Nil	850
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 scale back the 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 Flying Start, 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 The significant items worthy of note at this point are as follows:-

5.2 21st Century Schools: There are two elements to 21st Century Schools programme to note. These are the Strategic Outline Case (SOC) for each scheme within Bands A – D and the Strategic Outline Programme (SOP) for the programme as a whole.

5.2.1 The SOC for Ysgol y Llannau has been approved by Welsh Government and a combined Outline / Full Business Case will be prepared for submission in September. Welsh Government is looking for the reduced Project Budget Costs of £5.08m to be reduced further within the September submissions.

5.2.2 The SOC for the new Holyhead Primary School is currently being prepared for submission by the end of August. This project will be procured as a Design & Build Project through the 21st Century Schools Framework. A briefing meeting took place with the contractors last week. Stage 1 tenders are being invited at the end of September.

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 in 2013/14. 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. 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 June was £1.3m (5.9% of total budget). Housing schemes incurred expenditure of £1.3m (13% of the total housing budget) to June. The overall expenditure was 12% of total budget, as many of the larger schemes are weighted towards the year end.

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 Vibrant and Viable Places Grant, the 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.

WEFO have not formally approved the additional funds to build the additional three BREEAM "Excellent" business units on the Pen yr Orsedd site, but it is anticipated that they will in the near future. Also, there is a process ongoing to demolish Môn Training which should be funded from this WEFO scheme, with no additional funding needed, although this is yet to be approved by WEFO.

The Authority has secured £377k of Capital Grant funding from the Welsh Government in relation to the Intermediate Care Fund for Adult Social Care. The purpose of the funding is to assist us to build on effective working across health, social services and housing to improve the planning and provision of more integrated services, and to support people to maintain their independence and remain in their own home.

Total Council Fund capital receipts to the end of June were £0.1m (excluding ring fenced small holdings receipts of £0.2m) and are expected to achieve the budget by the year end. The Smallholdings Improvement Project is currently in deficit, but capital receipts are anticipated later this year. Total HRA receipts are short of the budget, 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, or if other budget pressures arise, it may be necessary to scale back the use of this contingency.

Looking ahead, there are currently two significant schemes to note: these are the 21st Century Schools programme and the asset rationalisation programme. The SOC for Ysgol y Llannau has been approved by Welsh Government and a combined Outline / Full Business Case will be prepared for submission in September. The SOC for the new Holyhead Primary School is currently being prepared for submission by the end of August.

With regards to the asset rationalisation programme, Local Partnerships are continuing to assist services and 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.

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Job Title: Accountant (Capital & Treasury Management)

Date: 20 August 2014

Appendices:

Appendix A: Capital Budget 2014/15 – Summary: June 2014

Appendix B: Revised Capital Programme for 2014/15 with a detail of the planned Capital Expenditure

Background papers

None

APPENDIX A

Capital Budget 2014/15 : June 2014

Projects	Budget 2014/15 £'000	Slippage 2013/14 £'000	Total £'000	Expenditure		Comments
				£'000	%	
Housing	6,634	3,320	9,954	1,322	13	
Housing Revenue Account (HRA)	5,734	1,779	7,513	885	12	During Q1 works proceeded on schemes carried forward from 2013/14. In addition, three new contracts with a combined value of £2.9m were awarded during Q1 with all three contracts expected to reach practical completion by the year end.
Private : Grants & Loans	900	1,148	2,048	371	18	
Affordable Housing	0	393	393	66	17	The grants and loans schemes are expected to have been spent by the year end. Priorities continue to be considered jointly with the funding required for the mortgage rescue/home buy scheme, which will benefit from a contribution from Cymdeithas Tai Eryri.
Education	1,720	1,049	2,769	43	2	
21st Century Schools Contingency	0	850	850	0	0	
Flying Start Capital Expansion Programme	720	0	720	4	1	The only spend during the first quarter was on planning application and ecology. Work is due to commence on site in the Autumn, although due to a risk of significant overspend, project costs are now being evaluated.
Education : Other	1,000	199	1,199	39	3	This relates to minor works schemes in the various schools. The budgets are fully committed, but spend in Quarter 1 is low due to the fact that most of the work carried out will be completed over the summer holidays.
Regeneration	4,491	2,106	6,597	1,094	17	
Econ Dev: Strategic Infrastructure - Sites and Premises	1,666	215	1,881	468	25	Construction of the 4 units at Pen Yr Orsedd is now approaching completion with the handover expected in September. A bid to secure additional WEFO funding to construct a further 3 units could be approved in the near future.
Econ Dev : Other	650	721	1,371	110	8	This relates to the match-funding Cyfenter Scheme, Local Investment Fund Grants, Anglesey Business Centre Extension Plans and the Anglesey Coastal Environment Project.
Property: Smallholdings Programme of Improvements	250	0	250	20	8	The smallholdings programme of improvements (financed from the ring-fenced capital receipts from the sale of smallholdings) is in its fifth year. The programme of electrical installation is progressing, tenders have been received for the refurbishment of two houses and are being evaluated. Refurbishment of another four houses will be tendered in the next quarter. 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 three years. The programme continues to run ahead of capital receipts, with a deficit of £2,051k brought forward from 2013/14. It is anticipated that major sales will take place in the autumn which will see the programme return to a balanced funding position. The programme of expenditure will then be reviewed further in light of ongoing developments with regard to capital receipts.

Projects	Budget 2014/15 £'000	Slippage 2013/14 £'000	Total £'000	Expenditure		Comments
				£'000	%	
Waste Management: Civic Amenities Site – Penhesgyn	125	0	125	0	0	The original plan for the expenditure was for the site at Penhesgyn. But this site is now deemed not suitable, therefore the money will be spent on the Waste Container Storage Compound in Mona, which would replace the area currently occupied at Bryn Sunsur.
Physical Regeneration (3 Towns)	0	1,170	1,170	432	37	
Highways: Local Government Borrowing Initiative 2014/15	1,800	0	1,800	64	4	The budget is to be spent on projects and properties within the Holyhead Townscape Heritage Initiative. 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.
Other	1,570	1,311	2,881	178	6	
Highways : Other	650	378	1,028	153	15	This budget relates vehicles, structures, carriageways, car parks and street lighting which are progressing as anticipated.
Property: Other	770	453	1,223	25	2	This all relates to disabled access and building risk management work, and extensions to two cemeteries, one in Llanddona and the other in Llanbedrgoch.
ICT: Strategy	150	480	630	0	0	No expenditure on ICT: Strategy during the first quarter.
Total	14,415	7,786	22,201	2,637	12	

APPENDIX B

Slippage 2013/14	Budget 2014/15			
£'000	£'000	SERVICE	Detail of the planned Capital Expenditure	Amount ('000)
199	1,000	Education Schools - Refurbishment	Ysgol Syr Thomas Jones - Toilet Refurbishment Ysgol Uwchradd Bodedern - Replacement Boiler and Roofing works Ysgol Gyfun Llangefni - Works on school car park, re-wiring, Doors and the Fire Alarm system Ysgol David Hughes - Fire Risk Ysgol Uwchradd Caergybi - Science Block, Roof, Boiler Ysgol Gynradd Y Borth - Toilets	100 719 100 50 200 30
850	720	Flying Start Capital Expansion Programme 21st Century Schools Contingency	Adjustment to Flying Start Building Holyhead Capital Costs & design fees Ysgol y Llannau. Planning for new School in Holyhead No further information on Contingency	720 Minimal 850
1,049	1,720	Sub-Total		2,769
1,170		Planning Physical Regeneration (3 Towns)	Projects & Properties within the Holyhead Townscape Heritage Initiative	1,170
1,170	0	Sub-Total		1,170
		Waste Waste Containers Storage Compound - Penhesgyn	The monies will be used in connection with Waste Container Storage Compound in Mona, The storage compound would replace the area currently occupied at Bryn Sunsur.	125
0	125	Sub-Total		125
		Economic Development Matchfunding Cyfenter Scheme	This is Run by Menter Môn, and it's the Councils contribution in giving out grants to third sector community economic enterprises.	300
	130	Local Investment Fund Grants	The Council gives out grants to local businesses	130
	25	Anglesey Business Centre Extension Plans	Plans in 2007 to extend the centre, updating and reviewing these plans to submit for planning application to extend Business Centre	25
215	1,666	Strategic Infrastructure on Anglesey - Sites and Premises	7 new units on Penyrsedd site and building demolition of Môn Training	1,881
	495	Anglesey Coastal Environment Project	Porth Dafarch, Holy Island Yacht Station pontoons, Menai Bridge Beach Road, Rhosneigr Slipway, Treaddur Bay Harbour Viewing Area, Cemaes Bay	125 57 107 57 57
721		Other	Access for All Beach, Cemaes Bay No information available	257 256
936	2,316	Sub-Total		3,252

		Highways and Transportation		
	200	Carriageways	Pengorffwysfa to Llanelian Tregle Village Contingency: General	72 30 26
	50	Car Parks	Ravenspoint Road, Trearddur Bay	72
	180	Structures	No more information available Aberffraw Llanfairynghornwy	50 90 90
	20	Street Lighting	No Plan - looking at the age of lamps and replacing the less efficient lamps	20
	50	Estate Roads and Footways	No more information available	50
	1,800	Local Government Borrowing Initiative	Carriageway Resurfacing Drainage Improvement Footway reconstruction	1,490 170 140
	150	Vehicles	No more information available	150
378		Other	No more information available on slippage	378
378	2,450	Sub-Total		2,828
		Property		
	200	Disabled Access to Public Buildings	Ysgol Syr Thomas Jones - Disabled Access Ysgol Gyfun, Llangejni - Disabled Access Ysgol Uwchradd Caergybi - Disabled Works Ysgol Gynradd Fali - Disabled Works Ysgol Esceifiog - Disabled Works Ysgol Llanfechell - Disabled Works Secondary schools unallocated DDA Contingency: General	5 40 30 10 30 15 50 20
	450	Buildings Risk Management & Structural Maintenance	Primary Schools - Legionella Risks Unallocated Primary Schools - LPG Unallocated Primary Schools - Kitchens unallocated Various - Compliance with Legionella ACOP Last Trading Post - New Window Post Office Brynsiencyn - Flat Roof Council Depot - Asbestos Removal Unit 2 Bodedern - Convert window to door Old National School - Roofing Old National School - Retaining Wall Foel Fawr Access - Access Track All properties - Fire Risk All properties - Boilers All properties - LPG Safety Programme Contingency: General	50 30 50 50 3 3 10 2.5 15 5 4 17 100 50 60.5
	120	Extension to Llanddona Cemetery Llanbedrgoch Cemetery Extension	Extending the Llanddona Cemetery Extending the Llanbedrgoch Cemetery	120 110

		Smallholdings (Ringfenced programme)	No Programme Yet	250
453	250	Other	No more information available on slippage	343
453	1,020	Sub-Total		1,473
		Corporate		
480	150	ICT Strategy	No Programme Yet	630
480	150	Sub-Total		630
4,466	7,781	Total - General		12,247
		Housing		
		Public Sector Housing :		
		Housing Revenue Account Capital Programme	Planned Maintenance on Council Houses	5,350
			WHQS Planned Works 2014-15 - Unallocated contingency	400
			WHQS Change of Tenancy 2014-15 - Unallocated contingency	350
			Environmental Works 2014-15 - Unallocated contingency	250
			Sheltered Housing Review - Unallocated contingency	735
		Other	No information on slippage	428
		Private Sector Housing Schemes :		
		Private Sector Housing Grants and Loans Schemes	Energy Efficiency Grants 14-15 programme	100
			First Time Buyer Grants 14-15 programme	50
			Disabled Facilities Grants 14-15 programme	750
1,148		Other	No information on slippage	1,148
393		Affordable Housing Schemes	No information on slippage	393
3,320	6,634	Total Housing		9,954
7,786	14,415	TOTAL BUDGET		22,201