

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	3 NOVEMBER 2014
SUBJECT:	BUDGET MONITORING REPORT SECOND QUARTER 2014/15 - CAPITAL
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
HEAD OF SERVICE:	RICHARD MICKLEWRIGHT (EXT. 2601)
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

- The expenditure on general schemes to the end of September was £3.8m (29.6% of total general schemes budget). Housing schemes incurred expenditure of £2.5m (28% of the total housing budget) to September. The overall expenditure was 29% of the total budget, as many of the larger schemes are weighted towards the year end.
- It is recommended to note progress of expenditure and receipts against the capital budget.

B - What other options did you consider and why did you reject them and/or opt for this option?

n/a

C - Why is this a decision for the Executive?

- In February 2014, the Council set a capital budget of £15.265m, excluding slippage.
- This report sets out the financial performance of the Capital budget for the first half of the financial year.

CH - Is this decision consistent with policy approved by the full Council?

Yes

D - Is this decision within the budget approved by the Council?

Setting of the annual Capital Budget.

DD - Who did you consult?

What did they say?

	Who did you consult?	What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	No issues raised
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	No issues raised
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

E - Risks and any mitigation (if relevant)

1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

F - Appendices:

Appendix A - Capital Budget Monitoring Report – Quarter 2 2014/15

Appendix B - Capital Budget 2014/15 – Summary: September 2014

Appendix C - Revised Capital Programme for 2014/15 with a detail of the planned Capital Expenditure and any external funding

FF - Background papers (please contact the author of the Report for any further information):

- 2014/15 capital budget, as recommended by this Committee on 10 February 2014; and
- 2014/15 quarter 1 capital monitoring report (as presented to, and accepted by, this Committee on 8 September 2014)

1. BACKGROUND

- 1.1 This is the capital budget monitoring report for the second quarter of the financial year. Appendix B 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 £3.8m (£6.1m in 2013/14) on general schemes, which equates to 29.6% (36% in 2013/14) of the total general schemes budget. The reasons for this are that some of the projects are still at an early stage, such as the Flying Start Capital Expansion Programme, where only planning application, ecology work and engineering services has commenced. There are also other schemes that will spend most of their budget at a later stage in the year, such as the Fleet Vehicles, due to a tender process. During the second quarter, work has progressed as expected on a number of schemes, including the Strategic Infrastructure Sites & Premises, where 44% of the budget has been spent and the Physical Regeneration (3 Towns), where 54% of the budget has been spent. There have also been some new grant funded schemes which have commenced this year, including the Intermediate Care Fund within Adult Social Care, but 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 September on housing schemes is £2.5m (£1.3m 2013/14), which is 28% (18% in 2013/14) of the total housing budget. This is a higher level than last year, mainly due to works on Council Houses progressing well, with expenditure of £1.6m (£1.0m in 2013/14) up to the end of the quarter. Also, expenditure on Private: Grants & Loans is £0.9m (£0.3m in 2013/14) to the end of this quarter.
- 2.3 These reports 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.

2.3.1 The five most significant projects in terms of risk are detailed below:-

- 2.3.1.1 The Isle of Anglesey County Council has secured grant funding of £7,490k from the Welsh Government Vibrant and Viable Places Programme over the next three financial years, on a match funding basis. The total 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 Welsh Government (e.g. legal charges condition 4th August) means that there has been very little capital spend by the end of the second quarter, and that there is a significant risk of underspend. Arrangements are now being made to satisfy the Welsh Government grant conditions and progress viable capital expenditure plans during the current financial year to reduce this risk of underspend. Currently, up to and including quarter 2, there has been £4k capital spent on Vibrant and Viable Places and additional £34.5k revenue against the £2,050k total budget. Three projects have been approved under the Town Homes theme, which are Llys Watling Flats Improvement, Holyhead Homes Improvement and Energy Efficiency and First Time Buyer Refurbishment Grant, which fully commits the Town Homes budget of £225k.

- 2.3.1.2** The smallholdings programme of improvements, financed from the ring-fenced capital receipts from the sale of smallholdings and rental income, is in its fifth year. The 8 schemes currently on site as part of the electrical installation programme is nearing completion. Refurbishment of four houses is progressing with one other scheme due to start towards the end of the financial year, whilst a further two refurbishment schemes will be tendered in the autumn. 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. The programme of income generation is showing signs of improvement, with capital receipts of £631k agreed this financial year and major sales anticipated to take place in the second half of the year.
- 2.3.1.3** Another 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 a settlement is currently being worked upon. The final account has not been issued. It is not yet clear if the resolution will be in this financial year or the next.
- 2.3.1.4** 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.
- 2.3.1.5** The final scheme to note is the Flying Start Capital Programme which is in its second year. The grant award for 2014/15 is £720k. During the second quarter there was only a negligible spend, which was on planning application, ecology and engineering services with work on site due to commence in the autumn. There is a risk of the project costing more than the grant award; the project costs are now being re-evaluated. Shortfall will be sought through VVP Grant, although approval will be needed. Also, a further £100k is being sought from Welsh Government, but no decision has yet been made.

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** WEFO have formally approved the additional funding of £600k to build the additional three BREEAM "Excellent" business units on the Pen yr Orsedd site, and to demolish the old Môn Training Building. The building works will begin in the 3rd quarter, with the demolishing of Môn Training Building due to start in Quarter 4. The project is due to conclude in Quarter 1 2015/16.

3.1.3 Planning approval has been granted for the Beaumaris Flood Alleviation scheme and preparatory work is ongoing on final designs and tender documents. Welsh Government are still following progress closely with a view to funding the scheme. If funding is secured, it is anticipated that works could commence in January 2015 and take 6 months to complete.

3.2 Capital Receipts

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

	Received to 30 September 2014 £'000
Housing HRA	
Right to Buy Sales	33
Land Sales	0
Private Sector Housing	
Sales of plots	0
Repaid charges	78
Repaid grants	5
Council Fund:	
Smallholdings	292
General	189
Industrial	44
Schools	126
Total	767

3.2.2 All receipts are showing below anticipated levels. 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:-

5.1.1 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.

5.1.2 The SOC for Ysgol y Llannau has been approved by Welsh Government and an Outline Business Case will be prepared in due course but the site for the proposed new school needs to be decided upon first. Welsh Government is looking for the reduced Project Budget Costs of £5.08m to be reduced further within the OBC.

5.1.3 The combined SOC/OBC for the new Holyhead Primary School is currently being prepared for submission by early November. 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. The project is now out to tender and these will be evaluated in mid-November.

5.2 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.

Capital Budget 2014/15 : September 2014

Projects	Budget 2014/15 £'000	Slippage 2013/14 £'000	Total £'000	Expenditure £'000	%	Comments
Housing	6,634	2,365	8,999	2,507	28	
Housing Revenue Account (HRA)	5,734	1,351	7,085	1,569	22	During Q1 & Q2, the expenditure incurred was mainly on the planning of slippage schemes from 2013/14. By now, we have procured the 2014/15 programme and spend is expected to increase in Q3.
Private : Grants & Loans	900	621	1,521	870	57	The grants and loans schemes are expected to have been spent by the year end.
Affordable Housing	0	393	393	68	17	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	737	27	
21st Century Schools Contingency	0	789	789	0	0	
21 st Century Schools	0	61	61	16	26	There has only been minimal spend on 21 st century schools for the year to date on site investigations and site appraisal works.
Flying Start Capital Expansion Programme	720	0	720	25	3	There was only limited spend up to the end of Q2 on planning application, ecology and engineering services. Work is due to commence on site in the Autumn although, due to a risk of significant overspend, project costs are now being re-evaluated.
Education : Other	1,000	199	1,199	696	58	This relates to minor works schemes in various schools. The budgets are fully committed. Work is progressing with over half of the budget spent up to the end of Q2.
Regeneration	4,491	2,106	6,597	2,213	34	
Econ Dev: Strategic Infrastructure - Sites and Premises	1,666	215	1,881	820	44	Construction of the 4 units at Pen Yr Orsedd is now completed and the handover is expected in Q 3. A bid to secure additional WEFO funding to construct a further 3 units has been approved, with the work due to begin in Q3.
Econ Dev : Other	650	721	1,371	328	24	This relates to the match-funding Cyfenter Scheme, Local Investment Fund Grants, Anglesey Business Centre Extension Plans, Anglesey Coastal Environment Project and Public Conveniences.
Property: Smallholdings Programme of Improvements	250	0	250	74	30	The smallholdings programme of improvements, financed from the ring-fenced capital receipts from the sale of smallholdings and rental income, is in its fifth year. The 8 schemes currently on site as part of the electrical installation programme is nearing completion. Refurbishment of four houses is progressing with one other scheme due to start towards the end of the financial year, whilst a further two refurbishment schemes will be tendered in the autumn. 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. The programme of income generation is showing signs of improvement, with capital receipts of £631k agreed this financial year and major sales anticipated to take place in the second half of the year.
Waste Management: Container Compound in Mona	125	0	125	0	0	The original plan for the expenditure was for the site at Penhesgyn. But this site is now deemed unsuitable; 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	633	54	The budget is to be spent on projects and properties within the Holyhead Townscape Heritage Initiative.
Highways: Local Government Borrowing Initiative 2014/15	1,800	0	1,800	358	20	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	1,947	1,407	3,354	813	24	
Highways : Other	650	378	1,028	473	46	This budget relates to vehicles, structures, carriageways, car parks and street lighting, which are progressing as anticipated.
Property: Other	770	453	1,223	117	10	This all relates to disabled access and building risk management work, Holyhead Fishdock and extensions to two cemeteries, one in Llanddona and the other in Llanbedrgoch.
ICT: Strategy	150	456	606	0	0	No expenditure on ICT: Strategy during the year to date.
Social Services: Other	377	120	497	223	45	The expenditure incurred here includes the refurbishment of Brwynog Care Home, the purchase of a number of laptops and the purchase of specialist equipment, such as profiling beds.
Total	14,792	6,927	21,719	6,270	29	

APPENDIX C

Slippage 2013/14 £'000	Budget 2014/15 £'000	SERVICE	Detail of the planned Capital Expenditure	Budget Amount ('000)	External Funding (specific grants & contributions) ('000)	Cost borne by IOACC ('000)
		Housing				
		Public Sector Housing :				
1,351	5,734	Housing Revenue Account Capital Programme	Planned Maintenance on Council Houses	5,350	2,600	2,750
			WHQS Planned Works 2014-15 - Unallocated contingency	400		400
			WHQS Change of Tenancy 2014-15 - Unallocated contingency	350		350
			Environmental Works 2014-15 - Unallocated contingency	250		250
			Sheltered Housing Review - Unallocated contingency	735		735
		Private Sector Housing Schemes :				
621	900	Private Sector Housing Grants and Loans Schemes	Energy Efficiency Grants 14-15 programme	171		171
			First Time Buyer Grants 14-15 programme	314		314
			Disabled Facilities Grants 14-15 programme	851		851
			Emergency Repair Grant	21		21
			Empty Home Grants / Loans	140		140
			Fire Safety Grant	24		24
393		Affordable Housing Schemes	No further information	393		393
2,365	6,634	Total Housing		8,999	2,600	6,399
		Education				
	720	Flying Start Capital Expansion Programme	Adjustment to Flying Start Building, Holyhead	720	720	
850		21st Century Schools Contingency	Capital Costs & design fees Ysgol y Llannau. Planning for new School in Holyhead	61		61
			Contingency	789		789
199	1,000	Schools - Refurbishment	Ysgol Syr Thomas Jones - Toilet Refurbishment	100		100
			Ysgol Uwchradd Bodedern - Replacement Boiler and Roofing works	525		525
			Ysgol Gyfun Llangefni - Works on school car park, re-wiring, Doors and the Fire Alarm system	110		110
			Ysgol David Hughes - Fire Risk	50		50
			Ysgol Uwchradd Caergybi - Science Block, Roof, Boiler	200		200
			Ysgol Gynradd Y Borth - Toilets	30		30
			Ysgolion – Legionella Risk	50		50
			Ysgolion Gynradd – Rewiring & Lights	50		50
			Ysgolion Gynradd – Fire Alarms	30		30
			Ysgolion Gynradd – Boilers	30		30
			Unallocated budget	24		24
1,049	1,720	Sub-Total		2,769	720	2,049

Slippage 2013/14 £'000	Budget 2014/15 £'000	SERVICE	Detail of the planned Capital Expenditure	Budget Amount (£'000)	External Funding (specific grants & contributions) (£'000)	Cost borne by IOACC (£'000)
		Economic Development				
215	1,666	Strategic Infrastructure on Anglesey - Sites and Premises	7 new units on Penyrorsedd site and building demolition of Môn Training	1,881	1,500	381
277		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.	277		277
	130	Local Investment Fund Grants	The Council gives out grants to local businesses	130	100	30
	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		25
	495	Anglesey Coastal Environment Project	Porth Dafarch, Holy Island	125	125	
			Yacht Station pontoons, Menai Bridge	57	57	
			Beach Road, Rhosneigr	107	107	
			Slipway, Treaddur Bay	57	57	
			Harbour Viewing Area, Cemaes Bay	57	57	
			Access for All Beach, Cemaes Bay	92	22	70
444		Other	No further information	444		444
936	2,316	Sub-Total		3,252	2,025	1,227
		Property				
	250	Smallholdings (Ringfenced programme)	No Programme on Small Holdings	250		250
2	200	Disabled Access to Public Buildings	Ysgol Syr Thomas Jones - Disabled Access	5		5
			Ysgol Gyfun, Llangefni - Disabled Access	40		40
			Ysgol Uwchradd Caergybi - Disabled Works	30		30
			Ysgol Gynradd Fali - Disabled Works	10		10
			Ysgol Esceifiog - Disabled Works	30		30
			Ysgol Llanfechell - Disabled Works	15		15
			Secondary schools unallocated DDA	50		50
			Contingency: General	22		22
143	450	Buildings Risk Management & Structural Maintenance	Primary Schools - Legionella Risks Unallocated	50		50
			Primary Schools - LPG Unallocated	30		30
			Primary Schools - Kitchens unallocated	50		50
			Various - Compliance with Legionella ACOP	50		50
			Last Trading Post - New Window	3		3
			Post Office Brynsiencyn - Flat Roof	3		3
			Council Depot - Asbestos Removal	10		10
			Unit 2 Bodedern - Convert window to door	2.5		2.5
			Old National School - Roofing	15		15
			Old National School - Retaining Wall	5		5
			Foel Fawr Access - Access Track	4		4
			All properties - Fire Risk	17		17
			All properties - Boilers	100		100
			All properties - LPG Safety Programme	50		50
			Contingency: General	203.5		203.5
(3)	120	Extension to Llanddona Cemetery	Extending the Llanddona Cemetery	117		117
110		Llanbedrgoch Cemetery Extension	Extending the Llanbedrgoch Cemetery	110		110
130		Holyhead Fishdock	No further information	130		130
11		Asset Management Option Appraisal	No further information	11		11
40		Wendon Cafe	No further information	40		40
20		Other	No further information	20		20
453	1,020	Sub Total		1,473		1,473

Slippage 2013/14 £'000	Budget 2014/15 £'000	SERVICE	Detail of the planned Capital Expenditure	Budget Amount ('000)	External Funding (specific grants & contributions) ('000)	Cost borne by IOACC ('000)
		Waste				
	125	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		125
0	125	Sub-Total		125		125
		Planning				
1,170		Physical Regeneration (3 Towns)	Projects & Properties within the Holyhead Townscape Heritage Initiative	1,170	1,120	50
1,170	0	Sub-Total		1,170	1,120	50
		Highways and Transportation				
	1,800	Local Government Borrowing Initiative	Carriageway Resurfacing	1,490		1,490
			Drainage Improvement	170		170
			Footway reconstruction	140		140
(28)	200	Carriageways	Pengorffwysfa to Llanelian	72		72
			Tregele Village	30		30
			Ravenspoint Road, Trearddur Bay	70		70
51	50	Car Parks	No programme on Car Parks	101		101
35	180	Structures	Aberffraw	90		90
			Llanfairynghornwy	90		90
			No further information	35		35
(3)	20	Street Lighting	Looking at the age of lamps and replacing the less efficient lamps	17		17
(3)	50	Estate Roads and Footways	No Programme on Estate Roads & Footways	47		47
237	150	Vehicles	To purchase Fleet Vehicles – due to go to tender	387		387
89		Beaumaris Flood Alleviation	Reduce the risk of floods in Beaumaris	89	72	17
378	2,450	Sub-Total		2,828	72	2,756
		Corporate				
456	150	ICT Strategy	ICT Backup System	150		150
			Update Windows XP to Windows 7	37		37
			Microsoft Exchange	75		75
			3Comm Refresh	50		50
			PSBA fibre to schools	50		50
			Additional Cost for Backup Systems	20		20
			Replacement of 2003 servers	100		100
			Provision for Microsoft and Oracle licensing costs	30		30
			Additional costs for XP replacement	20		20
			ICT Contingency	74		74
456	150	Sub-Total		606		606

Slippage 2013/14 £'000	Budget 2014/15 £'000	SERVICE	Detail of the planned Capital Expenditure	Budget Amount ('000)	External Funding (specific grants & contributions) ('000)	Cost borne by IOACC ('000)
		Social Services				
120		Brwynog	Refurbish Brwynog Care Home	120		120
	377	Intermediate Care Fund	24/7 Health and Social Care support service	5	5	
			Embedding intermediate care Pharmacy role into primary care	5	5	
			Provision of Equipment and Adaptations	90	90	
			Telecare Equipment	30	30	
			Mobile and Smarter Working	97	97	
			Specialist Equipment	50	50	
			Co-location of MDT Staff	20	20	
			Community Hubs	80	80	
120	377	Sub-Total		497	377	120
4,562	8,158	Total - General		12,720	4,314	8,406
6,927	14,792	TOTAL BUDGET		21,719	6,914	14,805