



POLICY AND RESOURCES SCRUTINY COMMITTEE – 4TH OCTOBER 2016

SUBJECT: CAPITAL OUTTURN 2015/16

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To provide information to Members relating to the capital outturn for the 2015/16 financial year.
- 1.2 To present details of proposals to fund overspends on specific schemes prior to consideration by Cabinet.

2. SUMMARY

- 2.1 The report provides details of actual capital expenditure for the 2015/16 financial year and slippage that has been requested to be carried forward into 2016/17.

3. LINKS TO STRATEGY

- 3.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on the 25th February 2015.

4. THE REPORT

- 4.1 The approved Capital Programme for the 2015/16 financial year totalled £49.15m, consisting of £12.86m for the General Fund and £36.29m for the Housing Revenue Account (HRA). During the year specific grants, slippage and contributions were received for various service areas taking the total available capital resources for 2015/16 to £91.11m. This is summarised in the table below: -

	General Fund £000s	HRA £000s	Total £000s
Approved 2015/16 Budget	12,861	36,290	49,151
Slippage Brought Forward from 2014/15	23,397	0	23,397
In Year Grants, Contributions	13,153	0	13,153
S106 Funding	2,483	0	2,483
Revenue Contribution to Capital Outlay (RCCO)	2,058	0	2,058
Other Funding	864	0	864
Total:	54,816	36,290	91,106

4.2 The following table provides a summary of the 2015/16 outturn against each service area: -

Capital Programme	Revised Estimated Target Spend £000s	Outturn Capital Spend £000s	Variance £000s
Education	23,639	14,861	8,778
Lifelong Learning	126	-	126
Social Services	852	649	203
Private Housing	4,232	2,467	1,765
Urban Renewal & Countryside	4,495	3,658	837
Engineers	10,448	6,674	3,774
Land Reclamation	1,901	-	1,901
Property Services	2,194	1,145	1,049
Community & Leisure Services	3,342	935	2,407
Public Protection	884	824	60
Economic Dev & Regeneration	558	537	21
Corporate Services	692	375	317
Corporate Finance Balances	1,453	-	1,453
General Fund Total: -	54,816	32,125	22,691
HRA Total: -	36,290	28,861	7,429
Total Capital Programme: -	91,106	60,986	30,120

4.3 The 2015/16 Housing Revenue Account (HRA) underspend of £7.4m will be carried forward into the 2016/17 financial year to support the ongoing programme of works to meet the Welsh Housing Quality Standard (WHQS).

4.4 The General Fund variance of £22.69m can be split between schemes that are ongoing or have been delayed in 2015/16 (slippage), ring-fenced budgets, schemes that were underspent as at 31 March 2016 and schemes that have resulted in overspends.

4.5 **Slippage:** Schemes to the value of £14.7m have been slipped into 2016/17 as a result of an ongoing program of works and delays in contractual arrangements. Appendix 1 sets out the schemes where slippage has occurred.

4.6 **Ring-fenced budgets:** As at 31 March 2016, a number of ring-fenced budgets remained unspent to the value of £7.6m. These budgets relate to specific grants, contributions and Section 106 monies or earmarked revenue funding transferred to a capital reserves. Appendix 2 provides a breakdown of the £7.6m.

4.7 **Underspends:** As at 31 March 2016, underspends totalling £868k were released into capital balances following agreement with budget holders. Details are provided in Appendix 3.

4.8 **Overspends:** As at 31 March 2016 a number of service areas were reporting overspends against capital schemes to the value of £478k. Appendix 4 details the schemes and the proposed funding correction required as agreed with budget holders. The overspends in relation to Bargoed Regeneration (£197k), Newbridge Regeneration (£75k) and Hafod Deg (£67k) remain unfunded as at 31 March 2016.

4.9 Bargoed Regeneration Overspend

4.9.1 From 2009 to 2015, the Council led the delivery of major European funded regeneration programmes for Newbridge and Bargoed Town Centre. Over £20m worth of investment was secured towards physical improvements in both of the town centres. However, both programmes experienced issues which have led to the Council being financially exposed.

4.9.2 With respect to Bargoed, a number of circumstances arose during the design, procurement and implementation of projects delivered as part of the phase 4 Bargoed Regeneration Programme. These unforeseen circumstances delayed overall progress and resulted in expenditure being incurred after the Wales European Funding Office (WEFO) deadline of 30th June 2015. This expenditure is ineligible for recovery via the European Regional Development Fund (ERDF) grant and the Council is wholly liable for it.

4.9.3 As at 31 March 2016, the overspend relating to Bargoed amounted to £197k. It is anticipated that a further £54k of costs will fall also due in 2016/17.

4.10 **Newbridge Regeneration Overspend**

4.10.1 In December 2013, the Council secured additional ERDF grant funding to undertake a final phase of regeneration projects in Newbridge. Both the Stage 3 Public Realm Town Centre Enhancement and Riverside Walk projects achieved substantial practical completion prior to the WEFO deadline of 30th June 2015. However, residual engineering and landscape architect fees continue to be incurred post completion. Additional remedial costs in relation to the Riverside Walk and Public Realm works have also been incurred and have been exacerbated by a number of latent defects being exposed with the Riverside Walk project which cannot be addressed by the main contractor as they have gone into administration.

4.10.2 Post June 2015 expenditure also includes a final grant payment to the project's Joint Sponsor in relation to the Memo restoration works and payment of a grant recovery invoice from WEFO following a European Funding Audit Team (EFAT) audit which identified ineligible project expenditure.

4.10.3 As at 31 March 2016, the Newbridge overspend was £75k. This expenditure is ineligible for recovery via ERDF grant and the Council is wholly liable for it. It is anticipated that a further £31k of costs will also fall due in 2016/17.

4.11 **Hafod Deg Overspend**

4.11.1 In June 2014 an outline business case was submitted to Welsh Government (WG) to seek £1m funding for Rhymney from the Welsh Government Vibrant and Viable Places (VVP) – Tackling Poverty Fund. WG had awarded the Authority a grant allocation of £200,000 for the refurbishment of Hafod Deg.

4.11.2 Due to delays in both WG approvals in scope of works and the need to undertake unforeseen additional works, the works programme fell behind schedule resulting in a drawdown of only £152,413 to fund capital expenditure in 2014/15 (amounting to £138k). £47,587 was therefore considered ineligible for recovery from WG's VVP programme forming the main component of the Council's exposure on the project.

4.11.3 A further £167k was expended in 2015/16. A WG virement part funded the 2015/16 expenditure, but as at 31 March 2016 the net overspend was £67k.

4.12 It is proposed that the unfunded expenditure as at 31 March 2016 for Bargoed, Newbridge and Hafod Deg totalling £339k should be met from the following sources: -

- Communities Directorate Revenue Reserves amounting to £247k.
- 2015/16 underspend on the Urban Renewal Commercial Improvements Grant scheme amounting to £32k.
- Underspends relating to completed capital schemes in the Economic Development and Regeneration service area totalling £17k.
- £35k from a partial release of match funding previously set aside for the Heritage Lottery Fund (HLF) Llancaiach Fawr scheme. This match funding is no longer required due to additional grant approvals.
- 2016/17 estimated underspend on the Urban Renewal Commercial Improvements Grant scheme amounting to £8k.

- 4.13 It is proposed that the additional 2016/17 liabilities of £54k in respect of Bargoed and £31k for Newbridge should be funded by a Revenue Contribution to Capital Outlay (RCCO) from the 2016/17 revenue budget for the Regeneration, Planning and Economic Development Division. The Division is currently projecting a revenue underspend of £125k.

5. EQUALITIES IMPLICATIONS

- 5.1 An EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low level or minor negative impact has been identified regarding this report; therefore a full EIA has not been carried out.

6. FINANCIAL IMPLICATIONS

- 6.1 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from this report.

8. CONSULTATIONS

- 8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

- 9.1 The Policy & Resources Scrutiny Committee is asked to: -

9.1.1 Note the 2015/16 capital outturn position.

9.1.2 Consider and support a recommendation to Cabinet to fund the overspends in relation to Bargoed and Newbridge regeneration schemes and Hafod Deg as detailed in paragraphs 4.12 and 4.13 of this report.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that Members are advised of the 2015/16 Capital Programme outturn.

11. STATUTORY POWER

- 11.1 Local Government Act 1972.

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Background Papers:

Budget Monitoring Reports 2015/16

Capital Outturn Report 2014/15

Appendices:

Appendix 1 – 2015/16 Slippage

Appendix 2 – 2015/16 Ring-fenced Budgets

Appendix 3 – 2015/16 Underspends

Appendix 4 – 2015/16 Overspends

Appendix 1: 2015/16 Slippage

Service Area	Scheme	Outturn Position 31/03/2016 £000s	Comments
Education	General Schemes	176	Ongoing delivery of programme
Education	Asset Management	861	Ongoing delivery of programme
Education	21st Century Schools	7,755	Ongoing delivery of programme
Social services	Various Schemes	203	Ongoing delivery of programme
Private Housing	Minor Works	100	Ongoing delivery of programme
Countryside	Environmental Schemes	30	Ongoing delivery of programme
Engineers	Infrastructure Retaining Walls	304	Delay in works
Engineers	Major Highway Reconstruction	197	Ongoing delivery of programme
Engineers	Bridge Strengthening	249	Delay due to planning issues
Engineers	Monmouth & Brecon Canal.	207	Delays due to planning issues
Engineers	Various Schemes	185	Ongoing delivery of programme
Land Reclamation	Former Land Reclamation Sites	1,907	Delay in settlement
Property Services	Corporate Asset Management	207	Ongoing delivery of programme
Property Services	Risca Flood Alleviation	900	Ongoing delivery of programme
Property	Various Schemes	44	Ongoing delivery of programme
Community & Leisure Services	Cemeteries	1,261	Ongoing delivery of programme
Public Protection	Coed Top Closed Landfill Site	2	To fund retention relating to 15/16 works
Economic Development & Regeneration	Llancaiach Fawr Extension	3	To fund retention relating to 15/16 works
Corporate Services	IT Hardware & Software	56	Ongoing delivery of programme
Corporate Services	One Stop Shop Development	56	To fund additional works
Total Slippage 2015/16: -		14,703	

Appendix 2: 2015/16 Ring-fenced Budgets

Service Area	Scheme	Outturn Position 31/03/2016 £000s	Comments
Urban Renewal	Risca s106	2	S106 carried forward
Engineers	Various s106 Schemes	1,813	S106 carried forward
CLS	Playgrounds Reinstated S106	374	S106 carried forward
Lifelong Learning	Fochriw Youth Centre	126	At its meeting on the 21 st September 2016, Cabinet resolved that £126k be used to develop the youth service facilities at Fochriw Community Centre.
Private Housing	Home Improvement Loans	559	WG grant funding for loans. Scheme not fully operational as yet.
Private Housing	Houses into Homes Loans	559	WG grant funding for loans. Scheme not fully operational as yet.
Urban Renewal	Town Centres Loan Scheme 15/16	500	WG loan funding.
Urban Renewal	Bargoed Unit Shops Tenants Incentive Fund.	35	Grant funding - ongoing programme
Urban Renewal	Park Lane Development	98	Options being developed for utilisation of site
Urban Renewal	Bargoed Cinema Development	411	Under review.
Engineers	Various Schemes	828	Earmarked funding for historical liabilities & grant funded schemes
Community & Leisure Services	Ty Duffryn	769	Funding initially set-aside for potential Waste Transfer Station. Funding to remain ring-fenced pending the outcome of the ongoing waste strategy review.
Economic Development & Regeneration	Llancaiach Fawr (HLF)	66	Earmarked funding for Llancaiach Fawr (HLF)
Corporate Services	LIDW	5	Scheme has ended, residual grant remaining and subject to WG approval to utilise.
Corporate Services	Corporate Finance Balances	1,453	Cumulative underspends earmarked to fund 2016/17 capital programme.
Total Ring Fenced Budgets 2015/16: -		7,598	

Appendix 3: 2015/16 Underspends

Service Area	Scheme	Outturn Position 31/03/2016 £000s	Comments
Private Housing	Disabled Facility Grants	246	Unable to expend full budget In year due to resource issues
Private Housing	Home Imp Grants/Misc	231	Unable to expend full budget In year due to resource issues
Private Housing	Minor Works	70	Unable to expend full budget In year due to resource issues
Urban Renewal	Commercial Improvements Grant	32	Unable to expend full budget In year
Property Services	Blackwood Miners Institute	8	Schemes completed.
Property Services	Civic Building P/Fraith	3	Schemes completed.
Community & Leisure Services	Various Schemes	3	Schemes completed.
Public Protection	Coed Top Closed Landfill Drain	58	Schemes completed.
Economic Development & Regeneration	Various Schemes	17	Schemes completed.
Corporate Services	One Stop Shop Development	200	Schemes completed.
Total Underspends 2015/16: -		868	

Appendix 4: 2015/16 Overspends

Service Area	Scheme	Outturn Position 31/03/2016 £000s	Comments
Education	St James Primary Replacement School	-15	To be funded from 2016/17 slippage.
Urban Renewal	Bargoed Regeneration	-197	To be funded from Communities Directorate Revenue Reserve and capital underspends subject to Cabinet approval.
Urban Renewal	Newbridge Public Realm	-75	To be funded from Communities Directorate Revenue Reserve and capital underspends subject to Cabinet approval.
Engineers	Sirhowy Enterprise Way	-7	To be funded from 2016/17 slippage.
Land Reclamation	Various Schemes	-6	To be funded from 2016/17 slippage.
Property Services	YF Sports Facility Relocation	-111	To be funded from 2016/17 capital budget.
Economic Development & Regeneration	Hafod Deg	-67	To be funded from Communities Directorate Revenue Reserve and capital underspends subject to Cabinet approval.
Total Overspends 2015/16: -		-478	