

Priorities and Resources Review Panel 2017/18

Members

Councillors Barnby, Bent, Bye, Doggett, Lewis, Stockman, Stocks, Tolchard and Tyerman

(Contact Kate Spencer on t: 01803 207014 or e: scrutiny@torbay.gov.uk)

Tuesday, 29 November 2016 at 9.30 am
to be held in the **Meadfoot Room, Town Hall, Castle Circus,**
Torquay, TQ1 3DR

Agenda

- 1. Capital Strategy and Capital Plan Update 2016/17 Quarter 2** (Pages 2 -
To consider the draft Capital Strategy and the proposals in relation to 26)
the Capital Plan Budget.

Invitees: The Mayor, Steve Parrock and Martin Phillips



November 2016

Corporate Capital Strategy and Capital Receipts Strategy

Consultation Draft

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1 Introduction

The Corporate Capital Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Plan.

Capital investment is technically described as “**Expenditure on the acquisition, creation, or enhancement of ‘non-current assets’**”. This is items of land, property and plant which have a useful life of more than one year. A fuller definition is attached at Appendix 1. Expenditure outside this definition will be, by definition, revenue expenditure.

Most non-current assets are properties that are used in service delivery. The Council's land, buildings and infrastructure asset base of some 3,700 properties has a current use Balance Sheet value of approx. £335 million. In addition the Council has an interest in assets held by Diocese and Foundation schools and assets of companies the Council has a financial interest in such as the Torbay Development Agency.

The changes in valuation for Highway Network Assets from a historic cost basis to a depreciated replacement cost basis is expected to increase the value of the Council's asset base by over £1.4 billion as at 31st March 2017.

Although this Strategy focuses on the Council's management of its own investment in assets, a wider view of capital investment throughout the Bay by both the public and private sectors will have a major influence on meeting Council aims and objectives.

The Capital Strategy is presented to Council as a Policy Framework document, and links with both the Treasury Management Strategy and the Corporate Asset Management Plan. Both documents are available from Council offices and on the Council's Website.

The Capital Strategy sets out the guiding principles on the following elements:

- Approach to Borrowing
- Grant Allocation
- Capital Receipts
- Capital Receipts Strategy
- Revenue and Reserves
- Prioritisation and Approval
- Alternative Funding and Delivery Options
- Investment Opportunities (including capital loans)

In considering the principles, the Council needs a balance between guidance and prescription to allow a flexible approach to be taken but reflective of times of uncertainty. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Council priorities and statutory responsibilities.

The management of the Capital Plan is also supported by the Council's approved Financial Regulations.

2 Guiding Principles

2.1 Approach to Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board to fund capital schemes or, on a short term basis, use its own internal resources (i.e. cash flow). However for all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government “supported borrowing” allocations and related revenue support.

The Council is only able to borrow for “unsupported borrowing” (also known as Prudential Borrowing) under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council.

The Council’s approved 2016/17 Treasury Management Strategy recognised the need to take up to £15m of borrowing to support a number of capital projects. Subsequent Council approvals for expenditure funded from prudential borrowing such as £50m for an Investment Fund will significantly impact on future treasury management strategies. Based on current economic forecasts a borrowing cost of 3% - 3.5% should be assumed for new borrowing in 2017/18.

The Council takes a prudent approach to new borrowing, paying particular regard to the robustness of the business case to include forward predictions of affordability, with the aim that projects should be self-funding (i.e. create a revenue stream so that the cost of borrowing is cost neutral on Council Tax). It is essential that any new proposals for a self funding or invest to save scheme supported by borrowing has a robust business case that is presented to senior members and officers prior to approval by Council.

To support its revenue budget the Council will continue to evaluate any capital investment projects either acting alone or with partners that will produce an ongoing revenue income stream for the Council. This is one of the scoring criteria now adopted by the Council when assessing competing capital projects.

There may be the need for borrowing that has no identifiable future revenue stream, for example, to repair or construct infrastructure assets. Here a broader view can be taken of the value of repairing the asset to the overall economy of the Bay. The cost of such borrowing falls on the tax payer through payments of debt interest on the Council’s revenue account and repayment of debt over a specified period of time. There may still be a need for such borrowing but each proposal should be reviewed on a case by case basis with the project evaluation clearly stating how the borrowing is to be afforded. Given the significant ongoing financial challenges facing this Council over the next few years it is likely that such schemes will be an “exception”.

2.2 Grants

The Council receives capital grant funding from government and is able to bid for grant funding direct to particular government departments or from other grant awarding bodies. The funding from central government tends to be un-ring fenced and without conditions, however this funding is at levels significantly lower than in the last decade.

The Council now has greater flexibility in allocating capital grant funding which allows the Council to direct funding to local priorities which may not be in line with government allocations which are, to some extent, based on local need. Service intentions of the identified government body

awarding the grant should be taken into account in determining allocations, in particular if future funding allocations could be impacted.

Any un-ring fenced capital grants received, even if these are allocated with service intentions of the identified government body awarding the grant, will be required to be approved by Council. Consequently once capital grants have been allocated to a specific service by Council, individual schemes within that allocation are subject to each individual scheme being approved by the Chief Executive in consultation with the Mayor.

The Disabled Facilities Grants (now including the Social Care capital grant) are now included in the Health and Social Care “Better Care Fund”, although outside the s75 pooled budget agreement with the Clinical Commissioning Group.

The Council continues to bid for additional external grant funding but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved. All bids are to be agreed with the Mayor and Chief Executive prior to submission.

2.3 Capital Receipts and Capital Contributions

The Council receives capital receipts and capital contributions from:

- Asset disposals
- Right to Buy Clawback
- Section 106 and Community Infrastructure Levy (CIL)
- Repayment of loans for a capital purpose

Asset disposals

The current policy is to pool all receipts from the sale of all assets sold to support the Capital Plan in line with funding the Council’s priorities. The current Capital Plan has a capital receipts target (£0.6m as at quarter 2 2016/17) to support the approved Plan that has not yet been met. All capital receipts received should be allocated to support this target and not allocated to new schemes, subject to any potential use of capital receipts under the Capital Receipts Strategy (see para 2.4 below). An asset disposal will be deemed to occur when the Council transfers the freehold or a long lease (usually over 40 years)

The Council will consider exceptions to this policy where rationalisation of assets used for service delivery is undertaken and in respect of school sites where the Secretary of State has approved the disposal – such exceptions will require Council decision.

Under the Council’s constitution the approval for the disposal of an asset at Market Value is an Executive (Mayoral) function.

The Council will aim to maximise its capital receipts, where possible, by enhancing the land prior to disposal; e.g. by obtaining planning permission or providing a development plan. As appropriate the Council may dispose of assets by tender or by public auction.

Asset disposals at nil consideration or below market value

In considering asset disposals, the Council also needs to take into account the policy on Community Asset Transfers where the Council will consider, on a case by case basis, the potential transfer of assets to an alternative provider after a full assessment of the long term (full life) risks

and rewards of the transfer, including the achievement of best value including potential market value, linked to the Council's aims and objectives.

The Localism Act 2011 introduced the "Community Right to Bid" and placed a duty upon local authorities in England to maintain a list of assets of community value. Once an asset is "Listed" any disposal will be under the Community Asset Transfer policy or for market value by tender/auction.

Where the Council proposes to dispose of, or grant a long lease, at nil consideration or at a value below market value this is required to be approved by Council. This will also apply where the disposal is for a community or service benefit.

There may be circumstances, such as the transfer of community school assets under the Academies Act, where assets will also be disposed of at nil consideration.

Right-to-Buy Clawback

100% of these receipts are currently used to support the provision of the housing function, although this policy could be reviewed to provide additional resources for projects in other service areas.

Section 106 contributions and Community Infrastructure Levy (CIL)

Section 106 (S106) monies come from developer contributions through the planning system. Unless there are service specific conditions on the use of the S106, the monies should be used to support existing Council priorities and commitments rather than be allocated to new schemes. Any S106 monies received without a service or scheme specific allocation within the planning agreement will be allocated in line with Council's capital scheme priorities.

Any monies received for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements ("the Regulation 123 List") in line with Council's capital scheme priorities including any specific funding requirements such as the South Devon Highway.

The current policy is to pool all capital contributions to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital contributions target to support the approved Plan that has not yet been met. All capital contributions received should, where possible, be allocated to support this target and not allocated to new schemes.

Repayment of loans for a capital purpose

Where the Council provides a loan for a capital purpose this will be approved and accounted for as capital expenditure. The repayment of a loan by the borrower will be treated as a capital receipt; however any receipts of this nature will be specifically applied to reduce the value of the outstanding loan.

2.4 Capital Receipts Strategy

DCLG have revised their statutory guidance in relation to the Local Government Act 2003 on the use of capital receipts for the period from April 2016 to March 2019. This now provides Councils the flexibility to use capital receipts for "the revenue costs of service reform". This flexibility is subject to a Strategy for the use of capital receipts being approved by full Council. By approving this document Council will be approving this flexibility to be used as appropriate with any use reported to Council as an amendment to the Council's capital plan.

Potential uses for capital receipts, (subject to the capital receipts being received and Council approval of changes to capital plan), would be to support any implementation costs for the Council's transformation programme. A number of transformation schemes were identified in the Council's Efficiency Plan approved by Council in September 2016.

DCLG within their statutory guidance have included a number of examples of the type of expenditure that would meet the definition of "revenue costs of service reform".

www.gov.uk/government/uploads/system/uploads/attachment_data/file/507170/Flexible_use_of_capital_receipts__updated_.pdf

2.5 Revenue and Reserves

The Council is able to use revenue funding and reserves for capital schemes. However, as a result of competing revenue budget pressures and the continued reduction in government support for revenue expenditure, the Council's policy is generally not to budget to use revenue or reserve funds to directly fund capital projects after the feasibility stage.

2.6 Prioritisation and Approval

It is always difficult to make choices between competing priorities within a top tier Council that delivers so many varied services. A Capital Reserve list is maintained. It will also be important to ensure sufficient flexibility to take advantage of any funding opportunities that may occur mid-year or fill any gaps where slippage occurs.

The Council has approved a 'scoring matrix' to help inform its priority schemes and this can be used to evaluate competing projects on the Council's Capital Reserve List or new bids for capital funding as and when capital resources become available.

The Council is able, subject to any funding restrictions, to reverse previous allocations of funding to schemes that have not progressed and reallocate to other projects. The capital matrix again can help inform that process.

The capital matrix is an aid to evaluate priorities between often very disparate schemes; however allocation of funding to capital is ultimately a Council decision.

The key stages in the Council's prioritisation and approval process are as follows:

1. If a specific scheme is to be approved/funded there will be a requirement for a detailed business plan or project outline. Business plans are to be submitted to the Chief Executive in consultation with the Mayor/Executive Lead for Finance and Head of Finance:

If a scheme is to be funded from (previously approved) allocations the scheme will be approved by the Chief Executive in consultation with the Mayor/Executive Lead for Finance and Head of Finance and progressed when funding confirmed or,

If new (confirmed) funding is to be used for a scheme to be funded by, say, a specific grant and if the scheme is supported by the Chief Executive in consultation with the Mayor/Executive Lead for Finance and Head of Finance it will be reported to Council.

If funding has been allocated by Council to a service without individual schemes being identified at the time of approval, (such as a general allocation to schools for "basic need" projects), individual schemes within that allocation are subject to each individual scheme being approved by the Chief Executive in consultation with the Mayor.

2. Proposals for invest to save or self financing schemes, (usually financed from prudential borrowing), will also require a detailed business case to be submitted to the Chief Executive in consultation with the Mayor/Executive Lead for Finance and Head of Finance. If the scheme is supported it will be recommended to Council for approval.
3. The Capital Plan will be updated and any recommendations for schemes to be approved by Council included in the next quarterly Capital Plan Update Report.
4. Other schemes that do not require financial support but include the use of Council assets as a Council contribution to a scheme will also be subject to the Council's approval process.
5. Where there is a proposal to transfer capital resources from a previously approved scheme to a new scheme and there is a change of "policy", the new scheme will be approved by Council.

2.7 Alternative Funding and Delivery Opportunities

As Council capital funding is reduced the Council will continue to consider alternative methods of supporting capital expenditure within the Bay, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Council.

The Council can use its assets to support schemes or aim to maximise funding from any source possible, such as European or Local Enterprise Partnership funding.

The Council continues to bid for additional external funding and/or work with other bodies to secure capital investment or consider use of its own assets in a development, but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved along with an assessment of the opportunity costs of alternative options. All schemes are to be agreed with the Mayor and Chief Executive prior to submission and/or contractual commitment.

2.8 Investment Opportunities (including capital loans)

Linked to its approach to borrowing and its Treasury Management Strategy the Council will consider, if the opportunities arise, the purchase of land and property as an investment – to both generate an ongoing income stream or to realise an increased capital value in the future. This could include the purchase of land or property or the purchase of "shares" in a property fund. Depending on the capital funding proposed the appropriate approvals will be requested including approval within the Treasury Management Strategy.

Loans for a capital purpose can also be approved subject to a business case and due diligence on the borrower including as appropriate guarantees and bonds to secure the repayment of the loan.

The Council at its meeting in September 2016 approved an increase in a capital investment fund from £10m to £50m to seek investment opportunities to provide an ongoing revenue stream for the Council.

Appendix 1 – Definition of Capital Expenditure

Capital investment is simply described as:

*Expenditure on the acquisition, creation or enhancement of
“non-current assets”*

*(non-current assets are items of land and property which have a useful
life of more than 1 year)*

This definition of capital expenditure that the Council has to comply with for the classification and, therefore, the funding of capital expenditure is linked to International Financial Reporting Standards. “Qualifying Capital Expenditure” under s25 of Local Government Act 2003 is defined when:

“The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with “proper practices””

“Proper Practice” (from 1 April 2010) is under International Financial Reporting Standards (IFRS) rules. The relevant standard is IAS16 which has the following definition of capital expenditure:

“Expenses that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management”.

“Directly attributable” means that, for examples, if building a school, it is the costs linked to the actual construction of the building, not temporary accommodation, moving people around etc.

Subsequent Capital Expenditure on an asset is defined as:

“Expenses that make it probable that future economic benefits will flow to the authority and whose cost can be measured reliably” subject to “if the expenditure is to replace a component, the old component must be written out of the balance sheet”.

Future economic benefits means that it is not necessary for the expenditure to improve the condition of the asset beyond its previously assessed standard of performance. The measurement is against the actual standard of performance at the date of expenditure; e.g. if service potential or asset life is increased.

Appendix 2 – Capital Scoring Matrix

Capital Projects Assessment Criteria

Possible Weightings

1 Statutory Status: includes support of a statutory Service requirement

3 points	Meets a specific immediate or forthcoming statutory requirement	factor = x	3
2 points	Meets an underlying statutory duty	Max score	9
1 point	Meets a discretionary requirement		
0 points	no indication of status		

2 Corporate Plan Priorities

3 points	Specifically identified in Corporate Plan	factor = x	2
2 points	Identified as a key Project/Activity in the Corporate Plan or directly supports a number of specific outcomes	Max score	6
1 point	Generally supports specific Actions or outcomes		
0 points	Will not deliver any identified outcomes		

3 Mayoral Promises (per Manifesto)

3 points	Identified as a specific Action or directly supports a number of specific outcomes	factor = x	1
2 points	Generally supports specific Actions or outcomes	Max score	3
1 point	Broadly related to achieving outcomes		
0 points	Will not deliver any identified outcomes		

4 Equality , Diversity & Deprivation Issues

3 points	Will achieve improvement in 3 issues	factor = x	1
2 points	Will achieve improvement in at least 1 issue	Max score	3
1 point	Possibility of improvement in at least 1 issue		
0 points	No demonstrated improvement in any issues		

5 Condition, Health and Safety risk and Strategic Importance of Asset Issues

3 points	Expenditure on asset will reduce impact of 3 issues	factor = x	1
2 points	Expenditure on asset will reduce impact of at least 1 issue	Max score	3
1 point	Expenditure will have a possibility of reduced impact in at least 1 issue		
0 points	No demonstrated impact on any issues		

6 Outcomes, Added Value, Cross-service benefit

3 points	Good - Large number of beneficiaries / target groups (>25,000)	factor = x	1
2 points	Satisfactory - Significant number of beneficiaries / target groups (10,000-25,000)	Max score	3
1 point	Fair - Reasonable number of beneficiaries / target groups (1,000-10,000)		
0 points	Poor - Few beneficiaries / target groups (<1,000)		

7 Risk to Community of NOT doing (i.e. identified in Risk Register)

3 points	High Risk (9-16)	factor = x	2
2 points	Medium Risk (5-8)	Max score	6
1 point	Low Risk (1-4)		
0 points	no Risk identified		

8 Risk of Doing (Can project be delivered?) - achievability, timescale, resources required

3 points	Low Risk (1-4)	factor = x	2
2 points	Medium Risk (5-8)	Max score	6
1 point	High Risk (9-16) with Mitigation		
0 points	High Risk (9-16) with no Mitigation		

9 Quality of Business Plan

3 points	Option proposed demonstrates a strong case based on full assessment of the options	factor = x	2
2 points	Reasonable case with some assessment of the options	Max score	6
1 point	Basic case presented		
0 points	Weak case with no comparison of options		

10 Potential to generate future investment return

3 points	Considerable additional net revenue income stream meets both £100k pa and > 25% of project cost)	factor = x	5
2 points	Moderate additional net revenue income stream (meets both £50k - £100k pa and 10-25% of project cost)	Max score	15
1 point	Small additional net revenue income stream (meets both <£50k pa and < 10% of project cost)		
0 points	No potential net revenue income		

11 Ongoing revenue costs over the life of the asset

2 points	Revenue saving or income exceeds borrowing and running costs	factor = x	2
1 points	Revenue saving or income exceeds running costs	Max score	4
0 points	Additional costs can be met solely from within existing resources		
-2 points	Additional on going resources required over existing budgets		

12 Specific External resources to support scheme (including Regional funding)

3 points	Specific (ring fenced) funding requires no additional Council funds	factor = x	4
2 points	Specific (ring fenced) funding and requires Council funds of both 10% match funding or up to £250k	Max score	12
1 point	Specific (ring fenced) funding and requires Council funds of both 50% match funding or between £250-500k		
0 points	Specific (ring fenced) funding but requires Council funds of both 75% match funding or > £500k		

13 Deprivation Critical Factor

1 points	Project is able to reduce the level of deprivation within Bay	factor = x	5
0 points	Project does not impact or has minimal impact on reducing the level of deprivation within Bay	Max score	5

Max score	81
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Agenda Item 1

Appendix 1



Meeting: Overview and Scrutiny Board **Date:** 30 November 2016
Council 8 December 2016

Wards Affected: All Wards

Report Title: Capital Plan Update – 2016/17 Quarter 2 and Mayor’s proposals for
Capital Plan revisions for budget process 2017/2018

Is the decision a key decision? No

Executive Lead Contact Details: Mayor Oliver, mayor@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Head of Finance,
Martin.phillips@torbay.gov.uk

1. Purpose and Introduction

- 1.1 The Capital Plan budget totals £127.6 million for the 4 year programme, with £31.7 million is currently scheduled to be spent in 2016/17, including £4.6m on the South Devon Highway. The Capital Plan requires £1.2 million from (new) capital receipts and capital contributions over the life of the Plan.
- 1.2 The Council’s Capital Plan is updated on a quarterly basis which includes any new funding announcements and allocations. It provides high-level information on capital expenditure and funding for the year compared with the last Plan update as reported to Council in September 2016.
- 1.3 As the Capital Plan is a rolling 4 year plan, the schemes profiled 2017/18 are the current approved budgets for that year. At this stage the previously approved capital plan forms the Mayor’s proposed capital plan for 2017/18 for the budget setting process 2017/18. Any changes from the approved Plan, such as any arising from the application of the capital matrix or proposals from the Mayor or from Overview and Scrutiny recommendations, could be included in the Plan when approved by Council.

2. Reason for Proposal

- 2.1 Quarterly reporting of the Capital budget to both the Overview and Scrutiny Board and to Council is part of the Council’s financial management.
- 2.2 To enable consultation to commence on the Capital Plan – as this is due to be considered by the Council in February 2017 as part of the 2017/18 budget process.

3. Recommendation(s) / Proposed Decision

Overview & Scrutiny Board

- 3.1 That the Board note the latest position for the Council's Capital expenditure and funding for 2016/17 and make recommendations if required to Council in respect of Quarter Two monitoring.
- 3.2 That, as part of the budget setting process for 2017/18, the Board review the Capital Plan and Capital Strategy and make recommendations to the Mayor if required prior to Council approval of the Capital Plan for 2017/18 in February 2017. This process could be informed by the application of the capital matrix on either existing capital schemes or any new projects proposed.

Council

- 3.2 That the latest position for the Council's Capital expenditure and funding for 2016/17 be noted.

4. Supporting Information and Impact Assessment

- 4.1 Members of the Overview and Scrutiny Board and Council receive regular budget monitoring reports on the Council's Capital Plan throughout the year. The Council's four year Capital Plan is updated each quarter through the year. This report is the monitoring report for the second quarter of 2016/17 and includes variations arising in this quarter to the end September 2016. For the purposes of Standing Order F3 in relation to Budget and Policy Framework, the figures presented in appendix 1 for 2017/18 is the approved capital budget for that year and form the Mayor's proposals for the Capital Plan for 2017/18.
- 4.2 Council are due to re approve the Capital Plan for 2017/18 and future years 2018/19 and 2019/20, and the Capital Strategy as part of its budget setting process in February 2017. The Board are invited to review the Capital Plan (appendix one) and Capital Strategy and make recommendations to the Mayor, if required, prior to its formal consideration by Council in February 2017. This process could be informed by the application of the (approved) capital matrix on either existing capital schemes or any new projects proposed.
- 4.3 The overall funding position of the 4-year Capital Plan Budget of £127.6 million, covering the period 2016/17 – 2019/20, is primarily fully funded but still relies upon the generation of £1.2 million of Capital income from capital receipts and capital contributions over the life of the Capital Plan.
- 4.4 Of this sum £0.6 million has been received by the end of October 2016, leaving a balance of £0.6 million still to be realised. It is only after this target has been reached that any capital receipts should be applied to new schemes.
- 4.5 Other capital income to support the Plan could come from capital contributions including community infrastructure levy (CIL) scheme which was approved in 2015/16. In addition £2.1m is due to be generated from S106/CIL contributions to part fund the South Devon Highway.

4.6 The target income for capital receipts and capital contributions are required to meet existing Council commitments. It is important that any capital income raised is allocated to existing commitments and not used to support additional expenditure on new schemes.

4.7 The movements in the estimate of expenditure in 2016/17 on the Capital Plan between the last monitoring report at June 2016 of £33.3 m and the current approved budget for 2016/17 of £31.7 m are shown below. Please note the format of this table shows schemes ordered by their service Directorate, as is Appendix 1.

Scheme	Variation in 2016/17	Change £m	Reason
Estimate as at Q1 2016/17		33.3	Capital Plan Update, 2016/17 Quarter 1
Adult Services			
Adult Social Care	Funding transferred	0.9	Resources for ICO reported in Q1
Affordable Housing	Budget rephased	(1.8)	Majority of budget moved to future years, no new projects
Sanctuary HA – Hayes Road, Pgn	Budget rephased	(0.3)	Final tranche payment moved to 2017/18
		(1.2)	
Childrens Services			
Brookfield House site	Reduced budget	(0.2)	Budget transferred to Education Review Projects
Education Review Projects	Budget reallocations	(0.2) 0.2	Small savings from various budgets transferred Additional resources to Ellacombe and Whiterock. Transfer from Brookfield site
Ellacombe Primary Expansion	Additional budget required	0.1	Budget transferred from Education Review projects
New Paignton Primary school	Budget reduction	(0.3)	Budget transferred to Secondary School Places
Secondary School places	Re profile initial budgets	0.2	Transfer from New Paignton Primary
Whiterock Primary expansion	Additional budget required	0.1	Budget transferred from Education Review projects
		(0.1)	

Community and Customer Services			
Disabled Facilities Grants	Increased budget	1.0	Allocation of Govt. grant.
DFG reserve	Transferred budget	(0.4)	Funding transferred to ICO
Empty Homes Scheme	Part Budget moved to 2016/17	(0.2)	Reflects expected spend. No new projects.
		0.4	
Corporate and Business Services			
Beacon Quay Toilet Block refurbishment	New Scheme	0.1	New project funded from Harbours Reserve
Claylands Redevelopment	Revised phasing	(4.6)	Revised phasing of expenditure
Employment Space at White Rock	New scheme	2.0	Business relocation will provide employment opportunities within Torbay
Essential Capital repairs	Part allocation	(0.4)	Allocated to Freshwater Quarry cliffs.
Freshwater Cliff works	New Scheme	0.4	Allocation from Essential Capital Repairs budget
Investment Fund	Increased budget	4.0	Council approved increase
Old Toll House	Rephase budget	(0.1)	Revised plans being considered so budget moved.
Oldway Mansion Gardens	Scheme no longer required	(0.4)	Development agreement terminated.
Princess Pier	Re profile budget	(1.7)	Works delayed during reassessment of condition.
		(0.7)	
Estimate – Quarter Two 2016/17		31.7	

4.8 Expenditure

4.9 The Capital Plan Budget has been updated for any further revision to both projects and timing, resulting in the latest revision attached at Appendix 1. The Plan now totals £127.6 million over the 4 year period of which £31.7 million relates to 2016/17 and £48.5 million relates to 2017/18.

- 4.10 The purpose of this report and the Monitoring statement attached is to highlight any existing or potential issues which may affect the delivery of the major projects included in the Plan and to consider any potential effect on corporate resources.
- 4.11 Expenditure to the end of this second quarter was £4.2 million with a further £1.1 million of commitments on the Council's finance system. The expenditure of £4.2 million is only 13% of the latest budget for 2016/17. This compares with £5.4 million (or 24% of outturn) for the second quarter last year. It is recognised that for a number of schemes, notably the Regeneration schemes, the Investment Fund and various Highways schemes, including the South Devon Highway, the Council will not incur expenditure until later in the year.

	2011/12 £m (%)	2012/13 £m (%)	2013/14 £m (%)	2014/15 £m (%)	2015/16 £m (%)	2016/17 £m (%)
Quarter One	3 (14%)	2 (11%)	4 (24%)	2 (10%)	1 (4%)	1 (3%)
Quarter Two	7 (32%)	4 (21%)	4 (24%)	4 (20%)	4 (18%)	3 (10%)
Quarter Three	5 (22%)	5 (26%)	3 (17%)	4 (20%)	8 (35%)	
Quarter Four	7 (32%)	8 (42%)	6 (35%)	10(50%)	10(43%)	
Total In Year	22	19	17	20	23	32

4.12 **Updates to Capital Plan**

4.13 **Joint Commissioning Team**

- 4.14 Adult Social Care – As outlined in the Annual Strategic Agreement with the Integrated Care Organisation (ICO) which Council approved in July 2016, the Council is providing £0.922m capital support for the ICO.
- 4.15 Affordable Housing – this budget is available for allocation to specific Affordable Housing projects and it is now anticipated that £1.8m of the budget can be rephased to future years.
- 4.16 Sanctuary HA - Hayes Road – the final tranche payment on this project is unlikely to be required until 2017/18.
- 4.17 Children's Services:
- 4.18 There are a number of variations to budgets on various schemes as detailed below. As previously reported the Government's future funding allocations for Basic Need have been reduced and the previously assumed grant of £2m has not materialised. Consequently Children's Services have undertaken a review of their capital projects to reduce the overall budget requirement by £2m to offset this loss of resources.
- 4.19 Ellacombe Primary expansion – This scheme required £0.05m to finalise works. The project is now complete.

- 4.20 New Paignton Primary School – The future cost of delivering this scheme will be funded directly by Dept for Education subject to EFA approval of a ‘free school’ on the site, consequently £1.491m budget has been transferred to support the Secondary School Places project.
- 4.21 Secondary School Places – additional funds have been provided from the Paignton Primary School budget to support this scheme which in turn has been cut back by £2m to reflect the loss of £2m assumed Basic Need grant resources in future years. A further £0.3m has been reallocated to the project to relocate Torbay School to the Parkfield site.
- 4.22 Torbay School relocation – Designs for the proposed relocation have been agreed with an impact on cost, so £0.3m has been transferred from the Secondary School Places project.
- 4.23 Whiterock Primary expansion – £0.125m additional funding was required to finalise the works on this expansion scheme, which has now been completed. The required funding was transferred from the Education Review projects budget line.
- 4.24 **Joint Operations Team**
- 4.25 Community and Customer Services
- 4.26 Empty Homes Scheme – there is possibility that part of the budget will be required this financial year to acquire and renovate property to bring back into use, with the remainder of the budget (£0.2m) moved to next year.
- 4.27 Transport - there has been some minor budget consolidation of small remaining budgets to the Western Corridor project as part of planned works.
- 4.28 Disabled Facilities Grants (DFG) – As recorded in the previous Capital Plan Monitoring Report, following the Council’s approval of the Annual Strategic Agreement with the Integrated Care Organisation (ICO) agreed in July £1m has been allocated to Disabled Facility Grants.
- 4.29 Corporate & Business Services
- 4.30 Beacon Quay Toilets – a new scheme to refurbish the Beacon Quay toilet block, at a cost of £0.085 m, which will be funded from the Harbours Reserve has been added to the Plan.
- 4.31 Claylands Redevelopment – this scheme is being reviewed and a report on revised proposals will be presented to Council later in the year. As a result until the revised scheme is approved by Council expenditure will not be incurred on the scheme with spend now expected to be in 2017/18.
- 4.32 Employment Site (White Rock) – as reported in the previous Capital Plan monitoring report this £6.7m scheme to provide employment space and enable the relocation of a company to Torbay was supported by Council and has now been added to the Capital Plan. It is, subject to final agreement, aimed to complete the building by September 2017 and the budget is phased between years accordingly.

- 4.33 Freshwater Cliffs stabilisation – Council has previously approved a budget of £3m to enable urgent repairs to Council assets and infrastructure. Part of this budget provision is now required for cliff stabilisation work at Freshwater Quarry, Brixham. A budget estimate of £0.425m for this scheme has been prepared based on the consultant engineer’s latest report and recent contracts for similar works.
- 4.34 Investment Fund – additional £40 m budget added to Capital Plan to reflect the increased level of investment agreed by Council at its meeting on 22 September 2016. The already approved increase is noted here for completeness. Although £5m has been profiled to be spent in 2016/17, currently there are no approved investments from this fund to date.
- 4.35 Oldway Mansion Gardens – following the termination of the Council’s development agreement in respect of Oldway Mansion the provision for future works to Oldway Gardens is no longer required.
- 4.36 Princess Pier Structural repair – Works to be delayed whilst further surveys/investigations are carried out to identify works to be carried out to both substructure and steelwork/surfacing of the pier. £1.74m of the budget is therefore moved to future years however works will be required to steelwork to avoid closure in the next few years.
- 4.37 Edginswell Train Station– The cost of this scheme are higher than the original LEP funding allocation. To meet the difference an additional bid to central government has been submitted.

5 Receipts & Funding

- 5.1 The funding identified for the latest Capital Plan budget is shown in Appendix 1. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years. A summary of the funding of the Capital Plan is shown in the Table below:

	2016/17	2017/18	2018/19	2019/20	Total @ Q2 16/17
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Unsupported Borrowing	14	26	18	21	79
Grants	16	19	6	2	43
Contributions	0	1	0	0	1
Reserves	0	1	0	0	1
Revenue	1	0	0	0	1
Capital Receipts	1	1	0	0	2
Total	32	48	24	23	127

5.2 Grants

5.3 Capital Grants continue to be the major funding stream (over 56% in last 3 years) for the Council to progress its investment plans. An element of these grants result from “bid” processes from other public sector bodies. The Council used £11 million of grants in 2015/16 and is currently estimating to use £16m (50% of 16/17 budget) of grants in 2016/17.

5.4 Since the last Capital update (Quarter 1 2016/17) reported to Council in September 2016, the Council has not been notified of any additional capital grant allocations.

5.5 In October 2016, Council approved the allocation of previously notified grants to the respective services;

Dept for Education - 2016/17 Condition Funding £0.448m; and

Dept for Transport - 2016/17 Highways Maintenance Incentive Fund £0.082m and Pothole Action Fund £0.071m

Since this decision was made after 30 Sept 2016 the figures are not included in this report and Annex.

5.6 Capital Receipts

5.7 The approved Plan relies upon the generation of a total of £2.7 million capital receipts from asset sales by the end of 2017/18, of which £1.4 m was held at 31 March 2016 and a further £0.1m received by the end of September 2016, leaving a target of £1.2m still to be achieved. Proceeds from the disposal of Lincombe Court were received on completion in October 2016, and have been included in this report.

This target is expected to be achieved provided that -

1. approved disposals currently “in the pipeline” are completed
2. the Council continues with its disposal policy for surplus and underused assets and,
3. no more new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

5.8 Capital Contributions – S106 & Community Infrastructure Levy

5.9 The Council’s Capital Strategy states that capital contributions are applied to support schemes already approved as part of Capital Plan and are not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital plan.

5.10 Income from Section106 capital contributions so far in 2016/17 amount to £0.4 million.

5.11 Following the adoption of the Local Plan in late 2015, Council has now also approved a Community Infrastructure Levy (CIL) scheme which will provide funds for infrastructure improvements linked to and in the vicinity of proposed developments. The main capital project identified for CIL receipts is South Devon Highway.

5.12 The South Devon Highway business case estimated external contributions including Section106/CIL payments of £2.1m to help fund the scheme (£0.137m, received since 2012).

5.13 Borrowing and Prudential Indicators

- 5.14 There was no borrowing taken or repaid during the quarter.
- 5.15 The Council's capital expenditure has an overall positive impact on the Council's Balance Sheet. Expenditure in the Capital Plan on the Council's own assets will increase the value attached to the Council's fixed assets. As at 31 March 2016 the Council's "Non Current Assets" were valued at £335 million.
- 5.16 As a result of the introduction of a different valuation method for Highway Network Assets the increase in value on the Council's balance sheet is estimated to be in excess of £1.4 billion. The valuation change is to use a depreciated replacement cost basis instead of a historic cost basis.

Appendices:

Appendix 1 - Capital Plan summary – Quarter Two 2016/17




CAPITAL PLAN - QUARTER 2 2016/17 - EXPENDITURE

Appendix 1

	Latest Est Scheme Cost	Expend in Prev Years (active schemes only)	Actuals & Commitments 2016/17 Qtr 2	Previous 2016/17 (@ Q1 16/17)	2016/17 Q2 Adjustments	New Schemes 2016/17	Revised 4-year Plan September 2016				
							Total 2016/17 Revised	2017/18	2018/19	2019/20	Total for Plan Period
PB = Approved Prudential Borrowing schemes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ADULT SERVICES											
Adult Care											
Adult Social Care	922	0	922		922		922				922
Housing Strategy											
Affordable Housing	1,934		0	1,934	(1,834)		100	834	1,000		1,934
Sanctuary HA - Hayes Road Pgn	500	250	0	250	(250)		0	250			250
	3,356	250	922	2,184	(1,162)	0	1,022	1,084	1,000	0	3,106
CHILDRENS SERVICES											
2 Year Olds Provision	253	130	25	123			123	0			123
Asbestos Removal	73	73		6	(6)		0				0
Barton Primary Cap Project	4,402	4,402		3	(3)		0				0
Brookfield House Site	550	465	35	285	(200)		85				85
Capital Repairs & Maintenance 2012/13	438	438		31	(31)		0				0
Capital Repairs & Maintenance 2014/15 (incl. Furzeham)	1,052	668	91	384			384				384
Capital Repairs & Maintenance 2015/16	106	21	185	85			85				85
Childrens Centres	230	230		2	(2)		0				0
Cockington Primary expansion	3,142	3,074	67	68			68				68
Devolved Formula Capital			22	250			250				250
Education Review Projects			108	199	93		292				292
Ellacombe Primary expansion	552	469	67	33	50		83				83
New Paignton Primary school	9	2	7	248	(241)		7	0	0		7
Paignton Academy Places - mobiles	500	1	444	499			499				499
Secondary School places	2,057	185	240	615	241		856	816	200		1,872
Torbay School PRU Hillside	101	101		19	(19)		0				0
Torbay School Relocation	3,300	35	35	465			465	1,800	1,000		3,265
Torre CoE Primary expansion	1,293	1,293		7	(7)		0				0

CAPITAL PLAN - QUARTER 2 2016/17 - EXPENDITURE

Appendix 1

	Latest Est Scheme Cost	Expend in Prev Years (active schemes only)	Actuals & Commitments 2016/17 Qtr 2	Previous 2016/17 (@ Q1 16/17)	2016/17 Q2 Adjustments	New Schemes 2016/17	Revised 4-year Plan September 2016				Total for Plan Period
							Total 2016/17 Revised	2017/18	2018/19	2019/20	
Whiterock Primary expansion	3,999	3,574	427	300	125		425				425
Youth Modular Projects	409	372	0	37			37				37
	37,999	15,533	1,753	3,659	0	0	3,659	2,616	1,200	0	7,475
COMMUNITY AND CUSTOMER SERVICES											
Babbacombe Beach Road	70	0	0	70			70				70
CCTV equipment	350	0	0	350			350				350
Clennon Valley Sport Improvements	70		1	70			70				70
DfT Better Bus Areas	462	263	114	199			199	0			199
DfT Local Sustainable Transport Fund (Ferry/Cycle)	1,642	1,639	(1)	3			3	0			3
Disabled Facilities Grants			459	94	1,000		1,094		0		1,094
Disabled Facilities Grants Reserve - Potential reallocation (e.g. to Infrastructure)	0	0	0	398	(398)		0				0
Empty Homes Scheme	500	39	0	461	(236)		225	236			461
NGP - Strategic Cycleway	432	432	0	46	(46)		0				0
NGP - Windy Corner Junction	10	10	0	1	(1)		0				0
Private Sector Renewal			0	113			113		0		113
 South Devon Highway - Council contribution	20,224	12,670	377	4,647			4,647	1,500	1,000	407	7,554
 Street Lighting - Energy reduction	515	496	0	19			19				19
 Street Lighting - Energy reduction Ph2	1,112	0	0	1,112			1,112				1,112
Torbay Leisure Centre - structural repairs	545	535	7	10			10	0			10
Torre Abbey Renovation - Phase 2	5,010	4,992	11	18			18				18
Torre Valley North Enhancements	127	3	19	124			124				124
Transport - Edginswell Station	4,511	511	(1)	0			0	2,300	1,600	100	4,000
Transport Integrated Transport Schemes			203	1,356			1,356	931	931	799	4,017
Transport Structural Maintenance			429	1,252			1,252	1,297	1,174	1,174	4,897
Transport Structural Maintenance - Incentive Fund (funds at risk)	0			0			0	0	0		0
Transport - Torquay Gateway Road Improvements	3,875	604	268	946			946	2,325			3,271
Transport - Torquay Town Centre Access	625	208	(24)	417			417				417
Transport - Tweenaway Junction	4,775	4,775	25				0				0

CAPITAL PLAN - QUARTER 2 2016/17 - EXPENDITURE

Appendix 1

							Revised 4-year Plan September 2016					
		Latest Est Scheme Cost	Expend in Prev Years (active schemes only)	Actuals & Commitments 2016/17 Qtr 2	Previous 2016/17 (@ Q1 16/17)	2016/17 Q2 Adjustments	New Schemes 2016/17	Total 2016/17 Revised	2017/18	2018/19	2019/20	Total for Plan Period
Transport - Western Corridor		7,452	1,571	474	4,234	47		4,281	1,600			5,881
		52,307	28,748	2,361	15,940	366	0	16,306	10,189	4,705	2,480	33,680
CORPORATE AND BUSINESS SERVICES (INCL. CONTINGENCY)												
Corporate Services												
PB	Corporate IT Developments	1,000	0	0	250			250	250	250	250	1,000
PB	Essential Capital repair works	2,575	0	0	500		(425)	75	1,500	500	500	2,575
	Enhancement of Development sites	278	75	39	203			203				203
	Oldway Estate works	0		0	400	(400)		0				0
	Payroll Project	370	346	5	24			24				24
	Riviera Centre renewal	1,131	1,131	0	9	(9)		0				0
	General Capital Contingency	631	0	0	0			0	631	0		631
Business Services												
PB	Beach Hut Acquisition/Renewal (Broadsands, Meadfoot)	2,622	2,622	0				0				0
	Beacon Quay Toilets refurbishment	85	0				85	85				85
	Brixham Harbour - Major repairs	123	0	150	90	33		123				123
PB	Claylands Redevelopment	10,000	0	0	4,600	(4,600)		0	8,500	1,500		10,000
PB	Council Fleet Vehicles	463	322	0	141			141				141
PB	Employment Space at White Rock	6,684	0			(4,684)	6,684	2,000	4,684			6,684
	Flood Defence schemes (with Env Agency)	689	625	30	9			9	55			64
PB	Freshwater Cliffs Stabilisation	425	0	28			425	425				425
	Haldon Pier - Structural repair Phase I&2	3,072	3,012	(137)	60			60				60
	Harbour Workboat	45	0	10	45			45				45
	Hollicombe Cliffs Rock Armour	1,544	0	53	930			930	614			1,544
PB	Investment Fund	50,000	0	0	1,000	4,000		5,000	10,000	15,000	20,000	50,000
PB	NGP - Torbay Innovation Centre Ph 3 (EPIC)	7,221	696	10	620			620	5,905			6,525
	Oddicombe Beach Chalets	192	192	0				0				0
	Old Toll House, Torquay	150	4	0	146	(111)		35	111			146
	Princess Pier Decking	360	235	128	125			125				125

CAPITAL PLAN - QUARTER 2 2016/17 - EXPENDITURE

Appendix 1

							Revised 4-year Plan September 2016					
	Latest Est Scheme Cost	Expend in Prev Years (active schemes only)	Actuals & Commitments 2016/17 Qtr 2	Previous 2016/17 (@ Q1 16/17)	2016/17 Q2 Adjustments	New Schemes 2016/17	Total 2016/17 Revised	2017/18	2018/19	2019/20	Total for Plan Period	
	Princess Pier - Structural repair (with Env Agency)	1,744	0		1,744	(1,740)	4	1,740			1,744	
PB	TEDC Capital Loans/Grant	2,474	1,327		547		547	600			1,147	
	Torquay Harbour - Inner Harbour Pontoons	48	0	0	48		48				48	
		93,926	10,587	316	11,491	(7,511)	6,769	10,749	34,590	17,250	20,750	83,339
TOTALS												
		187,588	55,118	5,352	33,274	(8,307)	6,769	31,736	48,479	24,155	23,230	127,600
CAPITAL PLAN - QUARTER 2 2016/17 - FUNDING												
	Unsupported Borrowing				11,738	(4,284)	6,684	14,138	26,955	17,671	21,118	79,882
	Grants				17,180	(1,355)		15,825	18,780	5,707	2,337	42,649
	Contributions				527	(335)		192	517	15		724
	Reserves				303	(45)	85	343	1,156	(132)	(264)	1,103
	Revenue				399			399	79	79	39	596
	Capital Receipts				3,127	(2,288)		839	992	815	0	2,646
Total												
					33,274	(8,307)	6,769	31,736	48,479	24,155	23,230	127,600