



Public Agenda Item: **Yes**

Title: **Capital Investment Plan Update - 12/13 (2nd Quarter)**

Wards Affected: **All Wards in Torbay**

To: **Council**

On: **6<sup>th</sup> December 2012**

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## **1. What we are trying to achieve**

- 1.1 This report is an overview of the Council's approved Capital Investment Plan for the quarter ending September 2012. The report provides details of expenditure and funding of service and community assets within the Council's approved Capital Investment Plan and is a key element of meeting the Council's aims and objectives.

## **2. Recommendation(s) for decision**

### Council

- 2.1 That Council notes the latest position on the Capital Investment Plan
- 2.2 That Council approve £0.1m for the purchase of 25 beach huts at Broadsands as a prudential borrowing scheme to be funded from additional income from the new beach huts.

## **3. Key points and reasons for recommendations**

- 3.1 This report incorporates the 4-year Capital Plan Budget for 2012/13 – 2015/16 approved by Council in February 2012, adjusted for re profiling arising in 2011/12 and amended by any further revision to both projects and timing in 2012/13.
- 3.2 The overall funding position of the 4-year Capital Plan Budget of £68.2 million, covering the period 2012/13 – 2015/16, is in balance but still relies upon the generation of over £6.2 million of capital receipts before the end of the current Plan period. Of this sum £0.9 million has been received by 30 September 2012, leaving a balance of £5.3 million to be realised.
- 3.3 Of the total £68.2 million of the 4 year programme, £24.8 million is currently scheduled to be spent in 2012/13. As at end of the second quarter actual spend and commitments (orders raised on finance system) are £10.7m.

3.4 It should be noted that re profiling can be the result of valid project management reasons such as scheme re engineering, further consultation and clarification with users or detailed tendering.

3.5 The Annual Capital Investment Plan review report (Council 1 Feb 2012) identified potential capital resources of £31.4million in total for the four years of the Plan period and indicated provisional allocations by type of works such as infrastructure. Since then, services have presented detailed business cases for schemes they wish to pursue and the Chief Executive and subsequently, the Chief Operating Officer have now approved funding of around £19 million for a number of specific schemes. Details of schemes approved in quarter two 2012/13 are shown at Paragraph A2.6 in this report.

### 3.6 Movements in 2012/13 Estimated expenditure

3.7 The movements in the estimate of expenditure in 2012/13 on the Capital Investment Plan between the estimate at Quarter One 2012/13 of £29.5m and the current estimated budget for 2012/13 of £24.9m, split by the categories of funding, are as follows:

<b>Scheme</b>	<b>Variation in Q2</b>	<b>Change £m</b>	<b>Reason</b>
<b>Estimate at Quarter One 2012/13</b>		<b>29.5</b>	Capital Budget Monitoring 2012/13 (Report 27 Sept 2012)
<b>“Old” Funding Regime</b>			
New Growth Points:			
Windy Corner Tweenaway Cross	Transfer allocation	(0.2) 0.2	Transfer funds to support Tweenaway Junction
Great Parks Access	Re phased to 2013/14	(0.4)	Delay in development
Babbacombe Beach Road	Move to 2013/14	(0.1)	No plans from Developer
Barton Infrastructure	Move to 2013/14	(0.1)	Unlikely to be required this year
Education Review Projects	Re phased to 2013/14	(0.3)	Unlikely to spend all this budget in this financial year
Haldon Pier	Re phased to 2013/14	(0.2)	Some works will be incurred early 2013/14
		<b>(1.1)</b>	
<b>“New” Funding Regime</b>			
Cockington Primary expansion	Re phased to 2013/14	(0.2)	Revised cashflow on expected programme
Warberry Primary expansion	Re phased to 2013/14	(0.3)	Revised cashflow on expected programme
Princess Promenade Phase 3	Additional budget	0.2	Further allocation of resources to enhance sea front area.
		<b>(0.3)</b>	

<b>“New” Ring fenced funding</b>			
Integrated Transport Better Buses area	Re phased to 2013/14	(0.4)	Review of likely spend pattern
		<b>(0.4)</b>	
<b>Prudential Borrowing</b>			
Princess Promenade	Re phased to 2013/14	(0.5)	Completion of scheme scheduled for June 2013
South Devon Link Road	Re phased to 2013/14	(2.1)	Earlier DfT funding delays Torbay’s contribution
Beach Huts - Broadsands	New scheme	0.1	Purchase of 25 beach huts
		<b>(2.5)</b>	
<b>General Capital Contingency</b>			
General Contingency	Re phase budget	(0.4)	Reduced expectation of usage in 2012/13
		<b>(0.4)</b>	
<b>Estimate – Quarter Two 2012/13</b>		<b>24.8</b>	

#### **4 Capital Investment Plan - 2013/14 Budget Process**

- 4.1 Council, in February 2012, approved a four year Capital Investment Plan that included an estimate of funding over four years and a four year allocation of resources to services.
- 4.2 Council at its meeting in February 2013 will receive a quarterly Capital Investment Plan report which will include an update on the latest Capital Investment Plan which will include any funding that has been confirmed as part of the 2013/14 local government finance settlement. The quarterly report will, as usual, be distributed to members of the Overview and Scrutiny Board
- 4.3 As Council has already approved a four year capital plan there is no operational need for a separate Capital Investment Plan report to be approved as part of the Council’s 2013/14 budget process.
- 4.4 Members will continue to be updated of capital funding, grant allocations and projects on a quarterly basis as part of the usual Capital Investment Plan budget monitoring report.
- 4.5 The Plan usually spans four years, which will now include 2016/17. However as 2016/17 is after both the next national and Council elections no estimates of funding will be introduced at this stage.
- 4.6 The Council has a requirement to approve prudential indicators on an annual basis which include those that relate to capital expenditure and funding. These will be included as an appendix to the 2013/14 Treasury Management Strategy Report going to Audit Committee in December 2012 and Council in February 2013.

4.7 Under the Council's constitution the Capital Strategy and Asset Management Plan are required to be approved by Council. These are due to be presented to Priorities & Resources Panel in November 2012 and Council in December 2012.

**For more detailed information on this proposal please refer to the supporting information.**

**Paul Looby  
Executive Head - Finance (S151 Officer)**

### **Appendices**

Annex 1                      Capital Investment Plan Budget 2012/13 - 2015/16 (Oct 2012)

## Capital Investment Plan Budget Monitoring Statement – 2nd Quarter 2012/13

### Supporting information

#### A1. Introduction and history

- A1.1 The Council approved the original 4-year Capital Investment Plan Budget for the period 2012/13 – 2015/16 in February 2012. This plan has been subsequently adjusted for re profiling arising in 2011/12 of £3.8 million, (Capital Outturn Report Council 12<sup>th</sup> July – agenda item 12 refers), and amended by any further revision to both projects and timing, resulting in the latest revision attached to Annex 1. The Plan totals £68.3 million over the 4 year period of which £24.7 million relates to 2012/13.
- A1.2 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. This report to Council has been updated since the draft report distributed for information to Members of the Overview & Scrutiny Board.
- A1.3 Expenditure to the end of this second quarter was £6 million with a further £5m of commitments on the Council's finance system. The expenditure of £6m is 24% of the latest budget for 2012/13. This compares with £7 million (or 32% of outturn) for the second quarter last year.

	<b>2009/10</b> <b>£m - (%)</b>	<b>2010/11</b> <b>£m - (%)</b>	<b>2011/12</b> <b>£m - (%)</b>	<b>2012/13</b> <b>£m - (%)</b>
Quarter One	8 - 16%	10 - 23%	3 - 14%	<b>2 – 8%</b>
Quarter Two	11 – 22%	13 - 30%	7- 32%	<b>4 – 16%</b>
Quarter Three	13 – 27%	9 - 21%	5 - 22%	<b>X</b>
Quarter Four	17 – 35%	11 - 26%	7- 32%	<b>X</b>
<b>Total In Year</b>	<b>49</b>	<b>43</b>	<b>22</b>	<b>25</b>

#### A2. Main Variations & Management Action

##### A2.1 "New Funding Regime"

- A2.2 As part of the approval of the Capital Investment Plan by Council – February 8<sup>th</sup> 2012 the following was approved
- A2.3 *"That the approval of specific capital schemes in the Capital Investment Plan 2012/13 to 2015/16 be delegated to the Chief Executive in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer"*
- A2.4 An estimate of funds was identified in the Capital Investment Plan (February 2012) for the four years of the Plan, which was provisionally allocated to a number of "priority" areas. In a number of services, requests have now been submitted for funding which has been approved by the Chief Executive and, since September, the Chief Operating Officer in line with the Council delegated approval.
- A2.5 Funding adjustments have been made to the four year estimate of funding including a reduction to the estimated funds available from S106 for housing and

the Community Infrastructure Levy. As a result the allocation for redundancy costs and affordable housing has been removed. Future redundancy costs will have to be funded from the Council's Comprehensive Spending Review Reserve.

A2.6 A summary of allocations over the four years of the Plan is shown in the table below:

<b>Scheme</b>	<b>Allocation Council Feb 12 £m</b>	<b>Allocated To Q1 2012/13 £m</b>	<b>Allocated In Q2 2012/13 £m</b>	<b>Total Un allocated £m</b>
	(Revised)			
Employment Schemes – such as Riviera Centre investment	2.0	0.1	0	1.9
Torre Abbey – Council maximum funding pending English Heritage Grant and other income.	2.0	2.0	0	0
Princess Pier Structural Repairs – Council match funding to a bid for to the Environment Agency	1.4	1.4	0	0
Grants for both Disabled Facilities and Childrens Adaptations	3.2	0.8	0	2.4
Provision for Infrastructure Works	2.0	1.0	0.2	0.8
Improving Leisure Facilities	1.7	0.5	0.4	0.8
Schools – Basic Need (including school places) and capital repairs	9.6	9.4	0	0.2
Transport – Structural Repairs and Integrated Transport	6.2	6.1	0	0.1
Adult Social Care	1.0	0.1	0	0.9
Affordable Housing	0.1	0.1	0	0
<b>Total Schemes</b>	<b>29.2</b>	<b>21.5</b>	<b>0.6</b>	<b>7.1</b>

A2.7 The Capital Investment Plan as at quarter one shows the approved schemes to the extent that funding has been received or confirmed. Where the value of the approved schemes exceeds the known funding, temporary prudential borrowing has been used pending the future receipt of funds, at which point the funding will be swapped. However if funding is not realised then the Capital Investment Plan will have to be reduced accordingly or alternative sources of funding allocated such as prudential borrowing.

A2.8 Details of schemes approved by the Chief Executive or Chief Operating Officer from the four year capital allocation in quarter two are as follows:

<b>Scheme</b>	<b>Budget Approved £m</b>	<b>Details</b>
Oldway Estate – public works	0.400	Contribution by Council to Oldway developer to works to the public areas in the estate – a future year cost.
Princess promenade – Phase 3	0.200	Further Improvements to the public realm aspects of the Princess Promenade area
<b>Total Quarter Two</b>	<b>0.600</b>	

#### A2.9 Affordable Housing

The Capital Investment Plan in February estimated £2m of income specific to affordable housing schemes from s106 and right to buy receipts. As a result of the low level of this type of income the £2m estimate has now been removed and funds, and therefore schemes, will only now be added when funding received. To date £0.1m has been added.

#### A2.10 Princess Promenade Phase Three

Chief Executive in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer has approved the next phase of works to Princess Promenade at a cost of £0.200m. The funding to be taken from the Infrastructure allocation in the Capital Investment Plan. The works will improve the public realm around Torquay Harbour side. This project focuses on the third phase of the Promenade including the Banjo and the paving up to Princess Theatre.

#### A2.11 Oldway Public Works

As part of the development agreement with Akkeron for the Oldway estate the Council is to contribute £0.4m for improvements to the public areas on the estate. Chief Executive in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer has approved the funds from the Leisure Facilities allocation in the Capital Investment Plan. This budget has been added to 2013/14 financial year.

#### A2.12 School Projects

Cashflow changes are required for the following schemes:

Cockington Primary Expansion - £0.2 m to be re-profiled to 2013/14

Warberry Primary Expansion - £0.3 m to be re-profiled to 2013/14

Re-profiling for these 2 projects is a result of further design work and firming up of the expected programme of works.

#### A2.13 "Old Funding Regime"

Relates to the schemes in the Capital Investment Plan that were allocated to services from capital funding that originated in 2011/12 and earlier financial years.

#### A2.14 Children's, Schools, and Families

£0.3m budget for Education Review Projects has been moved to 2013/14 as it is now felt unlikely that all the available budget will be spent this year.

##### Completed schemes in Quarter

Curledge Street Primary Remodelling – achieved practical completion on 7<sup>th</sup> September 2012. The project was delivered on time but slightly over budget. The additional funding required can be resourced from the small contingency within the existing Children's Services Capital Programme.

Preston Primary ASD Unit & Remodelling – achieved partial completion/beneficial handover on 7<sup>th</sup> September 2012. The project was delivered on time and within budget.

Westlands 14-19 (Torquay United) Project – achieved practical completion on 27<sup>th</sup> July 2012. The project was delivered on time and within budget.

#### A2.15 Place and Resources

The Council previously allocated nearly £1.5 million of New Growth Points (NGP) grant for the purpose of acquiring land to facilitate Affordable Housing developments. The Council is finalising the purchase of two parcels of land (Hatchcombe Nurseries, Torquay and Grange Road, Paignton) for this purpose which will require approx £0.780m of this NGP grant allocation, along with £0.5m of (scheme specific) capital funding.

£0.4m of New Growth Points Grant in relation to Great Parks Access has been re profiled to future years arising from delays in the delivery of the development.

Budgets available for works on Barton Infrastructure £0.1m and Babbacombe Beach Road £0.1m have been re profiled in to future years as neither scheme is currently expected to take place in this year:

##### Haldon Pier

Part of the works for improving sea defences at Haldon Pier is unlikely to be completed until next year so £0.25 million of the budget has been transferred.

#### A2.16 General Contingency

Currently there are no major potential variations in the Capital Investment Plan and consequently it is unlikely that the contingency will be required this financial year so £0.350m budget has been moved to 2013/14.

#### A2.17 **"New" Ring fenced funding**

There are no changes to report



## **A2.18 Schemes funded from Prudential Borrowing**

### **A2.19 Beach Huts - Broadsands**

It is proposed to invest £0.1m in the purchase and location of 25 additional beach huts/chalets at Broadsands in Paignton. This is to be a prudential borrowing scheme with the investment costs repaid over 10 years from the additional income generated from the new huts. The original proposal for this scheme was part of the RIO project which has now been developed to include a business case, and will increase the quality of the beach amenity offer in this area.

### **A2.20 South Devon Link Road**

Work on the South Devon Link Road is now underway and the Department for Transport have advised that they are keen to provide more of their funding in this financial year which will mean that Torbay's budgeted contribution to the scheme will not be needed until next year. The £2.1 m budget scheduled for 2012/13 has therefore been moved to 2013/14. Further changes in the spending and funding profiles are expected as the scheme progresses.

Part of the funding submission to the Department of Transport identified that Torbay and Devon Councils would generate £2.5m each of third party contributions to the scheme. To help meet this target a report will be presented to Council for a Section 106 charging policy to support the South Devon Link Road.

### **A2.21 Office Rationalisation Project**

Following the successful transfer of Oldway Mansion to Akkeron (developer) the expected capital receipt of £1m will be applied to fund work under the Office Rationalisation Project which will reduce the level of prudential borrowing required, thereby reducing the Council's revenue costs in 2013/14 and future years by approx £70,000 per annum.

### **A2.22 Princess Promenade**

The contractors are now on site for this work but the scheme will not be completed until early 2013/14, consequently £0.5 million budget has been re-phased to next financial year.

## **A3. Income Monitoring**

A3.1 The funding identified for the latest Capital Investment Plan budget is shown in Annex 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 Investment Plan is shown in the Table below:

	2012/13	2013/14	2014/15	2015/16	Total 12/13 Q2	Potential Funds	Total Funds 4 yrs
	A	B	C	D	E	F	G
<b>Funding</b>	£m	£m	£m	£m	£m	£m	£m
Supported Borrowing	1	0	0	0	1	0	1

Unsupported Borrowing	6	8	5	11	30	(9)	21
Grants	15	12	3	0	30	10	40
Contributions	0	1	0	0	1	3	4
Reserves	1	1	0	0	2	0	2
Revenue	0	0	0	1	1	0	1
Capital Receipts	2	1	0	0	3	3	6
<b>Total</b>	<b>25</b>	<b>23</b>	<b>8</b>	<b>12</b>	<b>68</b>	<b>7</b>	<b>75</b>

Notes to Table:

Column E –reflects the Capital Investment Plan as at quarter two 2012/13 and shows the approved schemes to the extent that funding has been received or confirmed. Where the value of the approved schemes exceeds the known funding, temporary prudential borrowing has been used pending the future receipt of funds, at which point the funding will be swapped.

Column F – reflects the balance on the 2012/13 four year Capital Investment Plan that has not yet been allocated and the expected funding sources that have not yet been confirmed. When funding is confirmed the use of temporary prudential borrowing will be reversed.

### A3.2 Capital Receipts

As mentioned above, the £1 m due to be received from the disposal of Oldway Mansion will be used to reduce the prudential borrowing for the Office Reorganisation Project rather than being used towards the capital receipts target.

The Council has received £0.9m capital receipts in the year to date with a few other disposals “in the pipeline”. All previous receipts prior to 2012/13 had been utilised to fund capital expenditure in 2011/12 so the balance of receipts at the start of the year was nil, leaving a target of £3.2 million over the four years of the Capital Investment Plan, including the additional £1m from Oldway Mansion.

However the anticipated total resources of £31.4 million used at the Annual Review of the Capital Investment Plan included an assumption of a further £3 million from potential capital receipts; therefore the total target for capital receipts is £6.2 million by 2015/16. Allowing for capital receipts received so far, the remaining target is currently £5.3 million.

The total of over £5m is challenging. Within this total there are a number of expected individual receipts that are significant including the Oldway Estate, Brixham Town Square (Tesco) and the old Paignton Library. It is still anticipated that successful marketing of the earmarked sites and the remaining assets on the approved disposal list, along with any other major developments on Council owned land, will eventually generate sufficient receipts to meet the overall sales target. The Council’s Asset Rationalisation Board encourages services to identify surplus assets for disposal and to generate resources to fund investment in the remaining assets.

The Community Asset Transfer Strategy enables some assets, which previously would have been sold, are now transferred to Community groups, thereby reducing the amount of achievable capital receipts. To date two parcels of land, at Hollicombe, Paignton and Hartop Road, Torquay have been leased to community groups under the Council’s Community Asset Transfer Policy

### A3.3 S106 Contributions and Community Infrastructure Levy

As reported in quarter one there is uncertainty over the level and timing of both S106 contributions and Community Infrastructure Levy income. Therefore as noted above funding adjustments have been made to the four year estimate of funding including a reduction to the estimated funds available from S106 for housing and the Community Infrastructure Levy. As a result the allocations for Redundancy costs and Housing have been removed from the Capital Investment Plan. Future redundancy costs will have to be funded from the Comprehensive Spending Review Reserve and Affordable Housing schemes will only now be added when funding is received or confirmed.

To the end of quarter 2 in 2012/13, invoices to a total of £0.240m from S106 income for (non housing) capital purposes were raised to developers. When these are received these funds will be used to support the current funding allocations in the four year Capital Investment Plan and not allocated to new schemes.

### A3.4 Grants

#### Unringfenced Grants

Since the last Capital monitoring report plan was approved by Council in September 2012 the following unringfenced grants has been received:

- a) A capital grant of £0.075 million for Short Breaks for Disabled Children

This unringfenced grant will be initially used to support the allocations in the four year Capital Investment Plan and not allocated to new schemes.

## A4. Prudential Indicators

A4.1 The Council set its Prudential Indicators and monitoring arrangements for affordable borrowing in February 2012. The Authorised Limit for External Debt including long term liabilities (the maximum borrowing the Council can legally undertake) and the Operational Boundary (the day-to-day limit for cash management purpose) are monitored on a daily basis by the Executive Head of Finance and reported to Members quarterly.

A4.2 The limits are as follows

- |                               |               |
|-------------------------------|---------------|
| • <b>Authorised Limit</b>     | <b>£192 m</b> |
| • <b>Operational Boundary</b> | <b>£173 m</b> |

External Debt, and long term liabilities, such as the PFI liability, as at end of September 2012 was £163 million. No borrowing, or repayment of borrowing, was undertaken during the second quarter of 2012/13. The current level of debt is within the Operational Boundary and the Authorised Limit set for the year. No management action has been required during the quarter.

A4.3 The Council's capital expenditure has an overall positive impact on the Council's Balance Sheet. The majority of expenditure in the Capital Investment Plan is on the Council's own assets which will therefore increase the value attached to the

Council's fixed assets. This also applies to investment in assets funded from borrowing where the increase in asset value will exceed any increase in the Council's long term liabilities. As at 31 March 2012 the Council's "Non Current Assets" were valued at over £320 million. (Note when Council schools transfer to Academy status the value of the asset is removed from the Council's balance sheet, however the Council remains liable for any outstanding borrowing or other long term liability in relation to the asset being transferred).

**A5. Outline of significant key risks**

That capital receipts, other capital contributions such as S106 and Community Infrastructure levy and future year grant allocations will be not be received to support the plan.

The contingency is approximately 1.6% of total planned expenditure on a total programme of £68 million. There could be inflationary cost pressures on the programme thus increasing expenditure.

**A6. Other Options**

Council could consider reducing the Capital Investment Plan to reflect any potential reduction in capital receipts or other capital resources

**A7. Summary of resource implications**

Resources implications are outlined in the report with a summary of funding in paragraph A3.1.

Schemes funded from prudential borrowing are a revenue budget pressure until the borrowing is "repaid". Unless the scheme is an 'invest to save' scheme, the costs of interest and repayment of principal (MRP) will need to be funded from the Council's revenue budget.

**A8. What impact will there be on equalities, environmental sustainability and crime and disorder?**

No direct impact but the Capital programme supports all Council priorities and complies with Council policies.

**A9. Consultation and Customer Focus**

Where appropriate individual capital schemes have public consultation and negotiation with stakeholders.

**A10. Are there any implications for other Business Units?**

The Capital Investment Plan supports all Council priorities thus will directly impact on service delivery.