



Meeting: Overview & Scrutiny Board  
Council

Date: 24th January 2013  
6<sup>th</sup> February 2013

Wards Affected: All

Report Title: Capital Investment Plan Update - (3rd Quarter 2012/13)

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## **1 Purpose**

- 1.1 This report is an overview of the Council's approved four year Capital Investment Plan for the quarter ending December 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. The report also provides details of capital resources identified for 2013/14, primarily from recent Government announcements, and other sources, which will impact on the 2013/14 and future years' programmes.

## **2 Proposed Decision**

### Overview & Scrutiny Board

- 2.1 That the Board review the report and make recommendations to Council as appropriate.

### Council

- 2.2 That Council notes the latest position on the four year Capital Investment Plan.

## **3 Reasons for Decision**

- 3.1 Quarterly reporting to both the Overview and Scrutiny Board and to Council is part of the Council's financial management process.
- 3.2 The Capital Investment Plan forms part of the Council's annual budget setting process.

## **4 Summary**

- 4.1 This report updates 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. It also incorporates any recent funding announcements for both 2012/13 and future years. The Plan has also been extended to incorporate the

2016/17 financial year, however as this is after both the next national and Council elections no estimates of funding will be introduced at this stage.

- 4.2 The Council has a requirement to approve prudential indicators on an annual basis which include those that relate to capital expenditure and funding. These were included as an appendix to the 2013/14 Treasury Management Strategy Report reviewed by Audit Committee in December 2012 and will be presented to Council in February 2013.
- 4.3 Under the Council's constitution the Capital Strategy and Asset Management Plan are required to be approved by Council. These were reviewed by the Priorities & Resources Panel in November 2012 and will be presented to Council in February 2013.
- 4.4 The Capital Strategy set the principles in how the Council manages its Capital Expenditure and Capital resources, including the approval of individual capital schemes. There are no significant changes proposed to this strategy for 2013/14.
- 4.5 The overall funding position of the 4-year Capital Investment Plan Budget of £71.1 million, covering the period 2012/13 – 2016/17, 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 £1.0 million has been received by 31 December 2012, leaving a balance of £5.2 million to be realised.
- 4.6 Of the total £71.1 million of the 4 year programme, £23.3 million is currently scheduled to be spent in 2012/13. As at the end of the third quarter actual spend and commitments (orders raised on finance system) are £14.9 million – 64% of projected spend for the year.
- 4.7 The latest estimate for capital expenditure for the next financial year 2013/14 is £25.2m. This estimate is based on current approved capital expenditure. There are no additional funds to be added to the Capital Investment Plan for 2013/14.
- 4.8 It should be noted that re profiling of project spend between years can be the result of valid project management reasons such as scheme re engineering, further consultation and clarification with users or detailed tendering.
- 4.9 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 three 2012/13 are shown at paragraph 5.10 in this report.
- 4.10 Movements in 2012/13 Estimated expenditure
- 4.11 The movements in the estimate of expenditure in 2012/13 on the Capital Investment Plan between the estimate at Quarter Two 2012/13 of £24.8m and the current estimated budget for 2012/13 of £23.3m, 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 Two 2012/13</b>		<b>24.8</b>	Capital Budget Monitoring 2012/13 (Report 6 Dec 2012)
<b>“Old” Funding Regime</b>			
Barton Primary Project	Re phased to 2012/13	0.3	Budget moved from future years to reflect expected spend in this financial year
Brixham Harbour Regeneration	Additional required in 2012/13	0.1	Additional works incurred in relation to deck strengthening
Enhancement of Development Sites	Re phased to 2013/14	(0.1)	Revised cashflow on expected programme
SWIM Torquay	Move part budget to 2013/14	(0.1)	Part of scheme subject to tender process
Princess Promenade Phase 3	Moved to 2013/14	(0.1)	Delay due to co ordination of works with banjo.
		<b>0.1</b>	
<b>“New” Funding Regime/</b>			
Schools projects	Re phased to 2013/14	(0.1)	Revised cash flow on expected programme
Cliff face stabilisation –Manscombe Quarry and Meadfoot Sea Road	Additional budget	0.1	Allocation of infrastructure resources – to be spent in 2013/14
Disabled Facilities Grants	Re phased to 2013/14	(0.4)	Reviewed for likely timing of expenditure
Transport Western Corridor	Re phased to 2013/14	(0.1)	Scheme to proceed after adjacent works completed
		<b>(0.6)</b>	
<b>“New” Ring fenced funding</b>			
Integrated Transport Street Lighting	Increased budget	0.1	‘Part night’ lighting funded from revenue energy savings
Colin Road Culvert	New budget	0.1	Flood Defence works at Colin Road Paignton
Sustainable Travel – ferry scheme	Re phased to 2013/14	(0.3)	Review of design to match grant
		<b>(0.1)</b>	
<b>Prudential Borrowing</b>			
Council Fleet Vehicles	Re phased to 2013/14	(0.2)	No purchased expected in remainder of 2012/13
Office Rationalisation Project	Re Phased to 2013/14	(0.5)	Budget moved to future years for next phase of works
Princess promenade – Western Section	Re phased to 2013/14	(0.1)	Contractor submitted revised cash flow
		<b>(0.8)</b>	
<b>General Capital Contingency</b>			
General Contingency	Re phase budget	(0.1)	Reduced expectation of usage in 2012/13
		<b>(0.1)</b>	
<b>Estimate – Quarter Three 2012/13</b>		<b>23.3</b>	

## Supporting Information

### 5 Position

- 5.1 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 updated for any further revision to both projects and timing, resulting in the latest revision attached to Annex 1. The Plan totals £71.1 million over the 4 year period of which £23.3 million relates to 2012/13 and £25.2m relates to 2013/14.
- 5.2 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.
- 5.3 Expenditure to the end of this third quarter was £10.8 million with a further £4.1m of commitments on the Council's finance system. The expenditure of £10.8m is 46% of the latest budget for 2012/13. This compares with £15 million (or 68% 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 – (17%)</b>
Quarter Three	13 – (27%)	9 – (21%)	5 – (22%)	<b>5 – (21%)</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>23</b>

- 5.4 Main Variations & Management Action
- 5.5 **"New Funding Regime"**
- 5.6 As part of the approval of the Capital Investment Plan by Council – February 8<sup>th</sup> 2012 the following was approved
- 5.7 *"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"*
- 5.8 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 2012, the Chief Operating Officer in line with the Council delegated approval.
- 5.9 Subsequent to the initial approval funding and expenditure adjustments have been made to the four year estimate of funding
- 5.10 A summary of allocations to date over the four years of the Plan from this estimate of funds over four years is shown in the table below:

<b>Scheme</b>	<b>Allocation Council Feb 12 £m</b>	<b>Allocated to Q2 2012/13 £m</b>	<b>Allocated In Q3 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	1.2	0.2	0.6
Improving Leisure Facilities	1.7	0.9	0	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>22.1</b>	<b>0.2</b>	<b>6.9</b>

- 5.11 The Capital Investment Plan as at quarter three 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.
- 5.12 Details of schemes approved by the Chief Operating Officer from the four year capital allocation in quarter three are as follows:

<b>Scheme</b>	<b>Budget Approved £m</b>	<b>Details</b>
Manscombe Quarry stabilisation	0.128	Repair works following landslide
Meadfoot Sea Road Cliff works	0.020	Work to stabilise rock face
<b>Total Quarter Three</b>	<b>0.148</b>	

#### 5.13 Manscombe Quarry Stabilisation

There has been a landslip from the Quarry at Manscombe (owned by Council but rented to TCCT) which has impacted on a domestic property. The repair and restatement works required are estimated at £0.128m and the Chief Operating Officer in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer" has approved this expenditure using the provision for infrastructure works. It is expected the bulk of this work will be completed in 2013/14.

#### 5.14 Meadfoot Sea Road Cliff works

There has been a rock fall at Meadfoot Sea Road. The cliff stabilisation works required are estimated at £0.02m and the Chief Operating Officer in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer has approved this expenditure using the provision for infrastructure works.

5.15 Princess Promenade Phase 3 – work to enhance this area are linked with the broader Princess Promenade (Western Section) scheme and coordinating the works have resulted in revised projections of expenditure indicating that £0.2 m of the combined budgets have been re-phased in to 2013/14.

#### 5.16 School Projects

Cash flow changes are required for the following schemes:

Cockington Primary Expansion - £0.040m re-profiled to 2013/14

Warberry Primary Expansion - £0.050m re-profiled to 2013/14

Roselands Primary Expansion - £0.060m re profiled to 2013/14

Re-profiling for these 3 projects is a result of further assessment of likely expenditure patterns.

5.17 Transport – Western Corridor – delays in other road improvements have delayed work on this scheme so £0.15m budget has been re-phased to next year.

#### 5.18 Disabled Facilities Grants

Officers have reviewed the likely expenditure on approved grants and consider that approximately £0.5m will not be spent until next financial year. The expenditure profile of these budgets is difficult to predict since although grants

are approved by officers, the timing of expenditure is solely down to the applicants.

#### 5.19 **"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.

#### 5.20 **Children's, Schools, and Families**

Barton Primary School - £0.350m budget for this scheme has been moved to 2012/13 from 2013/14 as it is now considered that this budget will be spent in the current financial year.

#### 5.21 **Place and Resources**

Enhancement of Development Sites - It is not expected that there will be much expenditure in this financial year so budget of £0.075 m has been moved to next financial year.

Brixham Harbour Regeneration - additional works, primarily on deck strengthening, require an increase in budget of £0.1 m which will be funded from a Capital Reserve.

SWIM Torquay – the Council's contribution is linked to a larger scheme which has experienced some delays in tendering so £0.08m budget is now transferred to 2013/14.

#### 5.22 **"New" Ring fenced funding**

Colin Road Culvert Replacement - The Council successfully bid for £0.074 m from the Environment Agency for Flood Prevention work to Colin Road Culvert in Paignton. It is planned that the work will be carried out in the current financial year.

Street Lighting – Energy Efficiency Improvements – The Council has previously received funds from central government via a company called Salix to implement schemes to reduce carbon and energy usage. £0.1m will be used to support improvements to street lighting. The ongoing revenue savings will be used, in part, to repay Salix for the cost of these works.

Sustainable Transport Fund – Ferry etc. – Designs for this scheme are being reviewed to fit with available grant. As a result expenditure is delayed and £0.3m has been re-phased to 2013/14.

#### 5.23 **Schemes funded from Prudential Borrowing**

5.24 Torre Abbey Pathway £0.050 m - A scheme to improve pedestrian access to Torre Abbey Mansion and the Riviera International Conference Centre has been approved, with funding from a number of sources including prudential borrowing, reserves and external contributions.

- 5.25 Office Rationalisation project – the latest phase of the project is coming close to completion with Roebuck house now vacated by Council staff. Handover of the vacant building to the landlord will take place in quarter four 2012/13. The budget has now been re profiled to move £0.5m into future years pending the next phase of the project being assessed.
- 5.26 Council Fleet Vehicles – there is no further expenditure on vehicles expected in quarter the four 2012/13 therefore the last approved allocation of £0.250m has been moved to future years.
- 5.27 South Devon Link Road – The total cost of the scheme has now been revised up by £2.1m to reflect the Council’s share of the external contributions due from developers in the area. Council in December 2012 approved a reporting setting appropriate rates for development to help fund this share. Any shortfall will have to be funded by the Council, potentially by an increased level of prudential borrowing which would have a future revenue budget impact.

#### **5.28 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 £0.050m budget has been moved to 2013/14.

### **6 Potential Schemes 2013/14**

- 6.1 The latest estimate for capital expenditure for the next financial year 2013/14 is £25.2m. This estimate is based on approved capital expenditure. At present there isn’t any additional funds to be added to the funds available for the Capital Investment Plan. There are however a number of potential schemes that could be presented for approval over the next year from the approved capital allocation, new prudential borrowing schemes or schemes funded from earmarked capital receipts. If approved these schemes will then be added to the Capital Investment Plan.
- 6.2 These potential schemes are shown in the table below:



<b>Scheme</b>	<b>Cost £</b>	<b>Funding</b>
<u>Innovation Centre - White Rock</u> Council, in principle, approved project pending acceptable business case and approval of European funding	£2.0m  £0.5m	Unsupported borrowing  New Growth Points Grant
<u>Parking Bays</u> Construction of parking bays at a number of locations in Torbay.	£0.030m	Capital Investment Plan allocation
<u>Cycling Track – Clennon Valley</u> Report due to be presented to Council to support a £1.6m scheme for a cycling circuit part funded by British Cycling	£0.8m	Unsupported Borrowing
<u>Riviera Centre</u> Repair and improvements to building and equipment to ensure Centre can continue to operate	£0.9m	Capital Investment Plan allocation
<u>TCCT – Cockington Village</u> Match funding to an external bid for works to the estate at Cockington including the Linhay.	£0.250	Unsupported Borrowing
<u>Harbours – new Pontoons</u> Report due to be presented to Council to support the construction of additional pontoons for mooring	£0.8m	Unsupported Borrowing
<u>Employment Fund</u> Report due to be presented to Council on the potential use of the New Growth Points grant to provide a fund to support job creation.	£0.7m	New Growth Points Grant
<u>Torquay Town Hall car park</u> Report due to be presented to Council on the potential development of the Car park site and any cost and income implications for the Council	TBC	Capital Receipts

## 7. Income Monitoring

7.1 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	2016/17	Total @ Q3 12/13	Potential Funds	Total Funds 4 yrs
	A	B	C	D	E	F	G	H
<b>Funding</b>	£m	£m	£m	£m	£m	£m	£m	£m
Supported Borrowing	1	0	0	0	0	1	0	1
Unsupported Borrowing	6	8	5	8	5	32	(9)	23
Grants	15	13	4	0	0	31	10	41
Contributions	0	1	0	0	0	1	3	4
Reserves	0	1	0	0	0	1	0	1
Revenue	0	0	0	1	0	1	0	1
Capital Receipts	1	2	0	0	0	3	3	6
<b>Total</b>	<b>23</b>	<b>25</b>	<b>9</b>	<b>9</b>	<b>5</b>	<b>71</b>	<b>7</b>	<b>78</b>

Notes to Table:

Column F –reflects the Capital Investment Plan as at quarter three 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 G – reflects the balance on the 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.

### 7.2 Capital Receipts

The Council has received £1.0m capital receipts in the year to date with a few other disposals including proceeds from recent auction 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.

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 £5.2 million.

The total of over £5m is challenging. However within this total there are a number of expected individual receipts that are individually 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 such as the potential Torquay Town Hall car park development, 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.

### 7.3 **S106 Contributions and Community Infrastructure Levy**

To the end of quarter 3 in 2012/13, invoices to a total of £0.170m from S106 income for (non housing) capital purposes were raised to developers. When these funds are received they will be used to support the current funding allocations in the four year Capital Investment Plan and not allocated to new schemes.

7.4 The total cost of the South Devon Link Road scheme and the level of capital income as now been “grossed” up by £2.1m to reflect the Council’s share of the external contributions due from developers in the area. Council in December 2012 approved a reporting that set appropriate rates for contributions for new development to help fund this share. However, as the contributions are not guaranteed, this income target has been shown as being initially financed from prudential borrowing pending the receipt of the contributions.

### 7.5 **Grants**

Since the last Capital monitoring report plan was approved by Council in September 2012 some additional grants have been notified:

Additional 2012/13 capital grant of £0.236m for Disabled Facilities Grants. This is an unringfenced grant which can be used in future years. It will initially be used to support the allocations in the four year Capital Investment Plan and not allocated to new schemes. This is an unringfenced grant although it is intended to support disabled facility grants.

£0.253m capital grant from Dept for Education for Early Education for Two Year Olds has been notified. This is an unringfenced grant which can be used in future years. It will initially be used to support the allocations in the four year Capital Investment Plan and not allocated to new schemes. This is an unringfenced grant although it is intended to support implementation of early education for two year olds.

7.6 In addition as part of the 2013/14 local government finance settlement a number of capital grants have been confirmed.

<b>Govt Department</b>	<b>Grant</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>
Dept for Transport	Integrated Transport	0.971 *	-
	Highway Capital Maintenance	1.161 *	-
	Additional Highway Maintenance	0.211	0.113
Dept of Health	Community Capacity	0.445 *	0.455 *

Some of these grant allocations, (marked \* above), were estimated and included as part of the resources for future years as part of last year’s annual Capital Investment Plan review so they do not represent additional resources to be added to the Plan, but confirmation of the grants from the respective central government department.

This additional highways maintenance grant, which is an unringfenced grant will be initially used to support the allocations in the four year Capital Investment Plan and not allocated to new schemes.

- 7.7 Announcements for 2013/14 are due for education and Disabled Facilities Grants, but as the time of writing this report these have not yet been announced.

## **8. Prudential Indicators**

- 8.1 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.

- 8.2 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 December 2012 was £163 million. No borrowing, or repayment of borrowing, was undertaken during the third quarter of 2012/13. (*Note: In the first week of January, as part of the Council's approved treasury management strategy to reduce the level of external borrowing, £1.4m was repaid to the PWLB reducing the level of external debt and long term liabilities to below £162m*). 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.

- 8.3 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).

## **9 Possibilities and Options**

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

## **10 Consultation**

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

## 11 **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 £69 million. There could be inflationary cost pressures on the programme thus increasing expenditure.

## **Appendix**

Annex 1 Capital Investment Plan Budget 2012/13 - 2016/17 (Jan 2013)