



Meeting: **Overview & Scrutiny Board
Council**

Date: **26th November 2014
4th December 2014**

Wards Affected: **All**

Report Title: **Capital Investment Plan Update - 2014/15 Quarter 2**

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1 Purpose

- 1.1 The Council's capital investment plan with its investment in new and existing assets is a key part of delivering the Council's outcomes. This is the second Capital Monitoring report for 2014/15 under the Authority's agreed budget monitoring procedures. It provides high-level information on capital expenditure and funding for the year compared with the latest budget position as reported to Council in September 2014.

2 Proposed Decision

Overview & Scrutiny Board

- 2.1 **That Members note the latest position for the Council's Capital expenditure and income for 2014/15 and consider any recommendations to Council.**

Council

- 2.2 **Council note the latest position for the Council's Capital expenditure and funding for 2014/15.**

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 and the Capital Investment Plan forms part of that process.

4 Summary

- 4.1 Members of the Overview and Scrutiny Board and Council receive regular budget monitoring reports on the Council's Capital Investment Plan throughout the year. The Council's four year Capital Investment Plan is updated each quarter through the year. This report is the monitoring report for the second quarter 2014/15 and includes variations arising in this quarter to the end September 2014
- 4.2 The overall funding position of the 4-year Capital Investment Plan Budget of £69.5 million, covering the period 2014/15 – 2017/18, is in balance but still relies upon the generation of £4.1 million of Capital income from capital receipts and capital contributions over the life of the Capital Investment Plan.
- 4.3 Of this £4.1m, £3.6 million was required from capital receipts before the end of the current Plan period. Of this sum £1.5 million has been received by the end of September, leaving a balance of £2.1 million still to be realised. It is only after this target has been reached that any capital receipts should be applied to new schemes.

- 4.4 The Plan also requires a total of £0.5m from capital contributions including community infrastructure levy. In addition £2.1m is due to be generated from S106 contributions to part fund the South Devon Link Road.
- 4.5 As 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.

5 Supporting Information

- 5.1 The original capital budget approved by Council in February 2014 was £26.4 million. That has been subsequently revised for re profiling of expenditure from 2013/14, new schemes and re profiling expenditure to future years. All changes with reasons have either been included in previous monitoring reports, or are detailed in this report.
- 5.2 Capital budgets of £5.1m were brought forward to 2014/15 to enable schemes not completed or progressed in 2013/14 to be continued in the current year along with the funding sources for the scheme. It should also be noted that re profiling budgets often result from valid project management reasons such as scheme re engineering, further consultations and clarification with users or detailed tendering.
- 5.3 Of the total £69.5 million of the 4 year programme, £30.3 million is currently scheduled to be spent in 2014/15, including £9.0 m on the South Devon Link Road.

6 **Movements in 2014/15 Estimated expenditure**

- 6.1 The movements in the estimate of expenditure in 2014/15 on the Capital Investment Plan between the last monitoring report at June 2014 of £35.6m and the current approved budget for 2014/15 of £30.3 m, split by the categories of funding, are as follows:

Scheme	Variation in 2014/15	Change £m	Reason
Estimate as at Q1 2014/15		35.6	Capital Investment Plan Update – 2014/15 Quarter 1 (Report 25 th Sept 2014)
Budget changes since Q1 2014/15			
“Old” Funding Regime			
Childrens Services	Reallocation of budgets	0	Various budgets reallocated but no impact overall
Education Review Projects	Reprofile 14/15 budget	(0.4)	Review of likely expenditure to next financial year
Babbacombe Beach Road	Rephase 14/15 budget	(0.1)	Work unlikely in 14/15, so budget moved to 15/16
Enhancement of Development Sites	Reschedule budget	(0.1)	Part budget moved to 15/16
Torbay Enterprise Project	Reschedule part budget	(0.1)	Remaining spend likely in 15/16
		(0.7)	
“New” Funding Regime			
Affordable Housing	Rephase whole budget	(0.9)	Budget reprofiled evenly over 2015/16 and 2016/17
Capital Repairs and Maintenance 2014/15	Rescheduled 14/15 budget	(0.6)	Works at Furzeham Primary Ph 2 to start Easter 2015
Flood Defence (Environment Agency)	Rephase budget	(0.1)	Part of budget provides match funding for future schemes
Princess Pier Structure	Reprofile part budget	(1.6)	Expenditure unlikely in 2014/15
Torre Valley North	Reschedule part budget	(0.1)	Main work to start Spring 2015
Transport Structural Maintenance	Increased resources	0.3	Additional DfT grant for Highways Structural Mtce
Transport Western Corridor	Rephase part budget to 2015/16	(0.3)	Small delay in expected expenditure
		(3.3)	
“New” Ring fenced funding			

DfT Better Bus Areas	Reduction in budget	(0.1)	Some resources transferred to Revenue
Local Transport Board schemes	Increased budget provision	0.1	Council match funding to schemes
Small Ports Recovery Fund - Winter 2013/14 Storm Damage	Part of Government funding package for severe storms	0.3	Funds provided for specific storm damaged Harbour sites
		0.3	
Prudential Borrowing			
Council Fleet Vehicles	Rephased budget	(0.1)	Funding re phased to reflect revised spending plans.
Empty Homes Scheme	Reinstated budget	0.4	Budget reinstated from Torquay Harbourside scheme
	Rephased budget	(0.3)	Review of likely spend profile
Paignton Cyclopark	Reduced budget	(0.7)	Removal of veldrome plans from project
South Devon Link Road	Re profile to 2014/15	(0.5)	Latest profile of expenditure for this major scheme
Torquay Harbourside	Budget removed	(0.4)	Scheme currently deferred awaiting funding sources
		(1.6)	
General Capital Contingency			
General Contingency			
		0	
Estimate – Quarter Two 2014/15		30.3	

7 Expenditure

- 7.1 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 now totals £69.5 million over the 4 year period of which £30.3 million relates to 2014/15 and £18.1 million relates to 2015/16
- 7.2 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.
- 7.3 Expenditure to the end of this second quarter was £6.5 million with a further £11 million of commitments on the Council's finance system. The expenditure of £6.5 million is only 21% of the latest budget for 2014/15. This compares with £8 million (or 46% of outturn) for the second quarter last year. It is recognised that for a number of schemes, notably the South Devon Link Road (14/15 budget £9m), the Council will not incur significant expenditure until later in the year.

	2009/10 £m (%)	2010/11 £m (%)	2011/12 £m (%)	2012/13 £m (%)	2013/14 £m (%)	2014/15 £m (%)
Quarter One	8 (16%)	10 (23%)	3 (14%)	2 (11%)	4 (23%)	2 (6%)
Quarter Two	11 (22%)	13 (30%)	7 (32%)	4 (21%)	4 (23%)	4 (15%)
Quarter Three	13 (27%)	9 (21%)	5 (22%)	5 (26%)	3 (18%)	-
Quarter Four	17 (35%)	11 (26%)	7 (32%)	8 (42%)	6 (35%)	-
Total In Year	49	43	22	19	17	30

Main Variations & Management Action

8 "New Funding Regime"

- 8.1 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.

- 8.2 The Capital Investment Plan as at 2014/15 Quarter Two 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, such as lower than anticipated grant funding, then the Capital Investment Plan will have to be reduced accordingly or alternative sources of funding allocated such as prudential borrowing.
- 8.3 Scheme Updates:
- 8.4 School Basic Need projects: There have been a few minor adjustments to the allocations and/or phasing of budgets between years at various sites but these changes have no impact on the overall budget position.
- 8.5 Schools Capital Repairs and Maintenance 2014/15: The bulk of this budget is required for much needed improvement works at Furzeham Primary. Phase 2 works here will commence at Easter 2015 so £0.62 m of the budget has been transferred to 2015/16
- 8.6 Affordable Housing: Allocations to particular schemes are still to be confirmed so the 2014/15 budget of £0.9 m has been moved to future years and spread between 2015/16 and 2016/17.
- 8.7 Flood Defence Schemes – This budget covers works at a number of cliff and sea wall locations, including Manscombe Quarry, Torquay where last winter's severe weather caused further deterioration increasing the extent and cost of the works. Currently there is a potential overspend of £0.065 m at Manscombe however it may be possible to offset some of these extra costs from savings on some of the other cliff and sea wall schemes. Officers are awaiting final accounts on some schemes and will be in a better position to determine likely outturn in coming months.
- 8.8 Princess Pier Structural Repair – This budget is provided to enable work to the superstructure and whilst some relatively minor work may be required in the short term the majority of this funding will not be used until funding for the substructure is secured. Consequently £1.7m of the budget has been moved to 2015/16.
- 8.9 Torre Valley North Enhancements – Works are planned to start later this year but will likely spread into next year and so part of the budget (£0.062 m) has been rescheduled to 2015/16.
- 8.10 Transport Structural Maintenance – The Dept for Transport provided additional grant support to authorities to help deal with damage to roads caused by last winter's storms. £0.322 m of this funding is to fund capital improvements so this budget has been increased accordingly.
- 8.11 Western Corridor – preliminary work on this scheme continues however some delays mean part of budget (£0.3m) will not now be required until next financial year. The scheme will involve the purchase of property where land is required for the project.

9 **"Old Funding Regime"**

This section 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.

9.1 Children's Services:

Children's Centres: A further £0.02 m has been reallocated to the Torbay School Hillside scheme to cover additional costs.

Education Review budget. – Again much of this budget provision is not likely to be required for further projects until next year so £0.4 m has been moved to next financial year.

- 9.2 Babbacombe Beach Road £0.07 m – work on this scheme has still to be scheduled so the budget has been transferred to next financial year.
- 9.3 Enhancement of Development Sites – Some expenditure will be incurred during the current financial year but it is now anticipated that £0.15 m of the budget will not be used until next year.
- 9.4 Hele's Angels Housing Scheme – This scheme is not now progressing so the small £0.005 m funding has been transferred to the Affordable Housing budget line for reallocation

9.5 Torbay Enterprise Project. Part of the funding has been used this year to facilitate a property acquisition but £0.1 m of the budget has been moved to next year when the remaining funding is likely to be required, to provide facilities to assist people in to work and independent living.

10 **“New” Ring fenced funding**

10.1 Better Bus Areas – part of the funding provided for this scheme is identified for revenue expenditure, so £0.078 m has been transferred to revenue to fund this work.

10.2 Dept for Transport Small Ports Recovery Fund – Following a successful bid for funding, the DfT have awarded funds of £0.295 m to repair specific storm damaged sites around the Tor Bay Harbours. This funding is in addition to other severe weather funding we have received and reported previously e.g. Environment Agency, Highways Structural Maintenance and Bellwin (revenue) schemes

10.3 Local Transport Board: Initial development work amounting to £0.125 m on two of these schemes at Torquay Gateway and Torquay Town Centre Access schemes is required and is being funded from revenue contributions and earmarked Reserves. The other schemes currently included under this budget heading are Western Corridor and Edginswell Station.

11 **Schemes funded from Prudential Borrowing**

11.1 South Devon Link Road: A further review of the level of Torbay's contribution to this project in this financial year indicates that around £9 m will be needed. As a result £0.5m has now been rescheduled to next financial year. The project is still expected to be completed in December 2015.

11.2 Paignton Cyclopark – The velodrome part of the project will not now proceed as a result of increased forecast costs, and British Cycling have indicated they will not now support the scheme. Consequently the project budget has been reduced by £0.760 m to reflect the loss of this part of the scheme.

11.3 Empty Homes Scheme – resources have been reinstated for this scheme although expenditure plans are still under discussion with the majority of expenditure not expected to materialise until the next two financial years, requiring £0.3m to be transferred to future years.

11.4 Fleet vehicles: A small rephasing of the budget has been made to reflect reduced costs and revised expenditure plans.

11.5 Torquay Harbourside Public Realm £0.350m – Council rejected a recommendation to fund this work from resources originally allocated to the empty homes scheme. Plans are being reviewed to identify alternative resources to deliver this scheme but at present the budget has been removed, awaiting funding.

12 **Contingency**

12.1 The Council has approved a capital contingency of £0.6 million. This contingency is still in place to provide for unforeseen emergencies or shortfall in projected income over the 4-year Plan period but represents less than 1% of the total Capital Investment Plan budget. Currently it is not anticipated that the contingency will be required in this financial year.

13 **Receipts & Funding**

13.1 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:

	2014/15	2015/16	2016/17	2017/18	Total @ Q2 14/15
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Supported Borrowing	1	0	0	0	1
Unsupported Borrowing	13	7	3	4	27
Grants	13	9	8	5	35
Contributions	1	0	0	0	1
Reserves	1	1	0	0	2
Revenue	0	0	1	0	1
Capital Receipts	1	1	0	0	2
Total	30	18	12	9	69

Notes to Table:

Column E – reflects the Capital Investment Plan as at Quarter Two 2014/15 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.

Grants

13.2 Capital Grants continue to be the major funding stream (over 60% in 12/13 and 13/14) 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 £10.6 million of grants in 2013/14 and is currently estimating to use £13m of grants in 2014/15.

13.3 Since the last Capital update (Quarter 1 2014/15) reported to Council in September 2014, the Council has been notified of the following capital grant for 2014/15.

Dept. of Health – Autism Innovation Grant. This is a small one-off un-ring fenced capital grant of £0.0185 m with the intended purpose of “making environments used by people with autism, such as public buildings, more autism friendly or for assisting people with autism through the purchase of new equipment or IT. This grant is to be considered in line with Think Autism”, the update to the 2010 Adult Autism Strategy. It is currently proposed that the grant be used to enable suitable enhancements for Autistic people within Council owned buildings.

Capital Receipts –

13.4 The approved Plan relies upon the generation of a total of £3.4 million capital receipts from asset sales by the end of 2016/17 of which £1.5m has now been received by the end of September leaving a target of £2.1 m to be achieved. This target is expected to be achieved provided that -

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

13.5 Assets proposed for disposal are reported to Council for approval, with the latest report at Council in October 2014.

Capital Contributions – S106 & Community Infrastructure Levy

13.6 The general target for securing capital contributions to fund the 4-year Capital Investment Plan, following review of the Budget in February 2013 was £0.5 million (required by March 2016). In addition the South Devon Link Road business case estimated external contributions including s106 payments of £2.1m to help fund the scheme (£0.085m, received to date).

13.7 The intention is that capital contributions are applied to support schemes **already approved** as part of Capital Investment Plan and not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital Investment Plan.

- 13.8 Income from Section 106 capital contributions so far in 2014/15 only amount to £0.1 million, however there are accumulated payments of £0.33 m Education contributions which have been used to replace unsupported borrowing resources previously allocated to Education. In addition Housing S106 contributions of £0.09 m have been received and added to the Affordable Housing capital budget.

14 **Borrowing and Prudential Indicators**

- 14.1 The Council set its Prudential Indicators and monitoring arrangements for affordable borrowing in February 2014. 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.

The limits are as follows

- **Authorised Limit** £231 million
- **Operational Boundary** £161 million

External Debt, and long term liabilities, such as the PFI liability, as at end of September 2014 was £146.8 million. 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.

- 14.2 The only anticipated change to the level of Council's liabilities in 2014/15 is the PFI scheme for the Energy from Waste facility plant in Plymouth. If this scheme is judged to be an asset to be recognised on the Council's balance sheet then a corresponding liability will also need to be recognised.
- 14.3 The Council's capital expenditure has an overall positive impact on the Council's Balance Sheet. Expenditure in the Capital Investment Plan on the Council's own assets will increase the value attached to the Council's fixed assets. As at 31 March 2014 the Council's "Non Current Assets" were valued at £265 million.

15 **Possibilities and Options**

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

16 **Consultation**

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

17 **Risks**

- 17.1 That capital receipts, other capital contributions such as S106 and Community Infrastructure Levy and future year grant allocations will not be received to support the plan.
- 17.2 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 2014/15 – 2017/18 (as at October 2014)