



Meeting: Overview & Scrutiny Board
Council

Date: 18th February 2015
26th February 2015

Wards Affected: All

Report Title: Capital Investment Plan Update - 2014/15 Quarter 3

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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 third Capital Monitoring report for 2014/15 under the Council's 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 December 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 That the latest position for the Council's Capital expenditure and funding for 2014/15 be noted.
- 2.3 That prudential borrowing of £0.134 million for works to reinstate and enhance Beach Chalets at Oddicombe Beach to be funded from future rental income and the resort services budget be approved.
- 2.4 That additional prudential borrowing of £0.6 million for works on the Meadfoot Beach Chalets replacements to be funded from future rental income and the resort services budget be approved.
- 2.5 That a loan for a capital purpose to the Torbay Development Agency (TDA) for £1.4 million to enable the TDA's acquisition and related works on sites at Kings Ash House be approved.
- 2.6 That prudential borrowing of £2.0 million and £0.350m from New Growth Points Grant towards the £6.5m Electronics and Photonics Innovation

Centre at White Rock to be funded from future rental income be approved.

- 2.7 That Department of Transport Structural Maintenance and Integrated Transport grant allocations announced for future years (2015/16 to 2020/21) be earmarked for Highways.**
- 2.8 That £0.254m from New Growth Points Grant be allocated for the replacement of decking and joists on Princess Pier.**
- 2.9 That £0.100m from New Growth Points Grant be allocated for remedial works to the Cliff face at Oddicombe and Goodrington beaches.**
- 2.10 That a loan of £50,000 to Torbay Coast and Countryside Trust to support the Green Heart appeal be approved.**

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.
- 3.2 There are a number of Council schemes where Council approval is required for the allocation of funds to a scheme or a service including the approval of prudential borrowing.

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 third quarter 2014/15 and includes variations arising in this quarter to the end December 2014.
- 4.2 The overall funding position of the 4-year Capital Investment Plan Budget of £85.2 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 £1.6 million has been received by the end of December, leaving a balance of £2.0 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 which is expected to be approved during 2015. 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 £85.2 million of the 4 year programme, £23.2 million is currently scheduled to be spent in 2014/15, including £3m on the South Devon Link Road.
- 5.4 The appendix has been re presented with schemes now grouped by Directorate areas, with schemes fully or in part funded by prudential borrowing flagged.

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 September 2014 of £30.3m and the current approved budget for 2014/15 of £23.2m, are shown below. Please note the format of this table has been changed so that schemes are now ordered by their service Directorate, as is Annex 1.

Scheme	Variation in 2014/15	Change £m	Reason
Estimate as at Q2 2014/15		30.3	Capital Investment Plan Update – 2014/15 Quarter 2 (Report 4 th Dec 2014)
Budget changes since Q2 2014/15			
Adult Services			
Autism Innovation	New 14/15 grant allocation	0	Small £19k grant to improve facilities for people with autism.
		0	
Childrens Services			
2 year old Provision	Budget moved to 15/16	(0.1)	Schemes under review so budget moved
Capital Repairs and Maintenance 12/13	Budget not required	(0.1)	Saving moved to Education Review budget in 15/16
Childrens Centres	Saving on scheme	(0.1)	Saving moved to Education Review budget in 15/16
Cockington Primary expansion	Rephase budget to 15/16	(0.5)	Review expenditure profile
Education Review Projects	Budget moved to 15/16	(0.1)	Part budget moved to 2015/16
St Margaret Clitherow expansion	Rephase budget to 2015/16	(0.3)	Delays in scheme require budget adjustment
Warberry CoE Primary expansion	Saving on scheme	(0.3)	Saving moved to Education Review budget in 15/16
Whiterock Primary expansion	Rephase budget	(0.3)	Part budget moved to 2015/16
Youth Modular Projects	Rephase budget	(0.1)	Schemes under review so budget moved
		(1.9)	
Place			
Beach Hut Acquisition and Renewal	Additional budget requirement	0.6 (0.2)	Increased costs of scheme Part rephased to 2015/16
Haldon Pier	Move budget to next year	(0.4)	Reschedule works
NGP – Innovation Centre Ph3	Budget moved to reflect expected spend pattern	(0.1)	Work unlikely until 2015/16
Oddicombe Beach Chalets	New scheme	0.2	Replacement Beach Chalets (requires Prudential Borrowing)
Paignton Picture House	New scheme	0.1	Facilitate purchase of Heritage property
Princess Pier	New scheme	0.2	Urgent work to Pier boardwalk
South Devon Link Road	Budget re-phased	(6.0)	Contractor review of expenditure profile, this will not affect the scheme completion date
TDA Loans	New budget	0.6	Includes loans (£2m) to support TDA capital expenditure
TOR2 grant Refuse transfer vehicles	Additional budget	0.1	Increased cost to give improved specification to vehicles to maximise capacity.
Torre Valley North Enhancements	Budget transfer to 15/16	(0.1)	Unlikely to spend this year
Flood Defence/Cliff works	Additional budget for works at Goodrington and Oddicombe	0.1	Remedial works required
		(4.9)	
Public Health			
NGP Land acquisition	Reduced budget	(0.3)	Part budget allocated to Princess Pier and Cliff works
		(0.3)	
All Services including Contingency			
General Contingency		0	
Estimate – Quarter Three 2014/15		23.2	

7 **Expenditure**

- 7.1 The Capital Investment Plan Budget 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 £85.2 million over the 4 year period of which £23.2 million relates to 2014/15 and £29.5 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 third quarter was £10 million with a further £14 million of commitments on the Council's finance system. The expenditure of £10 million is only 43% of the latest budget for 2014/15. This compares with £11 million (or 64% of outturn) for the third quarter last year. It is recognised that for a number of schemes, notably the South Devon Link Road (14/15 budget £3m), the Council will not incur 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 (9%)
Quarter Two	11 (22%)	13 (30%)	7 (32%)	4 (21%)	4 (23%)	4 (17%)
Quarter Three	13 (27%)	9 (21%)	5 (22%)	5 (26%)	3 (18%)	4 (17%)
Quarter Four	17 (35%)	11 (26%)	7 (32%)	8 (42%)	6 (35%)	-
Total In Year	49	43	22	19	17	23

8 **Main Variations & Management Action**

- 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 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, 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.

9 **Adult Services:**

- 9.1 Autism Innovation Grant – As reported in the previous monitoring report, the Council has been allocated a small grant of £0.019m to support people with autism. At present the funding is likely to be used to provide specialist IT equipment to benefit those with autism.

10 **Childrens Services:**

- 10.1 There are a number of variations to budgets on various schemes as detailed below. Members will note that a further report on Childrens Services proposals

is due to be presented to Council on 26th February to seek approval on use of both previously allocated funding and future funding with respect to pupil places.

- 10.2 Childrens Centres – £0.110 m of the budget earmarked for this project is no longer required so has been moved to Education Review Projects.
- 10.3 School Basic Need projects: Further adjustments to the phasing of budgets between years at various sites but these changes have no impact on the overall budget position. This includes projects at Cockington Primary, Whiterock and St Margaret Clitherow where budget has been moved from 2014/15 to 2015/16. The scheme at Warberry C of E Primary has come in under budget and consequently the £0.350m saving has been transferred to Education Review Projects awaiting reallocation.
- 10.4 Similarly, some other budgets have been transferred from the current year to next year to reflect the latest estimates of expenditure patterns. These schemes are 2 Year Old Provision (£0.08m), Youth Modular Projects (£0.05m) and Education Review Projects ((£0.08m).
- 10.5 Schools Capital Repairs and Maintenance 2012/13: Not all of this budget is required at present so £0.1 m has been transferred to the Education Review Projects budget in 2015/16 for future allocation to specific schemes.

11 Place

- 11.1 Beach Hut Acquisition and Redevelopment – Council previously approved the programme to upgrade Beach Hut facilities at Broadsands and Meadfoot. There are indications that the costs associated with the Meadfoot scheme are escalating due to the weather last winter and could result in additional expenditure. Officers are monitoring the situation carefully and are considering options on how this can be managed. The additional costs are estimated to be a maximum of £0.6million which will be funded from additional Prudential Borrowing. The costs of this additional borrowing will have to be funded from the service.

The key information from the revised business case is summarised below

Capital Cost – demolition, construction and interior fit out of 137 lower and roof chalets	£2,156,000
Prudential Borrowing	£2,156,000
Repayment Terms	4.5% over 35 years
Additional costs per annum including repayment	£159,000
Additional Income per annum	(£162,000)
Forecast Surplus	(£3,000)

The business case has been revised with the repayment term extended to 35 years linked to the expected life of the huts based on their construction and a reduced anticipated surplus per annum.

- 11.2 Flood Defence Schemes – This budget covers works at a number of cliff and sea wall locations, There is currently an expectation that some schemes may overspend but officers are continuing to monitor closely and savings on other projects may help offset some of the additional costs.

- 11.3 Oddicombe Beach Chalets - following fire damage at this location work is proposed to replace and enhance the chalets, to be similar to those currently under construction at Meadfoot Beach. The expenditure of £0.193m will partially be funded from an insurance reclaim but will also require Prudential Borrowing of £0.134 million. The loan repayments will be funded from hire fees.

The key information from the business case is summarised below

Capital Cost – demolition, construction and interior fit out of 18 roof chalets	£193,000
Less Insurance	(£59,000)
Prudential Borrowing	£134,000
Repayment Terms	4.5% over 25 years
Additional costs per annum including repayment	£11,000
Additional Income per annum – 18 huts @ £1,100 per annum	(£7,000)
Shortfall to be met from resort services	£4,000

The business case shows a shortfall compared to the current budget position, however since the fire damage the Council would not have achieved any of the budgeted £11,000 income from the beach huts.

- 11.4 Electronics & Photonics Innovation Centre – proposals for this project (formerly known as Innovation Centre Phase three and approved in principle by Council in May 2012), continue to be investigated by TDA with additional funding bids being made. Grants of £1.025m have been confirmed from the Government’s Coastal Communities Fund towards the capital cost of the scheme and of £3.0m from the Local Enterprise Partnership however a grant from ERDF for £1.5m is still to be confirmed. In addition TDA will be allocating £0.150m of funds towards the project. The Council is now requested to confirm its support of the project with £2m prudential borrowing in addition to the remaining New Growth Points grant shown in the existing Plan of £0.346m. The scheme has been introduced as a £6.5m project, however if the ERDF grant is confirmed the project can be expanded to a £8.0m scheme.
- 11.5 Paignton Picture House – In accordance with a Mayoral Decision dated 16 December 2014, it was agreed to support the acquisition of this historic property (£0.050m) using English Heritage grant (£0.040m) and Council Reserves (£0.010m). The building will then be transferred to Paignton Picture House Trust at nil value.
- 11.6 South Devon Link Road: the contractor continues to provide regular updates on progress and based on latest projections most of Torbay’s contribution will not be required until next year, so £6 million of the 2014/15 budget has been rephased to 2015/16 accordingly. The project is still expected to be completed in December 2015. There is a potential shortfall in Section 106 funding for the scheme (see para. 14.9 below). If these funds are not achieved it is likely the Council will need to increase its Prudential Borrowing on the scheme with a impact on the revenue budget, unless resources are diverted from other projects.
- 11.7 St Michael’s Chapel, Torquay – following notification of grant awarded by English Heritage the Council is to carry out restoration work to St Michael’s Chapel, near Torre Station. This work will compliment woodland management activity in the area to regain historic views of the Chapel from Torre Railway Station and

beyond. A contribution from revenue will be added to the £0.05m grant to finance the scheme.

- 11.8 TDA Loans – Support to TDA to enable them to acquire sites at Kings Ash House, Paignton (for a new Enterprise Centre) and Cockington Village Car Park (for improved visitor facilities).

In February 2012 the Chief Executive approved a maximum £0.6m loan as an emergency Council decision in respect of Cockington Car Park, however the loan was not needed at that time as the site was acquired for £0.575m in 2012 using TDA cash flow. The drawdown of the loan is now required as TDA anticipates expenditure on other project proposals therefore this loan is now reported within the Plan.

The Kings Ash project requires funds of up to £1.9m for acquisition and refurbishment. The funding is to be a loan from the Council of £1.4m, which will be drawdown in tranches, and a contribution of £0.5m from the Council's EDC reserve which will now be accounted for as a capital grant. As the loan for Kings Ash House is "a loan for a capital purpose", under legislation this counts as capital expenditure for the Council and has to be funded from capital resources, in this case prudential borrowing, which requires Council approval.

Both loans will be repaid on an annuity basis with interest over a period of 25 years to be funded from TDA income receipts from both sites.

As these are loans from the Council (as owner) to its 100% owned subsidiary (TDA), and the loans are to support regeneration aims rather than investment returns these are outside the Treasury Management Strategy and are therefore are considered not to be ultra vires.

- 11.9 TOR2 grant – Refuse transfer vehicles – the cost of acquiring the required vehicles to transport to the Energy from Waste plant has increased by £0.054 m to enable improved specification of the plant to maximise payload and achieve delivery schedules. The additional costs to be funded from the Waste Strategy Reserve.
- 11.10 Torre Abbey Phase 2 – whilst all major works on this project have been completed there is ongoing expenditure which will continue into next financial year. Consequently a small part (£0.028m) of the budget has been moved to reflect this.
- 11.11 Torre Valley North Enhancements – Works are not now expected to progress until 2015/16 so budget has been moved accordingly.
- 11.12 Transport Integrated Transport and Structural Maintenance – The Department for Transport have now announced future year grant allocations, details of which are shown in paragraph 14.3 below. The allocations are linked to the value of the planned maintenance backlog of over £10m on the road network, therefore to enable service asset planning and to honour match funding commitments to the Local Transport Board, it is proposed to add these resources to the Highways/Transport budgets in line with Government intentions, although the grants are not ring fenced.

11.13 TCCT Loan – Council are recommended to approve an interest free loan of £50,000, to be repaid over four years, to the Torbay and Coast and Countryside Trust to support the match funding requirement to the recent Lottery Grant awarded to improve the Cockington area, which will underwrite the bulk of the outstanding £62,000 shortfall in the Green Heart Appeal. The Trust remains committed to continuing to fund-raise and aims to have covered the full amount of the shortfall by October 2015. The financing provided by the loan will allow the Trust to provide the necessary assurances to Heritage Lottery Fund that the bulk of the funding for the project is in place now. In turn, this will enable HLF to issue formal 'Permission to Start', Stage II of the project can commence in February 2015 thus maintaining momentum and reducing the risk of costs increasing beyond the inflation allowances within the project.'

11.14 Princess Pier and Strand Improvements - At the Council meeting on 4 December 2014 members deferred a decision on the expenditure of £350,000 for improvements to the Strand, Torquay and £240,000 for the replacement decking and associated works on the Princess Pier, and requested further reports.

The structural report on Princess Pier has now been provided indicating a need to undertake necessary work. Consequently this element of the proposals is now recommended for approval by Council. The report on the Strand improvements will be presented in due course.

11.15 Other Regeneration Schemes: - Members are advised the TDA are currently progressing a number of potential regeneration schemes. These are listed below:

Oxen Cove; There are two potential inward investment proposals which could create 40-50 jobs.

Fish Processing Plant; Torbay is home to 10% of the fish processing sector by employment. This project could result in 100-150 new jobs and EU fisheries grants could be available for a scheme.

Claylands; Potential development of business units at the site to be funded from future rental streams.

11.16 Cliff Works: Council are recommended to allocate £0.100m from New Growth Points Grant for remedial works to the Cliff face at Oddicombe and Goodrington beaches.

There has been a report on the unstable section of cliff at Oddicombe where the professional advice is that remedial works should commence as soon as possible. The cost of the works at present are estimated to be £60,000.

At Goodrington promenade, cliff stabilisation work is required to the east end. A rock fall at Roundham Head required a section of the promenade to be closed off, this resulted in a number of beach huts not being let and others to be repositioned. The works, estimated to be £40,000 would include concrete dentition and rock netting.

12 Public Health

- 12.1 Empty Homes Scheme – this scheme was originally approved to be funded from Prudential Borrowing with annual contributions from revenue linked to additional New Homes Bonus Grant. However as it is four years since the annual contributions commenced it is now effectively funded from revenue contributions.

13 All Services

- 13.1 General Contingency - 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.

14 Receipts & Funding

- 14.1 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 @ Q3 14/15
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Supported Borrowing	0	1	0	0	1
Unsupported Borrowing	6	15	3	3	27
Grants	14	11	17	7	49
Contributions	1	0	0	0	1
Reserves	1	1	0	1	3
Revenue	0	1	1	0	2
Capital Receipts	1	1	0	0	2
Total	23	30	21	11	85

Notes to Table:

Column E – reflects the Capital Investment Plan as at Quarter Three 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

- 14.2 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 £14m of grants in 2014/15.

14.3 Since the last Capital update (Quarter 2 2014/15) reported to Council in December 2014, the Council has been notified of the following capital grant allocations:

Department for Transport – Structural Maintenance. Allocations have been announced for the next six years although figures for 2018/19 onwards are only indicative: As reported in Quarter 1 the DfT have previously announced allocations for Integrated Transport schemes which are also set out below for information:

	<u>Structural Maintenance</u>	<u>Integrated Transport</u>
2015/16	£1.458 million	1.063 million
2016/17	£1.337 million	1.063 million
2017/18	£1.297 million	1.063 million
2018/19 – 2020/21	£1.174 million each year *	1.063 million each year *

. * Indicative allocations only

These grants are not ringfenced so could be used for any capital purpose although it is recommended that the allocations are used on Highways/Transport services. (para 11.12)

Department of Health – Social Care allocation for 2015/16 of £0.461 million. It was expected that, as part of the Government's Better Care Fund this grant would not be allocated direct to Local Authorities from 2015/16 but the grant has been allocated directly to Councils. The Department has stated that "Relevant conditions will be attached to the grant so that they are used in pooled budgets for the purposes of the fund". As yet these conditions have not been issued by the Department of Health.

Members are reminded that the usual annual allocation for Disabled Facilities Grants (DFGs) is also, from 2015/16, now expected to form part of the Better Care Fund however no announcement on allocations has yet been made for 2015/16.

DCLG – Coastal Communities Fund – £1.025 million ring fenced grant support for a high technology innovation centre in Paignton. (para 11.4)

English Heritage – grant of £46k to enable restoration work at St Michaels Chapel, Torre. (para 11.7).

Capital Receipts –

14.4 The approved Plan relies upon the generation of a total of £3.6 million capital receipts from asset sales by the end of 2016/17 of which £1.6m has now been received by the end of December, leaving a target of £2.0m 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.

- 14.5 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

- 14.6 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 (£0.102m, received to date).
- 14.7 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.
- 14.8 Income from Section 106 capital contributions so far in 2014/15 only amount to £0.2 million.
- 14.9 A recent announcement from Government has removed the ability of Councils to charge Section 106 payments on smaller developments of less than 10 units, and no more than 1,000m². This policy is aimed at boosting the small housebuilding sector, but will impact on the Council's ability to generate capital resources for capital schemes, including the South Devon Link Road, where £2.1 million of S106 funding is required.
- 14.10 It is expected that, linked to the adoption of the Local Plan later in 2015, a Community Infrastructure Levy scheme will also be approved.

15 **Borrowing and Prudential Indicators**

- 15.1 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 December 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.

- 15.2 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. The scheme is judged to be an asset to be recognised on the Council's balance sheet then a corresponding liability to the Council's 17% share of approx £33m will also need to be recognised from the date the plant starts to receive waste. The recognition of this liability will not exceed the Council's Authorised Limit.
- 15.3 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.

16 **Possibilities and Options**

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

17 **Consultation**

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

18 **Risks**

- 18.1 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. This risk is increased with the recent Government announcement reducing the Council's ability to make Section 106 charges on smaller developments (see para.14.9).
- 18.2 The contingency is approximately 0.7% of total planned expenditure on a total programme of £85 million. There could be inflationary cost pressures on the programme thus increasing expenditure.

18.3 If additional prudential borrowing is approved this could result in a budget pressure for the relevant service in the expected rental income is not achieved to cover the repayment costs.

Appendices

Appendix 1 - Capital Investment Plan Budget 2014/15 – 2017/18 (as at January 2015).