



Meeting: Council

Date: 24 September 2015

Wards Affected: All

Report Title: Capital Investment Plan Update – 2015/16 Quarter 1

Is the decision a key decision? No

When does the decision need to be implemented?

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1. Proposal and Introduction

- 1.1 The Capital Investment Plan budget totals £74.4 million for the 4 year programme, with £32 million currently scheduled to be spent in 2015/16, including £11.7m on the South Devon Link Road (Highway), but still requires £2.5 million from capital receipts and capital contributions over the life of the Capital Investment Plan.
- 1.2 The Council's Capital Investment Plan is updated on a quarterly basis which includes any new funding announcements and allocations. It provides high-level information on capital expenditure and funding for the year compared with the last Plan update as reported to Council in February 2015.

2. Reason for Proposal

- 2.1 Quarterly reporting to both the Overview and Scrutiny Board and to Council is part of the Council's financial management.
- 2.2 There are a number of Council schemes where Council approval is required for the allocation of funds to a scheme or service including the approval of any prudential borrowing.

3. Recommendation(s) / Proposed Decision

- 3.1 **That the latest position for the Council's Capital expenditure and funding for 2015/16 as set out in the submitted report be noted.**
- 3.2 **That the remaining £0.106m Condition Funding allocation to Children's Services be approved. (The 2015/16 Department for Education allocation is £0.506m, of which £0.4 m has previously been approved for Furzesham Primary improvements – Council Feb 2015.)**

- 3.3 **That the allocation of 2017/18 Basic Need grant allocation of £4.229m, (of which £1.363m previously approved), together with an additional £2m of future year (2018/19) allocations to Children's Services to enable the provision of a new Primary School in Paignton and provide additional Secondary School places in Torquay be approved.**
- 3.4 **That £0.3m be reallocated from the uncommitted affordable housing budget to expand and regenerate the Strand in Torquay.**

4 Supporting Information and Impact Assessment

- 4.1 Members of the Overview and Scrutiny Board and Council receive regular budget monitoring reports on the Council's Capital 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 first quarter 2015/16 and includes variations arising in this quarter to the end June 2015.
- 4.2 The overall funding position of the 4-year Capital Investment Plan Budget of £74.4 million, covering the period 2015/16 – 2018/19, is primarily fully funded but still relies upon the generation of £2.5 million of Capital income from capital receipts and capital contributions over the life of the Capital Investment Plan.
- 4.3 Of this £2.5m, £2.0 million was required from capital receipts before the end of the current Plan period. Of this sum £0.3 million has been received by the end of June 2015, leaving a balance of £1.7 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 Of this £2.5m, of £0.5m was required from capital contributions including community infrastructure levy which is expected to be approved during 2015. An additional £2.1m is due to be generated from S106 contributions to part fund the South Devon Link Road / Highway.
- 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.
- 4.6 The movements in the estimate of expenditure in 2015/16 on the Capital Investment Plan between the last monitoring report at February 2015 of £29.5m and the current approved budget for 2015/16 of £32 m are shown below. Please note the format of this table shows schemes ordered by their service Directorate, as is Appendix 1.

Scheme	Variation in 2015/16	Change £m	Reason
Estimate as at Q3 2014/15		29.5	Capital Investment Plan Update – 2014/15 Quarter 3 (Report 26 Feb 2015)
Budget changes since last report (Q3 2015/16)			
Sanctuary HA Hayes Road	Rephased budget	0.3	Final tranche payment due on scheme completion.
		29.8	
Scheme budgets brought forward from 2014/15 and year end adjustments.	Re profiled to 2015/16	2.9	For details see 2014/15 Capital Outturn report (Council 23 July 2015)
		32.7	
Adult Services			
Adult Social Care	New Government grant allocation	0.5	2015/16 Adult Social Care allocation
Affordable Housing	Increase budget	0.1 (0.7)	Budget increased by Right To Buy receipts 2014/15 Part budget moved to future years
		(0.1)	
Childrens Services			
Brookfield Site	New priority scheme	0.8 (0.1)	Budget funded from unallocated Education Review budget Rephased budget to 16/17
Capital Repairs and Maintenance 15/16	New Govt grant allocation	0.4 (0.3)	Continue improvements at Furzeham Primary Part work scheduled for 2016/17
Devolved Formula Capital	New Govt grant allocation	0.1	2015/16 ringfenced grant allocation
Ellacombe expansion	Budget rephased from 2016/17	0.3	Good progress so budget brought forward
Education Review Projects	Budget moved to 2015/16	(0.8)	Part budget moved to fund Brookfield site acquisition
St Margaret's Academy	Saving on scheme	(0.5)	Budget transferred to new Pgn Primary School
Whiterock expansion	Budget rephased from 2016/17	1.0	Good progress on scheme so budget brought forward from 2016/17
Torquay Secondary School places	New scheme	0.2	Initial work on scheme to provide additional places
		1.1	
Community and Customer Services			
Disabled Facilities Grants	Net increase in budget	1.0 (0.4)	2015/16 DFG Government allocation Previous unused budget

			temporarily in reserve for potential transfer
Disabled Facilities Grant reserve	Budget held in reserve	0.4	Potential transfer of funds to other Council priorities.
Transport-Edginswell Station	Increase budget	0.2	Additional budget to progress design works
Transport – Integrated Transport projects	Rephase budget to next year Transfer funds to other projects	(0.3) (0.2)	Some schemes will not require funding until 2016/17 Part funding contrib. to Edginswell Station
Transport – Structural Mtce	Increase budget	0.2	Revenue pothole grant 14/15 transferred to capital
Transport – Torquay Town Centre Access	Budget reduction 15/16	(0.1)	Scheme costs reduced
		0.8	
Corporate and Business Services			
Enhancement of Development Sites	Increased budget	0.1 (0.1)	Restoration of budget Rephased to next year
Flood Defence/Cliff works	Move part budget to 16/17	(0.2)	Spend dependent on future Env Agency funding
General Contingency	Budget to 2016/17	(0.6)	Not expected to be required in 2015/16
NGP Land Acquisition	Reduced budget	(0.2)	Remaining funding transferred to Meadfoot Beach Chalets
Old Toll House	Part budget to 2016/17	(0.1)	Work rescheduled pending court hearing on lease.
Princess Pier structural repairs	Budget to 2016/17	(1.9)	Work to superstructure not yet progressed.
Torbay Innovation Centre Phase 3 (EPIC)	Rephase budget	0.5	Part 2016/17 budget moved to enable scheme development
		(2.5)	
Estimate – Quarter One 2015/16		32.0	

4.7 Expenditure

4.8 The Capital Investment Plan Budget has been updated for any further revision to both projects and timing, resulting in the latest revision attached to Annex 1. The Plan now totals £74.4 million over the 4 year period of which £32 million relates to 2015/16 and £24 million relates to 2016/17.

4.9 The purpose of this report and the Monitoring statement attached is to highlight any existing or potential issues which may affect the delivery of the major projects included in the Plan and to consider any potential effect on corporate resources.

4.10 Expenditure to the end of this first quarter was £1 million with a further £13 million of commitments on the Council's finance system. The expenditure of £1 million is only 3% of the latest budget for 2015/16. This compares with £2 million (or 10% of

outturn) for the first quarter last year. It is recognised that for a number of schemes, notably the South Devon Link Road / Highway (2015/16 budget £11.7m), the Council will not incur expenditure until later in the year.

	2010/11 £m (%)	2011/12 £m (%)	2012/13 £m (%)	2013/14 £m (%)	2014/15 £m (%)	2015/16 £m (%)
Quarter One	10 (23%)	3 (14%)	2 (11%)	4 (23%)	2 (10%)	1 (3%)
Quarter Two	13 (30%)	7 (32%)	4 (21%)	4 (23%)	4 (20%)	
Quarter Three	9 (21%)	5 (22%)	5 (26%)	3 (18%)	4 (20%)	
Quarter Four	11 (26%)	7 (32%)	8 (42%)	6 (35%)	10 (50%)	
Total In Year	43	22	19	17	20	32

4.11 Updates to Capital Investment Plan

4.12 Joint Commissioning Team

4.13 Affordable Housing – in line with the Council’s approved Capital Strategy, the budget to support affordable housing schemes has been increased by £0.150 m to reflect the 2014/15 Right to Buy Clawback receipt received from Sanctuary Housing Association under the terms of the original transfer agreement relating to the transfer of the Council’s housing stock to (then) Riviera Housing. Part of this budget (£0.7m) has been transferred to future years as it is unlikely to be required for schemes in this financial year.

4.14 The affordable housing budget now totals £1.6m. At present this funding is uncommitted. It is therefore recommended that £0.3m of this funding is allocated to regenerate the Strand in Torquay, see paragraph 4.49 below.

4.15 Integrated Care Organisation. Council at its June 2015 meeting approved the allocation of £0.461m of social care capital grant to support the implementation of the Integrated Care Organisation. It is likely that the new organisation would prefer to receive the funding as revenue. If this is the case then the Council can facilitate this and will therefore transfer £0.461m of resources held in Reserves but previously earmarked for a capital scheme. No additional Council decision is required on this request as the transaction represents a straightforward exchange of funding resources.

4.16 Childrens Services:

4.17 There are a number of variations to budgets on various schemes as detailed below. Members will note that a report on Childrens Services proposals was presented and approved by Council on 26th February on use of both previously allocated funding and future funding with respect to pupil places.

4.18 School Basic Need projects: As outlined in the report to Council (Feb 2015), scheme priorities have changed and funding has been reallocated between projects to meet the latest proposals. Funding previously identified for St Margaret’s and Roselands and unallocated funds in Education Review projects have been redirected to the two priority schemes – a new primary school in Paignton and increased secondary school places in Torquay.

4.19 At the time of the February report, further consultation was required and Government grant allocations were not known. The Capital Outturn report 2014/15 (Council July 2015) indicated that new Basic Need funding of £4.229m has now been advised and it is recommended that this allocation is now allocated to Children’s Services to enable the development of these schemes as detailed below. It should be noted that to complete these proposals will also require £2m from future (2018/19 Basic Need) Government allocation, which has not yet been announced:

- New Paignton Primary School £5.000m
- Secondary School places in Torquay £2.866m

	<u>£m</u>
Basic Need 2017/18 allocation	4.229
Future Basic Need 2018/19 – note 1	2.000
Previously allocated to other expansion schemes	(1.363)
Balance available to be allocated	4.866
Proposed Projects:	
New Paignton Primary school	2.000
Additional Secondary School Places	2.866

Note 1 – if 2018/19 funding allocation is less than £2m then the projects will need to be revised.

4.20 The phasing of the proposed schemes is currently expected to be as follows:

Project	2015/16	2016/17	2017/18	2018/19	Total
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
New Paignton Primary School	0.000	0.750	2.250	2.000	5.000
Torquay Secondary Places	0.150	1.045	1.671	0.000	2.866
	0.150	1.795	3.921	2.000	7.866

4.21 New Paignton Primary School – approximate cost £5m. This school is now considered the priority scheme for primary schools and unless additional funding is awarded the Torbay School relocation project may not now proceed. Work on the new primary school won’t start until August 2017 so the proposed phasing fits with the expected allocations and the actual 2018/19 grant figure should be announced well in advance of starting work.

4.22 Secondary School places in Torquay - £2.86m is required for the provision of school places in Torquay by September 2017 – an increase in school places by 30. Discussions will take place with secondary schools within Torquay to ascertain the best site.

4.23 Brookfield Site – This proposal was reported and approved by Council in February 2015. Negotiations are underway to acquire Brookfield House which is adjacent to

Torbay School. This land will enable the development of a much needed play area and will also provide a new entrance to the site which would alleviate some of the difficulties regarding poor access and difficult relations with neighbours.

- 4.24 The Devolved Formula Capital grant allocation for 2015/16 of £0.125m is a ring fenced grant and has been added to the Capital Plan.
- 4.25 Schools Capital Repairs and Maintenance 2015/16: £0.4 million has been allocated to continue improvements at Furzesham Primary. The remaining £0.1 m of this Government grant (total £0.506 m) is also requested to be allocated to Children's Services to enable improvements at other schools.
- 4.26 Good progress on expansion schemes at Ellacombe Primary and Whiterock Primary means that the second phases of the scheduled works can be started earlier than expected. Consequently budgets of £0.25 m and £1.0 m respectively have been brought forward from 2016/17 to 2015/16.
- 4.27 For other schemes, the spending profiles have been revised to move budgets from 2015/16 to 2016/17 to reflect latest projections.
- 4.28 **Joint Operations Team**
- 4.29 Community and Customer Services
- 4.30 South Devon Link Road (South Devon Highway): the contractor continues to provide regular updates on progress and based on latest projections most of Torbay's contribution will be required in this financial year. The main construction work is now expected to be completed in the autumn of 2015. There remains a potential shortfall in Section 106 funding for the scheme (see para. 5.9 below). If these funds are not achieved it is likely the Council will need to fund any shortfall from Prudential Borrowing on the scheme with an impact on the revenue budget.
- 4.31 Transport – Edginswell Station. The Council has previously agreed funds to enable initial design work for this project. This funding is now increased by £0.2m to progress the design works to a stage that will enable procurement to begin as soon as additional funding for the actual build phase is secured. The increased resources of £0.2m are provided from the Integrated Transport budget and are in accordance with and within the match funding plans outlined in the original business case.
- 4.32 The scheme is already a priority with the Local Enterprise Partnership which has indicated funding of £4m however current costings indicate significant additional funding will be required.
- 4.33 Transport Structural Maintenance – The structural maintenance budget has been increased by £0.2m following a funding contribution from revenue. This will be used to improve road surfaces and resilience to pot holes in the area.
- 4.34 Transport Integrated Transport Schemes –some planned schemes funded from this block grant, including Fleet Walk Phase 3, will not require funding until 2016/17 so £0.3m budget has been moved accordingly.

- 4.35 Transport - Torquay Gateway and Torquay Town Access – these two schemes have both been awarded funding from the Local Enterprise Partnership (LEP) and are part of the Council's Capital Investment Plan. The LEP have requested a 'funding swap' whereby Torbay Council pays the LEP £0.4m of revenue funds in exchange for an increased capital allocation towards these projects, £0.296m for Torquay Gateway and £0.104m for Torquay Town Centre access.
- 4.36 The Council has been able to facilitate this and will therefore transfer £0.4m of resources held in Reserves but previously earmarked for these schemes to the LEP who will increase their capital funding by the same amount. No Council decision is required on this request as the transaction represents a straightforward exchange of funding resources.
- 4.37 Disabled Facilities Grants (DFG) – Council at its July meeting allocated £1.019m of funding to support expenditure on DFG's in 2015/16. Expenditure on the service as at mid August was £0.142m. Expenditure over the past three years has averaged under £0.6m, with £0.548m spent in the last financial year, 2014/15.
- 4.38 An amendment to the Capital Outturn Report 2014/15 approved by Council on 23 July 2015 deferred the transfer of £0.4m unused DFG funds from prior years, in addition to the allocation of £1.019m for 2015/16, pending a further report on DFG pressures which was presented to Overview and Scrutiny Board on the 9th September 2015. The Board at that meeting have requested additional information for their October meeting prior to making a recommendation to Council.
- 4.39 Private Sector Renewal – in accordance with a previous Council decision, the budget for Private Sector renewal has been increased in line with capital receipts received from repaid grants. Over the past few years repaid grants totalling almost £0.055 m have been received, usually following a breach of grant conditions, consequently the available budget has been increased by this amount.
- 4.40 Corporate & Business Services
- 4.41 Innovation Centre phase 3 - Electronics & Photonics Innovation Centre – some initial development works are scheduled for 2015/16 and £0.5 million budget is brought forward from 2016/17 to facilitate this work. Potential ERDF funding of £1.5 million is still to be confirmed for this project and does not yet form part of the Plan budget.
- 4.42 Flood Defence schemes – the Capital Investment Plan currently includes a provision to support future Environment Agency schemes. Currently these funds are still to be assigned to particular schemes so the £0.2 m budget has been moved to 2016/17.
- 4.43 Old Toll House, Torquay – Work planned for this property are delayed pending the outcome of a court hearing with regard to the lease on the property.
- 4.44 Princess Pier Structural repair – these planned works will be carried out in conjunction with works hoped to be funded by Environment Agency. At present no works are anticipated in this year, so the £1.85 m budget has been transferred to 2016/17.

- 4.45 St Michael's Chapel, Torquay – the schedule of work required to restore this heritage asset has increased and the additional cost will mainly be funded by an increased grant from English Heritage (now renamed Historic England), rising from £0.046m to £0.070m.
- 4.46 Beach Huts - The Executive Director has reviewed the business cases for both Oddicombe and Broadsands beach huts and in line with the delegation has agreed the allocation of £0.059m insurance reimbursement in relation to damage to beach huts in 2014 and £0.236m of the unallocated New Growth Point grant to the projects to reduce the borrowing requirement which has enabled the prudential borrowing payback period to be maintained at 25 years and within two years both projects should show a net surplus to the resorts services budget.
- 4.47 Office Rationalisation Project – the remainder of this project budget will largely be used to carry out urgent roof work to Torquay Assembly Hall.
- 4.48 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.
- 4.49 Strand Regeneration - The Mayor has requested that Council consider the allocation of £0.3 m from the Capital Projects Fund towards street scene improvements and regeneration at The Strand in Torquay. This request is in line with one of the Mayor's 2015 mayoral manifesto promises to "expand and regenerate the Strand in Torquay". Investment in the Strand area could be used as match funding for an external bid for funding to Torquay Town Centre improvements.
- 4.50 Mayor's Manifesto Commitments – in addition to the Manifesto commitment in relation to the Strand in Torquay, there are a number of other commitments that relate to capital projects. These include:

Support the duelling of ring road to Windy Corner. Work has already been undertaken at Tweenaway Cross and around White Rock and the Western Corridor. Further work remains currently unfunded.

Edginswell Train Station. This scheme has "outline" funding approval from the Local Enterprise Partnership (LEP) and has been previously included in the capital investment plan subject to final costs and funding being agreed with the LEP.

Support the possibility of a railhead into Brixham. This scheme is currently unfunded. The first stage would be to undertake a feasibility assessment.

5 Receipts & Funding

- 5.1 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:

	2015/16	2016/17	2017/18	2018/19	Total @ Q1 15/16
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Unsupported Borrowing	15	4	2	1	22
Grants	15	17	11	4	47
Contributions	0	0	0	0	0
Reserves	0	1	0	0	1
Revenue	1	1	0	0	2
Capital Receipts	1	1	0	0	2
Total	32	24	13	5	74

5.2 Grants

5.3 Capital Grants continue to be the major funding stream (over 60% in last 3 years) for the Council to progress its investment plans. An element of these grants result from “bid” processes from other public sector bodies. The Council used £13 million of grants in 2014/15 and is currently estimating to use nearly £15m of grants in 2015/16.

5.4 Since the last Capital update (Outturn 2014/15) reported to Council in July 2015, the Council has been notified of the following capital grant allocations:

Department for Education – slight increase in Devolved Formula Capital 15/16 grant allocation from £0.099 m to £0.125 m. This is a ringfenced grant and has been added to the Council’s Capital Investment Plan

Historic England (formerly English Heritage) – increased grant allocation to £0.070m (from £0.046m) to complete the restoration work at St Michaels Chapel, Torre.

5.5 Capital Receipts

5.6 The approved Plan relies upon the generation of a total of £2.0 million capital receipts from asset sales by the end of 2016/17 of which £0.3m has now been received by the end of June 2015, leaving a target of £1.7m 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.

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

5.8 Capital Contributions – S106 & Community Infrastructure Levy

- 5.9 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/Highway business case estimated external contributions including s106 payments of £2.1m to help fund the scheme (£0.108m, received since 2014).
- 5.10 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.
- 5.11 Income from Section 106 capital contributions so far in 2015/16 only amount to £0.02 million.
- 5.12 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 house building sector, but will impact on the Council's ability to generate capital resources for capital schemes, including the South Devon Link Road (Highway), where £2.1 million of S106 (or CIL) funding was estimated.
- 5.13 Also restrictions on pooling S106 payments have been introduced which similarly impact the Council's ability to aggregate payments which is likely to lead to a lower level of s106 contributions.
- 5.14 It is expected that, linked to the adoption of the Local Plan later in 2015, a Community Infrastructure Levy scheme will also be approved.
- 5.15 Borrowing and Prudential Indicators**
- 5.16 There was no borrowing taken or repaid during the quarter.
- 5.17 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 2015 the Council's "Non Current Assets" were valued at £307 million.