

Meeting: Council

Date: 8 December 2016

Wards Affected: All Wards

Report Title: Capital Plan Update – 2016/17 Quarter 2 and Mayor’s proposals for Capital Plan revisions for budget process 2017/2018

Is the decision a key decision? No

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1. Purpose and Introduction

- 1.1 The Capital Plan budget totals £127.6 million for the 4 year programme, with £31.7 million is currently scheduled to be spent in 2016/17, including £4.6m on the South Devon Highway. The Capital Plan requires £1.2 million from (new) capital receipts and capital contributions over the life of the Plan.
- 1.2 The Council’s Capital 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 September 2016.
- 1.3 As the Capital Plan is a rolling 4 year plan, the schemes profiled 2017/18 are the current approved budgets for that year. At this stage the previously approved capital plan forms the Mayor’s proposed capital plan for 2017/18 for the budget setting process 2017/18. Any changes from the approved Plan, such as any arising from the application of the capital matrix or proposals from the Mayor or from Overview and Scrutiny recommendations, could be included in the Plan when approved by Council.

2. Reason for Proposal

- 2.1 Quarterly reporting of the Capital budget to both the Overview and Scrutiny Board and to Council is part of the Council’s financial management.
- 2.2 To enable consultation to commence on the Capital Plan – as this is due to be considered by the Council in February 2017 as part of the 2017/18 budget process.

3. Recommendation(s) / Proposed Decision

- 3.1 That the latest position for the Council's Capital expenditure and funding for 2016/17 be noted.

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 Plan throughout the year. The Council's four year Capital Plan is updated each quarter through the year. This report is the monitoring report for the second quarter of 2016/17 and includes variations arising in this quarter to the end September 2016. For the purposes of Standing Order F3 in relation to Budget and Policy Framework, the figures presented in Appendix 1 for 2017/18 is the approved capital budget for that year and form the Mayor's proposals for the Capital Plan for 2017/18.
- 4.2 Council are due to re approve the Capital Plan for 2017/18 and future years 2018/19 and 2019/20, and the Capital Strategy as part of its budget setting process in February 2017. The Board are invited to review the Capital Plan (appendix one) and Capital Strategy and make recommendations to the Mayor, if required, prior to its formal consideration by Council in February 2017. This process could be informed by the application of the (approved) capital matrix on either existing capital schemes or any new projects proposed.
- 4.3 The overall funding position of the 4-year Capital Plan Budget of £127.6 million, covering the period 2016/17 – 2019/20, is primarily fully funded but still relies upon the generation of £1.2 million of Capital income from capital receipts and capital contributions over the life of the Capital Plan.
- 4.4 Of this sum £0.6 million has been received by the end of October 2016, leaving a balance of £0.6 million still to be realised. It is only after this target has been reached that any capital receipts should be applied to new schemes.
- 4.5 Other capital income to support the Plan could come from capital contributions including community infrastructure levy (CIL) scheme which was approved in 2015/16. In addition £2.1m is due to be generated from S106/CIL contributions to part fund the South Devon Highway.
- 4.6 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.
- 4.7 The movements in the estimate of expenditure in 2016/17 on the Capital Plan between the last monitoring report at June 2016 of £33.3 m and the current approved budget for 2016/17 of £31.7 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 2016/17	Change £m	Reason
Estimate as at Q1 2016/17		33.3	Capital Plan Update, 2016/17 Quarter 1
Adult Services			
Adult Social Care	Funding transferred	0.9	Resources for ICO reported in Q1
Affordable Housing	Budget rephased	(1.8)	Majority of budget moved to future years, no new projects
Sanctuary HA – Hayes Road, Pgn	Budget rephased	(0.3)	Final tranche payment moved to 2017/18
		(1.2)	
Childrens Services			
Brookfield House site	Reduced budget	(0.2)	Budget transferred to Education Review Projects
Education Review Projects	Budget reallocations	(0.2) 0.2	Small savings from various budgets transferred Additional resources to Ellacombe and Whiterock. Transfer from Brookfield site
Ellacombe Primary Expansion	Additional budget required	0.1	Budget transferred from Education Review projects
New Paignton Primary school	Budget reduction	(0.3)	Budget transferred to Secondary School Places
Secondary School places	Re profile initial budgets	0.2	Transfer from New Paignton Primary
Whiterock Primary expansion	Additional budget required	0.1	Budget transferred from Education Review projects
		(0.1)	
Community and Customer Services			
Disabled Facilities Grants	Increased budget	1.0	Allocation of Govt. grant.
DFG reserve	Transferred budget	(0.4)	Funding transferred to ICO
Empty Homes Scheme	Part Budget moved to 2016/17	(0.2)	Reflects expected spend. No new projects.

		0.4	
Corporate and Business Services			
Beacon Quay Toilet Block refurbishment	New Scheme	0.1	New project funded from Harbours Reserve
Claylands Redevelopment	Revised phasing	(4.6)	Revised phasing of expenditure
Employment Space at White Rock	New scheme	2.0	Business relocation will provide employment opportunities within Torbay
Essential Capital repairs	Part allocation	(0.4)	Allocated to Freshwater Quarry cliffs.
Freshwater Cliff works	New Scheme	0.4	Allocation from Essential Capital Repairs budget
Investment Fund	Increased budget	4.0	Council approved increase
Old Toll House	Rephase budget	(0.1)	Revised plans being considered so budget moved.
Oldway Mansion Gardens	Scheme no longer required	(0.4)	Development agreement terminated.
Princess Pier	Re profile budget	(1.7)	Works delayed during reassessment of condition.
		(0.7)	
Estimate – Quarter Two 2016/17		31.7	

4.8 Expenditure

- 4.9 The Capital Plan Budget has been updated for any further revision to both projects and timing, resulting in the latest revision attached at Appendix 1. The Plan now totals £127.6 million over the 4 year period of which £31.7 million relates to 2016/17 and £48.5 million relates to 2017/18.
- 4.10 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.
- 4.11 Expenditure to the end of this second quarter was £4.2 million with a further £1.1 million of commitments on the Council's finance system. The expenditure of £4.2 million is only 13% of the latest budget for 2016/17. This compares with £5.4 million (or 24% of outturn) for the second quarter last year. It is recognised that for a number of schemes, notably the Regeneration schemes, the Investment Fund and various

Highways schemes, including the South Devon Highway, the Council will not incur expenditure until later in the year.

	2011/12 £m (%)	2012/13 £m (%)	2013/14 £m (%)	2014/15 £m (%)	2015/16 £m (%)	2016/17 £m (%)
Quarter One	3 (14%)	2 (11%)	4 (24%)	2 (10%)	1 (4%)	1 (3%)
Quarter Two	7 (32%)	4 (21%)	4 (24%)	4 (20%)	4 (18%)	3 (10%)
Quarter Three	5 (22%)	5 (26%)	3 (17%)	4 (20%)	8 (35%)	
Quarter Four	7 (32%)	8 (42%)	6 (35%)	10(50%)	10(43%)	
Total In Year	22	19	17	20	23	32

4.12 Updates to Capital Plan

4.13 Joint Commissioning Team

4.14 Adult Social Care – As outlined in the Annual Strategic Agreement with the Integrated Care Organisation (ICO) which Council approved in July 2016, the Council is providing £0.922m capital support for the ICO.

4.15 Affordable Housing – this budget is available for allocation to specific Affordable Housing projects and it is now anticipated that £1.8m of the budget can be rephased to future years.

4.16 Sanctuary HA - Hayes Road – the final tranche payment on this project is unlikely to be required until 2017/18.

4.17 Children's Services:

4.18 There are a number of variations to budgets on various schemes as detailed below. As previously reported the Government's future funding allocations for Basic Need have been reduced and the previously assumed grant of £2m has not materialised. Consequently Children's Services have undertaken a review of their capital projects to reduce the overall budget requirement by £2m to offset this loss of resources.

4.19 Ellacombe Primary expansion – This scheme required £0.05m to finalise works. The project is now complete.

4.20 New Paignton Primary School – The future cost of delivering this scheme will be funded directly by Dept for Education subject to EFA approval of a 'free school' on the site, consequently £1.491m budget has been transferred to support the Secondary School Places project.

4.21 Secondary School Places – additional funds have been provided from the Paignton Primary School budget to support this scheme which in turn has been cut back by £2m to reflect the loss of £2m assumed Basic Need grant resources in future years. A further £0.3m has been reallocated to the project to relocate Torbay School to the Parkfield site.

- 4.22 Torbay School relocation – Designs for the proposed relocation have been agreed with an impact on cost, so £0.3m has been transferred from the Secondary School Places project.
- 4.23 Whiterock Primary expansion – £0.125m additional funding was required to finalise the works on this expansion scheme, which has now been completed. The required funding was transferred from the Education Review projects budget line.
- 4.24 **Joint Operations Team**
- 4.25 Community and Customer Services
- 4.26 Empty Homes Scheme – there is possibility that part of the budget will be required this financial year to acquire and renovate property to bring back into use, with the remainder of the budget (£0.2m) moved to next year.
- 4.27 Transport - there has been some minor budget consolidation of small remaining budgets to the Western Corridor project as part of planned works.
- 4.28 Disabled Facilities Grants (DFG) – As recorded in the previous Capital Plan Monitoring Report, following the Council's approval of the Annual Strategic Agreement with the Integrated Care Organisation (ICO) agreed in July £1m has been allocated to Disabled Facility Grants.
- 4.29 Corporate & Business Services
- 4.30 Beacon Quay Toilets – a new scheme to refurbish the Beacon Quay toilet block, at a cost of £0.085 m, which will be funded from the Harbours Reserve has been added to the Plan.
- 4.31 Claylands Redevelopment – this scheme is being reviewed and a report on revised proposals will be presented to Council later in the year. As a result until the revised scheme is approved by Council expenditure will not be incurred on the scheme with spend now expected to be in 2017/18.
- 4.32 Employment Site (White Rock) – as reported in the previous Capital Plan monitoring report this £6.7m scheme to provide employment space and enable the relocation of a company to Torbay was supported by Council and has now been added to the Capital Plan. It is, subject to final agreement, aimed to complete the building by September 2017 and the budget is phased between years accordingly.
- 4.33 Freshwater Cliffs stabilisation – Council has previously approved a budget of £3m to enable urgent repairs to Council assets and infrastructure. Part of this budget provision is now required for cliff stabilisation work at Freshwater Quarry, Brixham. A budget estimate of £0.425m for this scheme has been prepared based on the consultant engineer's latest report and recent contracts for similar works.
- 4.34 Investment Fund – additional £40 m budget added to Capital Plan to reflect the increased level of investment agreed by Council at its meeting on 22 September 2016. The already approved increase is noted here for completeness. Although £5m has been profiled to be spent in 2016/17, currently there are no approved investments from this fund to date.

- 4.35 Oldway Mansion Gardens – following the termination of the Council’s development agreement in respect of Oldway Mansion the provision for future works to Oldway Gardens is no longer required.
- 4.36 Princess Pier Structural repair – Works to be delayed whilst further surveys/investigations are carried out to identify works to be carried out to both substructure and steelwork/surfacing of the pier. £1.74m of the budget is therefore moved to future years however works will be required to steelwork to avoid closure in the next few years.
- 4.37 Edginswell Train Station– The cost of this scheme are higher than the original LEP funding allocation. To meet the difference an additional bid to central government has been submitted.

5 Receipts & Funding

- 5.1 The funding identified for the latest Capital Plan budget is shown in Appendix 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 Plan is shown in the Table below:

	2016/17	2017/18	2018/19	2019/20	Total @ Q2 16/17
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Unsupported Borrowing	14	26	18	21	79
Grants	16	19	6	2	43
Contributions	0	1	0	0	1
Reserves	0	1	0	0	1
Revenue	1	0	0	0	1
Capital Receipts	1	1	0	0	2
Total	32	48	24	23	127

5.2 Grants

- 5.3 Capital Grants continue to be the major funding stream (over 56% 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 £11 million of grants in 2015/16 and is currently estimating to use £16m (50% of 16/17 budget) of grants in 2016/17.
- 5.4 Since the last Capital update (Quarter 1 2016/17) reported to Council in September 2016, the Council has not been notified of any additional capital grant allocations.

- 5.5 In October 2016, Council approved the allocation of previously notified grants to the respective services;
Dept for Education - 2016/17 Condition Funding £0.448m; and
Dept for Transport - 2016/17 Highways Maintenance Incentive Fund £0.082m and
Pothole Action Fund £0.071m
Since this decision was made after 30 Sept 2016 the figures are not included in this report and Annex.

5.6 Capital Receipts

- 5.7 The approved Plan relies upon the generation of a total of £2.7 million capital receipts from asset sales by the end of 2017/18, of which £1.4 m was held at 31 March 2016 and a further £0.1m received by the end of September 2016, leaving a target of £1.2m still to be achieved. Proceeds from the disposal of Lincombe Court were received on completion in October 2016, and have been included in this report.

This target is expected to be achieved provided that -

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

5.8 Capital Contributions – S106 & Community Infrastructure Levy

- 5.9 The Council’s Capital Strategy states that capital contributions are applied to support schemes already approved as part of Capital Plan and are not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital plan.
- 5.10 Income from Section106 capital contributions so far in 2016/17 amount to £0.4 million.
- 5.11 Following the adoption of the Local Plan in late 2015, Council has now also approved a Community Infrastructure Levy (CIL) scheme which will provide funds for infrastructure improvements linked to and in the vicinity of proposed developments. The main capital project identified for CIL receipts is South Devon Highway.
- 5.12 The South Devon Highway business case estimated external contributions including Section106/CIL payments of £2.1m to help fund the scheme (£0.137m, received since 2012).

5.13 Borrowing and Prudential Indicators

- 5.14 There was no borrowing taken or repaid during the quarter.
- 5.15 The Council’s capital expenditure has an overall positive impact on the Council’s Balance Sheet. Expenditure in the Capital Plan on the Council’s own assets will increase the value attached to the Council’s fixed assets. As at 31 March 2016 the Council’s “Non Current Assets” were valued at £335 million.

5.16 As a result of the introduction of a different valuation method for Highway Network Assets the increase in value on the Council's balance sheet is estimated to be in excess of £1.4 billion. The valuation change is to use a depreciated replacement cost basis instead of a historic cost basis.

Appendices:

Appendix 1 - Capital Plan summary – Quarter Two 2016/17