

Meeting: Overview and Scrutiny Board **Date:** 25 January 2017

Wards Affected: All

Report Title: Capital Plan 2016/2017 – Quarter 3 Monitoring

Is the decision a key decision? No

When does the decision need to be implemented? Immediately

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1. Proposal and Introduction

- 1.1 The Capital Plan budget totals £130 million for the 4 year programme, with £46.2 million currently scheduled to be spent in 2016/17, including £4.6m on the South Devon Highway and potential expenditure from the Investment Fund. The Capital Plan currently requires £0.7 million from 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 December 2016, relating to Quarter 2 position.
- 1.3 The projection of capital schemes to be spent during 2017/18 within the appendix to this report will also be included as a stand alone report to enable the Council to approve a 2017/18 Capital Plan in line with the Council's Constitution.

2. Reason for Proposal

- 2.1 Quarterly reporting to both the Overview and Scrutiny Board (OSB) and to Council is part of the Council's financial management with the Council being asked to note the 2016/17 quarter three position for its Capital Plan 2016/17 – 2019/20.
- 2.2 There are a number of new capital projects and grant allocations recommended for approval.

3. Recommendation(s) / Proposed Decision

- 3.1 That the latest position for the Council's Capital expenditure and funding for 216/17 be noted and that the Board make recommendations, if required, to Council on the following proposed allocation of Government grants:

Dept for Transport – Pothole Action Fund 2017/18 allocation of £0.117m and National Productivity Investment Fund of £0.413m (to Highways Structural Maintenance)

Dept for Education – Early Years Capital (to Children's Services)

- White Rock Primary Nursery £0.235m
- Ellacombe Academy Nursery £0.541m

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 third quarter 2016/17 and includes variations arising in this quarter to the end December 2016.
- 4.2 The overall funding position of the 4-year Capital Plan Budget of £130 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. Of this £1.2m, £0.5 million has been received by the end of December 2016, leaving a balance of £0.7 million still to be realised. It is only after this target has been reached that any capital receipts should be applied to new schemes.
- 4.3 It is anticipated some further capital resources will be achieved from capital contributions including a Community Infrastructure Levy (CIL) scheme which is expected to be approved during 2016/17.
- 4.4 The movements in the estimate of expenditure in 2016/17 on the Capital Plan between the last monitoring report at September 2016 of £31.7m and the latest budget for 2016/17 of £42.3 m are shown below.

Scheme	Variation in 2016/17	Change £m	Reason
Estimate as at Q2 2016/17		31.7	Capital Plan Update, 2016/17 Quarter 2
Joint Commissioning Team			
Adult Services			
Affordable Housing	Budget to 2017/18	(0.1)	Unlikely to spend in 2016/17
		(0.1)	
Children's Services			
Capital Repairs and Maintenance 16/17	New budget for 2016/17 Part moved to 2017/18	0.4 (0.2)	Govt. grant alloc re 2016/17
Early Years schemes at White Rock and Ellacombe	New budgets Part moved to 2017/18	0.9 (0.4)	DfE allocation of grant to support early years provision
Education Review Projects	Budget re profiled to 2017/18	(0.2)	Timing of likely expenditure reviewed
Secondary School	Part budget to 2017/18	(0.4)	Some works rescheduled to next

Places			financial year
Torbay School Relocation	Budget re-profiled to 2017/18	(0.2)	Review of expenditure
		(0.1)	
Joint Operations Team			
Community and Customer Services			
CCTV equipment	Budget moved to 2017/18	(0.4)	Delay in procurement
Empty Homes Scheme	Re profiled to 2017/18	(0.2)	Review estimated expenditure
Private Sector Renewal	Budget transfer to 2017/18	(0.1)	No requirement in 2016/17
Transport – Integrated Transport schemes	Reprofile budget	(0.5) (0.2)	Repay funds swap re LEP schemes Funds transferred to Western Corridor scheme
Transport – Highways Structural Maintenance	Increased budget	0.2	Govt. grant allocations increased
Western Corridor	Torbay match funding Budget re profiled to 2017/18	0.2 (1.8)	Increased budget from Integrated Transport Latest forecast of costs to be incurred in 2017/18.
		(2.8)	
Corporate and Business Services			
Beacon Quay Toilets	Increased budget	0.1	Increased cost estimate
Essential Capital Repairs	Part of budget allocated Remainder to 2017/18	(0.4) (0.1)	Budget allocated to Freshwater Cliff Stabilisation Not likely to be required in 16/17
Council Fleet Vehicles	Budget moved to 2017/18	(0.1)	Review of expenditure needs
Employment Site	Transfer to next year	(2.0)	Expenditure plans reviewed
Freshwater Cliff stabilisation	New budget	0.3	Budget assigned from Essential Capital Repairs
Investment Fund	Part budget brought forward to 2016/17 and allocated to potential site acquisitions	16.4	Budget increased for 2016/17 to enable potential site acquisitions
Torbay Innovation Centre Phase 3 (EPIC)	Budget moved to 2017/18	(0.6)	Minimal spend in 2016/17
Town Dock Pontoon replacements	New budget mainly phased to 2017/18	0.2 (0.2)	Harbour Committee approved funds from Harbours Reserve
		13.6	
Estimate – Quarter Three 2016/17		42.3	

5.0 Expenditure

- 5.1 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 £130 million over the 4 year period of which £42.3 million relates to 2016/17 and £56.3 million relates to 2017/18.
- 5.2 The purpose of this report and the monitoring statement attached is to highlight any existing or potential issues which may affect the delivery of the major projects included in the Plan and to consider any potential effect on corporate resources.
- 5.3 Expenditure to the end of this third quarter was £6 million with a further £2 million of commitments on the Council's finance system. The expenditure of £6 million is only 14% of the latest budget for 2016/17. This compares with £12.7 million (or 56% of outturn) for the third quarter last year. It is recognised that for a number of schemes (e.g. South Devon Highway and Investment Fund), the Council will not incur expenditure until later in the year.

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

5.4 **Updates to Capital Plan**

5.5 **Joint Commissioning Team**

- 5.6 Affordable Housing – budget is not likely to be allocated for specific schemes in 2016/17 so £0.1m budget moved to next year.

Affordable Housing – Community Housing Fund. Torbay has received a 2016/17 grant allocation of £0.643m to enable and boost delivery of affordable housing units through community – led housing groups in areas affected by high levels of second home ownership. The grant has initially been accounted for as revenue, however some expenditure may be capital depending on the actual allocation of the grant. Therefore the grant is noted here for information and to enable use if confirmation as capital resources is received.

- 5.7 There are a number of projects in Children's services where some expenditure has been re profiled to move funding between years to reflect latest expenditure projections:

Capital Repairs 2016/17 - £0.15m moved as some works will not be undertaken until 2017/18.

Education Review Projects – £0.2m of this budget is not expected to be required until next year, so has been transferred accordingly.

Secondary School Places – £0.4m of budget moved to 2017/18 to reflect expected expenditure profile

Torbay School Relocation – part (£0.2m) of budget reprofiled to next financial year.

Early Years provision – as detailed below (para. 8.4) the Department for Education have awarded grant to support two specific nursery projects. The details are set out in the table below:

School	Project	School contribution	LA contribution	GRANT	Total Project Cost
White Rock Primary	New 26 place nursery	£28,286	£50,000	£234,858	£313,144
Ellacombe Academy	Expansion of Little Stars Nursery from 24 to 48 places	£130,337	£50,000	£541,012	£721,349

The Council's contribution to the above schemes will come from existing Early Years resources within the approved Capital Plan so has no new resourcing implications.

5.8 **Joint Operations Team**

5.9 **Community and Customer Services**

5.10 CCTV Equipment – following delays related to the procurement of this work the £0.4m budget will not now be required until next financial year.

5.11 Empty Homes Scheme – work and plans not yet finalised so £0.2m of the budget is transferred to 2017/18.

5.12 Private Sector Renewal – there are not currently any plans for this budget so the funds of £0.1m are transferred to 2017/18.

5.13 South Devon Highway – Following contract negotiations between Devon County Council and the main contractor over cost variations a settlement has been agreed which will potentially increase Torbay's contribution to the scheme by approximately £0.1m. There are still other costs to be determined (including compensation claims) before the final cost of this major infrastructure improvement is known.

5.14 Transport – Integrated Transport Schemes – This budget covers various transport schemes including work at Fleet Walk. The main work relating to this particular project will not now take place until 2017/18. Funds are being used this year to make early reversal of a resource swap used last year to support LEP funded transport schemes. This reversal had previously been scheduled over future years. Some funds are also being transferred to the Western Corridor scheme representing Torbay's agreed match funding to the project (see also para. 5.16 below).

5.15 Transport Structural Maintenance – the Government has recently announced the latest grant allocation from the Pot Hole Action Fund for 2017/18, along with a new highways National Productivity Investment Fund allocation. Subject to Council

approval, it is intended to add this increased funding of £0.117m and £0.413m respectively, to the 2017/18 budget.

5.16 Transport – Western Corridor. – This scheme is mainly funded from Local Enterprise Partnership (LEP) grant and £0.2m has been added to the budget to reflect Torbay’s match funding for the project. These resources are transferred from the Integrated Transport block. Following a review of likely expenditure levels £1.78m of the 2016/17 budget has been moved to 2017/18.

5.17 Corporate & Business Services

5.18 Essential Repair Works – Part of the prudential borrowing of £3 million for essential capital repair works has been assigned to Freshwater Cliffs Stabilisation. Tenders have now been received for the cliff work and £0.375m budget is being allocated to the scheme. The remaining £0.1m of the profiled 2016/17 budget is unlikely to be allocated this year so is re-phased to 2017/18.

5.19 Beacon Quay Toilets - The tenders have now been returned for this refurbishment work and unfortunately the cost is higher than expected (the estimated cost is now £0.117m from £0.085m).The additional funding will be added to the original funding from the Harbours Reserves.

5.20 Council Fleet Vehicles – no vehicles likely to be procured this year, so the available budget of £0.1m has been moved to next financial year.

5.21 Employment Space – proposed works on this project are delayed and consequently the scheduled £2.0m 2016/17 budget has been reprofiled into 2017/18.

5.22 Investment Fund - a number of potential options are being considered to achieve an income stream for the Council. In view of particular opportunities at present £16.4m of the budget initially allocated to future years has been brought back into 2016/17 to provide resource cover to facilitate acquisition opportunities.

5.23 Torbay Innovation Centre Phase 3 (EPIC) – again works scheduled for 2016/17 have not progressed as anticipated with the result that £0.6m budget has been transferred to next financial year.

5.24 TEDC Capital Loan – some minor reprofiling of this financial support for TEDC capital projects has been required to match expenditure patterns.

5.25 Torquay Town Dock pontoon replacements – Harbours Committee (Dec 2016) approved capital spend of approximately £0.22m required for Torquay Harbour to carry out some essential pontoon replacement works to the Town Dock to be funded from Harbours Reserve. Whilst some costs will probably fall into the current year it is expected that the majority of expenditure will fall in 2017/18.

6 Receipts & Funding

6.1 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 @ Q3 16/17
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Unsupported Borrowing	27	29	18	5	79
Grants	13	23	6	2	44
Contributions	0	1	0	0	1
Reserves	0	2	0	0	2
Revenue	1	0	0	0	1
Capital Receipts	1	1	1	0	3
Total	42	56	25	7	130

6.2 Grants

6.3 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 £13m of grants in 2016/17 (approximately 31% of 16/17 budget).

6.4 Since the last Capital update (Quarter 2 2016/17) reported to Council in December 2016, the Council has been notified of the following capital grant allocations.

- Dept. for Transport - Pothole Action Fund 2017/18 allocation £0.117m and National Productivity Investment Fund 2017/18 allocation of £0.413m. This is a new allocation from a new national fund to improve local road networks and public transport.

Whilst both of these are not “technically” a ring fenced grant, there are conditions which require the funding to be used as directed, and in the case of the Productivity Fund commitments must be given by the Council on the use of this grant in order to receive the funding.

The allocations have therefore been added to the 2017/18 Highways Structural Maintenance budget.

- Dept. for Education – Early Years capital provision.

Following a successful bid the DfE have awarded funding for two projects to provide additional early years care at:

White Rock Primary Nursery - £0.235m
Ellacombe Academy Nursery - £0.541m

- Dept for Communities and Local Govt – Community Housing Fund

The DCLG have recently announced Torbay’s 2016/17 allocation to support delivery of affordable homes within the community. Whilst details are still awaited it is expected there will be both capital and revenue elements to enable and boost delivery of community-led housing.

6.5 Capital Receipts

6.6 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 £0.6m received by the end of December 2016, leaving a target of £0.7m still 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.

6.7 Capital Contributions – S106 & Community Infrastructure Levy

6.8 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.

6.9 Income from Section106 capital contributions so far in 2016/17 amount to £0.4 million, but often there are conditions on the schemes that can be funded from these funds.

6.10 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 Planning Inspectorate has provided feedback on the proposed scheme which are being assessed by officers.

6.11 The main capital project identified for CIL receipts is South Devon Highway. The South Devon Highway business case estimated external contributions including Section106/CIL payments of £2.1m to help fund the scheme (£0.142m, received since 2012).

7.0 Borrowing and Prudential Indicators

7.1 There was no borrowing taken or repaid during the quarter However the Council does have borrowing requirement linked to its approved capital plan, in particular from the investment fund, therefore the Council could be taking borrowing in the final quarter of the year.

7.2 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.

Appendices

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