



Title: **Capital Investment Plan - Budget Monitoring 2011/12 - Quarter Four (Outturn - Subject to Audit)**

Public Item: **Yes**

Wards Affected: **All Wards in Torbay**

To: **Overview & Scrutiny Board Council** On: **20th June 2012
12th July 2012**

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1. What we are trying to achieve

- 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 final Capital Monitoring report for 2011/12 under the Authority's agreed budget monitoring procedures. It provides high-level information on capital expenditure and income for the year (subject to Audit), compared with the latest budget position as at quarter three reported in February 2012.

2. Recommendation(s) for decision

Overview & Scrutiny Board

- 2.1 **That Members note the outturn position for the Council's Capital expenditure and income for 2011/12 and make any recommendations to Council**

Council

- 2.2 **That the outturn position for the Council's Capital expenditure and income for 2011/12 be noted.**
- 2.3 **That the action taken by the Chief Finance Officer, under the Officer Scheme of Delegation, to carry forward the unspent budgets for expenditure or work in progress (together with their funding) from 2011/12 to 2012/13 be noted.**
- 2.4 **That the funding of the capital investment plan for 2011/12 as outlined in paragraph C1.1 of the submitted report be approved.**

3. Key points and reasons for recommendations

- 3.1 Members of the Overview and Scrutiny Board and Council have received regular budget monitoring reports on the Council's Capital Investment Plan throughout the year. Each quarter the four year capital investment plan is updated. This

report is the monitoring report for the fourth quarter 2011/12 which is also the financial year end. Variations reported in this report, including those shown in Appendix B, are those arising in this quarter.

- 3.2 Outturn expenditure for the year was £22.1 million compared with the budgeted spend as per the last monitoring position in February of £24.9 million. Reasons for this variation over a number of schemes are included in paragraph B2.8. In percentage terms, spend was 89% of the forecast in February. This compares with 93% for 2010/11.
- 3.3 The 2011/12 total capital spend of £22.1 million is less than 50% of the spend in 2010/11 and recent years. This is a combination of the impact of the coalition government's reduced public sector funding and the absence in the capital investment plan of the completion of a major scheme such as Torquay Community college rebuild or Brixham Regeneration.
- 3.4 2012/13 spend is expected to be at a lower level due to the ongoing impact of the reduction in capital funding and the Mayor's strategy to not use borrowing under the Prudential Code unless there is a strong business case.
- 3.5 A total of £22.1m was spent on a range of capital investment schemes in 2011/12 and a number of significant schemes such as Cockington Court craft centre and Parkfield Youth facility were completed.
- 3.6 The original capital budget approved by Council in February 2011 was £42.0 million. That was subsequently revised during 2011/12 for re profiling of expenditure from 2010/11, new schemes and re profiling spend to future years. All changes with reasons have been included in previous monitoring reports.
- 3.7 The most significant change in the four year capital investment plan in the year was the revision to the Office Rationalisation project which was reduced by £19m in the year. This was offset in part by the approvals by Council for a higher level of support, funded from borrowing under the prudential code, for the South Devon Link Road (£12m) and Princess Promenade (£3m)
- 3.8 The overall expenditure position by Directorate for 2011/12 is summarised in the table below:

Directorate	Original Budget 2011/12 April 11	Revised Budget 2011/12 Quarter 4	Outturn for 2011/12	Outturn less Revised Budget
	£m	£m	£m	£m
Place & Environment	12.6	10.1	9.2	(0.9)
Children, schools and families	18.4	10.5	9.5	(1.0)
Schools – Devolved Formula Capital	0.3	1.6	0.7	(0.9)
Communities and Local Democracy	0.9	1.0	0.6	(0.4)
Adults and Operations (inc. Corporate)	11.4	2.5	2.1	(0.4)
Total	43.6	25.7	22.1	(3.6)

- 3.9 Details of schemes completed and progressed during the year are included in the Supporting Information to this report along with a summary of the re profiling that occurred in the last quarter.
- 3.10 Capital budgets of £3.8m will be carried forward to 2012/13 to enable schemes not completed or progressed in 2011/12 to be continued in the current year along with the funding sources for the scheme. The Council in approving the 2012/13 Capital Investment Plan changed the management and approval process for Capital schemes with delegated powers given to the Chief Executive to approve schemes in consultation with the Mayor and others within the approved Plan totals.
- 3.11 The Council set its Prudential Indicators for 2011/12 and monitoring arrangements for “affordable borrowing” in February 2011. The detailed Outturn Indicators are provided as part of the Treasury Management Outturn Report to be presented to Council.

For more detailed information please refer to the supporting information attached.

Paul Looby
Chief Finance Officer

Appendices:

Appendix A

Background Information

Appendix B

Capital Investment Plan 2011/12 Quarter Four (Outturn) Summary

Appendix A – Background Information

A1. General

A1.1 Council approved the original 4-year Capital Investment Plan for the period 2011/12 - 2014/15 in February 2011. This Plan indicated spending of £42.0 million in 2011/12 out of the total 4-year Capital Plan Budget of £73.8 million. (This was before re profiling of expenditure from 2010/11 and any approval/revision of schemes during 2011/12).

A1.2 Quarterly budget monitoring reports have been presented to the Overview & Scrutiny Board during the year. New additions to the Plan and significant changes to approved budgets have been approved by Council and noted by the Board through this process.

A1.3 The Council produces a regular “capital success” leaflet which highlights the benefits of a number of schemes on the capital plan. The latest is “Spring 2012” and covers a number of projects that were completed in 2011/12. These can be accessed on the Council’s website on this link:

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/capitalprogramme.htm>

A1.4 The expenditure predictions as at January 2012 were presented in Capital Monitoring Report to Council in February 2012. That Report noted anticipated expenditure of £24.9 million in 2011/12 out of a revised 4-year Capital Plan Budget of £78 million (prior to any further changes to the Plan approved by Council in February 2012).

A1.5 During the last quarter the Plan was revised for a small number of changes:

Scheme	Variation	Change £m	Reason
Estimate – Quarter Three 2012/13		24.9	
Integrated Transport Plan	Additional Funding	0.1	Additional Grant Funding 11/12
Office Rationalisation project	Additional to scheme	0.1	Relocation of CCTV control room
Provision for repayment of capital grant (see para A1.6)	New cost	0.5	Provision for repayment of grant due to DWP on closure of supported employment workshop
Other variations		0.1	
Estimate – Quarter Four 2011/12		25.7	

A1.6 Subsequent to the budget decisions in relation to the supported employment service the Economic Development Company presented a proposal to Council on May 16th 2012 to utilise this site in an exchange of land to enable the Council to build an Innovation Centre. Any costs of the grant repayment to the Department of Work and Pensions (DWP) will form part of the business case to be presented by the EDC for approval. In the meantime negotiations are ongoing with DWP on the value of the grant repayment due.

A1.7 Appendix B provides a schedule of the outturn for spending and funding in 2011/12.

Column (1) shows the latest budget for the year (as at quarter four)
 Column (2) shows the actual payments during the year.
 Column (3) shows the variance between outturn and revised budget
 Column (4) shows the net budget to be carried forward to 2012/13.
 Column (5) gives a summary of the reason for any significant variation

A1.8 The net budget to be carried forward for transport and childrens' services are shown as one sum which reflects the Council's previous allocation of funding to these services for those services to manage within that total allocation, usually linked to ring fenced funding allocations. As approved in the 2012/13 capital investment plan, allocations in 2012/13 and future years will be done on an individual scheme basis.

A1.9 In order to meet the timetable for the statutory closure of accounts it is inevitable that assumptions are now made with regard to the final outturn figures which may be subject to challenge by the Audit Commission (the Council's external auditors) when the Audit of the Council's accounts is undertaken. Any changes will be reported to a future meeting.

B1. Expenditure Outturn & Performance

B1.1 The actual service expenditure in 2011/12 was £22.1 million. The outturn for individual projects is provided in Appendix B. A summary at service level is in the table below –

	Latest Budget	Outturn	Spent	Variation
	£m	£m	%	£m
Place & Environment	10.1	9.2	97	(0.9)
Children, schools and families	10.5	9.5	90	(1.0)
Schools – Devolved Formula Capital	1.6	0.7	44	(0.9)
Communities and Local Democracy	1.0	0.6	60	(0.4)
Adults and Operations (inc. Corporate)	2.5	2.1	84	(0.4)
TOTALS	25.7	22.1	86	(3.6)

In overall terms there was net variation in the Plan spend of £3.6 million, which is 14% of the revised budget. This compares with less than 10% re profiling in 2010/11. A summary of the significant re profiling and reasons is included below.

B1.2 The re profiling of budget within the £3.8m identified to be carried forward to 2012/13, is summarised by scheme (in excess of £0.250m) in the table below:

Scheme	Re Profiling £m	Reason
Devolved Formula Capital	(0.9)	“Ring fenced” schools grant allocated to schools during the financial year but returned by the schools as unspent at year end.
South Devon Link Road	(0.4)	Less expenditure than expected incurred by Devon County Council in year
Torquay Community College	(0.3)	Although the project is substantially complete there are a number of minor issues to be completed.
Disabled Facility Grants	(0.3)	Reflects the timing of grant authorisations and management by the service of demand for grants
Office Rationalisation Project	(0.4)	Reflects latest expenditure profile and allocation of some costs to revenue

B1.3 The Capital Investment Plan spans 4 financial years and includes development projects where spending is expected to run for a number of years. It is normal that annual budgets need to be re-phased between years as schemes develop through feasibility, design and construction stages in order to ensure continuity. On occasion consultation with end-users, affordability of design and negotiation with external funders can significantly delay anticipated start dates.

B1.4 During the year, budgets were regularly re-scheduled between the four years of the plan and the reasons were reported to the Overview & Scrutiny Board.

B1.5 On a number of schemes, even though works had not been undertaken by the year end a number of contractual commitments have been entered into to progress the scheme. The Council’s 2011/12 Statement of Accounts shows that at the end of 31/3/12 there was over £1.6 million of expenditure on Council assets that were “assets under construction”.

B1.6 In overall terms individual projects have, again, mainly stayed within budget once the “Decision to Invest” stage is reached. Where project costs have exceeded budget, and funds could not be brought forward from future year’s budgets, services were asked to identify additional sources of funding. No scheme has been carried forward to 2012/13 which will be a call on (new) funding allocated in the 2012/13 Capital Investment Plan for future years.

B1.7 The Chief Finance Officer is authorised under the Officer Scheme of Delegation to approve re-phasing of expenditure between years provided the impact does not exceed the overall level of the approved programme and the available funding resources. Under this delegation, net budget provision of £3.8 million has been carried forward into 2012/13 to fund commitments on works in progress and to enable approved schemes to be completed. Conversely service budgets for 2012/13 have been reduced on those projects which have spent in advance (within the overall capital budget for the project). A revised Capital Investment Plan, incorporating the budgets carried forward and any schemes that are now significantly changed will be presented with the first capital monitoring report for 2012/13.

B1.8 In addition to the re profiling of expenditure to future years the corresponding budgets for the funding of these schemes are also carried forward. Where

funding has been received but not applied, this funding is reflected on the Council's balance sheet as usable reserves.

B2. Individual Project Monitoring

B2.1 Appendix B shows the expenditure in 2011/12 on each individual project.

B2.2 A number of projects have been completed during the year and are now delivering improved services to users. The highlights by Directorate area for 2011/12 are as follows:

B2.3 Place and Environment

Although it had a minimal financial impact in the year, the approval of a £110m scheme with 70% funding by the Department of Transport for the South Devon Link Road was a significant event in 2011/12. This major scheme for Torbay is an essential part of the Council's strategy to provide a regeneration and tourism boost during a period of economic uncertainty.

Three major schemes reached completion and were operational in the year. These were the £4m scheme for the improvement of Tweenaway junction, the £3m scheme for the Cockington Court and Craft Centre and the Brixham Regeneration project for the Fish Quay area was substantially completed.

The Council continued to support affordable housing with the final payment made for the supported accommodation scheme at Dunboyne and the acquisition of land at Hatchcombe nurseries.

Other major projects were started during the year including the £5m Torre Abbey (phase two) works and infrastructure works at both Princess Promenade and Haldon Pier.

Finally the new Play Park on Paignton Green was opened in 2012 to wide acclaim.

B2.4 Children's, Schools and Families

This Directorate usually represents 50% of the total Council capital expenditure. The total spend in year was reduced in line with lower levels of central government support for schools capital.

During 2011/12 the Children's Services Capital Programme experienced slippage on several projects for a variety of reasons. A number of schemes, including Barton Primary, Preston Primary and Curledge Street Primary all experienced delays as a result of the need to re-design to reduce costs and/or meet end user requirements.

The **Barton Primary** project is a large and complicated project with extensive, invasive works to ceilings and roofs, walls and floors, it also requires mechanical and electrical installations as well as general refurbishment throughout the building. It is likely to be disruptive and unpredictable and required careful planning to try and minimise the disruption to the school. All of this has impacted on programme and it is highly likely that unforeseen problems will become apparent once work starts on site, possibly resulting in even further slippage.

At **Preston Primary** there have been on-going negotiations with the school regarding need and design and these have resulted in the project becoming significantly larger than originally anticipated. This has impacted on programme. The project finally started on site in October 2011 and is going well. It is expected to complete in the Summer 2012 so further slippage on the scheme is unlikely.

The project at **Curledge Street Primary** was significantly delayed because of changes to Sure Start funding which meant that the scheme had to be redesigned. The project was also delayed to allow larger year groups to work their way through the school before demolition of older buildings and mobiles could begin. Both issues impacted on programme and resulted in slippage.

In addition, 2011/12 resources were allocated to schemes mid-year and the overall programme had to be adjusted to reflect expected project cashflows. This resulted in the need to slip some resources to future years.

Projects completed in Year:

Oldway Hall - The new hall at Oldway was completed in November 2011. The school is now able to offer school meals to a significantly larger number of pupils. The hall also provides a wonderful space for all school assemblies, performances and sport and PE. It has quickly become a highly valued school and community facility.

Roselands Re-modelling - the project at Roselands were completed in April 2011. The new build includes several classrooms which replace old, poor condition mobiles. The school are very pleased with the new facilities and they have been able to rationalise their accommodation and play space as a result of the new, fit for purpose buildings.

St Cuthbert Mayne 14-19 Project - completed in November 2011, the St Cuthbert Mayne project has provided much needed facilities to support the 14-19 curriculum in Torbay. The project has delivered new, modern classrooms that are fit for purpose and have significantly improved the teaching and learning environment for pupils and staff.

My Place - the £5m project completed in the Autumn 2011 and has already hosted several major events. The My Place project has provided a world-class facility for young people in Torbay as well as for youth groups from across the country.

B2.5 Communities & Local Democracy

The significant spend in this Directorate is on Disabled Facilities Grants which under spent in the year due to the service management of demand for these grants. The level of grants awarded will be reviewed on an annual basis.

B2.6 Adults & Operations (including Corporate)

A significant change in the year was the revision to the Office Rationalisation project which was reduced by £19m in the year to a £10m scheme. The phase in relation to Torhill House was substantially completed with works due to start on

the Torquay Town Hall in 2012/13 in order to accommodate staff who will vacate Roebuck House by the end of 2012.

As a result of the budget decision to cease the supported employment service at the PLUS workshop a provision has been made to repay a grant to the Department of Work and Pensions. (see paragraph A1.6)

The Council approved a capital contingency of £1.1 million. This contingency is still in place to provide for unforeseen emergencies or shortfall in projected income over the 4-year Plan period and represents approx. 1% of the total capital plan.

C1. Receipts & Funding

C1.1 Resources used in the year to fund the actual spending, compared to the anticipated use of resources, are as follows –

	Latest Budget £m	Outturn £m	Difference £m
Borrowing -	4.6	3.4	(1.2)
<i>of which -</i>			
<i>Supported (by Gov't funding)</i>	2.2	1.7	(0.5)
<i>Unsupported (Prudential)</i>	2.4	1.7	(0.7)
Grants	18.9	16.4	(2.5)
Other Contributions	0.1	0.1	0
Revenue & Reserves	0.6	0.9	0.3
Capital Receipts	1.5	1.3	(0.2)
Total Required	25.7	22.1	(3.6)

C1.2 Capital Grants continue to be the major funding stream (75% in 11/12) for the Council to progress its investment plans. The majority of these grants are a result of a “bid” process from other public sector bodies. With potential significant reductions on public sector expenditure expected this funding stream could be significantly reduced for future capital projects.

C1.3 Borrowing was kept within Affordable Borrowing limits and the effect on the Revenue Accounts was within Budget (see Prudential Indicators in Treasury Management Outturn 2011/12 Report).

C1.4 In addition to the £1.7 million of borrowing supported by central government, i.e. costs of borrowing funded in future year revenue grants, unsupported (Prudential) borrowing of £1.7 million was utilised to fund (or part fund) expenditure on the following projects:

- Princess Promenade
- Office Rationalisation Project
- Car Parking Meters

Temporary borrowing, pending expected capital receipts, was used for

- Brixham Regeneration
- Provision for repayment of DWP capital grant

- C1.5 A significant change in the borrowing requirement in the four year capital investment plan in the year was the revision to the Office Rationalisation project which was reduced by £19m in the year. This was offset in part by the new approvals by Council for a higher level of support, funded from borrowing under the prudential code, for the South Devon Link Road (£12m) and Princess Promenade (£3m).
- C1.6 Repayment of the prudential borrowing by services varies between projects and reflects the anticipated use of the asset or a suitably shorter period over which the service feels is appropriate, however prudential borrowing is never taken over a period which is greater than the anticipated life of the asset.
- C1.7 The Council sets aside an amount in its revenue budget (known as minimum revenue provision) for the repayment of the borrowing on its maturity. In 2011/12 it set aside £3.5m in respect of capital expenditure by the Council, along with £0.4m in relation to the PFI scheme for Westlands and Homelands Schools (funded by the PFI Grant). This ensures that in the long term all borrowing will be repaid.
- C1.8 Borrowing is related to the funding of fixed assets. The costs of these assets tend to be spread over the long term which is line with the long term use of these assets. The value of Council long term assets as at 31/3/12 was approx. £340 million. (It should be noted that as schools convert to Academy status the value of the asset is removed from the Council's balance sheet however the Council remains liable for any borrowing or long term liabilities in relation to these schools up to the date of transfer.)

C1.9 **Capital Receipts –**

C1.10 Capital receipts in the year were £0.8 million. Receipts included the following:

- £0.1m Right to Buy Housing “clawback”
- £0.7m Land sales including 56 Palace Avenue and Trevelyan

In year these receipts, in addition to £0.5m held in the Capital Receipts reserve, were applied in 2011/12 to fund capital expenditure, therefore the Council did not hold any capital receipts that were unapplied at year end.

C1.11 The target for securing capital receipts from asset sales to fund the 4-year Capital Investment Plan, following review of the Budget in February 2012 was £4.7 million (required by March 2016).

C1.12 This means that the approved Plan as at 1 April 2012 relies upon the generation of a total of £4.7 million capital receipts from asset sales by the end of 2015/16. These targets are 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 new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

C1.13 Of the receipts expected £1.2 million is in relation to the Tesco development at Brixham. An additional sum is expected for the disposal of the old Paignton

Library site. All capital receipts are required to fund already approved capital schemes.

C1.14 There is an ongoing risk over the value of receipts. However the current approved plan has taken a prudent approach to the value of potential receipts and number of assets to be disposed.

C1.15 Capital Contributions – S106 & Community Infrastructure Levy

C1.16 The general target for securing capital contributions to fund the 4-year Capital Investment Plan, following review of the Budget in February 2012 was £5.3 million (required by March 2016).

C1.17 Of this total the Council had received £0.7m of capital contributions by 31st March 2012.

C1.18 The intention is that capital contributions are applied to support the 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.

C1.19 The Council is expected to agree a charging schedule for its Community Infrastructure Levy in 2012 which will, in part, replace S106 contributions from developers.