



Meeting: Overview & Scrutiny Board Council **Date:** 9th July 2014
17th July 2014

Wards Affected: All

Report Title: Capital Investment Plan Update - (Outturn 2013/14) – subject to audit

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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 final Capital Monitoring report for 2013/14 under the Council's 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 2014.

2 Proposed Decision

Overview & Scrutiny Board

- 2.1 **That Members note the outturn position for the Council's Capital expenditure and income for 2013/14 and make any recommendations to Council.**

Council

- 2.2 **That Council note the outturn position for the Council's Capital expenditure and income for 2013/14.**
- 2.3 **That Council note 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 2013/14 to 2014/15.**
- 2.4 **That Council notes the funding of the capital investment plan for 2013/14 as outlined in paragraph 7.1.**

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.

4 Summary

- 4.1 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. This report is the monitoring report for the fourth quarter 2013/14 which is also the financial year end. Variations reported are those arising in this quarter and any other changes reported will be reflected in the 2014/15 quarter one Capital Investment Plan update to Council in July 2014.
- 4.2 Outturn expenditure for the year was £17.3 million compared with the budgeted spend in the last monitoring position in February of £21.9 million. Reasons for this variation over a number of schemes are included in paragraph 6.4. In percentage terms, spend was 79% (78% 12/13) of the forecast in February.

5 Supporting Information

- 5.1 The original capital budget for 2013/14 approved by Council in February 2013 was £25.4 million. That was subsequently revised during 2013/14 for re profiling of expenditure from 2012/13, new schemes and re profiling spend to future years. All changes with reasons have been included in previous monitoring reports. Actual spend during 2013/14 was £17.3m, which is detailed in appendix 1.
- 5.2 Capital budgets of £5.0m will be carried 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.
- 5.3 The Council set its Prudential Indicators for 2013/14 and monitoring arrangements for “affordable borrowing” in February 2013. The detailed Outturn Indicators are presented as part of the Treasury Management Outturn Report to be presented to Council in July.
- 5.4 The expenditure predictions as at January 2014 were presented as part of the Capital Investment Plan Update to Council in February 2014. That Report noted anticipated expenditure of £21.9 million in 2013/14.
- 5.5 Appendix 1 provides a schedule of the outturn for spending and funding in 2013/14.

Column (1) shows the revised budget for the year (as at quarter three).

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 2014/15.

- 5.6 In order to meet the timetable for the statutory closure of accounts it is inevitable that assumptions are made with regard to the final outturn figures which may be subject to challenge by Grant Thornton (the Council’s external auditors) when the audit of the Council’s accounts is undertaken. Any material changes will be reported to a future meeting.

6 **Expenditure Outturn & Performance**

- 6.1 The actual service expenditure in 2013/14 was £17.3 million. The outturn for individual projects is provided in Appendix 1. A summary at service level is in the table below –

	Latest Budget	Outturn	Spent	Variation
	£m	£m	%	£m
Childrens, Schools & Families	7.0	5.4	77	(1.6)
Place & Resources	13.7	10.6	77	(3.1)
Adults & Resources	1.2	1.3	108	0.1
TOTALS	21.9	17.3	79	(4.6)

- 6.2 In overall terms there was net variation in the Plan spend of £4.6million, which is 21% of the revised budget which, although disappointing, there are reasons for variances on a number of schemes including the impact of the adverse weather in the last quarter of 2013/14. A summary of the significant re profiling and reasons is included below.
- 6.3 A summary of spend to date by funding type is as follows:

Funding Type	Revised Budget 13/14 (Q3)	Outturn	Variation
	£m	£m	£m
“Old” Funding	3.3	2.8	(0.5)
“New” Funding	10.2	8.8	(1.4)
Prudential Borrowing	4.2	3.3	(0.9)
Specific Funding	4.2	2.4	(1.8)
Total 2013/14	21.9	17.3	(4.6)

6.4 The re profiling of budget within the £4.7m of variations identified to be carried forward to 2014/15 is summarised by scheme (in excess of £0.250m) in the table below:

Scheme	Re Profiling £m	Reason
Warberry Primary School Expansion	(0.4)	Some work rescheduled around school term times
Beach Huts	(0.3)	Adverse weather and unforeseen ground conditions created delays to works at Meadfoot Beach
Office Rationalisation Project	(0.6)	Provision for costs of dilapidations of accommodation reassessed at a lower value
Torquay Harbour Pontoons	(0.8)	Scheme now due for completion by end of May 2014
Western Corridor	(0.5)	Late awarding of the funding from the DfT meant that the scheme will now be delivered in two larger phases rather than three.
Other Children's, Schools & Family	(1.2)	Various including 2 year old provision, Devolved Formula Capital and Torre Primary. The extreme weather over the winter months caused significant delays to many projects. Schemes also had to be delayed to accommodate school requirements and to fit within the school academic year.
Other Place & Resources	(0.9)	Various including Riviera Centre and Livermead structural repair
Other Adults & Resources	0.1	
Total	(4.6)	

These first five schemes are over 50% of the variance in the last quarter.

- 6.5 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.
- 6.6 During the year, budgets were regularly re-scheduled between the four years of the plan and the reasons were reported to Council.
- 6.7 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.
- 6.8 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 2014/15 which will be a call on (new) funding allocated in for future years.
- 6.9 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 £5.0 million has been carried forward into 2014/15 to fund commitments on works in progress and to enable approved schemes to be completed. Conversely budgets for 2014/15 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 Investment Plan update in 2014/15.
- 6.10 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.

Individual Project Monitoring - Main Variations & Management Action

- 6.11 Appendix 1 shows the expenditure in 2013/14 on each individual project. A number of projects have been completed during the year and are now delivering improved services to users.
- 6.12 **"New Funding Regime"**
- 6.13 An estimate of funds was identified in the Capital Investment Plan (February 2012) for the four years of the Plan to 2015/16, which was provisionally allocated to a number of "priority" areas.
- 6.14 The Capital Investment Plan 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 then the Capital Investment Plan will have to be reduced accordingly or alternative sources of funding allocated such as prudential borrowing.
- 6.15 During 2013/14 a total of £8.8m of resources allocated under the 'New Funding regime' was spent including £2.7m on schools including £0.8m at Warberry Primary School and £0.5m at Torre Primary school. During the year £1.2m was spent on Torre Abbey which re opened in 2013. Other expenditure included £0.8m on the Riviera Centre, £0.6m on Swim Torquay and £0.8m on sea defence works.
- 6.16 As reported in the last Capital Investment plan update report in February, the Council has been allocated £2.8m for the (un ringfenced) schools Basic Need grant for in 2015/16 and £2.9m in 2016/17. The allocation for 2016/17 was a new allocation and the 2015/16 allocation was higher than the Council was expecting by £1.8m. This additional funding of £4.7m will be allocated to support schools basic need, and will be included in the quarter one 2014/15 update.
- 6.17 In addition the 2014/15 allocation of £0.6m for schools repair and maintenance will also be allocated to schools, to the extent that the grant exceeded the original Council estimate.
- 6.18 **"Old Funding Regime"**
- Relates to the schemes in the Capital Investment Plan that were allocated to services from capital funding that originated in 2011/12 and earlier financial years.
- 6.19 During 2013/14 a total of £2.8m of resources allocated under the 'Old Funding regime' was spent including £2.4m on schools including £2.0m at Barton Primary School.
- 6.20 **"New" Ring fenced (Specific) funding**
- 6.21 During 2013/14 a total of £3.3m was spent from 'Ring fenced' funding including £0.7m on the Ferry and cycle path scheme and £0.5m on the Riviera Renaissance project.
- 6.22 **Schemes funded from Prudential Borrowing**
- 6.23 Within 2013/14 a total of £2.4m was spent, funded from Prudential Borrowing, including £0.6 m on Beach Huts, £0.5m on the Paignton cycle path and £1.2m on Princess Promenade.
- 6.24 **Contingency**
- 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 approximately 2% of the total Capital Investment Plan.

7. Receipts & Funding

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

	Revised Budget £m	Outturn £m	Variation £m
Borrowing – of which	6.9	3.9	(3.0)
Supported: (by Government funding)	0.5	0.3	(0.2)
Unsupported: (under Prudential Code)	6.4	3.6	(2.8)
Grants	12.2	10.6	(1.6)
Other Contributions	0.8	0.9	0.1
Revenue & Reserves	1.4	1.6	0.2
Capital Receipts	0.6	0.3	(0.3)
Total Funding	21.9	17.3	(4.6)

Grants

7.2 Capital Grants continue to be the major funding stream 61% (69% in 12/13) for the Council to progress its investment plans. An element of these grants result from “bids” to other public sector bodies. With ongoing significant reductions on public sector expenditure expected, this funding stream is significantly reduced for future capital projects. The Council used £10.6 million of grants in 2013/14 to support its capital expenditure. As at 31 March 2013 the value of grants received but not yet applied was £10.2 million (£11.7m 2012/13). This sum is reflected in the Council’s balance sheet.

Borrowing

7.3 Borrowing was kept within Affordable Borrowing limits and the effect on the Revenue Accounts was within budget (see Prudential Indicators in Treasury Management Outturn 2013/14 Report).

7.4 In addition to the £0.3 million of borrowing “supported” by central government, unsupported (Prudential) borrowing of £3.7 million was utilised to fund (or part fund) expenditure on the following major projects:

- Princess Promenade
- Beach Huts
- Paignton Cyclopark

Of the £3.7m, £1.9m was “temporary borrowing”, i.e. using the Council’s internal cash resources, pending expected capital funding, was also used.

7.5 If no additional capital contributions to the South Devon Link Road are received then the level of prudential borrowing required will remain at £20m. This cost will impact on the Council’s revenue budget in 2016/17 once the road is operational. The repayment of £20m over 25 years will be an annual cost to the service of £1.3 million.

7.6 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.

7.7 The Council sets aside an amount in its revenue budget (known as minimum revenue provision) for the repayment of the borrowing on its maturity including a sum for the value of the debt inherited from Devon County Council in 1998. In 2013/14 it set aside £4.2m 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 and long term liabilities will be repaid.

7.8 Borrowing is related to the funding of non current (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 31/3/13 was approx. £250 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. In 2013/14 the value of schools that converted to Academy status removed from the Council's balance sheet was over £15 million. More schools are expected to convert during 2014/15.

Capital Receipts –

7.9 Capital receipts in the year were £1.4 million. Receipts included the following:

- £0.3m Right to Buy Housing “clawback”
- £1.1m Land sales including Bench House, Paignton Old Town Hall and the White Rock land swop.

In year £0.3m of these receipts were applied in 2013/14 to fund capital expenditure, therefore the Capital Receipts reserve had a balance of £1.8m at year end.

7.10 The approved Plan as at 1 April 2014 relies upon the generation of a total of £3.4 million capital receipts from asset sales by the end of March 2016. 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 (latest report to Council May 2014) and,
- no new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

7.11 Of the capital receipts target of £3.4m; £0.650m for the disposal of the old Paignton Library site has been received in 2014/15. In addition based on the developer agreement, £1m is due from the Oldway Development. All capital receipts up to the target of £3.4m are required to fund previously approved capital schemes It is only after this target has been reached that capital receipts can be applied to new schemes.

7.12 There is an ongoing risk over the value of receipts. The receipt of funds from Tesco at Brixham was part of the business case for the Brixham Regeneration project. As the expenditure on this project has already been incurred, if this receipt is not realised this will create a shortfall in the capital receipts target, which will have to be funded from future capital receipts or by other changes to the capital investment plan.

7.13 The expenditure to date from the £0.2m budget for enhancement of strategic sites budget is £0.039m. The budget will be increased on an annual basis by expenditure in the previous year to maintain the original budget for enhancing assets prior to sale.

7.14 As per the Council's approved capital strategy, the £0.3m of “right to buy” receipts received in 2013/14 will be allocated to housing schemes.

Capital Contributions – S106 & Community Infrastructure Levy

7.15 The general target for securing capital contributions to fund the 4-year Capital Investment Plan, excluding the target of £2.5m for South Devon Link Road, following review of the Budget in 2013/14 is £0.5 million (required by March 2016).

7.16 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.

7.17 Income from s106's capital contributions during 2013/14 were under £0.3 million, although the Council did receive a further £0.4m of contributions from other bodies, mostly to support specific schemes. Of the s106, under £0.1m was to support South Devon Link Road.

7.18 The Council is anticipating that a charging schedule for its Community Infrastructure Levy will be applicable during 2015/16 which will, in part, replace S106 contributions from developers. The Council will need to keep this issue under review and will have to make future adjustments to the capital plan if required.