



Meeting: **Overview & Scrutiny Board
Council**

Date: **8th July 2015
23rd July 2015**

Wards Affected: **All**

Report Title: **Capital Investment Plan Update - (Outturn 2014/15) – subject to
audit**

Executive Lead Contact Details: **Mayor Oliver, mayor@torbay.gov.uk**

Supporting Officer Contact Details: **Martin Phillips, Chief Financial Officer,
Martin.phillips@torbay.gov.uk**

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 2014/15 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 2015.
- 1.2 The Council's capital expenditure in 2014/15 was £20.4m with £2.6m of funding re profiled to be spent in future financial years.

2 Proposed Decision

Overview & Scrutiny Board

- 2.1 That the outturn position for Council's Capital expenditure and income for 2014/15 be noted.
- 2.2 That the Overview and Scrutiny Board be asked to report directly to Council on any recommendation it may have following its review of the outturn position.

Council

- 2.3 That the outturn position for the Council's Capital expenditure and income for 2014/15 be noted.
- 2.4 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 2014/15 to 2015/16 be noted.
- 2.5 That the funding of the capital investment plan for 2014/15 as outlined in paragraph 7.1 of the submitted report be noted.

2.6 That the allocation of £1.020m of the 2015/16 Disabled Facilities Grant, part of the Better Care Fund, to support Disabled Facilities Grants to vulnerable adults and Council re allocates £0.4m of unspent prior years Disabled Facilities Grant to support Infrastructure works be approved. (para 6.19)

2.7 That the allocation of £0.461m of the 2015/16 Adult Social Care capital grant, part of the Better Care Fund, to support Adult Social Care expenditure be approved. (para 6.25)

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 2014/15 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 2015/16 quarter one Capital Investment Plan update to OSB and Council in September 2015.

4.2 Outturn expenditure for the year was £20.4 million compared with the budgeted spend in the last monitoring position of £22.8 million. In percentage terms, spend was 89% (79% 13/14) of the latest forecast.

5 Supporting Information

5.1 The original capital budget for 2014/15 reported to Council in February 2014 was £29.5 million. That was subsequently revised during 2014/15 for re profiling of expenditure from 2013/14, new schemes and re profiling spend to future years. All changes with reasons have been included in previous monitoring reports. Actual spend during 2014/15 was £20.4m, which is detailed in appendix 1.

5.2 Capital budgets of £2.6m will be carried forward to 2015/16 to enable schemes not completed or progressed in 2014/15 to be continued in the current year along with the funding sources for the scheme.

5.3 The Council set its Prudential Indicators for 2014/15 and monitoring arrangements for "affordable borrowing" in February 2014. The detailed Outturn Indicators are presented as part of the Treasury Management Outturn Report to be presented to Audit Committee in July and Council in September.

5.4 The expenditure predictions as at January 2015 were presented as part of the Capital Investment Plan Update to Council in February 2015. That Report noted anticipated expenditure of £23.2 million in 2014/15. This has been revised to a total of £22.8m with £0.3m of housing schemes re profiled to 2015/16.

5.5 Appendix 1 provides a schedule of the outturn for spending and funding in 2014/15.

Column (1) shows the revised budget for the year.
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 2015/16.

- 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 will be part of the audit of the Council's accounts. Any material changes will be reported to a future meeting.

6 Expenditure Outturn & Performance

- 6.1 The actual service expenditure in 2014/15 was £20.4 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
Adult Services	0	0	0	0
Childrens Services	5.8	6.3	109	0.5
Place	14.4	12.3	85	(2.1)
Public Health	0.9	0.7	78	(0.2)
All Services	1.7	1.1	65	(0.6)
TOTALS	22.8	20.4	89	(2.4)

- 6.2 In overall terms there was net variation in the Plan spend of £2.4million, which is 11% of the revised budget. A summary of the significant re profiling and reasons is included below.

- 6.3 The re profiling of budget within the net £2.6m of variations identified in appendix one to be carried forward to 2015/16 is summarised by scheme (in excess of £0.250m) in the table below:

Scheme	Re Profiling	Reason
	£m	
Cockington Primary Expansion	0.3	Project progressing faster than anticipated
White Rock Primary Expansion	0.7	Project progressing faster than anticipated
Princess Pier Decking	(0.3)	Scheme not started by March 2015
TEDC Capital Loan	(0.6)	Loan not drawn down in 14/15
Oldway Estate	(0.4)	Drawdown of lease not actioned in 14/15

- 6.4 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. On occasion consultation with end-users, affordability of design and negotiation with external funders can significantly delay anticipated start dates.

- 6.5 During the year, budgets were regularly re-scheduled between the four years of the plan and the reasons were reported to Council.
- 6.6 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.
- 6.7 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 2015/16 which will be a call on (new) funding allocated in for future years.
- 6.8 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 £2.6 million has been carried forward into 2015/16 to fund commitments on works in progress and to enable approved schemes to be completed. Conversely budgets for 2015/16 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 2015/16.
- 6.9 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

- 6.10 Appendix 1 shows the expenditure in 2014/15 on each individual project. A number of projects have been completed during the year and are now delivering improved services to users. A summary of schemes in the year is below.

6.11 Childrens Services

- 6.12 During 2014/15 a total of £6.3m of resources allocated to Childrens Services was spent mostly on school enhancement primarily for additional pupil places (basic need) including £2.5m at Cockington Primary school, £1.1m at White Rock Primary school and £0.6m at Torre Primary school.
- 6.13 Childrens Services presented a report on the revised reallocation of (previously approved) funding on school projects. The Capital Investment Plan will be updated for these changes on the 2015/16 Quarter One report. Link to the Childrens Services' report below:

<http://www.torbay.gov.uk/DemocraticServices/documents/s22563/Review%20of%20School%20Places%20in%20Torbay.pdf>

6.14 Place Services

- 6.15 During 2014/15 a total of £12.3m of resources allocated to Place Services were spent on a range of projects. These included £2.8m contribution to South Devon Link Road, £3.4m on other transport related schemes and £1.8m on beach huts. The Velopark in Paignton was completed during the year (£0.3m of spend in year) along with a programme of installing LED lights in street lighting to reduce future costs (£0.5m of spend in year). In addition the new cross Bay ferry service started with new pontoons in both Torquay and Brixham harbours, (£1.1m of spend in year)
- 6.16 Expenditure was incurred on infrastructure assets partly linked to the storm damage during early 2014 funded from a number of sources including the Environment Agency and Small Ports Recovery Fund. (£1.2m of spend in year).
- 6.17 New refuse vehicles (£0.4m) were purchased, funded from the PFI contract, to enable TOR2 to deliver domestic waste to the new Energy From Waste Facility in Plymouth. This was a joint 25 year PFI contract with Plymouth City and Devon County Councils which started operation in April 2015.
- 6.18 **Public Health**
- 6.19 During 2014/15 a total of £0.8m of resources allocated to Public Health services including £0.5m on Disabled Facilities Grants (DFG) to enable adaptations of dwellings for vulnerable adults. It is recommended to Council to allocate £1.0m of Disabled Facilities Grants to that service in 2015/16 which is in line with forecast levels of expenditure. Expenditure over the past three financial years has been £0.5m, £0.7m and £0.5m. It is also recommended that Council re allocates £0.4m of unspent prior year Disabled Facilities Grant to support future Infrastructure works such as cliff repairs and storm damage.
- 6.20 **All Service**
- 6.21 During 2014/15 a total of £1.1m of resources allocated to Council wide services was spent mostly on the Office Rationalisation Project (£0.4m in year) which enabled the Council to vacate leased properties at Pearl Assurance House and Commerce House and relocate staff to Aspen Way, Harbourside in Paignton and Old Parkfield. Expenditure in year was also incurred on capital grants to the Riviera Centre (£0.2m) and on a replacement self service payroll and HR System (£0.3m in year).
- 6.22 **Better Care Fund**
- 6.23 The Better Care Fund is a national government initiative to encourage Health bodies and Councils to work together, For Torbay this is a £11m pooled budget with the Southern Devon Clinical Commissioning Group (CCG). The pooled budget is primarily revenue funds however there are two capital grants within the fund which were received by the Council.
- 6.24 One of these grants is the Disabled Facilities Grant. In April 2015 the Council received its 2015/16 allocation of Disabled Facilities Grant of £1.020m which although paid direct to the Council by the Department of Communities and Local Government has been “passported” to the Council from the Better Care Fund. As an un-ringfenced grant it is recommended that Council approve this allocation for Disabled Facilities Grants in 2015/16.

6.25 The second grant, notified but not yet received, is the Adult Social Care capital grant. This is expected to be £0.461m for 2015/16. This grant is also part of the Better Care Fund and is expected to contain conditions as to use, however the Department of Health have not yet notified the Council of these conditions. As the demand for capital expenditure in adult social care can be low, it may be more supportive of adult social care to “swop” this capital funding for revenue funding from another Council service or with the Clinical Commissioning Group. It is therefore recommended that Council approve this grant allocation to support adult social care.

6.26 **Contingency**

The Council 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 and represents approximately 1% 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	Outturn	Variation
	£m	£m	£m
Borrowing – of which	6.4	5.0	(1.4)
Supported: (by Government	0.1	0.5	0.4
Unsupported: (under Prudential	6.3	4.5	(1.8)
Grants	13.7	13.0	(0.7)
Other Contributions	0.5	0.6	0.1
Revenue & Reserves	1.6	1.7	0.1
Capital Receipts	0.6	0.1	(0.5)
Total Funding	22.8	20.4	(2.4)

Grants

7.2 Capital Grants continue to be the major funding stream 64% (61% in 13/14) 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 £13.0 million of grants in 2014/15 to support its capital expenditure. As at 31 March 2015 the value of grants received but not yet applied was £5.0 million (£10.2m 2013/14). This sum is reflected in the Council’s balance sheet.

7.3 In April 2015 the Council received its 2015/16 allocation of Disabled Facilities Grant which although paid direct to the Council by the Department of Communities and Local Government has been “passported” to the Council via the Better Care Fund.

7.4 In February 2015, after the quarter three report had been written, Department of Education issued the following allocations for schools.

2015/16 Devolved Formula Capital	£0.090m
2015/16 Condition Funding	£0.506m
2017/18 Basic Need	£4.229m

The Devolved Formula Capital grant is ring fenced for schools and will be included in the next Capital Investment Plan Update. £0.4m of the 2015/16 Condition funding and £1.363 m of 2017/18 Basic Need allocation have previously been included in the Plan, therefore the balances of £0.106m Condition funding and £2.866m of Basic Need allocation will need to be allocated by Council. Both of these grants are un ring fenced.

Borrowing

- 7.5 Borrowing was kept within Affordable Borrowing limits and the effect on the Revenue budget was within budget (see Prudential Indicators in Treasury Management Outturn 2014/15 Report).
- 7.6 In addition to the £0.5 million of borrowing “supported” by central government, unsupported (Prudential) borrowing of £4.5 million was utilised to fund (or part fund) expenditure on the following major projects:
- South Devon Link Road
 - Harbour Pontoons
 - Beach Huts
 - Paignton Velopark
 - Street Lighting
- 7.7 If no additional capital contributions to the South Devon Link Road are received then the level of prudential borrowing required will remain at up to £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.
- 7.8 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.
- 7.9 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 2014/15 it set aside £4.2m in respect of capital expenditure by the Council, along with £0.5m 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.
- 7.10 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 31/3/15 was over £300 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 2014/15 the value of schools that

converted to Academy status removed from the Council's balance sheet was over £11 million. More schools are expected to convert during 2015/16.

Capital Receipts –

7.11 Capital receipts in the year were £1.8 million. Receipts included the following:

- £0.1m Right to Buy Housing “clawback”
- £1.6m Land sales including Old Paignton Library, sites on Waterside Road and Higher Lodge at Cockington.

In year £0.1m of these receipts were applied in 2014/15 to fund capital expenditure, therefore the Capital Receipts reserve had a balance of £3.5m at year end.

7.12 The approved Plan relies upon the generation of a total of £3.6 million capital receipts from asset sales of which £1.8m was received in 2014/15, leaving a target of £1.8m 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.

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

7.14 In accordance with the Council's approved capital strategy, the £0.1m of “right to buy” receipts received in 2014/15 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, following review of the Budget in February 2013 was £0.5 million. In addition the South Devon Link Road business case estimated external contributions including s106 payments of £2.1m to help fund the scheme (£0.1m, received to date).

7.16 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.

7.17 Income from Section 106 capital contributions so far in 2014/15 amount to £0.5 million, however the majority of the contributions are for specific schemes.

7.18 It is expected that, linked to the adoption of the Local Plan later in 2015, a Community Infrastructure Levy scheme will also be approved.