

Meeting: Council

Date: 22 June 2017

Wards Affected: All

Report Title: Capital Investment Plan Outturn 2016/2017 – 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 2016/17 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 2017.
- 1.2 The Council's capital expenditure in 2016/17 was £37.7m with £4.7m of funding re profiled to be spent in future financial years.

2 Proposed Decision

- 2.1 That Council note the outturn position for the Council's Capital expenditure and income for 2016/17.
- 2.2 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 2016/17 to 2017/18.
- 2.3 That Council notes the funding of the capital investment plan for 2016/17 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 2016/17 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 2017/18 budget monitoring to Members.
- 4.2 Outturn expenditure for the year was £37.7 million compared with the budgeted spend in the last monitoring position of £42.3 million. In percentage terms, spend was 89% (79% 15/16) of the latest forecast. Expenditure in 2016/17 was significantly influenced by the Investment Fund purchase of Wren Park in Torquay for over £20m.

5 **Supporting Information**

- 5.1 Actual spend during 2016/17 was £37.7m, which is detailed in Appendix 1. Capital budgets of £4.7m will be carried forward to 2017/18 to enable schemes not completed or progressed in 2016/17 to be continued in the current year along with the funding sources for the scheme.
- 5.2 The Capital Plan for 2017/18 was approved by Council in February with the following amendment:

that the Capital Plan Budget proposals for 2017/2018..... be recommended to Council for approval, subject to the following conditions and for presentation to Council at its meeting in July 2017, if not before:

(a) that the Elected Mayor and the Chief Executive be requested to review the projects listed below and make recommendations to Council on:

- (i) Claylands Redevelopment*
- (ii) Edginswell Station*
- (iii) Princess Pier Structural Repair*

With no further significant work (as determined by the Chief Executive) to be undertaken until the schemes have been re-presented to Council for detailed consideration and determination as appropriate;

(b) that the Elected Mayor and the Chief Executive review and make recommendations to Council on the specific proposals for expenditure on the capital budget for Integrated Transport;

(c) that, on the basis that the procurement process for replacement of a Torbay wide CCTV system has been paused pending the budget being approved, that the Elected Mayor and Chief Executive review and make recommendations to Council. With no further significant work (as determined by the Chief Executive) be undertaken, until the plan for capital expenditure on CCTV has been re-presented to Council for detailed consideration and determination;

(d) that the Elected Mayor and Chief Executive be requested to set out to Council how the capital budgets for: (i) affordable housing, (ii) empty homes schemes and (iii) private sector renewals will be used to meet the Council's Housing strategy.

- 5.3 The Council set its Prudential Indicators for 2016/17 and monitoring arrangements for “affordable borrowing” in February 2016. The detailed Outturn Indicators are presented as part of the Treasury Management Outturn Report to be presented to Council in June.
- 5.4 The expenditure predictions as at January 2017 were presented as part of the Capital Investment Plan Update to Council in February 2017. That Report noted anticipated expenditure of £42.3 million in 2016/17.
- 5.5 Appendix 1 provides a schedule of the outturn for spending and funding in 2016/17.

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 2017/18.

- 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 2016/17 was £37.7 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
Protecting Children	3.6	2.1	58	(1.5)
Prosperous Torbay	33.0	31.0	94	(2.0)
<i>Of which Investment Fund</i>	<i>21.4</i>	<i>21.1</i>		<i>(0.4)</i>
Attractive & Safe Place	3.2	2.7	84	(0.5)
Vulnerable Adults	2.0	1.8	90	(0.2)
Corporate Support	0.5	0.1	20	(0.4)
TOTALS	42.3	37.7	89	(4.6)

- 6.2 In overall terms there was net variation in the Plan spend of £4.6 million, 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 £4.7 m of variations identified in Appendix 1 to be carried forward to 2016/17 is summarised by scheme (in excess of £0.250m) in the table below:

Scheme	Re Profiling £m	Reason
Secondary School Places	(0.3)	Expenditure delayed pending review of funding resources.
Investment Fund	(0.4)	Reflects actual costs of purchase
Transport – Torquay Gateway	(0.6)	Shiphay Lane to Lawes Bridge section will now commence in 2017/18 due to timing and some land issues
Transport – Town Centre Access	(0.3)	Some aspects of scheme are pending consultation with residents and traffic surveys.
Transport – Western Corridor	(0.4)	Churscombe Cross to Spruce Way section started later in the financial year than anticipated due to environment constraints and land acquisition issues

- 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 2017/18 which will be a call on (new) funding allocated 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 of £4.7 million has been carried forward into 2017/18 to fund commitments on works in progress and to enable approved schemes to be completed. Conversely budgets for 2017/18 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 2017/18.
- 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 “Theme” Project Monitoring

6.10 Appendix 1 shows the expenditure in 2016/17 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 outlined below.

6.11 Protecting Children

6.12 During 2016/17 a total of £2.1m of resources allocated to Childrens Services was spent mostly on school enhancement primarily for additional pupil places (basic need) including £0.3m at Whiterock Primary school, £0.5m on “mobile classrooms” at Paignton Community Academy and £0.2m of devolved formula capital grant allocated to schools.

6.13 Working to a More Prosperous Torbay

6.14 During 2016/17 a total of £31.0m of resources were spent on a range of projects. The significant purchase within this was £21.0m on the purchase of Wren Park in Torquay as part of the Council’s Investment Fund.

6.15 Other spend included £9.8m on a range of transport schemes including ongoing payments of £4.8m in relation to South Devon Highway, £2.2m on Western Corridor and £2.8m on other transport related schemes.

6.16 An Attractive and Safe Place to Live and Visit

6.17 During 2016/17 a total of £2.7m was spent on a range of projects.

6.18 The Council continued its expansion of the use of LED lighting with spend of £1.1m in the year. In addition the Council’s shoreline was again protected by £0.4m on Freshwater Cliffs stabilisation and £0.7m on rock armour at Hollicombe Cliffs.

6.19 Protecting and Supporting Vulnerable Adults

6.20 As part of the final risk share agreement for adult social care with the Integrated Care organisation the Council agreed to make a capital contribution to the ICO in 2016/17 of £0.9m.

6.21 In addition the Council spent £0.9m on disabled facilities grants.

6.22 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 0.4% 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
Unsupported (Prudential) Borrowing	27.3	26.6	(0.7)
Grants	13.8	10.5	(3.3)
Other Contributions	0.1	0.3	0.2
Revenue & Reserves	0.5	0.2	(0.3)
Capital Receipts	0.6	0.1	(0.5)
Total Funding	42.3	37.7	(4.6)

Grants

7.2 Capital Grants were not the major funding stream 28% (47% in 14/15) for the Council to progress its investment plans for the first time in a number of years. This is a combination of reduced central government grants and the Council's use of prudential borrowing to fund its investment fund purchases. The Council used £10.5m in 2015/16 (£10.6 m in 2015/16) to support its capital expenditure. As at 31 March 2017 the value of grants received but not yet applied was £7.0 million (£4.0m in 2015/16). This sum is reflected in the Council's balance sheet.

7.3 The Council has been notified of two grant allocations in relation to schools. Firstly £0.559m of basic need grant for 2019/20 has been announced and £0.417m for school condition funding in 2017/18. Whilst these are not ring fenced grants it is proposed that they are allocated to fund schools capital expenditure in line with the grant intention.

7.4 It is important to note that the direct allocations of funding for schools to the Council is now at a very low level therefore the Council is now relying on capital funding for schools to be allocated direct to that school by central government.

7.5 The Council is still awaiting the 2017/18 allocation of Disabled Facilities Grants as part of the Better Care Fund allocations.

Borrowing & Long Term Liabilities.

7.6 Borrowing was kept within Affordable Borrowing limits and the effect on the Revenue budget was within budget (see Prudential Indicators in Treasury Management Outturn 2016/17 Report).

7.7 To reflect the Council's borrowing requirement and influenced by the purchase of Wren Park in February 2017, the Council did borrow £15m in the last quarter of 2016/17. This was £10m fixed long term (over 45 years) and £5m fixed for 10 years on an "equal instalment of principal" (EIP) basis. An additional £10m has been borrowed in April 2017.

7.8 In 2016/17, unsupported (Prudential) borrowing of £26.6 million was utilised to fund (or part fund) expenditure on the following major projects:

- Investment Fund – Wren Park
- South Devon Highway
- Torbay Development Agency Loan
- Street Lighting
- Freshwater Cliffs Stabilisation

7.9 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 in line with the approved MRP Policy, prudential borrowing is never taken over a period which is greater than the anticipated life of the asset.

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 31/3/17 is estimated to be over £350 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 2016/17 the value of the one school that converted to Academy status removed from the Council's balance sheet was approx £0.7m. More schools are expected to convert during 2017/18.

Capital Receipts –

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

- £0.2m Right to Buy Housing “clawback”
- £0.6m Land sales including sites at Lincombe Court, Loxbury Road and Paignton Windmill.

In the year £0.1m of capital receipts were applied to fund capital expenditure. The Capital Receipts reserve had a balance of £2.1m at year end.

7.12 The approved Plan relies upon the generation of a total of £0.7 million of future capital receipts from asset sales to fund previously approved capital expenditure.

7.13 In accordance with the Council's approved capital strategy, the £0.3m of “right to buy” receipts received in 2016/17 will be allocated to housing schemes.

Capital Contributions – S106 & Community Infrastructure Levy

7.14 Income from Section106 capital contributions in 2016/17 was £0.5m, some of which are for specific schemes in line with the terms of the developer agreement.