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Date: Tuesday, 17 November 2015

Overview and Scrutiny
Town Hall
Castle Circus
Torquay
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Dear Member

OVERVIEW AND SCRUTINY BOARD - MONDAY, 23 NOVEMBER 2015

I am now able to enclose, for consideration at the Overview and Scrutiny Board to be held on Monday, 23 November 2015, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
7.	Revenue Budget Monitoring 2015/2016 - Quarter 2	(Pages 140 - 146)
8.	Capital Investment Plan Monitoring 2015/2016 Quarter 2	(Pages 147 - 173)

Yours sincerely

Kate Spencer
Overview and Scrutiny Lead

Agenda Item 7



Meeting: **Overview and Scrutiny Board** Date: **25 November 2015**

Council Date: **10 December 2015**

Wards Affected: **All Wards**

Report Title: **Revenue Budget Monitoring 2015/16 – Quarter Two**

Is the decision a key decision? **No**

When does the decision need to be implemented? **n/a**

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

Supporting Officer Contact Details: **Martin Phillips, Chief Finance Officer (CFO)**,
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1. **Proposal and Introduction**

- 1.1. The revenue monitoring report provides a summary of the Council's revenue income and expenditure for the financial year 2015/16.
- 1.2. As at Quarter Two the Council's revenue budget is predicting an overspend of £2.6m primarily as a result of expenditure pressures in both childrens' and adults social care.

2. **Reason for Proposal**

- 2.1 Report for review and information

3. **Recommendation(s) / Proposed Decision**

Overview & Scrutiny Board

- 3.1 That the forecast 2015/16 revenue budget position be noted.
- 3.2 That the Overview and Scrutiny Board be asked to report directly to Council on any recommendation it may have following its review of the current position.

Council

- 3.3 That the forecast 2015/16 revenue budget position be noted.

4 Supporting Information

4.1 Summary Position

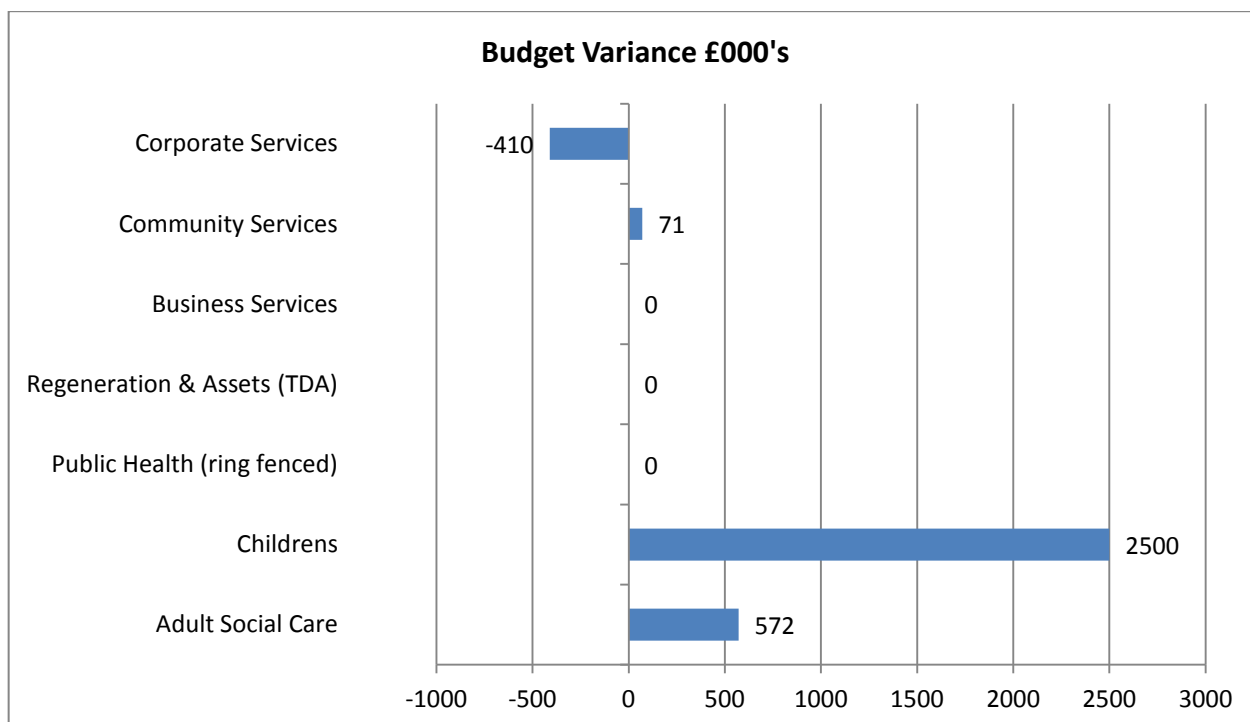
4.2 As at Quarter Two the Council's revenue budget is predicting an overspend of £2.6m primarily as a result of issues in both childrens' and adults social care.

4.3 The predicted overspend on adult social care of £0.6m is a combination of increased demand for services and the non achievement of all the planned savings during the first six month of 2015/16. From October 2015 with the start of the Integrated Care Organisation (ICO) the Council now has a 9% risk share of the total financial performance of the ICO (approx £400m). At the time of writing this report it is too soon for the Council to receive any monitoring information from the new organisation, however monthly updates will be provided by the ICO in the future.

4.4 The predicted overspend on childrens' social care of £2.5m is primarily the non achievement of planned savings linked to the childrens' services cost recovery plan and the continued high use of agency staff.

4.5 This level of overspend is a cause for concern. The Council's senior leadership team have initiated action to limit uncommitted expenditure and to look to identify savings in other services with the aim of achieving a balanced budget position. In the absence of any compensating savings in other services Council will need to identify earmarked service reserves to fund the overspend.

4.6 A bar chart summarising the projected budget variance by service for 2015/16 is as follows.



4.7 Detailed Position

4.8 The budget position for each service is shown in the table below:

Service	2015/16 Budget – revised as at October 2015			As at Q2 2015	Direction of Travel (q1 to q2)
	Expenditure £000s	Income £000's	Net £000's	Forecast Variance £000's	
Adult Social Care	42,598	(802)	41,796	572	G
Childrens' Services	80,499	(51,754)	28,745	2,500	R
Public Health	10,040	(9,953)	87	0	R
Joint Commissioning	133,137	(62,509)	70,628	3,072	G
Community Services	31,417	(6,360)	25,057	53	G
Customer Services – IT, Libraries & Exchequer & Benefits	73,671	(69,325)	4,346	18	
AD Customer Services	105,088	(75,685)	29,403	71	G
Commercial & Business	6,225	(1,967)	4,258	131	G
Finance & Corporate	21,055	(16,099)	4,956	(601)	G
Spatial Planning	1,879	(1,520)	359	60	R
Corporate Services – sub total	29,159	(19,586)	9,573	(410)	G
Business Services - Harbours, resorts services & car parking	5,684	(9,829)	(4,145)	0	
Regeneration and Assets (TDA)	6,959	(2,342)	4,617	0	
AD Corporate Services	41,802	(31,757)	10,045	(410)	G
Total Expenditure	280,027	(169,951)	110,076	2,733	G
Sources of Funding	-	(110,076)	(110,076)	(133)	G
Net Expenditure	280,027	(280,027)	0	2,600	G

4.9 A narrative of the position in each service area is as follows:

Service	Variance to Budget £m	Main Variances in 2015/16
Adult Social Care	0.6	<p>-The Council risk share for the first six months of the financial year is £0.5m. This reflects a combination of the non achievement of all the planned savings in 2015/16 both in total and in terms of timing and some increased demand pressures primarily in ordinary residency clients (+£0.3m).</p> <p>- continuation of the prior year pressures on the Joint Equipment Store but at a lower level following management action (+£0.2m)</p>

		<p>- lower than budgeted costs due to changes in the profile of other adult social care contracts.(-£0.1m)</p> <p>From 1st October the Integrated Care Organisation started and the Council's share of risk from that date will change to a 9% risk share of the total position of the, then combined, Torbay and South Devon Healthcare Foundation Trust (SDH) – a share of a total budget of £400m. Financial performance of SDH is reported to its board – minutes are available on the link below:</p> <p>http://www.sdhct.nhs.uk/about-us/board-meetings</p>
Childrens Services	2.5	<p>- The overspend is primarily linked to the non achievement of the reductions identified in the Childrens' cost recovery plan. The number of children in residential care is not falling at the rate laid out in the five year plan. The Plan approved by Council in October 2014 projected that the service would require the use of £2.3m of reserves in 2015/16 to achieve a balanced position. The net overspend is currently in excess of that figure by a further £2.5m.</p> <p>The number of Children Looked After (CLA) is 297 as at 30/9/15 (309 30/6/15) which is similar to the level and costs in 2014/15. Due to the number of children (261 as at 30/9/15) in longer term placements ("legacy cases") the opportunity to reduce costs has been limited. The costs have increased as some clients have moved from fostering to residential care.</p> <p>The level of agency staff remains high with spend to end October in excess of £1.6m, although this is partly offset by reduced salary costs.</p> <p>In the light of the above issues the Chief Finance Officer and the Director of Childrens Services requested that the October 2014 Cost Recovery Plan be updated both in terms of its assumptions and timing and likelihood of savings. A timetable for the update to the Recovery Plan was presented to OSB in October. This is expected to be available in November 2015. The results of the revision will be reflected in the 2016/17 budget process.</p>
Public Health	0	Ring fenced budget – in year reductions from central government in 15/16 grant now confirmed at £0.550m.
Community Services	0.1	Projected overspends on CCTV, Licensing, Housing Options Torre Abbey, Theatres, Toilets & Sport partly offset by salary savings.
Corporate Services	(0.4)	Expected saving on "corporate" pension payments and savings and increased income in treasury management activities offset by the target of increasing income within Commercial Services is proving challenging. In addition use of agency staff to support workload in legal services has increased costs.
Total	2.6	

4.10 2015/16 Savings

- 4.11 The 2015/16 budget relied on the achievement of £11m of approved savings. The Council's senior leadership team have been monitoring the achievement of these savings as part of the current year budget monitoring. The majority of savings are being achieved. The main areas of variance are, as identified above, within social care and the achievement of additional income targets over a number of services is proving a challenge. Services have been asked to identify other savings within their services to cover any shortfall.
- 4.12 The Department of Health have announced the value of the in year reduction to the (ring fenced) public health grant. This is an in year reduction of £0.550m. This will be funded by a combination of the use of the existing ring fenced public health reserve and a reduction in public health initiatives.

4.13 Risk & Sensitivity

- 4.14 The predictions for the full year outturn in this report are based on six months of financial information and will be subject to changes in both assumptions and demand.
- 4.15 There are a number of financial risks facing the Council. Key risks were identified in the Revenue Outturn report to Council in July and some of these are now having an impact on the current financial year.

Risk	Impact	Mitigation
Achievement of £11m of approved savings for 2015/16	High	15/16 Budget monitoring and "saving tracker" monitored by senior staff.
Potential cost impact of the Council's 9% risk share of total ICO performance	Low, but new risk	Monthly information will be provided by ICO to Council supported by "contract" meetings
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2015/16 social care contingency to fund if required.
Achievement of Childrens' Services cost reduction plan	High	Regular monitoring of performance and recovery plan
Identification, and achievement, of £33m of savings for 2016/17 to 2018/19	High	Issue identified in Medium Term Resource Plan. 2016/17 budget proposals issued 6 th November 2015.
Additional demand for services particularly in both adults and childrens' social care	High	15/16 Budget monitoring, use of service performance data and recovery plan.

4.16 Implications on future years & reserves

- 4.17 The implications of the current forecast of an overspend of £2.6m on future year budgets and reserves are as follows:
- Where the overspend is linked to increased demand, additional resources may need to be allocated to these services in future years which will have to be funded from additional savings elsewhere.
 - Where the overspend is linked to delays in achieving the childrens' services recovery plan, this has two consequences: firstly any increased funding needed

for this service will have to be funded from additional savings in other Council services or by the use of earmarked reserves currently allocated to other Council services. Secondly the childrens' service recovery plan estimated a future financial position which enabled the service not only to reduce its costs, but also repay £4.6m of reserves to other services. Non repayment of these reserves will cause a financial issue for the other services.

- Any overspend in-year will have to be funded from reserves. Options could include using:
 - o Comprehensive Spending Review Reserve – current balance £2.9m. This reserve has been earmarked for the estimated costs of the Judicial Review on care home fees if the Council's appeal is refused - expected to be determined in autumn 2016.
 - o General Fund Reserve – current balance £4.4m. This reserve is the Council's core unallocated reserve and the target balance for this reserve is 4.2% of net revenue budget (currently 4%).
 - o Use of reserves earmarked for other services – current balance £24.9m (excluding schools). Potential to use these reserves is limited as £4.6m has already been allocated for childrens' services due to be repaid in future years.

In the absence of any compensating savings in other services Council will need to action the third option above and seek to identify earmarked service reserves to fund the overspend. The 2016/17 Review of Reserves is due to be updated in November 2015 which will include proposals to fund the projected overspend.

4.18 2016/17 Budget Process

- 4.19 The Mayor presented his budget proposals for 2016/17 in November 2015 for consultation.
- 4.20 The results of the HM Treasury 2015 Spending Review will be announced on 25th November 2015. This will identify spending totals for local government; therefore the local government finance settlement that sets out individual allocations to councils will be announced a few weeks after that, probably by mid December.

4.21 Balance Sheet issues

- 4.22 In the first two quarters no long term borrowing was taken or repaid so the Council's long term borrowing remained at £138m which was within the Council's approved Operational Boundary and Authorised Limit (for debt and long term liabilities as set by Council In February 2015).
- 4.23 The Council has interests in a number of companies. The financial performance for 2014/15 of these companies is included in the Council's statement of accounts (link below).

4.23 Write offs above £5,000 have been circulated to Members of the Overview and Scrutiny Board as an exempt annex to this report and are available to all other Members upon request on a confidential basis.

Appendices

Appendix 1 – exempt annex Write Offs Quarter Two 2015/16

Background Documents

2015/16 Budget Digest & supporting reports including 2015/16 Review of Reserves.

<http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=574&MId=6261&Ver=4>

Medium Term Resource Plan

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budget2016-17.htm>

2014/15 Statement of Accounts

<http://www.torbay.gov.uk/statementofaccounts>.



Meeting: Overview and Scrutiny Board
Council

Date: 25 November 2015
10 December 2015

Wards Affected: All

Report Title: Capital Plan Update – 2015/16 Quarter 2 and Mayor’s proposals for Capital Plan revisions for budget process 2016/2017

Is the decision a key decision? No

When does the decision need to be implemented?

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

Supporting Officer Contact Details: Martin Phillips, Chief Accountant, 01803 207285, martin.phillips@torbay.gov.uk

1. Proposal and Introduction

- 1.1 The Capital Plan budget totals £74.2 million for the 4 year programme, with £30.2 million currently scheduled to be spent in 2015/16, including £11.7m on the South Devon Highway. The Capital Plan requires £2.5 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 September 2015.

2. Reason for Proposal

- 2.1 Quarterly reporting to both the Overview and Scrutiny Board and to Council is part of the Council’s financial management.
- 2.2 To enable consultation to commence on the Capital Plan as this budget is due to be considered by the Council in February 2016 as part of the 2016/17 budget process.

3. Recommendation(s) / Proposed Decision

Overview & Scrutiny Board

- 3.1 That the Board note the latest position for the Council’s Capital expenditure and funding for 2015/16 and make recommendations if required to Council in respect of Quarter Two monitoring.

- 3.2 That, as part of the budget setting process for 2016/17, the Board at a future meeting review the Capital Plan and Capital Strategy and make recommendations to the Mayor if required prior to Council approval of the Capital Plan for 2016/17 in February 2016.

Council

- 3.2 That Council note the latest position for the Council's Capital expenditure and funding for 2015/16.

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 second quarter 2015/16 and includes variations arising in this quarter to the end September 2015. For the purposes of Standing Order F3 in relation to Budget and Policy Framework, this report also sets out the Mayor's proposals for revisions to the Capital Plan for the budget setting process 2016/17.
- 4.2 Council are due to approve the Capital Plan for 2016/17 and future years 17/18, 18/19 and 19/20, and the Capital Strategy as part of its budget setting process in February 2016. Supporting Information on the capital issues facing the Council is included and the Board are invited to review the Capital Plan (appendix two) and Capital Strategy (appendix three) at a future meeting and make recommendations to the Mayor, if required, prior to approval in February 2016.
- 4.3 The overall funding position of the 4-year Capital Plan Budget of £74.2 million, covering the period 2015/16 – 2018/19, is primarily fully funded but still relies upon the generation of £2.5 million of Capital income from capital receipts and capital contributions over the life of the Capital Plan.
- 4.4 Of this £2.5m, £2.0 million was required from capital receipts before the end of the current Plan period. Of this sum £0.3 million has been received by the end of September 2015, leaving a balance of £1.7 million still to be realised. It is only after this target has been reached that any capital receipts should be applied to new schemes.
- 4.5 The other element of this £2.5m funding requirement, involves £0.5m required from capital contributions including community infrastructure levy which is expected to be approved during 2015. In addition £2.1m is due to be generated from S106 contributions to part fund the South Devon Highway.
- 4.6 The target income for capital receipts and capital contributions are required to meet existing Council commitments, it is important that any capital income raised is allocated to existing commitments and not used to support additional expenditure on new schemes.
- 4.7 The movements in the estimate of expenditure in 2015/16 on the Capital Plan between the last monitoring report at June 2015 of £32.0m and the current approved budget for 2015/16 of £30.2 m are shown below. Please note the format of this table shows schemes ordered by their service Directorate, as is Appendix 1.

Scheme	Variation in 2015/16	Change £m	Reason
Estimate as at Q1 2015/16		32.0	Capital Plan Update, 2015/16 Quarter 1
Adult Social Care	Funding transferred	(0.4)	Resource swap for ICO reported in Q1
		31.6	
Adult Services			
Affordable Housing	Transfer budget	(0.2)	Budget moved to new scheme (Spectrum HA)
Spectrum HA – Castle Lane Torquay	New scheme	0.2	Provide 32 affordable housing units
		0	
Childrens Services			
Capital Repairs and Maintenance 15/16	Govt grant allocation	0.1	School improvements (in addition to Furzeham Prim.)
Ellacombe expansion	Budget re profiled from 2016/17	0.1	Good progress so budget brought forward to 15/16
St Margaret Clitherow expansion	Additional budget required	0.1	Budget transferred from saving on Warberry Primary expansion
Warberry Primary expansion	Saving on scheme	(0.1)	Saving transferred to fund overspend on St Margaret Clitherow
Torquay Secondary School places	Re profile initial budgets	0.1	Initial work on scheme to provide additional places
		0.3	
Community and Customer Services			
Torre Valley North enhancements	Budget moved to 2016/17	(0.1)	Scheme delayed
		(0.1)	
Corporate and Business Services			
Enhancement of Development Sites	Part budget to 16/17	(0.1)	Rephased to next year
Flood Defence/Cliff works	Increased budget	0.1	Costs of Goodrington and Oddicombe above budget
Torbay Innovation Centre Phase 3 (EPIC)	Re profile budget	(0.4)	Delay in tender process changes budget phasing
TEDC Capital Loans	Part budget transferred to 16/17	(1.2)	Review of timing of likely draw down on loan
		(1.6)	
Estimate – Quarter Two 2015/16		30.2	

4.8 Expenditure

- 4.9 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 £74.2 million over the 4 year period of which £30.2 million relates to 2015/16 and £23.9 million relates to 2016/17.
- 4.10 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.
- 4.11 Expenditure to the end of this second quarter was £5.4 million with a further £9.5 million of commitments on the Council's finance system. The expenditure of £5.4million is only 18% of the latest budget for 2015/16. This compares with £6.5 million (or 32% of outturn) for the second quarter last year. It is recognised that for a number of schemes, notably the South Devon Highway (2015/16 budget £11.7m), the Council will not incur expenditure until later in the year.

	2010/11 £m (%)	2011/12 £m (%)	2012/13 £m (%)	2013/14 £m (%)	2014/15 £m (%)	2015/16 £m (%)
Quarter One	10 (23%)	3 (14%)	2 (11%)	4 (23%)	2 (10%)	1 (3%)
Quarter Two	13 (30%)	7 (32%)	4 (21%)	4 (23%)	4 (20%)	4 (15%)
Quarter Three	9 (21%)	5 (22%)	5 (26%)	3 (18%)	4 (20%)	
Quarter Four	11 (26%)	7 (32%)	8 (42%)	6 (35%)	10 (50%)	
Total In Year	43	22	19	17	20	30

4.12 Updates to Capital Plan

4.13 Joint Commissioning Team

- 4.14 Affordable Housing – £0.2 million of this budget allocation has now been set aside to enable Spectrum Housing Association to develop 32 units of affordable accommodation, including 1 and 2 bed apartments, in Castle Lane, Torquay.
- 4.15 Integrated Care Organisation - As reported in the Quarter 1 Capital monitoring report the Council has agreed to provide revenue funds to the new ICO by swapping £0.461m capital grant for resources in Reserves. The impact is to reduce the Council's capital spend but increases its revenue spend with no overall change in resources.
- 4.16 Childrens Services:
- 4.17 There are a number of variations to budgets on various schemes as detailed below.
- 4.18 Ellacombe Primary expansion – Scheme is progressing very well so £0.1m of budget to be rephased from 2016/17 to 2015/16.
- 4.19 Secondary School places in Torquay – the phasing of work for this scheme to provide 30 additional secondary school places in Torquay by September 2017 has been reviewed with £0.1m moved to 2015/16 budget from future years.

- 4.20 St Margaret Clitherow Primary expansion – completed 28th August 2015. Delivered on time but over budget by £0.1m. The increase in costs is a direct result of changes required by Planning. The overspend will be funded through savings on other schemes (Warberry) within the Children’s Services Capital Plan.
- 4.21 Warberry CoE Primary expansion – saving of £0.1m achieved on this scheme for additional primary places which can be used to cover the St Margaret Clitherow overspend, which is a similar project.
- 4.22 Whiterock Primary expansion – Phase 1 of this project was completed by 2nd September 2015, with Phase 2 now underway.
- 4.23 **Joint Operations Team**
- 4.24 Community and Customer Services
- 4.25 Princess Pier Decking – tenders for this work exceed the £0.254 m budget. The likely costs range between £0.3m and £0.36m depending on extent of work undertaken. However some works involve repairs to steel supports, the cost of which are included in Princess Pier structural repair scheme (£1.85m in 2016/17) so budget of £0.106m is being transferred to facilitate this work under the Decking scheme when it is easier to access the steel support areas .
- 4.26 Strand Regeneration – This scheme was approved by Council in September 2015, subject to funding being identified. Consequently the scheme has not yet been included in the Capital Plan, until funding sources are identified.
- 4.27 Torre Valley North enhancements – proposals to realign the playing pitches are subject to various approvals and the scheme is now not likely to commence until next financial year.
- 4.28 Transport – Edginswell Station. The Local Enterprise Partnership has confirmed its funding of £4 million towards this scheme, however latest costings indicate that further funding will have to be secured before construction can commence. Officers will continue to progress funding options.
- 4.29 Disabled Facilities Grants (DFG) – A Council decision is still required regarding the possible reallocation of £0.4 million of prior years’ DFG resources. As previously reported the Overview and Scrutiny Board have requested further information and details on the DFG service pressures and will make recommendations to Council in due course. In relation to the 2015/16 allocation of £1.0m, expenditure on DFGs at the end of September was £0.2 million, with a remaining budget of £0.8m. It is expected that the service will re profile 2015/16 budget into future years.
- 4.30 Corporate & Business Services
- 4.31 Flood Defence schemes – following receipt of tenders, the cliff stabilisation works at Goodrington and Oddicombe are expected to exceed initial estimates. The total cost of works at the two sites is now expected to be £0.166 m, where original estimates were £0.1m. The increased costs can be funded from additional storm damage grant received from the Environment Agency.

4.32 Princess Pier Structural repair – some work to steel supports are now being done under the Princess Pier Decking scheme so £0.1 m of this 2016/17 budget will be transferred to that scheme.

4.33 TEDC Capital Loans – the timing of likely draw downs for this loan has been reviewed and part of the budget (£1.2 m) has been moved to 2016/17.

5 Receipts & Funding

5.1 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:

	2015/16	2016/17	2017/18	2018/19	Total @ Q2 15/16
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Unsupported Borrowing	13	3	4	1	21
Grants	14	18	11	4	47
Contributions	0	1	0	0	1
Reserves	0	1	0	0	1
Revenue	1	0	0	0	1
Capital Receipts	2	1	0	0	3
Total	30	24	15	5	74

5.2 Grants

5.3 Capital Grants continue to be the major funding stream (over 60% 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 £13 million of grants in 2014/15 and is currently estimating to use £14m of grants in 2015/16.

5.4 Since the last Capital update (Quarter 1 2015/16) reported to Council in September 2015, the Council has not been notified of any additional capital grant allocations.

5.5 Capital Receipts

5.6 The approved Plan relies upon the generation of a total of £2.0 million capital receipts from asset sales by the end of 2016/17 of which £0.3m has now been received by the end of September 2015, leaving a target of £1.7m 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.

5.7 Capital Contributions – S106 & Community Infrastructure Levy

- 5.8 The general target for securing capital contributions to fund the 4-year Capital Plan, following review of the Budget in February 2013 was £0.5 million (required by March 2016). In addition the South Devon Highway business case estimated external contributions including s106 payments of £2.1m to help fund the scheme (£0.108m, received since 2014).
- 5.9 The intention is that capital contributions are applied to support schemes already approved as part of Capital Plan and not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital Plan.
- 5.10 Income from Section106 capital contributions so far in 2015/16 only amount to £0.02 million.
- 5.11 A recent Government announcement changed a number of rules relating to Section 106 agreements which now restricts these funds and will mean alternative funding sources may be required to fund some capital schemes, including the South Devon Highway, where £2.1 million of S106 (or CIL) funding was estimated.
- 5.12 In particular, since the South Devon Highway is likely to be completed before a CIL scheme is formally adopted, it is unlikely that the necessary funds can be generated for this scheme. This will mean that an alternative funding source will be required, presumably additional Prudential Borrowing. The increased revenue cost of this has been factored into the 2016/17 budget proposals.
- 5.13 It is expected that, linked to the adoption of the Local Plan later in 2015, a Community Infrastructure Levy scheme will also be approved.

5.14 Borrowing and Prudential Indicators

- 5.15 There was no borrowing taken or repaid during the quarter.
- 5.16 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 2015 the Council's "Non Current Assets" were valued at £307 million.

Appendices:

Appendix 1 - Capital Plan summary – Quarter Two 2015/16

Appendix 2 - Capital Plan 2016/17 – 2019/20

Appendix 3 - Capital Strategy, October 2015 Update

CAPITAL INVESTMENT PLAN - QUARTER 2 2015/16 - EXPENDITURE

Appendix 1

						Revised 4-year Plan July 2015				
	Latest Est Scheme Cost	Actuals & Commitments 2015/16 Qtr 2	Previous 2015/16 (@ Q1 15/16)	2015/16 Q2 Adjustments	New Schemes 2015/16	Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
PE = Approved Prudential Borrowing schemes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ADULT SERVICES										
Adult Care										
Adult Social Care	0		461	(461)		0				0
Autism Innovation - IT Enhancements	19	19	19			19				19
Mental Health Care Initiatives	711		7			7				7
Housing Strategy										
Affordable Housing	1,480		248		(200)	48	1,432			1,480
Sanctuary HA - Hayes Road Pgn	500		250			250				250
Spectrum HA - Castle Lane Tqy	200				200	200				200
	2,910	19	985	(461)	0	524	1,432	0	0	1,956
CHILDRENS SERVICES										
2 Year Olds Provision	253	47	193			193	0	0		193
Asbestos Removal	80		7			7				7
Barton Primary Cap Project	4,400	4	36			36				36
Brookfield House Site	750	45	650			650	100			750
Capital Repairs & Maintenance 2012/13	465	105	138			138				138
Capital Repairs & Maintenance 2014/15	652	438	620			620				620
Capital Repairs & Maintenance 2015/16 (incl Furzeham)	506	0	150		106	256	250			506
Childrens Centres	232		2			2				2
Cockington Primary expansion	3,373	81	356			356				356
Devolved Formula Capital		14	260			260				260
Education Review Projects		57	298			298				298
Ellacombe Primary expansion	502	29	384	80		464	20			484
EOTAS Halswell House	49		1			1				1
Key Stage 1 Free School Meals	122	11	12			12				12

CAPITAL INVESTMENT PLAN - QUARTER 2 2015/16 - EXPENDITURE

Appendix 1

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						Revised 4-year Plan July 2015				
	Latest Est Scheme Cost	Actuals & Commitments 2015/16 Qtr 2	Previous 2015/16 (@ Q1 15/16)	2015/16 Q2 Adjustments	New Schemes 2015/16	Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
New Paignton Primary school	5,000		0			0	750	2,250	2,000	5,000
Roselands Primary expansion	700	1	47			47	0	0		47
Secondary School places	2,866	2	150	150		300	2,000	566		2,866
St Margaret Clitherow Primary expansion	623	293	179	115		294				294
Torbay School Hillside	120	1	21			21				21
Torre CoE Primary expansion	1,299	43	54			54				54
Warberry CoE Primary expansion	1,235	16	189	(115)		74				74
Whiterock Primary expansion	3,500	1,927	2,040			2,040	300			2,340
Youth Modular Projects	409		51			51				51
	11,281	3,114	5,838	230	106	6,174	3,420	2,816	2,000	14,410
COMMUNITY AND CUSTOMER SERVICES										
Babbacombe Beach Road	70		70	(70)		0	70			70
Barton Infrastructure	137		9			9				9
DfT Better Bus Areas	462	(46)	161			161	0	0		161
DfT Local Sustainable Transport Fund (Ferry/Cycle)	1,642	(6)	26			26	0	0		26
Disabled Facilities Grants		240	1,020			1,020	0		0	1,020
Disabled Facilities Grants Reserve - Potential reallocation (e.g. to Infrastructure)			398			398				398
Empty Homes Scheme	500		250			250	250			500
NGP - Strategic Cycleway	477		45			45				45
NGP - Windy Corner Junction	11	19	1			1				1
PB On Street Parking meters	857		1			1				1
Paignton Picture House	50		50			50				50
Princess Pier Decking	360		254			254	106			360
Private Sector Renewal			113			113	0		0	113
Public Toilets - Utilities saving measures	100	5	11			11	0	0		11
PB South Devon Link Road - Council contribution	20,224	8,735	11,739			11,739	1,500	1,500	1,407	16,146
St Michael's Chapel, Torre	95	81	71			71				71
PB Street Lighting - Energy reduction	515	11	46			46				46

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TCCT - Grant re Green Heart Project	100	100	100			100				100
Torbay Enterprise Project	750	22	52			52				52
Torbay Leisure Centre - structural repairs	545	26	26			26	0	0		26
PE Torre Abbey Pathway	49	2	2			2				2
Torre Abbey Renovation - Phase 2	5,069	8	74			74				74
Torre Valley North Enhancements	127		124	(124)		0	124			124
Transport - Edginswell Station	4,374	200	209			209	2,500	1,500		4,209
Transport Integrated Transport Schemes		405	670			670	1,257	931	667	3,525
Transport Structural Maintenance		467	1,582			1,582	1,337	1,297	1,174	5,390
Transport - Torquay Gateway Road Improvements	3,875	16	325			325	1,200	2,325		3,850
Transport - Torquay Town Centre Access	625	6	385			385	176			561
Transport - Western Corridor	7,405	653	2,300			2,300	3,100	1,600		7,000
	3,500	10,944	20,114	(194)	0	19,920	11,620	9,153	3,248	43,941
CORPORATE AND BUSINESS SERVICES (INCL. CONTINGENCY)										
Corporate Services										
Enhancement of Development sites	261	13	103	(73)		30	173			203
PE Office Rationalisation Project Ph 3 - Project Remainder	8,735	219	195	25		220				220
Oldway Estate works	400		400			400				400
Payroll Project	370	50	87			87				87
Riviera Centre renewal	1,140	36	41			41				41
General Capital Contingency	631		0			0	631	0	0	631
Business Services										
PE Beach Hut Acquisition/Renewal (Broadsands, Meadfoot)	2,591	392	384			384				384
Brixham Harbour - Victoria Breakwater	44		10	(6)		4	0	0		4
PE Council Fleet Vehicles	462	11	162			162				162
Flood Defence schemes (with Env Agency)	789	37	100	66		166	155			321
Haldon Pier - Structural repair Phase I&2	3,073	44	535			535				535

CAPITAL INVESTMENT PLAN - QUARTER 2 2015/16 - EXPENDITURE

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Meadfoot Sea Wall structural repair	266	5	4			4				4
PP NGP - Torbay Innovation Centre Ph 3 (EPIC)	6,590		500	(400)		100	3,421	3,000		6,521
Oddicombe Beach Chalets	193	34	36			36				36
Old Toll House, Torquay	150	4	75			75	71			146
Princess Pier - Structural repair (with Env Agency)	1,744		0			0	1,744			1,744
Riviera Renaissance (Coastal Communities Fund)	649	1	1			1	0	0		1
Sea Change - Cockington Court	3,285	3		3		3				3
Small Ports Recovery Fund - Winter 13/14	295		4			4				4
PP TEDC Capital Loans	2,475	250	2,475	(1,190)		1,285	1,190			2,475
	34,143	1,099	5,112	(1,575)	0	3,537	7,385	3,000	0	13,922
TOTALS	51,834	15,176	32,049	(2,000)	106	30,155	23,857	14,969	5,248	74,229
CAPITAL INVESTMENT PLAN - QUARTER 2 2015/16 - FUNDING										
Unsupported Borrowing			14,509	(1,501)		13,008	3,470	3,421	1,289	21,188
Grants			14,388	7	106	14,501	17,626	11,216	4,237	47,580
Contributions			330			330	148			478
Reserves			349	(208)		141	1,032	253	(396)	1,030
Revenue			1,043	(225)		818	229	79	118	1,244
Capital Receipts			1,430	(73)		1,357	1,352			2,709
Total			32,049	(2,000)	106	30,155	23,857	14,969	5,248	74,229



CAPITAL PLAN 2016/17 TO 2019/20

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Produced By:

**Torbay Council,
Town Hall,
TORQUAY**

Contact Officer – Martin Phillips (Tel: 01803 207285)

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To enable review of the current plan this note will outline the funding options for 2016/17 and future years and will outline the potential projects (from the capital reserve list) that Council may wish to consider for future years if funding is available.

The Board are invited to review the Capital Plan at a future meeting and make recommendations on capital expenditure and capital funding to the Mayor, if required, prior to approval in February 2016.

The Capital Plan is closely linked to the Capital Strategy, Treasury Management Strategy, Highways Asset Management Plan and the Corporate Asset Management Plan.

2 Capital Funding 2016/17

2.1 Capital Grants: - Reoccurring Grants

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2.1.5 Adult Social Care - This is part of the Better Care Fund therefore it will be allocated to social care and health initiatives.

2.2 Capital Grants: - Project Specific Grants

The Council continues to bid for additional external grant funding but, in line with the capital strategy, restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved. All

bids are to be agreed with the Mayor and Executive Director prior to submission.

Funding Bids are made to a number of agencies including:

- Environment Agency
- Local Enterprise Partnership
- European Union
- Big Lottery
- Sport England
- Historic England
- Arts Council
- Central Government Departments (DCLG, DoT, DoE, DoH etc)

2.3 Capital Receipts and Capital Contributions

The current policy is to pool all capital receipts from the sale of all assets sold to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital receipts target to support the approved Plan that has not yet been met. All capital receipts received should be allocated to support this target and not allocated to new schemes. Therefore there isn't any decision required on the allocation of capital receipts.

The current policy is to pool all capital contributions such as s106 contributions to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital contributions target to support the approved Plan that has not yet been met. All capital contributions received should, where possible, be allocated to support this target and not allocated to new schemes. Therefore there isn't any decision required on the allocation of capital contributions.

Any monies received for infrastructure from the Community Infrastructure Levy (when introduced) will not be allocated to a specific service but will be allocated under the CIL arrangements ("the 1,2,3 List") in line with Council's capital scheme priorities including any specific funding requirements such as the South Devon Highway. Therefore there isn't any decision required on the allocation of the CIL.

2.4 Borrowing

As supported borrowing from central government no longer exists the only form of borrowing open to the Council is unsupported or prudential borrowing.

In the absence of new capital receipts, contributions or additional un ring fenced grants and the pre allocation of un ring fenced grants to both schools and transport the only funding option available to the Council would be from prudential borrowing. Borrowing requires the repayment of principal borrowed and interest costs on the borrowing until repaid. This typically equates to £70,000 per annum for each £1m borrowed and repaid over 25 years.

Council is able to approve borrowing for new schemes providing it is prudent/affordable and that council identify how the borrowing will be funded.

One suggestion members may wish to consider is the creation of an investment fund to generate investment returns that can be used to support the Council's revenue budget. On a 25 year repayment the rate of return would need to be in excess of 8% per annum on the value of the investment. Council could consider a fund of up to £10 million and establish a set of investment criteria for officers to comply with in terms of suitable investments.

2.5 Alternative Funding and Delivery Opportunities

Linked closely to the capital plan is the use of alternative methods of supporting capital expenditure within the Bay, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Council. The Council can use its assets to support schemes or aim to maximise funding from any source possible, such as European or Local Enterprise Partnership funding.

2.6 Prioritisation and Capital Reserve List

The current four year Capital Plan is attached at Appendix 1 to the latest Capital Plan quarterly update report. The Plan contains previously approved allocations of funding and schemes.

It is always difficult to make choices between competing priorities within a top tier Council that delivers so many varied services. To support allocation of funding a Capital Reserve list is maintained with a list of potential schemes.

A summary of potential capital projects that are currently unfunded are as follows:

	Scheme	Cost to Council £m	Notes
Mayoral Pledges			
	Torquay Harbourside, Option 1	0.35	Approved By Council Sept 15 pending identification of funding
	Brixham Railhead	tbc	Create rail link to Brixham – requires feasibility work
	Edginswell Station	tbc	In current Capital plan, however currently a funding shortfall
	Western Corridor – Dualling	tbc	Continued works to improve traffic flow and capacity
Childrens Services			
	Acquisition Stoodley Knowle school site and new build	tbc	Site purchase for improved provision and relocation of existing primary school
Adult Services			
	Learning Disability relocation	tbc	Potential relocation of clients from Hollacombe
	New Affordable Housing schemes	tbc	Linked to Housing Strategy – schemes in excess of £1.6m currently available
Corporate and Business Services			
	Investment Fund	10.0	Fund to purchase investment properties
	Backlog Property Assets R&M	22.0	Outstanding repairs on Council property assets – linked to Asset

			Management Plan
	Emergency Infrastructure Works	tbc	Funds to action emergency works in relation to storm damage, cliff faces etc
	Brixham Town Centre	tbc	Future options for car park site
	Car Park Fencing	0.062	
	Crown & Anchor Way	tbc	Potential purchase of land for highways and parking issues.
	Claylands – Regeneration /Employment	7.0	Potential prudential borrowing scheme subject to business case
	Cockington Court	0.7	Backlog repairs on property leased to TDA
	Council storage solution	tbc	Permanent solution to storage of records
	EA Scheme - Brixham Flood Alleviation	0.060	Council contribution to Environment Agency scheme
	EA Scheme - Broadsands Sea Wall	0.080	Council contribution to Environment Agency scheme
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	Illumination Replacement - phase 2	0.072	Investment in festoon lighting
	IT infrastructure Replacement	tbc	Future funding of IT infrastructure after IT reserve has been fully spent.
	Monksbridge Road – Local Transport Board Bid	0.300	Potential Council match funding required
	Multi Storey Car Parks R&M Backlog	3.2	

	Oxen Cove - Possible development	tbc	Potential regeneration scheme
	Paignton Town Centre – Local Transport Board	1.7	Improved transport links & infrastructure
	Princess Gardens Fountain	0.050	
	Princess & Haldon Piers	4.6	Structural Issues on Piers
	Torquay Town Hall car park	tbc	Potential regeneration scheme
	Town Centres Master plans – Torquay	tbc	Potential Council match funding and assets required
	Town Centres Master plans – Paignton	tbc	Potential Council match funding and assets required
Community and Customer Services			
	A385 Totnes Road – Local Transport Board	0.4	Potential Council match funding required
	Backlog Transport Infrastructure R&M	11.0	Backlog repairs on transport infrastructure assets
	Brixham Transport Hub – Local Transport Board	0.150	Potential Council match funding required
	Clennon Valley Transport Package – Local Transport Board	1.1	Cycleway to Long Road & Dartmouth Road improvements
	Bolton Cross	tbc	Potential future development of site
	Princess Theatre Investment	1.0	Support potential investment in theatre improvements
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	Torre Abbey Gate House	tbc	Structural repairs required
	Willows Sport Pitches	0.5	Potential Council match funding required
	Helipad	tbc	Feasibility required to support business case
	Torquay Harbourside - Option 2 & 3	4.0	Further enhancements to Torquay Harbourside area
	TOR2 Asset Replacement	tbc	Potential costs of asset purchases (vehicle and plant) in relation to TOR2 services
	Torre Railway Station – Local Transport Board	0.1	Potential Council match funding required
	Torquay Harbourside and Sea Front – Local Transport Board	1.7	Improved transport links & infrastructure

2.7 Options

Members when reviewing the capital plan have a number of options to consider.

These include:

- Review current plan and reallocate funding from previously approved schemes or allocations to fund alternative schemes
- Recommend prudential borrowing to fund schemes
- Recommend alternative options to fund schemes
- Recommend bids for external funding to fund schemes
- Recommend individual projects within previously approved service allocations
- Recommend additional asset disposals to fund schemes
- Recommend priority schemes for approval should funding become available



CAPITAL PLAN 2016/17 TO 2019/20

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	Helipad	tbc	Feasibility required to support business case
	Torquay Harbourside - Option 2 & 3	4.0	Further enhancements to Torquay Harbourside area
	TOR2 Asset Replacement	tbc	Potential costs of asset purchases (vehicle and plant) in relation to TOR2 services
	Torre Railway Station – Local Transport Board	0.1	Potential Council match funding required
	Torquay Harbourside and Sea Front – Local Transport Board	1.7	Improved transport links & infrastructure

2.7 Options

Members when reviewing the capital plan have a number of options to consider.

These include:

- Review current plan and reallocate funding from previously approved schemes or allocations to fund alternative schemes
- Recommend prudential borrowing to fund schemes
- Recommend alternative options to fund schemes
- Recommend bids for external funding to fund schemes
- Recommend individual projects within previously approved service allocations
- Recommend additional asset disposals to fund schemes
- Recommend priority schemes for approval should funding become available