



Meeting: Overview & Scrutiny Board
Council

Date: 19 February 2014
27 February 2014

Wards Affected: All

Report Title: Capital Investment Plan Update - 2013/14 Quarter 3

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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 third Capital Monitoring report for 2013/14 under the Authority's agreed budget monitoring procedures. It provides high-level information on capital expenditure and funding for the year compared with the latest budget position as reported to Council in December 2013.

2 Proposed Decision

Overview & Scrutiny Board

- 2.1 **That Members note the latest 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 latest position for the Council's Capital expenditure and funding for 2013/14.**

3 Reasons for Decision

- 3.1 Quarterly reporting of the Capital Investment Plan 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 receive regular budget monitoring reports on the Council's Capital Investment Plan throughout the year. The Council's four year Capital Investment Plan is updated each quarter through the year. This report is the monitoring report for the third quarter 2013/14 and includes variations arising in this quarter.
- 4.2 Expenditure and commitments to the end of the third quarter is contained in the appendix to this report. A summary of spend to date by funding type is as follows:

| Funding Type | Revised Budget 13/14 (Q3) | Spend and commitments to end Quarter Three | Balance Uncommitted |
|----------------------|--------------------------------------|-----------------------------------------------------------|--------------------------------|
| | £m | £m | £m |
| "Old" Funding | 3.3 | 2.6 | 0.7 |
| "New" Funding | 10.2 | 7.1 | 3.1 |
| Prudential Borrowing | 4.2 | 2.3 | 1.9 |
| Specific Funding | 4.2 | 2.3 | 1.9 |
| Total 2013/14 | 21.9 | 14.3 | 7.6 |

- 4.3 The overall funding position of the 4-year Capital Investment Plan Budget of £63.5 million, covering the period 2013/14 – 2016/17, is in balance but still relies upon the generation of a further £5.4m of capital income from capital receipts (£4.9m) and capital contributions (£0.5m) over the life of the Capital Investment Plan. Of this £5.4m, £4.9 million is required from capital receipts before the end of the current Plan period. Of this sum £0.7 million of capital receipts has been received so far this year, leaving a balance of £4.2 million still to be realised. It is only after this target has been reached that any capital receipts can be applied to new schemes.
- 4.4 The Plan also requires a total of £0.5m from capital contributions including Community Infrastructure Levy and S106 developer contributions. In addition to the £0.5m, £2.1m is due to be generated from S106 contributions to part fund the South Devon Link Road. As previously noted, If the South Devon Link Road contributions are not generated then the Council's prudential borrowing requirement for this scheme will be £20m
- 4.5 As 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 commitments and not used to support additional expenditure on new schemes.

5 Supporting Information

- 5.1 The original capital budget for 2013/14 approved by Council in February 2013 was £25.4 million. That has been subsequently revised for re profiling of expenditure from 2012/13, new schemes and re profiling expenditure to future years. All changes with reasons have either been included in previous monitoring reports, or are detailed in this report.
- 5.2 It should also be noted that re profiling budgets often result from valid project management reasons such as scheme re engineering, further consultations and clarification with users or detailed tendering.
- 5.3 Of the total £63.5 million of the 4 year programme, £21.9 million is currently scheduled to be spent in 2013/14.

6 **Movements in 2013/14 Estimated expenditure**

- 6.1 The movements in the estimate of expenditure in 2013/14 on the Capital Investment Plan between the estimate at Quarter Two of £24.6m and the estimate at Quarter Three of £21.9m, split by the categories of funding, are as follows:

| Scheme | Variation in 2013/14 | Change £m | Reason |
|-----------------------------------------------|----------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Estimate as at Quarter One – July 2013 | | 24.6 | Capital Investment Plan 2013/14 (Report 6 Dec 2013) |
| “Old” Funding Regime” | | | |
| Childrens' projects | Re profiling to 2014/15 | (0.3) | Revised profile following review project funds moved to 2014/15 and some reallocation between schemes Minor delays and changes to programme Phasing revised Review of likely spend profile in 2014/15 |
| Barton Primary | Re profiled to 2014/15 | (0.3) | |
| St Margaret Clitherow RC Primary School | Re profiling to 2014/15 | (0.1) | |
| My Place, Parkfield | No further expenditure | (0.1) | |
| Haldon Pier Structural repair | Re profiling to 2014/15 | (0.3) | |
| | | (1.1) | |
| “New” Funding Regime | | | |
| Cockington School expansion | Part of budget transferred | (0.1) | Funding diverted to new Torre Valley North enhancements |
| | Re profiled to 2014/15 | (0.4) | Delays to Start on Site |

| | | | |
|-----------------------------------------------------|-----------------------------|--------------|---------------------------------------------------------|
| Roselands Primary School expansion | Re profiled to 2014/15 | (0.1) | Scheme budget re-profiled for consultation |
| Torre CoE Primary expansion | Re profiled to 2014/15 | (0.1) | To reflect revised spending |
| Warberry Primary School expansion | Re profiled to 2014/15 | (0.2) | Scheme budget re-profiled to reflect outstanding issues |
| Whiterock Primary School expansion | Re profiled to 2014/15 | (0.1) | Scheme budget re-profiled to reflect phased approach |
| Flood Defence/Cliff stabilisation (with Env Agency) | 2013/14 expenditure delayed | (0.1) | Legal considerations are delaying some works |
| Riviera Centre renewal | Increased budget | 0.1 | Additional funding for capital improvements |
| Transport - Integrated Transport Schemes | Budget adjustments | 0.1 | Some adjustments of budgets between schemes |
| | | (0.9) | |
| “New” Ring fenced funding | | | |
| Torre Valley North Enhancements | New scheme | 0.1 | Funding transferred from Childrens Services |
| Local Sustainable Transport Fund / Western Corridor | Budget adjustments | (0.1) | Some adjustments of budgets between schemes |
| White Rock Business Park Land swap | New scheme budget | 0.3 | Acquire land funded from other disposal |
| Better Bus Grant | Re profiled to 2014/15 | (0.3) | Scheme now expected to be complete by June 2014 |
| | | 0 | |
| Prudential Borrowing | | | |
| Beach Chalets Meadfoot | Re profiled to 2014/15 | (0.5) | Most expenditure on this scheme now likely in 2014/15 |
| Paignton Velodrome | Re profiled to 2014/15 | (0.2) | Delays in scheme progress |
| | | (0.7) | |
| Estimate – Quarter Three 2013/14 | | 21.9 | |

7 Expenditure

- 7.1 The Council approved the original 4-year Capital Investment Plan Budget for the period 2012/13 – 2015/16 in February 2012. This plan has been subsequently updated for any further revision to both projects and timing, resulting in the latest revision attached to Annex 1. The Plan now totals £63.5 million over the 4 year period of which £21.9 million relates to 2013/14 and £26.4 million relates to 2014/15.
- 7.2 The purpose of this report and the Monitoring statement attached is to highlight and make recommendations in relation to 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.
- 7.3 Expenditure to the end of this third quarter was £11.2 million with a further £3.1 million of commitments on the Council's finance system. The expenditure of £11.2 million is 50% of the latest budget for 2013/14. This compares with £11 million (or 58% of outturn) for the third quarter last year and is broadly in line with previous years.

| | 2009/10 £m - (%) | 2010/11 £m - (%) | 2011/12 £m - (%) | 2012/13 £m - (%) | 2013/14 £m (%) |
|----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| Quarter One | 8 – (16%) | 10 – (23%) | 3 – (14%) | 2 – (11%) | 4 (18%) |
| Quarter Two | 11 – (22%) | 13 – (30%) | 7- (32%) | 4 – (21%) | 4 (18%) |
| Quarter Three | 13 – (27%) | 9 – (21%) | 5 – (22%) | 5 – (26%) | 3 (14%) |
| Quarter Four | 17 – (35%) | 11 – (26%) | 7- (32%) | 8 – (42%) | - |
| Total In Year | 49 | 43 | 22 | 19 | 22 |

Main Variations & Management Action

8 "New Funding Regime"

8.1 An estimate of funds was identified in the Capital Investment Plan (February 2012) for the four years of the Plan, which was provisionally allocated to a number of "priority" areas.

8.2 The Capital Investment Plan as at 2013/14 Quarter Three shows the approved schemes to the extent that funding has been received or confirmed. Where the value of the approved schemes exceeds the confirmed 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, such as lower than anticipated grant funding, then the Capital Investment Plan will have to be reduced accordingly or alternative sources of funding allocated such as prudential borrowing.

8.3 Scheme Updates:

Cockington Primary School: The expansion of Cockington Primary School is in progress but as a consequence of issues with the adjoining playing field £0.1 million of the scheme budget has been transferred to enhance Torre Valley North. This issue has delayed the start on site and consequently £0.4 million budget has been moved to 2014/15.

Part of the 2013/14 budgets for the Primary School Expansion schemes at Roselands (£0.1 m), Torre CoE (£0.1 m), Warberry (£0.2 m) and Whiterock (£0.1 m) have been transferred to next financial year as a result of various issues arising at each of the projects, as indicated in paragraph 6.1 above.

Flood Defence/Cliff stabilisation – Legal issues surrounding some of the scheduled works have delayed progress, so budget of £0.1 million has been moved to next financial year.

9 "Old Funding Regime"

This section 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.

9.1 Children's Services:

Barton Primary - Minor delays (including bad weather) and changes to the work programme mean that £0.3 million will not now be spent until 2014/15

£0.3 m of funding set aside for Education Review Projects has been rescheduled to 2014/15 as there are currently no definite plans for this funding.

St Margaret Clitherow RC Primary School: The budget allocation has been re profiled to reflect the agreed programme of work which requires that £0.1 m budget can be re-phased to 2014/15.

9.2 Affordable Housing:

The proposed scheme on the former B&Q site in Torre is currently considered unlikely to progress so the future year budgets for this scheme have been transferred back to the Housing Advances to be Allocated 'pot', pending reallocation to other schemes.

9.3 New Growth Points – White Rock Innovation Centre Phase 3

The Mayor, as reported to Council in December 2013, approved that the Council enters into a land swap with Abacus Project Limited. Namely: Council to transfer the PLUSS site at Whiterock in return for the transfer of Abacus Project Limited's site fronting onto Brixham Road. The value of the land being "swapped" is £0.275m and this value has been included in the capital plan.

9.4 Haldon Pier – structural repairs. Proposals for works to the inner face of the pier are now scheduled for Spring/Summer 2014. The procurement process for the works will require the engagement of specialist contractors. The delay in progressing the works requires £0.334 million of the budget is transferred to 2014/15.

10 “New” Ring fenced funding

- 10.1 As mentioned in paragraph 8.3 above, some works are required at Torre Valley North Playing Fields in consequence of the adjacent Cockington Primary School expansion. Consequently a budget of £0.127 million has allocated for this work funded from the previous allocation for Cockington Primary expansion.

11 Schemes funded from Prudential Borrowing

- 11.1 Meadfoot Beach Chalets – It is now likely that the bulk of the costs of providing these new facilities will not be achieved until next financial year consequently a further £0.5 million of the budget has been rephased to 2014/15.
- 11.2 Paignton Velodrome – some delays caused by ground conditions which are currently being investigated result in £0.18 million budget transferred to next financial year.

12 Contingency

- 12.1 The Capital Investment Plan has a capital contingency. Of this total, £0.5 million is held as resource cover in case anticipated funding from the Local Transport Board, for advance works on improvements to the Western Corridor, does not materialise. This element of the contingency is funded from existing Transport capital resources.

This contingency is still in place to provide for unforeseen emergencies or shortfall in projected income over the 4-year Plan period and represents almost 2% of the total Capital Investment Plan budget. Currently it is not anticipated that the contingency will be required this financial year so the contingency has been moved to future years

13 Receipts & Funding

- 13.1 The funding identified for the latest Capital Investment Plan budget is shown in Annex 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 Investment Plan is shown in the Table below:

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total @ Q3 13/14 |
|-----------------------|-----------|-----------|-----------|----------|---------------------|
| | A | B | C | D | E |
| Funding | £m | £m | £m | £m | £m |
| Supported Borrowing | 1 | 0 | 0 | 0 | 1 |
| Unsupported Borrowing | 7 | 12 | 8 | 4 | 31 |
| Grants | 12 | 11 | 1 | 0 | 24 |
| Contributions | 1 | 0 | 0 | 0 | 1 |
| Reserves | 1 | 1 | 0 | 0 | 2 |
| Revenue | 0 | 1 | 0 | 0 | 1 |
| Capital Receipts | 0 | 1 | 1 | 1 | 3 |
| Total | 22 | 26 | 10 | 5 | 63 |

Notes to Table:

Column E – reflects the Capital Investment Plan as at Quarter Three 2013/14 and 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.

Grants

13.2 Capital Grants are the major funding stream (69% in 12/13) for the Council to progress its investment plans. The majority of these grants result from “bid” processes from other public sector bodies.

13.3 Since the last Capital Investment Plan Monitoring report which went to Council in December 2013 the Council has been notified of new Government grant allocations as follows:

Department for Communities and Local Government – Disabled Facilities Grants 2014/15 allocation £0.8 million. Note an allocation for 2014/15 has already been made to this service in the quarter two report.

Department for Education – Basic Need allocations 2015/16 and 2016/17 of £2.8 million and £2.9 million respectively. The Council has also received just over £0.1 million to provide facilities linked to Universal Infant Free School Meals for 2014/15. The Basic Need allocation for 2015/16 is £1.7m higher than the 2014/15 allocation, (and £1.7m higher than the Council’s latest estimate). The £2.9m allocation for 2016/17 had not been included in Council forecasts. As this and the Infant Free School Meals grant are un-ringfenced grants, Council will need allocate this funding to services.

DfE has also announced the Schools Capital Maintenance grant allocation for 2014/15 of £0.630 million, which is also an un-ringfenced grant, and Devolved Formula Capital grant for 2014/15 £0.130 million, however this allocation is ringfenced to schools.

Capital Receipts –

13.4 Capital receipts in the year to date are £0.7 million. Within the £0.7m is £0.3m for Bench House in Brixham which is part of the funding for the Brixham regeneration project.

13.5 This means that the approved Plan as at 1 April 2013 relies upon the future generation of a total of £4.2 million capital receipts from asset sales by the end of 2015/16. These targets are expected to be achieved provided that -

- approved disposals currently “in the pipeline” are completed
- the Council continues with its disposal policy for surplus and underused assets and,
- no new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

13.6 Of the receipts expected £0.8 million is in relation to the Tesco development at Brixham, £1m from the Oldway Development and a significant sum is expected for the disposal of the old Paignton Library site. For all of the three named receipts the capital receipt is dependent on specific actions from the site developer. All capital receipts up to the target are required to fund capital schemes already approved.

13.7 There is an ongoing risk over the value of receipts. However the current approved plan has taken a prudent approach on the value of potential receipts and number of assets to be disposed. Assets approved for disposal are reported to Council for approval, with the last report presented to Council in May 2013

<http://www.torbay.gov.uk/DemocraticServices/documents/s13655/Asset%20Disposal%202.pdf>

Capital Contributions – S106 & Community Infrastructure Levy

13.8 The latest target for securing capital contributions to fund the 4-year Capital Investment Plan is £0.5 million (required by March 2016). In addition the South Devon Link Road business case estimated external contributions including s106 payments of £2.1m to help fund the scheme.

13.9 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.

13.10 Income from s106’s capital contributions so far in 2013/14 is around £0.3 million and of this £0.04 million is assigned to help finance the South Devon Link Road. Of the balance where

possible depending on deed conditions this will be allocated to support existing expenditure and therefore reduce the target for capital contributions.

14 **Borrowing and Prudential Indicators**

- 14.1 The Council set its Prudential Indicators and monitoring arrangements for affordable borrowing in February 2013. The Authorised Limit for External Debt including long term liabilities (the maximum borrowing the Council can legally undertake) and the Operational Boundary (the day-to-day limit for cash management purpose) are monitored on a daily basis by the Executive Head of Finance and reported to Members quarterly.

The limits are as follows

- **Authorised Limit** £192 million
- **Operational Boundary** £173 million

External Debt, and long term liabilities, such as its PFI liability, as at end of December 2013 was £147.4 million, following repayment of £10 million of borrowing in August 2013. The current level of debt is within the Operational Boundary and the Authorised Limit set for the year. No management action has been required during the quarter.

- 14.2 The Council's capital expenditure has an overall positive impact on the Council's Balance Sheet. The majority of expenditure in the Capital Investment Plan is on the Council's own assets which will therefore increase the value attached to the Council's fixed assets. This also applies to investment in assets funded from borrowing where the increase in asset value will exceed any increase in the Council's long term liabilities. As at 31 March 2013 the Council's "Non Current Assets" were valued at £286 million.

15 **Possibilities and Options**

- 15.1 Council can propose changes to the Capital Investment Plan dependant on available funds.

16 **Consultation**

- 16.1 Where appropriate individual capital schemes have public consultation and negotiation with stakeholders.

17 **Risks**

- 17.1 That capital receipts, other capital contributions such as S106 and Community Infrastructure Levy and future year grant allocations will be not be received to support the Plan.
- 17.2 The contingency is approximately 1% of total planned expenditure on a total programme of £63 million. There could be inflationary cost pressures on the programme thus increasing expenditure.

Appendix

Appendix One - Capital Investment Plan Budget 2013/14 – 2016/17 (as at January 2014)