



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