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Dear Member

OVERVIEW AND SCRUTINY BOARD - WEDNESDAY, 27 NOVEMBER 2013

I am now able to enclose, for consideration at the Overview and Scrutiny Board to be held on Wednesday, 27 November 2013, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
8.	Capital Budget Monitoring (Quarter 2)	(Pages 83 - 102)

Yours sincerely

Kate Spencer
Overview and Scrutiny Lead

Agenda Item 8



Meeting: Overview & Scrutiny Board
Council

Date: 27 November 2013
6 December 2013

Wards Affected: All

Report Title: Capital Investment Plan Update - 2013/14 Quarter 2

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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 second 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 February and July 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.**
- 2.3 **That Council approve £0.515m to invest in energy saving measures in street lighting funded from prudential borrowing to be repaid from future savings in energy and maintenance costs.**
- 2.4 **That Council approve the revisions to the Capital Investment Plan and its funding as outlined in paragraphs 4.7 of this report.**

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.
- 3.2 The Capital Investment Plan funding and expenditure should be in balance: as a result the Plan needs to be updated to reflect changes to funding.
- 3.3 Council approval is required for the proposed prudential borrowing scheme.

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 second quarter 2013/14 and includes variations arising in this quarter.

- 4.2 Based on the latest forecast of capital funding, including Central Government's proposed changes for capital funding in 2015/16, there are a number of changes recommended to the capital investment plan – (paragraphs 4.6 and 4.7).
- 4.3 After the proposals in 4.2 above the overall funding position of the 4-year Capital Investment Plan Budget of £62.6 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 £0.4 million of capital receipts has been received so far this year, leaving a balance of £4.5 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. If the South Devon Link Road contributions are not generated then the Council's prudential borrowing requirement for this scheme will be £20m. The Council's revenue budget includes provision to meet the costs of £6m of borrowing, leaving £14m to be funded from other (currently unidentified) capital income. If this other capital income is not achieved then repayment costs for the balance of £14m will be a future year revenue budget pressure of approximately £0.9m per annum.
- 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.
- 4.6 The Council's capital investment plan needs to be revised to account for three key factors;
- Reductions to capital grants in 2013/14 and 2014/15
 - New capital grant distributions arrangements for 2015/16
 - Delay in introduction of the Community Infrastructure levy

The revised estimate of funding is shown in the table in paragraph 15.5 in this report.

- 4.7 The changes to capital expenditure proposed are detailed in section 15. In summary these are:
- Removal from the estimate of any expenditure in 2015/16 associated with the capital grants being allocated to other bodies.
 - All other unallocated capital allocations are held back pending confirmation of a funding source.
 - The exception to the above is Disabled Facilities Grants where it is proposed to allocate £1m in total for 2014/15 and 2015/16. This is in addition to the current 2013/14 budget of £0.6m for Disabled Facilities Grants.
 - Reduce contingency on capital budget from £1.1m to £0.6m to reflect that the capital investment plan is now significantly lower than previous expenditure levels
 - Remove the unallocated £0.7m budget from the New Growth Points Grant
 - Use balance on regeneration reserve and capital funding reserve of £0.3m to support the Plan
 - Any future capital project approvals are on an individual project and funding basis until the future capital funding streams are clarified

The revised estimate of funding is shown in the table in paragraph 8.2 in this report.

- 4.8 Expenditure and commitments to the end of the second 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	Spend and commitments to end Quarter Two	Balance Unspent
	£m	£m	£m
"Old" Funding	4.4	1.8	2.6
"New" Funding	11.2	5.6	5.4
Prudential Borrowing	4.8	1.3	4.3
Specific Funding	4.2	1.9	2.3
Total 2013/14	24.6	10.6	14.6

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 £62.6 million of the 4 year programme, £24.6 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 One of £27.3m and the current approved budget for 2013/14 of £24.6 m, split by the categories of funding, are as follows:

Scheme	Variation in 2013/14	Change £m	Reason
Estimate as at Quarter One – July 2013		27.3	Capital Investment Plan 2013/14 (Report 21 Aug 2013)
"Old" Funding Regime"			
Childrens' projects	Re profiling to 2014/15	(0.1)	Part budget for unallocated review project funds moved to 2014/15 and some reallocation between schemes
St Margaret Clitherow RC Primary School	Re profiling to 2014/15	(0.2)	Half of scheme budget unlikely to be required until 2014/15
Barton Infrastructure	Budget moved to 2013/14	0.1	Some funds required for work in 2013/14
Former B&Q site	Re profiling to 2014/15	(0.3)	Scheme budget re-profiled
Haldon Pier Structural repair	Re profiling to 2014/15	(0.5)	Review of likely spend profile in 2014/15
Brixham Regeneration	Reduced budgets for 2013/14	(0.1)	Reductions in Provisions for grant repayments and reprofiling of Innovation Centre budget following the external funding bid not being successful.
Innovation Centres Phase 3		(0.4)	
		(1.5)	
"New" Funding Regime			
Cockington School expansion	Part of budget re-profiled to 2014/15	(0.8)	Further delays on one aspect of the scheme now re profiled to 2014/15

Whiterock Primary School expansion	Rephased to 2014/15	(0.1)	Scheme budget re-profiled
Roselands Primary School expansion	Rephased to 2014/15	(0.2)	Scheme budget re-profiled
Transport Structural Maintenance	Increase 2013/14 budget	0.2	Additional Govt allocation re 13/14
		(0.9)	
“New” Ring fenced funding			
Edginswell Station	Project development for new scheme	0.1	Total £0.160m budget part funded (£0.08m) from existing Transport resources
Riviera Renaissance	Re phase budget to 14/15	(0.2)	Review of spending profile
Western Corridor	New Budget	0.6	Funding includes Dept for Transport Pinch Point Fund
Windmill Skate Park	New budget for 2013/14	0.1	Funded from external contributions
Meadfoot Sea Wall structural repairs	New budget for 2013/14	0.3	Possibility of Environment Agency grant to offset some scheme costs
		0.9	
Prudential Borrowing			
Beach Chalets Meadfoot	Re profile to 2014/15	(0.3)	Some expenditure likely in 2014/15
Empty Homes Scheme	Re profile to 2014/15	(0.1)	Budget unlikely to be required until 2014/15
South Devon Link Road	Re profile to 2013/14	0.1	Budget adjustment to cover 2013/14 expenditure
Paignton Velodrome Cyclopark	Part phased to 2014/15	(0.8)	Site problems delaying some works
		(1.1)	
General Contingency			
General Contingency	Re profile to 2015/16	(0.1)	Budget unlikely to be required until 2015/16
Estimate – Quarter Two 2013/14		24.6	

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 £62.6 million over the 4 year period of which £24.6 million relates to 2013/14 and £23 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 second quarter was £7.6 million with a further £3 million of commitments on the Council’s finance system. The expenditure of £7.6 million is 30% of the latest budget for 2013/14. This compares with £6 million (or 21% of outturn) for the second quarter last year and is 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 (15%)
Quarter Two	11 – (22%)	13 – (30%)	7- (32%)	4 – (21%)	4 (29%)
Quarter Three	13 – (27%)	9 – (21%)	5 – (22%)	5 – (26%)	-
Quarter Four	17 – (35%)	11 – (26%)	7- (32%)	8 – (42%)	-
Total In Year	49	43	22	19	25

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. In a number of services, requests have now been submitted for funding which has been approved in line with the Council delegated approval. Subsequent to the initial approval funding and expenditure adjustments were made to the four year estimate of funding.
- 8.2 As a result of the changes in funding and the subsequent need to ensure capital funding and expenditure is in balance, the impact of the proposals in section 15 of this report the proposed Capital Investment Plan is shown in the last column on the table below.

Scheme	Allocation Council Feb 2012 £m	Allocated to Q1 2013/14 £m	Allocated In Q2 2013/14 £m	Total Un allocated £m	Revised Capital Plan £m
	(Revised)				
Employment Schemes – such as Riviera Centre investment	2.0	1.0	0	0	1.0
Torre Abbey – Council maximum funding pending English Heritage Grant and other income.	2.0	2.0	0	0	2.0
Princess Pier Structural Repairs – Council match funding to a bid for to the Environment Agency	1.4	1.4	0	0	1.4
Grants for both Disabled Facilities and Childrens Adaptations	3.2	0.8	0	1.0	1.8
Provision for Infrastructure Works	2.0	1.7	0	0	1.7
Improving Leisure Facilities	1.7	0.9	0	0	0.9
Schools – Basic Need (including school places) and capital repairs	9.6	9.8	0	0	9.8
Transport – Structural Repairs and Integrated Transport	6.2	6.1	0	0	6.1
Adult Social Care	1.0	0.1	0	0	0.1
Affordable Housing	0.1	0.1	0	0	0.1
Total Schemes	29.2	23.9	0	1.0	24.9

- 8.3 The Capital Investment Plan as at 2013/14 Quarter Two 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.

8.4 Scheme Updates:

Cockington Primary School: The expansion of Cockington Primary School is in progress but some delays have been encountered in relation to the adjoining playing field so a further £0.8 million has been rephased to 2014/15.

Whiterock and Roselands Primary Schools expansion – latest review of these schemes indicates that some budget £0.2m and £0.1m respectively should be re profiled to next year. The Whiterock scheme is being designed in two phases to reflect the limited budget currently

available for the scheme, with the aim of building as much as possible within existing £1m budget but ensuring cohesion and a natural link for Phase 2 work to follow when funding permits.

Mayfield expansion scheme was completed in August and in line with the budget of £1.4 m. The main building work for the expansion of Warberry CoE Primary School achieved completion in September 2013 - although work to the playground area and other refurbishment works are still in progress.

8.5 As outlined in 4.7 above it is proposed to allocate £1m of funding in total to Disabled Facility Grants for 2014/15 and 2015/16. This allocation, combined with the existing £0.6m for budget from previous years, will give a total of £1.6m budget for the two years which is in line with the annual allocation of the non ring fenced grant. The average spend on these grants over the past three financial years is under £0.6m per annum. Funding for 2015/16 is now expected to be part of the "pooled" Health and Social Care Integrated Transformation Fund.

8.6 Last December the Government announced increased funding for Transport Structural Maintenance of £0.211 m for 2013/14 and £0.113m for 2014/15. Although this is not a ring fenced grant, in view of the grant terms it has now been agreed to add these allocations to the Transport Structural Maintenance programme.

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:

£0.1 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: A review of the budget allocation and expenditure profile for this scheme indicates that £0.15 m budget can be re-phased to 2014/15.

As part of the re organisation of Children's Centres in Torbay in connection with the contract with Action for Childrens, some activities have been relocated to premises in Victoria Park in Paignton. It is proposed to use the existing allocation for children centres to undertake £0.075m of remedial works to the building to meet planning requirements.

9.2 Affordable Housing:

The small scheme earmarked for Hele's Angels is no longer progressing so the £0.015 m earmarked funding has been returned to the unallocated funds awaiting reallocation to another scheme.

The scheme for 12 affordable homes at Preston Down Road now requires the Council's contribution for adaptations in 2013/14 and the budget has been re profiled accordingly. The proposed scheme on the former B&Q site in Torre is likely to slip by about 12 months so again budgets have been moved and work under the Empty Homes scheme are delayed with £0.055 m reprofiled to 2014/15.

9.3 New Growth Points – White Rock Innovation Centre Phase 3 - bids to secure additional funding for this proposal have been unsuccessful so this scheme remains 'on hold' although some elements of the proposals will be pursued within available resources.

It is expected that the Mayor will approve and then report to Council that the land swap part of the original proposal will go ahead. This land swap involves the transfer of the old supported employment workshop in Waddington road to a developer in exchange for land with parking. When the supported employment service was "de commissioned" from the Waddington Road site the Council is liable to repay £154,000 of a loan back to DWP which was to have been funded from the capital receipt from the sale of site. This loan dates back to pre LGR when Devon County Council was responsible for social care in Torbay.

Following the subsequent EDC proposal for an innovation centre using the site, the repayment of grant was to have been funded as part of the innovation centre business case. As the land swap and its value is for regeneration purposes the repayment of grant will now be funded from the

New Growth Point's grant.

- 9.4 Haldon Pier some planned work to the inner face of the sea wall Pier will continue during the autumn and winter however it is now likely that £0.5m of the budget will not be required until 2014/15 when the scope of works for the next phase is confirmed.
- 9.5 Torbay Enterprise Centre (ROOTE) – In 2008 the Council received from DCLG £0.750m for this Torbay Resettlement Project under the DCLG's Places of Change Programme. The Council and developer have not been able to agree terms of the lease of the site. The Council is in negotiation with the developer about this project and the implications on Council funding.

10 **"New" Ring fenced funding**

- 10.1 Local Transport Bodies: As previously reported The Heart of the South West Local Enterprise Partnership (LEP) as a Local Transport Board (LTB) is to be awarded funds from 2015/16 to prioritise and allocate on a regional basis to major transport schemes. The Council has submitted bids to this Board for transport works in relation to Western Corridor (a £7.3m scheme) and a new train station at Edginswell (a £4.1m scheme) which have both been prioritised by the LEP.

In July 2013 The Dept of Transport announced that LEP has been awarded £27m for 2015/16 to 2018/19 for "Local Major Transport projects". The award of £27m and the LEP's current list of priority schemes will enable the funding for both the Council's two funding bids. However as this is a future year funding allocation, it is unclear when the LEP will receive this funding and when the LEP will be in a position to confirm the allocation of funds to the two Torbay schemes.

In addition from 2015/16 the LEP's will have access to a "Local Growth Fund" which is proposed to be a combination of existing revenue and capital resources such as Councils' new homes bonus grant, Councils' capital integrated transport allocations along with a number of other existing local and national funding streams. The value of this Fund is currently unknown.

- 10.2 Western Corridor – The Council has been allocated a total of £1.05m from Dept for Transport Pinch Point Fund capital grant to improve traffic flows along the Western Corridor. In addition, and in order to progress the major Western Corridor Scheme plans and commence some preparatory work, the Mayor has approved further funding of £0.6m some of which £0.5m will be 'repaid' when the Local Transport Board provisional allocations from the "Local Major Transport projects" grant to the scheme are confirmed. Integrated Transport resources of £0.5m for 2015/16 have been transferred to Contingency to provide resource cover should anticipated resources from LTB fail to materialise.
- 10.3 Edginswell Station – In order to progress the major Edginswell Station scheme, The Mayor approved project development costs of £0.16 m towards this scheme of which £0.08m will be funded from S106 contributions and existing Integrated Transport budget in 2014/15. The joint scheme (with Marsh Barton Station) is regarded as a high priority by the Local Transport Board and has been awarded provisional funding from the "Local Major Transport projects" grant and the Local Growth Fund, however but these are both subject to confirmation.
- 10.4 Windmill Hill – The Council is receiving a £0.056m contribution from Hele's Angels to build a skate park on its land at Windmill Hill, Torquay.
- 10.5 Coastal Communities/Riviera Renaissance – The Council is acting as accountable body for this grant on behalf of a number of partners. The Plan has been updated for the partners' latest profile of expenditure on the various schemes within the Grant.
- 10.6 Meadfoot Sea Wall - The Mayor has approved an allocation of £0.3m to fund essential Meadfoot Sea Wall structural repairs to prevent further damage to the sea wall, and slipway and to fill existing voids at the rear of the sea wall. The repairs will also protect the sewer pipe which runs along the area. The Environment Agency is expected to provide £0.155m of funding towards this repair. As essential works the Council's 2013/14 revenue contingency has been used to provide the balance of funding.

11 **Schemes funded from Prudential Borrowing**

- 11.1 South Devon Link Road: Whilst the Government are bringing forward their grant funding of this scheme the Council has incurred some expenditure in this year so £0.07 m budget has been moved from 2014/15 to cover this cost

11.2 Meadfoot Beach Chalets – It is still hoped to complete the bulk of the work to replace the existing beach chalets at Meadfoot in the current financial year, however it is likely that some costs will not be incurred until 2014/15, consequently £0.3 m of the budget has been transferred to next year.

A further budget of £0.052 m for replacement of deteriorating Beach Huts has also been approved by the Mayor. This is to be funded from reserves on an “invest to save” basis.

11.3 Cyclo Track – Construction on the site has not yet commenced due to technical issues in relation to the infrastructure required for the project. It is expected that during 2013/14 the closed road circuit, which represents 50% of the estimated cost, is undertaken with the works on the velodrome expected to take place in 2014/15 dependent on the resolution of the technical issues. British Cycling has confirmed that their funding can now be spread over both financial years. In the unlikely event of the Velodrome phase not progressing the business case for the Council’s £0.4m contribution to the closed road circuit should fund the prudential borrowing costs.

11.4 Office Rationalisation project – The latest phase of works is underway to vacate Pearl Assurance House and Commerce House (both leased buildings where break clauses have been enacted) to locate staff in a number of Council owned properties including 87 Abbey Road, Torhill House and St Edmonds.

11.5 Street Lightning Energy Reduction - That Council approve £0.515m to invest in energy saving measures in street lighting funded from prudential borrowing to be repaid from future savings in energy and maintenance costs. Further information on the project is included in Appendix Two.

12 Contingency

12.1 The Council approved a capital contingency of £1.1 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 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 bulk of the contingency has been moved to future years. As per 4.7 of this report due it is proposed to reduce this contingency by £0.5million to support approved schemes.

12.2 A further allocation of £0.5 million has been added to the Contingency from Integrated Transport resources in future years as back-up resource cover for budget approved on Western Corridor. This has been provided in the event that if anticipated resources from the Local Transport Board do not materialise then we will have alternative cover to fund the advance works approved by the Mayor (see para 10.2 above).

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 @ Q2 13/14
	A	B	C	D	E
Funding	£m	£m	£m	£m	£m
Supported Borrowing	1	0	0	0	1
Unsupported Borrowing	8	11	8	5	32
Grants	14	9	1	0	24
Contributions	1	0	0	0	1
Reserves	0	1	0	0	1
Revenue	1	0	0	0	1
Capital Receipts	0	2	1	0	3
Total	25	23	10	5	63

Notes to Table:

Column E – reflects the Capital Investment Plan as at Quarter Two 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 update (Outturn 2012/13) to Council in July 2013 the Council has been notified of a grant for 2013/14 as follows:
- Department for Transport ‘Local Pinch Points’– Western Corridor 2013/14 allocation of £0.5million with a similar allocation of £0.55 million for 2014/15. (Total Grant = £1.055m).
- 13.4 The Council has been notified that it has been unsuccessful in its bid for £2.5m of funding for the proposed ‘Phase 3’ Innovation Centre at Whiterock.
- 13.5 There are a number of central government proposals to allocate capital grant funding in 2015/16 on a pooled basis rather than direct to the Council. Further detail on these changes is outlined in section 15 above and paragraph 10.2 illustrates these changes in that that transport funding for specific schemes in Torbay from 2015/16 is to be agreed by the (regional) LEP.

Capital Receipts –

- 13.6 Capital receipts in the year to date are £0.4 million. Within the £0.4m is £0.3m for Bench House in Brixham which is part of the funding for the Brixham regeneration project. At the start of 2013/14 the Council held a balance of £0.7 million capital receipts which have not yet been used to fund capital expenditure.
- 13.7 The target for securing capital receipts from asset sales to fund the 4-year Capital Investment Plan after 2012/13 was £6.2 million (required by March 2016).
- 13.8 This means that the approved Plan as at 1 April 2013 relies upon the future generation of a total of £4.5 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.
- 13.9 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 of £6.2m are required to fund capital schemes already approved.
- 13.10 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 latest 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

- 13.11 The general target for securing capital contributions to fund the 4-year Capital Investment Plan, following review of the Budget in February 2013 was £2.5 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.
- 13.12 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.
- 13.13 Income from s106's capital contributions so far in 2013/14 is around £0.2 million and of this £0.03 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.
- 13.14 The Council was expecting to agree a charging schedule for its Community Infrastructure Levy to be applicable from April 2014 which will, in part, replace S106 contributions from developers. The later than anticipated start of the Levy, combined with a lack of development within the area linked to economic conditions has resulted in a high risk that the targeted level of income will not be achieved by March 2016. As a result as outlined in section 15 below it is now proposed that this target is reduced.

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 the PFI liability, as at end of September 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 After this repayment and based on approved capital expenditure due to be funded from borrowing in the current capital investment plan of £33.5m, it is now projected that by the end of the Plan the Council's level of external borrowing and long term liabilities will be less than its Capital Financing Requirement which indicates the Council will be using its own cash resources to fund the Plan.
- 14.3 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 **Revision to Capital Investment Plan**

- 15.1 There are a number of issues impacting on the funding of the approved Capital Investment Plan which now require the plan to be revised.
- Reductions to capital grants in 2013/14 and 2014/15
 - New grant distributions arrangements for 2015/16
 - Delay in Community Infrastructure levy

- 15.2 Reductions in capital grants for 2013/14 and 2014/15:

As previously reported the estimated grant allocation for schools' basic need (pupil places) was lower than expected at just £1m per annum for 2013/14 and 2014/15. In addition the Council application for additional targeted needs funding was not successful.

15.3 New grant distributions arrangements for 2015/16:

As part of the Chancellors budget announcement in June 2013 and subsequent supporting documents being issued it is clear there is a fundamental shift in the allocation of capital grants for 2015/16 onwards.

With the introduction of the Local Enterprise Partnerships (LEP) a number of funding streams are being pooled or directly distributed to the LEP. For the Council 35% of its (revenue) new homes bonus grant (approx. £0.9million) will be "pooled" and on capital grants it is likely that the Integrated Transport Capital Grant will be allocated to the LEP. This is an annual capital grant of £1.1m to the Council.

With the introduction of the Health and Social Care Integrated Transformation Fund a number of funding streams are being pooled or potentially directly distributed to the CCG. For the Council it is expected that the existing (revenue) s256 social care funding will be transferred to this Fund and on capital grants it is likely that both the Disabled Facilities Grant and the Social Care Capital Grant will be allocated to this Fund. The combined value of these capital grants to the Council is £1.3m per annum. A "shadow" fund may be in operation for 2014/15.

Although these capital grants are not now being allocated to the Council, this does not mean that funding will not be spent in the Torbay area, however the Council will need to have an influence on the decision making associated with both these funds. As an example the LEP has, in principle, indicated that it hopes to allocate some expected funding for 2015/16 onwards to two transport projects within the Bay; Western Corridor and Edginswell train station.

15.4 Delay in Community Infrastructure Levy:

The original four year plan assumed an operational Community Infrastructure Levy from 2013/14. With delays in the approval of the Council's Local Plan the level of income was reduced during 2012/13. However as the latest estimate of a Local Plan is now autumn 2014, it is unlikely the Council will have an approved and operation CIL scheme until April 2015, the level of income estimated needs to be reduced further.

15.5 The latest estimate of capital funding is now as follows

Estimate – Oct. 13	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Capital Grant					
- Allocated/Provisional	7.0	5.0	3.9	0	15.9
- Estimate	0	0	1.2	2.5	3.7
Capital Receipts					
- Estimate	0	1.0	1.0	1.0	3.0
Contributions					
- S106	0.1	0.2	0	0	0.3
- CIL Estimate	0	0	0	0.5	0.5
Total	7.1	6.2	6.1	4.0	23.4

15.6 This presents a funding shortfall compared to the last expenditure estimate of £29.2m (table 8.1).

This figure can be reduced by removal from the estimate any potential expenditure in 2015/16 associated with the capital grants being allocated to other bodies. In addition all other unallocated capital allocations budgets are held back pending confirmation of a funding source. The exception to this is Disabled Facilities Grants where it is proposed to allocate £1m in total spread between 2013/14 and 2014/15. This is in addition to the current 2013/14 budget of £0.6m for Disabled Facilities Grants. These proposals reduce the funding shortfall to £1.5 million.

15.7 To fund this shortfall of £1.5 million the following funding adjustments are proposed:

- 1) Reduce the Contingency on capital budgets from £1.1m to £0.6m to reflect that the capital plan is now significantly lower than previous funding levels
 - 2) Use the unallocated £0.7m on the old New Growth Point Grant
 - 3) Use balance on regeneration reserve and capital funding reserve of £0.3m
- 15.8 This results in the Capital Investment Plan being back in balance however there will be no spare capital resources for new schemes or emergency capital works unless new funding is identified. It should be noted that although funding has been allocated to services it has not all been contractually committed. In particular £16m of funding over the four years of the plan has been allocated to transport and schools.
- 15.9 Members could review the overall capital plan including the allocations to transport and schools to consider where previously approved schemes should be cancelled, delayed or allowed to proceed with a lower specification.
- 15.10 Members could also consider increasing the income targets either by increasing targets for say capital receipts or CIL within individual years or by assuming a level of income for 2016/17.
- 15.11 Any estimate of future income needs to include the funding of the balance of up to £14 million of costs on the South Devon Link Road which are currently unfunded and will become a £0.9m revenue budget pressure in 2016/17 if the £14 million is funded from prudential borrowing over 25 years.
- 15.12 The Council has two major unfunded budget pressures that Members may wish to consider. The first is the ongoing occurrence of repairs to sea facing walls, cliffs and infrastructure. The Environment Agency does support a number of these schemes but mostly only part funds these works. Secondly as the bid for funding for a major extension at White Rock Primary School to meet changes in pupil numbers for a proposed £3.5m scheme was unsuccessful, the majority of this scheme is currently unfunded although £1m of the £9.6m allocated to schools over the four years of the Plan to schools has been allocated to commence works at this school.

16 Possibilities and Options

- 15.1 Council could consider reducing the Capital Investment Plan to reflect any potential reduction in capital receipts or other capital resources.

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 not be received to support the Plan.
- 17.2 The contingency is approximately 1% of total planned expenditure on a total programme of £62million. 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 October 2013)

Appendix Two – Street Lighting Energy Saving

Agenda Item 8

Appendix 2

Energy Reduction in Street Lighting

Background

The current energy budget for street lighting is currently £550,000. It is proposed that consideration is given to the use of LED lanterns and CMS technology in street lighting. The use of a white light source such as LED allows lighting levels to be lowered on the highway without a reduction in perceived illumination. LED's last longer than conventional lamps, 50,000+hrs compared to 16,000-24,000 hrs, this will give cost savings on lamp replacement.

The use of a white light source such as LED allows lighting levels to be lowered on the highway without a reduction in perceived illumination. Lighting levels on the highway can vary depending on its usage and time, levels on main roads can be reduced as traffic flow reduces and in residential areas on the importance, usage and accessing risk of poor lighting levels. The introduction of a remote monitoring system can optimise the requirements for each individual site and provide flexibility to alter dimming regimes, on and off timings in the future without further costs.

Energy prices are expected to rise in the foreseeable future and as Council funding reduces, this will put a strain on budgets to maintain service delivery and provide a safe environment for residents and visitors alike. Advances in Technology and future proofing of products would allow Torbay Council to plan ahead by using invest to save projects detailed in this report.

With the use of CMS technology, it allows settings to be altered from the office without site visits; it will also monitor the street lights advising whether lights are out, day burning and general performance of the light. This could provide extra saving through maintenance. Lighting levels can be reduced a number of times during the night to suit requirements this cannot be achieved with part night lighting, it is possible therefore to reduce energy by providing all night lighting and using LED technology. Switching on and off times can also be adjusted manually to save at least a further 30mins per unit per night, these features have been allowed for in the calculations

Further reduction in energy and carbon emissions which will reduce Torbay Councils contribution within the Carbon Commitment Levy depending on the future operation of this levy.

The use of a CMS system using lanterns with compatible gear will mean that each road or section of road can be lit to the required standard, and with the improvements expected in LED technology, adjustments can be made to existing lanterns to suit the improvements or changes in lighting standards.

Advances in LED technology are continually improving and will become the main light source for most features including road and area lighting. Various companies are now entering the market offering LED products but caution is required to ensure reliability, performance and longevity of the product due to the substantial increase in life of LED'S to the traditional light source. Market research and trials are being undertaken to ensure performance and value for money in product selection for the project.

Work has already been carried out with regard to the use of LED lanterns and CMS, new developments and capital works are designed and specified with LED lanterns. Manufacturers have been asked to provide samples, prices and performance data of their lanterns, trial sites at Rock Walk, St. Marychurch Precinct and Paignton Harbour have already been installed and assessed and further sites are programmed.

Proposed Option - Replace older Lanterns on main Roads with LED, convert modern lanterns to a white light source

- It is estimated that 961 lanterns would be replaced and 1091 converted to a white light source.
- The estimated capital investment is £0.515m with a repayment period of 15 years.
- The equipment in the modern lanterns will have to be taken into consideration to establish the extent and nature of conversion. In some instances lamp and lamp holder would only be changed in others replacement gear trays. It may be possible to use LED replacement gear tray but consultation with the manufacturers would be required to access their suitability. The average cost of replacement is used in the costs.

- There would be a slight inconsistency in lighting standards due to the different light sources.
- Consideration would be required as to whether CMS is also included in the converted lanterns to provide consistency in any dimming regimes proposed, and the compatibility of the lantern to receive the system although this is not considered to be a problem.
- Savings in maintenance and energy using CMS will be similar to that mentioned in Option 1, with additional savings achievable by fine tuning functionality of each street light.
- Estimated cost £515,338.00 (£47,985.18 per year repayment)

Total Annual saving	£ 97,203.93
Maintenance saving	£ 1,182.03
Net saving	£ 50,400.78

Future Options

The proposed scheme only covers older lanterns on main roads. If the proposed scheme is successful this concept can be applied to all main roads lanterns and residential areas. Future approval would be requested from Council.