



Public Agenda Item: **Yes**

Title: **Capital Budget Monitoring 2011/12 (2nd Quarter)**

Wards Affected: **All Wards in Torbay**

To: **Overview & Scrutiny Board** On: 16 November 2011

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1. What we are trying to achieve

- 1.1 This report is an overview of the Council's approved Capital Programme for the quarter ending September 2011. The report provides details of expenditure and funding of service and community assets within the Council's approved Capital Plan and is a key element of meeting the Council's aims and objectives.

2. Recommendation(s) for decision

Overview & Scrutiny Board

- 2.1 That the Board note the latest position on the Capital Programme and make recommendations to Council as appropriate.

Council

- 2.2 That Members note the latest position on the Capital Programme
- 2.3 That Members approve £0.5 million of prudential borrowing for an "invest to save" scheme to bring empty homes back into use to be funded from New Homes Bonus Grant. (see para A2.4)
- 2.4 That Members approve £0.2 million to invest in the enhancement of assets prior to sale for development to be funded from capital receipts (see para A2.2).

3. Key points and reasons for recommendations

- 3.1 This report incorporates the 4-year Capital Plan Budget for 2011/12 – 2014/15 approved by Council in February 2011, adjusted for slippage arising in 2011/12 and amended by any further revision to both projects and timing during the first two quarters of the year 2011/12.

- 3.2 Of the total £76.6 million in the 4 year programme, £32 million is now due to be spent in 2011/12, of which over £13 million is on Children's Services capital projects and £6 million on Highways and Transport projects.
- 3.3 The overall funding position of the 4-year Capital Plan Budget of £76.6 million, covering the period 2011/12 – 2014/15, is in balance but still relies upon the generation of £3.4 million of capital receipts before the end of the current Plan period. Of this sum £0.4 million was received before 2011/12 and almost £0.3 million has been received to date in 2011/12. There are however a number of sales which are expected to be completed soon – see also paragraph A4.3.
- 3.4 Of the £32 million estimated spend in 2011/12; £9.3 million has been spent by the end of the second quarter. This level of spend at this stage of the year is lower than expected. The profile of expenditure on projects is supplied by the relevant project managers.
- 3.5 The movements in the estimate of expenditure on the capital plan in 2011/12 from the estimate as at quarter one 2011/12 and the current budget position for 2011/12 are as follows:

Scheme	Variation	Change £m	Reason
Estimate – Quarter One 2011/12		35.0	
Princess Promenade	Increase in 10/11 budget	0.8	Re phasing scheme between years
Children's' projects	Slippage to future years	(2.3)	See table in para A2.3
Torre Abbey Mansion Phase 2	Increase in 10/11 budget	0.4	Rephasing following review by Project Managers
Sea Change-Cockington Court	Increase in 10/11 budget	0.1	Additional works required
Brixham Regeneration	Reduced Budget	(0.2)	Budget adjusted following latest review of resources.
Empty Homes – bring back into use	New scheme	0.5	Will generate additional New Homes Bonus Grant
Investment in land to enhance value	New scheme	0.2	New scheme to enhance asset value prior to disposal
Haldon Pier structural repairs	Reduction in 2011/12 budget	(0.9)	Re-design of the scheme resulting in slippage to 12/13
On Street Parking meters	New scheme	0.4	Scheme to provide additional On Street parking meters
Solar Panels for Council Properties	Scheme no longer proceeding	(1.8)	Govt changes to feed-in tariffs makes scheme unviable.
Education Basic Need	Additional 11/12 Grant announced	0.5	Funding adjusted following announcement of additional resources
Education Basic Need	Slippage to future years	(0.5)	Unringfenced Grant yet to be allocated
Estimate – Quarter Two 2011/12		32.2	

For more detailed information on this proposal please refer to the supporting information attached.

Paul Looby
Executive Head - Finance (S151 Officer)

Appendices

Appendix 1	Supporting Information to Capital Budget Monitoring
Annex 1	Capital Plan Budget 2011/12 - 2014/15 (Oct 2011)

Capital Plan Budget Monitoring Statement – 2nd Quarter 2011/12

Supporting information to Report xxx/2011

A1. Introduction and history

- A1.1 The Council approved the original 4-year Capital Plan Budget for the period 2011/12 - 2014/15 in February 2011. This plan has been subsequently adjusted for slippage arising in 2010/11 of £4 million and amended by any further revision to both projects and timing during Quarter 1 and Quarter 2 2011/12 resulting in the latest revision attached to Annex 1. The Plan totals £76.6 million over the 4 year period of which £32.2 million relates to 2011/12.
- A1.2 Details by “Theme” are provided based upon the latest information available to finance officers, in consultation with services and project managers and are shown in Appendix 1.
- A1.3 Expenditure to the end of this second quarter was £9.3 million, which represents 29% of the latest budget for 2011/12. The table below summarises expenditure by quarter over this and previous years:

	2008/09 £m - (%)	2009/10 £m (%)	2010/11 £m (%)	2011/12 £m (%)
Quarter One	6 - 12%	8 - 16%	10 - 23%	3 - 9%
Quarter Two	12 - 24%	11 - 22%	13 - 30%	7 - 22%
Quarter Three	15 - 29%	13 - 27%	9 - 21%	22 (est)
Quarter Four	18 - 35%	17 - 35%	11 - 26%	
Total In Year	51	49	43	32 (est)

- A1.4 The EDC produces a “capital programme success” summary which is available on the Council’s website:

http://www.torbay.gov.uk/index/council/financial_services/capitalprogramme.htm

A2. Main Variations & Management Action

Overviews by Theme of the key issues are as follows:

A2.1 Pride in the Bay –

Projects completed in Quarter

Sea Change – Cockington Court

The new Craft Centre and innovation workspace at Cockington Court has now been completed with the formal handover of the premises taking place in September 2011. There were some unavoidable additional costs prior to handover which have increased the budget by £0.1m, this will be funded from the Council’s revenue Repairs and Maintenance budget.

Changes/Significant Revision of timing/budget

Princess Promenade Structural Repairs

Options for the repair to this important area were reported to Council on 13 July 2011 with a further report on 31st October 2011. The original budget provision of £4m introduced in the July Capital Plan monitoring report has now been reduced to £2.95m in two separate phases between 2011/12 and 2013/14. This scheme to address the extensive structural problems is initially funded by unsupported borrowing pending discussions on other funding options.

Integrated Transport Programme

A grant of £20,000 has been received from Sustrans to provide cycling routes and facilities. This has been applied to the Integrated Transport programme and the Plan has been revised accordingly.

On Street Parking meters

Following approval of a report to Council on 31 October 2011 on a Review of Parking Services, an initial capital budget allocation of £0.369 million has been provided to enable additional installation of On Street Parking meters. This work will be initially financed from Prudential Borrowing funded from increased income.

Other Issues

South Devon Link Road

The proposed Link Road is currently one of a number of potential schemes in the Government's "development group", awaiting an announcement, possibly in December 2011, from the Government on transport schemes that will be supported with government funds.

A2.2 New Economy –

Enhancement of Assets Prior to sale for Development

The Council has a number of assets (mostly land) where some initial preparatory work on the asset such as a master plan and planning permission for development will not only enhance the value of the land on disposal, but could also lead to development within the area. These initial costs would be covered from the value of the capital receipt.

An additional budget of £0.2 million has now been added to the Capital Plan to fund these works. A detailed business case will be presented to the Chief Executive and Executive Member for Finance prior to any expenditure being committed. If the asset is not sold then any costs incurred will become a sunk cost which will have to be funded from the Council's revenue resources.

Changes/Significant Revision of timing/budget

Haldon Pier Structural repairs

Trials carried out on site have revealed that the planned scheme needs to be redesigned. This will delay the progress of the scheme and consequently £0.9 million of the budget has been moved from the current year to 2012/13.

A2.3 Learning and Skills –

Projects completed in Quarter

No schemes have been completed in this quarter.

Changes/Significant Revision of timing/budget

Re Profiling of Expenditure:

Project	Slippage proposed £m	Reason
Barton Primary School Remodelling	1.80	Review of likely project delivery – details below
Primary Places	0.10	Rephased to reflect predicted timetable and programme of work
Preston Primary School ASD Unit	0.25	Review of likely project delivery – details below
Mayfield School	0.20	Review of likely project delivery – details below
Total	2.350	

Barton - As a result of the reduced capital allocations for 2011/12, there were insufficient funds available to deliver the preferred scheme so whole project had to be reviewed and redesigned to focus on refurbishment as opposed to new build. This has resulted in significant delays to the original programme. Design has now been agreed and includes value engineered savings. Slippage reflects Consultant's latest programme of works. This is a large and complicated project with extensive, invasive works to ceilings and roofs, walls and floors; it will also require mechanical and electrical installations as well as general refurbishment throughout the building. It is likely to be disruptive and unpredictable and will require careful planning to try and minimise the disruption to the school. All of this will impact on programme and it is possible that unforeseen problems will become apparent once work starts on site, possibly resulting in even further slippage.

Preston - On-going negotiations with the school regarding need and design have resulted in the project becoming significantly larger than originally anticipated. The original budget was £0.6m but the preferred scheme cost is estimated at £1.6m. As the project required additional £1m resources, the project was delayed until the 2011/12 capital allocations were confirmed and additional resources for this project could be identified and approved. Design and procurement are now complete and the project started on site in October half-term 2011. Slippage reflects the Contractor's programme of works. This is a difficult site and some enabling works to improve the access have already been completed. Site and ground conditions continue to be a project risk.

Mayfield - Budget allocated at the beginning of the financial year now needs to be phased to reflect predicted timetable and programme of work. Design work is currently underway and start on site is planned for March 2012. Negotiations have taken place between the school, Council and architects to agree the best design which have led to some delay.

A2.4 Stronger Communities –

New Schemes

Empty Homes Scheme

A housing regeneration initiative whereby it is proposed that the Council, working with Chapter One Housing Association, will provide grants to the Registered Provider (Housing Association) to carry out property improvements to bring empty properties in the area back into use. This scheme will then generate additional New Homes Bonus grant, which should not only cover the initial costs, but should also generate a surplus of grant over costs which will be available to be allocated. The grant will only be received after the works have been done, consequently this expenditure will be the first call on this grant when it is received.

A budget of £0.5 million has been added to the Capital Plan, funded from prudential borrowing to be financed from New Homes Bonus grant. A detailed business case will be presented to the Chief Executive and Executive Member for Finance prior to any expenditure being committed.

Other Changes/Significant Revision of timing/budget

Private Sector Renewal Grants

When private sector renewal grant recipients breach their grant conditions, they may be required to repay part of their grant. The Council's policy is that, subject to certain provisions, these capital receipts should be recycled back to the grants budget. As a result of repayments received it is now possible to recycle £0.04 m back to the grants budget and the Capital Plan has been revised accordingly.

Grants to Housing Providers

A budget of £0.18 million provisionally allocated to an affordable housing development at Hatchcombe Nurseries, Torquay is no longer required as funding has been secured from other sources. Consequently this (earmarked housing) budget has been returned to the Affordable Housing to be allocated 'pot'. There are several schemes currently being considered for allocations from this available budget and proposed allocations will be reported in future monitoring reports.

A2.5 Corporate Health –

New Schemes

Government Department grant allocations to be allocated

The Government has notified the Council of additional Education Basic Need grant allocation of £0.5 million. As this money will not be spent in this financial year the budget and funding have been moved to 2012/13. This grant was allocated by the Department of Education to help fund demands for new pupil places. The grant, along with the majority of capital grants, is not ring-fenced so could be used for other purposes along with other future year allocations of unring-fenced Government grant monies. The allocation of this funding to services within the 2012/13 Capital Plan will be determined when detailed proposals for use of the money are received and assessed against other Council priorities.

Changes/Significant Revision of timing/budget

Solar Panels for Council Properties

This £1.8 million scheme which was introduced to the Capital Plan last quarter will not now proceed. The Government has reviewed the level of feed-in tariffs and is consulting on the proposed 50% cut which will apply from 12 December. Whilst the consultation does not end until 23 December, we are not able to implement the proposed scheme in the new time frames and is not viable at the revised tariff rates. The scheme was to be funded from Prudential Borrowing so this will not now be required.

Office Rationalisation Project (formerly Castle Circus Regeneration Project.)

A report was presented to Overview and Scrutiny Board in September 2011 outlining the latest position on the Office Rationalisation Project. The scheme has now been substantially curtailed by £19.7 million to a revised total budget of £9.5 million, which includes £5.4 million spent in previous years.

A3. Income Monitoring

A4.1 The funding identified for the latest Capital Plan budget is shown in Annex 2. 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:

	2011/12	2012/13	2013/14	2014/15	Total
Funding	£m	£m	£m	£m	£m
Supported Borrowing	2	1	0	0	3
Unsupported Borrowing	3	7	6	11	27
Grants	23	12	4	3	42
Contributions	0	0	0	0	0
Reserves	1	0	0	0	1
Revenue	0	0	0	0	0
Capital Receipts	3	0	0	0	3
Total	32	20	10	14	76

A4.2 Borrowing

The Council has a borrowing requirement of £30 million over the next 4 years to support the approved capital plan, of which £5 million is due to support expenditure planned for 2011/12.

A4.3 Capital Receipts

Receipts in the year to date total £0.3 million from asset sales combined with the balance of receipts at the start of the year of £0.4m leaves an outstanding overall target of £2.7 million over the four years of the capital plan. The balance of £2.7 million is due from –

£0.8 million from the sale of non-specific surplus assets

£1.9 million from sale of sites currently earmarked for service use – such as Paignton Library and Brixham Town Centre Car Park sites

A5. Prudential Indicators and Balance Sheet Monitoring

A5.1 The Council set its Prudential Indicators and monitoring arrangements for affordable borrowing in February 2011 (Report 10/2011 refers). The Authorised Limit for External Debt (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 Section 151 Officer and reported to this Board quarterly.

A5.2 The limits are as follows

• Authorised Limit	£228 m
• Operational Boundary	£201 m

External Debt and long term liabilities, such as the PFI liability, as at end of September 2011 were £173 million. Therefore 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. Since 30th September, £9 million of external borrowing has been repaid. Further repayment of debt will be considered, subject to market conditions, as part of the Council's strategy to fund its financial plans.

A5.3 The Council's capital expenditure has an overall positive impact on the Council's Balance Sheet. The majority of expenditure in the Capital 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 2011 the Council's Non Current Assets were valued at over £337 million.

A6. Risk assessment of preferred option

A6.1 Outline of significant key risks

That capital receipts will be generated to support the plan and receipts will not meet the estimated valuations as a result of any negative impact on receipts from the economic downturn and market conditions.

The contingency is only around 1.5% of total planned expenditure on a total programme of £76 million.

A7. Other Options

Council could consider alternative funding for the schemes recommended to be funded from prudential borrowing. Council could consider changing the capital programme to reflect any potential changes in capital receipts or other capital resources particularly in the light of Government spending announcements.

A8. Summary of resource implications

Resources implications are outlined in the report with a summary of funding in paragraph A6.1

A9. What impact will there be on equalities, environmental sustainability and crime and disorder?

No direct impact but the Capital programme supports all Council priorities and complies with Council policies.

A10. Consultation and Customer Focus

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

A11. Are there any implications for other Business Units?

The Capital programme supports all Council priorities thus will directly impact on service delivery.