TORBAY COUNCIL

Wednesday, 3 February 2021

Adjourned Meeting of the Council

Dear Member

I am pleased to invite you to attend an adjourned meeting of Torbay Council which will be held remotely via Zoom (the links to the meeting are set out below) on **Thursday, 11 February 2021** commencing at **5.30 pm**

https://us02web.zoom.us/j/86833638130?pwd=OW1UNzVEaVN1cTRzaDdaOXZxdFptdz09

Meeting ID: 868 3363 8130 Passcode: 211144

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The items to be discussed at this meeting are attached.

Yours sincerely,

Anne-Marie Bond
Interim Chief Executive

(All members are summoned to attend the meeting of the Council in accordance with the requirements of the Local Government Act 1972 and Standing Orders A5.)

Together Torbay will thrive

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June Gurry, Town Hall, Castle Circus, Torquay, TQ1 3DR

Email: governance.support@torbay.gov.uk - www.torbay.gov.uk

Adjourned Meeting of the Council
Agenda

1. Apologies for absence

2. Declarations of interests

(a) To receive declarations of non pecuniary interests in respect of items on this agenda

For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda

For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)

3. Revenue Budget 2021/2022 (Pages 5 - 90)

To consider the recommendations of the Cabinet on the Revenue Budget proposals for 2021/2022 and the Chief Finance Officer's Report.

Please note:

- Revenue Budget Digest 2021/2022;
- Proposals for service change, income generation and savings 2021/2022 (including Equality Impact Assessments); and
- Fees and Charges 2021/2022

Can be found at www.torbay.gov.uk/council/finance/budget/budget-202122/

4. Capital Plan Budget 2021/2022 (Pages 91 - 127)

To consider the recommendations of the Cabinet on the Capital Plan Budget proposals for 2021/2022 including the Capital Strategy for 2021/2022.

5. **Treasury Management Strategy 2021/2022 (incorporating the Annual Investment Strategy 2021/2022 and the Minimum Revenue Provision Policy 2021/2022)** (To Follow)

To consider the submitted report on the above.

Instructions for the press and public for joining the meeting
If you are using an iPad you will need to install Zoom which can be found in the App Store. You do not need to register for an account just install the software. You only need to install the software once. For other devices you should just be taken direct to the meeting.

Joining a Meeting
Click on the link provided on the agenda above and follow the instructions on screen. If you are using a telephone, dial the Zoom number provided above and follow the instructions. (**Note:** if you are using a landline the call will cost up to 13p per minute and from a mobile between 3p and 55p if the number is not covered by your inclusive minutes.)

You will be placed in a waiting room, when the meeting starts the meeting Host will admit you. Please note if there are technical issues this might not be at the start time given on the agenda.

Upon entry you will be muted and your video switched off so that only the meeting participants can been seen. When you join the meeting the Host will unmute your microphone, ask you to confirm your name and update your name as either public or press. Select gallery view if you want see all the participants.

If you have joined the meeting via telephone, your telephone number will appear on screen and will be displayed for all to see until the Host has confirmed your name and then they will rename your telephone number to either public or press.

Speaking at a Meeting
If you are registered to speak at the meeting and when it is your turn to address the Meeting, the Chairman will invite you to speak giving the Host the instruction to unmute your microphone and switch your video on (where appropriate) therefore please pause for a couple of seconds to ensure your microphone is on.

Upon the conclusion of your speech/time limit, the Host will mute your microphone and turn off your video.

Meeting Etiquette for Registered Speakers - things to consider when speaking at public meetings on video

- Background – the meeting is public and people will be able to see what is behind you therefore consider what you will have on display behind you.
- Camera angle – sit front on, upright with the device in front of you.

- Who else is in the room – make sure you are in a position where nobody will enter the camera shot who doesn't want to appear in the public meeting.
- Background noise – try where possible to minimise background noise.
- Aim to join the meeting 15 minutes before it is due to start.

Record of Decisions

Revenue and Capital Budget 2021/2022

Decision Taker

Cabinet on 19 January 2021.

Decision

The Cabinet recommends to Council the following:

Revenue Budget 2021/22

i) That the proposals identified for efficiencies, service change and income generation in 2021/22 be approved.

ii) That the net revenue expenditure of £115.472m resulting in a Council Tax requirement of £74.607m for 2021/22 (a 4.99% increase in Council Tax, of which 3% is for Adult Social Care) be approved.

iii) That the Dedicated Schools Grant be used in accordance with the Schools Financial Regulations and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed and this delegation is included in the next revision of the Council's constitution.

iv) That the proposed Fees and Charges for 2021/22 be approved.

v) That, in accordance with the requirement of the Local Government Act 2003, the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (as set out in the report) be noted.

vi) That it be noted, that the Brixham Town Council precept for 2021/22 will be included as part of the Torbay Council budget for Council Tax setting purposes.

Capital Plan 2020/21

i) That the Capital Plan for 2021/22 as set out in Appendix 1 to the submitted report be approved.

Review of Reserves

i) That, in support of the 2021/22 budget setting process, Council note the Council's reserves position.

Capital Strategy

i) That the Capital Strategy 2021/22 be approved.

Reason for the Decision

The Council has a statutory obligation to set a budget each financial year and must take account of all factors when setting the budget.

The Cabinet's response to the recommendations of the Overview and Scrutiny Board were set out in the submitted report.

Implementation

The recommendations of the Cabinet will be considered at the adjourned meeting of Council to be held on 11 February 2021.

Information

The Cabinet considered a report that outlined the draft revenue and capital budgets and implications of the draft service change, income generations and savings proposals. The proposals had been subject to detailed public consultation and examination by the Overview and Scrutiny Board (through its Priorities and Resources Review Panel).

The Cabinet thanked the Overview and Scrutiny Board for their comprehensive review of the Cabinet's proposals for the Council's Revenue Budget for 2021/2022. The report had been compiled in light of the findings and conclusions reached by the Overview and Scrutiny Board. The Board had taken into account the views expressed by members of the public and stakeholder representatives.

The Cabinet also gave consideration to the reports on the Review of Reserves and draft Capital Strategy.

Councillor Cowell proposed and Councillor Steve Darling seconded a motion which was agreed by the Cabinet as set out above.

Alternative Options considered and rejected at the time of the decision

None.

Is this a Key Decision?

Yes

Does the call-in procedure apply?

No

Declarations of interest (including details of any relevant dispensations issued by the Standards Committee)

None.

Published

22 January 2021.

Signed: ______________________________________ Date: ______________
Leader of Torbay Council on behalf of the Cabinet

TORBAY COUNCIL

Meeting:	Cabinet	**Date:**	19 January 2021
	Council	**Date:**	4 February 2021

Wards Affected: All

Report Title: Revenue Budget 2021/22

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Cabinet Lead Contact Details: Darren Cowell, Cabinet Lead for Finance, darren.cowell@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Director of Finance, martin.phillips@torbay.gov.uk

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1. Proposal and Introduction

1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the net revenue budget for 2021/22; the budget allocations proposed and the expenditure undertaken will be used to achieve a range of objectives across a number of plans within the Council. This will meet the ambitions expressed within the Community and Corporate Plan and other related strategies.

1.2 In accordance with the Council's Constitution, Members are asked to either confirm their agreement to the recommended budget or put forward objections, and then any amendments for consideration at future meetings.

1.3 Within the budget setting process, the Chief Finance Officer must statutorily provide advice as to the robustness of the budget and this report sets out this opinion.

2. Reason for Proposal

2.1 The Council has a statutory responsibility to set a revenue budget each year.

3. Partnership's Budget Proposal

3.1 That the proposals identified for efficiencies, service change and income generation and investment in 2021/22 be approved.

3.2 That the net revenue expenditure of £115.472m resulting in a Council Tax requirement of £74.607m for 2021/22 (a 4.99% increase in Council Tax, of which 3% is for Adult Social Care) be approved.

3.3 That the proposed Fees and Charges for 2021/22 be approved.

3.4 That, in accordance with the requirement of the Local Government Act 2003, the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (as set out in the report) be noted.

3.5 That it be noted that the Brixham Town Council precept for 2021/22 will be included as part of the Torbay Council budget for Council Tax setting purposes.

4. Background Information

4.1 The Partnership have published their Budget Proposals and these have been circulated to all Members of the Council. All Members have also been provided with copies of the supporting information which has been published alongside the Budget Proposals:

- Chief Financial Officer's Report
- Revenue Budget Digest 2021/22
- Fees and Charges 2021/22
- Proposals for service change, income generation and savings
- Review of Reserves 2021/22
- Capital Strategy 2021/22
- Capital Budget 2021/22
- Quarter Three Budget Monitoring 2020/21 (to follow)

4.2 The budget has also been updated for any confirmed grant allocations received since the draft budget was issued.

4.3 Within the Higher Needs Block of the Dedicated Schools Grant it is projected that there will be a deficit on this Block in 2021/22 of £2.5m. This in year deficit will be accounted for as an increase in the cumulative deficit on this ring fenced grant held by the Council as a negative reserve pending future funding being identified.

5. Robustness of the budget estimates

5.1 Key to budget setting is the robustness of the budget proposals, which is linked to both service demands and the risks associated with those services. A number of assumptions have been made in the development of the budget for 2021/22 in order to mitigate against the risks. A number of specific risks and their mitigation are shown below:

Risk	Risk Rating	Mitigation
Covid-19	High	The inclusion in the 2021/22 budget of £8m of Covid-19 financial impacts on both income and expenditure, including £6m of grants from MHCLG. The allocation of £1.6m into a reserve for future Covid-19 issues.
Losses incurred by Subsidiary Companies	Medium	Council's oversight as owner over its companies including attendance at Board meetings and review of performance. Council approval required for reserve matters and for investment/borrowing proposals.
Inability to deliver a balanced budget over the next three financial years	High	Revised approach from an annual planning cycle for budgeting to a three year approach is being instigated.
Identified budget reductions for 2021/22 are not achieved	Medium	Monthly monitoring of current year financial position by Senior Leadership Team including a "savings tracker". Contingency budget in 2021/22 revenue budget. Directors, Assistant Directors and all managers have a responsibility to ensure they maintain spend within their approved budget allocation. The Council also has in place a series of regular revenue and capital monitoring reports, which are presented to the Overview and Scrutiny Board and the Council which review the budget on a quarterly basis throughout the financial year, which mitigates against the risk of inadequate financial control.
Overspend against the proposed 2021/22 Children's Services budget	Low	The Director of Children's Services (DCS) has a service improvement plan and a sufficiency strategy with a number of work streams that has been established and being implemented, supported by a range of monitoring and performance arrangements. The Sufficiency Strategy is being updated to have a 3 year horizon. 2021/22 Childrens' Services Budget includes a contingency for an increase in looked after children.
Overspend against the proposed 2021/22 Adult Social Care budget	Low	Agreement in place in which Council pays a fixed payment with no exposure to any over or under spends.
Volatility of NNDR Income	Medium	Provision for appeals and non-collection included in 2021/22 NNDR income estimate.
Insufficient income generated	Medium	Annual cycle for budgeting. Prudent view taken of income streams in 2021/22 and a contingency held in respect of low income levels as a result of Covid-19.
Insufficient investment fund income	Medium	Prudent view taken of income streams in 2021/22 and the Investment Fund reserve maintained.
Collectability of council tax and NNDR	High	In the light of economic uncertainty from Covid-19 both council tax and NNDR reflect lower estimates of the collectability of these taxes in 2021/22.

Risk	Risk Rating	Mitigation
Insufficient reserve levels as a result of a significant budget variance or unforeseen event.	Medium	Review of Reserves report presented to the Council and £5.6m expected balance at 2020/21 year end in the General Fund balance after an increase in that reserve and £3m target balance held in CSR Reserve. 2021/22 budget includes a £0.5m increase to the CSR Reserve.
Exposure to changes in interest rates	Low	Treasury Management Strategy to be approved by the Council. All borrowing currently on fixed rate deals.
Inflationary pressures	Low	Budget build has included estimates of inflation where applicable. Pay award and impact of living wage not nationally finalised yet however contingency held.
Income linked to major prudential borrowing schemes not achieved at forecast levels.	Medium	Approval by Council supported by a detailed business case. Income streams reviewed as part of budget monitoring Mitigation in schemes, such as a "pre let" required.
Insufficient capacity to deliver the Transformation Programme, capital plan and partnership priorities	Medium	Provision in 2021/22 budget for £0.3m for capacity and transformation.

5.2 In accordance with the requirement of the Local Government Act 2003, the Chief Financial Officer must report to the Council on "the robustness of the estimates made for the purposes of the (budget) calculations" and the "adequacy of the proposed financial reserves".

5.3 Taking account of the financial risks facing the Council and the mitigations outlined in paragraph 5.1 above, the Chief Financial Officer's Statement is as follows:

"I have taken into account information, risks and assurances from the Leader, the Cabinet and the Senior Leadership Team in forming my opinion. My opinion is that the 2021/22 budget is based on robust budget estimates.

This opinion is supported by the current financial position for childrens social care, the three year agreement for adult social care and the increase in Council reserves".

5.4 In relation to reserve levels, the statement in the 2021/22 review of reserves report is:

6.0 Head of Finance Statement.

6.1 The Council is continuing to face financial challenges. I am satisfied that the Council's General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council's Financial Plans for 2021/22 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.

6.2 I fully support the prudent increase in the general fund reserve to a level close to 5% of the Council's net revenue budget and the prudent earmarking of reserves to support potential Covid-19 issues and the three year impact of the 2020/21 collection fund deficit.

6.3 My statement for 2021/21 has to be caveated due to the ongoing uncertainty around Covid-19. I would hope that that financial support and grant funding provided by Central Government during 2020/21 would continue at a proportionate level in 2021/22 to mitigate any ongoing financial pressures as a result of Covid-19. So far the Government have indicated support continuing until June 2021 including a tranche of COVID funding for 2021/22.

6.4 The adequacy of the Council's reserves can be supported if the following actions are undertaken:

6.4.1 The 2021/22 budget plans for an increase to the CSR reserve to achieve a minimum ongoing balance of £3m over the next two years.

6.4.2 That the Council maintains the focus on social care, both adults and childrens, as the biggest financial risks to the Council to deliver the identified improvements supported by a robust financial recovery plan and the sufficiency strategy

6.4.3 That Council recognises the option of using borrowing to fund capital plan to enable an increase to reserve levels by £3m if needed.

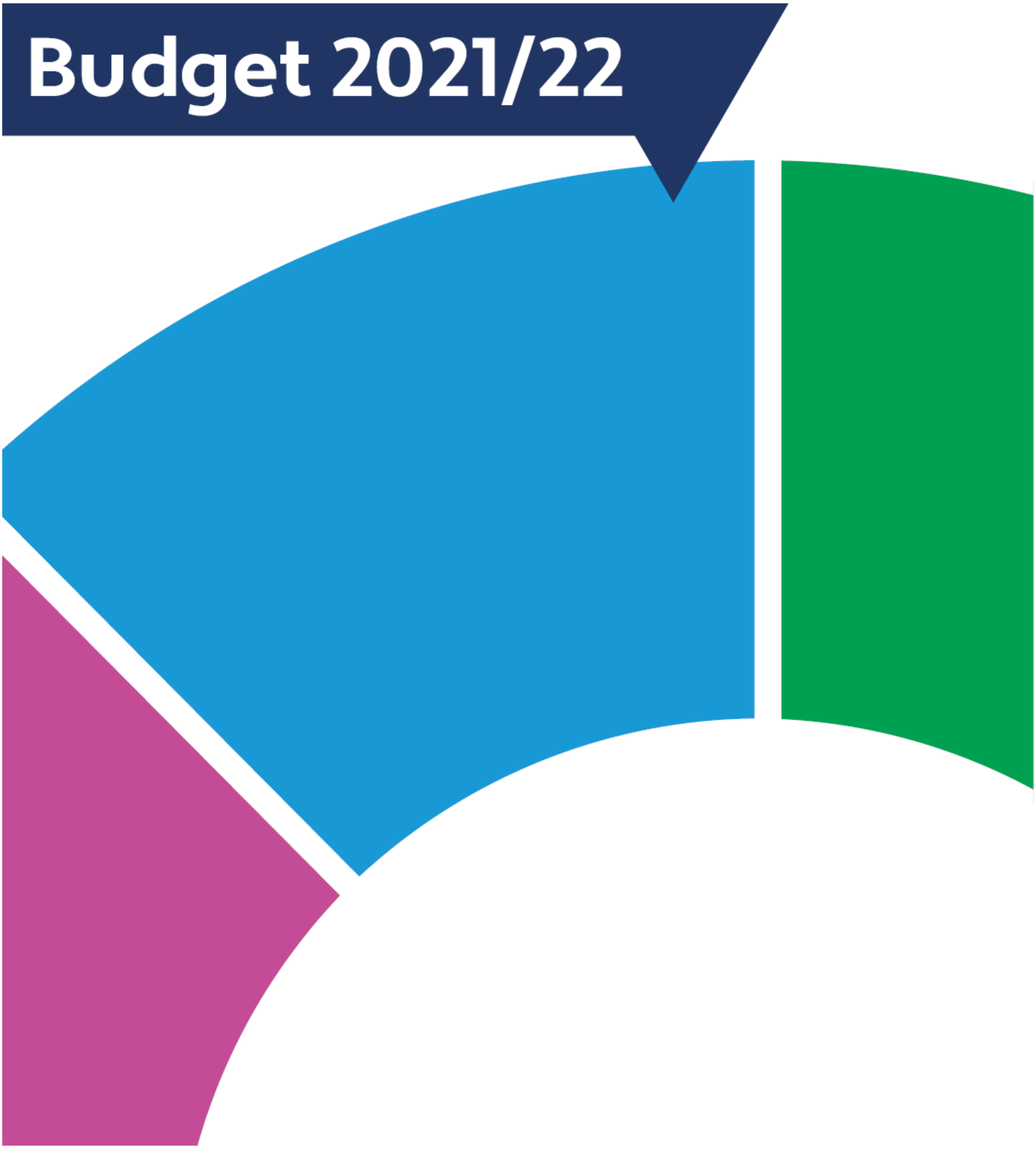
6.5 At this stage with the significant uncertainty in relation to central government funding for 2022/23 I am currently only able to provide limited assurance in relation to 2022/23. I recommend, however, that the Council continues to be prudent in its use of reserves and plans for future risks and their mitigation. These to include:

- Establishing and maintaining a balance on CSR reserve of £3m
- Protection to current level of General Fund Reserve
- No general reserves used to balance 2021/22 or future year budgets
- Specific material risks still mitigated for – e.g insurance, NNDR volatility and investment fund
- Regular updates and awareness of the risks identified in the Medium Term Resource Plan
- That the Council continues to delivers its transformation programme at pace in medium term
- Continued focus on reducing spend in children's' social care
- That work continues on the Adult Social Care improvement plan which is vital to securing a sustainable Agreement with the ICO from 2023/24.

TORBAY COUNCIL

Chief Finance Officer’s Report

19 January 2021



Contents

Introduction

1. This report by the Council's Chief Finance Officer provides further information to support the Partnership's Budget for 2021/22.

2. This report aims to provide further information and an overview of a number of key factors, including a number of "technical" finance issues, that have influenced the 2021/22 budget and raises issues for future financial years.

Budget Overview

3. These budget proposals are presented in the light of considerable financial uncertainty from the COVID-19 health pandemic.

4. The ongoing financial impact of COVID-19 will have a significant impact on the 2021/22 budget. The impact on the Council's income, expenditure and funding is outlined in the Medium Term Resource Plan and the 2021/22 budget proposals. Clearly the financial impact on 2021/22 and future years can only be an estimate and officers will continue to update estimates and will continue to aim to mitigate as far as possible any financial impacts.

5. In October 2020 an additional £1 billion of funding was announced for local government COVID-19 pressures. Torbay's allocation of this was £1.6m. It is recommended that this funding is allocated to an earmarked reserve to be used to support on-going COVID related financial pressures.

6. 2019/20 was the final year of a four year funding settlement. As context Torbay's Revenue Support Grant has reduced from £42m in 2013/14 to £6m in 2019/20.

7. The Provisional 2021/22 Local Government Finance Settlement was announced on the 17 December 2020 and was similar to 2020/21; i.e. a one year only "roll over" settlement with some one-off grant allocations for COVID-19 pressures. Consequently there is still considerable funding uncertainly from 2022/23 onwards. In addition MHCLG, for a second year, delayed the introduction of a new funding formula and a revised NNDR system by a further year to April 2022 at the earliest.

8. The Council's financial planning for 2021/22 started in March 2020 and the Partnership's provisional budget proposals were published on 20 October 2020, enabling a period for consultation and scrutiny of the proposals.

9. The Council has received funding in 2020/21 to support some of the costs the Council has incurred in relation to COVID-19 including a number of specific grants and a 75% service income loss compensation grant. Where the council has received a specific grant allocation, but has not fully spent the same by end of March 2021 this funding will be "carried forward" into 2021/22 for the purpose identified in the grant allocation.

10. The Council is permitted to carry forward any specific 2020/21 collection fund losses to be funded over the following three financial years. The Council will transfer funds from 2020/21 to an earmarked reserve to cover this deficit over the three years.

11. The Partnership's budget proposals have sought to limit the impact of the reductions on the more vulnerable in society and in a number of areas, such as housing, the Council is proposing to allocate additional funds to reflect the changes in demand for services for the ongoing COVID-19 impact.

12. It is proposed by the Partnership that the Council increases its Council Tax requirement by an inflationary 1.99%.

13. In addition it is proposed to increase Council tax specifically for Adult Social Care by a further 3% in 2021/22.

14. Members of the Overview and Scrutiny Board (through the Priorities and Resources Review Panel) examined the proposals in detail and stakeholders and residents had the opportunity to make representations on the proposals through the consultation. The Partnership have reviewed the responses received and the final budget proposals have been drawn up after consideration of the responses.

15. This report supports the Proposed Revenue Budget 2021/22. Other budget related reports will be presented to Council in February 2021 which are relevant to the Council's overall financial position are:

    a. 2021/22 Capital Strategy and Capital Receipts Strategy,
    b. 2021/22 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy,
    c. 2021/22 Review of Reserves,
    d. Annual Strategic Agreement (for adult social care).

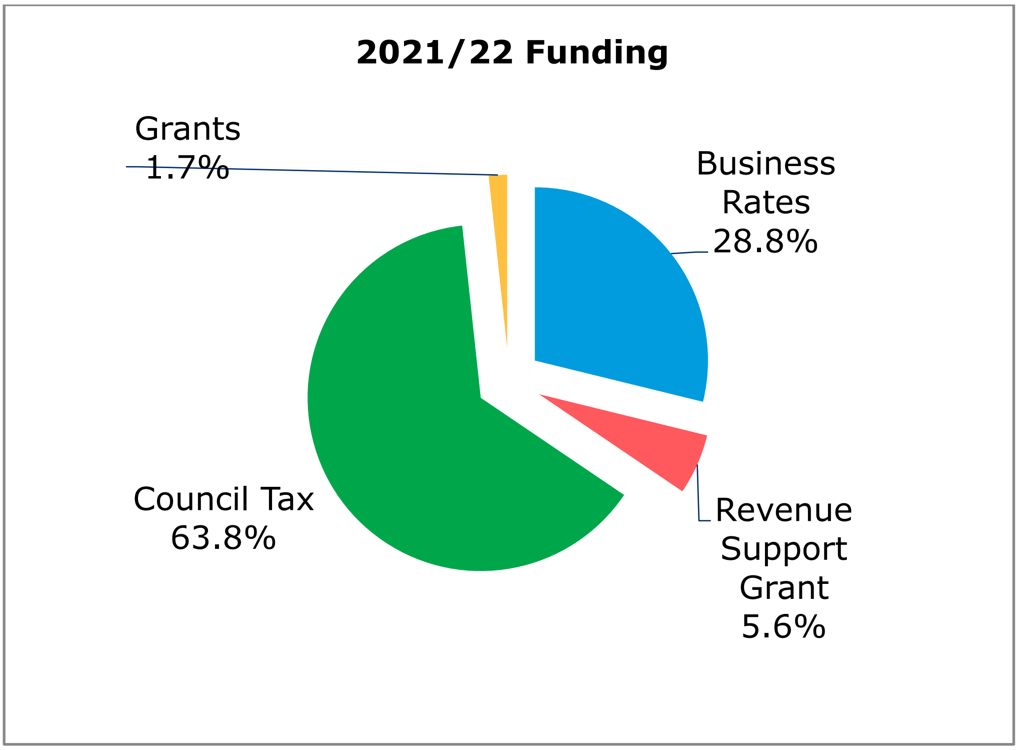
16. Also relevant are:

    e. Medium Term Resource Plan (on website),
    f. Corporate Asset Management Plan,
    g. 2020/21 Revenue and Capital Budget Monitoring Reports.

17. Budget Digest pages, Fees and Charges and budget proposals sheets are available separately along with any relevant equalities impact assessments.

18. A summary of the Council's 2021/22 budget is as follows:

Partnership's Draft Budget Proposal 2021/22	£'000	£'000
Net Revenue Expenditure	115.5	
Total Net Revenue Expenditure		**115.5**
Funded By:		
Business Rate Retention Scheme	33.7	
Revenue Support Grant	6.6	
New Homes Bonus Grant and other grants	2.0	**42.3**
Council Tax Requirement	74.6	
Collection Fund Surplus/(Deficit)	(1.4)	**73.2**
Total Income		**115.5**



19. A summary of the proposed 2021/22 budget by Service area is shown in the table below.

Directorate/Service	Expenditure £m	Income £m	Net £m
Adult Services	56.2	(14.3)	41.9
Children's Services	100.9	(56.2)	45.7
Dedicated Schools Grant included in Children's Services. 2021/22 (estimated)	*44.4*	*(44.3)*	*0*
Public Health	10.0	(0.3)	9.7
Sub Total – Joint Commissioning Team	**168.1**	**(70.8)**	**97.3**
Corporate Services			
Community Services	6.8	(4.2)	2.6
Corporate Services	8.7	(2.7)	6.0
Customer Services	47.2	(44.0)	3.2
Housing benefit included in Customer Services	*42.2*	*(42.2)*	*0*
Sub Total – Corporate Services	**62.7**	**(50.9)**	**11.8**
Finance	**28.6**	**(38.2)**	**(9.6)**
Place			
Business Services and Regeneration and Assets	32.3	(18.9)	13.4
Investment Properties	9.5	(14.1)	(4.6)
Planning and Transport	9.6	(2.4)	7.2
Sub-total – Place	**51.4**	**(35.4)**	**16.0**
TOTAL	**310.8**	**(195.3)**	**115.5**
Sources of Funding			
Council Tax			74.6
Collection Fund Surplus/(Deficit)			(1.4)
Revenue Support Grant			6.6
Business Rates (NNDR)			33.7
New Homes Bonus and Other Grants			2.0
TOTAL			**115.5**

COVID-19

20. The financial impact of Covid-19 has constantly evolved during the 2020/21 financial year and will continue to change. At this stage, the financial impact in the next year can only be estimated. However, a number of specific issues are emerging and have been reflected in this draft budget.

21. The estimated financial impact of the pandemic that will continue into 2021/22 is £7.4m – this is based on the current Covid-19 position in Torbay. How the pandemic progresses from here is likely to have a further impact. The key issues, which are known at this point, are set out in the following paragraphs.

22. We are forecasting a shortfall in our Collection Fund for the current year of up to £5m. Our accounting rules mean that any in-year deficit is “rolled” forward to the next financial year to be funded.

23. The Ministry of Housing, Communities and Local Government (MHCLG) announced its intention to allow any Collection Fund deficit in 2020/21 to be spread over three financial years from 2021/22. MHCLG have also announced a one off grant to support for councils for irrecoverable losses in a Council’s tax base, but not for any losses in collection of tax. The detail of this grant is currently uncertain and is likely to be accounted for in 2020/21.

24. The Council Tax Support Scheme is to support residents with their Council Tax bills. For working age claimants the level of support is linked to their household income. Since March 2020 with the start of “lockdown” and its economic impact, the number of claimants for this scheme has increased. These costs have been estimated at £0.750m (a 1% impact on total Council Tax income).

25. The Council’s share of Council Tax in 2020/21 was over £72m. In the current year, up until September, we have seen a cash reduction of 4% in year-on-year collection of Council Tax which has been attributed to the impact of Covid-19. The ongoing impact on the collectability of Council Tax in 2021/22 due to the economic conditions has been estimated at 2% i.e. £1.5m.

26. The Council’s share of National Non-Domestic Rates (NNDR) (otherwise known as Business Rates) is over £19m a year. Again, in the current year to September, we have seen a cash reduction in year-on-year collection of NNDR. Two thirds of Torbay businesses are in retail, leisure or hospitality and given the current economic conditions, the ongoing impact on the collectability of NNDR in 2021/22 has been estimated at 5% or £1.0m.

27. The Council has outsourced contracts for the leisure centre at Clennon Valley and the Riviera International Conference Centre (albeit the Council now controls the Board of the Riviera Centre). Both centres have seen a complete cessation of their income during “lockdown” and are unlikely to achieve historic income levels for up to two years. As a result both centres are in financial difficulty and £0.5m has been

estimated as the deficit funding required in 2021/22 for the Riviera International Conference Centre and Clennon Valley.

28. In March 2020, under the “Everyone In” initiative, we accommodated an extra 140 clients, ensuring that all those homeless and sleeping rough in Torbay have been housed throughout the pandemic. Consequently, there is a forecast net increase in costs (after Housing Benefit) of £1m. We are in the process of seeking to accommodate these clients in permanent rented accommodation. However, the economic impact of Covid-19, is likely to lead to a continued increase in the number of homeless people requiring support in 2021/22. This impact has been forecast at level similar to 2020/21 at £0.750m.

29. We are responsible for providing home to school transport for pupils that are eligible for support. COVID-19 has had an impact of travel arrangements for these children which has increased costs. An additional cost of £0.2m has been estimated for 2021/22.

30. There has been a reduction in income for a number of our services due to the impact of “lockdown”. Some income reductions are likely to be temporary, however the “new normal” for some of these income streams, particularly those linked to people’s behaviour and household income, could be at a lower level than historic levels. In particular car park income could continue to be impacted. This impact has been estimated at £0.5m for 2021/22.

31. We receive an income from properties that we own for regeneration or investment purposes (such as Fleet Walk, Wren Park and the shop units in Tor Hill House). While any rental shortfall on our investment properties and Fleet Walk would initially be met from the relevant earmarked reserves there is likely to be an overall impact on rental income. Therefore a contingency of £0.5m for rent income losses has been included.

Capital Plan 2021/22

32. As required by the Council’s Constitution, the draft Capital Plan for 2021/22 has been published which is line with the latest budget monitoring report. As the Council has a rolling four year Capital Plan that is reported quarterly, the Capital Plan for 2021/22 is a “sub set” of the four year plan based on the latest monitoring information.

Spending Round 2020 and Local Government Finance Settlement 2021/22

33. The Chancellor cancelled the Autumn 2020 budget and three year Spending Review as a result of the financial uncertainty arising from the economic impact of COVID-19 and instead issued a one year Spending Round. The resulting Provisional Local Government Finance Settlement which outlines funding allocations for individual Councils was announced on the 17 December 2020.

34. The 2021/22 provisional settlement is fundamentally a one year "roll over" from 2020/21. The Council's core funding was either frozen at 2020/21 levels or was increased by 0.5% for inflation. Service grants in 2020/21 were also rolled over into 2021/22. Some of these grants such as IBCF were kept at 2020/21 values, while others such as Housing grants and the social care grant were increased. The 2021/22 Public Health grant allocations have not yet been announced.

35. As expected the referendum limit for council tax rises was set at 2%. However the main change in core funding was the flexibility for Councils to raise council tax by a further 3% specifically for adult social care. This 3% rise for Adult Social Care could be spread over 2 financial years. These council tax increases are "assumed" as part of the increase in councils' "core spending power" often quoted by MHCLG.

36. The Social Care grant was also increased year on year by £1.4m. This additional funding will be allocated between childrens and adult social care for prioritised investment to reduce future costs and/or prevention activity.

37. In addition the announcements around "core" funding MHCLG announced a number of one off grants to recognise the ongoing financial impact of COVID-19 in 2021/22. The additional funding included a tranche of COVID-19 funding of £4.1m and £1.8m to recognise the impact of the financial impact of COVID-19 on council taxbase and collection rates. Both of these are one off grants and should be considered in relation to the additional COVID-19 related costs recognised within the 2021/22 budget.

38. The 75% sales, fees and charges income loss compensation scheme (over a threshold limit of 5%) was extended to the end of June 2021 with the income baseline being the 2020/21 income budgets. At this stage no estimate has been included for the value of this grant as it will be directly related to income losses. In addition a grant to recognise irrecoverable losses in 2020/21 for council tax and NNDR has been introduced. The definition of this funding is quite tight, with only irrecoverable losses on the taxbase being included, rather than losses in actual collection of those taxes. It is expected that any funding from this grant will need to be recognised as income in 2020/21.

Formula Funding and Business Rates Consultations 2020/21 (now 2022/23 at the earliest)

39. MHCLG's aim of implementing a new funding formula and a revised business rates retention system (both last updated in 2013) has now been delayed for a second year to 2022/23 at the earliest. However in reality progress to a new funding formula has not significantly advanced since the two consultation documents issued in December 2018. There is therefore still significant uncertainly around the Council's funding for 2022/23 onwards.

40. Key elements of the consultation were:

- NNDR Retention Scheme: MHCLG intend to introduce a 75% NNDR retention scheme for all Councils. The consultation sought views on the design of the scheme and how and when any NNDR growth is redistributed between Councils to keep the link between funding and need while retaining an incentive for growth. In addition the consultation suggested that NNDR baselines are changed on an annual basis to ensure councils are not disadvantaged by the impact of appeals.

- New funding formula to allocate new funding baselines and income baselines to all councils. The aim was to have as simplified a formula as possible that focusses on a limited number of key cost drivers. The consultation proposed an eight block formula then adjusted for general factors to reflect labour costs, rates costs and sparsity.

- There are seven specific formulas for major services – adults social care, children's' social care, highways, public health, legacy capital costs, fire and flood defence. All other services will form part of a "Foundation" block where it is proposed that this formula will be based on total population.

41. This proposal, although meeting the criteria of being transparent and simple, does not take into account other place based factors that can influence costs and demand such as deprivation and coastal town issues. Also some services included in the Foundation block such as concessionary fares, home to school transport and housing/homelessness are clearly not linked to total population.

42. The Council responded to this consultation and liaised with the LGA and other "influencers" to ensure the formula is reflective of the issues Torbay faces. As part of this process the Council's Chief Executive and Head of Finance in 2019 had a meeting with the then Local Government Minister, Rishi Sunak and Kevin Foster MP.

Dedicated Schools Grant

43. As part of the Spending Round additional funding was announced for the Dedicated Schools Grant – for both schools and higher needs. Torbay's 2021/22 allocation of these additional funds was provisionally allocated in December 2020 with an overall increase of over 8% in the schools block. However of the headline increase, 4.7% of the increase is due to the transfer into this allocation of a grant for Teachers Pay and Pensions. Within the average overall increase, individual schools will receive more or less depending on the impact of the changes in the formula and pupil numbers to their allocations.

44. The Council will, as usual, direct the entire grant received in respect of Dedicated Schools Funding through to those areas defined in the School Finance Regulations. The estimated value of the Dedicated Schools Grant (DSG) before academy school recoupment is £119m. For 2021/22 it is estimated that approximately £44m will be retained in the Council's budget for expenditure related to its (maintained) schools and other residual functions including education for Higher Needs.

45. The DSG and the schools funding formula is expected to change with full introduction of a new national (simplified minimum per pupil) school funding formula, however there has been no confirmation of when this change will be made. Movement of funding between these blocks is now limited and is expected to cease altogether for the schools block with the introduction of the national school funding formula.

46. The key financial pressure within the DSG is in the Higher Needs block. The pressures on the Higher Needs block arise from the level of demand and referrals from schools for support to pupils. In recognition of this pressure Schools Forum for 2021/22 helpfully agreed (again) to move 0.5% of the school block to the higher needs block which was subsequently approved by DfE. However the over spend on the block in 2020/21 is estimated to be £2.6m resulting in a cumulative forecast deficit of £6.4m, which under regulations needs to be "made good" in future years from the Dedicated School Grant allocations.

47. As recognition of the national issues in the Higher Needs block, the Spending Round has allocated more funding to support Higher Needs pressures. For 2021/22 the estimated increase in funding is £1.9m of which £0.4m relates to the transfer of the Teachers Pay and Pensions Grant. Although clearly welcome the additional funding for Torbay it is expected that a deficit budget will need to be set for 2021/22 of £2.5m. The expectation is that there will be additional funding in 2022/23 which should enable the budget should move closer to balance.

48. This rising deficit is a key issue for the Council and the schools community. At this stage a balanced budget is still not forecast or currently achievable therefore the deficit will continue to rise. The level of the deficit as at end of March 2021 is higher than the Council's general fund reserve.

49. Until the higher needs block achieves financial balance in the longer term, the DSG reserve will be used to fund the cumulative deficit as a "negative reserve". However holding a negative reserve is not either a recommended or a sustainable solution.

Adult Social Care

50. The Council's budget proposals for 2021/22 includes the contract sum agreed with the ICO and CCG to continue the highly regarded system of integrated health and adult social care within Torbay. This is the second year of a three year arrangement supported by a focussed cost improvement plan for adult social care. The contract value for 2021/22 is £45 million plus £2m held as a specific contract contingency.

51. The contract sum includes Council adult social care funding including Better Care Fund, Improved Better Care fund, Winter Pressures grant and funding from the Adult Social Care council tax precepts before 2020/21.

52. Any additional funds raised by the 2021/22 Council tax precept of 3% (approx. £2.1m) will be earmarked for adult social care. It is proposed that the Council allocate 50% of this precept to recognise the rising adult social care cost pressures in the ICO.

Children's Services

53. As Council is aware an additional £7m was added to the children's social care budget in 2020/21 to re base the budget to reflect demand levels allowing for a contingency for demand. In addition £2m was allocated to the service to enable investment in

areas to enable service improvements. Areas for investment included SEND, senior management capacity, commissioning, procurement, recruitment and retention, social work academy, and investment in fostering in particular for carers who look after children with complex needs.

54. As a result of these investments and improvements within the service itself, the latest forecast of spend in 2020/21 is below budgeted levels. Therefore the 2021/22 budget has been reset at a level that reflects the lower levels of cost allowing a contingency for higher numbers of looked after children.

SWISCo

55. The budget proposals include an inflationary increase for SWISCo. At this stage no future savings have been assumed until the financial position of SWISCo stabilises after the transfer of the operation from TOR2 and impact of COVID-19 on its operation and income. £0.5m will be allocated to SWISCo to support their financial position via the CSR Reserve funded from the 2020/21 outturn position. The emerging Waste Strategy is expected to have a future impact. Further council teams transferred into SWISCo in November 2020 to provide greater integration of services and generate service efficiencies.

Investment Fund

56. Full Council in July 2019 approved an increase in the Investment Fund to £300m. By the end of 2019/20 £235m had been spent with an estimated surplus, after borrowing costs and contingency for future years, on these properties of £4.3m in 2021/22. In November 2020 HM Treasury responded to the consultation of the use of PWLB borrowing to fund “debt for yield” which confirmed the effective prohibition on the use of borrowing to fund “debt for yield” properties. As a result the remaining budget allocation has been deleted from the Capital Plan. Linked to economic uncertainty due to COVID-19 the income from these properties, the level of the Investment Fund Reserve and the asset values will be kept under review. A contingency of £0.5m has been included in the 2021/22 budget for the impact of the economic uncertainty on all Council rental income.

Estimation of Council Tax Surplus/Deficit

57. The Council makes an estimate of the surplus or deficit on the Collection Fund at year end from under or over achieving the estimated council tax collection rate which will be set in January 2021. This would usually be a surplus figure of approximately £1.7m.

58. COVID-19 has had a significant impact on the collection of council tax in 2020/21, both on tax due in 2020/21 and tax outstanding from previous years. Of the total deficit the Council will recognise a defcit in 2021/22 of £1.7m.

59. It has been confirmed that the Council is only able to spread any “exceptional” collection fund deficit (from both council tax and NNDR) arising in 2020/21 from

2020/21 bills over three years starting 2021/22. As a result any deficit from prior year debt will still be recognised in 2021/22.

60. The Council, based on its 2020/21 forecast outturn intends to allocate funds to an earmarked reserve that will help to negate the impact of the collection fund deficit carried forward over the three years from 2021/22.

61. As the Council sets a collection rate within its tax base equivalent to the amount collected in the 12 months of the next financial year any surplus primarily represents the collection of sums due in respect of previous years. This indicates a level of success in collecting old year debts and raises the overall, longer term, collection rate well above the “in year” rate. Historically the Council has assumed a 96% in year collection rate however Council has reduced that by 1% to 95% for 2021/22 with a value equivalent to further 1% held in contingency for potential losses in 2021/22.

62. Linked to the financial health of the population the number of claims for Council Tax Support have increased in the first quarter of 2020/21 and are expected to rise further after the furlough scheme ends in its current form. As a result the costs of the Council Tax Support Scheme has increased which then reduces the total income from Council tax in 2021/22 as reflected in the taxbase approved by Council in December 2020.

63. As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be required to fund any deficit nor will they be entitled to a share of any surplus on the collection fund.

National Non-Domestic Rates

64. The Council’s NNDR income in 2021/22 comprises three parts: a 49% share of NNDR income, a “s31” grant to reflect the loss of NNDR income to the council from central government changes to the NNDR (e.g. SBR) and a Top Up grant that reflects the difference in the Council’s assessed “need” for funding compared to its actual ability to raise NNDR income (as set in 2013).

65. Since the introduction of the Business Rates Retention Scheme in April 2013, the Council is also required to declare a surplus or deficit for NNDR in a similar way as set out above for council tax. The forecasting of NNDR has involved a wide range of complex variables and influences and is an area which causes complications for medium term financial planning. As outlined above the “exceptional” shortfall on NNDR collection from 2020/21 will be recovered over three years from 2021/22, however due to the 100% retail, leisure and hospitality relief offered by MHCLG in 2020/21 the value is not significant.

66. However with the economic uncertainty likely to negatively impact the collection rates from COVID, the collection rate for NNDR in 2021/22 has been assumed to be 5% lower than 2019/20.

67. MHCLG have delayed the implementation of a revised NNDR retention scheme to at least 2022/23 and have also now confirmed that a "reset" of NNDR baselines to reflect growth since 2013 has also been delayed.

68. The Council along with other Devon Councils will continue with a NNDR pool for 2021/22.

Council Tax and Referendum Limits

69. To control the level by which local authorities can increase Council Tax, the Government has set limits at which point a referendum would be required. This was set again at 2% or over for 2021/22. The Partnership's budget proposal is for a 1.99% increase in this element. In addition MHCLG have offered Councils the flexibility to increase council tax by a further 3% for Adult Social care and the budget proposals include an additional 3% for this specific purpose.

70. Council will be aware that the Council Tax bill sent out to residents is made up of three main component parts, namely Torbay Council (including Brixham Town Council), Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority. Once these have been declared they will be included in the Council Tax setting report which will be presented to the Council at the end of February 2021.

71. The Secretary of State will consider the three component parts, not the overall bill, and, if any one of the three organisations were capped, the Council would have to re-bill.

72. In 2020/21, Torbay had the lowest Band D Council Tax in Devon at £1,872.89 including the Fire and Police precepts, but excluding parish and town council precepts. A summary of some other Devon Councils' Band D rates are as follows:

	Torbay (Unitary council)	Plymouth (Unitary council)	Exeter (City Council)	South Hams (District Council)	Teignbridge (District Council)
District Council	-	-	160.05	170.42	175.17
Devon County	-	-	1,439.46	1,439.46	1,439.46
Total	**1,563.01**	1,574.77	1,599.51	1,609.88	1,614.63
Fire & Police	309.88	309.88	309.88	309.88	309.88
Band D (excluding parish precepts)	**1,872.89**	1,884.65 +0.6%	1,909.39 +1.9%	1,919.76 +2.5%	1,924.51 +2.8%

73. The differential between Torbay and the other Councils increases when Town and parish precepts are added. As a guide the 2020/21 precept for Brixham Town Council was £56.70.

Pay and Pensions

74. The 2021/22 pay award for staff has not yet been agreed. Based on the Chancellor's statement about restraints in public sector pay rises, the budget proposals include an allocation for a pay award of 0% in services while a contingency is held if the pay award is higher along with any impact of the living wage and/or increases on lower grades over the "headline" award. The pay award for 2020/21 was agreed in September 2020 at 2.75%.

75. In 2019 there was the triennial valuation of the Devon County Pension Fund to ensure that employer contribution rates are set for the following three financial years to meet the long term employee pension benefits requirements. This from 2020/21, for three years, resulted in an increase in Torbay's "primary" rate to 16.7% (from 14.8%), this increase was however been more than offset by a significant reduction in the Council's "secondary" rate (i.e. deficit) lump sum payment.

Reserve Levels

76. The Council's general fund reserve of £4.6m as at the end 2019/20 is low compared to both the Council's overall expenditure and also in comparison to other Councils. The partnership are supportive of increasing this balance to a level that is equal to 5% of the Councils net budget. For 2021/22 this would require a target balance of £5.8m. By utilising a proportion of the expected 2020/21 revenue underspend this target level should be reached in 2021/22.

77. By achieving a general fund level of 5% is prudent for the Council and this will be the first time in a long period this level has been achieved. As a guide in 2004/05 the level was 2%, in 2010/11 level was 3% and in 2019/20 the level was 4%.

78. The 2021/22 budget proposals do not include any use of any earmarked reserves to achieve a balance, with the exception of the earmarked reserve to fund the three year impact of the collection fund deficit.

79. The Council continues to have the option, in order to give reserve levels a "boost", to swop revenue and reserve funded capital expenditure for prudential borrowing to up to £3m which will need to be funded from future revenue budgets. At this stage this option is not being proposed.

CIPFA Financial Resilience Index

80. To provide more information and transparency on Councils' financial position, in particular after the issues in Northamptonshire County Council, CIPFA issued a "Financial Resilience Index" to provide information.

81. The Index shows the assessment (based on 2018/19 data) of Torbay's position is that the "Indicators of Financial Stress" rank Torbay as a "higher risk" Council but not at the highest level. Factors that show a higher risk assessment are in relation to children's' social care where the council's share of its budget on this service is high and it has an inadequate OFSTED judgement. Other factors showing a higher level of risk are the overall level of reserves compared to budget. Conversely lower risk is reflected by no reduction in the level of general (unallocated) reserves.

82. It is important that both Members and the Council's senior leadership team continue to challenge and have oversight of the Council's financial position. As evidenced recently by Croydon Council such challenge and oversight in a council's financial position is vital.

Longer Term Future Council Funding

83. The Medium Term Resource Plan was updated at the end of October 2020 to include the impact of COVID-19 and the delays in the implementation of the new funding formula and revised NNDR retention system. The three year 2020 Spending Review was delayed which gives continuing further uncertainty.

84. As an initial guide, prior to more detailed work being undertaken post 2021/22 budget setting, it is estimated that between 2021/22 and 2023/24 the Council will require in the region of over £16m of reductions to achieve a balanced budget. The Council's three year agreement with the ICO for adult social care will need to be renegotiated for 2023/24 and there will be a pension revaluation which will be implemented from 2023/24 where assets values may have been impacted by COVID-19.

85. The next Plan will need to include the removal from the Council's 2022/23 budget of approx. £6m of one off central government support for the impact of COVID-19, conversely the Council will need to work towards the reduction and/or mitigation of the approximate £8m impact of COVID-19 on its budgets for 2022/23.

86. The aim of the possible changes to funding formula and the NNDR retention system is that Councils will not have any central government “core” funding with the Councils funded from council tax and NNDR. Councils therefore have a clear incentive that to secure funding for services in the future, there has to be increases in both its council tax base (housing) and NNDR (business). It must be noted that MHCLG are still intending to control Council spend by the retention in the system of both funding baselines and income baselines. This is not only to control total funding therefore enabling overall funding reductions by changing tariff and top up grants, but also to enable total funding to be redistributed on need.

87. This reliance on local taxation as the prime source of funding has risks as the link between a council’s need for funding to provide services (linked to population and demand) and its funding linked, in part, to economic growth may not move in a similar direction. In addition NNDR income is volatile and is, to a large extent, outside of a Council’s direct control.

TORBAY COUNCIL

Meeting Cabinet **Date:** 19 January 2021

Council **Date:** 4 February 2021

Wards Affected: All Wards

Report Title: Review of Reserves 2021/22

Is the decision a key decision? No

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

Cabinet Lead Contact Details: Darren Cowell, Cabinet Member for Finance Darren.cowell@torbay.gov.uk

Supporting Officer Contact Details: Sean Cremer, Deputy Chief Finance Officer Sean.Cremer@Torbay.gov.uk

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1. Purpose

1.1. The Council holds a number of reserves as part of its approach to maintaining a sound financial position, protecting the Council to some degree from volatility in its budget going forward. The requirement for financial reserves is linked to legislation such as the Local Government Act 1992 which requires councils to "have regard" to the level of reserves needed to meet future expenditure when calculating a budget. Part of sound financial management is to assess the adequacy of these reserves and release those reserves no longer required.

2. Proposed Decision

2.1. That, in support of the 2021/22 budget setting process, Council note the Council's reserves position.

3. Reasons for Decision

3.1. A Review of Reserves is a key part of the Council's budget setting process. Consideration of reserve levels is linked to legislation for budget setting contained in both the Local Government Acts of 1992 (section 31A & 42A) and 2003 (section 25) and linked to section 114 of the Local Government Finance Act 1988.

3.2. The Council is facing significant financial uncertainty as a result of Covid-19 and, in the longer term, from uncertainty over future council funding levels.

3.3. Collection of Council Tax and Business Rates (NNDR) has suffered as a result of Covid-19 with figures as at quarter two indicating a shortfall in collection of £5.2m. The Government have allowed Council's to spread the losses relating to 2020/21 over 3 years. The impact of this over the next three years will be funded within the 2021/22 budget and from a 2020/21 carry forward service underspend which has been earmarked for this purpose.

3.4. The Council's unallocated (general) reserve levels are at a low level as in recent years to offset overspends within Children's Social Care. This year, the forecast revenue underspend will be used, in part, to increase the General fund to £5.6m which is approx. 5% of the Council's net budget (which is in line with recommended levels). This increase is a prudent action with the financial uncertainty facing the Council.

3.5. The CSR reserve including a COVID reserve will exceed the previous £3m target level as at March 2021 and the target balance of £3m will be continued.

3.6. In 2020/21 spend in Children's Social Care is expected to underspend by £4m and as a result the budget is being rebased for 2021/22 based on the most recent placement monitoring and sufficiency strategy. This improvement is welcome, albeit represents a risk that should spend start to rise again at levels seen in recent years, there is limited funding within the CSR Reserve and the General Fund reserve to meet this. Future increases in spend similar to those seen in previous years would be a major concern for the Council as Children's Services represents approx. 40% of the Council's budget.

3.7. As a result of the level of general reserves it remains an option for the Council to approve prudential borrowing of up to £3m to fund items in the capital plan that were intended to be funded from revenue or reserves. This results in ongoing borrowing costs which will need to be included in future year budgets, but would give a boost to reserves. This funding could be added to both the General Fund Reserve and the Comprehensive Spending Review Reserve. This will then provide a higher level of mitigation for the Council by increasing the general fund reserve and increase the Comprehensive Spending Review Reserve to above minimum target levels. This option can be taken by Council in year if financial issues materialise in 2021/22 or could be taken in future years.

3.8. The total balance of reserves is adequate, however it needs to be recognised that an examination of the individual reserves shows the majority of reserves where the balance is ring fenced, links to a partner or is for a specific future funding issue or a specific future risk, therefore the flexibility to use those reserves to apply to an overspend position is limited.

3.9. The other significant reserve risk the Council is holding is in relation to the increasing deficit balance on the Dedicated Schools Grant (DSG) due to higher demand and cost in relation to children who require additional support. The "negative reserve" is expected to be £6.4m by the end of 2021/22 and based on current projections will reach £8.9m by the end of 2023/24. The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded from DSG in future years and is therefore not a cost that the Council has to fund. This position was confirmed legally by the School and Early Year Finance (England) Regulations 2020. However, it is unclear how the DfE intend to ultimately resolve this issue, therefore this is still an underlying, unfunded risk.

3.10. Due to the significant financial risks facing the Council in 2021/22 as a result of the prolonged effect of Covid-19 and possible risks in future years it is essential that the Council's reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget. Following previous Review of Reserves and the Medium Term Financial Plan, it is recommended that, as a result of the level of current and previous year budget variations, to continue the target to maintain the balance of the CSR Reserve at a minimum of £3m.

3.11. In addition to the possible rises in demand pressures and cost for social care, the future financial risks facing the Council are compounded by the uncertainty around future funding due to the autumn 2020 budget being cancelled and the four year spending review being reduced to a one year settlement. Torbay's provisional funding allocation was confirmed in December 2020. The 2021/22 allocation was a one year "roll over" settlement with one off funding allocated to support the financial impacts of Covid-19 on the Council

3.12. In the absence of clarity from central government, Councils, including Torbay, will inevitably aim to mitigate against that uncertainty. Uncertainties for Torbay Council include:

- Impact of Spending Review 2021 in 2022/23 onwards which will include the funding of the national financial impact on the nation's finances of Covid-19

- Impact on new funding formula for Councils in 2022/23 (at the earliest)
- Ending of New Homes Bonus Grant in 2021/22
- Unconfirmed allocations for specific grants such as Improved Better Care Fund, Flexible Housing Grant and Troubled Families for 2022/23
- Impact of relative resource (council tax and service) equalisation in 2022/23 (at the earliest)
- Impact of the new 75% NNDR retention scheme in 2022/23 (at the earliest)
- Impact of the revised NNDR baselines in 2022/23 (at the earliest)
- Future funding of Higher Needs Block in new schools funding formula
- Future value of contract for Adult Social Care in 2023/24

3.13. The Council has undertaken decisions that have a higher level of risk associated with them. This includes the Investment Fund (purchases now stopped) and both affordable and extra care housing where the Council is investing a significant amount funded by prudential borrowing via its subsidiary company Torvista. Whilst significant business case analysis and due diligence of proposals is undertaken for each and every initiative, there is always a risk that the projects will not deliver the income required to cover the “fixed” costs of the borrowing. These more commercial activities carry a higher level of risk and reward which is linked to changes in income streams (such as rent) and also fluctuations in the values of any underlying assets.

3.14. In addition the Council owns 100% of SWISCo, the TDA Group of companies including Torvista, TEDC Developments, C&A Consultancy and Complete Cleaning Solutions and the effective control of the Riviera International Conference Centre. There are inevitably risks associated with those companies.

3.15. Council is reminded again of the advice previously given by the Chief Finance Officer, that reserves should not be used for supporting ongoing recurring expenditure. Use in that way is not financially sustainable as reserves can only be spent once.

4. Chief Finance Officer Statement.

4.1. The Council is continuing to face financial challenges. I am satisfied that the Council’s General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council’s Financial Plans for 2021/22 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.

4.2 I fully support the prudent increase in the general fund reserve to a level close to 5% of the Council’s net revenue budget and the prudent earmarking of reserves to support potential Covid-19 issues and the three year impact of the 2020/21 collection fund deficit.

4.2. My statement for 2021/21 has to be caveated due to the ongoing uncertainty around Covid-19. I would hope that financial support and grant funding provided by Central Government during 2020/21 would continue at a proportionate level in 2021/22 to mitigate any ongoing financial pressures as a result of Covid-19. So far the Government have indicated support continuing until June 2021 including a tranche of COVID funding for 2021/22.

4.3. The adequacy of the Council’s reserves can be supported if the following actions are undertaken:

a) The 2021/22 budget plans for an increase to the CSR reserve to achieve a minimum ongoing balance of £3m over the next two years,

b) That the Council maintains the focus on social care, both adults and childrens, as the biggest financial risks to the Council to deliver the identified improvements supported by a robust financial recovery plan and the sufficiency strategy,

c) That Council recognises the option of using borrowing to fund capital plan to enable an increase to reserve levels by £3m if needed.

At this stage with the significant uncertainty in relation to central government funding for 2022/23 I am currently only able to provide limited assurance in relation to 2022/23. I recommend, however, that the Council continues to be prudent in its use of reserves and plans for future risks and their mitigation. These to include:

- Establishing and maintaining a balance on CSR reserve of £3m
- Protection to current level of General Fund Reserve
- No general reserves used to balance 2021/22 or future year budgets
- Specific material risks still mitigated for – e.g insurance, NNDR volatility and investment fund
- Regular updates and awareness of the risks identified in the Medium Term Resource Plan
- That the Council continues to delivers its transformation programme at pace in medium term
- Continued focus on reducing spend in children's' social care
- That work continues on the Adult Social Care improvement plan which is vital to securing a sustainable Risk Share Agreement from 2023/24

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

Sean Cremer
Deputy Chief Finance Officer

Supporting information

A1. Introduction

A1.1 A Review of Reserves is part of the Council's annual budget process.

A2 Review of Reserves 2021/22

A2.1 Overview

A2.2 As at 31/03/2020 Torbay Council's reserves were as follows:-

Reserves	**Balance as at at 31/3/20 £'000**	**Forecast Balance as at at 31/3/21 £'000**
General Fund Reserve	4.6	5.6
Earmarked Reserves Comprehensive Spending Review including Covid-19	2.2	3.2
Capital Reserves	2.3	1.4
School Related Reserves – Note this is a negative reserve	(3.8)	(6.4)
Partner/Ring Fenced Reserves	4.6	4.3
Specific issues	9.6	12.4
Investment Fund	2.1	1.9
Grants - received not yet spent	13.5	8.1
NNDR section 31 grant for Retail, Leisure & Hospitality Relief	0	12.0
Subtotal Earmarked Reserves	**30.5**	**35.8**
TOTAL RESERVES	**35.1**	**42.5**

A2.3 From the table above the negative balance of school related reserves is linked to the forecast higher needs deficit of £6.4m which is contained within the dedicated schools grant.

A2.4 A list of the Council's Reserves is attached in Appendix 1.

A2.5 This year due to the reduced spend associated with Children's Social Care the Council is able to increase both its General Fund Reserve and Comprehensive Spending Review Reserve.

A2.6 As outlined in the paragraph above, given the uncertainly facing the Council it is clear that the Council needs to mitigate and plan for variations in income as well as expenditure.

A2.7 To be able to meet future years' budgets it is essential that the Council progresses and achieves its redesign programme, a continued focus on the cost of Looked After Children and a focus on the mitigation of future increases in the cost of adult social care.

A2.8 Each reserve has been assessed for its estimated balance as at 31st March 2022 and for the estimated additions or withdrawals from the reserve during 2021/22 and future years. This is included in the table at Appendix 1.

A2.9 The level of reserves is expected to increase by £7m during 2020/21 before reducing by £23m in 2021/22. The actual balance at year end will depend on spend during the year and any year end service carry forwards from unspent revenue funds and/or unspent grant allocations which usually results in higher reserve levels than predicted.

A2.10 It must be noted that due to the accounting on the Collection Fund the reserves are inflated by £12m as at end of 2020/21 with this reserve balance "reversing" in 2021/22. This relates to the timing difference between the grant funding of the 2020/21 retail, leisure and hospitality 100% reliefs and the following financial year that the impact has to be accounted in. If MHCLG change the guidance on the accounting for this relief then the council will reflect that change in its accounts.

A2.11 Adults Social Care

A2.12 A three year agreement was signed in 2020 which will expire in 2023/24. This agreement between the Integrated Care Organisation (ICO) and Clinical Commissioning Group (CCG) and the Council provides a "fixed" annual payment in exchange for no exposure to the risk of changes in cost. This therefore reduces the exposure to financial risk on this service to nil. Given the impact of Covid-19 the work of the Adult Social Care improvement board is integral to mitigating the risk of future increases wherever possible.

A2.13 Children's' Social Care

A2.14 Following significant investment in the service the financial position for Children's Social care has improved. The service is forecast to underspend by £4.0m in 2020/21 which represents a decrease in actual spend from 2019/20 to the 2021/22 forecast in excess of £2m.

A3.0 **Guidance on the Management of Reserves**

A3.1 The CIPFA guidance on reserves was updated with the introduction of the CIPFA Financial Management Code of Practice in 2020.

A3.2 The Code stated that:

- The aim of reserves is to provide funding for investment in future activities and to act as a safety net in case of short term financial challenges

- Using reserves to fund otherwise unsustainable services or to defer the need to make difficult decisions about service delivery is to be avoided

- The Council should have a policy on the level of reserves it wishes to retain and how these reserves may be used

- The Council should be able to demonstrate that it has used its reserves only for investment in future activities or in the implementation of savings plans rather than to plug funding gaps in the delivery of services

A3.3 In undertaking a detailed annual review of reserves that is presented to Council, Torbay Council is largely complying with the CIPFA guidance.

A3.4 It is important to differentiate between general and uncommitted reserves and reserves held for a specific purpose. It is only the general and uncommitted reserves that could be used to support "short term costs". As shown in the table above, as at 31st March 2020 the Council's uncommitted reserves were part of the Comprehensive Spending Review reserve and the Council's general fund balance which is discussed later. The Council does not have a large value of unallocated reserves compared to its overall budget or compared to the value of budget reductions required over the next few years or compared to the value of the in-year budget variances in social care over the past few years.

A3.5 The Chief Finance Officer is reluctant to use any reserve funds, which can only be spent once, to support ongoing expenditure as this is not financially sustainable, as it only delays the impact of the required budget reductions.

A3.6 This position taken by the Chief Finance Officer is similar to CIPFA guidance which says "Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as how such expenditure will be funded in the medium to long term".

A4 Earmarked Reserves

A4.1 The following paragraphs make specific comments on a number of reserves. A summary of each reserve and their purpose is included as Appendix Two.

A4.2 Comprehensive Spending Review Reserve

Due to the significant financial risks facing the Council in 2021/22 and future years it is essential that the Council's reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget.

As part of the 2021/22 budget proposals £1.6m will be allocated to the CSR reserve in addition to the annual £0.5m budgeted contribution. However given the levels of budget variation the Council has experienced in recent years, the minimum target reserve level should still be £3m. The contribution of £0.5m with additional contributions in future years will help to provide a higher level of risk mitigation for the Council.

A4.3 Dedicated Schools Grant Reserves

The reserve for Dedicated Schools Grant is estimated to be "negative" by £6.4m by the end of 2020/21 with a projected increase in deficit of £2.5m in 2021/22 to £8.9m. Funding for schools activities are primarily funded though the dedicated schools grant (DSG). The Council does not receive any schools funding within its own grant and funding allocations. This grant is allocated in "blocks" to cover different activities.

The higher needs block has in the recent years have been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children resulting in a cumulative over spend.

The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded from DSG in future years. This overspend is therefore not a cost that the Council has to fund. This position is now confirmed by the School and Early Year Finance (England) Regulations 2020.

The ongoing use of a negative reserve which is likely to increase in future years is currently a significant financial risk that needs to be highlighted to Members.

A4.4 Investment Fund Reserve

The Council has now invested over £235m in investment property and capital loans with a historic approval to invest another £69m. However, in March 2020 HM Treasury started a consultation on future PWLB borrowing terms which would, in effect, prohibit the use of PWLB Borrowing to fund any future purchases of this type, known as "debt for yield". At the same time CIPFA issued a statement that the intent of the consultation should be adhered to with immediate effect and applied to all forms of borrowing not just PWLB. The conclusion of this consultation is that Councils will be prohibited from accessing PWLB borrowing if their capital plan contains future investment. As a result the Council is no longer seeking such assets to purchase.

A4.5 Insurance Reserve

The expected balance as at March 2021 for the insurance reserve is £3.2 million. The Council's insurance manager in consultation with the Chief Finance Officer reviews the earmarked amounts on an annual basis and takes advice from an insurance actuary to ensure the adequacy of the reserves. The market and therefore the cost of insurance is noticeably "harder" than in future years which is likely to increase the annual costs of insurance cover.

The Council currently has a strong low risk profile based on its claims history however this could be adversely affected if the Council incurs a number of higher cost claims. Given the potential long lead in time for certain insurance claims, such as those relating to social care and certain types of industrial diseases, any shortfall in this reserve may not be realised for a number of years. This reserve will require careful monitoring of the impact of future liabilities on a regular basis.

A new insurance risk arising from the purchase of investment properties is to ensure that these properties are adequately covered. This cost under the lease is met by the tenants. Insurance related risks for the Council companies such as TDA group and SWISCo are funded by those companies.

A5 <u>Review of Provisions, other Potential Liabilities and potential risk from Council Companies</u>

All companies owned by the Council are ultimately part of the Council's overall (consolidated) financial position and as CIPFA states that "the statutory role of the CFO does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest".

The TDA, 100% owned by the Council, has now established or purchased further companies including housing companies (Tor Vista and TEDC Developments), Kings Ash Holdings and C&A Consultancy.

New companies have been established for the re provision of services previously provided by TOR2 (SWISCO) and the Medical Tuition Service (Torbay Education Limited) which is establishing an independent school providing specialist tuition for students unable to attend mainstream school for medical reasons.

As the number of council subsidiary companies and the range of activities they undertake expand, as these companies are owned by the Council therefore the Council must ensure it reviews the Companies performance.

In addition to earmarked and general reserves the Council also holds provisions, where appropriate, for issues where the Council has a clear liability which is likely to result in a payment but the amount and timing of the potential payment is uncertain. The council also holds provisions for future issues mostly in relation to insurance claims where the "time lag" on claims being notified and settled is often over one year and a provision for NNDR appeals. The Council gains or loses a 49% share of any movements in NNDR.

A6 <u>Collection Fund</u>

The Collection Fund Adjustment Account (formally Collection Fund Reserve) is slightly different from all other reserves and includes both Council Tax and NNDR. For Council Tax, legislation requires any balance (surplus or deficit) to be applied at the next Council Tax setting to the three major precepting authorities (Torbay, Devon & Cornwall Police Authority and Devon and Somerset Fire Authority). (Note Brixham Town Council as a minor precepting body does not bear any share of surplus or deficit).

For NNDR, as a result of the introduction of the new Local Government funding arrangements from April 2013, the Council bears a 49% share of the risk and reward of changes in the level of National Non Domestic Rate income. Changes from the Council's initial National Non Domestic Rate income estimate arising from changes in yield and collection will now also result in a Collection Fund surplus or deficit. The Council's share of any surplus or deficit will impact on the forthcoming year. The Council holds a NNDR equalisation reserve to help smooth the volatility of income, set at 5% of the Council's annual NNDR retained income under a 49% retention scheme.

Estimates of future year surpluses or deficits are included in the Budget Setting process and reflected in the Medium Term Resource Plan.

The economic impact of Covid-19 has had a significant impact on the collection of council tax in 2020/21 and is expected to continue to have an impact in 2021/22 which has been reflected in the Council's 2021/22 budget setting.

The Council has been prudent in establishing in 2020/21 an earmarked reserve to support the 2020/21 collection fund deficit which will be spread over three years. As a result the Council in future years will not have to make service reductions to fund this shortfall.

A7 Pensions and Loans (Non Treasury Investments)

Pensions: The Council has provided a number of guarantees in respect of pensions when staff have transferred from the Council's employment to an alternative supplier who has set up a LGPS pension scheme as an "admitted body". These are not guarantees to the supplier but to the pension fund in the event of the insolvency of the supplier. In the exceptional case of the pension liability being realised it is likely the liability will be transferred to the Council's own pension liability which will be reflected in future employer contribution rates. As such, under accounting standards (IFRS), these are accounted for as insurance contracts.

Loans: The Council has provided a number of loans to the private sector and to it subsidiary companies. If a loan defaults or under the "expected loss" model of assessing the fair value of a loan then the loss will be charged to the council's revenue budget in the year the loss is recognised. The value of the Council loans is now significant – including £2.8m to TDA, £9m to That Group for Torwood Street and £4m to South Devon College with a potential further £25m loan to Torvista. At year end the Chief Finance Officer will assess each loan for actual or potential "expected losses" and will make a charge to revenue in year or set aside funds as a "bad debt" provision as required.

Investment Properties: The Council has purchased a number of investment properties. Risk and reserve management of these is discussed above.

A8 General Fund Reserve - Risk Assessment and Sensitivity/Scenario Appraisal

The Council intends to increase its General Fund Reserves to £5.6 which is approx. 5% of the Council's net 2021/22 budget. Despite this prudent increase this level of "unallocated financial reserves" is relatively low compared to other unitary Council's.

The CIPFA guidance on reserves does not recommend a minimum level of reserves. It states that "Local Authorities should make their own judgments on such matters taking into account all the relevant local circumstances which will vary between Authorities". CIPFA also state that "a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of reserves".

A risk assessment of all budgets suggested that the maximum overspend in any year, if all services were subject to adverse pressures and where there isn't any specific service related earmarked reserve, would be £10.9m million or 9% of 2021/22 draft net revenue budget. An estimate should be added to reflect any, as yet unknown, in year budget pressures, potential Bellwin scheme claims (emergency planning), to reflect the financial risks inherent in any significant new partnerships such as Torvista and SWISCo, investments, funding changes, outsourcing or capital developments, say £1.0 million. This would result in a required General Fund reserve of £11.9 million or 10% of net budget. The revised level of General Fund Reserve will cover just under 50% of this sum.

The risk above has been mitigated as the council has a fixed payment to for Adult Social care. This fixed payment does remove volatility from the second largest budget/service the Council has. However if this fixed payment does not exist, say after the contract period, then the Council will again be exposed to the risk of volatility of both demand and cost in this key service. In addition the challenges of achieving the ongoing significant budget reductions from central government create a major risk of budget variations.

A prudent risk based approach to budget setting and reserve levels will have mitigated some risks of an overspend. It is vital that the improvement plans continue to yield results within both Adults and Children's Social Care and the medium term financial strategy for this service is delivered to reduce the levels of (financial) risk around this service.

However it is unlikely that all budgets will be adversely affected in the same year or that there will be no under spending arising from savings or additional income. Therefore the General Fund Reserve should be equal to 50% of the total assessed risk in any financial year (which equals to 5.1% of estimated 2020/21 net revenue budget). This for 2021/22 will result in a required general fund reserve balance of £5.9 million. The proposed increase to the General Fund moves the reserve to within £0.2m of this target.

The 2021/22 budget to be presented in February 2021 to Members will also include an assurance statement from the Chief Finance Officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the Local Government Act 2003.

A9 Capital Investment Plan

It is assumed that in the circumstances of a significant overspend within the Council's capital programme this will be covered by alterations to the timing of the Council's capital investment plan; use of the capital contingency or from additional borrowing within the Council's approved Prudential Indicators. Any additional borrowing costs would have to be met from the Council's revenue budget.

The Council's capital plan has a contingency of £0.6 million. It should be noted that all capital projects should also have contingencies within the individual project costs.

A10 Comparison with Other Councils:

The Local Government Association holds statistical data for all Councils. This includes an indicator of the "unallocated reserves balances" for unitary councils. Torbay's general fund reserve remains low when compared to other Council's, although the increase in the reserve is both prudent and welcome.

A11 Governance of Reserves.

Appendix 1 shows the projected balances of the reserves at the end of the current financial year and future years. These balances are based upon planned levels of spending. In the event of any unplanned expenditure occurring in the financial year current Standing Orders and Financial Regulations will apply.

The Reserves will continue to be reported as part of the Council's Statement of Accounts and subject to this annual review and challenge as part of the budget process by both members and senior officers. Councillors should consider the Council's General Fund Reserve as part of the annual budget setting process. Any quarterly reporting of issues relevant to earmarked reserves will be on an exception basis.

Schools reserves are part of the delegated schools funding and these reserves remain at the discretion of the Head Teachers and Governing Bodies.

A12 Risk assessment of preferred option

Outline of significant key risks

It is important that the issues raised in this report are considered by Members and appropriate action is taken, where necessary, to ensure that the Council has adequate reserves in the short and medium term. Failure to consider the issues raised within this report and take appropriate action could result in the Council having insufficient reserves that could adversely impact on the revenue budget and the longer term financial viability of the Council.

The major risks facing the Council at present are the uncertainty of the Council's future funding from 2021/22 onwards and the ongoing financial pressures from both Children's social care and, in the longer term, adults' social care.

As a guide to higher costs in the longer term from changes in demand from the demographic profile of Torbay, the following table shows the ONS estimated population changes in Torbay over the next 10 years.

Age Group	**2020 000's**	**2025 000's**	**2030 000's**	**10 year Change 000's**	**10 year Change %**
Up to 4	7	7	7	0	0
5 to 17	22	23	23	1	5
18 to 64	71	71	69	(2)	(3)
65 to 79	27	28	30	3	11
80 and over	10	12	15	5	50
Total Population	**137**	**141**	**144**	**7**	**5**

The table shows that there is likely to be decline in the working age population over 10 years with increases on both school age and over 65's. It is the rise in over 65's and within that the increase in the over 80 population that is likely to result in significantly higher social care costs in the longer term. It is essential that the Council has a long term plan for these future demand changes.

It is important for the Council to review its risks and rewards in relation to new activities, such as Investment properties and its interests in its companies if the level of activity in those companies changes. Companies include the TDA Group including Torvista and TEDC Developments and "SWISCo".

Appendices

Appendix 1 Review of Reserves 2021/22
Appendix 2 Summary of Council Reserves

Appendix 1 Review of Reserves 2021/22

- **Reserves** - -	**Balance as at at 1/4/20** **£'000**	**Balance as at at 31/3/21** **£'000**	**Balance as at at 31/3/22** **£'000**	**Balance as at at 31/3/23** **£'000**	**Balance as at at 31/3/24** **£'000**
General Reserves					
General Fund	-4,623	-5,623	-5,623	-5,623	-5,623
	-4,623	**-5,623**	**-5,623**	**-5,623**	**-5,623**
Earmarked Reserves					
Comprehensive Spending Review					
COVID Reserve	0	-1,600	-600	0	0
Comprehensive Spending Review	-2,181	-1,644	-1,934	-2,434	-2,934
	-2,181	**-3,244**	**-2,534**	**-2,434**	**-2,934**
Capital Reserves:					
Capital Funding Reserve	-2,214	-1,334	-1,099	-899	-524
IT Equipment Reserve	-93	-50	0	0	0
	-2,306	**-1,384**	**-1,099**	**-899**	**-524**
School Related Reserves					
Dedicated Schools Grant	3,778	6,378	8,878	9,878	10,678
Education Schools Exit Packages	-150	-146	-110	-82	-62
School Balances	-166	-64	-64	-64	-64
	3,462	**6,168**	**8,704**	**9,732**	**10,552**
Partner/Ring Fenced Reserves					
Adult Social Care	-2,596	-1,993	-719	0	0
Devon Audit Partnership	-25	-25	-25	-25	-25
EDC Reserves (Funds paid in advance)	-66	-66	-66	-66	-66
Harbours Reserves	-381	-159	-152	-80	-2
Public Health Reserve	-1,023	-1,473	-1,473	-1,473	-1,473
Museum Reserve	-25	-25	-25	-25	-25
Swimming Pool Reserve	-44	-42	-42	-42	-42
Salix Fund	-168	-214	-257	-266	-274
EU Exit Funding	-288	-288	0	0	0
	-4,616	**-4,285**	**-2,759**	**-1,977**	**-1,907**
Specific issues					
Council Elections	-62	-122	-182	-242	0
Crisis Support Reserve	-537	-437	-337	-237	-137
Growth Fund	-3	-3	-3	-3	-3
Equipment Reserves	-246	-246	-246	-246	-246
Geopark	-26	-16	-6	0	0
Green Travel Plan	-106	-106	-106	-106	-106
Highway Reserves	-373	-330	-300	-275	-250
Housing First	-316	-116	0	0	0
Housing Benefit	-475	-475	-475	-475	-475
Insurance Reserves	-3,190	-3,174	-3,149	-3,124	-3,099
NNDR Collection Fund	-359	-12,750	-750	-750	-750
Collection Fund Deficit	0	-3,500	-2,200	-1,100	0
Office Accommodation Reserve	0	0	0	0	0
Oldway Mansion Reserve	-11	0	0	0	0
Planning Reserve	-268	-209	-69	0	0
PFI Sinking Fund	-788	-638	-488	-338	-188
Regeneration Reserve	-243	-27	-27	-27	-27
Town Centre Regeneration	-87	-44	0	0	0
Section 106	-7	-7	-7	-7	-7

Service Carry Forwards	-686	-686	-486	-446	-446
Tourism	-12	-12	-12	-12	-12
Transformation Reserve	-178	-78	0	0	0
Waste Strategy	-355	0	0	0	0
Climate Change	-25	-63	-88	-63	-38
Better Bus area	-23	0	0	0	0
Community Infrastructure Levy	-262	-262	-262	-262	-262
Retail Reserve	-357	-341	-694	-1,048	-1,402
Car Parking	-252	-252	-252	-252	-252
New Burdens - Transparency Code	-13	-13	-13	-13	-13
RICC Support	0	-170	-170	-170	-170
	-9,260	**-24,075**	**-10,321**	**-9,195**	**-7,881**
Investment Fund					
Investment Fund	-2,072	-1,894	-2,867	-4,085	-5,376
	-2,072	**-1,894**	**-2,867**	**-4,085**	**-5,376**
Grants - received not spent					
Grants - received not yet spent	-13,512	-8,121	-2,774	-1,398	-1,398
	-13,512	**-8,121**	**-2,774**	**-1,398**	**-1,398**
Total Earmarked Reserves	**-30,485**	**-36,836**	**-13,650**	**-10,256**	**-9,468**
TOTAL RESERVES	**-35,108**	**-42,459**	**-19,273**	**-15,879**	**-15,091**

Appendix Two

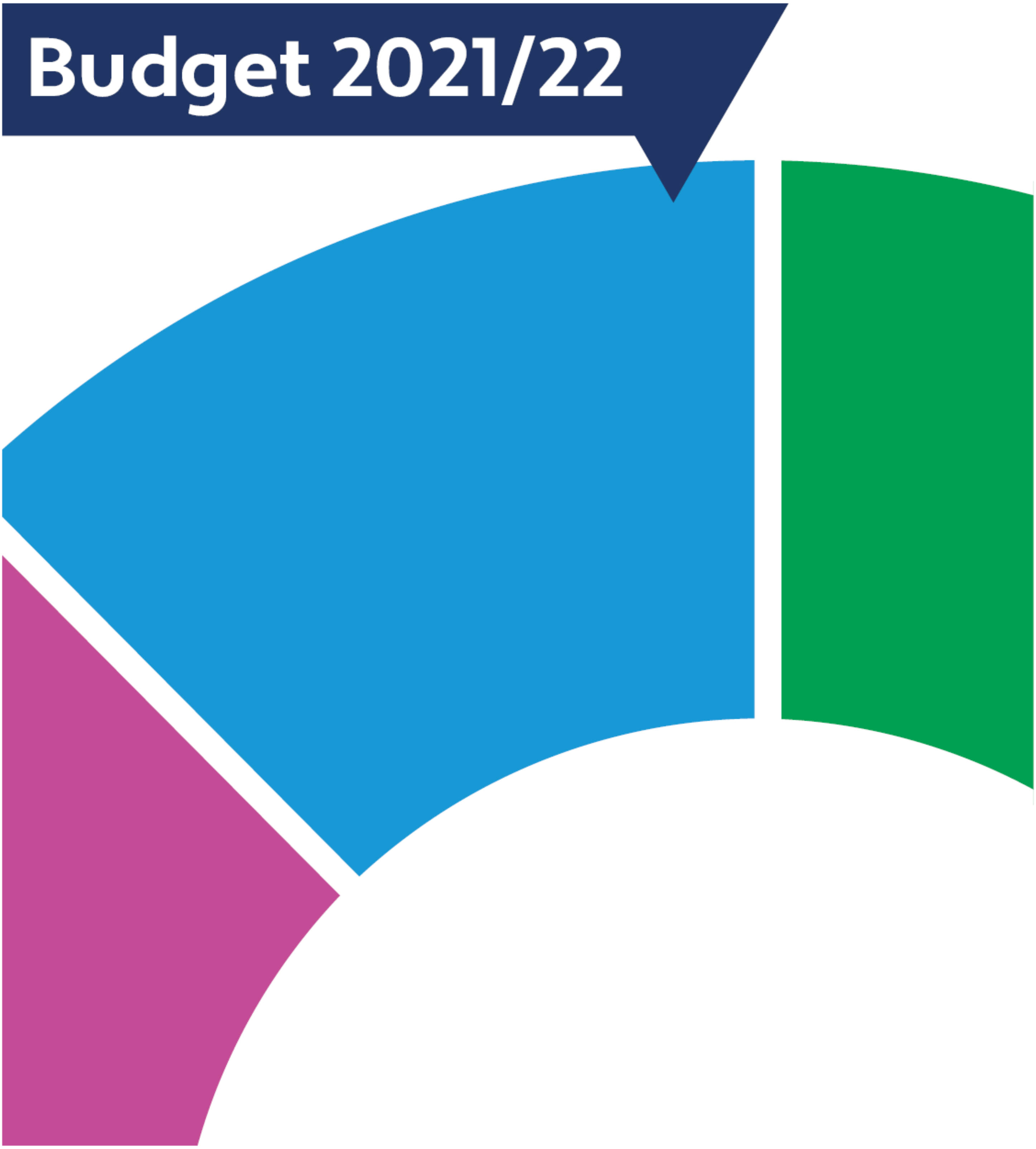
Name of Reserve	Description of Reserve	Responsible Officer
Adult Social Care	Reserve for any adult social care funding to be used to support adult social care	Jo Williams Director of Adult Social Care
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.	Martin Phillips Chief Finance Officer
Carry Forwards	Balance of any Service specific Carry Forward of budget	Martin Phillips Chief Finance Officer
Collection Fund Deficit Reserve	To fund the impact of the three year spread of the cost of the 2020/21 collection fund deficit	Martin Phillips Chief Finance Officer
Comprehensive Spending Review Reserve including Covid-19 Reserve	To fund costs associated with meeting budget reductions as a result of the Government's comprehensive spending review.	Martin Phillips Chief Finance Officer
Crisis Fund	Reserve to support the costs of social fund and exceptional hardship	Tara Harris Assistant Director Community Services
Dedicated Schools Grant	Reserve to reflect the position on the ring fenced dedicated school grant – currently negative balance pending recovery plans.	Nancy Meehan Director of Children's Services
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.	Various
Geo Park Conference	To support costs of Geo Park activities	Kevin Mowat Director for Place
Grants recognised but not used	Reflects the value of revenue grants (without conditions) received by 31st March but not yet used to support expenditure. This includes Covid-19 Grants	Martin Phillips Chief Finance Officer
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.	Kevin Mowat Director for Place
Highways Reserves	Reserve holding funds received under Highways Acts and other legislation where the Council holds funds to do works.	Kevin Mowat Director for Place

Housing Benefit Subsidy	Reserve to mitigate variations to the Council's housing benefit subsidy	Tara Harris Assistant Director Community Services
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve covers potential future liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims	Anne-Marie Bond Interim Chief Executive
IT Equipment Reserve	To provide funds for priority driven replacements of IT equipment. Reserve to fund costs of the purchase of a replacement case management system for childrens' social care	Matt Fairclough-Kay Interim Assistant Director – Corporate Services
Investment Fund Reserve	Reserve to mitigate any variations in income or costs associated with Investment Fund properties such as void and rent free periods	Kevin Mowat Director for Place
RICC Support Reserve	Reserve allocated from CSR Reserve for costs, if needed, to support the RICC. If not required this reserve will be reversed.	Kevin Mowat Director for Place
NNDR Equalisation Reserve	Reserve to smooth the volatility of NNDR income including appeals, s31 grant and the performance of the Devon wide NNDR pool.	Martin Phillips Chief Finance Officer
Misc. Specific Reserves	Includes: Council Elections, Devon Audit Partnership, Green Travel Plan. Museums and Salix (energy initiatives).	Various
PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (The Spires and Homelands Schools) and to provide funding towards Paignton Community College expansion project.	Nancy Meehan Director of Children's Services
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years and Masterplan delivery.	Kevin Mowat Director for Place
Public Health	Reflects carry forward of ring fenced funds for Public Health	Caroline Dimond Director Public Health
Regeneration Reserve	A reserve to support economic regeneration and employment initiatives	Kevin Mowat Director for Place
Regeneration/TDA Reserve	Reflects the value of funds awarded to the TDA where the work has yet to be completed.	Kevin Mowat Director for Place

School Balances	Reflects the carry forward by schools of their delegated school budget share.	Rachael Williams Assistant Director of Education
School Redundancy Reserve	Reserve to support the costs of redundancies for schools based staff	Rachael Williams Assistant Director of Education
Swimming Pool Reserve	Reserve established as part of 2018/19 budget proposals to support unplanned expenditure or income variances for community run internal swimming pools.	Kevin Mowat Director for Place
Tourism (Strategic Events) Reserve	Reserve established in 2012/13 to support tourism and events.	Kevin Mowat Director for Place
Town Centre Regeneration	Reserve established to fund the staffing and feasibility costs associated with the Town Centre Regeneration project	Kevin Mowat Director for Place
Transformation Reserve	Reserve to support expenditure on projects associated with the Council's transformation programme.	Anne-Marie Bond Interim Chief Executive
Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.	Kevin Mowat Director for Place

Cabinet’s Response to Consultation

19 January 2021



Contents

Statement from the Leader and Deputy Leader of the Council

When we published our draft budget proposals in October 2020, we did so in unprecedented times. Little did we realise that we would be making our final proposals in a time of further national restrictions aimed at stemming the tide of Covid-19. The financial impacts of Covid-19 continue but the Government has acknowledged those, at least in the short term.

When we prepared our initial budget proposals, we identified a number of financial pressures as a result of Covid-19. Now that we have received our final settlement from Government, we are able to release those contingencies and reinvest in our communities priorities, albeit on a one-off basis.

In addition, over the course of the current financial year, we have made significant changes in the management and practice around Children's Services. This was backed up with a significant financial investment in the service. We are now seeing improvements in the outcomes for our children as well as delivering an overall financial benefit.

We are therefore in a position where we can fund initiatives that both improve our partnership working and which have longer term benefits for our whole community.

We will be **investing in Torbay's people**. We will use half of our Social Care Grant to support children and families with complex and challenging needs in their home communities rather than drawing on costly, statutory services. We are confident that we can continue to reduce the numbers of care-experienced children and young people in Torbay, even though the consequences of family stress caused by the Covid-19 pandemic may cause some short-term challenges.

We are allocating £60,000 over three years to implement our Sports Strategy (on top of £34,000 that has been provided from the current year's adult social care precept). We will focus on the importance of sport for our physical and mental health and wellbeing, especially for our young people. We want to be able to provide support for clubs that have not been able to access such levels of funding for many years.

Our Economic Repositioning Plan aims to support the local economy to recover as quickly as possible from the impacts of Covid-19. We want to see increased levels of wealth, shared more evenly across Torbay. We are investing £500,000 in delivering this Plan.

We will make available a further £300,000 for those residents are facing financial hardship. We are in the process of developing how this scheme will operate but we will be working with our partners, co-ordinating support for the most vulnerable in Torbay.

In our original proposals, we identified £150,000 to reinstate the subsidies for local bus services which are so valued by our community. We are pleased that this proposal remains within our budget plans for next year.

We will be **investing in Torbay's economy** with £750,000 over three years available to implement our new Events Strategy and to support wider cultural and heritage activities. This will include funding for the continuation of the English Riviera Air Show which brings significant economic benefit into Torbay. £250,000 will be used to kick start the capital projects to regenerate our town centres, with the projects themselves will be funded through the Town Deal and Future High Streets Fund – both of which we've been successful in securing from the Government.

We will develop proposals to replace the festoon lighting along Paignton seafront. We want to see an energy-efficient, sustainable modern alternative in place helping to make the area attractive for us to enjoy.

Within our fees and charges, we are also proposing that there is no increase in car park fees this coming year. This will benefit both our businesses and our residents.

Our **commitment to tackle climate change** continues with £150,000 available over three years to develop and deliver a proactive and effective tree planting scheme, which will include community participation and the launch of a supportive Tree Warden scheme.

We will seek to establish a portal to help residents across Torbay to make energy efficient changes to their homes. Our Climate Change Reserve will also be increased so that we are able to develop a range of other initiatives to help us meet our ambition of being a Carbon Neutral Council.

Finally, we will invest so that we are a **Council fit for the future**, by improving our financial resilience. £500,000 of the current year's underspend will be used to increase our General Fund Reserve and we hope to meet the target of having a General Fund at 5% of our Revenue Budget during the course of 2021/2022. We will also create a new Covid-19 Reserve of £1.6 million enabling us to deal effectively with the continuing impacts of the pandemic. Overall, increasing our reserves means that we are better placed to deal with unexpected issues in the coming years.

In providing the Local Government Settlement, the Government has again failed to recognise the costs of **adult social care** and, instead, has announced a continuation of the Adult Social Care precept which allows councils which provide social care to adults to increase their share of Council Tax. We believe it is unfair for the Government to use local taxation to address shortages in national taxation, but without the precept, we simply can't fund adult social care appropriately. Therefore we are recommending to the Council that the 3% adult social care precept is included within Torbay's Council Tax for 2021/2022.

The amount of money that Torbay Council spends on Adult Social Care, mainly through our Integrated Care Organisation, is far higher than that collected by the Adult Social Care precept. The income generated by the precept is ring-fenced; meaning that Torbay Council doesn't spend the adult social care precept on anything else and it doesn't go to the council's 'bottom line'. The cost of adult social care is rising, and our larger number of older people in Torbay means that we feel that more than most other councils.

In 2021/22 we will invest a lot the monies raised by the precept in the Community and Voluntary Sector, again focussing on keeping people healthy and independent in their homes and community. Without this funding from the precept, a lot of the services people depend on would run out of money and have to close. We will also share it with the local NHS, because Torbay and South Devon NHS Foundation Trust run services on our behalf, and this money will again go to fund such things as home care and residential care.

We are proposing a balanced Revenue Budget of £115.5 million for 2021/2022 and a Capital Plan of £125m. Taken together, this will deliver our ambition of a thriving Torbay, turning the tide on poverty despite the challenges of a global pandemic. This budget will deliver investment in our economy, our climate and our people.

Councillor Steve Darling
Leader of Torbay Council

Councillor Darren Cowell
Deputy Leader and Cabinet Member for Finance

Introduction

This document and the papers which support it set out the Cabinet's final proposals for the Revenue and Capital Budgets for 2021/2022. It highlights the consequences for the Council's budget as a result of the Covid-19 pandemic as well as how we are continuing to standardise and simplify out processes to ensure that we are a Council fit for the future.

The Cabinet published its draft budget proposals in October 2020 for consultation. During the consultation period, feedback has been received from partner organisations, the community and voluntary sector and the general public. That feedback has been gathered through the online questionnaire as well as from Torbay Council's social media channels (including responses to the Ask Us Facebook Live panel held in November 2020).

The feedback has included the views of the Council's Overview and Scrutiny Board which were set out in its report to the Cabinet and is available at www.torbay.gov.uk/scrutiny

The results of the consultation have been published and the budget proposals issued in October 2020 have been updated and republished. All of these documents are available at www.torbay.gov.uk/budget-202122

This report reflects the feedback received and outlines the changes that have been made to the Cabinet's proposals as a result. It also reflects the (provisional) Local Government Funding Settlement which was published in December 2020 and the associated funding announcements in relation to Covid-19.

Alongside this document a number of others will be published and will be available on the Council's website (www.torbay.gov.uk/budget-202122) and are listed below:

- **Proposals for Efficiencies, Income Generation and Service Change**
  This sets out details of all of the final proposals for service change, income generation and savings in order to produce a balanced budget for 2021/2022. We have included the high level environmental, economic and equality impacts of each proposal which we want to test with you during the consultation period.

- **Torbay Council – Proposed Revenue Budget Digest**
  This provides a description of what each Council service does and how much it is proposed that they will spend next year including how much income they will receive.

- **Fees and Charges**
  The amount that the Council proposes to charge for its services over the next year.

- **Capital Plan 2021/2022**
  This explains which capital schemes the Council plans to fund over the coming year.

- **Reserves**
  The current and forecast position on the use of the Council's reserves.

Other documents which will be updated and published on the Council's website will include the Capital Strategy and the Treasury Management Plan.

The Cabinet's final budget proposals will be considered at the Adjourned Meeting of the Council being held on 11 February 2021. If the proposed revenue and capital budget are approved by a majority of councillors then they will be adopted on the night. If an objection to the budget is proposed and approved by a majority of councillors, the budget will deferred to the following meeting. Any approved objections will be considered by the Cabinet which will respond to the meeting of the Council on 25 February 2021 when the budget will be decided.

Council Tax levels will be set at the meeting of the Council on 25 February 2021 as the Council has to wait for notifications from the Devon and Somerset Fire and Rescue Authority, the Devon and Cornwall Police and Crime Commissioner and Brixham Town Council before setting the overall Council Tax for Torbay.

Details of the meetings when the budget proposals will be discussed are available on the Council's website: www.torbay.gov.uk/meetings-and-decisions

Revenue Budget 2021/2022

Current Year Budget

The Council's financial position for 2020/2021 was reported to the Overview and Scrutiny Board and Cabinet in November 2020. At this point, we were projecting that there would be a £2.2m overspend at the year-end on 31 March 2021.

Since that time, we have received further funding from Government (within the current financial year) in respect of Covid-19 which has also enabled us to remove the contingency we had in place for Covid-19 related costs for adult social care, children's social care and home to school transport.

The improvements we are undertaking within Children's Services are continuing to bring financial benefits (as well better outcomes for our children and young people). We are now projecting that the Children's Services budget will be a further £700,000 underspent at the end of the financial year.

In total, as at end of December 2020, the Council was projected to be £7.1 million underspent at the end of the 2020/2021 financial year. The Cabinet is proposing that this underspend is allocated as follows:

Description	£m	Commentary
Covid-19 Reserve	1.6	The creation of a new reserve which will enable us to deal with the continuing impacts of the Covid-19 pandemic.
Collection Fund Deficit	3.5	As a result of the financial impacts of Covid-19 on our residents and businesses, we have not collected as much Council Tax and National Non Domestic Rates (Business Rates) as we planned that we would. This deficit becomes a "debt" within our future years' budgets and we are planning to repay this with part of the 2020/2021 underspend.
Increase General Fund Reserve	0.5	We will allocate further money to our General Fund Reserve moving us closer to our target of having a General Fund which is 5% of our net revenue budget. This prudent approach means that we are in a stronger position to address unforeseen issues in future years.
SWISCo	0.5	Funding for SWISCo will ensure that we are able to improve the services we provide to all of our residents.
Allocation to our Community and Corporate Plan priorities	1.0	We have the opportunity to reinvest in the services our communities value the most, albeit on a fixed term. Further details are provided within this report on where those reinvestments will be made.
Total	**7.1**	

Table 1: Allocation of 2020/2021 underspend

Proposed Changes to the 2021/2022 Revenue Budget

Since the Cabinet's budget proposals were issued in December 2020, central government has recognised the impact of Covid-19 on local authorities for next year and has provided some one-off funding. In addition, the (provisional) Local Government Funding Settlement has been published along with the associated funding announcements.

In total, the funding that has been announced has enabled us to close the funding gap of £2.6 million which existed within the draft budget and to make some investment in services. However, local government has only received a one year funding settlement. Whilst we are in a better position than expected for 2021/2022, the additional funding is one off, and therefore this may add to pressures in future years.

Our proposals for investment into services have taken this into account with the aim of maximising the use of this funding where longer term benefits can be gained, including through improved partnership working.

We have also considered the views of the wider community and those of the Council's Overview and Scrutiny Board which have been provided during the consultation period.

Alongside the Funding Settlement, the Government has announced a continuation of the Adult Social Care precept which enables the Council to increase Council Tax by an additional 3% on top of the 1.99% we had assumed within our draft budget proposals.

The Adult Social Care precept would generate an additional £2.1 million to be spent on Torbay's residents and, whilst we appreciate there will be an impact on our residents of this additional increase in their Council Tax, we believe that without this funding, we cannot delivery adult social care effectively.

Last year, the money from the adult social care precept was in part invested into the Community and Voluntary Sector – in order to help people stay healthy and well at home. It contributed to the Community Helpline and other projects such as helping people with their Mental Health. We also offered grants to small organisations in Torbay and funded Community Centres.

We want to be continue the work we are doing to support the most vulnerable in our communities – the very people who were left behind by the previous cuts that were made to the then Supporting People budget.

Taking all of the above into account, a summary of the changes in income and expenditure since the initial proposals were published is set out in Table 2. This includes changes in the funding of the Council as a result of Government announcements, changes to our original proposals and pressures within the Council's services. Most importantly, it includes investment in services most valued by our residents.

Description	Reduction in Expenditure/ Higher Income £m	Increase in Expenditure/ Lower Income £m	Commentary
Covid-19 Grant	4.1		This is a one-off Government grant. The final details of the grant are still awaited.
Adult Social Care precept (Torbay and South Devon NHS Foundation Trust)		1.1	50% of the Adult Social Care precept will be transferred to the Integrated Care Organisation to deliver adult social care across Torbay.
Adult Social Care precept		1.1	We will use the other 50% of the Adult Social Care precept to invest in the community and voluntary sector, focussing on keeping people healthy and independent in their home and community.
Lower Tier Grant	0.2		This is a new grant from Government which has been issued to all unitary and district local authorities.
Social Care Grant	1.4		This is Torbay's share of £300m which has been made available for social care across the country.
Social Care Grant – Adult Social Care		0.7	50% of this part of the allocation will be used to fund adult social care across Torbay (of which 50% will be transferred to the Integrated Care Organisation).
Social Care Grant – Childrens Social Care		0.7	We will use the other 50% of the Social Care Grant to invest in our preventative and Edge of Care services for our vulnerable children. The aim is to support children and families with complex and challenging needs in their home communities rather than drawing upon statutory services.
Local Government Pay Award	0.6		Given the announcement by Government that there will be a public sector pay freeze in 2021/2022, we do not need to allocate as much for the Local Government Pay Award as we had assumed within our draft budget. We plan to hold a small contingency to cover increases in the National Minimum Living Wage.
SWISCo		0.6	Rather than seeking savings from SWISCo, there will be an investment into the company (as detailed in Table 1 above). In addition, any savings that we realise from increasing our recycling rates across Torbay will be reinvested in our recycling services.
Exchequer and Benefits		0.05	The proposed savings from redesigning how we administer Housing Benefit will now come into effect from early 2022. This is due to the current high levels of demand on the Exchequer and Benefits Team due to Covid-19.

Library Premises		0.02	We will work to ensure that the proposed savings from reducing the building maintenance costs and increasing the income from our libraries will come into effect from October 2021.
IT	0.2		The planned cost of our new Customer Relationship Management computer system will be in 2022 rather than the next financial year.
Insurance Premiums		0.3	Change in market conditions mean that our insurance premiums have increased beyond our assumptions.
Senior Leadership Capacity		0.2	We are investing to ensure that our senior leadership team is supported in order to deliver our ambitious transformation programmes.
Planning Enforcement		0.05	We will recruit an additional planning enforcement officer to ensure that planning and listed building regulations are adhered to and there is compliance with planning conditions.
Harbours		0.15	We are able to return £100,000 to the base budget for the Harbour Account and will recruit a Health and Safety Officer to ensure that our Harbours are safe places to work in and visit.
Greenspaces		0.03	Last year, we used money from our Community Enablement Fund to employ a further member of staff from Groundwork South West to support our community work in greenspaces. We will continue to fund this post from our baseline budget.
Disabled Parking Bays		0.02	We are reducing the fee for the installation of advisory disabled parking bays outside residents' homes. This will mean that residents will need to pay £100 instead of £545.
Home to school transport	0.3		Within our draft budget we had assumed that there would be increased pressure on our home to school transport budget. This pressure is now forecast to be at a lower level and part of the contingency can be removed from our budget.
One off funding	1.0	2.4	The details of the one off funding we are making available are set out below.

Table 2: Summary of changes in income and expenditure

The one-off funding which we are able to be invest in services will be allocated as set out in Table 3.

Description	Increase in Expenditure/ Lower Income £000	Commentary
Planning Enforcement	50	On top recruiting a further Planning Enforcement Officer, there will be one-off funding to address the backlog of case and to support the enforcement of planning and listed building regulations and the compliance with planning conditions.
Events, Culture and Heritage	750	We are providing funding over a three year period to support the implementation of our new Events Strategy. This will include funding for the English Riviera Air Show. Money will also be available to support cultural and heritage activities during this period.
Harbour Dredging	150	There is a need to undertake dredging at Brixham Harbour to provide deeper berths and channels, so that the port can accommodate larger fishing vessels. This is due to both a gradual increase in silt and the increase in the depth of the draft of newer fishing vessels.
Tree Planting	150	Over a period of three years we will deliver a positive programme of tree planting. An early use of the budget will be to increase community participation and launch a supportive Tree Warden scheme.
Economic Repositioning Plan	500	This investment will help us deliver our Economic Repositioning Plan which aims to support the local economy to recover from the impacts of Covid-19 as quickly as possible. Ultimately, we want to see increased levels of wealth being generated and shared more evenly across the area.
Torquay Town Deal and Paignton Future High Streets Fund	250	This money will be used to start the capital projects in both Torquay and Paignton as part of our regeneration plans for our town centres.
Sports Strategy	60	We are providing funding over a three year period to support the implementation of our Sports Strategy.
Financial Hardship Fund	300	We recognise that many of our residents are facing financial hardship. This funding will be on top that which is already available. We will continue to work with our partners, co-ordinating support for the most vulnerable in Torbay.
Climate Change Strategy	90	In response to the Climate Change Emergency, we will seek to establish a portal to enable householders to implement energy

		saving initiatives. We will also increase our Climate Change reserve so that we are well placed to implement our Climate Change Strategy and develop other initiatives.
Paignton Seafront Lights	50	We will develop proposals to replace the Paignton Seafront festoon lighting with an up to date alternative, ensuring that the area is attractive for residents and visitors alike.
Home Working	50	We will invest in our homeworking capabilities, including making alterations to our offices so that they are fit for the post-Covid working arrangements.
Total Allocation	**2,400**	

Table 3: Allocation of one-off funding

Revenue Budget 2021/2022

The Council is being asked to approve the Cabinet's proposal for the total net revenue budget for 2021/2022 and the budget that will be required to be funded from Council Tax.

The Council is also being presented with the allocation of the 2021/2022 revenue budget to individual services as identified in the Budget Digest which has been circulated separately. The allocation of budget to services is a key part of the Council's financial control arrangements. The Financial Regulations in the Constitution govern any subsequent in-year budget changes. The approval of fees and charges for 2021/2022, in addition to supporting the achievement of budgeted income, provides clarity to services and service users. The Officer Scheme of Delegation governs any subsequent in-year changes to fees and charges.

A summary of this information is shown in the Table 4.

Service	Expenditure £m	Income £m	Net £m
Adult Social Care	56.2	(14.3)	41.9
Children’s Services	100.9	(56.2)	45.7
Dedicated Schools Grant including in Children’s Services	*44.4*	*(44.3)*	*0*
Public Health	10.0	(0.3)	9.7
Sub-total – Joint Commissioning Team	**168.1**	**(70.8)**	**97.3**
Corporate Services			
Community Services	6.8	(4.2)	2.6
Corporate Services	8.7	(2.7)	6.0
Customer Services	47.2	(44.0)	3.2
Housing Benefit included in Customer Services	*42.2*	*(42.2)*	*0*
Sub-Total – Corporate Services	**62.7**	**(50.9)**	**11.8**
Finance	**28.6**	**(38.2)**	**(9.6)**
Place			
Business Services and Regeneration and Assets	32.3	(18.9)	13.4
Investment Properties	9.5	(14.1)	(4.6)
Planning and Transport	9.6	(2.4)	7.2
Sub-total – Place	**51.4**	**(35.4)**	**16.0**
TOTAL			**115.5**
Sources of Funding			
Council Tax – 1.99% increase			72.5
Council Tax – 3% Adult Social Care			2.1
Collection Fund Surplus/(Deficit)			(1.4)
Revenue Support Grant			6.6
Business Rates (NNDR)			33.7
New Homes Bonus and Other Grants			2.0
TOTAL			**115.5**

Table 4: Revenue Budget 2021/2022 - Summary

The value of Council Tax resulting from a rise in the Torbay element of the Council Tax of 4.99% is £74.6 million. A 4.99% rise will increase the Band D Council Tax in Torbay by £77.99 (of which the 3% rise for adult social care is £46.89), which equates to £1.50 per week.

When the Council formally sets the Council Tax for 2021/22, the Council's budget has to include the council tax requirement for Brixham Town Council which is due to be confirmed on 18 February 2021. The value of this precept will be included as part of the Torbay Council budget for Council Tax setting purposes.

Capital Plan 2021/2022

As our operational (revenue) spend remains under pressure, it is vital that we maximise the opportunities within our Capital Plan. This will be from two funding routes: firstly by working with and bidding for funding from central Government; and secondly by the Council's own use of "prudential" borrowing at historically low rates.

The 2021/22 Capital Plan's updated forecast expenditure is £125m in the year as part of the £301m four year plan.

We have set out a clear commitment for a thriving Torbay. Over the past 12 months there have been committed investments on projects including:

- Harbour View hotel scheme in Torquay (which is due to complete in 2021),
- the development of the Claylands site in Paignton to support growth of high value manufacturing jobs,
- the acquisition of the Fleet Walk shopping centre in Torquay, and
- a loan to TDA, the Council's wholly owned and controlled economic development company, for a light industrial scheme in Paignton which is now fully let.

The past year has also seen continued investment along the Ring Road and the completion of EPIC, the Electronics and Photonics Innovation Centre, located in Paignton and key to our aspiration that this sector becomes an ever more important part of the local economy.

We are excited that our two significant bids on behalf of the community for Torquay (under the Town Deal programme) and Paignton (under the Future High Streets Fund) were successful. The value of the grants have been included in the Capital Plan and the value of spend in the Council's capital programme will grow further as these schemes are progressed.

These bids to deliver vital town centre improvements are supported by Council-funded schemes such as the redevelopment of Crossways in Paignton where we have committed to a compulsory purchase order. Plans include 90 extra care and sheltered affordable housing units for local people with ground floor commercial use. This decisive move will transform Crossways so that it no longer blights the centre of Paignton.

There is a commitment to confirm with Brixham Town Council and the community a way forward for the town centre site in Brixham. We will explore opportunities for further investment at Brixham Harbour.

We will be investing to create new employment space at Torquay Gateway and in delivering these projects will be using our powers to generate the biggest local benefit by creating opportunities for local suppliers and local employment. This is complemented by our successful bid for the funding of Edginswell Station.

Building more new homes for the local community continues to be important and the capital programme includes a scheme at Preston Down Road while our housing company, TorVista Homes, will begin delivery of its programme once approval for its "registered provider" status has been received from Homes England.

Subject to planning permission, there will be investment in solar farms at two locations in Torbay so that we can develop generation capacity in line with our commitment to tackle the Climate Change Emergency. Torbay's coastal nature means that there will continue to be investment to better protect the area from the impacts of flooding and coastal erosion with schemes planned at locations across Torbay.

Investment in IT for services is continuing to provide a better and more efficient service to our residents. We expect a new care management system for vulnerable children to go live in 2021 along with an improved system to enable our customers to better interact with us.

Appendix 1: Summary Budget Proposals 2021/2022

The proposals are for revenue (net) budget reductions from either a reduction in expenditure or an increase in income (marked *). Those shown in ***bold italics*** have changed since October 2020.

Proposal	Amount £000	Proposal	Amount £000
Council Fit for the Future		**Tackling Climate Change**	
Revised operating model for Corporate Security, CCTV and Environmental Enforcement	45	***Implementation of Resource and Waste Management Strategy*** ***Reinvestment of any savings in improving recycling.***	***100*** ***(100)***
Improved use of Churston Library (from October 2021)	***7***	Street Lighting contract management	50
Improved use of Paignton Library and Information Centre (from October 2021)	***10***	**Thriving economy**	
Paperless billing for Council Tax and NNDR	25	Increased income from leased properties	50
Redesign of Housing Benefit Administration	10	**Thriving People**	
Full cost recovery in allotments	6	Efficiencies within Home to School Transport	50
Efficiencies resulting from the new Children's Social Care case management system	100	In-house delivery of Torre Abbey Café	50
Rationalisation of IT licences	50		
Redesign of parking services	100		
Redesign of Financial Services	75		
Reduced fraud and error in Business Rates and Council Tax	75		

Proposal	Amount £000	Proposal	Amount £000
Reduced spend on print, post and confidential shredding	84		
Reduced travel costs	100		

Further details of the proposals and the following document are available online at www.torbay.gov.uk/budget-202122

This document can be made available in other languages and formats.

For more information please contact consultation@torbay.gov.uk

Revenue and Capital Budget 2021/2022

Report to the Cabinet

January 2021

1. Background

1.1 The Cabinet's Draft Revenue and Capital Budget proposals for 2021/2022 were published on 21 October 2020 and available on the Council's website at https://www.torbay.gov.uk/budget-202122. The Revenue Budget Digest set out the proposed budget for each Council service for 2021/2022. The website also included further documents which set out: the proposals for service change; income generation and efficiencies; proposed fees and charges; and Medium Term Resource Plan. The Priorities and Resources Review Panel was established to scrutinise the proposals and to make comments, observations and recommendations as necessary.

1.2 The Review Panel comprised the councillors on the Overview and Scrutiny Board (namely Councillors Barrand, Brown, Bye, Mandy Darling, Foster, Howgate, Kennedy and Loxton, with Councillor Atiya-Alla in place of Councillor Doggett and was Chaired by Councillor Howgate) and it met in public on 28 October and 2 November 2020 to hear evidence and on 5 November 2020 in private to agree the key findings and recommendations to the Cabinet. At its public meetings the Panel heard from the Leader of the Council and the Cabinet Members as well as from officers from the Senior Leadership Team.

1.3 The Panel considered all of the identified savings for 2021/2022 as well as the overall budgets for Children's Services, Adult Services and Public Health and the findings from their meetings are set out in this report.

2. Council Fit for the Future

2.1 Members acknowledged that the budget proposals had been developed during unprecedented times with a gap in the draft Revenue Budget of £2.6m at the time of going out to consultation. This was as a result of the ongoing pressures and uncertainty over future income as a result of Covid-19 and the lack of guaranteed funding announced from the Government for 2021/2022. The Section 151 Officer had given assurance that he was fairly confident that further funding would be received from the Government in respect of Covid-19 and the Local Government Finance Settlement would take into account the additional pressures faced by Councils to enable the Council to set a balanced budget for 2021/2022. He also outlined the options contained within the submitted report to enable the Council to balance the budget if sufficient funding was not received by the Government and advised that the Council would have a clearer picture in January 2021 when it was finalising its budget proposals.

2.2 The Panel welcomed that there were no major cuts proposed to services, which would adversely impact our communities who have already suffered as a result of Covid-19.

2.3 **Revised operating model for Corporate Security, CCTV and Environmental Enforcement.** Members noted that the Council was in the final stages of procuring a contract for environmental enforcement which would be operational from the start of 2021. This contract would improve the cleanliness of our environment and deal with issues such as fly tipping at zero cost to the Council and would be an intelligence-led approach between the Council, SWISCo and the contractor. The Council had changed its corporate security working practices and how the corporate estate was used and needed to adapt to these new ways of working which would realise the identified savings for this area.

2.4 **Improved use of Churston Library and Paignton Library and Information Centre.** Members were advised that due to the way the contract was set up for Churston Library and Paignton Library and Information Centre there was an opportunity to reduce building maintenance costs and increase income through improved community use and/or community management of the spaces. Whilst options for increasing footfall at all of the libraries were being explored the contracts for Torquay and Brixham Libraries did not offer the same opportunities for community involvement as the other two. The Deputy Leader of the Council advised that as a result of ongoing discussions and early engagement he was optimistic that the savings could be achieved in the next financial year. Members were not satisfied with the level of detail provided in respect of these proposals and requested further information to be provided to them in writing in order to come to a view. Members received and noted a written response "that the Council was looking at both greater community use of these libraries and also improved asset management arrangements and/or tenancies, (e.g. enhanced tenancy at Paignton). The impact of Covid-19 on these plans does present a significant risk for both initiatives as they rely on physical use of the assets. If the pandemic impacts physical use of these assets in the coming year then the targets will be difficult to achieve." In light of the evidence provided, Members had great concern as to whether these savings were realistic and likely to be realised in 2021/2022 and given the impact of Covid-19 on the community it was highly doubtful that the savings of £34k proposed from greater public use of the library buildings in Churston and Paignton will be achieved and lettings for community groups were not likely to be possible within the financial year.

2.5. **Paperless billing of Council Tax and NNDR.** Members discussed options around encouraging higher take up of paperless billing and communication with the Council. It was noted that the Cabinet had taken a conscious decision for people to opt in to paperless initially to enable the Council to make improvements to its website and customer relationship management system with a view to increasing take up in the future. Many people prefer electronic communication and find it more convenient than paper so that they have access to the information when they are out and about. There would always remain an option for people to receive bills and communications in paper form to ensure that services are accessible to all people. Members sought further clarification on how the Council would ensure that all services were accessible to all. Members received and noted the following written response:

“We have started to compile our engagement approach to ensure the community is part of our continuing journey towards greater digitalisation. There are two key strands that our worth highlighting in response to this question. Firstly, we will be promoting a survey through our current website to ask those who are already digitally engaged how we can improve our web offer. Secondly, to engage those who currently chose not to use the website, we will be asking why this is and what would change their minds when they call us for services that are on our website. We will take all feedback received into consideration when designing new or improved digital services.

Members supported these proposals, provided that all services remained accessible to all users.

2.6 **Redesign of Housing Benefit Administration.** Members supported the proposal to reduce costs and improve accuracy through further standardisation and simplifying processes for administering housing benefits.

2.7 **Full cost recovery in allotments.** Members noted that this related to making improvements to the way water was used by allotment holders to ensure that any costs were met by the holders and not the Council in accordance with the Council’s policy on full cost recovery for services. It was noted that the Cabinet proposed to consult with those allotment holders impacted by the proposal to look at ways of recovering rain water where possible and that South West Water would be approached to see if the were willing to set up or fund any schemes as part of their community payback scheme.

2.8 **Efficiencies resulting from the new Children’s Social Care case management system.** Members were satisfied, that the introduction of the new Liquid Logic software, which would release three business support officers through efficiencies and through the saving of £100k in travel this year as a result of working differently due to Covid-19, that the identified savings of £100k would be achieved and supported this proposal.

2.9 **Rationalisation of IT Licences.** Members supported the review and rationalisation of IT licences to ensure consistency across the whole of the Council and to remove any unnecessary licences.

2.10 **Redesign of parking services.** It was noted that these savings would be made as a result of simplifying processes within parking services, facilitating cashless payments as well as implementing incentive schemes to increase footfall in our town centres. Members were not satisfied that the proposed savings in respect of parking services were achievable and sought further information on the proposals. Members received and noted the following written response:

"Through business process re-engineering (BPR), linked to whole Council redesign, we will standardise and simplify the existing administrative processes within the Parking Service.

We will continue to facilitate increased cashless payments across the car parking estate. The ambition would be a completely cashless service saving circa £90,000 in cash collection services alone. This ambition has been boosted by a massive shift to contactless payments, in all sectors, driven by the necessities of infection control linked to the pandemic, which has been widely accepted by the community. Savings will need to be offset against the additional cost of merchant fees for card payments but these can and should be negotiated down at a corporate level. The introduction of a recently re-procured pay-by-mobile service is expected to increase patronage and therefore income. Furthermore, it is expected that a combination of an increased contactless payment offer, combined with an improved pay-by-mobile service, will lead to customers paying for a longer stay as the inconvenience of finding the right amount of cash is removed."

2.11 **Redesign of Exchequer and Benefits.** Members supported the proposal to reduce costs and improve accuracy through further standardisation and simplifying processes for administering exchequer and benefits payments.

2.12 **Redesign of Financial Services.** This proposal related to savings from increased use of automated report and sharing of financial information between Torbay Council and SWISCo. Members requested further details in respect of this proposal to assure them that the savings were achievable. Members received and noted the following written response:

"The SWISCo link to finance is that the Council finance team are providing a shared service to SWISCo for a finance system (FIMS) and other finance processes such as VAT and payments, so will have additional income.

Other parts of saving are linked to business process re-engineering (BPR) and less finance staff from a greater use of automated reporting."

2.13 **Reduced fraud and error in Business Rates and Council Tax.** Members noted that this was an invest to save proposal which would utilise technology and increase data matching to reduce the level of fraud within these areas. The additional staff were required in order to carry out the processes for data matching and checking evidence which would then help bring in additional funding to the Council through increased payment of Business Rates and Council Tax. Members supported this proposal.

2.14 **Reduced spend on print, post and confidential shredding.** Members supported the proposal to continue to reduce printing, postage and confidential shredding costs, which have already been achieved in year due to the different ways of working, with most staff working from home and utilising electronic forms of communication. Assurance was given that staff would not go back to previous ways of working once Covid-19 was under control and that the Council's redesign process was looking at permanent solutions to make efficiencies and improve working practices in the long term, building on the success to date, which would also have a positive environmental impact.

2.15 **Reduced travel costs.** Members supported the proposal to reduce travel costs for Children's Social Care given the savings already achieved in year through utilising remote meeting facilities and electronic technology as opposed to in person visits, with these methods being supported by the young people as this was their normal means of communication. It was suggested that consideration should also be given to reviewing travel across the whole of the Council to reduce costs further and help to tackle climate change.

2.16 Members noted that many of the fees and charges had remained the same as 2020/2021 and questioned why they were not all increased at least by inflation. The Deputy Leader of the Council advised that some of the adjustments were based on the cost recovery model, however, with the current fragile economy the Cabinet and Senior Officers felt the need to protect our residents and local businesses and to encourage them to use our services and submit planning applications etc. to enable more housing to be developed and therefore some remained unchanged.

2.17 Members noted that the budget allocation for the staff pay award and pensions was only expressed in percentage terms and suggested that it would be helpful if approximate cost values in pounds were also included in future reports, which the Chief Finance Officer agreed to implement.

2.18 Members were concerned in respect of the lack of detail for some of the proposals to enable them to fully understand what was proposed and how it would be achieved, and also the lack of reassurance provided by some of the Cabinet Members and Officers as to the deliverability of some of the proposals.

3. Thriving People

3.1 **In-house delivery of Torre Abbey Café.** Members noted the proposal to save £50k from the in-house delivery of the café which had been brought about as a result of a detailed business case from the new manager of Torre Abbey, who had previously worked for the National Trust and had a proven track record of successfully running a similar facility and who also had plans for increased use of Torre Abbey. Members were not satisfied, on the evidence presented to them, that this was a realistic saving in light of the ongoing Covid-19 pandemic which would likely impact on footfall and sales, with people needing to social distance or other restrictions imposed by the Government.

3.2 The Panel congratulated Children's Services for their improvements which led to the reduction in their proposed budget for 2021/2022 by £2m but questioned if this budget reduction was appropriate in light of the rising referrals as a result of an increase in referrals via the front door through the Multi-Agency Safeguarding Hub (MASH) (40% increase – it was noted that this had mainly increased the edge of care and family work rather than resulted in an increase in the number of looked after children) and the lack of certainty over the future funding of the Troubled Families Programme. The Cabinet Member for Children's Services and Director of Children's Services gave assurance that the proposed reduction was reasonable in light of the ongoing efficiencies in Children's Services with the anticipated budget position for 2020/2021 predicted to be further improved by the end of the current financial year. This was why they had not proposed more than £2m reduction so as to have capacity should the referrals result in an increase to the number of children looked after by the local authority.

3.3 **Efficiencies within Home to School Transport.** Members supported the proposal to introduce efficiencies to the home to school transport service through further improvements to route mapping as well as moving to contracted escorts.

3.4 Members noted that the budget for Adult Services had already been set and this was the second year of a three year budget which had previously been agreed between the Council and the Integrated Care Organisation (ICO). The additional funding from the Government, was also noted, which had been passed onto the ICO and service providers to help them with Covid-19. Members thanked providers, the voluntary sector and adult social care staff for their dedication shown during unprecedented times and for supporting the vulnerable people in Torbay during the ongoing pandemic.

3.5 Members noted the budget for Public Health was ring-fenced and included a reserve balance of around £450k due to some of the services not being able to function as a result of Covid-19, although it was expected that these services would bounce back in the future and the reserve would then be used. It was noted that the Public Health Team was a small team of approximately 13 FTE posts who had been working under extreme pressure as a result of Covid-19 and Members expressed their appreciation for all of their good work.

4. Thriving Economy

4.1 **Increased income from leased properties.** This proposal relied on the income generated from the full occupation of Tor Hill House, including the 4th Floor office space and retail units. Members were concerned as to the deliverability of this proposal when there were many empty units within the town centre and the Council has previously been unable to let all the available space. The Cabinet Member for Economic Regeneration, Tourism and Housing gave assurance that the Town Deal funding secured to improve Torquay Town Centre and the One Public Estate Programme for public services had generated interest in office space in the town and also there was a further need for employment space, following the successful letting of the space in the EPIC building in Paignton.

4.2 Members supported the work being undertaken to support the economy and expressed appreciation for the additional funding awarded from the Government for the Torquay Town Deal and anticipated funding for Paignton from the Future High Streets Fund with options for improvement to Brixham being explored with the Town Council and community. They also acknowledged the Council's investment in the Bay and welcomed further investment through the Economic Growth Fund as well as the investment from the Fragrance Group in the development of four new hotels in Torbay which would help to enhance the area and provide much needed jobs.

4.3 Members raised concern in respect of the poor quality of some of the Council's infrastructure, lighting and sea defences and how this would impact on the Council's ambition to be a 'premier tourism resort'. It was suggested that more investment should be made in these areas in order to address these concerns.

5. Tackling Climate Change

5.1 **Implementation of Resource and Waste Management Strategy.** This proposal relied on significant changes to the current delivery model (e.g. trialling of three weekly residual waste collection in some areas and increased recycling) and changes in public behaviour in relation to waste and recycling. Members were not satisfied, based on the evidence provided, that saving £600k was realistic or achievable due to the reliance on changes to public behaviour. The Panel felt there would need to be a significant communication effort to engage with the public with the new Resource and Waste Management Strategy. As a consequence, some of the savings envisaged in the first year of operation would have to be offset by the costs of a public engagement strategy, and it was possible that savings may take several months to achieve as new measures bed in. Members felt that it would be helpful to see a more detailed breakdown on how the savings would be generated, which may give a greater confidence that the expected savings anticipated would in fact be both ambitious and realistic.

It was noted that the Resource and Waste Management Strategy was currently out to public consultation and therefore changes could be made before its final approval by Council. The Panel supported the increase in recycling and reduction in other waste and felt that the Council was not being ambitious enough when setting its targets in this area. It was also suggested that other schemes could be introduced such as having a recycling bin next to a waste bin in public spaces across Torbay to encourage increased recycling when people are out and about.

5.2 **Street lighting contract management.** Members supported the proposal to improve the way the street lighting contract was managed and investment in green technology to help reduce the impact of climate change.

5.3 **Capital Budget for A Climate fit for the future.** Members noted that the capital budget allocated for 2021/2022 was £4.7m to implement the solar farms at Brokenbury and the former landfill site near the Willows, which only equated to 5% of the overall capital budget. While the investments in solar farms and the promotion of greater recycling are welcome, the overall spend of £4.7m on measures to tackle the Climate Emergency is modest, and the range of actions should be greater. These should include a more ambitious approach to decarbonising the Council's estate, with the goal of ensuring all Council buildings operate on a carbon neutral basis. Specific and strategic targets for tree planting, rewilding and the encouragement of walking and cycling are urgently required. The Panel felt that a more robust approach to this issue is needed if we are to progress towards our goal of a carbon neutral future and to achieve savings over the medium term from energy-saving measures.

5.4 Members discussed the impact of flooding as a result of climate change and rising sea levels and supported the Capital Investment in flooding schemes such as Cockington and Monksbridge due to take place in 2021/2022 with the main priority area being Paignton seafront, which had been included as part of the Future High Streets Funding bid for Paignton Town Centre due to the impact on the town centre.

5.5 The Panel discussed other initiatives to support the climate and improve people's health and wellbeing e.g. electric charging points, encouraging increased take up of electric or hybrid vehicles, cycling, walking, decarbonising Council buildings and making them carbon neutral, which it was hoped the new Climate Emergency Officer would be able to move forward. Members noted that there were some initiatives for staff and other working people such as the car share scheme but felt that this should be expanded further to encourage greater recycling and reduction in our carbon footprint.

5.6 Members noted that the new Climate Emergency Officer and new Housing Officer would be working with the pre-existing Housing Delivery Working Group to work with existing housing providers to encourage greater use of green and carbon neutral options to improve their existing stock as well as working with providers and developers to encourage greener and more environmental building of new homes. The Council has greater control, through TorVista (housing company) to build sustainable homes on Council land. All of which supports the Housing Strategy Delivery Plan. It was also noted that Members have an advocacy role in their communities in encouraging sustainable investment and development, which can also help with fuel poverty as thermal efficiency also reduces fuel costs.

6. Recommendations

That the Cabinet be recommended:

6.1 that, in light of the assumptions within the following proposals not being robust, the impact of Covid-19, the reliance on public behaviour and the uncertainty around some of the funding from the Government, the Cabinet be requested to review the following proposals as there is a high risk that they will not be delivered or the full savings realised in 2021/2022:

(a) Improved use of Churston Library - £14k;
(b) Improved use of Paignton Library and Information Centre - £20k;

(c) Implementation of the Resource and Waste Management Strategy - £600k;
(d) In-house delivery of Torre Abbey Café - £50k;

6.2 that all opportunities for increased use of solar or other green energy sources be explored by the Council and that the Cabinet encourage greater take up of green energy and thermal efficiency across all communities to help tackle climate change and reduce fuel poverty;

6.3 to develop a programme for installation of electric charging points with agreed timescales for delivery;

6.4 to include a specific budget dedicated to making the Council estate carbon neutral;

6.5 to improve collaboration with other local authorities and make best use of the Co-operative Council's Innovation Network learning from best practice for the benefit of Torbay;

6.6 to consider reviewing travel across the whole of the Council to reduce costs further and help to tackle climate change; and

6.7 to set a more ambitious target for an increase in recycling and reduction in other waste and promote other recycling schemes such as having a recycling bin next to a waste bin in public areas across Torbay to encourage increased recycling when people are out and about.

That the Overview and Scrutiny Board be recommended:

7.1 to undertake a review of enforcement activity across Torbay; and

7.2 to undertake a review of the Council Redesign Programme in respect of accessibility of services and the impact on the community.

TORBAY COUNCIL

Budget 2021/22 – Consultation Results

10 December 2020

This document can be made available in other languages and formats.

For more information please contact consultation@torbay.gov.uk

Contents

Introduction

The Cabinet published draft proposals for the Council's revenue and capital budget for 2021/22 in October 2020 and an online survey was created to gather public views.

The survey opened on 21 October 2020 and closed at midnight on 4 December 2020.

As at the time of closing, members of the community had sent in 138 responses.

During the course of the consultation period, we also ran Twitter polls and those results are included within this report.

Summary

Proposal	Agree	%	Disagree	%
Churston Library	101	73.2%	10	7.2%
Paignton Library and Information Centre	105	76.1%	7	5.1%
Paperless Billing	110	79.7%	9	6.5%
Allotments	102	73.9%	14	10.1%
Parking Services	95	68.8%	25	18.1%
Torre Abbey Café	107	77.5%	11	8.0%
Council Tax increase	77	55.8%	57	41.3%

Responses to the Proposals

Churston Library

To increase the community use and/or management of the space at Churston Library with a view to increasing the income received and/or reducing the building maintenance costs. There are no plans to change the provision of library services.

This proposal is expected to generate an income and/or savings of £14,000 in 2021/2022.

	Number	%
I agree with this proposal	101	73.2%
I disagree with this proposal	10	7.2%
I am a user of Churston Library	16	11.6%
I am not a user of Churston Library	67	48.6%

The comments received in respect of this proposal have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
That it is a good idea (5)	"It is a logical and reasonable proposal, which increases revenue."
	"In principle this is good, providing that we don't go into a full lock down again when incomes will be nil."
	"In theory this is fine, I wonder with Covid if this would actually be a money saving scheme or would cost due to risk assessments and cleaning required to keep it Covid secure."
Proposal is too vague and needs more details on costs and impacts (5)	"The impact of the changes need to be reviewed alongside the cost saving."
	"This is a vague proposal. What is envisaged? What evidence is there of a demand for such use? Churston library has very limited space."
	"This needs to have more detail proposals on how this will be achieved. Will this money be from the community or Libraries Unlimited?"

Proposal agreed with and suggestions made as to groups that might like expanded community space (3)	“Have GPs and physiotherapists been consulted as both would like expanded use of community spaces? Also an opportunity for spaces for community groups related to wellbeing.”
	“I enjoy using Churston library …. However it’s lacking a quiet area where people can concentrate on reading or using a PC without being disturbed by … noisy groups. If these groups are given a room to themselves they should be charged for using it.”
	“The possibility of a hot desking office facility for local community groups that benefit wellbeing - at minimal cost.”

Paignton Library and Information Centre

To increase the community use and/or management of the space at Paignton Library and Information Centre with a view to increasing the income received and/or reducing the building maintenance costs. There are no plans to change the provision of library services.

This proposal is expected to generate an income and/or savings of £20,000 in 2021/2022.

	Number	%
I agree with this proposal	105	76.1%
I disagree with this proposal	7	5.1%
I am a user of Paignton Library and Information Centre	30	21.7%
I am not a user of Paignton Library and Information Centre	53	38.4%

The comments received in respect of this proposal have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
That it is a good idea (4)	“Logical and reasonable. It also means library services can be maintained.”
	“In principle I have no problem with this.”
	“Believe the building to be a much underused resource with a potential for community wellbeing.”
Proposal is too vague and needs more details on costs and impact assessments (2)	“Will this work happen through Libraries Unlimited or Torbay Council?”
	“This is a vague proposal. There already is a wider use of this building, which was the intention when it was built.”
Agreed with provided current level of free and other services are not reduced (3)	“As long as current free services aren’t affected.”
	“The building was intended to be a community space (not a Council space) and this has not been used fully. Please do not take away the library space in any way.”
	“Would again be against any reduction in operating hours because of the increased interest in reading by the public.”
Regarding current state of premises (1)	“The hiring of the offices/rooms on the first floor could be better utilised if the lift was reliable. The two meetings I've been to have both excluded sectors of the community due to the lift not working, resulting in lower attendance and manual handling issues.”

Paperless Billing

To introduce an optional paperless billing service for Council Tax and National Non-Domestic Rates (Business Rates). It has been assumed that up to 20% of customers would opt-into this service.

This proposal is expected to save the Council £25,000 in 2021/2022 as well as have a positive impact on our carbon footprint.

	Number	%
I agree with this proposal	110	79.7%
I disagree with this proposal	9	6.5%
I would opt-in for paperless billing	58	42.0%
I would not opt-in for paperless billing	27	19.6%

The comments received in respect of this proposal have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
Council tax bills to prove identity (9)	“Council tax bills are often required to establish identity re money laundering requirements.”
	“Ensure you state clearly it is voluntary so vulnerable are not scared by change.”
	“Being in the older generation category I would want a paper bill every year.”
	“If someone opts in to paperless billing they must be provided with an option to request a free paper-based version as this may sometimes be necessary as a proof of address, otherwise that would discourage switching to paperless.”
	“Many firms/banks etc. demand a council bill for ID purposes.”
	“Paperless billing discriminates against the elderly and disadvantaged who do not have internet access.”
Other companies offer discounts for paperless billing (3)	“Please consider offering a one off small discount to encourage take up.”
	“To encourage more opt-in, how about a one off discount of say £20.00 off the council tax.”

	“What discount do we get for opting to go paperless.”
Expressions of general agreement (6)	

Allotments

To work with our allotment holders to maximise the benefits of rain water harvesting and if water is still required, as with our other facilities, we will be asking for our allotment holders to cover these costs.

This proposal is expected to generate a saving of £6,000 in 2021/2022.

	Number	%
I agree with this proposal	102	73.9%
I disagree with this proposal	14	10.1%
I am an allotment holder	4	2.9%
I am not an allotment holder	80	58.0%

The comments received in respect of this proposal have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
Allotment holders should be charged more (9)	“Allotment holders should be charged more much than the current fees.”
	“An allotment is a privilege to have, not everyone can. So yes, but only if it really will make a difference.”
	“If allotment owners use the water they should pay for what they use if they have run out of rain water harvesting.”
	“It seems sensible that allotment holders pay the cost for any facilities that are a cost to the council.”
Difficult to work out who should pay and at what level. Some already save water some use far more than others (5)	“The system for charging may be difficult if the cost is applied to all and some are using far more water than others.”

	“Not really fair, as the cost would have to equalled to all allotment holders, regardless of individual use.”
	“Normal in other parts of the country that allotment holders either need to harvest rainwater or split the water bill for the site between themselves.”
	“Charging … for supplied metered water would be a difficult and possibly divisive policy problematic to enforce. It would probably cost more to manage than could be saved.”
Charging may adversely affect low income groups / mental well-being (5)	“I have an allotment and harvest water but need to have water supplied. If water not supplied then will have to give up allotment.”
	“What if people are on low incomes and can’t afford the cost. Will this reduce the number of plots used?”
	“With the current climate and Covid 19 what impact would this have on the mental health of allotment owners. They might not be able to cover the costs but enjoy the allotment and the positive boots it has to their individual well-being.”

We are proposing to work with our allotment holders to maximise the benefits of rain water harvesting 💦
If water is needed, as with other facilities, we will ask allotment holders to cover these costs. This could save £6k in 2021/2022.
Vote below or tweet us with your comments.

👍 **do you agree?** **93.5%**

👎 do you disagree? 6.5%

31 votes · Final results

Parking Services

It is proposed to standardise and simplify the processes within Parking Services, as well as have incentive schemes to increase footfall within our town centres and increase the amount of cashless payments across our car parks.

This proposal is expected to generate a saving of £100,000 in 2021/2022.

	Number	%
I agree with this proposal	95	68.8%
I disagree with this proposal	25	18.1%

The comments received in respect of this proposal have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
Still need the option to pay cash (9)	"Many people do not have a smart phone, how can you make it possible for them to park if they cannot pay."
	"I dislike using cashless parking."
	"Fearful of going completely cashless, as lots of our elderly do not have the technology to go paperless."
	"Do not get rid of cash. Simplify your processes is common sense."
More details needed (8)	"Not enough clarity in the question to answer."
	"I need more details on this - what is meant by standardising and simplifying processes. What incentive schemes?"
	"Easy to say but HOW will it generate savings of £100,000? Come on facts please."
	"As drafted, the proposal is pretty meaningless. You need spell this out better."
Parking fees already too high / discounts for residents (13)	"Decrease the fees, will encourage more people to use the town."
	"Free parking for locals with a residents card."
	"Car parking prices should be lower."

We want to introduce parking incentive schemes to encourage people into our town centres, simplify our processes for parking and increase cashless payments in our car parks 🅿 This is expected to save £100k in 2021/22.
Vote below to have your say, or tweet us with your comments

👍 I agree	83.6%
👎 I disagree	16.4%

73 votes · Final results

Torre Abbey Café

For the council to operate the café as part of its management of Torre Abbey. During Autumn 2020 this will be trialled as a takeaway service.

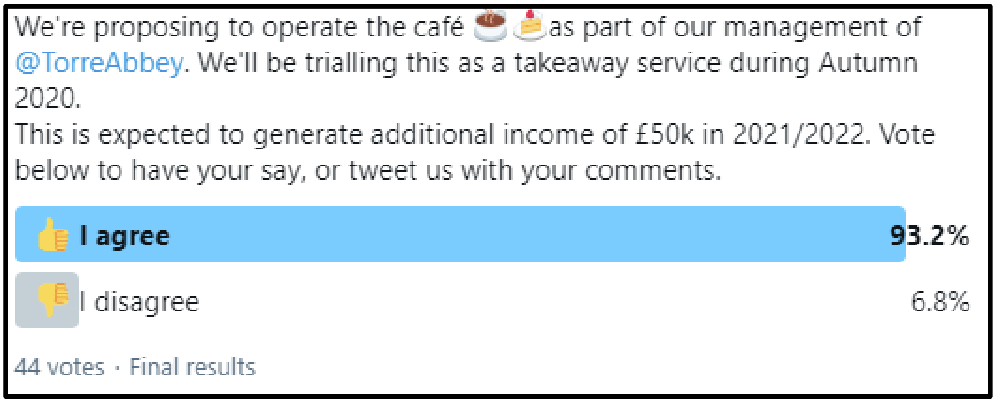
This proposal is expected to generate additional income of £50,000 in 2021/2022.

	Number	%
I agree with this proposal	107	77.5%
I disagree with this proposal	11	8.0%
I would use the café at Torre Abbey	65	47.1%
I would not use the café at Torre Abbey	25	18.1%

The comments received in respect of this proposal have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
Queries on income and savings expected (6)	“£50K for a cafe? That's a PROFIT of £1000 a week after wages and all the other outgoings or haven't these been factored in? Who does your accounts, this is La La land.”
	“How much did this cost to acquire?”
	“Is the person who has the lease for the cafe now ok with this? Do you not charge them for the lease and earn as much as if you took it over yourselves?”
	“Really like this, the council should always look to do this kind of thing if the opportunity is there.”

The café needs better facilities like more seating and wider range of foods (8)	"I would use the cafe if the prices, standards of food and service are all in line with other operators."
	"Promote local produce, homemade cakes, snacks etc., sell local jams, chutneys, chocolates, cakes etc. to take away too?"
	"Why only as a takeaway? Surely older visitors would appreciate sit in service?"
The café needs to be developed in coordination with the Abbey (5)	"Coordination between the Abbey and the Cafe is much needed."
	"The potential of the Abbey as a wedding and event venue is great; and the Cafe needs to develop its unique, and possibly themed, character as a destination in itself."
	"A mystery why it isn't currently run by the site as it is such a popular site which would easily generate income."
	"Feel it is currently expensive and aimed at the older population."



Council Tax

To increase the Torbay Council element of Council Tax by 1.99% which equates to £0.60 per week (£31.10 per year) for an average band D property.

	Number	%
I agree with this proposal	77	55.8%
I disagree with this proposal	57	41.3%

A sample of the comments received in respect of this proposal have been grouped are shown below:

Sample Extracts
"… (my) pension increase … will be wiped out more than two times by this Council Tax increase. It is increasingly difficult to live on a pension without Council Tax increases."
"Council tax is already far too high, bearing in mind what we actually get for it."
"I am unhappy about paying more for less."
"When families and businesses are struggling because of Covid, this is a time to make savings, not introduce council tax rises."
"You can't keep putting council tax up. We are one of the highest in the country with the lowest wages in the country."
"I think this is out of date, and a larger increase will be allowed. However, if your budget assumes 1.99%, then you should stick to 1.99%."
"If Council tax goes up then there should be no changes to our waste and recycling collection."
"You should increase it each year by the max you can so you're not always trying to cut everything. After years of the Mayor refusing to put it up, we're years behind already - get your income back to where it should be."
"We have to pay for our services. I would say charge more."
"You, with the help of our MPs, must fight for a proper settlement for council tax."

Ideas for Savings or Income Generation

Respondents were asked to tell us their ideas for savings or income generation and any views you have on the other proposals within our Draft Budget for 2021/2022 which are not highlighted in this questionnaire.

There were a range of suggestions put forward as well requests for either further information or suggestions which are outside of the Council's control. In the case of these latter points, they will be used to form part of our Consultation and Engagement Plan for the coming year so that residents can be informed of how the Council operates and what the Council can and cannot control.

Ideas for savings or income generation
"Stop providing taxis for getting kids to school."
"Bring in a recycling box at various parts of the bay to encourage re cycle e.g. at Sainsbury's."
"Put a voluntary donation section on your web sites people could donate money to specific causes e.g. Extra wildflower seeds, bird box, children parks etc."
"Bring in a locals discount ticket we could buy and use for going in the Abbey museum as a yearly ticket."
"Fine all the vans, cars that park overnight on grass verges (example Perinville Road) completely ruining verges and grass."
"Incredible waste of money providing care for several or many hours a day or overnights (when client might need only 30 mins or 1 hour a day), often increasing dependency..... Such a Nanny State, need to make people more independent and responsible for themselves."
"Fine dog owners who allow their dogs to foul pavements. Offer inducements, 15% of the fine, to anyone who captures on video a dog owner who does not clean up after their dog."
"Fine anyone who commits an unsocial act e.g. dropping litter, as above offer inducements."
"The top 8 executive directors of Torbay Council collectively earn approx. £90,000 (information taken from Torbay Council Website) If they were to take a 5% pay cut savings of £43,500 approx. could be made. The same for non-executive directors also needs to be considered. There is a massive pay in equality between admin/service/back office staff and top executive with the council."
"Has the council considered moving their services to Edginswell to save costs?"
"Reducing councillor expenses / allowances to a minimum and encourage use of own transport / use of bikes not mayoral cars etc."

“Introduce overnight parking charges in Torbay coastal parking areas / that encourage campervan owners to use the many holiday camp sites available.”
“Stop asking every year if we would want and pay for Garden refuse collection and actually introduce it!”
“The future of Torbay is looking good with the new hotel developments and refurbishments, together with other major schemes under consideration and improvements in the town. What needs to be done is to promote Torbay to draw in the holiday traffic.”
“There seems to be little investment in staff welfare or acknowledgement of commitment and personnel are rarely thanked for going above and beyond. It's time to invest in staff welfare, recognition and thank those that deserve it.”
“Torbay Council should be coming up with green initiatives in line with the Climate emergency that they have declared. How about using our cliffs to generate hydroelectricity. Volunteer as a test site for hydrogen powered central heating to replace gas as in Nottingham. Use the Bay to farm kelp. Let’s promote Torbay as an eco-tourist destination.”
“You need to stop spending all of your budget on agency staff and concentrate on permanent staff.”
“Why not create a 'locals' pass to encourage everyone with a Torbay postcode to visit all of the touristy spots at a reduced price when it is not in season.”
“Stop giving ridiculous council tax discounts to Private Residential Care Homes.”

Social Media Posts and Evaluation

Background

The budget consultation was promoted widely across all Torbay Council's Facebook and Twitter accounts, with a few select posts on LinkedIn. The consultation and detailed information about the budget was available on our website and there were briefings with stakeholders, staff and the media. Numerous local media organisations reported on the budget proposals, staff and partners were asked to share information on the consultation and a Facebook Live was held where Cabinet Members answered questions from members of the public. A range of social media posts were created including three polls asking people their thoughts on a number of budget proposals including parking services, allotments and paperless billing.

The aim of the campaign was to ensure that residents, stakeholders and groups were aware of the consultation on the proposed budget for 2021/2022 and the wider financial constraints on Torbay Council. It also encouraged them to provide feedback on proposals which may impact on them.

Members of the public completed 138 online and paper surveys during the consultation which compares with 877 in the previous year. There were also 58 written representations received from individuals and organisations in response to the budget proposals. Additional comments were also posted on the council's social media accounts, mainly on Facebook, and these were incorporated into the consultation feedback.

Evaluation

During the consultation 21 Facebook posts (including a Facebook Live) and 14 tweets relating to the budget consultation were posted on the council's accounts and they reached a potential audience of more than 48,500. Engagement was relatively strong across both platforms, with total engagement recorded as over 3,800. The engagement percentage rates (the percentage of people reached who liked, shared, commented or clicked on our posts) for both Twitter and Facebook was high, achieving an average of 5.14% for Facebook and 3.1**%** on Twitter. (For comparison, the latest figures show the average engagement rate is 0.1% for Facebook and 0.06% for Twitter.)

The posts successfully drove people to the consultation – there were 265 direct link clicks from our Facebook and Twitter posts to the Budget and Budget Consultation web pages.

The Ask Us about the budget, Facebook Live on 10 December 2020 reached a potential audience of 6,028 as recorded on 11 December. At its peak it had 80 live viewers and there were a total recorded 2,046 views of 3 seconds or more.

The Facebook Live event had the highest reach and one of the highest engagement percentage rates. The Facebook post informing people that only 1% of the adults in the bay shared their views on the budget last year was also a popular post leading to the highest number of link clicks at 84. The most successful post on Twitter was the poll on parking, with a reach of more than 1,500, an engagement rate of 9.8%.

Most of the feedback on Torbay Council's social media channels was posted on Facebook. Torbay Council responded to comments to answer any questions posed, to correct misinformation, to signpost people to the consultation, and to refer comments to relevant departments. In addition, members of the council joined in the conversations and were able to put their views direct to residents.

Feedback

Themes of the comments in response to our social media posts are listed below.

- Concern that the consultation is a waste of time because the council doesn't listen to local views or take action.
- Assets and investment portfolio with particular reference to return on investment and earning more from assets
- Strong agreement that the council should introduce paperless billing for council tax and business rates
- Improvements to our high streets, empty shops and attracting businesses.
- Making Torbay attractive for tourists.
- Parking charges and incentives.
- Strong support for operating the Torre Abbey café in-house
- Seafront lights
- Cost of senior members of staff
- Planning and the need for more social housing
- Council tax rises, but residents don't see the benefit
- Charges for public toilets, cleanliness, accessibility and safety.
- Waste and recycling collections and fly tipping
- The homeless and rehabilitation services
- Anti-social behaviour
- Request for more budget polls on social media

Other Feedback

In addition to the responses received to our consultation questionnaire and social media posts, a letter of representation was received from the Torbay Health and Wellbeing Voluntary Sector Network.

The Network highlighted its belief that it has a substantial contribution to make to increase the quality of life for residents in Torbay and to support the Council to deliver good quality, efficient and effective services. The Network is committed to working with the Voluntary, Community and Social Enterprise (VCSE) Sector to enable the sector to deliver the community support and to increasing the amount of preventative work in Torbay.

The Network offered support in delivering both the proposals in relation to the better utilisation of the libraries in Paignton and Churston and Resource and Waste Management Strategy. Further, the Network pledged to with the Council on its transformation journey and sought to be involved in the redesign process at the earliest opportunity. It also highlighted the need for the Council to provide multi-year funding to the key VCSE partners.

In relation to the proposals impacting on the libraries, Libraries Unlimited were contacted and discussions are underway about how the building costs of both the libraries could be reduced through a variety of means. This partnership approach is continuing.

Record of Decisions

Revenue and Capital Budget 2021/2022

Decision Taker

Cabinet on 19 January 2021.

Decision

The Cabinet recommends to Council the following:

Revenue Budget 2021/22

i) That the proposals identified for efficiencies, service change and income generation in 2021/22 be approved.

ii) That the net revenue expenditure of £115.472m resulting in a Council Tax requirement of £74.607m for 2021/22 (a 4.99% increase in Council Tax, of which 3% is for Adult Social Care) be approved.

iii) That the Dedicated Schools Grant be used in accordance with the Schools Financial Regulations and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed and this delegation is included in the next revision of the Council's constitution.

iv) That the proposed Fees and Charges for 2021/22 be approved.

v) That, in accordance with the requirement of the Local Government Act 2003, the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (as set out in the report) be noted.

vi) That it be noted, that the Brixham Town Council precept for 2021/22 will be included as part of the Torbay Council budget for Council Tax setting purposes.

Capital Plan 2020/21

i) That the Capital Plan for 2021/22 as set out in Appendix 1 to the submitted report be approved.

Review of Reserves

i) That, in support of the 2021/22 budget setting process, Council note the Council's reserves position.

Capital Strategy

i) That the Capital Strategy 2021/22 be approved.

Reason for the Decision

The Council has a statutory obligation to set a budget each financial year and must take account of all factors when setting the budget.

The Cabinet's response to the recommendations of the Overview and Scrutiny Board were set out in the submitted report.

Implementation

The recommendations of the Cabinet will be considered at the adjourned meeting of Council to be held on 11 February 2021.

Information

The Cabinet considered a report that outlined the draft revenue and capital budgets and implications of the draft service change, income generations and savings proposals. The proposals had been subject to detailed public consultation and examination by the Overview and Scrutiny Board (through its Priorities and Resources Review Panel).

The Cabinet thanked the Overview and Scrutiny Board for their comprehensive review of the Cabinet's proposals for the Council's Revenue Budget for 2021/2022. The report had been compiled in light of the findings and conclusions reached by the Overview and Scrutiny Board. The Board had taken into account the views expressed by members of the public and stakeholder representatives.

The Cabinet also gave consideration to the reports on the Review of Reserves and draft Capital Strategy.

Councillor Cowell proposed and Councillor Steve Darling seconded a motion which was agreed by the Cabinet as set out above.

Alternative Options considered and rejected at the time of the decision

None.

Is this a Key Decision?

Yes

Does the call-in procedure apply?

No

Declarations of interest (including details of any relevant dispensations issued by the Standards Committee)

None.

Published

22 January 2021.

Signed: ______________________________________ Date: ________________

Leader of Torbay Council on behalf of the Cabinet

TORBAY COUNCIL

Meeting: Cabinet **Date:** 19 January 2021

Council **Date:** 4 February 2021

Wards Affected: All

Report Title: Capital Plan 2021/22

Is the decision a key decision? Yes

When does the decision need to be implemented?

Cabinet Member Contact Details: **Darren Cowell,** Cabinet Lead for Finance, darren.cowell@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Head of Finance, martin.phillips@torbay.gov.uk

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1. Proposal and Introduction

1.1 Torbay Council's Capital Plan totals £301 million for the 4 year programme to 31 March 2024 with £42 million scheduled to have been spent in 2020/21 and £125 million due to be spent in 2021/22. The Council's Capital Plan is updated on a quarterly basis as new funding announcements and allocations are made.

1.2 The attached document provides high-level information on the proposed capital expenditure and funding for 2021/2022 and is part of the total Plan. Shown against the targeted actions of the Council's Community and Corporate Plan, it gives details of the capital schemes which have previously been approved by the Council. However, in some cases, it sets out funding which has been allocated to services but where specific schemes have not yet identified.

2. Reason for Proposal

2.1 To enable the Council to agree its Capital Expenditure and Capital Funding for the 2021/22 financial year as required by the Constitution.

3. Recommendation(s) / Proposed Decision

3.1 That the Capital Plan for 2021/22 as set out in Appendix 1 to the submitted report be approved.

Appendices

Appendix 1: Proposed Capital Plan for 2021/22

TORBAY COUNCIL

Capital Plan Budget 2021/22

19 January 2021

This document can be made available in other languages and formats.

For more information please contact finance@torbay.gov.uk

Torbay Council's Capital Plan totals £301 million for the 4 year programme to 31 March 2024 with £42 million scheduled to be spent in 2020/21 and £125 million due to be spent in 2021/22[1].

This document provides high-level information on the proposed capital expenditure and funding for 2021/22 and is part of the total Plan. Shown against the targeted actions of the Council's Community and Corporate Plan, it gives details of the capital schemes which have previously been approved by the Council. However, in some cases, it sets out funding which has been allocated to services but where specific schemes have not yet been identified.

In accordance with Torbay Council's Constitution, the figures presented will form the approved capital budget for the coming year. The figures are currently based on the draft Quarter 3 2020/21 capital monitoring report which will form the basis of the 2021/22 Capital Budget.

	£m	**%**
Thriving People and Communities	33.833	27
Thriving Economy	85.556	68
A Climate fit for the Future	4.800	4
A Council fit for the Future	1.189	1
Total Capital Expenditure 2020/21	**125.378**	**100**

Details of how the Council is intending to fund the expenditure in the capital plan is as follows:

	£m	**%**
Prudential Borrowing	99.612	79
Capital Grants	21.776	17
Capital Contributions	0.674	1
Revenue Contributions	0.100	0
Use of Reserves	0.608	1
Capital Receipts	2.608	2
Total Capital Funding	**125.378**	**100**

[1] Capital Plan – Draft Quarter 3 Monitoring Report - (Council, January 2021)

Targeted Action 1: Thriving People and Communities

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2021/22 Budget £000
Brunel Academy	Phase 2 of development at Brookfield site/Brunel academy to create Vocational Classrooms.	Council – 24 Sept 2015 Updated Council - 20 Sept 18 Council-16 July 2020	1,092	50
Capital Repairs and Maintenance 20/21	DfE grant to provide resources to improve the condition of school premises			250
Education Review Projects	Resources from Government allocations to provide improved School facilities still to be allocated to specific projects			1,540
Mayfield Expansion	Provide additional pupil place capacity	Council-16 July 2020	1,500	1,350
Paignton Primary School Sites	To enable acquisition of sites for new 'Free' Primary Schools in Paignton (St. Michaels and Windmill)	Updated Council 16 July 2020	1,209	600
Paignton Community & Sports Academy	Expansion to provide additional Secondary School places in Paignton	Council – 31 January 2019 Updated Council - 16 July 2020	1,924	1,045
Roselands Primary - Classroom	Additional teaching space to accommodate demand for primary places	Council – Oct. 2018	599	70
Special Provision Fund	A specific grant to make capital investments in provision for pupils with special educational needs and disabilities.	Council – 13 September 2017	849	200
St Cuthbert Mayne Expansion	School expansion to provide additional Secondary School places in Torquay	Council-16 July 2020	3,600	3,300
Torbay School Relocation	The Council agreed the reallocation of £3m previously allocated to Children's Services for the relocation of Torbay School. The decision was subsequently made to relocate Torbay School from its present site at Torquay Road, Paignton to the MyPlace facility in Paignton in order to better meet the needs of the young people attending this Special School. This decision was later overturned when planning permission was refused. Subsequently part of the original budget has been reallocated to other Childrens Services projects Additional allocation (Burton Academy)	Council – 26 February 2015 Chief Executive – 8 July 2016 Council – 10 May 2017 Council - 16 July 2020	1,225	25
Foster Home – adaptations	Allocation from revenue to fund the costs of adaptations in foster homes	Revenue	300	100
Adult Social Care	Grants to enable improvements to Care Home facilities	Cabinet – 1 Oct 2019	500	240
Affordable Housing	This is the capital resource set aside for affordable housing awaiting allocation to specific schemes. This is mainly funded from Right to Buy receipts and Section 106 contributions. The Council agreed that these resources should be ringfenced for affordable housing. Some has been allocated to proposed schemes at Crossways, Torre Marine and Next Steps Accommodation Project.	Council – October 2016	1,164	719

Crossways, Paignton	Proposals for mixed use development to include extra care and affordable housing	Council – 26 Sept 2019	22,359	8,625
Disabled Facilities Grants	Residual balance of 2020/21 DFG allocation. 2021/22 allocation expected, but not yet announced.	n/a	n/a	369
Extra Care Housing	Development of extra care units at Torre Marine	Record of Decision – 1 March 2019	2,250	2,350
Torbay Housing Company Loan	To facilitate the work of the Housing Rental Company, in the form of a loan for a capital purpose	Council 20 July 2017	25,000	10,000
Tor Vista Housing Co. Loan	Capital loan to Tor Vista to enable housing development at Preston Down Road site, Paignton.	Council – 8 October 2020	23,000	3,000
Sub-total				**33,833**

Targeted Action 2: Thriving Economy

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2021/22 Budget £000
Babbacombe Beach Road	Structural improvements to road access to Babbacombe Beach		530	20
Claylands Redevelopment	Council-owned land at Claylands will be redeveloped using a combination of Council and Heart of the South West Local Enterprise Partnership funding. When fully developed the site will support approximately 350-400 jobs and will support the growth of the business rate base.	Council – 10 December 2015 **Updated at Council – 19 October 2017**	10,440	1,250
Edginswell Business Park	To purchase and develop for regeneration land at Edginswell.	Council 22 June 2017	6,620	3,300
Edginswell Enabling Works	Additional grant support for infrastructure improvements on the Edginswell Business Park site, funded by LEP grant	Cabinet – 16 June 20	1,960	1,700
Edginswell Station	Provision of new railway station to enhance transport options to the Edginswell area including Torbay Hospital. DfT New Stations Fund grant £7.883m with costs likely to be spread across two years.	Council – Sept. 2014 Reinstated June 2020	13,048	4,000
EPIC/ SD College Equipment	Additional hi-tech equipment to enhance facilities at the two locations, funded with LEP grant	Cabinet -116 June 20	1,180	500
Flood Defence Schemes	This budget represents resources for flood alleviation work largely funded by Environment Agency at Cockington and Monksbridge	Council – 27 September 2012	740	367
Lymington Road Business Centre	Additional start-up workshop units at Torquay Coach station site funded with LEP grant	Cabinet – 16 June 20 and 15 Dec 2020	2,810	2,700
Paignton Coastal Defence Scheme	Scheme to provide additional protection against sea inundation in low lying areas of Paignton and Preston	Cabinet – January 2020	3,142	1,585
Princess Pier Structural repairs	Structural repairs to the superstructure alongside potential substructure repairs partly funded by the Environment Agency.	Council – 1 February 2012 **Updated Council 13 September 2017**	1,665	809
RICC Improvements	To improve facilities and refurbish the RICC to facilitate new management agreement. Works and agreement delayed by Covid-19 pandemic.	Council - 18 July 2019 Council – 6 February 2020	2,699	2,000
South Devon Highway	The scheme is substantially complete but there are still other costs to be determined (including compensation claims) before the final cost of this major infrastructure improvement is known.	Council – 13 February 2008	20,224	782
Transport - Integrated Transport Schemes	Grant allocations from the Department for Transport. The allocations are linked to the value of the planned maintenance backlog on the road network. The Council agreed to allocate these resources in line with Government intentions. Details of 2021/22 allocations still awaited.	Council – 26 February 2015 **Updated at Council – 13 September 2017**	n/a	
Roads Structural Maintenance			n/a	200

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2021/22 Budget £000
TEDC Capital Loans	Capital loans to fund TEDC capital projects	Council – 26 February 2015 Council – 18 December 2018	4,040	575
Torbay Leisure Centre	Council loan to enable enhancement of facilities at Leisure Centre	Council – 6 February 2020	300	150
Torquay Gateway Road Improvements	The Council successfully submitted a bid to the Local Transport Board for improvements at Torquay Gateway. The Government subsequently confirmed its funding to the Local Transport Board to support this scheme with the Council approving a contribution to the scheme.	Council – 27 September 2014	2,927	600
Regeneration Projects	Council received a report in October 2017 proposing to borrow £25 million to support Town centre Regeneration. Increased budget to facilitate acquisition of Retail Opportunity. Council agreed additional £100m Torbay Economic Growth Fund allocation to fund further regeneration Council approved further budget for Torquay Retail opportunity	Council 19th October 2017 Council Council 18th July 2019 Council – 21 May 2020	25,015 17,080 100,000 1,725	61,570 2,198
Paignton Future High Streets Funding	Provisional Government grant allocation of £13.363m to regenerate Paignton town centre.	Cabinet - 14 July 2020	13,363	1,000
Western Corridor Improvements	The Council successfully submitted a bid to the Local Transport Board for improvements to the Western Corridor. The Government subsequently confirmed its funding to the Local Transport Board to support this scheme with the Council approving a contribution to the scheme.	Council – 27 September 2014	12,271	250
Sub-total				**85,556**

Targeted Action 3: A climate fit for the future

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2021/22 Budget £000
Solar Farm, Brokenbury	Creation of solar farm on agricultural land at Brokenbury	Cabinet - 19 May 2020	2,750	2,700
Solar Farm, Nightingale Park	Construction of solar farm on former landfill site near The Willows to generate energy.	Cabinet - 11 August 2020	2,200	2,100
Sub-total				**4,800**

Targeted Action 4: A Council fit for the future

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2021/22 Budget £000
Essential Capital Repair Works	Balance of a budget to fund essential capital repair works over four years. The Director of Place is authorised to make allocations from this fund to specific schemes.	Council – 25 February 2016	876	500
General Capital Contingency	This is capital provision which is set aside to cover urgent, unavoidable additional capital costs where alternative funding is unavailable. This is approximately 0.2% of the current four year capital plan. It should be noted that all capital projects should have contingencies within the individual project costs.	n/a	689	689
Sub-total				**1,189**

TORBAY COUNCIL

Meeting: Cabinet **Date**: 19 January 2021

Council **Date:** 4 February 2021

Wards Affected: All

Report Title: **Capital Strategy 2021/22**

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Cabinet Member Contact Details: Darren Cowell, Cabinet Lead for Finance, darren.cowell@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Director of Finance, martin.phillips@torbay.gov.uk

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1. Proposal and Introduction

1.1 The Council has a statutory responsibility to comply with the CIPFA Prudential Code (revised December 2017) which is the "proper practice" document linked to the Local Government Act 2003. Part of this compliance is to approve a Capital Strategy.

1.2 The Capital Strategy is the Policy Framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Plan.

1.3 The Prudential Code places more emphasis on the risks associated with Council capital activities, in particular the higher risks associated with more commercial activities and requires the Chief Finance officer to "report explicitly on the affordability and risks associated with the capital strategy".

1.4 In accordance with the Council's Constitution, the Capital Strategy is required to be approved on an annual basis.

2. Reason for Proposal

2.1 The Council has a requirement to approve a Capital Strategy each year.

3. Proposal

3.1 That the Capital Strategy 2021/22 be approved.

4. Supporting Information

4.1 The Capital Strategy is an overarching document. There are clear links to other documents such as:

- Treasury Management Strategy – the operational plan for management of treasury activities including borrowing,

- Asset Management Plan – the operational plan for management of assets,

- Capital Plan and quarterly Budget Monitoring – the key documents for the financial reporting on the capital plan, both its expenditure and funding.

Appendix 1 – Capital Strategy

TORBAY COUNCIL

Capital Strategy and Capital Receipts Strategy

January 2021

Contents

1. Introduction

The Council has a range of capital resources at its disposal, which it uses to deliver services and to achieve its strategic objectives. These resources will include land and buildings, such as offices, schools, parks and open spaces, leisure and conference centres and much more.

The Council's ability to maintain these assets so as to ensure, and to enhance, their role in the delivery of services is crucial to its financial resilience. If assets fall into disrepair, they are no longer able to fulfil their primary purpose, then the Council's ability to deliver the associated services is impaired and it has resources tied up in assets that it cannot use.

The Capital Strategy provides a high level overview of how capital expenditure, capital financing, investments, liabilities and treasury management activity contribute to the provision of services, together with an overview of how associated risk is managed and the implications for future financial sustainability.

Consequently, planning and managing the use of the Council's capital resources is vital. This includes understanding the role that these assets play in the delivery of services and ensuring that the authority's asset base remains fit for purpose.

The Corporate Asset Management Plan and the Transport Asset Management Plan provides information on the sustainability of these assets and the efficient use of the asset portfolio to provide value for money. These Plans are available on the Council's website.

When incurring capital expenditure there is an element of risk that needs to be managed by the Council. This risk could be:

- whether an asset will deliver outcomes projected
- the accuracy of the estimates of running costs and income at the time of acquisition, and
- whether it is prudent to borrow for this expenditure.

Over the last few years local authorities, including Torbay, have been purchasing property to make an investment return. This investment has provided an income stream to the revenue budget and helped to offset some of the budget pressures arising from increased demand and reduced funding from central government. These assets will have different characteristics and risk especially where an authority has funded the acquisition through borrowing. The Strategy and the Investment and Regeneration Fund Strategy show how this risk is managed. The relevant legal powers are identified in the Investment and Regeneration Fund Strategy. The Investment and Regeneration Fund Strategy is available on the Council's website.

During 2020 HM Treasury carried out a consultation called 'Public Works Loans Board: Future lending terms'. In November 2020 the response to the consultation was published. The outcome of the consultation includes a condition being that the Public Works Loans Board (PWLB) will not lend to a local authority that plans to buy investments assets primarily for yield anywhere in their capital plan, regardless of whether the transaction would notionally be financed from a source other than the PWLB. As part of these reforms, the government considered the PWLB lending rate and concluded that the certainty rate, which applies to Torbay Council, would be reduced by 100 bps on the 26th November 2020. As a result Torbay Council has removed the proposed purchase of investment assets/projects (‘debt for yield’) from the capital plan.

Regulation

Authorities are required by regulation to have regard to the **Prudential Code for Capital Finance in Local Authorities** (December 2017) when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003. **The key messages from the Code is, in relation to capital expenditure, the consideration of Prudence, Affordability and Sustainability.**

In 2019 CIPFA issued a further publication regarding the provisions in the Prudential Code relating to the acquisition of investment properties. This is not new guidance but an explanation for existing guidance and considerations for undertaking such activity.

CIPFA’s Prudential Code provides a framework for the self-regulation of the authority’s capital financing arrangements. It requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital and revenue planning.

A Capital Strategy is part of the Prudential Code requirements and sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to both risk and reward and to the impact of the strategy on the achievement of the authority’s priority outcomes.

The Financial Management Code of Practice has been issued by CIPFA ‘to provide guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively’. The Financial Management Code applies to all local authorities and brings together statutory requirements and Codes of Practice into one document.

The Capital Strategy will need to reflect the standards outlined in the **CIPFA Financial Management Code of Practice**. The first full year of compliance to the Financial Management Code is expected to be 2021/22.

Objectives of the Capital Strategy

The Capital Strategy is one of the Council’s key documents in providing a long/medium term plan. It will be consistent with the plans and strategies shown below. This Strategy should be considered with the following plans to provide a fully integrated transparent Plan for the Council:

- Corporate Asset Management Plan
- Transport Asset Management Plan
- Medium Term Resource Plan
- Capital Plan
- Revenue Budget
- Treasury Management Strategy

- Investment and Regeneration Fund Strategy

The Capital Strategy is therefore the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Plan. In addition as part of the Strategy, the Director of Finance reports explicitly on the affordability and risk associated with the capital strategy.

Inevitably the full picture of the control system around the Council's wide range of capital expenditure and its funding is reflected in a range of documents, monitoring and management arrangements. A summary of five key aspects of capital activities are shown in the table on the next page.

Capital Expenditure	Debt and Borrowing Treasury Management (TM)	Commercial Activity	Other Long-Term Liabilities (e.g PFI schemes)	Knowledge, Skills and competence
▪ strategic service plans + asset management plans + capital strategy ▪ pipeline process ▪ capitalisation rules ▪ long-term forecasts ▪ basis of estimating future costs and sensitivity to risk ▪ sustainability of the asset base	▪ projections of external debt and internal borrowing ▪ how debt will be repaid ▪ authorised limit and operational boundary ▪ how TM decisions are made and how they are scrutinised	▪ proportional and affordability i.e. dependency of budget on commercial activity ▪ proportionality on the balance sheet ▪ policies for approval and scrutiny ▪ on-going management Note: Due to the HM treasury response to the PWLB consultation (see Para 1) the future investment fund plans have been removed from the capital plan	▪ identification and approval ▪ on-going monitoring ▪ creation of liabilities on the balance sheet	▪ knowledge and skills available ▪ professional competence in specialist areas ▪ use of advisers ▪ training plans
		Key Documents		
Capital Strategy Asset Management Plan Transport Asset Management Plan	Treasury Management Strategy TM Mid-Year Review TM Outturn Report	Capital Strategy Investment and Regeneration Fund Strategy	Treasury Management Strategy Statement of Accounts	Treasury Management Strategy Investment and Regeneration Fund Strategy

Council Reports	Revenue Budget	Capital Budget		
	Medium Term Resource Plan	Revenue Budget		
		Medium Term Resource Plan		
Key Committees and Meetings				
Council	Audit Committee	Audit Committee	Audit Committee	Audit Committee
Cabinet	Council	Cabinet	Council	Cabinet
Capital & Growth Board		Council		

Capital investment is defined as: **Expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e. items of land, property and plant which have a useful life of more than 1 year.** A fuller definition is attached at Appendix 2. Expenditure outside this definition will therefore be revenue expenditure.

Most non-current assets are properties that are used in service delivery. The Council's land, buildings and infrastructure asset base of some 3,800 asset records has a Balance Sheet value as at the 31st March 2020 of approx. £580 million (£504m as at 31/03/19), of which £209 million (£149m as at 31/03/19) are Investment Properties. Investment properties are 36% of the non-current asset base. The outstanding borrowing as at 31/12/20 was 392m with £17m of long term liabilities in relation to PFI schemes.

The Capital Strategy is presented to Council as a Policy Framework document, and links with both the Treasury Management Strategy, Medium Term Resource Plan and the Corporate Asset Management Plan which is the key **operational** asset plan covering repairs and maintenance.

In considering the principles, the Council needs a balance between guidance and prescription to allow a flexible approach to be taken but reflective of times of uncertainty. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Council priorities and statutory responsibilities.

The management of the Capital Plan is also supported by the Council's approved Financial Regulations.

2. Guiding Principles

Approach to Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board to fund capital schemes or, on a short term basis, use its own internal resources (i.e. cash flow). However for all capital schemes initially funded from borrowing, the Council will have to fund the principal repayment and interest costs, these ongoing borrowing costs are unavoidable.

The Council is only able to borrow under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council, although in some cases approval of individual schemes within an overall allocation by Council have an alternative approval process (such as by Cabinet).

The Prudential Code was revised in December 2017 and requires authorities to ensure that decisions for capital expenditure and investment plans are made with sufficient regard to the long run financing implications and potential risks to the authority and include effective due diligence.

Based on the Council's latest Capital Plan update (Quarter 3 2019/20) the 2021/22 Treasury Management Strategy recognises the potential need to take an additional £168m of borrowing by the end of 2023/24 (net of MRP) to support a number of capital projects, potentially increasing the Council's overall external borrowing by the end of 2023/24 (excluding PFI) to £546m.

Based on current economic forecasts a borrowing cost should be assumed for new borrowing in 2021/22 of 2.25%

The Council takes a prudent approach to new borrowing, paying particular regard to the robustness of the business case to include forward predictions of affordability, with the aim that projects should be self-funding (i.e. create a revenue stream so that the cost of borrowing is cost neutral on Council Tax). However the Council has changed its risk appetite in recent years and has approved a significant number of projects that are more commercial in nature.

Following the changes to PWLB the Council will no longer be acquiring commercial properties using 'debt for yield' however the risks around income on the properties purchased and the ongoing cost of the borrowing will still need to be managed. All new proposals for a self-funding or invest to save scheme supported by borrowing must have a robust business case that is presented to senior members and officers prior to approval by Council.

In addition the Council will comply with the PWLB new "rules" around the use of borrowing – which are now over four categories, each with a definition of the type of capital projects that can be borrowed for – service delivery, housing, regeneration and re financing. These rules will apply to all forms of borrowing not just PWLB.

Each business case, as appropriate, must clearly identify and consider the ongoing revenue implications of:

- fixed interest and principal repayment costs

- associated income stream and sensitivity
- volatility of the income stream
- the contribution to the general fund or breakeven point
- the sensitivity of the that contribution
- achieve the target return linked to the purpose of the spend
- ensuring asset value exceeds outstanding debt
- Demonstrates value for money
- Project sustainability
- Exit strategy and costs

All of the above need to be considered for the whole life of the asset.

Each business case must clearly identify and consider the ongoing balance sheet implications of:

- the change in the level of Council debt
- address how changes in asset value will be funded i.e. capital appreciation and impairment and the total of assets funded by borrowing
- Maintenance of asset to ensure sustainable use

To ensure all members are fully informed of the risks and rewards associated with borrowing reporting will include:

- Total debt of the Council
- The underlying assets funded by that debt
- Affordability - Ongoing revenue costs of principal and interest
- Income Streams associated with that asset
- Implications of changes in asset values or income streams

To support its revenue budget the Council will continue to evaluate any capital investment projects either acting alone or with partners that will produce an ongoing revenue income stream for the Council as part of service delivery.

There may be the need for borrowing that has no identifiable future revenue stream, for example, to repair or construct infrastructure assets. Here a broader view can be taken of the value of repairing the asset to the overall economy of the Bay. The cost of such borrowing falls on the tax payer through payments of debt interest on the Council's revenue account and repayment of debt over a specified period of time. There may still be a need for such borrowing but each proposal should be reviewed on a case by case basis with the project evaluation clearly stating how the borrowing is to be afforded. Given the significant ongoing financial challenges facing this Council over the next few years it is likely that such schemes will be an "exception".

The Council's Treasury Management Strategy provides further information on the Council's borrowing strategy for the coming financial year:

www.torbay.gov.uk/council/policies/finance-policies/treasury-management/

Long Term Capital Liabilities

The Council can also finance capital expenditure by means of a long term PFI contract, whereby the private sector company will build and then supply an asset (usually with services as well) back to the Council for a specified number of years. At the end of the contract the asset transfers to the ownership of the council. The value of the asset and the associated liability over the life of the contract to fund that asset is reflected on the Council's balance sheet. As with borrowing, any Council decisions on agreeing contracts that result in a long term liabilities are made with sufficient regard to the long run financing implications and potential risks to the authority and include effective due diligence.

Council's may also lease in assets for service delivery rather than purchase. Depending on the lease terms, including the length of lease, these assets and the associated liability over the life of the lease to fund that asset is reflected on the Council's balance sheet. Changes in International Financial Accounting Standards (IFRS16) in relation to lease recognition have, again, been delayed until 2022/23 (with a restated comparative year of 2021/22) and may result in more leased in assets and liabilities being reflected on the Council's balance sheet.

Grant Allocations

The Council receives capital grant funding from government and is able to bid for grant funding direct to particular government departments or from other grant awarding bodies. The funding from central government tends to be un-ring fenced and without conditions, however this funding is at a significantly lower level than in the last decade.

Any un-ring fenced capital grants received will be reported to Council. The presumption is that the grants will be allocated in line with the service intentions of the identified government body awarding the grant, however Council has the option to reallocate. Once capital grants have been allocated to a specific service, individual schemes within that allocation are subject to each individual scheme being approved by the relevant Director in consultation with the relevant Cabinet member and Director of Finance.

The Council continues to bid for additional external grant funding but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved. All bids are to be agreed with the Leader of the Council and Director of Finance prior to submission. Where external grants are used the grant conditions of linking to the capital grant and future use of the asset need to be adhered to.

In October 2019 Cabinet strengthened the governance around capital bids and acceptance of capital funding by resolving:

- (i) that Council Directors ensure that all bids submitted for their portfolio are checked by them for accuracy;
- (ii) that significant decisions made by Officers should have formal Record of Decisions, irrespective of whether or not the legal test for their preparation is met;

(iii) that meetings, such as ones where the Leader and Group Leaders were consulted, should be minuted in the future;

(iv) that all future bids for Government money must be made and submitted in accordance with the Constitution; and

(v) that Officers ensure that the submission of all future bids are in accordance with Council Policies.

Capital Receipts and Capital Contributions

The Council receives capital receipts and capital contributions from:

- Asset Disposals
- Right to Buy Clawback
- Section 106 agreements and Community Infrastructure Levy (CIL)
- Repayment of loans for a capital purpose

Asset Disposals

The policy is to pool all receipts from the sale of all assets sold to support the Capital Plan in line with funding the Council's priorities which will include the potential sale of any investment properties. The current Capital Plan has a capital receipts target to support previously incurred expenditure that has not yet been met. All capital receipts received should be allocated to support this target and not allocated to new schemes, subject to any potential use of capital receipts under the Capital Receipts Strategy and any loan repayment. An asset disposal will be deemed to occur when the Council transfers the freehold or a long lease (usually for leases over 40 years where the lease term is the significant compared to the asset life).

The Council will consider exceptions to this policy where rationalisation of assets used for service delivery is undertaken and in respect of school sites where the Secretary of State has approved the disposal – such exceptions will require Council decision.

The Council will aim to maximise its capital receipts, where possible, by enhancing the land prior to disposal; e.g. by obtaining planning permission or providing a development plan. As appropriate the Council may dispose of assets by tender or by public auction.

Asset Disposals at nil consideration or below market value

In considering asset disposals, the Council will comply with its Asset Management Plan and the need to take into account the policy on Community Asset Transfers where the Council will consider, on a case by case basis, the potential transfer of assets to an alternative provider after a full assessment of the long term (full life) risks and rewards of the transfer, including the achievement of best value including potential market value, linked to the Council's aims and objectives.

The Localism Act 2011 introduced the "Community Right to Bid" and placed a duty upon local authorities in England to maintain a list of assets of community value. Once an asset is "Listed" any disposal will be under the Community Asset Transfer policy or for market value by tender/auction.

Where the Council proposes to dispose of, or grant a long lease, at nil consideration or at a value below market value this is required to be approved by Council. This will also apply where the disposal is for a community or service benefit.

Right-to-Buy Clawback

100% of these receipts are currently used to support the provision of the approved Housing Strategy, although this policy could be reviewed to provide additional resources for projects in other service areas.

Section 106 contributions and Community Infrastructure Levy (CIL)

Section 106 monies come from developer contributions through the planning system. Unless there are service specific conditions on the use of the S106, the monies should be used to support existing Council priorities and commitments rather than be allocated to new schemes. Any S106 monies received without a service or scheme specific allocation within the planning agreement will be allocated in line with Council's capital scheme priorities.

Any monies received for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements ("the Regulation 123 List") in line with Council's capital scheme priorities including any specific funding requirements such as the South Devon Highway with the allocation of the "neighbourhood proportion" made after the funds have been received.

The current policy is to pool all capital contributions to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital contributions target to support the approved Plan that has not yet been met. All capital contributions received should, where possible, be allocated to support this target and not allocated to new schemes.

Repayment of loans for a capital purpose

Where the Council provides a loan for a capital purpose this will be approved by full Council and accounted for as capital expenditure. The repayment of a loan by the borrower will be treated as a capital receipt; however any receipts of this nature will be specifically applied to reduce the value of the Council's outstanding loan.

Capital Receipts Strategy

The Ministry of Housing, Communities and Local Government (MHCLG) revised their statutory guidance in relation to the Local Government Act 2003 on the use of capital receipts for the period from April 2016 to March 2022. This provides Councils with the flexibility to use capital receipts for "the revenue costs of service reform". This flexibility is subject to a Strategy for the use of capital receipts being approved by full Council. By approving this document Council will be approving this flexibility to be used as appropriate with any use reported to Council as an amendment to the Council's capital plan.

Potential uses for capital receipts, (subject to the capital receipts being received and Council approval of changes to capital plan), would be to support any implementation costs for the Council's transformation programme. MHCLG within their statutory guidance have included a number of examples of the type of expenditure that would meet the definition of "revenue costs of service reform".

The Council has used this flexibility in the past but there is no plan for its use in the 2021/22 revenue budget due to the lack of anticipated capital receipts.

Revenue and Reserves

The Council is able to use revenue funding and reserves for capital schemes. However, as a result of competing revenue budget pressures and the continued reduction in government support for revenue expenditure, the Council's policy is generally not to budget to use revenue or reserve funds to directly fund capital projects after the feasibility stage.

Once a revenue contribution has been applied to a capital project it cannot be returned to revenue. However the Council would be able, subject to the approval of the Director of Finance, to use prudential borrowing to replace any revenue or reserve funding used or proposed to be used. This will result in a one off return of revenue funding to the Council's revenue budget offset by higher Minimum Revenue Provision (MRP) and interest costs to fund the prudential borrowing costs in future years.

Prioritisation and Approval

It is always difficult to make choices between competing priorities within a top tier Council that delivers so many varied services. It is the responsibly of senior officers and members to consider and prioritise the competing demands for capital resources in the context of the limited central government funding now awarded.

The Council maintains and reports on a rolling four year capital plan (including its funding) that is updated and reported to Senior Leadership Team and Members on a quarterly basis. The capital plan will include any capital expenditure approvals by Council in the previous quarter.

The key stages in the Council's prioritisation and approval process are as follows:

1. A service can submit a capital business case for consideration by the Director of Finance and the (officer) Capital and Growth Board at any stage of a financial year. The capital business case will be linked to that service's needs.
2. For a specific scheme to be approved/funded there will be a requirement for a detailed capital business case. The capital business cases are to be initially submitted to both the Director of Finance and the officer Capital and Growth Board prior to wider consultation with the Council's senior leadership team and the Executive.

   If a scheme is to be funded from (previously approved by Council) allocations the scheme will be approved as stated in the approval or, if the approval process not stated, by the relevant Director in consultation with the relevant Cabinet Lead and Director of Finance and progressed when funding confirmed or,

If new (confirmed) funding is to be used for a scheme to be funded by, say, a specific grant and if the scheme is supported by the Chief Executive, in consultation with the Cabinet Lead for Finance and Director of Finance, it will be reported to Council.

If funding has been allocated by Council to a service without individual schemes being identified at the time of approval, (such as a general allocation to schools for "basic need" projects), individual schemes within that allocation are subject to each individual scheme being approved by the relevant Director in consultation with the Director of Finance.

3. Proposals for invest to save or self-financing schemes, (usually financed from prudential borrowing), will also require a detailed capital business case. The capital business case are to be initially submitted to the Director of Finance and the officer Capital and Growth Board. If the scheme is supported it will be recommended to Council for approval.
4. Any recommendations for schemes to be approved by Council will be included in the next quarterly Capital Plan Update Report.
5. Other schemes that do not require financial support but include the use of Council assets as a Council contribution to a scheme will also be subject to the Council's approval process.
6. Where there is a proposal to transfer capital resources from a previously approved scheme to a new scheme and there is a change of "policy", the new scheme will be approved by Council.
7. Where a specific approval process has been set up and approved by Council e.g. Cabinet for Regeneration Fund purchases or Director of Finance for Housing Company loans that process will apply.

Affordability and Sustainability of Proposals

The Prudential Code also requires that, in making its capital investment decisions, the Council should have explicit regard to option appraisal and risk, asset management planning, strategic planning for the authority and achievability of the forward plan.

The Capital Business Case will identify the projected running costs and financing costs of the relevant asset and assessed the affordability of the proposals both for the initial investment and over the life of the asset. In all cases the capital expenditure and any ongoing costs must be sustainable in relation to the Council's medium term financial plans.

These to include consideration of:

- service objectives, e.g. strategic planning for the authority;
- stewardship of assets, e.g. asset management planning;
- value for money, e.g. option appraisal;

- prudence and sustainability, e.g. risk, implications for debt and whole life costing;
- affordability, e.g. implications for council tax/district rates; and
- practicality, e.g. achievability of the forward plan.

Where an asset is directly linked to generating an income or rental stream for service delivery, the initial Capital Business case (or Council report) will need to consider the future risks to those revenue returns and how these will be mitigated. This may result in the creation of an earmarked reserve for both income volatility and future asset related expenditure.

Management and Monitoring of Capital Plan

The key objective of the Council's management and monitoring of the Capital Plan is to ensure that all Members and the Council's senior leadership team, have visibility of the capital plan and the approval of individual capital projects to encourage collective responsibility for the capital expenditure on a project and the success of the schemes themselves.

The Council's senior leadership team should ensure that progress against the programme – in terms of expenditure and timescales – is in line with what has previously been agreed. Where projects are exhibiting cost overruns or delays in the completion schedule, these should be addressed promptly.

Arrangements to include:-

1. Overview and Scrutiny Board and Cabinet will receive 3 quarterly monitoring report and one outturn report each year.
2. A Capital budget for forthcoming year will be part of each financial year's budget proposals
3. The officer Capital and Growth Board now reviews the Council's Capital Plan and the governance arrangements associated with its various projects
4. Senior Leadership Team and the Cabinet to have responsibility for the oversight and challenge on the delivery of the capital plan including slippage and outcomes.
5. Capital business cases are to be initially submitted to both the Director of Finance and the officer Capital and Growth Board prior to wider consultation with the Council's senior leadership team and the Cabinet.

Alternative Funding and Delivery Opportunities

The Council, as appropriate, will continue to consider other methods of supporting capital expenditure within the Bay, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Council. The Council can use its assets to support schemes or aim to maximise funding from any source possible.

The Council continues to bid for additional external funding and/or work with other bodies to secure capital investment or consider use of its own assets in a development, but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved along with an assessment of the opportunity costs of alternative options. All schemes are to be agreed with the Director of Finance prior to submission and/or contractual commitment.

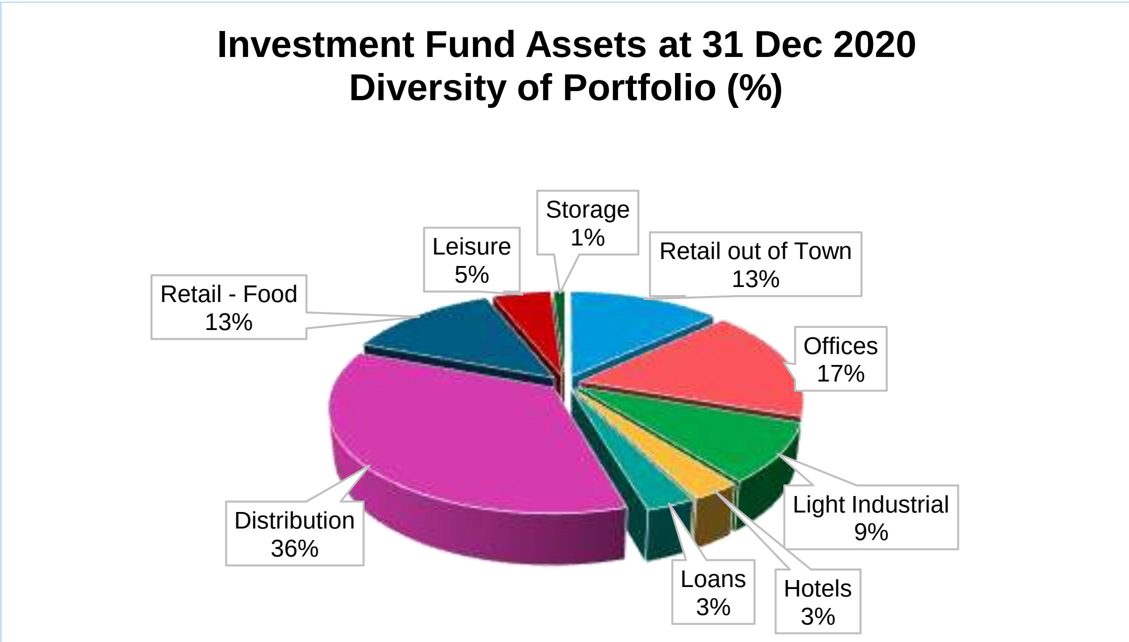
Investment Opportunities – Non Treasury Investments

Linked to its approach to borrowing and the Council's Investment and Regeneration Fund Strategy the Council has previously considered, where opportunities arose and there was a "multiple benefit", the purchase of land and property as an investment to generate an ongoing income. CIPFA has classified investment properties as a Non Treasury Investment for reporting purposes and included in the Treasury Management Code of Practice.

The Council will comply with the MHCLG statutory guidance and any sector led commentary and opinions associated with this activity. Consequently all the Council's Investment Fund purchases have now ceased following the Government's consultation exercise and decision to disallow all PWLB borrowing for authorities with any further plans for such investments.

The risks associated with investment properties and the Council's strategy in mitigating these risks are outlined and described in the Council's Investment and Regeneration Fund Strategy last update approved by Council in July 2019.

At the 31st December the Council had invested of the approved Investment Fund in the following sectors to ensure diversification.



The Council's Treasury Management Strategy Statement also includes references to the monitoring and reporting of the Council's Non Treasury Investments (NTI). The Strategy is available on the Council's website at:

www.torbay.gov.uk/council/policies/finance-policies/treasury-management/

Proportionality of Non Treasury Investments

Throughout this Strategy the impact of Non Treasury Investments has been considered but in this section specific indicators are provided in relation to proportionality. As shown in Section 3, there are two main aspects to the proportion of investment property held:

Income

To monitor the reliance of the revenue budget on income generated from these investments an indicator should be set based on, the ratio of commercial income to net service expenditure.

It is considered that the revenue account could reasonably absorb in year unexpected shortfalls at this level:-

- as any known potential rental shortfalls have been built into the revenue budget
- considering the diversification within the Council's portfolio it is unlikely all properties would be affected at the same time
- a reserve is held for rental "events" such as void period or rent free periods.

This mitigation has been tested during the COVID pandemic with rental incomes under pressure as tenants are impacted by economic impact of Covid-19.

It should be noted that if an investment property is sold the funds received will be a capital receipt and cannot be taken to the revenue account e.g. to offset the loss of an income stream.

Financing Costs- affordability

Ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream For Torbay investment income includes income from investment fund properties and the effect of this is also shown.

Asset Disposal Strategy

Purchases of assets are primarily to be retained in the long term. However the benefit of selling the assets will be regularly reviewed by Director of Place for potential disposal at which point any outstanding debt will be repaid. The review will need to consider the resulting impact on the Council's revenue budget and any impact of operational delivery from the lost income stream and any costs of disposal.

Loans for Capital Purposes

Loans for a capital purpose can also be approved by full Council subject to a business case and due diligence on the borrower including as appropriate guarantees and bonds to secure the repayment of the loan. The loan value should not exceed the value of the underlying asset and there should be no third parties legal charge on the asset. Interest will be charged on the loan at a market rate, this will include loans to Council subsidiary companies. This will ensure compliance with State Aid regulation.

Capital expenditure and assets held by wholly owned subsidiary companies

The Council has overall control of these entities and therefore is ultimately responsible for the companies' assets and liabilities. The controls of any subsidiary's activities are controlled by the Council's through 'reserved matters' listed within the memorandum and articles of association of the company. These 'reserved matters' cover capital expenditure and the making of any borrowing. The assets and liabilities of all council companies would be consolidated into the Council's group accounts.

As these capital assets and liabilities are part of the council's overall financial position the Council will report on the total group assets and liabilities and the associated risk and reward. The risk associated with capital expenditure and borrowing by these companies is expected to significantly rise from both SWISCo and the TDA Group of companies including the expected significant expansion of borrowing for capital expenditure on housing by TorVista and TEDC Development limited.

Training and Skills

The Council needs to ensure that all decisions in relation to capital are properly informed.

In relation to skills the Director of Finance, Monitoring Officer and Director of Place will ensure that the appropriate expertise is always resourced in relation to any financial, legal and asset related due diligence required.

Due to the complexities associated with commercial property investment training has been provided to officers and members to provide sufficient competence to understand and evaluate the advice they are being given and to enable decision making within the authority's risk appetite.

The Council's knowledge and skills will be complemented by the use of advisers and agents as required.

Treasury Management Links

All capital decisions to be funded by prudential borrowing will directly impact on the Council's Treasury Management activities. The level and timing of the capital expenditure will be reflected in the capital plan once approved and in the strategic cash flow forecasts to plan for the required borrowing. The resulting costs (Interest and MRP, at a historic average cost of 5% of capital cost) and any income to fund those costs will be included in the standard budget monitoring and budget setting process.

Total borrowing will also be monitored by the annual setting of both the Operational and Authorised Limits (for borrowing).

Balance Sheet Issues

The impact of capital projects and any prudential borrowing used have an impact on the Council's balance sheet.

1. Increase in the value of the Council's non-current assets
2. Increase in the value of Council's long term debtors (if capital loan provided)
3. Increase in the Council's long term borrowing
4. Maturity profile of borrowing and repayment of borrowing
5. Profile of capital loan repayments
6. Increase/decrease in Capital Financing Requirement (CFR) - borrowing offset by MRP.
7. Annual depreciation on operational assets
8. Annual revaluation or impairment on operational assets
9. Annual valuations of investment properties
10. Impact on Council's cash flow in delivery stage or on purchase
11. Impact on Council's cash flow at time of borrowing

The value of non-current assets should always aim to exceed the value of the outstanding liabilities. In addition the value of the outstanding liabilities should not exceed, in the medium term, the Capital Financing Requirement (which is the measure of a Council's underlying need to borrow).

3. Director of Finance: Statement on Delivery, Affordability and Risk of Capital Strategy

Background

The current guidance for a council's level of borrowing is the Prudential Code (December 2017) and as "proper practice" must be adhered to. The following extracts from the Code summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply.

"the local authority shall ensure that all its capital and investment plans are affordable, prudent and sustainable.

'A local authority shall determine and keep under review how much money it can afford to borrow.'

"the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local discretion"

"a local authority must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed"

Torbay Council Borrowing Position

All Borrowing	Actuals as at 31/03/20 £m	Projected as at 31/03/24 £m
External Borrowing including PFI **Of which investment fund**	413 235	561 235
	2021/22	**2022/23**
Revenue budget	115	115
Interest and repayment of principal costs per annum	20	26
Interest repayment cost as a % of net revenue budget	17%	23%
Investment Fund Rental Income (estimate)	(14)	(14)

Potential impact of investment market fluctuations

1. Value of rental income on investment properties decreases by 10%. Revenue budget will have a shortfall of £1.4m pa.
2. Value of underlying asset decreases by 10%. Assuming £235m invested and no capital appreciation, balance sheet value will fall of £23m as an unrealised loss.

3. General economic conditions may affect the both the rental income and asset values such as the economic impact of Covid-19, economic downturn, post Brexit sentiment and the retail environment. Locally tenants may choose not renew leases or re-negotiate a lower rental.

Summary of the borrowing position

It can be seen that the risk principally lies in the Council's investment portfolio and in the future will also include the risk around housing and regeneration capital expenditure funded from rental income. The remainder of the borrowing is linked to a range of operational assets which are expected to be used in the long term and have a full provision for the full recovery of principal over the asset life. All operational assets are supported by a robust business case and while there is a risk in income returns not being achieved overall these are not significant.

In relation to investment properties these are more sensitive to the market fluctuations identified above. An MRP is applied to repay the borrowing over the estimated asset life (up to the maximum 50 year asset life identified in the MHCLG Statutory Guidance). An Investment Fund reserve is used (funded from rental income) to mitigate against future income volatility on these assets which is reviewed by the Chief Finance officer for adequacy on an annual basis.

Due to the current low borrowing rates the Council has fixed all of its loans and adopted a flat maturity profile, this mitigates the risk of increasing rates in the long term. Borrowing will increase the council's fixed interest and borrowing costs which will be an annual charge to the revenue budget. This fixed cost is partially offset by income streams from the assets funded from borrowing.

Director of Finance Report

Within the Prudential Code It is the responsibility of the Chief Finance Officer to explicitly report on the delivery, affordability and the risks associated with this Strategy.

Delivery

The delivery of the individual schemes on the plan are directly linked to the original approval of the capital project supported by each project having a client officer and an project manager who are responsible for the delivery of the project (appropriate skills, contracting, planning etc.) and the subsequent achievement of the objectives of that project.

Members, via Overview and Scrutiny and Cabinet receive quarterly updates to the capital plan. These updates are driven by the requirement by financial reporting, however in doing so Members can review and challenge the delivery of projects and any changes to both the timing and value of the capital plan.

If subsequent to the capital project being completed there are variations to the income expected to be generated from that asset, these will be reported as a variance in the quarterly revenue budget reporting and if ongoing be included in the following years revenue budget proposals.

The Council's senior leadership team, supported by the Capital and Growth Board, has oversight for the delivery of and challenge to the capital plan.

Affordability

Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital plan. This is mostly demonstrated by a specific report on the project being presented to council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme.

All projects need to have a clear funding source. If external funding such as an external grant is to be used there needs to be a clear funding commitment.

Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing costs of the operation and funding of that capital spend.

Where borrowing is to be used the affordability is key and that affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing. This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The "rules" around the governance of this borrowing is outlined in the prudential code (as summarised above).

At no stage should the asset value be lower than the value of outstanding debt, other than for a short period, unless there is a clear plan to mitigate that shortfall or to sell that asset.

Risks

The risks associated with a significant capital plan and a significant level of borrowing can be mitigated and indeed should be mitigated as "business as usual". I.e. all capital projects are supported by business plan, have adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning, cash flow, clear operational plan for the use of the asset, use of specific committees, security and due diligence on loans and purchases, use of external advice where appropriate, project contingencies, full tender process and regular and transparent reporting to members.

There are clear links from the capital plan to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by members at Audit Committee and Council.

For any new borrowing, and this is a greater risk as the value of borrowing increases, this increases the councils overall liabilities that will need to be repaid in the future. In addition this increases the Council's level of fixed interest and repayment costs that it will incur each year. This is a clear risk that all members need to be aware of.

However this risk for all assets is mitigated by a robust business case and a full MRP that will repay the borrowing costs over a (prudent) asset life. Any variation in expected income is an issue however given the wide range of operational assets and different income streams this is not a significant risk.

As outlined above in the position statement, investment, housing and regeneration properties are a different type and level of risk. Risk arises from both variations in income streams (tenant non-renewal etc.) and from asset values (impact economic conditions and retail trends etc.). The Council had established a clear strategy, criteria and a governance route for these purchases (Cabinet and Council) which has included member training, second opinion on asset values, due diligence, site visits, surveys etc.

The Council is aware of the risks relating to investment into commercial property and ensures appropriate advice is sought before, during and after investment decision making. Due to the nature of commercial investment, advice has been sought from advisers and agents with specialist knowledge and the experience required.

There are risks (and rewards) associated with the purchase of this type of assets, therefore all members need to have sight of, and understand the risks and rewards inherent in these commercial investments.

Conclusion

The current system of borrowing is still a self-regulatory system which means that responsibility for borrowing decisions, and the level of borrowing incurred by a Council are determined at a local level. In particular elected members have a key role.

"..the responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with full Council". (Prudential Code December 2017).

The Director of Finance's personal view is that borrowing decisions result in a long term commitment to fund that borrowing, and that all decision making should be as transparent as possible both to all Members and the residents of Torbay.

The pace and level of change in the council's borrowing is still significant. The Council's capital financing requirement, its underlying need to borrow, by the end of 2022/23 could be £561m with a £26m ongoing revenue cost (assuming a 4% annual cost of MRP and interest for new borrowing) offset by rental or interest income from capital expenditure with a revenue stream.

Therefore all members need to be fully informed as to all implications of its capital investment decisions, in particular those funded from borrowing.

Appendix 1 - Definition of Capital Expenditure

Capital investment is simply described as:

> Expenditure on the acquisition, creation or enhancement of "non-current assets"

(Non-current assets are items of land and property which have a useful life of more than one year.

This definition of capital expenditure that the Council has to comply with for the classification and, therefore, the funding of capital expenditure in linked to International Financial Reporting Standards. "Qualifying Capital Expenditure" under s25 of Local Government Act 2003 is defined when:

> **"The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with "proper practices""**

"Proper Practice" (from 01/04/10) is under International Financial Reporting Standards (IFRS) rules. The relevant standard is IAS16 which has the following definition of capital expenditure:

> **"Expenses that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management".**

"Directly attributable" i.e. if building a school – costs linked to the actual construction of the building, not temporary accommodation, moving people around etc.

Subsequent Capital Expenditure on an asset is defined as:

> **"Expenses that make it probable that future economic benefits will flow to the authority and whose cost can be measured reliably."** Subject to….. "if the expenditure is to replace a component, the old component must be written out of the balance sheet".

Future economic benefits i.e. it is not necessary for the expenditure to improve the condition of the asset beyond its previously assessed standard of performance – the measurement is against the actual standard of performance at the date of expenditure; e.g. if service potential or asset life is increased.