

**Meeting:** Overview & Scrutiny Board

**Date:** 11<sup>th</sup> November

Cabinet

17<sup>th</sup> November

**Wards Affected:** All Wards

**Report Title:** Budget Monitoring 2020/21 – Quarter Two

**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](mailto:Darren.cowell@torbay.gov.uk)

**Supporting Officer Contact Details:** Sean Cremer, Deputy Head of Finance  
[Sean.Cremer@Torbay.gov.uk](mailto:Sean.Cremer@Torbay.gov.uk), 01803 20 7553

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## **1. Purpose and Introduction**

- 1.1. This report provides a high level budget summary of the Council's forecasted revenue position for the financial year 2020/21. This report is based on figures as at the end of Quarter Two, 30<sup>th</sup> September 2020.
- 1.2. Please note the figures within this report were finalised prior to the announcement of a National Lockdown. This news will have a significant impact on this report which, at this time, is currently unquantifiable.
- 1.3. The Council's **Revenue** budget remains under significant pressure. After the application of Government funding and use of specific reserves is £2.2m overspend after factoring in the impact of Covid-19.
- 1.4. The main pressure areas remain relatively unchanged as they are service areas most heavily influenced by changes in behaviour of the general public and resultant financial impact; namely Car Parking income and the collection of Council Tax and Business Rates.
- 1.5. As part of the mitigating actions some expenditure restrictions have been introduced in the year, however at this stage in response to the financial impact of Covid-19 there are no reductions or closure of services proposed.
- 1.6. The Capital Plan budget totals £298m for the 4 year programme, with £59m currently scheduled to be spent in 2020/21, including £27m on a number of Regeneration projects, and £7m on major Transport schemes. At this point (30 Sept 2020) the Capital Plan now requires £7.4m from new capital receipts and capital contributions over the life of the Plan in order to be able to deliver all that is planned.

## 2. Recommendation (s) / Proposed Decision

- 2.1. That the Overview & Scrutiny Board notes the latest position for the Council's revenue outturn position and mitigating action identified and make any comments and/or recommendations to the Cabinet.
- 2.2. That the Overview & Scrutiny Board notes the latest position for the Council's Capital outturn position and make any comments and/or recommendations to the Cabinet.

## 3. 2020/ 21 Budget Summary Position

- 3.1. The below table shows a breakdown of the overall Council position and overall Covid-19 impact and resultant £2.2m overspend.
- 3.2. Headlines from the table:
  - 3.2.1. Total Covid-19 impact is £18.8m due to increased spend and income losses.
  - 3.2.2. The Council is expected to receive a total of £12.6m funding for cost pressures and income losses
  - 3.2.3. This leaves a shortfall of £6.1m before application of in year underspends and use of specific reserves
  - 3.2.4. After applying in year underspends and use of specific reserves there is an overspend of £2.2m

<b>Covid-19 Impact</b>	<b>£'000</b>
1. Funding Applied to Revenue budget	12,644
2. Collection Fund shortfall	5,200
3. Pressures met from specific Reserves	934
<b>Total Covid-19 Impact</b>	<b>18,778</b>

<b>Covid-19 Funding</b>	<b>£'000</b>
4. MHCLG Grant	(10,447)
5. Estimated MHCLG Income reimbursement grant.	(2,197)
<b>Total Government Covid-19 Funding</b>	<b>(12,644)</b>

<b>6. Shortfall in funding</b>	<b>6,134</b>
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<b>Council's mitigation</b>	<b>£'000</b>
7. General Revenue underspend	(2,987)
8. Use of specific reserves	(934)
<b>Net Covid-19 Impact</b>	<b>2,213</b>

- 3.3. A narrative of the service variances is contained in section 6.

## Collection Fund – shortfall £5.2m

- 3.4. Due to the local economic impact of Covid-19 the collection fund is expected to have a £5.2m shortfall. This pressure is due to shortfalls in the collection of Business Rates & Council Tax income and increased demand for reduced Council Tax bills through the Council Tax Support Scheme (CTSS) which represent the scale of impact on local households and businesses.
- 3.5. Under the collection fund accounting rules any shortfall on the collection fund is carried forward to the following financial year to be funded. On the 2nd July the Government announced that Council's will be able to repay Council and business rates tax deficits over three years instead of one.
- 3.6. This change results in a £1.73m shortfall in funding for each of the following three years. If no specific funding is provided, this will need to be funded as part of setting the 2021/22 budget.
- 3.7. **The Council's clear view is that the totality of the financial impact of Covid19 should be funded by MHCLG and should not be a cost to the local taxpayer or result in a detrimental impact on service provision for residents.**
- 3.8. Given the continued improvements to General Revenue underspend (item 7 in the above table) a specific earmarked reserve will be established and utilised to contribute towards the 3-year spread on the 2020/21 Collection Fund losses. This will reduce the future year pressure which would otherwise need to be identified through savings in 2021/22. The establishment of this earmarked reserve is subject to continued stability within Children's Services.

## 4. Grant Support

- 4.1. There are two key schemes which provide direct funding to offset increased expenditure and income losses. This support has been received through un-ringfenced grants as well as the income reimbursement scheme.
- 4.2. At the time of writing this report the Council has received 3 tranches of un-ringfenced funding for Council's to use to offset increased expenditure and income losses.
- 4.3. To offset increased expenditure Torbay Council has received a total of £12.07m so far. This has been allocated in 4 tranches of funding.

Date	Total Funding £'m	Torbay Share	
		£'m	%
19-Mar	1,600	5.372	0.34%
18-Apr	1,594	3.765	0.24%
02-Jul	494	1.310	0.27%
22-Oct*	919	1.623	0.18%
<b>Total</b>	<b>4,607</b>	<b>12.07</b>	<b>0.26%</b>

\*Please note this 4<sup>th</sup> tranche was announced on 22<sup>nd</sup> October, therefore not reflected in the main sections within this report. As a reminder, this report is as at the end of Quarter 2, i.e. up to 30<sup>th</sup> September. The full impact of this 4<sup>th</sup> Tranche, and any other announcements will be factored into the Quarter 3 report.

- 4.4. The first 3 tranches of grant funding have been allocated across the Council based on the forecast financial impact as per the figures reported at Period 2.
- 4.5. On the 22<sup>nd</sup> October the Government confirmed a 4<sup>th</sup> Tranche of funding which results in additional funding of £1.6m. At the current time, this funding is intended to be earmarked for use to mitigate future Covid-19 pressures.
- 4.6. The second key scheme is the Income Reimbursement Scheme. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost.
- 4.7. Torbay Council is expected to receive £2.2m of funding through the income reimbursement scheme based on current shortfalls forecast on sales, fees & charges.
- 4.8. For the claim period April – July 2020, based on actual losses the Council has submitted a claim for £1.5m. This first claim may seem disproportionately high when compared to the total expected annual claim. This is as a result of the typical income profile for the Council with the majority of car parking income being collected over the summer months.
- 4.9. In addition to the un-ring fenced grants and the Income reimbursement Grant, Central Government have issued a number of other grants related to Covid-19.
- 4.10. Under Financial Regulations (5.5) "The Chief Finance Officer, in consultation with the Leader of the Council, to determine the allocation and expenditure of any new revenue grant monies that are received during the year". Therefore these grants will be applied to the purpose specified and will be included in the 2020/21 budget monitoring. These are listed below:

<b>Grant</b>	<b>£000</b>	<b>Note</b>
Sales, Fees and Charges support	2,000	Support 75% of council sales and fee income losses over a 5% threshold. Excludes rental income losses – estimate shown as final value will be based on actual losses in year.
Infection Control – tranche 1	2,748	To support ASC providers with infection control measures. Funding will be passported to suppliers (via ICO)
Infection Control – tranche 2	2,312	To support ASC providers with infection control measures. Funding will be passported to suppliers (via ICO)
Opening High Streets	121	To support opening of high streets. Spend managed by TDA.
Emergency Assistance	185	To help local authorities to continue to support those struggling to afford food and other essentials over the coming months due to COVID-19.
Test, Track & Trace	886	To support the mitigation and management of local outbreaks of COVID.
Hardship Fund	1,611	To support Council Tax Support scheme claimants. All working age claimants council tax bills have been reduced by £150 and the balance is to be used for the discretionary hardship fund.
Business Grants	47,490	Funding to support the Business Grant and Discretionary Business Grant scheme under guidance by BEIS. Council has fully used the discretionary scheme and paid all eligible applications under the national scheme.
Transport Access	55	Grant to support development of alternative travel to public transport
Bus Services Support	146	For period to November
Business Improvement District (BID) support	25	Support to BID companies to cover the equivalent of core operational costs for three months.
Coronavirus Rough Sleeping Contingency Fund	12	Support for Covid19 impact on homelessness
Substance Dependence treatment	TBA	Torbay share of £16m yet to be announced
School Transport	100	Funding for additional, dedicated public transport provision for school pupils. Funding is for the first half of the autumn term only.
Contain Outbreak Management Fund	133	Councils in medium “tier” get £1 per population. (£5 and £8 if in higher tiers.
Isolation Support Grant	138	For payments of £500 to individuals who have to isolate after “track and trace”. Mandatory scheme where final value will be linked to claims plus a fixed value discretionary scheme.
Lockdown Support Grant	TBA	If, due to national restrictions, a business has to (mandatorily) close, payments of £1,500 or £3,000 will be paid depending on rateable value.

Surge Enforcement Fund	81	To support costs of enforcement of national covid restrictions
Next Steps Accommodation Programme	227	Funding will support the purchase of a number of properties to help ensure the rough sleepers brought into emergency accommodation in response to COVID-19, do not return to sleeping rough

### Capital Grants bid for

4.12 In addition to the bids that have now been submitted to central government for both the Future High Streets Fund (Paignton) and The Town Deal (Torquay) two other funds have been bid for:

4.13 Note: The decision on The Town Deal for Torquay was received in late October i.e. after the period for which this report covers. More detail on these schemes will follow in the next report.

Scheme	£	Purpose
Accelerated Growth Fund	0.9m	Improvements at Upton Park, Princess Gardens and for the Wavelength project.
Getting Building Fund	4.1m	Torquay Gateway (Edginswell), Lymington Road and EPIC.

## 5. Strategic Updates

### Wholly owned companies

5.1. Covid-19 also presents challenges to the Councils wholly and joint owned companies. SWISCo. started trading in July 2020 and has experienced delays to the new fleet of vehicles as well as challenges around reduced commercial income. More detailed management reporting will be available in the coming months. TDA is forecast to be close to break even.

### Higher Needs Block – Special Education Needs

5.2. The schools' higher needs block in the Dedicated Schools Grant (DSG) has been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children.

5.3. As a result the DSG reserve is a £3.7m deficit at the end of 2019/20.

5.4. For 2020/21 there is a forecast overspend of £2.1m. 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 is now confirmed by the School and Early Year Finance (England) Regulations 2020.

5.5. Representatives from the Council and the School Forum continue to work with the Education & Skills Funding Agency (ESFA) to discuss the proposed financial recovery plan that was submitted to the ESFA in the 2019/20 financial year.

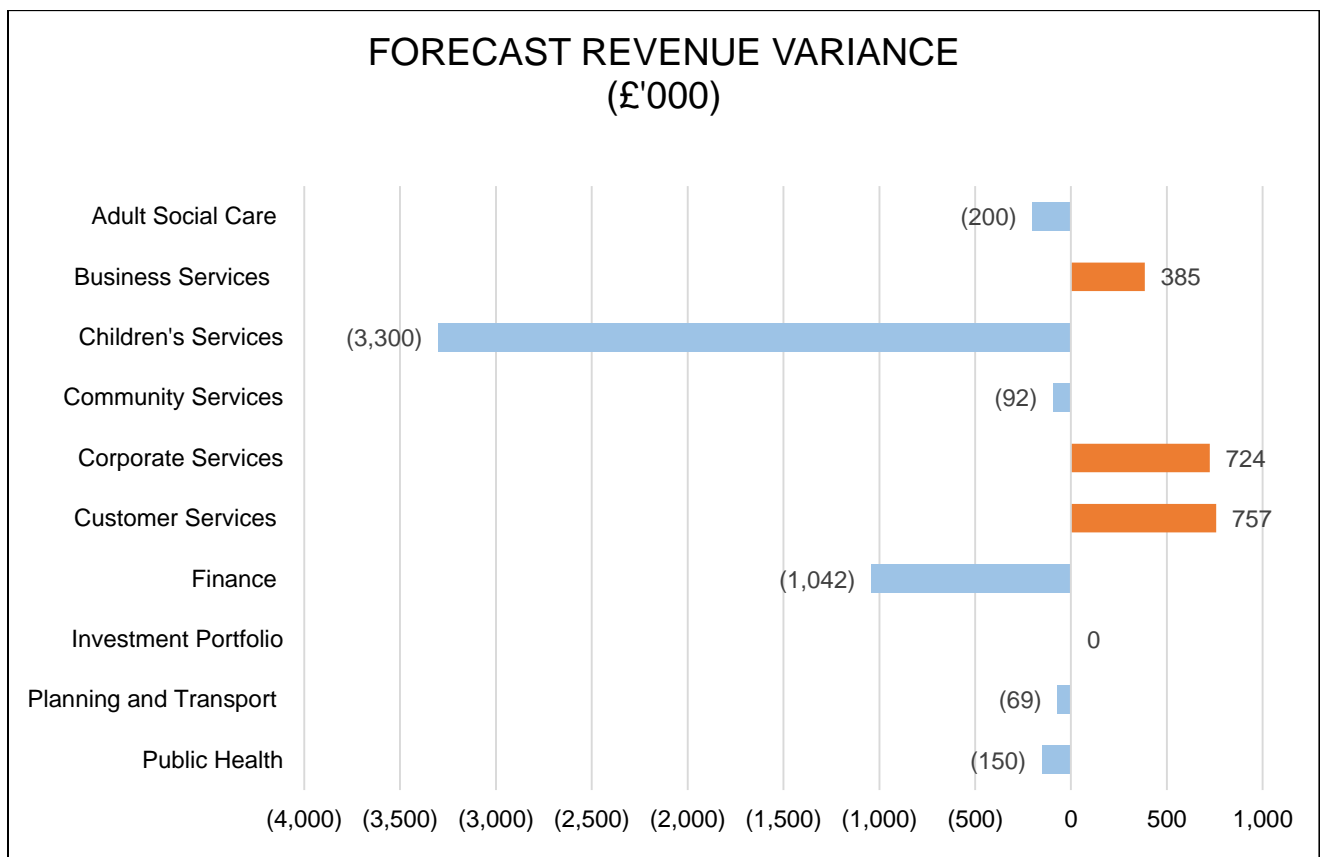
## £300m Investment fund

5.6. A total of £231m has been spent through the Investment Fund, leaving £69m left to spend.

5.7. 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. As a result the Council is no longer seeking such assets to purchase. The results of the consultation and the confirmation of the new rules are expected during the autumn.

## **6. Service Budgets**

6.1. The below graph shows a visual breakdown, highlighting budget variance for each service after the application of Covid-19 Funding.



6.2. The budget position below reflects the revised budget presented to Overview & Scrutiny Board and **includes the application of £12.6m of Covid-19 Funding** to offset the Covid related pressures described.

Torbay Council Revenue Quarter 2 2020/21	Budget £000s	Outturn £000s	Revised Variance £000s	Variance Reported at Period 4 £000s	Movement £000s
1. Adult Social Care	39,378	39,178	(200)	0	(200)
2. Business Services	16,603	16,988	385	406	(21)
3. Children's Services	46,849	43,549	(3,300)	(2,100)	(1,200)
4. Community Services	2,471	2,379	(92)	(90)	(2)
5. Corporate Services	4,348	5,072	724	702	22
6. Customer Services	2,880	3,637	757	400	357
7. Finance	(9,679)	(10,721)	(1,042)	(300)	(742)
8. Investment Portfolio	(4,641)	(4,641)	0	0	0
9. Planning and Transport	7,267	7,198	(69)	(55)	(14)
10. Public Health	10,392	10,242	(150)	0	(150)
<b>Revenue total</b>	<b>115,868</b>	<b>112,881</b>	<b>(2,987)</b>	<b>(1,037)</b>	<b>(1,950)</b>

6.3. A narrative of the position and main variances in each service area is as follows;

1. Adult Social Care – Underspend of £200k

6.4. Whilst the majority of this budget is spent against a fixed contract with the ICO the council is expecting to provide additional support to Adult Social Care providers to ensure the provision of care is maintained throughout this pandemic.

6.5. Due to slightly higher than budgeted contributions towards the BCF from the CCG there is a forecast underspend of £200k. This is likely to be utilised to support future Covid-19 costs.

6.6. Community & Voluntary Sector organisations who have been supporting the community response to Covid-19 have also been allocated additional financial support to strengthen their fantastic work as part of the community response. So far this totals £0.25m.

6.7. Based on the initial Government grant funding allocations, in consultation with the Section 151 Officer, £2.0m was allocated for Adult Social Care providers.



## 2. Business Services – Overspend £385k

- 6.8. Due to the Government lockdown and resultant changes in public behaviour Car Parking income is expected to have a £2.1m short fall in income due to the ongoing significant reduction in the use of car parks. This is an improvement from the position reported at Period 4 and largely due to the improved performance of the beach car parks over the Summer season.
- 6.9. From 1<sup>st</sup> April to 30<sup>th</sup> September on and off street parking income was down £1.4m compared to 2019/20 levels. Restricted foreign travel and pleasant summer weather has meant parking income has performed better than expected over the school holidays.
- 6.10. There are remaining concerns over Autumn/Winter car parking income as neighbouring local Authorities that do not have the same beach resort offering, and therefore rely on the high street retail and leisure offer, are experiencing prolonged and substantial shortfalls in revenue.
- 6.11. Work is underway with the Local Business Forums and Town Centre groups to establish a package of “Winter Promotions” for car parking to support Town Centre businesses.
- 6.12. There are additional income pressures across:
- Harbours shortfall on income £250k due to reduced visiting vessels and fish tolls
  - Culture & Events is expecting an £80k shortfall due to the cancellation of local events & Torre Abbey £220k due to opening restrictions.
  - Beach Services is forecasting a shortfall of £80k due to lost sales as a result of lockdown.
- 6.13. As a result of the prolonged closure at the RICC the total costs of financial support required is expected to be £750k of spend associated with providing financial support to leisure centres, comprising of £650k for the RICC and £100k for Clennon Valley. These figures are based on assumed recovery and a gradual and increased return to “normal operations” subject to Covid-19 restrictions.

## 3. Children's Services – Underspend £3.3m

- 6.14. Within Children’s social care there is a total forecast underspend of £3.3m which is a significant improvement from the Period 4 position. This is due to continued hard work within the team to manage placement numbers and achieve planned step-downs for placements. This results in significant financial savings, but more importantly ensures improved outcomes for Children and families and ensures where it is safe and appropriate to do so children and young people live in family based settings.
- 6.15. This underspend is mainly due to the significant and maintained reduction in residential placements. Since September 2019 Children placed in residential settings has reduced from 44 to 24. This trend is expected to continue, with a further 3 placements expected to end during this financial year.
- 6.16. Over the same period LAC numbers have decreased from 350 to 326.
- 6.17. The other historic pressure in Children’s social care has been agency staff which remains 10 FTE lower than since the start of the financial year. Overall there is a £186k forecast underspend on Local Authority funded staffing within Children’s Services.

6.18. Changes in ways of working have also resulted in a forecast £100k saving on travel costs, printing and postage etc. the new ways of working implemented due to Covid-19 restrictions.

### 3a. Children's Social Care (CSC) – Covid19 – Pressure £1m

6.19. There are concerns that cases of neglect and child abuse will have gone unreported during the lockdown as social distancing means children and families have significantly reduced contact with people outside of their home. As a result there could be an additional £1m of costs associated with safeguarding children as referrals from Schools, NHS and members of the public increase.

6.20. As a result there may be an increase in the LAC population towards the end of October.

### 3b. Education – Covid19 – Pressure £0.5m

6.21. Due to social distancing restrictions there are significant implications on the current home to school travel arrangements for children with Special Educational Needs (SEN). Before lockdown this service cost £54k per week on transporting 454 children "door to door".

6.22. With the requirement to comply with social distancing restrictions the weekly costs could increase, costing the Council an additional £0.5m for the remainder of this financial year.

6.23. Government financial support has been received to offset the costs of providing additional public transport during school travel times for the first half of the autumn term. The council has worked with both bus and rail operators to ensure additional public transport was available from the start of this term.

### 4. Community Services – Underspend £90k

6.24. The main pressure within Community Services is the cost of providing temporary accommodation which is forecast to be a total of £938k. This additional cost is as a result of providing accommodation and support as part of the "Everyone In" initiative. The service is concerned that demand for this service will remain high for the remainder of the year as economic pressures continue.

6.25. Following a successful bid for the Next Steps Accommodation Programme, the Council has received £270k of funding towards the revenue costs for 2020/21. The Council was also successful in receiving funding for a capital bid. More details on this are in paragraph 13.4.

6.26. This is very slightly offset by the £12k Coronavirus (COVID-19) Rough Sleeping Contingency Fund received from Central Government.

6.27. There are some expected shortfalls in income associated with the Food safety and licensing of £150k due to restrictions on the work the team were able to undertake due to lockdown restrictions.

## 5. Corporate Services – Overspend £0.7m

- 6.28. Within legal services there is a forecast overspend of £0.5m. This is in part due to the ongoing costs associated with Agency Staff of £300k, predominantly as a result of the support for Adult Safeguarding. There are renewed efforts to recruit to permanent staff including a review of market supplements and a grow our own approach. Recharges and income associated with Legal work is forecasting a shortfall of £200k based on historic levels of income achievement.
- 6.29. There is an income shortfall of £158k associated with the Print service, as per previous years. There is a tender evaluation ongoing for this service which may mitigate this position depending on the success of this exercise.
- 6.30. Although income levels have started to improve the Registrars service is forecasting a shortfall of £145k in income due to social distancing restrictions on the registration of Births and Marriages. With a significant number of Weddings re-booked for 2021/22 calendar it is hoped that next years income will recover.

## 6. Customer Services – Overspend £756k

- 6.31. Housing benefit pressures are forecast of £400k due to the subsidy received by the Council. This is due to the reducing numbers of claimants for Housing Benefit as claimants transition to Universal Credit which reduced the Administration grant received by the Council and this reduction also affects the “mix” of claimants and resultant subsidy for the claimants.
- 6.32. Due to continued lack of availability for Court dates, the Council is unable to establish Liability Orders in respect of unpaid Council Tax or Business Rates. This presents a further £150k of income pressure.
- 6.33. There are £200k of additional staff costs associated with the increased demand within customer services associated with the delivery of support for individuals and businesses in accessing financial support.

## 7. Finance – Underspend £1m

- 6.34. Within this budget heading there are a number of centrally held Covid-19 expenditure items which are funded by the Government grants received.
- 6.35. As a result of reduced interest rates and no requirement for borrowing due to a pause on Investment Fund activity there are Treasury Management savings of £750k.
- 6.36. There are costs of £842k associated with the Temporary mortuary facility that has been set up by the Council. The facility has been in place since April, and based on the projections for use was partially downsized. The revised facility still has the flexibility to scale up in the event that increased capacity was required.
- 6.37. The costs of the emergency response for the financial year including the Shielding Hub which has been set up to provide support for individuals on the Governments shielding list, additional communication with the community, purchase of PPE, and additional bandwidth for homeworking is forecast to cost up to £400k. The Shielding Hub has provided a range of support for the community and includes a contact centre as well as the provision of food parcels and PPE.

6.38. There are additional pressures associated Business Rates Collection from a reduced allocation from the NNDR rate retention pool of £653k. This is due to a predicted downturn in rates collection across the Devon-wide pool which results in less funding being re-distributed across the pool.

6.39. £300k of contingencies for shortfall in income have been released to mitigate budget shortfalls. There is an impact on interest receipts from the reduction in bank base rate from 0.75% to 0.1% however this is forecast to be offset by compensating savings elsewhere in the treasury management budgets.

6.40. Due to the significantly increased activity in the Revenues & Benefits function additional resources (£100k) have been approved to support the team in administering the Collection Fund. The Council has received additional “new burdens” funding which reflects the huge volume of additional work undertaken by the Business Rates & Council Tax teams in the response to Covid-19, particularly around the payment of business grants, administration of reliefs and re-billing.

#### 8. Investment Properties – Breakeven £0k

6.41. There are pressures associated with investment property income which will be offset by use of the investment fund reserve which is set up as part of every investment property purchase.

6.42. The purpose of this reserve is to meet temporary income shortfalls on investment properties across the portfolio. The in year shortfall from these properties is still an evolving position, however the year end shortfall, to be funded from the reserve, could be up to £1m.

#### 9. Planning & Transport – Underspend £69k

6.43. A reduced contribution for concessionary fares of £200k is forecast which offsets a Covid-19 related pressure associated with service income.

#### 10. Public Health – Underspend £150k

6.44. The majority of Public Health activity is funded by the ring-fenced grant. There is an underspend on the Joint Commissioning team salaries of £150k.

6.45. The Public Health team have been central to the local management of the Covid-19 response and coordinating a range of initiatives to ensure safe and effective management of Covid-19 within the local area.

6.46. The Council has received £886k to support the Test, Track and Trace work carried out locally. Based on current resource allocations this activity is expected to continue into the 2021/22 financial year.

## 7. Mitigating actions

- 7.1. After taking into account the Government grant support of £10.4m, Income reimbursement scheme and utilising service specific reserves of £0.9m, and the £3.0m revenue underspend from normal (non-covid19) operations, the Council is forecasting an overall budget overspend as at Quarter 2 of £2.2m.
- 7.2. As mentioned earlier in the report the Collection Fund shortfall of £5.2m will impact on the 2021/22 budget. However the Council's clear view is that this shortfall, as COVID related, should be funded by MHCLG. Any additional announcements by MHCLG will be incorporated into the budget position.
- 7.3. Work is underway to develop a revised debt recovery plan for the Collection Fund which will seek to identify households that have been adversely impacted by Covid-19. This will ensure those who "can't pay" are offered targeted additional support and access to financial advice. Whereas those that "won't pay" continue through the escalating collection process as normal.
- 7.4. The financial impact on 2020/21 is constantly evolving and forecasts will be updated as more "actuals" are known. The underlying assumptions are updated linked to service pressures and revised Government guidance and funding announcements.
- 7.5. The financial impact for the Council will depend on the level of recovery in Torbay. This recovery is in terms of both the local economic recovery and collection of Council Tax and NNDR which is vital to deliver local public services.
- 7.6. A moratorium on non-essential spend remains in place. The Chief Finance Officer has arranged additional scrutiny in order to monitor and challenge all orders and contracts placed by officers across the Council.
- 7.7. The Chief Finance officer with the support of the senior management team has reviewed a number of sources of funding that could be applied to mitigate any in year shortfall, however any use of these resources would result in an "opportunity cost" in relation to the original intention for the funding.
- 7.8. In addition to supporting any national or regional lobbying for more Covid19 related funding the Council is also making its case for funding wherever it can. The Council's Chief Executive and Chief Finance Officer have already had meetings with MHCLG to encourage additional funding to be allocated.
- 7.9. The Chief Financial Officer and his team are closely monitoring the Council's cash flow. At this stage there are no concerns about cash flow for the remainder of the financial year.
- 7.10. The Council's Chief Finance Officer has a requirement in certain situations to issue a "section 114 notice" to the Council under the Local Government Finance Act 1988. This states "that the chief finance officer of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

7.11. Clearly this is a relevant consideration with the current financial pressures. However CIPFA have now issued a statement to encourage councils to consider the exceptional circumstances and to consult with MHCLG prior to such action. At this stage Torbay is not considering issuing such a notice but will continue to both lobby for additional funding and continue to consider options for mitigating the financial impact in 2020/21 and in particular future years.

## 8. Medium Term Resource Plan

- 8.1. A robust medium term resource plan is crucial to ensuring that future funding gaps for 2021/22 and 2022/23 are addressed. The need for this plan is compounded by the risks associated with the Fair Funding Formula which is not anticipated to provide any respite in addressing Torbay's financial pressure.
- 8.2. In April MHCLG announced the deferral to 2021/22 of the proposed changes to the NNDR retention system and the funding formula, although the NNDR growth since 2013 could be "reset" for April 2021.
- 8.3. In addition to possible rises in demand pressures 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. Following consultation over the Summer the results of the four year spending review and Torbay's actual funding allocation expected to be confirmed in December 2020.
- 8.4. The financial impact of Covid19 in future years has been initially estimated at £8m, (including 1/3<sup>rd</sup> of the 20/21 collection fund deficit carried forward), but this is clearly a position that will evolve over the next few months. A number of the spending pressures seen in 2020/21 could reoccur in 2021/22 such as home to school transport and housing. In addition if the economy is impacted as predicted a number of income sources will continue to be affected such as rental income, car park receipts, council tax and NNDR collection.

## 9. Risks & Sensitivity

9.1. There are a number of financial risks facing the Council as shown below:

Risk	Impact	Mitigation
Continued loss of income	High	Recovery meetings have been convened by the Chief Finance Officer for all the Council's main areas of income. Each group is tasked with developing an action plan to influence income where possible
Collection Fund shortfall	High	Additional resources allocated to support the Revenues & Benefits team.
Fair Funding Formula	High	Development of a robust MTRP to address the expected impact on Torbay's funding.

Identification, and achievement, of savings for 2021/22 to 2022/23 per Medium Term Resource Plan	High	Finance colleagues are working with the transformation team coordinate the implementation of potential transformation savings.  Senior Leadership Team and Cabinet will need to consider options for future years.
Delivery of Children's Services cost reduction plan	High	Weekly meetings have been convened to monitor the current rate of delivery against the identified actions from the recovery plan.
Unable to recruit staff and need to use agency staff.	High	Recruitment & retention of Social Work staff, particularly in safeguarding is one of the core priorities for the Senior management team within Children's Services.
Additional demand and cost pressures for services particularly in children's social care	High	2020/21 Budget monitoring, use of service performance data and recovery plan.
Delivery of approved savings for 2020/21	Medium	Further to regular budget monitoring for all budget holders, the Council's Senior Leadership Team receive monthly updates on the 2019/20 position including a savings tracker for each of the approved savings.
Investment Property Income changes	Medium	This has been increased from Low to Medium due to the economic impact of Covid19. There are ongoing discussions with tenants about recovery plans

## 10. Capital Plan Summary

- 10.1 The overall funding position of the 4-year Capital Plan Budget of £298 million, covering the period 2020/21–2023/24, is primarily fully funded, but includes a requirement to generate £7.4m of Capital income from capital receipts and capital contributions over the life of the Capital Plan.
- 10.2 The movements in the estimate of expenditure in 2020/21 on the Capital Plan between the last monitoring report at July 2020 of £60.8m and the current approved budget for 2020/21 of £59.2m are shown below.

## 11. Updates to Capital Plan

Scheme	Variation in 2020/21	Change £m	Reason
<b>Estimate as at Q1 2020/21</b>		<b>60.8</b>	Capital Plan Update – 2020/21 Quarter 1 (Report Cabinet 29 Sep 2020)
<b>Budget changes since last report (Q1 2020/21)</b>			
<b>Thriving People and Communities</b>			
Capital Repairs and Maintenance 20/21	Additional budget	0.2	Increased Govt. grant allocation
Mayfield Expansion	Part budget to 20/21	0.3	Budget initially provided in 2021/22 moved to current year
Sixth Day Provision	Part budget to 20/21	0.3	Budget initially provided in 2021/22 moved to current year
St Cuthbert Mayne expansion	Part budget to 20/21	0.5	Budget initially provided in 2021/22 moved to current year
Disabled Facilities Grants	Rescheduled budget	(0.4)	Part budget moved to next financial year
Next Steps Torbay	New project	2.2	New MHCLG grant allocation £1.05m and required match funding
		<b>3.1</b>	
<b>Thriving Economy</b>			
Claylands Redevelopment	Additional budget	0.1	Additional funds from Integ. Transport for junction works
Integrated Transport	Transferred funding	(0.1)	Transfer to Claylands
Brixham Harbour-Oxen Cove Jetty and Breakwater	Savings on schemes	(0.1)	Schemes completed
RICC Improvements	Rephased budget	(1.0)	Part budget moved to 2021/22
Torbay Leisure Centre	Rephased budget	(0.1)	Part of budget unlikely to be spent until next year



Town Centre Regen & Econ Growth Fund.	Reduced budget	(2.2)	Funds allocated to Nightingale Park Solar Farm
TC Regeneration – Harbour View hotel	Rephased budget	1.0	Part budget to 20/21 from 21/22
Econ Growth Fund – Old Toll House	Rephased budget	(0.4)	Budget to 2021/22
Econ Growth Fund – TCCT Occombe	Rephased budget	(0.5)	Budget to 2021/22
Towns Fund (Torquay)	New Project	0.8	Govt. grant for accelerated Towns Fund projects
		<b>(2.5)</b>	
<b>Climate fit for the Future</b>			
Solar Farm - Brokenbury	Rephased budget	(1.0)	Most spend likely next year
Solar Farm - Nightingale Park	New scheme	2.2	Approved allocation from Econ Growth Fund
	Rephased budget	(2.0)	Most of budget moved to next year
		<b>(0.8)</b>	
<b>Council fit for the Future</b>			
General Contingency	Rephased budget	(0.1)	Not required in 20/21
		<b>(0.1)</b>	
<b>Investment Fund</b>			
No planned expenditure		<b>0.0</b>	
<b>Revised forecast capital spend for 2020/21</b>		<b>60.5</b>	

## **Thriving People and Communities**

- 11.1 Schools projects at Brookfield site (Brunel Academy Ph. 1), Ellacombe Nursery, Secondary School Expansion have finished with some small savings which have been transferred to the Brunel Academy Ph. 2 and Education Review Projects budget lines.
- 11.2 Work has begun on St. Cuthbert Mayne Expansion (£0.5m), Mayfield Expansion (£0.3m) and Sixth Day Provision (£0.25m) and some of the budgets (bracketed amounts shown) held in 2021/22 have been moved to the current year to cover estimated expenditure levels.
- 11.3 Capital Repairs and Maintenance 20/21 – The Government have recently announced an additional grant allocation to improve school conditions and this extra £0.2m has been added to the existing budget.
- 11.4 IT Replacement (Children’s Case Management) - £0.3m of the budget for the replacement case management system is likely to be spent in the next financial year so the budget has been adjusted accordingly.
- 11.5 Disabled Facilities Grants – some reduced demand during Covid lockdown but demand now picking up again. Some of the budget will probably not be required until 2021/22, so £0.369m of budget has been moved.
- 11.6 Next Steps Accommodation Project, Torbay – new Government (MHCLG) grant allocation following successful bid to enable acquisition of properties as temporary accommodation for homeless / rough sleepers. Funding is to be used by 31 March 2021. The scheme will be delivered through Tor Vista and requires borrowing totalling £0.933m and a contribution from the Affordable Housing budget of £0.15m.
- 11.7 Adult Social Care – funding identified under this heading will be transferred out and used to facilitate the proposed mixed use redevelopment at Crossways, Paignton and Torre Marine, Torquay.
- 11.8 Affordable Housing - £1.7m resources have been transferred to support the mixed use scheme at Crossways which will include affordable housing units.

## **Thriving Economy**

- 11.9 Brixham Harbour – The schemes at Brixham Breakwater and Oxen Cove Jetty were completed last year and no further costs are expected. Consequently the remaining budgets of £0.109m and £0.017m respectively are not required and have been removed.  
Claylands redevelopment – £0.04m additional funds from Integrated Transport to support necessary works to junction at site.
- 11.10 RICC Improvements – Some of the improvement works will now likely occur in the next financial year so £0.95m of the budget is transferred to 2021/22.
- 11.11 Torbay Leisure Centre (Parkwood) – Loan facilities to enable enhancements at the Leisure Centre. Some planned works are now unlikely to be achieved in the current year so part now transferred to 2021/22.
- 11.12 South Devon Highway – Devon CC have provided details of their latest estimates of remaining payments which indicate £1.3m of budget should be transferred to next year. The estimates also indicate that Torbay’s total contribution to the scheme could now be £1.3m over the current budget, which is £0.3m higher than potential overspend reported last quarter. If this is accurate, additional funding, possibly Prudential Borrowing, will be required. No changes have yet been made to the budget or funding resources in the Capital Plan until the situation is clearer.

- 11.13 Regeneration and Economic Growth Fund – some of these unallocated resources have now been allocated to specific schemes including Nightingale Park Solar Farm £2.2m.
- 11.14 Regeneration – Harbour View hotel – Some delays to works to enable additional site surveys however now back on site and progressing. Latest expected cashflow requires £0.1m of the budget to be transferred from next financial year to current year.
- 11.15 Economic Growth Fund-Old Toll House – Progress is not as fast as hoped and £0.4m of the scheme budget is now transferred to next year.
- 11.16 Economic Growth Fund-TCCT Occombe Farm – Expenditure to partially fund redevelopment and enhanced facilities at Occombe Farm are unlikely to be completed in this financial year. Consequently £0.5m of the funding is moved to next year, 2021/22.
- 11.17 Towns Fund (Torquay) – Council has received £0.75m in accelerated funding for projects listed in the Town Investment Plan. This is to deliver long term economic and productivity growth as part of the Towns Fund. The funds will enable work to revitalise areas including Upton Park, Princess Gardens and Rock Walk.
- 11.18 Flood Defence schemes – Projects at Cockington and Monksbridge have been delayed by various objections. Consequently expenditure plans now indicate that £0.3m of their budgets are transferred to next financial year.
- 11.19 Libraries Unlimited – the work to upgrade IT for Libraries Unlimited is now being funded from revenue using S106 resources so the budget and funding have been removed from the Capital Plan.

### **Climate Fit for the Future**

- 11.20 Solar Farm, Brokenbury – In view of planning timescales there is unlikely to be significant expenditure in this year so £0.95m of the budget has been transferred to next year to reflect the estimated spend pattern.
- 11.21 Solar Farm, Nightingale Park – Cabinet in August 2020 approved the allocation of £2.2m resources from the Economic Growth Fund to investigate and develop the potential of a solar farm at Nightingale Park, Torquay. £2m part of the budget has now been transferred to next year in line with likely expenditure.

### **Council Fit for the Future**

- 11.22 Corporate IT Developments – increased budget of £0.3m to enable upgrade work, funded from available Reserves.
- 11.23 IT Equipment –TOR2 - As part of the Transition project for conclusion of the TOR2 contract, Council agreed to provide £0.6m funds from Reserves to facilitate operational changes. Currently £0.15m has been identified for potential capital items including upgrades of IT equipment to support new working arrangements.
- 11.24 General Contingency – There is currently no expectation that this Contingency will be required in this financial year so the small residual budget held in 2020/21 has been moved to 2021/22.

## 12. Receipts & Funding

12.1 The funding identified for the latest Capital Plan budget is shown in Appendix 1. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years. A summary of the funding of the Capital Plan is shown in the Table below:

<b>Funding</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>Total @ Q2 20/21 £m</b>
Unsupported Borrowing	35	154	63	0	<b>252</b>
Grants	19	10	6	0	<b>35</b>
Contributions	1	0	0	0	<b>1</b>
Revenue	0	0	0	0	<b>0</b>
Reserves	1	1	0	0	<b>2</b>
Capital Receipts	3	1	4	0	<b>8</b>
<b>Total</b>	<b>59</b>	<b>166</b>	<b>73</b>	<b>0</b>	<b>298</b>

## 13. Grants

13.1 Since the last Capital Plan update (Quarter 1 2020/21) reported to Cabinet in September 2020, the Council has been notified of the following capital grant allocations:

13.2 Dept. for Education – School Condition Allocation £0.194m an additional allocation to improve the physical condition of school buildings. This has been added to the Schools Capital Repairs 20/21 budget.

13.3 MHCLG – Towns Fund £0.75m grant allocation to enable accelerated activity to revitalise areas of Torquay outlined in the Town Investment Plan. A decision on the full £25m bid is expected later in the year. (Update: this has now been announced with a £22.1m allocation for Torbay subject to business case submission)

13.4 MHCLG – The Council's bid for Next Steps Accommodation Project of £1.05m.

## 14. Capital Receipts

14.1 The approved Plan relies on the use of £7.8m capital receipts. The Council has received £0.4m from asset disposals as at the end of September 2020.

14.2 Consequently the remaining Capital Receipts target to fund the Capital Plan stands at £7.4m still to be achieved. This target is expected to be achieved provided that:

- expected disposals of land and/or assets are completed
- the Council continues with its disposal policy for surplus and underused assets and,
- no more new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

## **15. Capital Contributions – S106 & Community Infrastructure Levy**

- 15.1 The Council's Capital Strategy states that capital contributions are applied to support schemes already approved as part of Capital Plan and are not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital plan.
- 15.2 Income from Section106 capital contributions so far in 2020/21 amount to £0.1m, but these are largely already earmarked for use on existing schemes
- 15.3 The Council's Community Infrastructure Levy (CIL) scheme came into effect from 1 June 2017. The main capital project identified for funding from CIL receipts is the South Devon Highway. Some CIL funds are now being received and a percentage of these receipts have to be given to local neighbourhood planning areas as the "neighbourhood proportion". A small amount of CIL has been received so far in 2020/21.

## **16. Appendices:**

- 16.1 Appendix 1 - Capital Plan summary – Quarter 2 2020/21