

9. Capital Plan Update

- 9.1. The overall funding position of the 4-year Capital Plan Budget of £284 million, covering the period 2021/22–2024/25, is primarily fully funded, but includes a requirement to generate £6.6m of Capital income from capital receipts and capital contributions over the life of the Capital Plan.
- 9.2. The movements in the estimate of expenditure in 2021/22 on the Capital Plan between the last monitoring report at September 2021 of £57.1m and the current approved budget for 2021/22 of £63.2m are shown below.
- 9.3. **Updates to Capital Plan**

Scheme	Variation in 2021/22	Change £m	Reason
Estimate as at Q1 2021/22		57.1	Capital Plan Update – 2021/22 Quarter 1 (Report Cabinet 21 Sep 2021)
	Total	57.1	
Budget changes since last report (Q1 2021/22)			
Thriving People and Communities			
Housing Rental Company - Affordable Housing Developments	Removed from Capital Plan	(0.1)	Pre TorVista budget of £90k for Totnes Rd/St Kilda - no longer required.
Next Steps Accommodation Programme	Transferred funding	(0.4)	Loan of £373.5k transferred from Next Steps Accommodation Programme to Tor Vista Loan. See below (Council Approvals awaiting proposals).
	Balance removed from Capital Plan	(1.4)	Tor Vista now have registered status - budget of £1,424k no longer required. Replaced by TorVista £25m loan.
Extra Care Housing (Torre Marine)	Additional Budget	0.4	New funding from Brownfield Land Release Fund - £415k.
Brixham Town Centre Car Park - Housing	Additional Budget	0.7	New funding from Brownfield Land Release Fund - £675k.
Tor Vista Homes re Preston Down Road	Rephased budget	0.2	£190k moved from future years to 2021/22 for feasibility. Will be a revenue cost if scheme does not go ahead.
Disabled Facilities Grants	Rephased budget	(0.6)	Budget of £580k moved to 22/23 (budget of £1m left in 21/22).
	Transferred funding	(0.3)	Budget of £253k moved to Crossways Redevelopment. Funding is additional Disabled

			Facilities Grant received in 20/21 with spend deadline of 31/3/21.
Crossways Redevelopment	Transferred funding	0.3	Budget of £253k moved from Disabled Facilities Grant. Funding is additional Disabled Facilities Grant received in 20/21 with spend deadline of 31/3/21.
	Transferred funding	2.1	Budget of £2,074k moved from Paignton Future High Streets Fund, Crossways Project. Further £691k in 22/23.
	Total	0.9	
Thriving Economy			
Transport Integrated Transport Schemes	Transferred funding	(0.7)	Transfer of £0.653m (21/22 budget) to Edginswell Station. Total funding of £1.5m transferred to Edginswell Station (including future years' budgets).
Edginswell Station	Additional budget	0.7	Additional funds of £0.653m from Transport Integrated Transport budget. Total funding of £1.5m transferred from Integrated Transport (including future years' budgets).
	Rephased budget	(0.7)	Budget of £0.653m moved to 23/24 (total funding of £1.5m moved to 23/24).
Torre Valley North Enhancements	Transfer of budget	0.1	Previously unused budget of £57k returned from contingency for spend on Torre Valley North Enhancements.
Torquay Town Dock - Infrastructure Improvements	New project	1.2	Borrowing of up to £1.2m agreed at Council 30/9/21 to carry out urgent and essential pontoon replacement and repair works to the Torquay Town Dock.
Edginswell Business Park (purchase & develop land)	Rephased budget	(1.3)	Projected spend of £1m in 21/22. £1.3m rephased to 22/23.
RICC Improvements - Backlog Repairs	Transferred funding	(1.4)	Project divided into 2 elements - backlog repairs and landlord repairs. £1.449m funding transferred to landlord repairs (see below).
	Rephased budget	(0.5)	Remaining budget of £518k for backlog repairs rephased to 22/23.

RICC Improvements - Landlord Repairs (Parkwood)	Transferred funding	1.4	Project divided into 2 elements - backlog repairs and landlord repairs. £1.449m funding transferred from backlog repairs (see above).
Torquay Towns Fund (Main)	Rephased budget & allocation to individual projects	0.1	Reallocation of budget to individual Torquay Towns Fund projects. Programme Management costs now shown here. £52.5k rephased to 21/22 from future years (spend of £52.5k profiled for 22/23 and 23/24).
Torquay Town Deal - Union Square Ph 1	Rephased budget & allocation of budget from main project	3.2	Reallocation of budget to individual Torquay Towns Fund projects. £3,200k for Union Square Phase 1 rephased to 21/22 from future years (£1,850k profiled for 22/23).
Torquay Town Deal - Strand Land Assembly & Demolition	Rephased budget & allocation of budget from main project	2.0	Reallocation of budget to individual Torquay Towns Fund projects. £2,000k for Strand Land Assembly & Demolition rephased to 21/22 from future years.
Torquay Town Deal - Harbour Public Realm	Rephased budget & allocation of budget from main project	1.0	Reallocation of budget to individual Torquay Towns Fund projects. £1,035k for Harbour Public Realm rephased to 21/22 from future years (£1,215k profiled for 22/23).
Torquay Town Deal - Pavilion	Rephased budget & allocation of budget from main project	0	Reallocation of budget to individual Torquay Towns Fund projects. £1,750k for Harbour Public Realm allocated in 22/23.
Torquay Town Deal - Stronger Future Revenue	Rephased budget & allocation of budget from main project Transferred funding	0.6 (0.6)	Reallocation of budget to individual Torquay Towns Fund projects. £600k for Stronger Future Revenue rephased to 21/22 from future years. Revenue project - funding to be transferred to revenue.
Torquay Town Deal - Union Square Ph 2	Rephased budget & allocation of budget from main project	0	Reallocation of budget to individual Torquay Towns Fund projects. £5,993k for Harbour Public Realm allocated in 22/23 and 23/24.
Torquay Town Deal - Core Area Public Realm	Rephased budget & allocation of budget from main project	0	Reallocation of budget to individual Torquay Towns Fund projects. £25k for Core Area Public Realm rephased to 21/22 from future years (£225k profiled for 22/23).

Torquay Town Deal - Tqy Coastal Corridor Pinch Point	Rephased budget & allocation of budget from main project	0	Reallocation of budget to individual Torquay Towns Fund projects. £850k for Coastal Corridor Pinch Points allocated in 22/23.
Paignton Future High Streets Fund	Rephased budget & allocation to individual projects	(1.0)	Reallocation of budget to individual Paignton Future High Streets Fund projects.
Pgn FHSF - Torbay Road	Rephased budget & allocation of budget from main project	0	Reallocation of budget to individual Paignton High Streets Fund projects. £668k for Torbay Road allocated in 22/23.
Pgn FHSF - Station Square	Rephased budget & allocation of budget from main project	1.4	Reallocation of budget to individual Paignton High Streets Fund projects. £1,379k for Station Square rephased to 21/22 from future years (£880k profiled for 22/23).
Pgn FHSF - Victoria Centre Phase 1	Rephased budget & allocation of budget from main project	0.2	Reallocation of budget to individual Paignton High Streets Fund projects. £234k for Victoria Centre Phase 1 rephased to 21/22 from future years (£418k profiled for 22/23).
Pgn FHSF - Picture House	Rephased budget & allocation of budget from main project	0.2	Reallocation of budget to individual Paignton High Streets Fund projects. £184k for Picture House rephased to 21/22 from future years (£1,102k profiled for 22/23 and 23/24).
Pgn FHSF - Diversification	Rephased budget & allocation of budget from main project	0	Reallocation of budget to individual Paignton High Streets Fund projects. £1,300k for Diversification allocated in 23/24.
Pgn FHSF - Crossways	Rephased budget & allocation of budget from main project Transferred funding	2.1 (2.1)	Reallocation of budget to individual Paignton High Streets Fund projects. £2,074k for Crossways rephased to 21/22 from future years (£691k profiled for 22/23). Budget of £2,074k moved to Crossways Redevelopment Project (see Thriving People and Communities). Further £691k in 22/23.
Pgn FHSF - Flood Defence	Rephased budget & allocation of budget from main project	0.5	Reallocation of budget to individual Paignton High Streets Fund projects. £457k for Flood Defence rephased to 21/22 from future years (£114k profiled for 22/23).

Pgn FHSF - Victoria Centre Phase 2	Rephased budget & allocation of budget from main project	3.9	Reallocation of budget to individual Paignton High Streets Fund projects. £3,862k for Victoria Centre Phase 2 rephased to 21/22 from future years.
	Total	10.3	
Tackling Climate Change			
Nightingale Park Solar Farm	Transfer of budget	0.9	Budget of £900k allocated from Economic Growth Point funds, bringing total project budget to £3.1m as agreed at Cabinet, 24/08/21.
	Rephased budget	(1.8)	£1,772k rephased to 22/23 (leaving budget of £219k in 21/22). Potential delay pending resolution of legal structure.
	Total	(0.9)	
Council Fit for the Future			
General Capital Contingency	Transfer of budget	(0.1)	Previously unused budget of £57k returned to Torre Valley North Enhancements.
Enhancement of Development sites	Rephased budget	(0.2)	£160k rephased to 22/23 (leaving budget of £40k in 21/22).
	Total	(0.3)	
Council Approvals with No Plans			
Regeneration Programme and Economic Growth Fund	Transfer of budget	(0.9)	Budget of £900k allocated to Nightingale Park Solar Farm to bring total project budget up to £3.1m as agreed at Cabinet, 24/08/21.
	Rephased budget	0.9	Budget of £900k rephased from future years to enable allocation to Nightingale Solar Farm.
Tor Vista - Loan	Rephased budget	(4.3)	£4.29m rephased to 22/23 (leaving budget of £1m in 21/22 - drawdowns for Totnes Road and St Kildas).
	Transferred funding	0.4	Loan of £373.5k transferred from Next Steps Accommodation Programme to Tor Vista Loan (see above 'Thriving People and Communities').
	Total	(3.9)	
Revised forecast capital spend for 2021/22		63.2	

Thriving People and Communities

- 9.4. Next Steps Accommodation Programme – replaced by TorVista £25m loan. Budget of £373.5k re Next Steps loan has been transferred to Tor Vista Loan. The remaining £1,424k has been removed from the capital plan as TorVista obtained registered provider status in March and therefore progressed the project.
- 9.5. Disabled Facilities Grant – additional Disabled Facilities Grant of £253k was received in 20/21 and has a spend deadline of 31/3/21. In order to meet this deadline and the criteria of spend, this budget has been transferred to Crossways Redevelopment. In addition, budget of £580k has been rephased to 22/23 (leaving £1m budget in 21/22).
- 9.6. Crossways Redevelopment – budget has been increased by £253k Disabled Facilities Grant funding as mentioned above. In addition to this, funding of £2,074k has been provided for 21/22 by the Paignton Future High Streets Fund (with a further £691k for 22/23). When delivered by Tor Vista, the profile of the Council's spend will change.

Thriving Economy

- 9.7. Transport Integrated Transport Schemes – a total of £1.5m has been transferred to the Edginswell Station project. This includes £653k re 21/22 and future years' budgets. New allocation announcement for Integrated Transport expected soon.
- 9.8. Edginswell Station – budget of £1.5m has been transferred to the Edginswell Station project from Integrated Transport projects. This budget is reflected in future years.
- 9.9. Torquay Town Deal – this scheme has been divided into the individual projects to enable clarity in monitoring. Budgets have been reallocated accordingly in 21/22 and in future years. See full breakdown on 'Appendix 2 - Capital Plan summary – Quarter 2 2021/22.'

The project 'Stronger Future Revenue' for £600k has been removed from the Capital Plan as it is a revenue project.

- 9.10. Paignton Future High Streets Fund - this scheme has been divided into the individual projects to enable clarity in monitoring. Budgets have been reallocated accordingly in 21/22 and in future years. See full breakdown on 'Appendix 2 - Capital Plan summary – Quarter 2 2021/22.'

The funding allocated for Crossways has been transferred to the main 'Crossways Redevelopment' scheme.

10. Receipts & Funding

10.1. 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:

Funding	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total @ Q2 21/22 £m
Unsupported Borrowing	22	108	60	0	190
Grants	36	25	21	0	82
Contributions	2	1	0	0	3
Revenue	0	0	0	0	0
Reserves	1	0	0	0	1
Capital Receipts	2	2	4	0	8
Total	63	136	85	0	284

11. Grants

11.1 Since the last Capital Plan update (Quarter 1 2021/22) reported to Cabinet in September 2021, the Council has been notified of the following capital grant allocations:

11.2 MLUHC – Brownfield Land Release Funding of £1.090m. Torbay Council made a successful bid for capital funding - £0.415m for Torre Marine and £0.675m for Brixham Town Centre Car Park.

11.3 The Chancellor announced the Spending Review on 27 October which included a number of capital funding announcements but the council will not expect to see detail of these until early 2022.

12. Capital Receipts

12.1. The approved Plan relies on the use of £8.4m capital receipts. The Council has received £1.8m from asset disposals as at the end of September 2021 including prior years.

12.2. Consequently the remaining Capital Receipts target to fund the Capital Plan stands at £6.6m 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 further new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

13. Capital Contributions – S106 & Community Infrastructure Levy

- 13.1. 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.
- 13.2. Income from Section106 capital contributions so far in 2021/22 amount to £1.5k, which is already earmarked for use on existing schemes.
- 13.3. 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". CIL contributions so far in 2021/22 amount to £0.2m.

14. Borrowing and Prudential Indicators

- 14.1. As at 30 September 2021, the Council's total borrowing was £391m. No new borrowing has been taken in this financial year to date. The Operational Boundary is set at £590m in the approved Treasury Management Strategy. This limit is set based on the expected maximum borrowing the Council would undertake in order to meet its Capital Financing Requirement.
- 14.2. The Treasury Management mid-year review is planned to be presented to Council on the 9th December 2021 and contains more information on the Council's current and future borrowing requirements.

15. Updated Guidance from HM Treasury on PWLB borrowing

- 15.1. HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:
- 15.2. Capital plans should be submitted by local authorities via a return. These open for the new financial year on 1st March and remain open all year. Returns must be updated if there is a change of more than 10%.
- 15.3. An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- 15.4. Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- 15.5. Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

- 15.6. The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

16. CIPFA consultation

- 16.1. CIPFA are currently consulting on changes to its Prudential and Treasury Management Code of Practices. The consultation closes on 16th November 2021.

17. Financial Risk

- 17.1. Members need to be fully aware of the financial risks and ongoing revenue impact of significantly increased levels of borrowing. A balanced view needs to be taken between the increased ongoing revenue borrowing cost, the ongoing value of the underlying assets and the robustness of any income stream associated with those assets. The key criteria is not so much the level of quantum of debt but the ability of the council to afford the higher levels of interest and principal repayments. The Council borrows at fixed rates over a range of maturity profiles, so the risk is with fluctuations in both revenue income streams and asset values. Therefore due diligence, diversification and robust business cases supported by external advice as required is vital.

18. Appendices:

- 18.1. Appendix 1 - Capital Plan summary – Quarter 2 2021/22