

B - Capital Budget Monitoring Report Q3 2021-22

1. Capital Plan Update

- 1.1. The overall funding position of the 4-year Capital Plan Budget of £282 million, covering the period 2021/22–2024/25, is largely 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.
- 1.2. The Capital Plan Budget has been updated for any further revision to both projects and timing, resulting in the latest revision attached at Appendix 1. The Plan now totals £282m over the 4 year period of which £43m relates to 2021/22 and £112m relates to 2022/23.
- 1.3. The movements in the estimate of expenditure in 2021/22 on the Capital Plan between the last monitoring report in November 2021 of £63.2m and the current approved budget for 2021/22 of £43.4m are shown below.
- 1.4. **Updates to Capital Plan**

Scheme	Variation in 2021/22	Change £m	Reason
Estimate as at Q2 2021/22		63.2	Capital Plan Update – 2021/22 Quarter 2 (Report Cabinet 16 Nov 2021)
	Total	63.2	
Budget changes since last report (Q2 2021/22)			
Thriving People and Communities			
Education Review Projects	Transfer of budget	(0.1)	Transfer of £75k to Mayfield Expansion project.
	Reprofiling	(1.5)	Funding is for school places. LA currently reviewing future priorities for investment. Rephasing of £1.5m to 22/23 accordingly.
Mayfield Expansion	Additional budget	0.1	Additional funding of £75k - allocated from Education Review projects.
Special Provision Fund	Transfer of budget	(0.3)	Transfer of £250k underspend on Special Provision Fund projects to Polsham Centre Development.
Polsham Centre Development	New scheme	0.3	New SEN project funded from unspent resources within Special Provision Fund.
Extra Care Housing - Torre Marine	Reprofiling	(0.4)	Reprofiling of £415k to future years.

Scheme	Variation in 2021/22	Change £m	Reason
Crossways, Paignton	Reprofiling	0.3	Reprofiling of spend on project with £273k being brought forward to 21/22.
Roselands Primary - additional classroom	Reprofiling	(0.1)	Reprofiling of spend with £80k going to 22/23 - works likely to take place at Easter 2022.
Polsham Centre Development	Reprofiling	(0.2)	Brief being developed but some delays in identifying provider. Works expected to commence Summer 2022 so resources of £200k rephased.
Capital Repairs & Maintenance	Reprofiling	(0.4)	Phase 2 projects identified and will commence Easter 2022. £400k rephased to 22/23.
Disabled Facilities Grants	Reprofiling	(0.4)	Reprofiling of £400k to future years.
	Total	(2.7)	
Thriving Economy			
Economic Growth Fund Projects	Reprofiling	6.5	Reprofiling of £6.5m Economic Growth Fund to 21/22 from future years to enable transfer of funds to Edginswell Business Park project.
	Transfer of budget	(6.5)	Transfer of £6.5m Economic Growth Fund to Edginswell Business Park Unit 3 project - as agreed at Cabinet 16/11/21.
	Reprofiling	0.5	Reprofiling of £517k Economic Growth Fund to 21/22 from future years to enable transfer of funds to Lymington Road project.
	Transfer of budget	(0.5)	Transfer of £517k Economic Growth Fund to Lymington Road Business Centre. As agreed at Cabinet 16/11/21.
	Reprofiling	1.3	Reprofiling of £1,250k Economic Growth Fund to 21/22 from future years to enable transfer of funds to Corbyn Head Development of Former WCs project.
	Transfer of budget	(1.3)	Transfer of £1,250k Economic Growth Fund to Corbyn Head Development of Former WCs. As agreed at Cabinet 14/12/21.

Scheme	Variation in 2021/22	Change £m	Reason
	Reprofiling	0.7	Reprofiling of £717.5k Economic Growth Fund to 21/22 from future years to enable transfer of funds to Preston (North) Development of Former WCs project.
	Transfer of budget	(0.7)	Transfer of £717.5k Economic Growth Fund to Preston (North) Development of Former WCs. As agreed at Cabinet 14/12/21.
Edginswell Business Park Unit 3 (Develop & Construct)	Transfer of budget	6.5	Transfer of £6.5m from Economic Growth Fund to Edginswell Business Park Unit 3 project - as agreed at Cabinet 16/11/21.
	Reprofiling	(6.3)	Reprofiling of £6.3m to future years.
Lymington Road Business Centre	Transfer of budget	0.5	Cabinet approval 16/11/21 to increase borrowing on Lymington Road Business Centre project to £1,367k - an increase of £517k. Funding from Economic Growth Fund.
	Additional funding	0.2	Additional funding of £200k agreed - revenue contribution from COMF money.
	Reprofiling	(1.9)	Reprofiling of £1,871k to future years.
Corbyn Head - Development of former WCs	New Scheme	1.3	New project to develop former WCs at Corbyn Head. £1,250k agreed at cabinet 14/12/21. Funding from Economic Growth Fund.
Preston (North) - Development of former WCs	New Scheme	0.7	New project to develop former WCs at Preston North. £717.5k agreed at Cabinet 14/12/21. Funding from Economic Growth Fund.
Cockington Flood Alleviation Scheme	Reprofiling	(0.1)	Reprofiling of £50k to future years.
Monksbridge Flood Alleviation Scheme	Reprofiling	(0.3)	Reprofiling of £346k to future years.
Paignton Coastal Defence Scheme	Reprofiling	(0.1)	Reprofiling of £125k to future years.

Scheme	Variation in 2021/22	Change £m	Reason
Transport Highways Structural Maintenance	Reprofiling	(0.1)	Reprofiling of £50k to future years. The Preventative Maintenance Programme is complete, the main resurfacing programme is well under way with further works planned in early 2022. Reactive repairs are on target currently.
Claylands Redevelopment	Reprofiling	(0.1)	£102.99k reprofiled to future years.
RICC Improvements - Backlog Repairs	Reprofiling	0.6	£600k reprofiled to 2021/22 - phased programme over 2 years.
Old Toll House (Econ Growth Fund)	Reprofiling	(0.2)	£213.557k reprofiled to future years. Delays to project currently being resolved.
Edginswell Business Park - Acquisition	Reprofiling	2.5	Reprofiling of £2,526k from future years to 21/22 to enable transfer of budget to Edginswell Business Park Site Retail Unit
	Transfer of budget	(3.7)	Transfer of £3,710k to Edginswell Business Park Site 1
	Transfer of budget	0.1	Overspend on acquisition covered from funding Site 1
	Reallocation of spend	0.1	Transfer of £111k spend to Edginswell Business Park Site 1 therefore budget reinstated on Acquisition
Edginswell Business Park Site 3	Reprofiling	0.0	Reprofiling of future years spend on project - £2m moved from 22/23 to 23/24
Edginswell Business Park Site 1	Transfer of budget	3.7	Transfer of £3,710k from Edginswell Business Park Acquisition
	Transfer of budget	2.3	Transfer of £2,290k (to give total project budget of £6m) from Economic Growth Fund to Edginswell Business Park Unit 1 project - as agreed at Council 21/05/20.
	Transfer of budget	(0.1)	Overspend on acquisition covered from funding Site 1
	Re allocation of spend	(0.1)	Transfer of £111k spend to Edginswell Business Park acquisition therefore budget reduced on Site 1

Scheme	Variation in 2021/22	Change £m	Reason
	Reprofiling	(5.7)	Reprofiling of £5,692k to future years.
Edginswell Business Park -Enabling Works	Reprofiling	(1.8)	Reprofiling of £1,757k to future years.
Town Deal - Union Square Ph.1	Reprofiling	(3.1)	Reprofiling of £3,100k to future years.
Town Deal - Strand Land Assembly and Demolition	Reprofiling	(2.0)	Reprofiling of £2,000k to future years.
Town Deal - Harbour Public Realm	Reprofiling and reallocation	(1.0)	Reprofiling of £1,035k to future years. Also £250k reallocated from Town Deal Torquay Corridor Pinch Point in future years.
Town Deal - Pavilion	Reprofiling and reallocation	0.1	Reprofiling of £100k to 20/21. Also £250k reallocated from Town Deal Torquay Corridor Pinch Point in future years.
Town Deal - Core Area Public Realm	Reallocation	0.0	£350k reallocated from Town Deal Torquay Corridor Pinch Point in future years.
Town Deal - Torquay Coastal Corridor Pinch Point	Reallocation	0.0	The £850k allocated to Torquay Coastal Pinch Point has been reallocated to Harbour Public Realm (£250k), Pavilion (£250k) and Core Area Public Realm (£350k) in future years.
Paignton Future High Street Fund - Station Square	Reprofiling	(1.3)	Reprofiling of £1,254k to future years.
Paignton Future High Street Fund - Victoria Centre Ph.1	Reprofiling	(0.2)	Reprofiling of £234k to future years.
Paignton Future High Street Fund - Paignton Picture House	Reprofiling	0.0	In future years - reprofiling of £367k to 22/23 (from 23/24).
Paignton Future High Street Fund - Victoria Centre Ph.2	Reprofiling	(3.8)	Reprofiling of £3,844k to future years.
Debenhams	Funding Swap	0.0	Town Deal Grant funding has replaced the unsupported borrowing requirement for the acquisition costs of Debenhams. Remaining grant of £231k for demolition costs in 22/23.
Loan	New Scheme	0.2	New loan for £150k Funding from Economic Growth Fund.

Scheme	Variation in 2021/22	Change £m	Reason
Corbyn Head - Development of former WCs	Reprofiling	(1.3)	Reprofiling of £1,250k to future years.
Preston (North) - Development of former WCs	Reprofiling	(0.7)	Reprofiling of £717.5k to future years.
	Total	(15.1)	
Tackling Climate Change			
Solar Farm, Brokenbury (EGF)	Reprofiling	(1.0)	Total project spend increased by £38.6k since quarter 1 update - still within original cabinet approval 19/05/20. £950k reprofiled to future years.
Solar Farm, Nightingale Park (EGF)	Reduced expenditure & reprofiling	(0.1)	Total project spend reduced by £52.3k. £56.7k reprofiled to future years.
	Total	(1.1)	
Council Fit for the Future			
	Total	(0.0)	
Council Approvals with No Plans			
Housing Rental Company - Loan	Reprofiling	(0.9)	Reprofiling of £874k to future years.
Regeneration Programme and Economic Growth Fund	Transfer of budget	(2.3)	Transfer of £2,290k (to give total project budget of £6m) from Economic Growth Fund to Edginswell Business Park Unit 1 as agreed at Council 21/05/20.
	Reprofiling	2.3	Reprofiling of £2,290k Economic Growth Fund to 21/22 from future years to enable transfer of funds to Edginswell Business Park Site 1
	Transfer of budget	(0.2)	Transfer of £150k from Economic Growth Fund to provide loan
	Reprofiling	0.2	Reprofiling of £150k Economic Growth Fund to 21/22 from future years to enable transfer of funds for Loan.
	Total	(0.9)	
Revised forecast capital spend for 2021/22		43.4	

Thriving People and Communities

- 1.5. Roselands Primary Additional Classroom - the second phase of this project to provide additional play space has been delayed because of planning issues and a delay in Torbay Coast and Countryside Trust (TCCT) releasing the land. Planning approval has now been granted but still awaiting land release from TCCT. Works likely to take place Easter 2022 so resources of £80k have been rephased.

Thriving Economy

- 1.6. Economic Growth Fund – budget has been allocated to several projects this quarter. Edginswell Business Park Site 3 £6.5m, Lymington Road Business Centre £517k (this increases budget to £1,367k), Corbyn Head development of former WCs £1,250k and Preston (North) development of former WCs £717.5k. Spending mainly in future years.
- 1.7. Lymington Road Business Centre – scheme is projected to be c£100k overspent. Funding to be found – resource to be confirmed. Value engineering exercise underway. Stage 2 tender process to be completed during the next few weeks. Post issuing the stage 1 tender documents the design changed slightly and further drainage survey data have necessitated the value engineering exercise.
- 1.8. Cockington Flood Alleviation Scheme - reprofiling of £50k to future years. Works are on-going but have been delayed due to Covid-19. It is still planned that the majority of works will be completed by end of March 2022. However, some works will have to carry over to 2022/23.
- 1.9. Monksbridge Flood Alleviation Scheme - reprofiling of £346k to future years. Works are delayed due to SWW. SWW have now stated that we cannot connect the overflow to the Sharkham outfall tunnel. As a result, an alternative scheme is having to be designed and the completion has been put back to March 2023.
- 1.10. Paignton Coastal Defence Scheme - reprofiling of £125k to future years. Grant in aid funding over the next three years has been secured. Detailed design works and preparation of planning application has been undertaken however due to objections from local businesses the Council have taken the decision to put the scheme on hold and undertake a review of the options before a planning application is submitted. As a result, it is unlikely that the planning application will be submitted until 2022 therefore the construction phase of the scheme will not commence until 2022/23. Please note that part of the Grant in aid funding towards this scheme has already been drawn down last financial year. Further meetings have been held with the local community and a further option has been proposed by them. The Council have decided to consider this option before deciding on the preferred option. As a result, the planning application will not be submitted this financial year.
- 1.11. Torquay Gateway Road Improvements – the projects is projecting to overspend by c£600k. Additional funding to be determined.
- 1.12. Public Toilet Refurbishment Programme – the project is overspending by c£115k. Additional funding to be determined.

2. Receipts & Funding

- 2.1. 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 @ Q3 21/22 £m
Unsupported Borrowing	18	71	81	19	189
Grants	21	38	22	1	82
Contributions	1	1	0	0	2
Revenue	0	0	0	0	0
Reserves	1	0	0	0	1
Capital Receipts	2	2	0	4	8
Total	43	112	103	24	282

11. Grants

- 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

- 4.1. 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 December 2021 including prior years.
- 4.2. 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.

5. Capital Contributions – S106 & Community Infrastructure Levy

- 5.1. 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.
- 5.2. Income from Section 106 capital contributions so far in 2021/22 amount to £26.5k, which is already earmarked for use on existing schemes.

- 5.3. 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 are given to local neighbourhood planning areas as the "neighbourhood proportion". CIL contributions so far in 2021/22 amount to £0.4m.

6. Borrowing and Prudential Indicators

- 6.1. 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.
- 6.2. The Treasury Management mid-year review in was presented to Council on the 9 December 2021 and contains more information on the Council's current and future borrowing requirements.

7. CIPFA consultation

- 7.1. In the autumn of 2021 CIPFA consulted on changes to its Prudential and Treasury Management Code of Practices. The revised codes are expected to be issued in early 2022 with full implementation of the new codes by 2023/24. Where appropriate the Council will incorporate changes arising from the new Codes during 2022/23.
- 7.2. On the 3 February 2022 CIPFA issued a consultation on 'Emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting'. The changes to the Code are to alleviate current delays to the publication of audited financial statements. The consultation is available on the CIPFA website:

<https://www.cipfa.org/policy-and-guidance/consultations>

8. Financial Risk

- 8.1. 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.

9. Appendices:

- 9.1. Appendix 1 - Capital Plan summary – Quarter 3 2021/22