

**Meeting:** Cabinet

**Date:** 1 October 2019

**Wards Affected:** All Wards

**Report Title:** Budget Monitoring 2019/20 – Quarter One

**Is the decision a key decision?** No

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

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## 1. Purpose and Introduction

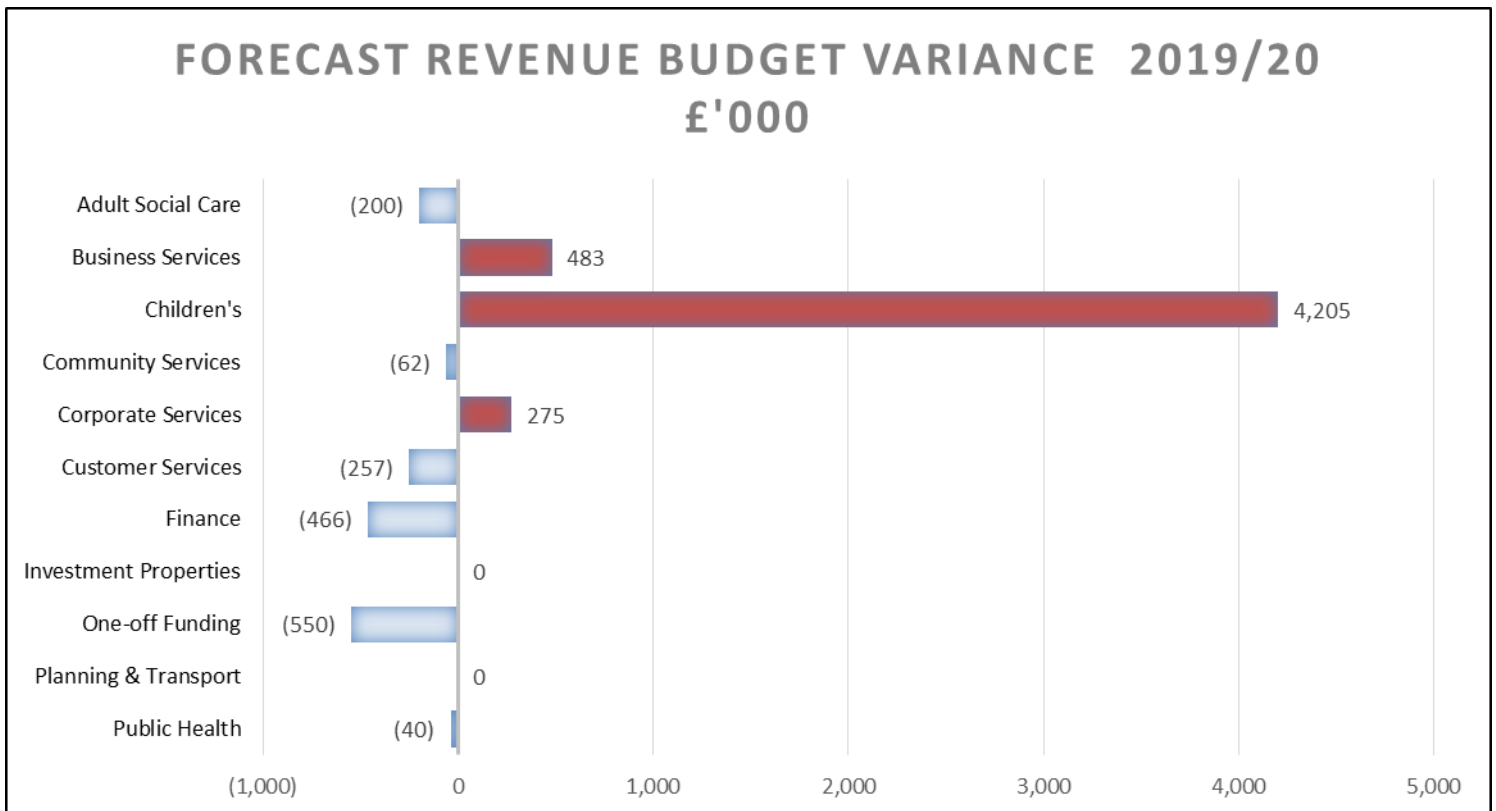
- 1.1. This report provides a high level budget summary of the Council's forecasted revenue and capital income and expenditure for the financial year 2019/20. This quarter report 1 is based on figures reported as at 30<sup>th</sup> June 2019.
- 1.2 The Council's **Revenue** budget is under significant pressure. There are continued pressures within Children's Services and the service is forecasting an overspend at Quarter 1 of £4.2m. This position requires mitigating actions to be undertaken. The required actions have been identified but need to be achieved. If the mitigating actions are achieved, then the Council will have an underspend of £0.2m. If the mitigating actions are not achieved, then the overspend would be in excess of £2m.
- 1.3 In order to contain overall spend to within the 2019/20 agreed budget mitigating action has been approved by the Council's Senior Leadership team. More detail on the mitigating action is available in section 4 of this report.
- 1.4 The **Capital Plan** budget totals £367.3m for the 4 year programme, with £78.6m currently scheduled to be spent in 2019/20, including £30m to enable Investment Fund opportunities, £2.3m on the Western Corridor and £24m on various Regeneration projects but still requires £2.3m from capital receipts and capital contributions over the life of the Capital Plan.

## 2 Recommendation (s) / Proposed Decision

- 2.1 That the Cabinet notes the revenue outturn position and mitigating action identified.

### 3 2019/ 20 Revenue Budget Summary Position

3.1 The below graph shows a visual breakdown, highlighting budget variance for each service



#### Children's Social Care

- 3.2 There is continued pressure within Children's Social Care. Despite a £4.4m budget increase for 2019/20 Children's social care is forecasting a £4.2m overspend. This follows a previous increase of £3m as part of the 2018/19 budget.
- 3.3 The main pressure area is Looked After Children (LAC). Over the last 12 months the overall LAC numbers have remained relatively stable around 355-360. However, within this headline figure the mix of placements has seen an increasing number of residential placements. In addition due to complexity of need the average cost of residential placements has been increasing.
- 3.4 There remains a significant risk around any further increases in the number of residential placements. These are the highest cost placement type, where typical costs per child are between £5 – 10k per week. The figures reported in this report for quarter 1 2019/20 factor in individual plans for the children who are currently looked after. Increases to placement numbers without a reduced demand elsewhere would further increase the service overspend as would any extensions of placements where there are planned end dates.

3.5 Whilst not factoring into the figures set out in 1.2 above, it is important that Members are aware that since the quarter 1 figures were prepared there have been material increases to the forecast, As at the end of period 4 the forecasted spend on residential placements for 2019/20 has increased by a further £830k. The table below outlines the main movements.

Reason for variation	No.	Weekly impact	2019/20 Financial impact
New cases	3	£19k	£539k
Move from fostering to residential	3	£9k	£359k
Residential cases stepped down	1	£3k	£108k
Revised residential packages	3	£2k	£71k
Extension of placement length	2	£10K	£222K
Reduction of placement length	3	£11K	£130K

3.6 Of the reasons listed above, preventing the breakdown of existing foster placements, resulting in a move to residential and the extension of placements due to the inability to return the child to a family based setting must be a priority for action in order to recover the financial position of Torbay Council.

3.7 An in year recovery plan has been prepared with the intention of addressing the growing demand and cost pressures faced by the service. The plan commits to the delivery of improvements to;

- 1) Sufficiency of local placements,
- 2) Use of residential placements
- 3) Recruitment and retention

3.8 The recovery plan is being overseen by the Chief Financial Officer, who is chairing a weekly meeting comprising of the Chief Executive, Director for Children's Services and the Director of Corporate Services.

3.9 The actions identified on the recovery plan are vital to ensuring service delivery improves and in turn the financial position is initially stabilised and, in time improved upon. The successful delivery of this recovery plan depends upon effective collaboration across services.

3.9 As mentioned in paragraph 3.4 the revised forecasts are based on the current children's plans (as at July). The below table outlines the number of residential placements expected to end before 31<sup>st</sup> December 2019. Any extension of these will cause further financial pressure.

Month	No. Placements due to end
August	5
September	0
October	2
November	1
December	3

*Note, of the above placements 2 are due to end as a result of the child turning 18.*

#### Higher Needs Block – Special Education Needs

- 3.10 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. For 2019/20 there is a forecast overspend of £1.0m. The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded in future years and is not a cost that the Council will fund. The cumulative deficit balance brought forward from 2018/19 was £2.7m. As a result the DSG reserve is forecast to be a £3.7m deficit by the end of 2019/20. The Spending Round announced in September allocated £700m nationally to support Special Education needs. Torbay's allocation for 2020/21 is yet to be announced.

#### Approval of £100m Economic Growth Fund

- 3.11 At Council on July 18<sup>th</sup> 2019 approval was given to establish a £100m Economic Growth Fund enabling up to £100m of prudential borrowing. This fund has been established in order to progress a range of capital projects for the economic growth and regeneration within Torbay. The cost of borrowing is to be funded from the future income streams from the projects. The criteria for use of the Torbay Economic Growth Fund are shortly to be considered by Cabinet.

#### Authorisation to increase the Investment and Regeneration fund to £300m

- 3.12 At Council on July 18<sup>th</sup> 2019 authorisation was given to increase the Investment & Regeneration Fund by a further £100m. This increases the total fund to £300m. The Council also set the investment boundary to the Greater South West peninsula and the Functional Economic Market Area (FEMA).
- 3.13 TDA are actively identifying investment opportunities which will be presented to Cabinet for a decision as to whether or not to progress. The final purchases are subject to due diligence checks, including independent valuations.

## Service Budgets a

3.14 The budget position for each service is shown in the table below:

Torbay Council Revenue Q1 2019/20	Budget £000s	Forecast £000's	Variance £000's
1. Adult Social Care	38,747	38,547	(200)
2. Business Services	15,140	15,623	483
3. Children's Services	40,697	44,902	4,205
4. Corporate Services	1,458	1,733	275
5. Community Services	2,871	2,809	(62)
6. Customer Services	2,484	2,228	(257)
7. Finance	(8,723)	(9,189)	(466)
8. Investment properties	(3,685)	(3,685)	0
9. Planning and Transport	12,557	12,557	0
10. Public Health	9,822	9,782	(40)
<b>Revenue total</b>	<b>111,367</b>	<b>115,307</b>	<b>3,938</b>

Mitigating Actions	£'000
11. Use of CSR Reserve	(550)
12. Target savings to be identified through a moratorium	(1,383)
13. 2020/ 21 savings brought forward	(960)
14. One off funding	(1,217)
<b>Net Variance</b>	<b>(172)</b>

3.15 A narrative of the position in each service area is as follows

### 1. Adult Social Care - Underspend £200k

The majority of this budget is spent against a fixed contract with the ICO. Within the remaining discretionary budgets there are a number of identified savings which have been offered to mitigate the in year financial position for the Council.

### 2. Business Services – Overspend £483k

There are emerging budget pressures within car parking which is forecasting an underachievement of income of £271k. This forecast may vary further depending on the

financial performance of the car parks over the summer months. There are also pressures within Resort Services which is forecasting an overspend of £52k.

### 3. Children's Services – Overspend £4.2m

At the end of quarter 1, the main pressures within Children's Services is in relation to Children's Safeguarding. There is a forecast overspend of £3.9m associated with placements. The service is also facing high levels of vacancies resulting in a forecast overspend against agency staff of £0.7m. These overspends are partially offset by £0.5m Troubled Families grant. As referenced in paragraph 3.5 since the quarter 1 figures were produced, there has been material increase to the outturn, and this will be formally reported in the Quarter 2 report.

### 4. Community Services – Underspend £62k

There are a number of vacancies across this service area.

### 5. Corporate Services – Overspend £275k

Legal services are forecasting a £170k overspend. This is in part due to use of agency staff to fill vacancies which have been necessary to meet the caseload requirements of the organisation, namely Children's and Adult Social work. There is also an expected £80k shortfall on income throughout the service.

### 6. Customer Services – Underspend £257k

The printing service remains a cost pressure with an anticipated overspend of £150k. Mitigating savings have been identified across Revenues and Benefits resulting in an underspend of £239k. Within IT there is a forecast underspend of £135k brought about by revised timescales to recruitment and delays to previously planned spend.

### 7. Finance – Underspend £466k

As part of setting the 2019/20 budget a £300k contingency was established in response to known pressures which were not funded as part of the core budget. The Council's S151 officer has now released this in order to offset the overall council position which contributes to an underspend of £466k.

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

Overall Investment properties is forecast to break even.

### 9. Planning & Transport – Breakeven £0k

No material variances

### 10. Public Health – Underspend £40k

No material variances

## **4 Mitigating actions**

- 4.1 The projected overspend within revenue before the application of all mitigating actions is £3.938m. In order to address this, a number of mitigating actions have been agreed by the Council's Senior Leadership Team (SLT).

### 1. Use of CSR Reserve – £0.55m

As detailed in the 2018/19 Q4 finance report, the £550k underspend was transferred to

the Comprehensive Spending Review Reserve in order to be released in 2019/20 for issues in Childrens' Social care.

#### 2. Target savings to be identified – £1.383m

SLT were tasked with identifying additional in year savings totaling £1.89m to offset the overall financial position through a combination of identified reduction in expenditure and a moratorium on expenditure. At the end of Period 3 there was £1.383m still to be identified, which is therefore a risk. The achievement of these savings remains a standing item on the SLT agenda.

#### 3. 2020/ 21 Savings brought forward – £0.960m

A number of savings previously identified for delivery in 2020/21 are being brought forward. The achievement of these savings does not require cessation of services and are not matters which require a Council decision. £0.825m of the savings are achieved through reviews of recharges to capital, maximisation of grant funding, and the application of the revised and approved MRP calculation.

#### 4. One off funding – £1.317m

The final step for mitigation of the forecast variance is the utilisation of a number of one off funding streams, drawing down on unrestricted balances which have been built up through previous underspends. This also includes additional use of the Comprehensive spending review reserve of £0.847m which is in addition to item 1 above. This will reduce the projected balance on this reserve to the target minimum level of £2m. Should the financial position improve during the year, these one off funding items will be returned to reserves.

- 4.2 In respect of the application of the moratorium, in keeping with last financial year the Chief Finance Officer has arranged additional scrutiny in order to monitor and challenge all orders and contracts placed by officers across the Council.

### **5 Spending Round – September 2019**

- 5.1 The Chancellor announced a one year (2020/21) Spending Round on 4 September 2019. The implications for Torbay Council will be included in the 2020/21 budget proposals. In summary the totals for public sector expenditure were very different to the totals being indicated by the previous Government earlier this year. Specific detail for Torbay will be announced over the next few months with the Local Government Finance Settlement expected early December.

- 5.2 A few key headlines include:

- No funding reduction for local government
- Inflationary increase on Councils' funding baseline
- Council Tax referendum limit to be set at 2% and MHCLG will consult on an additional 2% council tax precept for adult social care
- £1 billion extra nationally for social care (adults and childrens)
- Majority of grants received in 2019/20 will continue into 2020/21 including BCF, IBCF, Troubled Families, Flexible Housing, New Homes Bonus and the 2019/20 one off social care grant

- MHCLG have announced the deferral to 2021/22 of the proposed changes to the NNDR retention system and Council funding formula.

## 6 Risks & Sensitivity

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

Risk	Impact	Mitigation
Delivery of approved savings for 2019/20	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.
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.
Identification, and achievement, of £18m of savings for 2020/21 to 2022/23 per Medium Term Resource Plan March 2019	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.
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.
Pressure achieving income targets in some services	Low	A small number of services are not meeting their income targets (which increase by 3% each year).
Additional demand and cost pressures for services particularly in children's social care	High	2019/20 Budget monitoring, use of service performance data and recovery plan.
Investment Property Income changes	Low	Regular review of income and tenant negotiation



## 7 Balance Sheet

### Council Subsidiary Companies

- 7.1 The Council has interests in a number of companies. The financial performance for 2018/19 of these companies is included in the Council's statement of accounts (link below). <http://www.torbay.gov.uk/council/finance/statement-of-accounts/>
- 7.2 All of these companies form part of the Council's group boundary, therefore Members should be aware of the assets and liabilities of these companies.
- 7.3 In April 2019 the TDA, a Council subsidiary, acquired the shares in C&A Consultancy Limited.
- 7.4 The Council has also established Torbay Education limited (for the Medical Tuition Service) and a company for the future service delivery currently provided by TOR2.

## 8 Debtor – Write offs

- 8.1 The total value of debtor “write offs” in quarter 1 of 2019/20 were

Service	Number of records written off	Value of write offs £000's
Council Tax	680	152
NNDR	24	188
Housing Benefit	44	22

- 8.2 EXEMPT Appendix 2 contains details of write offs over £5,000
- 8.3 As at 30th June 2019, the total percentage of the current year liability collected was:

Collection Fund	2019/ 20	For the same period in 2018/19
Council Tax	28.46	28.18
NNDR	30.99	31.58

## 9. Capital Plan Summary Position

- 9.1 The Capital Plan budget totals £367.3m for the 4 year programme, with £78.6m currently scheduled to be spent in 2019/20, including £30m to enable Investment Fund opportunities, £2.3m on the Western Corridor and £24m on various Regeneration projects but still requires £2.3m from capital receipts and capital contributions over the life of the Capital Plan.
- 9.2 The spend profile for the Capital Plan is included in Appendix 2
- 9.3 Of the £2.3m funding requirement for Capital receipts, £0.4m has been received by the end of June 2019, leaving a balance of £1.9m still to be realised from both capital receipts and capital contributions. It is only after this target has been reached that any capital receipts should be applied to new schemes.
- 9.4 As the target income for capital receipts and capital contributions are required to meet existing Council commitments, it is important that any capital income raised is allocated to existing commitments and not used to support additional expenditure on new schemes.
- 9.5 The movements in the estimate of expenditure in 2019/20 on the Capital Plan between the last monitoring report at February 2019 of £90.8m and the current approved budget for 2019/20 of £78.6m are shown below. Please note the format of this table shows schemes ordered by Council's Targeted Actions, as is Appendix 2.

## 10. Updates to Capital Plan

Scheme	Variation in 2019/20	Change £m	Reason
2019/20 profiled spend as at Q3 2018/19		90.8	Capital Plan Update – 2018/19 Quarter 3 (Report 7th Feb 2019)
<b>Budget changes since last report (Q3 2018/19)</b>			
Scheme budgets brought forward from 2018/19 and year end adjustments.	Re profiled to 2019/20	27.2	For details see 2018/19 Capital Outturn report (Cabinet 23 July 2019)
	<b>Total</b>	<b>118.0</b>	
<b>Protecting Children</b>			
Brunel Academy Vocational Classrooms	Reprofiled budget	(0.4)	Part budget transferred to 2020/21
School Condition (Capital repairs & maintenance) 19/20	Additional resources	0.4 (0.2)	New Government grant allocation Allocation to PCSA (Council Jan19)
Devolved Formula Capital	Additional Government grant allocation	0.2	2018/19 ringfenced grant allocation
	New year allocation	0.1	2019/20 allocation
Special Provision Fund	Additional Government grant allocation	0.2	Additional 2018/19 Government grant allocation
PCSA additional places	Additional funding	0.2	Transfer budget allocation from School Condition 2019/20 grant
Torbay School Relocation (now for Burton Academy expansion)	Rephase budget	(0.2)	Part budget transfer to future years
	<b>Total</b>	<b>0.3</b>	
<b>More Prosperous Torbay</b>			
Claylands Redevelopment	Rephased budget	(6.5)	Latest review of estimated expenditure
Edginswell Business Park	Budget moved	(3.5)	Site being marketed for potential tenants.

Investment Fund	Budget rephased	(15.0)	Transfer to future years based on latest information
Land acquisition from TCCT	Final cost of scheme	(0.1)	Purchases completed
TEDC Loans	Transfer budget to next year	(0.6)	Part budget moved to 20/21
Town Centre Regeneration	Budget moved to future years	(10.0)	Expenditure likely to be incurred from next year.
- Harbour View hotel		(4.7)	Transfer to next year
- Retail Units	New scheme	17.1	Council approved acquisition
Transport – Highway Structural Maintenance	Additional budget	0.2	19/20 Incentive element allocation
		0.1	Additional Pothole Action Fund
		(0.2)	Rephased to future years
Transport – Torquay Gateway	Budget moved	(1.6)	Main parts of scheme temporarily on hold
	<b>Total</b>	<b>(24.8)</b>	
<b>Attractive and Safe place</b>			
Brixham Harbour – Provision of Water Meters	New Scheme	0.1	Funded from Harbours Reserve
Paignton Harbour Light refurbishment	Increase budget	0.2	Tender price higher than estimated cost
Torre Valley North	Budget transferred to next year	(0.1)	Unlikely to be used in current year
	<b>Total</b>	<b>0.2</b>	
<b>Protect and Support Vulnerable Adults</b>			
Adult Social Care	Budget allocation	0.9	Part of BCF 2019/20 grant allocation
		0.5	Contribution from ICO
		(1.6)	Rephase budget
Affordable housing	Budget transfer to 20/21	(15.3)	Report on Housing to Council in July 2019
CSC Case Management IT system - replacement	New budget	1.0	Council approval Feb 19 (Review of Reserves)

Disabled Facilities Grants	Budget allocation	1.0  (0.6)	Part of BCF 2019/20 grant allocation  Budget rephased to 20/21
	<b>Total</b>	<b>(14.1)</b>	
<b>Corporate Support</b>			
Corporate IT developments	Increased budget allocation	0.5	Council approval Feb 19 (Review of Reserves)
Essential Capital repairs	Budget to 2020/21	(0.8)	No plans to use in 19/20
General Contingency	Budget moved to 2020/21	(0.6)	Contingency unlikely to be required this year
	<b>Total</b>	<b>(0.9)</b>	
<b>Estimate – Quarter One 2019/20</b>		<b>78.6</b>	

10.1 Further information on variations to scheme budgets is detailed below.

#### Protecting Children

- 10.2 Brunel Academy Vocational Classrooms – Planning application has been submitted and assuming approved it is hoped to start on site in October 2019. £0.4m budget has been re-profiled to next financial year 2020/21.
- 10.3 Capital Repairs and Maintenance (Condition funding) – the 2019/20 allocation of School Condition grant of £0.418m has been confirmed. In January 2019, Council approved the use of £0.15m of this allocation (and similarly £0.15m from 2020/21 allocation, when announced) to fund Paignton Community and Sports Academy expansion work.
- 10.4 Devolved Formula Capital grant allocation for 2019/20 of £0.081m is a ring fenced grant and has been added to the Capital Plan together with an additional allocation for 2018/19 of £0.158m.
- 10.5 Special Needs provision – the Government have provided an additional grant allocations of £0.233m, which will be allocated to individual schools depending on need.
- 10.6 Paignton Community and Sports Academy - Additional Secondary places. As approved by Council on 31 January 2019 this £1.84m project will rely on future Government grant allocations for Basic Need and School Condition grants. To date £0.7m Basic Need 2020/21 and £0.15m School Condition 2019/20 have been utilised to provide budget for the scheme. Further amounts will be earmarked as new allocations are announced.

10.7 Torbay School Relocation – The remainder of this budget allocation is to enable the extension of Burton Academy at its Hillside site allowing relocation and release from its Polsham Centre site. £0.2m of the budget has been moved to next financial year to reflect anticipated spending plans.

#### More Prosperous Torbay

- 10.8 Claylands Redevelopment – Planning application has been submitted and shortly expect to secure pre-let agreement and appoint main contractor. The budget has been reviewed to reflect latest expenditure predictions moving £6.475m of budget from current year to future years.
- 10.9 Edginswell Business Park – following its purchase, the site is currently being marketed for potential tenants with the likelihood that £3.5m of the remaining budget will not be required until next financial year.
- 10.10 Investment Fund – Cabinet on 9 July 2019 (and Council 18 July) agreed to increase the total budget for the Investment Fund from £200m to £300m, funded by additional prudential borrowing. This increase has been reflected in the Capital Plan for next year attached as the decision occurred after the Quarter 1 period. Furthermore, following a review of current acquisition proposals £15m of the current budget has been transferred to next year.
- 10.11 Land acquisition from TCCT – Council completed purchases of land from TCCT in February 2019. The costs were slightly less than estimated so there is a small saving on scheme.
- 10.12 Oxen Cove Landing Jetty – the budget for this scheme is likely to increase following extra costs arising from unexpected ground conditions. Amounts are being quantified and any increase in scheme budget and required borrowing will be reported to Harbour Committee.
- 10.13 South Devon Highway – The major element for the remaining budget of this project is for Part 1 Compensation claims. As these amounts are still to be determined the final position cannot yet be accurately assessed and timing is difficult to predict, however the latest information from Devon CC (the 'lead Authority') suggests that Torbay's total required contribution to the project may be £1m higher than the remaining budget, which could require additional borrowing above the Council's original approval. No change has yet been made to the scheme budget and resources until the likely outcome of the outstanding issues is clearer.
- 10.14 TEDC Capital Loans – the provision for loans to TEDC to enable capital works remains available and whilst some is being drawn down part (£0.6m) of the budget provision is now being moved to next financial year
- 10.15 Town Centre Regeneration – £10m of the budget for regeneration projects has been re-phased to 2020/21 based on current proposals. Similarly with Harbour View hotel development, £4.7m budget is now transferred to 2020/21.

- 10.16 In April 2019, Council confirmed approval of the acquisition of a property and sanctioned a budget of £17.1m (including fees) for the purpose, to be funded by additional prudential borrowing.
- 10.17 Again Council (July 19) agreed to provide a further £100m for Growth Fund schemes which will fall under this heading. This decision has been added to the Capital Plan in future years although it was announced after the end of Quarter 1.
- 10.18 Transport Integrated Transport Schemes – Council Officers successfully bid for a small grant to improve the entrance at Torre Station, Torquay. Other works in programme will proceed in accordance with business case priorities.
- 10.19 Transport Structural Maintenance – The Government have provided grant allocations from their Incentive Fund of £0.244m for 2019/20 and additional Pothole money of £0.095m. These amounts will be added to the Highways Structural Maintenance budget to improve the condition of roads in Torbay.
- 10.20 In addition £0.25m of this budget allocation has been moved to next financial year.
- 10.21 Transport – Torquay Gateway. Much of this work is now programmed for next year although negotiations are in progress with Network Rail with regard to land acquisition in the area. £1.6m of this budget has been re-phased to future years.

#### Attractive and Safe Place

- 10.22 Brixham Harbour – Provision of Water Meters – The Council's Harbour Committee on 18 March 2019 agreed to use £0.11m from its Reserves to fund the provision of water meters for moorings in Brixham Harbour, improving the facilities available for users.
- 10.23 Paignton 'Harbour Light' Restaurant redevelopment – Based on tenders received for scheduled work to Harbour Light restaurant the cost of the scheme has increased by £0.2m to £0.8m, and an urgent Council decision has been made in this respect.
- 10.24 Princess Pier Structural repair – All main works planned have now been completed.
- 10.25 Other proposed works are being considered taking account of their relative priorities.

#### Protecting and Supporting Vulnerable Adults.

- 10.26 Better Care Fund - Adult Social Care – £0.876m of the Government's capital grant allocation within the Better Care Fund is to be used to support Adult Social Care under the terms of the Better Care Fund. The Council budget has been further increased by an external contribution of £0.5m from the Integrated Care Organisation (ICO) Better Care Fund. Potential uses of these resources including the development of Extra Care Housing are being considered but £1.6m of the

budget has been moved to next year as it is unlikely to be required in this financial year.

- 10.27 Affordable Housing – whilst consideration is given to potential schemes it is unlikely that there will be significant expenditure in 2019/20, consequently £12.5m of the Housing Company loans budget and £2.9m of the general Affordable Housing budget are rescheduled to future years.
- 10.28 Case Management IT System – agreed to provide £1m funds from the Council’s Reserves to fund the replacement Case Management system for Childrens Social Care.
- 10.29 Better Care Fund - Disabled Facilities Grants – Government has announced the 2019/20 capital allocation of £1.876m within the Better Care Fund. £1.0m will be allocated to DFGs with the remaining £0.876m to Adult Social Care. Historically the Council received two separate capital grants for Adult Social Care and Disabled Facilities Grants that were merged into one grant when the Better Care Fund was created. The funding has however continued to be split over the two headings and reported to the Health and Wellbeing Board.
- 10.30 In line with recent spending patterns £0.6m of the DFG budget is moved to next financial year.

Corporate Support

- 10.31 Essential Capital Repairs – this original £3m budget (to be funded from borrowing) was provided to enable urgent works to Council assets including Infrastructure. £0.375m of the budget was previously allocated to Freshwater Cliff stabilisation and £1.753m has been allocated to Brixham Breakwater works and a further £0.035m to repairs to a slipway at Paignton Beach.
- 10.32 General Contingency - The Council has approved a capital contingency of £0.6m. This contingency is still in place to provide for unforeseen emergencies or shortfall in projected income over the 4-year Plan period but represents only 0.4% of the total Capital Plan budget. Currently it is not anticipated that the contingency will be required in this financial year so the budget has been moved to next year.

**11. Receipts & Funding**

- 11.1 The funding identified for the latest Capital Plan budget is shown in Annex 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>2019/20 £'m</b>	<b>2020/21 £'m</b>	<b>2020/21 £'m</b>	<b>2021/22 £'m</b>	<b>Totals @ Q1 19/20 (£'m)</b>
Unsupported Borrowing	59	227	50	0	336
Grants	14	8	1	0	23
Contributions	2	0	0	0	2
Revenue	1	0	0	0	1



Reserves	2	1	0	0	3
Capital Receipts	1	2	0	0	3
<b>Total</b>	<b>79</b>	<b>238</b>	<b>51</b>	<b>0</b>	<b>368</b>

## 12. Capital Receipts

- 12.1 The approved Plan relies upon the generation of a total of £2.3m capital receipts from asset sales by the end of 2020/21. The Council has received £0.4m by the end of June 2019, leaving a target of £1.9m still to be achieved. This target is expected to be achieved provided that approved disposals currently “in the pipeline” are completed, the Council continues with its disposal policy for surplus and underused assets, the sites surrendered by the TCCT for housing are sold to a developer and no more new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.
- 12.2 Under Government legislation (‘Flexible Use of Capital Receipts’), Councils are able to use Capital Receipts generated in the year to support the revenue costs in that year on transformation type projects which will result in ongoing savings to the authority. £0.3m was used in 2017/18, a further £0.357m was used in 2018/19 with another £0.057m is scheduled to be used in the current year. There is no plan to use further ‘flexible’ capital receipts in this way in future years as the available assets for disposal is decreasing.

## 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 £0.7m Section106 capital contributions have so far been received in 2019/20.
- 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 will be allocated as the “neighbourhood proportion”

## 14. Borrowing and Prudential Indicators

- 14.1 During the first quarter of 2019/20 the Council has taken out further borrowing of £12m, primarily to support investment property acquisitions and regeneration projects. The council as at end of June 2019 had a total debt of £314m and the Operational Boundary (excluding PFI element) for 2019/20 was set at £450m.
- 14.2 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.

**Appendices:**

Appendix 1 –Capital Plan summary – Quarter One 2019/20

Appendix 2 Capital Plan 2019/20 Project Status