

**Meeting:** Overview & Scrutiny Board

**Date:** 16<sup>th</sup> September

Cabinet

22<sup>nd</sup> September

**Wards Affected:** All Wards

**Report Title:** Budget Monitoring 2020/21 – Period Four

**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 position for the financial year 2020/21. This report is based on figures as at the end of Period Four, 31<sup>st</sup> July 2020 taking into account the financial impact of Covid19.
- 1.2. The Council's **Revenue** budget remains under significant pressure. After the application of Government funding and use of specific reserves is £4.5m overspend as a result of Covid-19. This is an improvement of £0.3m since the Period 2 report.
- 1.3. The main pressures remain relatively unchanged as they are service areas most heavily influenced by due to changes in behaviour of the general public and resultant financial impact; namely Car Parking income and the collection of Council Tax and Business Rates.
- 1.4. This report takes into account the budget virements actioned following the Period 2 report which was presented to Cabinet & Overview & Scrutiny Board during the June / July meeting cycle.
- 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 **£296m** for the 4 year programme, with **£61m** currently scheduled to be spent in 2020/21, including **£30m** on various Regeneration projects, **£5m** on Highways and transport schemes and **£4m** on various Education projects but still requires **£7.4m** from capital receipts and capital contributions over the life of the Capital Plan.

## 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 £4.5m overspend.

3.2. Headlines from the table:

3.2.1. Total Covid-19 impact is £18.703m due to increased spend and income losses.

3.2.2. The Council is expected to receive a total of £12.236m un-ringfenced funding

3.2.3. This leaves a shortfall of £6.467m 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 £4.496m

Covid-19 Impact	£'000
1. Funding Applied to Revenue budget	12,569
2. Collection Fund shortfall	5,200
3. Pressures met from specific Reserves	934
<b>Total Covid-19 Impact</b>	<b>18,703</b>

Covid-19 Funding	£'000
4. MHCLG Grant	(10,447)
5. Estimated MHCLG Income reimbursement grant.	(1,789)
<b>Total Government Covid-19 Funding</b>	<b>(12,236)</b>
6. Covid-19 Shortfall (Impact after Funding)	6,467
<b>Council's mitigation</b>	
7. General Revenue underspend	(1,037)
8. Use of specific reserves	(934)
<b>Net Covid-19 Impact</b>	<b>4,496</b>

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

### Collection Fund – shortfall £5.2m

3.4. The collection fund is expected to have a £5.2m shortfall as a result of Covid-19. 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).

- 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 further 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.**

#### 4. Grant Support

- 4.1. As of 2<sup>nd</sup> July the Government has announced two un-restricted grants for Council's to use to offset increased expenditure and income losses.
- 4.2. To offset increased expenditure Torbay Council has received a total of £10.447m so far. This has been allocated in 3 tranches of funding.

Date	Total Funding (£m)	Torbay Share (£m)
19-Mar	1,600	5.372
18-Apr	1,594	3.765
02-Jul	494	1.310
<b>Total</b>	<b>3,688</b>	<b>10.447</b>

- 4.3. This grant has been allocated across the Council based on the forecast financial impact as per the figures reported at Period 2.
- 4.4. The Government also announced on 2<sup>nd</sup> July additional support a new scheme that will reimburse councils for lost income. 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.
- 4.5. The scheme will compensate authorities for eligible losses of income from sales, fees and charges which they had forecast to collect through the usual delivery of local services in 2020/21.
- 4.6. Details for the return are being worked on for the first Government return in September in respect of losses from April – July 2020.

4.7. In addition to the £10.4m of un-ring fenced “Covid-19” grant and the Income reimbursement Grant, Central Government have issued a number of other grants related to Covid-19.

4.8. 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>Purpose</b>
Infection Control	2,748	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.
Food Grant	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. Note: Torbay is acting as “agent” here so this funding will not form part of budget.
Transport Access	55	Grant to support development of alternative travel to public transport
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
Emergency Accommodation support	TBA	Torbay has submitted a bid for a share of £105m to support individuals and families living in temporary accommodation. Allocations are 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.

## Capital Grants bid for

In addition to the bids that have bow 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:

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.

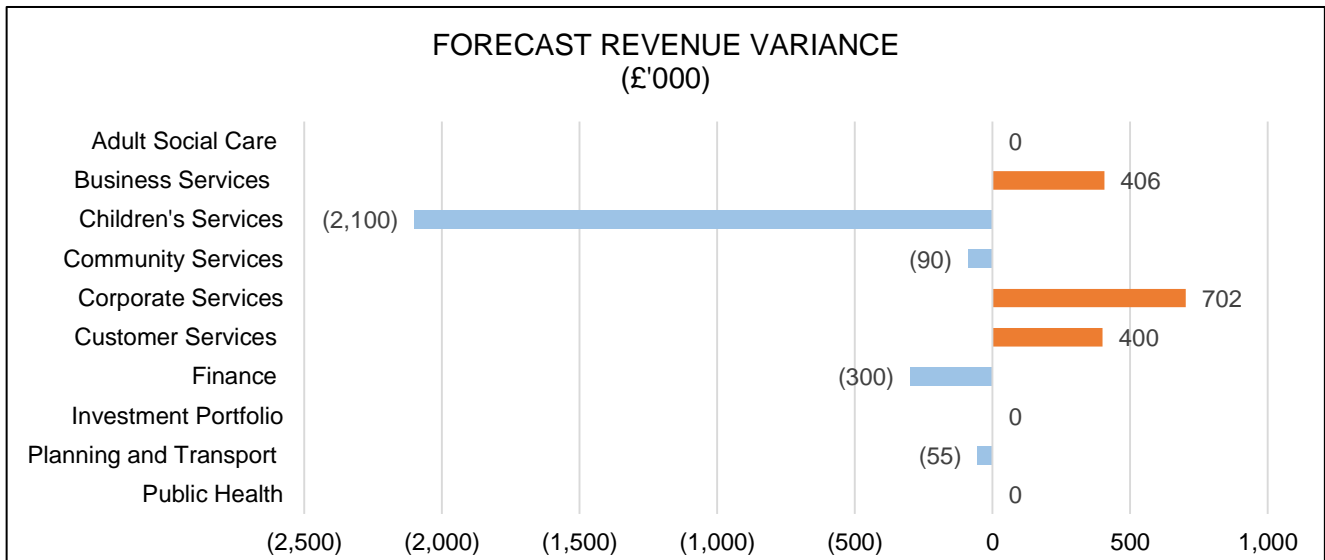
### £300m Investment fund

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 £12.569m of Covid-19 Funding** to offset the Covid related pressures described.

Torbay Council Revenue	Budget	Outturn	Revised Variance	Variance Reported at Period 2	Movement
Period 4 2020/21	£000s	£000s	£000s	£000s	£000s
1. Adult Social Care	39,378	39,378	0	0	0
2. Business Services	16,997	17,403	406	80	326
3. Children's Services	46,744	44,644	(2,100)	(1,510)	(590)
4. Community Services	2,794	2,704	(90)	0	(90)
5. Corporate Services	4,108	4,810	702	667	35
6. Customer Services	2,857	3,257	400	400	0
7. Finance	(9,855)	(10,155)	(300)	(300)	0
8. Investment Portfolio	(4,641)	(4,641)	0	0	0
9. Planning and Transport	7,129	7,074	(55)	(200)	145
10. Public Health	10,357	10,357	0	0	0
<b>Revenue total</b>	<b>115,868</b>	<b>114,831</b>	<b>(1,037)</b>	<b>(863)</b>	<b>(174)</b>

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

1. Adult Social Care – On budget

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. 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.

6.6. Based on the initial Government grant funding allocations, in consultation with the Section 151 Officer, £2.0m was allocated for Adult Social Care providers and £0.25m for the Community & Voluntary Sector.

2. Business Services – Overspend £0.4m

6.7. Due to the Government lockdown and resultant changes in public behaviour Car Parking income is expected to have a £2.5m short fall in income due to the ongoing significant reduction in the use of car parks.

6.8. From 1<sup>st</sup> April to 31<sup>st</sup> July on and off street parking income was down £1.5m 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. There are remaining concerns over Autumn/Winter 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 car parking revenue.

6.9. Permit sales dipped at the start of lockdown as understandably the public didn't rush to renew a 12 month permit with no certainty over when it could be used. As lockdown eased, sales of both types of Annual Permit were higher for July than the previous year.

6.10. 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.

6.11. 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 return to "normal operations" between 7<sup>th</sup> September and the winter.

6.12. Cabinet recently considered the Economic Response Plan (Previously called COVID Economic Recovery Plan). At this stage a provision of £200k has been set aside to the support this plan in 2020/21 which is in addition to the use of the £121k of the Opening High Streets grant.

## 2. Children's Services – Underspend £2.1m

- 6.13. Within Children's social care there is a total forecast underspend of £2.1m.
- 6.14. 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 27. This trend is expected to continue, with a further 5 placements expected to end during this financial year.
- 6.15. Over the same period LAC numbers have decreased from 350 to 335.
- 6.16. The other historic pressure in Children's social care has been agency staff which remains 17 FTE lower than since the start of the financial year.

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

- 6.17. 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 as lockdown eases.
- 6.18. As a result there may be an increase in the LAC population towards the end of October.

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

- 6.19. 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".
- 6.20. 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.
- 6.21. 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 – Overspend £0.09m

- 6.22. The main pressure within Community Services is the cost of providing temporary accommodation which is forecast to be £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.
- 6.23. This is very slightly offset by the £12k Coronavirus (COVID-19) Rough Sleeping Contingency Fund received from Central Government.



- 6.24. The Assistant Director for Community and Customer Services has submitted a bid for funding to support with securing permanent accommodation for the people that remain in temporary accommodation.
- 6.25. 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

- 6.26. Within legal services there are ongoing costs associated with Agency Staff of £300k, predominantly as a result of the support for Adult Safeguarding. There are ongoing 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.
- 6.27. 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.
- 6.28. Although income levels have started to improve the Registrars service is forecasting a shortfall of £100k in income due to social distancing restrictions on the registration of Births and Marriages.

#### 6. Customer Services – Overspend £400k

- 6.29. Housing benefit pressures are forecast of £400k due to the subsidy due on the Council's level and mix of benefit claims.
- 6.30. There are £200k of additional staff costs associated with the increased demand within customer services associated with the delivery of the £47.5m business support grants and extended weekend operations of the call centre.

#### 7. Finance – Underspend £300k

- 6.31. Within this budget heading there are a number of centrally held Covid-19 expenditure items which are funded by the Government grants received.
- 6.32. As at period 2, there was a funding shortfall of £5.667m. This has reduced to £5.033m due to the reduction in estimated costs from home to school transport (para 6.21) and slight increase in allocation as part of tranche 3 of the MHCLG grant funding (para 4.2).
- 6.33. 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.
- 6.34. 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 £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.

- 6.35. 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.
- 6.36. £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.
- 6.37. 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

- 6.38. 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.
- 6.39. 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 £55k

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

#### 10. Public Health – On budget

- 6.41. The majority of Public Health activity is funded by the ring-fenced grant. As a result there are no material variances within the “business as usual” operations of this service.
- 6.42. 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.
- 6.43. The Council has received £886k to support the Test, Track and Trace work which will be coordinated by public health colleagues.

## 7. Mitigating actions

- 7.1. The Council has received £10.4m of un-ring fenced “COVID” grant to support expenditure and lost income.
- 7.2. After taking into account the Government grant support of £10.4m and utilising service specific reserves of £0.9m, and the £1.0m revenue underspend from normal (non-covid19) operations, the Council is forecasting an overall budget overspend as at Period 4 of £4.5m.
- 7.3. 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.
- 7.4. 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. 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.
- 8.2. The 2020 Spending Review is expected in November 2020 with the Local Government Finance Settlement to follow in December.
- 8.3. 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. Capital Plan**

- 9.1. As this report is based on the first two periods of the financial year a full update on the capital plan has not been included. Members received an update on capital grants as part of the 2019/20 outturn report presented in June and members will be aware of any recommendations by both council and cabinet that would impact on the capital plan such as the revised approval for the Harbour View hotel development and the approval of a solar farm.
- 9.2. The Council has not borrowed any funds for capital projects in 2020/21.

## 10. Risks & Sensitivity

10.1. 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

## 11. Capital Plan Summary Position – as at 30<sup>th</sup> June 2020

- 11.1 The Capital Plan budget totals **£296m** for the 4 year programme, with **£61m** currently scheduled to be spent in 2020/21, including **£30m** on various Regeneration projects, **£5m** on Highways and transport schemes and **£4m** on various Education projects but still requires **£7.4m** from capital receipts and capital contributions over the life of the Capital Plan.
- 11.2 The spend profile for the Capital Plan is included in Appendix 2
- 11.3 Of the **£7.8m** funding requirement for Capital receipts, **£0.4m** has been received by the end of June 2019, leaving a balance of **£7.4m** 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.
- 11.4 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.
- 11.5 The movements in the estimate of expenditure in 2020/21 on the Capital Plan between the last monitoring report at February 2020 of **£143.5m** and the current approved budget for 2020/21 of **£60.8m** are shown below.
- 11.6 Please note the format of this table shows schemes ordered by Council's Targeted Actions, as is Appendix 2.

## 12. Updates to Capital Plan

Scheme	Variation in 2020/21	Change £m	Reason
<b>2020/21 profiled spend as at Q3 2019/20</b>		<b>143.5</b>	Capital Plan Update – 2019/20 Quarter 3 (Cabinet 4th Feb 2020)
<b>Budget changes since last report (Q3 2019/20)</b>			
Investment Fund	Re profiled to future years	(65.0)	Government consultation on prohibiting borrowing for commercial acquisitions (“Debt for yield”)
South Devon Highway	Budgets re phased	0.2	Re profiled during Q4 2019/20
Old Toll House		0.4	Re profiled during Q4 2019/20
Torbay Leisure Centre		0.6	New budget allocations during budget setting 20/21
RICC	Additional budgets approved	0.3	New budget allocations during budget setting 20/21
Public Toilets		0.6	New budget allocations during budget setting 20/21
Scheme budgets brought forward from 2019/20 and minor year end adjustments.	Re profiled to 2020/21	10.0	For details see 2019/20 Capital Outturn report (Cabinet 16th June 2020)
	<b>Total</b>	<b>90.6</b>	
<b>Thriving People and Communities</b>			
School Condition (Capital repairs & maintenance) 20/21	Additional resources	0.4	2020/21 Govt. grant allocation
Devolved Formula Capital	New year allocation	0.1	2020/21 Govt. grant allocation
Crossways – Regeneration and Extra Care Housing	Budget moved to future years	(8.6)	Transfer budget to future years
Disabled Facilities Grants	Budget allocation	0.6	Part of DFG 2020/21 grant allocation
Affordable housing	Additional resources	0.5	Proceeds from Right to Buy Clawback receipts.
Housing Rental Co. - Loan	Budget moved to future years	(23.0)	Budget rephased to future years
	<b>Total</b>	<b>(30.0)</b>	

Thriving Economy			
Claylands Redevelopment	Rephased budget	(0.4)	Latest review of estimated expenditure
Town Centre Regen / Econ Growth Fund – Harbour View hotel	Budget allocations and transfers	5.6	Budget transfer from 21/22
Old Toll House		(3.3)	Net Budget Transfer to 2021/22
TCCT Ocombe Farm	Council approved scheme	(0.5)	Part budget for 2020/21
Retail site acquisition	Council approved scheme	1.2	New budget for 2020/21
		1.7	New budget for 2020/21
Transport – Highway Structural Maintenance	Additional resources	0.2	2020/21 Incentive element allocation
	Additional resources	1.2	Additional Pothole /Challenge Fund
	Budget transfer	(0.2)	Rephased to future years
Transport – Integrated Transport	Emergency Active Travel Fund first tranche	0	New Govt. allocation £35k
Transport – Torquay Gateway	Budget moved	(0.2)	Parts of scheme costs will fall in future years
Transport – Western Corridor	Part budget rephased	(0.4)	Likely remaining costs spread into future years.
Brixham Harbour – Infrastructure Repairs	Additional resources	0.1	Funded from Harbours Revenue
Princess Pier- Structural repairs	Budget moved	(0.7)	Remaining budget transferred to future years
RICC Improvements re Parkwood	Part budget transfer to next year	(0.7)	Part budget moved to 21/22
Torquay Recreation Ground Drainage	New scheme	0.1	Resources from Torre Valley North enhancements.
Torre Valley North Enhancements	No longer required	(0.1)	Budget transferred to Recreation Ground
	<b>Total</b>	<b>3.6</b>	



Climate fit for the Future			
Solar Farm	Cabinet approved scheme	1.0	Part budget moved to 2021/22
	<b>Total</b>	<b>1.0</b>	
Council fit for the Future			
General Contingency	Budget moved to 2021/22	(0.6)	Contingency unlikely to be required this year
	<b>Total</b>	<b>(0.6)</b>	
Investment Fund			
Investment Fund	Budget slippage from 19/20 rephased	(3.8)	Transfer to future years pending results of Government consultation
	<b>Total</b>	<b>(3.8)</b>	
<b>Estimate – Quarter One 2020/21</b>		<b>60.8</b>	

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

Thriving People and Communities

- 12.2 Capital Repairs and Maintenance (Condition funding) – the 2020/21 allocation of School Condition grant of **£0.418m** has been confirmed. The previously earmarked allocation of £0.15m to fund Paignton Community and Sports Academy expansion work has now been taken from the Basic Need 2021/22 allocation.
- 12.3 Devolved Formula Capital grant allocation for 2020/21 of **£0.083m** is a ring fenced grant and has been added to the Capital Plan.
- 12.4 Education Review Projects – The Basic Need allocation for 2021/22 was confirmed of **£8.6m**. Although this is a future year's allocation, in line with Council approval in January 2019, a part of this allocation has already been earmarked for PCSA expansion and further plans were presented to and approved by Council in July 2020 including expansion at St Cuthbert Mayne and acquisition of a site for another Free primary school in Paignton to meet growing pupil place needs.
- 12.5 Affordable Housing – in line with previous Council decision, the proceeds derived from Right to Buy Clawback receipts arising from sales of transferred ex Council housing properties has been used to support the provision of further affordable housing. The budget has been increased by **£0.5m**.
- 12.6 Crossways – Only a small part of budget is likely to be required this financial year so **£8.6m** of the budget has been rescheduled to future years.

- 12.7 Disabled Facilities Grants – Government has announced the 2020/21 capital allocation of **£1.876m** within the Better Care Fund. **£0.64m** will be allocated to DFGs with the remaining **£1.24m** previously committed to Adult Social Care for extra care housing accommodation at Crossways, Paignton. 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.
- 12.8 Housing Rental Company – Loan. Current expectations are that not all this loan facility will be required in this financial year, consequently **£23m** has been transferred to future years.

### Thriving Economy

- 12.9 Claylands Redevelopment – The main contract to build this facility has now been awarded and the likely expenditure pattern has been reviewed allowing **£0.4m** to be rephased to future years.
- 12.10 Transport Integrated Transport Schemes – Dept. for Transport has confirmed the Council's first tranche allocation of their new Emergency Active Travel Fund of **£0.035m**. A second tranche will be confirmed after analysis of the Authority's proposals by DfT. Other works in the programme will proceed in accordance with business case priorities.
- 12.11 Transport Structural Maintenance – The Government have provided grant allocations from their Incentive Fund of **£0.244m** for 2020/21 and additional Pothole/Challenge Fund money of **£1.212m**. These amounts have been added to the Highways Structural Maintenance budget to improve the condition of roads in Torbay.
- 12.12 In addition **£0.2m** of this budget allocation has been moved to next financial year.
- 12.13 Transport – Torquay Gateway. Much of this work is now programmed for this year although it is unlikely to complete all works in this timeframe, so **£0.2m** of this budget has been re-phased to future years. In order to ensure all available LEP grant is claimed before its 31<sup>st</sup>. March 21 deadline, there are negotiations in place to enable a potential funding swap to allocate some of Gateway grant to Western Corridor.
- 12.14 Transport – Western Corridor. – The main schemes have now been successfully delivered. Funding is now required to deal with ancillary issues such as planting works and claims made under the Land Compensation Act, with **£0.4m** of the budget spread to future years.
- 12.15 Brixham Harbour - Infrastructure. In addition to the scheduled works to be funded by this budget, some replacement of mooring chains at Brixham Harbour have also been required. The cost of this additional work has been added to the budget and is funded by a contribution from the Harbour revenue account.
- 12.16 Princess Pier Structural repair – All main works planned have now been completed. Most (**£0.7m**) of the remaining budget has been moved to 2021/22 when it is hoped a further business case will have been presented to the Environment Agency (EA) for

works to the sub-structure of Haldon and Princess Piers. The existing budget could then be used as potential match funding for EA grant funding.

- 12.17 Torquay Recreation Ground Drainage – New scheme to improve drainage network at Torquay Recreation Ground was supported in principle by Capital and Growth Board in September 2019 subject to obtaining suitable funding resources. Unused resources of **£0.033m** from Torre Valley North enhancements have been transferred to fund this work.
- 12.18 Regeneration/Growth Fund. - A number of schemes have been considered and added to the Capital Plan utilising the Council's Regeneration / Economic Growth Fund provision. New and additional allocations from this funding have been approved for the Harbour View Hotel development (additional **£2.7m**), and TCCT Ocombe Farm Development (**£1.2m**). This funding was also used to enable the acquisition of a retail site (**£1.725m**).
- 12.19 RICC Improvements (Parkwood) – works to improve facilities at the RICC were planned to be undertaken over the next couple of years and consequently **£0.7m** of the budget has been transferred to next financial year, although the works have been paused currently.
- 12.20 Torre Valley North enhancements – this scheme is no longer being progressed and **£0.033m** of the remaining £0.1m resources have been released to support drainage works required at the Torquay Recreation Ground (see para. 12.17 above). The balance **£0.057m** will be transferred to the Council's General Contingency and held for unforeseen emergencies

#### Climate fit for the Future

- 12.21 Fleet Acquisitions – the second tranche of 11 new recycling vehicles are expected in October 2020.
- 12.22 The development of Solar Farm at Brokenbury has been approved with a total cost of **£2.75m**.

#### Council Fit for the Future

- 12.23 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. A further allocation is required to fund structural problems at Meadfoot Sea Wall.
- 12.24 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.

## Investment Fund

12.25 Investment Fund – all activity developing an Investment portfolio has been suspended following a Government consultation preventing borrowing for commercial properties. The remaining **£68.8m** budget has been moved to future years pending the outcome of the consultation.

### Receipts & Funding

12.26 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>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>Totals @ Q1 20/21 (£m)</b>
Unsupported Borrowing	39	150	63	0	252
Grants	16	11	6	0	33
Contributions	2	0	0	0	2
Revenue	0	0	0	0	0
Reserves	1	0	0	0	1
Capital Receipts	3	1	4	0	8
<b>Total</b>	<b>61</b>	<b>162</b>	<b>73</b>	<b>0</b>	<b>296</b>

### 13. Capital Receipts

13.1 The approved Plan relies upon the generation of a total of **£7.8m** capital receipts from asset sales by the end of 2023/24. At 1 April 2020 the Council held a balance of **£0.4m** with nothing significant added by the end of July 2020, leaving a target of **£7.4m** still to be achieved. This target is expected to be realised 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.

#### 13.2 Capital Grants

13.3 As reported in Capital Outturn report (Q4) 2019/20 a number of Government grant allocations have been announced:

- a) Department for Education – School Condition Allocation 2020/21 - £417,887. Provided to authorities for major repairs and maintenance of school estates.
- b) Department for Education– Devolved Formula Capital Grant 2020/21 - £83,309. This is a ring-fenced grant and will be paid to appropriate schools as required.
- c) Department for Education – Basic Need allocation 2021/22 - £8,609,731. Note this is a future year allocation to enable planning for future demands for school places. Part of this grant has already been earmarked and agreed for ongoing expansion at Paignton Community and Sports Academy and further proposals are in development to increase pupil capacity at St Cuthbert Mayne.

- d) Department for Transport – Highways Grants – Potholes Action Fund and Challenge Fund 2020/21 allocation - £1,212,000. This allocation incorporates two funding pots from DfT including the Challenge Fund which invited bids from Council's for specific projects but because of the Covid-19 issues it has been decided to distribute the funds on a formulaic basis.
- e) Department for Transport – Incentive Element 2020/21 - £244,000. Grant paid to authorities following effective asset management and adopting efficiency and best practice principles for local highway maintenance.
- f) Department for Transport – Active Travel Fund 2020/21 – indicative £276,000. Grant to be used to quickly capitalise on changes to modes of travel following Covid-19, in particular to support walking and cycling routes. The funding is dependent on the Council providing meaningful plans of how the funds will be used to reallocate road space to cyclists and pedestrians. Whilst the total allocation amount above is **indicative** at this stage and will be confirmed when DfT have reviewed the submitted plans, the amount of the first tranche (Capital element £35,357, Revenue element £5,893) has now been confirmed and £0.035 added to the Integrated Transport budget. Any further allocations will be added as and when confirmed.
- g) Ministry of Housing Communities and Local Government – Disabled Facilities grants 2020/21 £1,876,070. This grant allocation is used to support our DFG expenditure but also includes the former Adult Social Care capital grant. In recent years £1m has been allocated by members to DFGs with the balance to Adult Social Care. However, Council has previously been agreed that £1.235m of future grant allocations should be used for the proposed Crossways redevelopment, so this leaves £0.642 available for DFGs in 2020/21.

As well as the above new grant allocations the Council received confirmation of previously announced indicative allocations:

- h) Department for Transport – Structural Maintenance 2020/21 allocation £1.174m and Integrated Transport Block 2020/21 allocation £1.063m. Confirmation of indicative amounts of grant (£1.174m and £1.063m respectively) has also been received. The previously announced indicative figures are already included in the Council's approved Capital Plan.

13.4 All the above grants have been included in the Council's 20/21 capital budget and allocated to the intended services.

### 13.5 **Capital Contributions – S106 & Community Infrastructure Levy**

13.6 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.

13.7 **£0.1m** Section 106 capital contributions have so far been received in 2020/21.

13.8 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". Less than **£0.01m** CIL has been received so far in 2020/21.

13.9 **Borrowing and Prudential Indicators**

13.10 No new borrowing was transacted during the first quarter of 2020/21. The Council as at end of June 2020 had a total debt of £394m and the Operational Boundary (excluding PFI element) for 2020/21 was set at £570m.

13.11 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 2020/21