TORBAY COUNCIL

Clerk:	Lisa Antrobus	Governance Support
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Date:	Tuesday, 22 February 2022	Torquay
		TQ1 3DR

Dear Member

CABINET - TUESDAY, 22 FEBRUARY 2022

I am now able to enclose, for consideration at the Tuesday, 22 February 2022 meeting of the Cabinet, the following reports that were unavailable when the agenda was printed.

- Report on the Revenue Budget
- Chief Finance Officer's Report
- Cabinet's Response to the consultation
- Budget 2022-23 consultation results
- Capital Plan
- Capital Strategy
- Review of Reserves

Please note the Budget Digest and Fees and Charges will be available on the following webpage:

Budget 2022/23 - Torbay Council

Yours sincerely

Lisa Antrobus
Clerk

TORBAY COUNCIL

Meeting: Cabinet **Date:** 22 February 2022
Council **Date**: 3 March 2022

Wards affected: All

Report Title: Revenue Budget 2022/2023

When does the decision need to be implemented?

This decision is required Immediately

Cabinet Member Contact Details: Darren Cowell, Cabinet Lead for Finance

darren.cowell@torbay.gov.uk

Director/Divisional Director Contact Details: Martin Phillips, Director of Finance,

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1. Purpose of Report

1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the net revenue budget for 2022/23; the budget allocations proposed, and the expenditure undertaken will be used to achieve a range of objectives across several plans within the Council. This will meet the ambitions expressed within the Community and Corporate Plan and other related strategies

1.2 In accordance with the Council's Constitution, members will consider the Cabinet's recommended budget proposals at the Council meeting on 3 March 2022 and are asked to either adopt the Cabinet's proposals or put forward notice of motion to amend the budget (in accordance with Standing Order A13.4).

1.3 Within the budget setting process, the Chief Finance Officer must statutorily provide advice as to the robustness of the budget and this report sets out this opinion.

2. Reason for Proposal and its benefits

2.1 The Council has a statutory responsibility to set a revenue budget each year.

3. Recommendation(s) / Proposed Decision - Partnership's Budget Proposal

3.1 That for 2022/23 net revenue expenditure of **£120.8m** resulting in a Council Tax requirement of **£78.1m** for 2022/23 (a 2.99% increase in Council Tax, of which 1% is for Adult Social Care) be approved.

3.2 That the proposed Fees and Charges for 2022/23 be approved.

3.3 That, in accordance with the requirement of the Local Government Act 2003, the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (as set out in the report) be noted.

3.4 That it be noted that the Brixham Town Council precept for 2022/23 of £379,600 will be included as part of the Torbay Council budget for Council Tax setting purposes.

3.5 That to ensure the continuation of the integrated health and adult social care arrangements with the CCG and the ICO for a further two financial years, after the end of the current agreement in March 2023, that Council allocate funding of £55.4m for 2023/24 and £56.5m for 2024/25.

Background Information

4.1 The Partnership have published their Budget Proposals, and these are available to all Members of the Council. All Members have available copies of the supporting information which has been published alongside the Budget Proposals:

- Chief Financial Officer's Report
- Revenue Budget Digest 2022/23
- Fees and Charges 2022/23
- Review of Reserves 2022/23
- Capital Strategy 2022/23
- Capital Budget 2022/23
- Treasury Management Strategy 2022/23

5. Adult Social Care

5.1 The Council has been in forms of integrated health and adult social care arrangements since 2005 with the CCG (Clinical Commissioning Group) and the ICO (Torbay and South Devon NHD Foundation Trust). The current financial arrangement expires in March 2023. To provide financial and service certainty to all parties, negotiations have been ongoing to extend the current arrangement for a further two years for 2023/24 and 2024/25.

5.2 All three parties are committed to the continuation of the successful integrated arrangement continues, and a two-year extension has been agreed subject to approval by the relevant formal approvals of each party. Therefore, Council is recommended that to ensure the continuation of the integrated health and adult social care arrangements with the CCG and the ICO for a further two financial years to 2025, that the Council allocate funding of £55.4m for 2023/24 and £56.5m for 2024/25.

5.3 To support integrated health and adult social care improvements the CCG and the Council will agree a s256 Health Act 2006 "joint working agreement" with the CCG providing £10m of funding to support in 2021/22. This funding will be recognised in 2021/22 and then carried forward to support related expenditure over the next three years.

5.4 Officers fully support the proposals and consider the funding allocations for 2023/24 and 2024/25 a "fair and robust" position for the Council and enables financial certainty for the Council for these years for this vital service.

5.5 It should be noted that any new funding and cost implications of the Adult Social Care "white paper" and any funding from the Health and Social care levy allocated by the Market Sustainability and Fair Cost of Care grant is outside the current proposal due to the ongoing uncertainly of the new requirements.

6. Dedicated Schools Block Deficit.

6.1 As previously outlined there is an ongoing overspend on the higher needs block in the dedicated schools grant where funding in the ring-fenced grant does not cover the cost and demand for the service. Within the Higher Needs Block of the Dedicated Schools Grant, it is projected that there will be a deficit on this Block in 2022/23 of £2.7m. This in year deficit will be accounted for as an increase in the cumulative deficit on this ring-fenced grant held by the Council as a negative reserve pending future funding being identified.

6.2 There is a fundamental financial risk to the Council and schools associated with the increasing cumulative deficit on the higher needs block which is part of the ring-fenced Dedicated Schools Grant. This deficit is forecast to be over £9m by March 2022 with a further £2.7m overspend in 2022/23. While the Council and schools work jointly to mitigate this financial pressure the only viable solution is a central government resolution to this issue. The current central government short-term "fix" of having a statutory override to reclassify the deficit on the Council's balance sheet does not solve the issue. Inevitably if there is a risk that the council will have to fund this deficit then the fundamental financial impact on the Council will result in a s114 notice being issued and service and school spend being reduced or stopped

6.3 On the 17 February 2022 the Council was informed by the Department of Education that *"your authority will shortly be invited to take part in the 'safety valve' intervention programme with the DfE in 2022-23 financial year. The aim of the programme is to agree a package of reform to your high needs system that will bring your dedicated schools grant (DSG) deficit under control".* Although the details of the consequences of the intervention are unknown, this letter at this stage can only be welcomed.

7. Robustness of the budget estimates

7.1 Key to budget setting is the robustness of the budget proposals, which is linked to both service demands, and the risks associated with those services. Several assumptions have been made in the development of the budget for 2022/23 to mitigate against the risks. Several specific risks and their mitigation are shown below:

Risk	Risk Rating	Mitigation
Covid-19	Medium	The inclusion in the 2022/23 budget of ongoing Covid-19 financial impacts on both income and expenditure. A reserve is in existence for future Covid-19 issues.
Performance of Subsidiary Companies	Medium	Council's oversight as owner over its companies including attendance at Board meetings and review of performance. Council approval required for reserve matters and for investment/borrowing proposals.
Inability to deliver a balanced budget over the next three financial years	High	Work on future years financial position is ongoing led by the Chief Executive and Chief Finance Officer.
Identified budget reductions for 2022/23 are not achieved	Low	Monthly monitoring of current year financial position by Senior Leadership Team including a "savings tracker". Contingency budget in 2022/23 revenue budget. Directors, Divisional Directors and all managers have a responsibility to ensure they maintain spend within their approved budget allocation. The Council also has in place a series of regular revenue and capital monitoring reports, which are presented to the Overview and Scrutiny Board and the Council which review the budget on a quarterly basis throughout the financial year, which mitigates against the risk of inadequate financial control.
Overspend against the proposed 2022/23 Children's Services budget	Medium	The Director of Children's Services (DCS) has a service improvement plan and a sufficiency strategy with several work streams that has been established and being implemented, supported by a range of monitoring and performance arrangements. The Sufficiency Strategy has been updated to have a 3-year horizon.

Risk	Risk Rating	Mitigation
		2022/23 Budget includes a £1m reserve for an increase in and numbers and or cost of looked after children.
Overspend against the proposed 2022/23 Adult Social Care budget	Low	Agreement in place in which Council pays a fixed payment with no exposure to any over or under spends.
Volatility of NNDR Income	Medium	Provision for appeals and non-collection is included in 2022/23 NNDR income estimate.
Insufficient income generated	Medium	Annual cycle for budgeting. Prudent view taken of income streams in 2022/23 and a contingency held in respect of low rent levels because of Covid-19.
Insufficient investment fund income	Medium	Prudent view taken of income streams in 2022/23 and the Investment Fund reserve maintained.
Collectability of council tax and NNDR	Medium	In the light of ongoing economic uncertainty from Covid-19 and the pressure on household budgets from inflationary pressures including fuel and utility increases may result in lower collectability of these taxes in 2022/23.
Insufficient reserve levels because of a significant budget variance or unforeseen event.	Medium	Review of Reserves report presented to the Council and £5.6m expected balance at 2022/23-year end in the General Fund balance after an increase in that reserve and £3m target balance held in CSR Reserve. 2022/23 budget includes a £0.5m increase to the CSR Reserve.
Exposure to changes in interest rates	Low	Treasury Management Strategy to be approved by the Council. All borrowing currently on fixed rate deals. Interest rate rises could increase the future costs of council borrowing.
Inflationary pressures	High	Budget build has included estimates of inflation where applicable. Inflationary pressures are currently high (January CPI was 5.5%). Pay award and impact of living wage not nationally finalised for either 2021/22 or 2022/23 however contingency held. Capital Plan supported by the revenue budget establishes a £4m fund, supported by borrowing to facilitate capital projects where there has been cost inflation and or supply chain issues that could result in project cost increases.

Risk	Risk Rating	Mitigation
Income linked to major prudential borrowing schemes not achieved at forecast levels.	Medium	Approval by Council supported by a detailed business case. Income streams reviewed as part of budget monitoring Mitigation in schemes, such as a "pre let" required.
Insufficient capacity to deliver the capital plan and partnership priorities	Medium	Provision in 2022/23 budget for £0.5m for capacity to deliver key Council projects, both revenue and capital.

7.2 In accordance with the requirement of the Local Government Act 2003, the Chief Financial Officer must report to the Council on "the robustness of the estimates made for the purposes of the (budget) calculations" and the "adequacy of the proposed financial reserves".

7.3 Taking account of the financial risks facing the Council and the mitigations outlined in paragraph 5.1 above, the **Chief Financial Officer's Statement** is as follows:

"I have taken into account information, risks and assurances from the Leader, the Cabinet and the Senior Leadership Team in forming my opinion. My opinion is that the 2022/23 budget is based on robust budget estimates.

This opinion is supported by the current financial position for childrens social care, the three-year agreement for adult social care and the increase in Council reserves.

The key risks are outlined in the table above. In particular for 2022/23 I would highlight to Members the uncertainty caused by higher cost inflation on both revenue and capital spend".

7.4 In relation to reserve levels, the statement in the 2022/23 review of reserves report is:

8 Chief Finance Officer Statement.

8.1 "The Council is continuing to face financial challenges. I am satisfied that the Council's General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council's Financial Plans for 2022/23 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.

8.2 I fully support retaining the prudent levels in the general fund reserve at close to 5% of the Council's net revenue budget and the continued, prudent use of reserves to support potential Covid-19 issues and the three-year impact of the 2020/21 collection fund deficit.

8.3 My statement for 2022/23 must be caveated due to the continued uncertainty around Covid-19. So far there is no announced financial support for 2022/23 to deal with increased expenditure or reduced income.

8.4 The adequacy of the Council's reserves can be supported if the following actions are undertaken:

a) The Medium-Term Financial Plan includes an increase to the CSR reserve to achieve a minimum ongoing balance of £3m.

b) That the Council maintains the focus on social care, both adults and childrens, as the biggest financial risks to the Council to deliver the identified improvements supported by a robust financial recovery plan and the sufficiency strategy

c) That Council recognises the option of using borrowing to fund the capital plan to enable an increase to reserve levels by £3m if needed.

8.5 However, all consideration of reserves must recognise the fundamental financial risk to the Council and schools associated with the increasing cumulative deficit on the higher needs block which is part of the ring-fenced Dedicated Schools Grant. This deficit is forecast to be over £9m by March 2022. While the Council and schools work jointly to mitigate this financial pressure the only viable solution is a central government resolution to this issue. The current central government short-term "fix" of having a statutory override to reclassify the deficit on the Council's balance sheet does not solve the issue. Inevitably if there is a risk that the council will have to fund this deficit then the fundamental financial impact on the Council will result in a s114 notice being issued and service and school spend being reduced or stopped.

8.6 At this stage with the significant uncertainty in relation to central government funding for 2023/24 I am currently only able to provide limited assurance in relation to 2023/24. I recommend, however, that the Council continues to be prudent in its use of reserves and plans for future risks and their mitigation. These to include:

a) Establishing and then maintaining a balance on CSR reserve of £3m

b) Protection to current level of General Fund Reserve

c) No general reserves used to balance 2022/23 or future year budgets

d) Specific material risks still mitigated for – e.g., insurance, NNDR volatility and investment fund

e) Regular updates and awareness of the risks identified in the Medium-Term Resource Plan

f) That the Council continues to deliver its transformation programme at pace in the medium term

g) Continued focus on mitigating and reducing spend in children's' social care

h) That work continues the Adult Social Care improvement plans

Chief Finance Officer's Report

22 February 2022

Budget 2022-2023

Contents

Introduction

1. This report by the Council's Chief Finance Officer provides further information to support the Partnership's Budget for 2022/23.

2. This report aims to provide further information and an overview of several key factors, including several "technical" finance issues, that have influenced the 2022/23 budget and raises issues for future financial years.

Budget Overview

3. The budget is presented for a second year presented in the light of financial uncertainty from the ongoing COVID-19 health pandemic.

4. It is estimated that the financial impact of COVID-19 will be ongoing but with a reduced impact on the 2022/23 budget. The impact on the Council's income, expenditure and funding is outlined in the Medium-Term Resource Plan and the 2022/23 budget proposals. Clearly the financial impact on 2022/23 and future years can only be an estimate and officers will continue to update estimates and will continue to aim to mitigate as far as possible any financial impacts.

5. The local government finance settlement, (final issued in February 2022), confirmed there were no new allocations of funding to councils planned for the impact of COVID and no extension of the sales fees and charges compensation scheme. DHSC have now confirmed that any unspent Contain Outbreak Management Funding can be carried forward into 2022/23.

6. The current inflationary pressures on services and providers are the highest they have been for several years. In addition to the employers' National insurance increase of 1.25% from April 2022 there has been high utilities and fuel inflation, higher levels of CPI inflation (5.5% in January 2022) and increases in the Living Wage. This is an area of concern, and as a result in mitigation the Council has increased its inflation provision in 2022/23, however the actual financial impact will not be known until during 2022/23.

7. The impact of inflationary cost pressures and supply chain issues are also likely to increase costs, and potentially impact on the viability, of capital projects. As a result, a capital contingency has been included in the 2022/23 budget.

8. 2019/20 was the final year of a four-year funding settlement. As context Torbay's Revenue Support Grant has reduced from £42m in 2013/14 to £6m in 2019/20.

9. The 2022/23 Local Government Finance Settlement was confirmed in February 2022 and was like the previous two years, i.e., a one year only "roll over" settlement, with the Revenue Support Grant at £6.8m, with additional grant allocations for social care and a one off "Services grant" allocation. Consequently, there is still considerable funding uncertainly from 2023/24 onwards. In addition, DLUHC, for a third year,

further delayed the introduction of a new funding formula and a revised NNDR system to April 2023 at the earliest.

10. The Council's financial planning for 2022/23 started in March 2021 and the Partnership's provisional budget proposals were delayed until after the Provisional 2022/23 Local Government Finance Settlement given the extent of the uncertainty in what it would contain. The Partnerships proposals were then published on 11 January 2022, enabling a period for consultation and scrutiny of the proposals.

11. The Council was permitted to carry forward any specific 2020/21 collection fund losses to be funded over the following three financial years. The Council transferred funds in 2020/21 to an earmarked reserve which covers this deficit over three years with 2022/23 being the second year.

12. It is proposed by the Partnership that the Council increases its Council Tax requirement by an inflationary 1.99%.

13. In addition, it is proposed to increase Council tax specifically for Adult Social Care by a further 1% in 2022/23.

14. Members of the Overview and Scrutiny Board (through the Priorities and Resources Review Panel) examined the proposals and stakeholders, and residents have had the opportunity to make representations on the proposals through the consultation. The Partnership have reviewed the responses received and the final budget proposals are drawn up after consideration of the responses.

15. This report supports the Revenue Budget 2022/23. Other budget related reports will be presented to Council in March 2022 which are relevant to the Council's overall financial position are:

    a. 2022/23 Capital Strategy and Capital Receipts Strategy,
    b. 2022/23 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy,
    c. 2022/23 Review of Reserves,

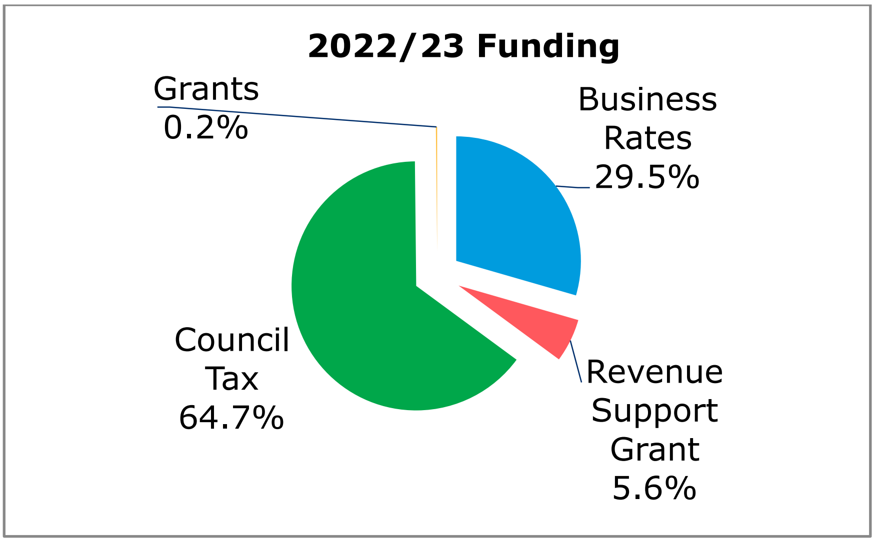
16. Also relevant are:

    d. Medium Term Resource Plan (on website),
    e. Corporate Asset Management Plan,
    f. 2021/22 Revenue and Capital Budget Monitoring Reports.

17. Budget Digest pages, Fees and Charges and budget proposals sheets are available separately along with any relevant equalities impact assessments.

18. A summary of the Council's 2022/23 budget is as follows:

Partnership's Draft Budget Proposal 2022/23	£'000	£'000
Net Revenue Expenditure	120.8	
Total Net Revenue Expenditure		**120.8**
Funded By:		
Business Rate Retention Scheme	35.6	
Revenue Support Grant	6.8	
New Homes Bonus Grant and other grants	0.2	**42.6**
Council Tax Requirement	78.1	
Collection Fund Surplus/(Deficit)	0.1	**78.2**
Total Income		**120.8**



19. A summary of the 2022/23 budget by Service area is shown in the table below.

21/22 £m	Directorate/Service	Expenditure £m	Income £m	Net £m
41.9	Adult Services	60.2	(16.5)	43.7
3.1	Community and Customer Services	45.5	(42.9)	2.6
-	*Housing benefit included in Customer Services*	*37.0*	*(37.0)*	*0*
45.0	Sub Total – Adult Services	105.7	(59.4)	46.3
45.7	Children's Services	106.9	(61.1)	45.8
-	*Dedicated Schools Grant included in Children's Services. 2022/23*	*47.1*	*(47.1)*	*0*
9.7	Public Health	10.4	(0.3)	10.1
-	Corporate Services	9.3	(2.9)	6.4
-	Chief Executive's Unit	4.8	(1.2)	3.6
8.7	**Sub Total – Corporate Services**	**14.1**	**(4.1)**	**10.0**
(9.6)	**Finance**	**30.7**	**(38.5)**	**(7.8)**
(4.6)	Investment Properties	9.5	(14.1)	(4.6)
20.6	**Place Services**	**43.6**	**(22.6)**	**21.0**
115.5	**TOTAL**	**320.9**	**(200.1)**	**120.8**
	Sources of Funding			
74.6	Council Tax			78.1
(1.4)	Collection Fund Surplus/(Deficit)			0.1
6.6	Revenue Support Grant			6.8
33.7	Business Rates (NNDR)			35.6
2.0	Other Grants			0.2
115.5	**TOTAL**			**120.8**

COVID-19

20. The financial impact of Covid-19 has constantly evolved during the 2021/22 financial year and will continue to change.

21. In 2021/22 the Council received £5.9m of one-off funding to reflect the impact of COVID. This support will not occur again in 2022/23 and at this stage there have

been no announcements of any such funding for 2022/23 nor any income loss compensation.

22. The estimated financial impact of the pandemic that will continue into 2022/23 is over £3m – this is based on the current Covid-19 position in Torbay. How the pandemic progresses from here is likely to have a further impact. The key areas of risk are set out in the following paragraphs.

23. The DLUHC has allowed any Collection Fund deficit in 2020/21 to be spread over three financial years from 2021/22. The Council allocated funds to cover this cost as part of its 2020/21 outturn so this cost in 2022/23 is funded.

24. The Council Tax Support Scheme is to support residents with their Council Tax bills. For working age claimants, the level of support is linked to their household income. Since March 2020 with the start of "lockdown" and its economic impact, the number of claimants for this scheme has increased. These costs and other impacts on the Council's tax base was estimated at £0.750m (a 1% impact on total Council Tax income) which was part of the 2022/23 taxbase calculation.

25. In the current year, up until December, we have seen a cash reduction of 1.6% in collection of Council Tax compared to pre COVID levels. The ongoing impact on the collectability of Council Tax in 2022/23 due to the economic conditions has been estimated at 1% i.e., £0.750m.

26. In the current year, we have seen an ongoing reduction in collection of NNDR. Two thirds of Torbay businesses are in retail, leisure or hospitality and given the current economic conditions, the ongoing impact on the collectability of NNDR in 2022/23 has been estimated at £0.5m.

27. The Council has outsourced the contract for the Riviera International Conference Centre however it is unlikely to achieve historic income levels for up to two years. As a result, £0.5m has been estimated as the deficit funding required in 2022/23 for the Riviera International Conference Centre.

28. The economic impact of Covid-19 is likely to lead to a continued increase (compared to pre COVID levels) in levels of homelessness. This impact has been forecast at £0.5m.

29. The Council receives an income from properties held for regeneration and investment purposes (such as Fleet Walk and Wren Park). While any rental shortfall on such properties would initially be met from the relevant earmarked reserves there is likely to be an ongoing overall impact on rental income. Therefore, a contingency of £0.2m for rental income losses has been included.

Capital Plan 2022/23

30. As required by the Council's Constitution, the Capital Plan for 2022/23 has been published which is line with the latest budget monitoring position with the addition of

three new capital schemes for 2022/23. As the Council has a rolling four-year Capital Plan that is reported quarterly, the Capital Plan for 2022/23 is a “subset” of the four-year plan based on the latest monitoring information.

Spending Round 2021 and Local Government Finance Settlement 2022/23

33. The Chancellor announced a three-year Spending Review in October 2021. This announced the total allocations for government departments. For local government the allocation of this total is in the subsequent local government finance settlement.

34. In the Spending Review the total for local government increased by £1.6 billion. The second two years of the Review (23/24 and 24/25) however are at the same “cash” level as 2022/23. The absence of any additional funding in the second two years is a significant concern as this does not provide funding for any demand growth in services, such as social care.

35. The 2022/23 settlement is fundamentally a one year “roll over” from 2021/22. The Council’s core funding of Council tax will increase by 1.99% and other core funding will typically increase by 3.1% for inflation (based on September CPI). Other service grants in 2021/22 were also rolled over into 2022/23. The 2022/23 Public Health grant allocation was also increased in line with September CPI with inflationary increases indicated for future years.

36. As expected, the referendum limit for council tax rises was set at 2%. In addition, the flexibility for Councils to raise council tax by a further 1% specifically for adult social care was confirmed for 2022/23 and the following two years. These council tax increases are “assumed” as part of the increase in councils’ “core spending power” often quoted by DLUHC.

37. The Social Care grant was also increased year on year by £2.3m. This additional funding will be used to support provider and other inflationary costs in these services.

38. A new “one off” Services Grant of £2.2m was announced. The Partnership has chosen to apply this funding to one off allocations rather than fund ongoing costs from one off income. DLUHC have been clear that this grant allocation will not form the part of any baselines for any funding changes, and they will consider the future allocation of this funding.

39. No additional funding was announced for the ongoing impact of COVID.

Formula Funding and Business Rates Consultations

40. DLUHC’s aim of implementing a new funding formula and a revised business rates retention system (both last updated in 2013) has now been delayed for a third year to 2023/24 at the earliest. Progress to a new funding formula has not significantly advanced since the two consultation documents issued in December 2018. There is

therefore still significant uncertainly around the Council's funding for 2023/24 onwards.

41. As the Services Grant was allocated for one year only and the fact that there was only a one-year funding settlement despite a three-year Spending Review strongly suggests that in 2023/24 a redistribution of council funding is likely to happen.

42. Key elements of the previous consultation were:

- NNDR Retention Scheme: DLUHC intended to introduce a 75% NNDR retention scheme for all Councils. Recent comment by the Minister suggests that an increase to 75% is now unlikely. The consultation sought views on the design of the scheme and how and when any NNDR growth is redistributed between Councils to keep the link between funding and need while retaining an incentive for growth. In addition, the consultation suggested that NNDR baselines are changed on an annual basis to ensure councils are not disadvantaged by the impact of appeals.

- New funding formula to allocate new funding baselines and income baselines to all councils. The aim was to have as simplified a formula as possible that focusses on a limited number of key cost drivers. The consultation proposed an eight-block formula then adjusted for general factors to reflect labour costs, rates costs and sparsity.

- There are seven specific formulas for major services – adults social care, children's' social care, highways, public health, legacy capital costs, fire and flood defence. All other services will form part of a "Foundation" block where it is proposed that this formula will be based on total population.

43. This proposal, although meeting the criteria of being transparent and simple, does not take into account other place-based factors that can influence costs and demand such as deprivation and coastal town issues. Also, some services included in the Foundation block such as concessionary fares, home to school transport and housing/homelessness are clearly not linked to total population.

44. DLUHC have said that they will look in 2022 to revisit the previous consultations in the light of any potential ongoing impacts of COVID.

Dedicated Schools Grant

45. As part of the Spending Round additional funding was announced for the Dedicated Schools Grant – for both Schools and High Needs. Torbay's 2022/23 allocation of these additional funds was provisionally allocated in December 2021 with an overall increase in cash terms of £2.4m (2.7%) in the Schools Block and £2.9m (13.6%) in High Needs Block. Within the average overall increase, individual schools will receive more or less, depending on the impact of the changes in the formula and pupil numbers to their allocations. Although the additional funding for Torbay is clearly welcome, a deficit budget will still be required for 2022/23 as demand within High Needs continues to grow. The expectation is that there will be additional funding in 2023/24 which should continue to enable the budget to move closer to a balanced position.

46. The Council will, as usual, direct the entire grant received in respect of Dedicated Schools Funding through to those areas defined in the School Finance Regulations. The estimated value of the Dedicated Schools Grant (DSG) before academy school recoupment is £124m. For 2022/23 it is estimated that approximately £47m will be retained in the Council's budget for expenditure related to its (maintained) schools and other residual functions including education for High Needs.

47. The DSG and the schools funding formula is expected to change with full introduction of a new national (simplified minimum per pupil) school funding formula, however, there has been no confirmation of when this change will be implemented by the Education, Skills and Funding Agency (ESFA). Movement of funding between these blocks is now limited and is expected to cease altogether for the schools' block with the introduction of the national school funding formula.

48. The key financial pressure within the DSG is in the Higher Needs block. The pressures on the High Needs Block arise from the level of demand and referrals from schools, parents and other agencies for support to pupils with additional needs. In previous years, in recognition of this pressure, Schools Forum agreed to move 0.5% out of the Schools Block to help fund the increased demand within the High Needs Block. **Schools Forum has not agreed to this virement for 2022/23**. The overspend on the DSG in 2021/22 is estimated to be £3.3m, resulting in a cumulative forecast deficit of £9.125m, which under current regulations needs to be "made good" in future years from the Dedicated School Grant allocations.

49. This rising deficit is a key issue for the school's community and the Council. At this stage a balanced budget is still not forecast nor currently achievable, and therefore the deficit will continue to rise. The level of the deficit as at end of March 2022 is forecast to be more than the Council's general fund reserve, by more than £3m.

50. Until the High Needs Block achieves financial balance in the longer term, the DSG reserve will be used to fund the cumulative deficit as a "negative reserve". Under legislation until the end of 2022/23 this reserve can be re-classified on the Council's balance sheet as a usable reserve. However, holding a negative reserve or even reclassifying it is not a sustainable solution.

51. Although legislation at present requires this deficit to be funded from the Dedicated Schools Grant, the higher the deficit increases without any funding solution there is clearly a rising financial risk for the Council and the schools in Torbay. Inevitably if there is a risk that the council will have to fund this deficit then the fundamental financial impact on the Council will result in a Section 114 notice being issued and service and school spend being reduced or stopped.

52. On the 17 February 2022 the Council was informed by the Department of Education that *"your authority will shortly be invited to take part in the 'safety valve' intervention programme with the DfE in 2022-23 financial year. The aim of the programme is to agree a package of reform to your high needs system that will bring your dedicated*

schools grant (DSG) deficit under control". Although the details of the consequences of the intervention are unknown, this letter at this stage can only be welcomed.

Adult Social Care

53. The Council's budget proposals for 2022/23 includes the contract sum agreed with the ICO and CCG to continue the highly regarded system of integrated health and adult social care within Torbay. This is the third and final year of the current three-year arrangement, supported by a focussed cost improvement plan for adult social care. The contract value for 2022/23 is £47 million.

54. Any additional funds raised by the 2022/23 Council tax precept of 1% (approx. £0.750) have been earmarked for adult social care.

55. The Council has been in forms of integrated health and adult social care arrangements since 2005 with the CCG (Clinical Commissioning Group) and the ICO (Torbay and South Devon NHD Foundation Trust). The current financial arrangement expires in March 2023. To provide financial and service certainty to all parties, negotiations have been ongoing to extend the current arrangement for a further two years for 2023/24 and 2024/25.

56. All three parties are committed to the continuation of the successful integrated arrangement continues, and a two-year extension has been agreed subject to approval by the relevant formal approvals of each party. Therefore, Council is recommended that to ensure the continuation of the integrated health and adult social care arrangements with the CCG and the ICO for a further two financial years to 2025, that the Council allocate funding of £55.4m for 2023/24 and £56.5m for 2024/25.

57. To support integrated health and adult social care improvements the CCG and the Council will agree a s256 Health Act 2006 "joint working agreement" with the CCG providing £10m of funding to support in 2021/22. This funding will be recognised in 2021/22 and then carried forward to support related expenditure over the next three years.

58. Officers fully support the proposals and consider the funding allocations for 2023/24 and 2024/25 a "fair and robust" position for the Council and enables financial certainty for the Council for these years for this vital service.

59. The Government has introduced an increase in employer and employee national insurance contributions from April 2022 as a Health and Social Care levy to fund changes in those services. In the Spending Review it was announced that for the first three years the majority if this funding (85%) would be allocated to the NHS. Of the 15% for social care. Of this 15% approximately 2/3rd will be allocated direct to local government over the next three years with the national allocations over the three years being £0.2b, £1.4b and £2b.

60. The Councils allocation in 2022/23 is £0.559m and has been allocated as the Market Sustainability and Fair Cost of Care Grant. DHSC have stated that "the 2022/23

funding is designed to ensure Councils can prepare their markets for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances”. The Council will earmark this grant for the identified purpose.

61. It should be noted that any new funding and cost implications of the Adult Social Care “white paper” and any funding from the Health and Social care levy allocated by the Market Sustainability and Fair Cost of Care grant is outside the current future ASC proposal due to the ongoing uncertainly of the new requirements. Full detail of the changes to adult social care to be funded from the Levy are yet to be announced. There is a government “white paper” and more detail expected during 2022.

Children’s Services

62. As Council is aware an additional £7m was added to the children’s social care budget in 2020/21 to re base the budget to reflect demand levels allowing for a contingency for demand. In addition, £2m was allocated to the service to enable investment in areas to enable service improvements. Areas for investment included SEND, senior management capacity, commissioning, procurement, recruitment and retention, social work academy, and investment in fostering for carers who look after children with complex needs.

63. As a result of these investments and improvements within the service itself, the outturn in 2020/21 was below budgeted levels. The 2021/22 budget was reset at a level that reflects the lower levels of cost allowing a contingency for higher numbers of looked after children.

64. For 2022/23 there is expected to be further financial gains primarily from a lower level of exceptional costs in the service and reductions in the total cost of staffing as the success of the learning academy and recruiting permanent posts will reduce the level of agency staff required. The Childrens budget is however subject to cost and demand variations from the numbers and provision for looked after children. To mitigate this risk a new earmarked £1m reserve will be established.

65. Within the 2022/23 budget there is an allocation of £400k for investment in the SEN service to deliver improvements in the service and £100k investment in youth services.

SWISCo

66. The budget proposals include a £1.5m reinvestment in the SWISCo budget to “rebase” to reflect actual levels of cost and income. The aim of this is to provide adequate funding for SWISCo going forward. Future budgets should then be linked to inflation, property growth and any service changes the Council may wish to implement.

Estimation of Council Tax Surplus/Deficit

67. The Council makes an estimate of the surplus or deficit on the Collection Fund at year end, from under or overachieving the estimated council tax collection rate. This would historically be a surplus figure of approximately £1.7m.

68. COVID-19 has had a significant ongoing impact on the collection of council tax. The 2021/22 position is better than 2020/21 but lower than pre COVID levels. Consequently, the Council will recognise a surplus in 2022/23 of £0.8m.

69. As the Council sets a collection rate within its tax base equivalent to the amount collected in the 12 months of the next financial year any surplus primarily represents the collection of sums due in respect of previous years. This indicates a level of success in collecting old year debts and raises the overall, longer term, collection rate well above the "in year" rate. Historically the Council has assumed a 96% in year collection rate which has been re-established for 2022/23 however a value equivalent to 1% will be held in contingency for potential losses in 2022/23.

70. The ongoing economic impact of COVID on Torbay residents combined with "cost of living" increases from national insurance rises, fuel and utility costs could result in more Torbay residents facing financial hardship which the Council will continue to be mindful of.

71. As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be required to fund any deficit, nor will they be entitled to a share of any surplus on the collection fund.

National Non-Domestic Rates

72. The Council's NNDR income in 2022/23 comprises three parts: a 49% share of NNDR income, a "s31" grant to reflect the loss of NNDR income to the council from central government changes to the NNDR (e.g., SBR) and a Top Up grant that reflects the difference in the Council's assessed "need" for funding compared to its actual ability to raise NNDR income (as set in 2013).

73. Since the introduction of the Business Rates Retention Scheme in April 2013, the Council is also required to declare a surplus or deficit for NNDR in a similar way as set out above for council tax. The forecasting of NNDR has involved a wide range of complex variables and influences such as from reliefs and is an area which causes complications for medium term financial planning.

74. However, with the economic uncertainty likely to negatively impact the collection rates from COVID, the collection rate for NNDR in 2022/23 has been assumed to be improved compared to 2021/22 but lower than 2019/20. There is a new COVID related business rate relief scheme for 2022/23 along with a freeze in the NNDR multiplier. The Council will continue to be compensated for this loss of NNDR income.

75. DLUHC have delayed the implementation of a revised NNDR retention scheme to at least 2023/24 and have also now confirmed that a "reset" of NNDR baselines to reflect growth since 2013 has also been delayed.

76. The Council along with other Devon Councils will continue with a NNDR pool for 2022/23 with an estimated gain to Torbay of £0.9m. The future of pools and the resulting financial gains are not certain under any new NNDR system from 2023/24.

Council Tax and Referendum Limits

77. To control the level by which local authorities can increase Council Tax, the Government has set limits at which point a referendum would be required. This was set again at 2% or over for 2022/23. The Partnership's budget is for a 1.99% increase in this element. In addition, DLUHC have offered Councils the flexibility to increase council tax by a further 1% for Adult Social care and the budget includes an additional 1% for this specific purpose.

78. Council will be aware that the Council Tax bill sent out to residents is made up of three main component parts, namely Torbay Council (including Brixham Town Council), Devon and Cornwall Police Authority and Devon and Somerset Fire and Rescue Authority. Once these have been declared they will be included in the Council Tax setting report which will be presented to the Council in March 2022.

79. The Secretary of State will consider the three component parts, not the overall bill, and, if any one of the three organisations were capped, the Council would have to re-bill.

80. In 2021/22, Torbay had the lowest Band D Council Tax in Devon at £1,967.56 including the Fire and Police precepts but excluding parish and town council precepts. A summary of some other Devon Councils' Band D rates are as follows:

	Torbay (Unitary council)	Plymouth (Unitary council)	Exeter (City Council)	South Hams (District Council)	Teign-bridge (District Council)
District Council	-	-	165.05	175.42	180.17
Devon County	-	-	1,511.28	1,511.28	1,511.28
Total	1,641.00	1,653.35	1,676.33	1,686.70	1,691.45
Fire & Police	326.56	326.56	326.56	326.56	326.56
Band D (excluding parish precepts)	1,967.56	1,979.91 +0.6%	2,002.89 +1.8%	2,013.26 + 2.3%	2,018.01 + 2.6%

Table last updated 30 March 2021

81. The differential between Torbay and the other Councils increases when Town and parish precepts are added. As a guide the 2021/22 precept for Brixham Town Council was £58.09.

Pay and Pensions

82. The 2021/22 pay award for staff (current employer offer is 1.75%) has not yet been agreed which provides uncertainty for the current year and 2022/23. The 2022/23

budget assumes a 2% pay award while a contingency will be s held if the pay awards are higher along with any impact of the living wage and/or increases on lower grades over the “headline” award.

83. From April 2022 there is a 1.25% increase in the Council’s employer national insurance contributions which has been provided for. It was announced that Councils would receive compensation for this cost however no specific funding for this has been announced for 2022/23.

84. There will also be a similar pressure from this rise on the Council’s suppliers and subsidiary companies.

85. In 2019 there was the triennial valuation of the Devon County Pension Fund to ensure that employer contribution rates are set for the following three financial years to meet the long-term employee pension benefits requirements. This from 2020/21, for three years, resulted in an increase in Torbay’s “primary” rate to 16.7% (from 14.8%), this increase has however been more than offset by a significant reduction in the Council’s “secondary” rate (i.e., deficit) lump sum payment.

Services Grant

86. The Partnership’s allocation of the one-off £2.243m Services Grant in 2022/23 is as follows.

Investment in SWISCo including digitisation	£0.428m
Investment in SEN	£0.400m
Investment in “Premier Resort”	£0.500m
Investment in Capacity to deliver projects	£0.500m
Investment in Planning Service	£0.200m
Investment in Climate Change	£0.100m
Community Ward Fund	£0.072m
Support for (potential) Devon Deal	£0.043m

Reserve Levels

87. The Council’s general fund reserve of £5.6m as at the end of 2020/21 is at a level that is close to 5% of the Councils net budget. The Partnership have been supportive by increasing this balance to a level that is close to 5% of the Councils net budget.

88. By achieving a general fund level of 5% is prudent for the Council and this will be the first time in a long period this level has been achieved. As a guide in 2004/05 the level was 2%, in 2010/11 level was 3% and in 2019/20 the level was 4%.

89. The 2022/23 budget does not include any use of any earmarked reserves to fund “base budget costs to achieve a balance. Earmarked reserves are being used to fund the three-year impact of the collection fund deficit and to cover some COVID related costs that are not expected to be permanent.

90. The Council continues to have the option, to give reserve levels a “boost”, to swop revenue and reserve funded capital expenditure for prudential borrowing up to £3m which will need to be funded from future revenue budgets. At this stage this option is not being proposed.

CIPFA Financial Resilience Index

91. To provide more information and transparency on Councils’ financial position, CIPFA issue a “Financial Resilience Index” to provide information which is available on their website.

92. The Index shows the assessment (based on 2020/21 data) of Torbay’s position is that the “Indicators of Financial Stress” rank Torbay as a “higher risk” Council but not at the highest level. Factors that show a higher risk assessment are in relation to children’s’ social care where the council’s share of its budget on this service is high and it has an inadequate OFSTED judgement. In addition, the Council’s level of borrowing (linked to its investment property purchases) and therefore its interest costs are higher risk than average.

Longer Term Future Council Funding

93. The Medium-Term Resource Plan was updated at the end of March 2021 to include the impact of COVID-19 and the delays in the implementation of the new funding formula and revised NNDR retention system. The three-year 2021 Spending Review announced in October 2021 was followed up by just a one-year Local Government Financial Settlement which does not help with longer term financial certainly over future funding.

94. DLUHC’s aim of implementing a new funding formula and a revised business rates retention system (both last updated in 2013) has now been delayed for a third year to 2023/24 at the earliest. Progress to a new funding formula has not significantly advanced since the two consultation documents issued in December 2018.

95. As the Services Grant was allocated for one year only in 2022/23 and there was only a one-year funding settlement despite a three-year Spending Review does strongly suggest that in 2023/24 a redistribution of council funding is likely to happen.

96. As an initial guide, prior to more detailed work being undertaken post 2022/23 budget setting, it is estimated that for 2023/24 and 2024/25 the Council will require in the

region of over £9m of reductions to achieve a balanced budget. In addition to the funding uncertainty, the Council's three-year agreement with the ICO for adult social care will need to be renegotiated for 2023/24 and there will be a pension revaluation which will be implemented from 2023/24.

TORBAY COUNCIL

Cabinet's Response to Consultation Budget 2022-2023

February 2022

Budget 2022-2023

Contents

This document can be made available in other languages, on tape, in Braille, large print and in other formats. For more information, please contact 01803 207014.

Statement from the Leader and Deputy Leader of the Council

In accordance with the Council's Constitution, the Cabinet is proposing a balanced Revenue Budget of £120.8 million for 2022/2023 and a 2022/23 Capital Plan of £114 million for the Council's consideration.

As we said when we launched the consultation, we are committed to investing in our priority areas of ensuring we have thriving people and a thriving economy and in tackling climate change.

We'd like to thank all of those who provided feedback to the draft proposals either through completing our questionnaire, participating in our Ask Us Facebook Live session or by responding and commenting to our social media posts. We'd also like to thank the Overview and Scrutiny Board for its time in reviewing our proposals.

It was pleasing to see that the majority of people who responded to our survey were in favour of the proposals, but we have considered all the responses and suggestions and have made changes to our proposals in response to these.

We will be **investing in Torbay's people** as we continue to deliver our Housing Strategy. We had identified £500,000 for additional capacity across the Council and £210,000 of this will be allocated to ensure that we can bring empty properties back into use, that standards of private sector housing are improved and that those housing sites with planning permission are progressed through to development. In addition, we are proposing that £35,000 is used to support the introduction of Interim Management Orders within the private rented housing sector, to ensure that where absolutely necessary we can intervene to ensure standards are raised for tenants.

We are aware of residents' concerns around road safety especially around our schools and we are proposing that £30,000 is allocated to carry out awareness campaigns to improve safety.

We have listened to the concerns of our vulnerable residents and will introduce a scheme to distribute free passes to them to use our public toilet passes with a fair usage policy. Such a scheme will enable us to continue to fund the operation, maintenance and upkeep of this discretionary service whilst recognising that, for some groups and individuals, the move to pay-as-you-go and contactless payments is challenging. For beach hut users we will be including a public toilet pass as a part of their hire agreement, again with a fair usage policy.

We will be **investing in Torbay's economy** and in particular investing in our ambition of being the premier UK tourist resort. We know that our car parks need investment after years of austerity and so we are proposing that a £1 million programme of upgrades is undertaken with the initial focus on resurfacing and improving lighting and signage. This is on top of the investment that is already underway with new ticket machines and electric charging points.

The cleanliness of our streets is also important to both our visitor economy and our residents and £100,000 of one-off funding will be used for a clean streets initiative to tackle issues such as fly-tipping and dog fouling. We will ensure that this investment is focussed on residential and town centre areas as well as our tourist areas.

As our harbours continue to play a vital role in our offer to residents and visitors, we are proposing a further reduction in the asset charge to the harbour account, whilst at the same time our new Harbour Master will be completing his review of the demands on the harbour account for our consideration.

Our capital investment programme to create Spaces to Thrive will continue with additional capacity created to ensure delivery of these schemes whilst ensuring our community is engaged as we progress. We are aware of the risk of increasing costs as supply chains continue to be challenged and inflation increases, and therefore a contingency fund will be established to protect the Council from rising costs.

Our **commitment to tackle climate change** continues with additional staff proposed to deliver our own carbon neutral plans as well as working with the community on a Torbay-wide carbon neutral plan. In order that these plans can be as ambitious as possible we are proposing to create a £1 million climate investment fund to deliver projects and initiatives across Torbay.

Finally, we will invest so that we are a **Council fit for the future.** The increase in public participation in our public meetings during the pandemic was noticeable and much welcomed. With the government now requiring that our formal meetings are held in person we want to invest in the technology to be able to livestream these meetings, thereby strengthening democratic accountability.

As our improvement journey continues with our Children’s Services, we need to ensure that the governance arrangements are in place to facilitate this critical improvement journey and it is recommended that £40,000 is allocated for this purpose.

We also need to ensure that our health and safety obligations are met across the entirety of our estate and £50,000 is proposed to meet this aim.

We hope that the Council will approve this budget so that we can continue to deliver our ambition of a thriving Torbay, turning the tide on poverty and becoming the premier tourist resort in the UK.

Councillor Steve Darling

Leader of Torbay

Councillor Darren Cowell

Council Deputy Leader and Cabinet Member for Finance

Introduction

This document and the papers which support it set out the Cabinet's final proposals for the Revenue and Capital Budgets for 2022/2023.

The Cabinet published its draft budget proposals in January 2022 for consultation. During the consultation period, feedback has been received from the community and voluntary sector and the public. That feedback has been gathered through the online questionnaire as well as from Torbay Council's social media channels (including responses to the Ask Us Facebook Live panel held in November 2020).

The feedback has included the views of the Council's Overview and Scrutiny Board which were set out in its report to the Cabinet and is available at www.torbay.gov.uk/scrutiny

The results of the consultation have been published and the budget proposals issued in January 2022 have been updated and republished. All these documents are available at www.torbay.gov.uk/budget-202223

This report reflects the feedback received and outlines the changes that have been made to the Cabinet's proposals as a result. It also reflects the further Government announcements on local authority spending which have been received since the draft budget proposals were published.

Alongside this document several others will be published and will be available on the Council's website (www.torbay.gov.uk/budget-202223) and are listed below:

- **Torbay Council – Revenue Budget Digest 2022/23**
  This provides a description of what each Council service does and how much it is proposed that they will spend next year including how much income they will receive.
- **Chief Finance Officer's Report**
  This provides a more detailed narrative in relation to the future funding of Torbay Council after the Government announcements of both the Spending Review and the Local Government Finance Settlement.
- **Fees and Charges**
  The amount that the Council proposes to charge for its services over the next year.
- **Capital Plan 2022/2023**
  This explains which capital schemes the Council plans to fund over the coming year.
- **Reserves**
  The current and forecast position on the use of the Council's reserves.

Other documents, which will be updated and published on the Council's website, will include the Capital Strategy, and the Treasury Management Plan.

The Cabinet's final budget proposals will be considered at the Meeting of the Council being held on 3 March 2022 when the budget will be decided (by a simple majority vote) and the Council Tax levels will be set. This will include the precepts from the Devon and Somerset Fire and Rescue Authority, the Devon and Cornwall Police and Crime Commissioner and Brixham Town Council, with an overall Council Tax for Torbay being set.

Details of the meetings when the budget proposals will be discussed are available on the Council's website: www.torbay.gov.uk/meetings-and-decisions

Proposed Changes to the 2022/2023 Revenue Budget

Since the Cabinet's budget proposals were issued in January 2022, we have continued to review the assumptions upon which we based our proposals. In addition, further confirmations have been received from central government on funding levels including on the amount of National Non-Domestic Rates (Business Rates) income that we will receive in the next financial year.

We have also considered the views of the wider community and those of the Council's Overview and Scrutiny Board which have been provided during the consultation period.

A summary of the changes in income and expenditure since the initial proposals were published is set out in Table 1. This includes changes to our original proposals as well proposals to meet emerging pressures within the Council's services.

Description	Reduction in Expenditure/ Higher Income £k	Increase in Expenditure/ Lower Income £k	Commentary
Road Safety		30	This funding will be used to promote road safety through a campaign of activity.
Climate initiatives		120	This allocation within the base budget would fund £1 million of borrowing (repaid over 10 years) which will be used to implement projects to address the climate emergency.
Climate change projects	100		The above proposal would negate the original proposal of one-off funding for climate change projects.
Clean streets initiative		100	Given the above, it is proposed that this one-off funding is now used to tackle environmental issues such as fly-tipping and dog-fouling.
Harbours		25	This is a further reduction in the funding to the Council's revenue account from the harbour account as was originally proposed.
Car park investment		120	This allocation within the base budget would fund £1 million of capital investment in our car parks (repaid over 10 years). The initial programme will include resurfacing and improved lighting and signage.
Changes to car park income	120		The proposal above would be funded from the income projected from car parks in the coming year.

Contingency for the Capital Plan		200	Given the cost pressures that our capital schemes are currently under, it is proposed that an additional £4 million of capital investment is identified. This will be funded by borrowing over a 30-year period. The conditions for the use of this borrowing will be agreed by the Chief Financial Officer.
Inflation contingency	200		To fund the above proposal, the amount of the contingency originally proposed to be held to cover inflationary pressures will be reduced.
Free passes for public toilets		75	In response to consultation feedback, a scheme to distribute free passes for use of our public toilets for certain vulnerable groups within the community will be introduced. Separately, we will include a toilet pass within the hire agreement for beach huts. A fair use policy will be introduced for these passes.
Interim Management Orders		35	This funding will create additional capacity to support the introduction of Interim Management Orders in relation to improving private sector housing standards.
Livestreaming of meetings		90	Additional money is required to enable the live streaming of meetings of the Council, Cabinet and Planning Committee to strengthen the democratic accountability of the organisation.
Health and safety		50	To ensure health and safety compliance across the Council's estate, there is a requirement for a further Health and Safety Officer.
Governance Support		40	This funding would provide additional capacity to support the governance arrangements required to facilitate critical improvement activity within Children's Services.
Other net adjustments	11		
Sub total	431	885	
Net Change in Services		454	

Increased National Non-Domestic Rate income	454		Our level of NNDR income has now been forecast as higher than previously assumed.
Net Change in Budget		0	

Table 1: Summary of changes in income and expenditure

Revenue Budget 2022/2023

The Council is being asked to approve the Cabinet's proposal for the total net revenue budget for 2022/202 and the budget that will be required to be funded from Council Tax.

The Council is also being presented with the allocation of the 2022/2023 revenue budget to individual services as identified in the Budget Digest which has been circulated separately. The allocation of budget to services is a key part of the Council's financial control arrangements. The Financial Regulations in the Constitution govern any subsequent in-year budget changes. The approval of fees and charges for 2022/2023, in addition to supporting the achievement of budgeted income, provides clarity to services and service users. The Officer Scheme of Delegation governs any subsequent in-year changes to fees and charges.

A summary of this information is shown in the Table 2.

Service	Expenditure £m	Income £m	Net £m
Adult Services	60.2	(16.5)	43.7
Community and Customer Services	45.5	(42.9)	2.6
Housing Benefit included in Customer Services	37.0	(37.0)	0
Sub Total – Adult Services	**105.7**	**(59.4)**	**46.3**
Children's Services	**106.9**	**(61.1)**	**45.8**
Dedicated Schools Grant including in Children's Services	*47.1*	*(47.1)*	*0*
Public Health	**10.4**	**(0.3)**	**10.1**
Corporate Services	9.3	(2.9)	6.4
Chief Executive's Unit	4.8	(1.2)	3.6
Sub Total – Corporate Services	**14.1**	**(4.1)**	**10.0**
Finance	**30.7**	**(38.5)**	**(7.8)**
Investment Properties	**9.5**	**(14.1)**	**(4.6)**
Place	**43.6**	**(22.6)**	**21.0**
TOTAL	**320.9**	**(200.1)**	**120.8**
Sources of Funding			
Council Tax			78.1
Collection Fund Surplus/(Deficit)			0.1
Revenue Support Grant			6.8
Business Rates (NNDR)			35.6
Other Grants			0.2
TOTAL			**120.8**

Table 2: Revenue Budget 2022/2023 - Summary

The value of Council Tax after a rise in the Torbay element of the Council Tax of 1.99% and a 1% rise for Adult Social care is £78.1 million. This 2.99% rise will increase the Band D Council Tax in Torbay by £49.07 (of which the 1% rise for adult social care is £16.41), which equates to 94 pence per week.

When the Council formally sets the Council Tax for 2022/2023, the Council's budget must include the council tax requirement for Brixham Town Council. The value of this precept will be included as part of the Torbay Council budget for Council Tax setting purposes.

Capital Plan 2022/2023

We explained within our consultation that, as our operational (revenue) spend remains under pressure, it is vital that we maximise the opportunities within our Capital Plan.

Based on the latest forecasts our four-year Capital Plan was £282 million with a programme of capital works of £112 million in 2022/23.

It is now proposed that three additional amounts of borrowing are undertaken to enable investment in our priorities (£1 million each for car park infrastructure and climate change initiatives) and £4 million as a contingency for our overall capital programme.

Therefore, our four-year Capital Plan is now £288m with a programme of capital works of £114m in 2022/2023.

Of that, £68 million has been allocated to projects and the remainder is borrowing primarily allocated for housing and regeneration schemes which we will allocate to specific projects over the course of the year based on business cases.

The schemes within the £68 million of allocated funding include our Spaces to Thrive programme such as the Torbay Harbour Public Realm, Edginswell Railway Station and Station Square and Torbay Road in Paignton. An extra care housing scheme at Crossways, Paignton (including commercial space on the ground floor) will be part funded through the Future High Streets scheme.

There is work being undertaken to expand St Cuthbert Mayne and Mayfield Schools. Construction work on the solar farms at Brokenbury and Nightingale Park is due to start in 2022/23.

We will be using the Torbay Growth Fund to provide start-up units for local businesses at Lymington Road, Torquay and the construction and future rental of two new units at Edginswell Business Park. The redevelopment of former the public toilets at Corbyn Head and Preston to create two new café units is also planned during the year.

There will be further investment with Parkwood Leisure at the Riviera International Conference Centre on both improving facilities and undertaking longer term structural repairs.

In addition to the ongoing structural maintenance and integrated transport programme, work is ongoing on the Western Corridor.

This document can be made available in other languages and formats.

For more information, please contact consultation@torbay.gov.uk

TORBAY COUNCIL

Budget 2022/23 – Consultation Results

11 February 2022

This document can be made available in other languages and formats.

For more information please contact consultation@torbay.gov.uk

Contents

Introduction

The Cabinet published draft proposals for the Council's revenue and capital budget for 2022/23 in January 2022 and an online survey was created to gather public views. The survey opened on 13 January 2022 and closed at midnight on 8 February 2022.

There were 150 responses to the on-line survey. All percentages shown within this report use the number of people that completed the survey as the denominator. All comments within this report are shown as written by the respondent.

During the course of the consultation, we also ran Facebook and Twitter polls on some of the proposals and those results are also included within this report.

There were also 3 written representations received from organisations in response to the budget proposals.

Summary

Proposal	Agree	%	Disagree	%
Social Care Grant split	111	74.0%	32	21.3%
Community Builders	89	59.3%	53	35.3%
Special Educational Needs and Disability early support	120	80.0%	23	15.3%
Torbay Sports Clubs	95	63.3%	47	31.3%
Investment towards our ambition of being the UK's premier tourist resort	111	74.0%	37	24.7%
The Pavilion	107	71.3%	40	26.7%
Allocation for Carbon Neutral Action Plans delivery	81	54.0%	65	43.3%
SWISCo investment	111	74.0%	37	24.7%
Community Ward Fund	115	76.7%	34	22.7%
Council Tax	89	59.3%	61	40.7%

Responses to the Proposals

Social Care Grant Split

We are proposing to split our Social Care Grant and allocate it equally between adult social care and children's social care. This will enable us to:

- Support the adult social care provider market (£1,168,000)
- Help to meet the increased costs in children’s social care from inflation and the National Insurance increase (£568,000)
- Invest £100,000 in further youth support provision
- Create a contingency fund for the increasing costs of our children’s social care placements (£500,000)

	Number	%
Agree with this proposal	111	74.0%
Disagree with this proposal	32	21.3%
No response	7	4.7%
Total	150	100.0%

In response to the Facebook and Twitter polls for this proposal there were 4 responses in agreement with the proposal and two against it.

The comments received in respect of this proposal have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
Prioritise Children	“I believe more money should go to children over ASC. The more support children get the less they’ll need as adults”
	“Children's social care should have more”
Children’s Services issues	“How many children in care in torbay are being supported elsewhere in the country and at what cost”
	“Are you examining the reasons for children coming into social care and doing something about that?......”
Prioritise Adults	“Adult social care is the priority”

	“Now that gov has announced the £1.4b national funding pot over the next three years (market sustainability and Cost for Care Fund) this proposal should be reviewed as the fund is to allocated for providers fees (nursing residential abs 18+ homecare) following a fair cost for care exercise”
ASC issues	“There is a need for a serious look into adult social care. Both my experiences were not good.”
	“Yes.. if more could be found to help ease the burden in our hospitals.. Provide places for patients ready to leave hospital to go too...”
Fair / Good	“Both are in desperate need of funds but this is the fairest way”
	“Its very good idea”
Council spending	“Don’t keep trying to blame the Government (NI increases). You have had a £4 million extra grant from the Government, for the next financial year. Stop bleating and get your house in order.”
	“WE can't afford a £500,000 contingency fund. At home everything is on the edge, we can't afford a "contingency fund" of any amount personally so you should be tightening your belt as well.”
Other	“Why is it th e people that are working to try and maintain a decent level of living, are getting penalised to pay more for the health care, whilst we are having our NI increased to offset This, and then Torbay council are penalising the workers again, whilst the unworking, for whatever reason, get away with paying anything”
	“More cash MUST be allocated for waste disposal and recycling. That is the priority.”
	“More investment is needed in post 16 and maybe teach your staff to care”
	“Ageing population. Stop taking families from other areas with large families draining our resources”

Community Builders

We are proposing to invest £900,000 over three years to fund the Community Builders, so their vital work within our communities continues. This will be funded from the adult social care precept of Council Tax.

	Number	%
Agree with this proposal	89	59.3%
Disagree with this proposal	53	35.3%
No response	8	5.3%
Total	150	100.0%

In response to the Facebook and Twitter polls for this proposal there were 32 responses in agreement with the proposal and 7 against it.

Special Educational Needs and Disability early support

We are proposing to invest £400,000 (on a one-off basis) to target early support for those children who come to our attention as having Special Educational Needs and Disability. As a result we will develop our early support for children and their families by improving and developing the range of services we provide.

	Number	%
Agree with this proposal	120	80.0%
Disagree with this proposal	23	15.3%
No response	7	4.7%
Total	150	100.0%

In response to the Facebook and Twitter polls for this proposal there were 26 responses in agreement with the proposal and 4 against it.

Respondents were asked to comment on any specific areas where they thought we should invest this money. The comments received have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
Education / Life Skills	“More 121 support in primary schools and at home for children with special needs”
	“Support in schools to ensure those with SEN can stay in school and get the help they need there.”
	“Throughout their whole journey from early years to education to potentially work experience and jobs”
	“More life skills opportunities and alternative education opportunities”
Support suggestions	“More independent provisions that provide therapeutic approach - many children are coming out of the education system mentally scarred and traumatised anything from then on without this approach is going to fail.”
	“Make HANDLE therapy available and accessible to all children with any special needs”
	“Respite Support for carers of children with special needs too”
Identification of SEN	“Autistic children in the bay . The waiting list for the diagnosis is too long and after the diagnosis there is just not enough help and support.”
	“More prompt diagnosis, professional and peer support for parents and respite care.”
Investment sum	“I don’t agree with a one off payment, it will achieve little. If this is an important issue give it a little financial support each year not a one off single sum.”
Other	“INVEST, INVEST? Tighten your belt and just pay for what is totally necessary we personally have no option.”
	“We need to invest in our future”

Torbay Sports Clubs

In order to encourage our residents to be active, we are proposing to provide a further £50,000 investment for sports clubs as part of the Torbay on the Move initiative.

	Number	%
Agree with this proposal	95	63.3%
Disagree with this proposal	47	31.3%
No response	8	5.3%
Total	150	100.0%

Investment towards our ambition of being the UK’s premier tourist resort

We are expecting more people to holiday in the UK again this coming summer and we want to make the experience in Torbay as good as we can. We are proposing to invest £500,000 towards our ambition of Torbay being the UK’s premier tourist resort. This investment could be used for:

- additional staff during the peak season to keep our seafronts clean and tidy
- some improvements in seafront infrastructure and
- events at Christmas and for the Queen’s Platinum Jubilee

	Number	%
Agree with this proposal	111	74.0%
Disagree with this proposal	37	24.7%
No response	>5	~
Total	150	100.0%

In response to the Facebook poll for this proposal there were 23 responses in agreement with the proposal and none against it.

Respondents were asked for their views on where this investment should be focussed. The comments received have been grouped into themes and a sample of the responses shown:

General Theme	Sample Extracts
Tourism	“Long term investment in tourism, the bay relys heavily on income from tourism and we need it long term not just summer and Christmas. We should be promoting torbay as a great short getaway for half terms and Easter holidays.”
	“Firstly can inpropose that you consider implementing a small tourist tax. This Is common practice in most European resorts and would allow more investment in be h and other tourist areas and enable more and cleaning and maintenance”
	“The provision of Motorhome overnight parking in Torbay is all about boosting our local businesses and economy by encouraging people to visit our local towns and villages and preventing local businesses going bust.”
	“Tourists want to know that there will be good parking, at a reasonable price and that there will be good provision of loos for the family on the seafront - or they’ll think twice about a return visit.”
Cleaning & bins	“The public realm generally needs to be well maintained and clean and tidy, and not just the sea fronts”
	“There were times last summer when Paignton beech was covered in seaweed after bad weather.The seaweed was not cleared away and became smelly and very unattractive making the beech an unpleasant place to spend time particularly when the tide was in.”
	“why not get offenders doing community service to keep our streets cleaner?”
	“Why should the council only worry about Torbay being clean and tidy in the Summer. We should be proud all year round….”
Events / Attractions / facilities	“Staff on the beaches with deckchairs and sun loungers for hire”
	“Continental food market to return to the harbour front/by the theatre. Something on the green in front of Torre Abbey maybe music/fair or a show I think Torbay does quite well at facilitating for Tourists.”
	“Jubilee dancing Carnival and xmas market and street enetertainment”

	“Activities on the seafronts that encourage looking after our oceans”
Maintenance / regeneration	“more investment in maintaining parks and gardens in the three towns, not just Torquay”
	“Need to focus on the basics first, more cleaning more graffiti removal done faster no point in throwing money at new when what is currently in place isn’t maintained. Some form of what’s app style group or facebook style group for problems to be reported with photos quickly. Once an issue has been resolved would be good for a photo reply it seems silly but it’s easy to forget how much people does get done.”
	“For holidaymakers, as well as local and Torquay residents, local schools, Watcombe Scout camp etc. money to be allocated to survey and repair and upgrade the access and facilities at Watcombe beach, currently in a dangerous state due to land slippage from rain and storm damage to the beach.”
Beach Managers / Staff / Volunteers	“Beach Managers? More dog wardens please.”
	“Trained first aiders on the beaches and defibrillators available on every beach.”
	“Encourage volunteers to come forward and help keep seafront tidy”
Toilets	Make ALL the public toilets accessible using cash. Bring back access to toilets using RADAR key for disabled people. Torbay will get a reputation as being the unfriendly resort if you are elderly or disabled. Not everyone has a contactless card.
	“Toilets! You have taken away basic provision at so many locations, people are defecating behind beach huts/cabins/chalets. Broadsands is particularly bad. Not only causing health risks for beach users but for our fantastic beach team. No-one is paid enough to clear this away.”
	“Toilets, toilets, toilets. More in more locations…..”
Locals	“Tourists will come anyway, and don’t bring that much money to the economy. 500,000 is a lot of money that could be spent elsewhere improving the lives of people Who live in Torbay.”
	“More events focused for locals and not holidaymakers”

Town Centres	"Paignton town centre seems to be the forgotten resort and is becoming more and more desolate. Something needs to be done to attract more businesses and investment"
	"…..There are no shops, the town centre is dead, people can see a Christmas Market in one day, there's no reason for people to stay here longer. The town centre needs help to get started again, maybe create a fund to supplement commercial rent for people who are just starting their business. Encourage people to populate the town centre again……"
Policing / ASB	"Would like to see improved enforcement against antisocial activities and obstructive parking"
	"More visitors to torbay will substantially increase demand on all services, it could also cause antisocial behaviour. There will be needs for constant monitoring and attention. The police will need to be seen to be attentive….."
Parking	"……The quality of car parking remains poor, with many car parks having very small badly marked bays. I have witnessed visitors giving up and driving on when they cannot fit their even medium sized cars into a parking slot."
	"I agree as long as the proposed infrastructure doesn't include further parking restrictions or stealth taxes."
Dogs	"First you need at least 3 dog wardens in each town, who can fine dog owners who do not pick up their dogs mess….."
	"……Dog litter monitors are needed also... create revenue whilst ensuring our public spaces are clean and safe."
Town disparity	"…..will any work carried out on the seafronts only be for Torquay and Paignton with Brixham receiving nothing, as usual."
Other	"Affordable Housing for older people"
	"Use it to reduce the council tax."

The Pavilion

We have identified £100,000 per year within our revenue budget to enable us to borrow money to undertake works on The Pavilion in Torquay.

	Number	%
Agree with this proposal	107	71.3%
Disagree with this proposal	40	26.7%
No response	>5	~
Total	150	100.0%

In response to the Facebook and Twitter polls for this proposal there were 60 responses in agreement with the proposal and 11 against it.

Allocation for Carbon Neutral Action Plans delivery

We are developing our Carbon Neutral Action Plans both as a Council and across the community. To make sure that we can deliver against these plans we are proposing to allocate £75,000 to appoint more members of staff and £100,000 (one-off funding) to meet the additional costs of carbon neutral projects and infrastructure.

	Number	%
Agree with this proposal	81	54.0%
Disagree with this proposal	65	43.3%
No response	>5	~
Total	150	100.0%

In response to the Facebook poll for this proposal there was 1 response in agreement with the proposal and 1 against it.

SWISCo Investment

We are proposing to invest £1,500,000 into SWISCo (Torbay's Waste Management Company) to address many years of underinvestment in Tor2. We also are planning to set aside around £400,000 for new IT systems for the company.

We want to make sure that SWISCo is a successful and stable company which delivers services effectively to our community.

	Number	%
Agree with this proposal	111	74.0%
Disagree with this proposal	37	24.7%
No response	>5	~
Total	150	100.0%

In response to the Facebook and Twitter polls for this proposal there were 52 responses in agreement with the proposal and 7 against it.

Community Ward Fund

We are proposing that the Community Ward Fund is run for a second year with our councillors and Community Partnerships working together to decide on the things that they would like to see improved in their local area.

	Number	%
Agree with this proposal	115	76.7%
Disagree with this proposal	34	22.7%
No response	>5	~
Total	150	100.0%

In response to the Facebook and Twitter polls for this proposal there were 15 responses in agreement with the proposal and 5 against it.

Council Tax

We are proposing to increase the Torbay Council element of Council Tax by 1.99% plus 1% for adult social care. This equates to 94p per week (£49.06 per year) for an average Band D property.

	Number	%
Agree with this proposal	89	59.3%
Disagree with this proposal	61	40.7%
No response	0	0.00
Total	150	100.0%

In response to the Facebook poll for this proposal there were 3 responses in agreement with the proposal and 1 against it.

Ideas for Savings or Income Generation

Respondents were asked to tell us about their ideas for savings or income generation and any views they had on the other proposals within our Draft Budget for 2022/2023 which are not highlighted in this questionnaire. A sample of the responses is shown below.

Ideas for savings or income generation
"People are on a Low Budget and have to find extra money for Heating their homes. The council Tax already went up 5% last year Look again at cutting the Budget on certain Items to make it more affordable to Residents"
"Stop with the fancy proposals and tighten your belt. Pensioners (a lot in Torbay) have to cope with 3.1% increase when inflation is running at 5% or more. DO NOT ADD TO OUR PROBLEMS."
"Move the council out of the town cente, and sell off Castle Circus bui;lding"
"Review of all Council staff job descriptions (especially roles that are over 10 years old) to make sure that they are being paid correctly (increase or decrease)….."

“Real interest and improvement needed in the less affluent areas of Torquay improvement the areas for those of us who have to live here rather than just the bits seen by the tourists or the areas that obviously don't need it.”
“Why not keep the streets clean, utilise redundant buildings for use as accommodation, empty bins on time. Torquay seems to be regenerating, but nothing is said about Paignton. You have the money. Are you withholding the funds to spend on something else, hoping we residents of Paignton will forget.”
“Replace SWISCO with an independent body via open tender process, Engage at reasonable cost an external management audit company to help you cut out dead wood from your workforce.”
“A regular green waste collection service would be helpful…..”
“Plan to keep investing in general infrastructure across the bay, with an idea to link the towns properly for residents and tourists alike, that’s creating safe cycle routes off road and also improving the overall road network consistently”
“Please look at accessibility to the sea at various locations including Meadfoot and Ansteys cove for paddle boarders and kayaks - currently dangerously overused. This will in turn bring more people to the beaches helping tourism income generation.”
“The Council should stop living in their blinkered world of 'zero carbon, more trees, dig up the roads, more lanests for more cyclists' get to live in the real world where, at the moment, residents need better roads to get a to work in order to pay the Council their tax.”
“The enviromental changes rushing at us now need mitigating. Many see this as a tomorrow problem but by then it will be far worse. If ever we need to put a stitch in time it is this. Invest more in energy efficient industrial and commercial, offices, affordable and rental housing, and other buildings please. Also pedestrian, cycle and public transport.”
“Council Tax increases should only be used to ensure that those vunerable families in the resort currently on Universal Credit should benefit from a 100% Council Tax Reduction.”
“Would like to see more spent on highways, especially parking controls”
“The budget should reflect the stated aims of e.g. Local Transport Plan, Local Cycling and Walking Infrastructure Plan to increase journeys by walking and cycling. Proportionally the budget should reflect this in its investment in walking and cycling capital and revenue spending.”
“Stop wasting money on projects that you think are fashionable and will make you look good. Concentrate on the many, many things that NEED doing.”

“Reduce financial allowances for councillors in all areas. Increase developer contributions to the council upon planning approval and increase penalty / charge for non development of brownfield or holding back approved housing land in preference to the use of greenfields.”
“More use of Community payback, volunteer groups, disability groups to support local initiatives. More LOCAL focus on events. Too much about attracting tourists who buy food in supermarkets, stay in global brand accommodation & just bring chaos & crime to our streets. Just how much does the Bay benefit in terms of net profit?”

There were additional Facebook and Twitter polls on a recycling rates proposal which was not included in the on-line questionnaire:

We want to save £120,000 in our 2022/23 revenue budget by encouraging everyone to recycle more. The more that’s recycled the less we have to pay to dispose of waste and we can increase the amount of income we receive from recycled material.

In response to the Facebook and Twitter polls for this proposal there were 54 responses in agreement with the proposal and 1 against it.

Respondent Profile

Please tell us your postcode

	Number
TQ1	42
TQ2	27
TQ3	34
TQ4	23
TQ5	13
Outside of Torbay	>5
No response	8

Which of the following best describes how you think of yourself?

	Number	%
Female	69	46.0%
Male	70	46.7%
Other	>5	~
Prefer not to say	6	4.0%
No response or other comment	5	3.3%
Total	150	100.0%

Which of the following age groups applies to you?

	Number	%
0 - 15	>5	~
16 - 24	>5	~
25 - 34	11	7.3%
35 - 44	22	14.7%
45 - 54	14	9.3%
55 - 64	39	26.0%
65 - 74	42	28.0%
75 +	20	13.3%
No response	>5	~
Total	150	100.0%

Do you consider yourself to be disabled in any way?

	Number	%
Yes	32	21.3%
No	117	78.0%
No response	>5	~
Total	150	100.0%

Social Media Evaluation

The budget consultation was promoted widely across all Torbay Council's Facebook and Twitter accounts, in staff news, via our One Torbay newsletter and local media. The consultation and detailed information about the budget made available on our website. The aim of the campaign was to ensure that residents, stakeholders and groups were aware of the consultation on the proposed budget for 2022/2023 and the wider financial constraints on Torbay Council. It also encouraged them to provide feedback on proposals which may impact on them.

A range of social media posts were created including 17 Facebook or Twitter polls which complimented the consultation. They asked members of the public to agree or disagree with the proposals as well as inviting them to post comments. A Facebook Live was held to explain the proposals and answer questions from members of the public.

The posts included links to the consultation. There were 262 direct link clicks from our Facebook posts to the Budget and Budget Consultation web pages. The total reach (number of people that saw / scrolled past the posts) was 29,234 people.

In total there were 309 votes in the Facebook and Twitter polls. Of those 270 votes (87.4%) were in favour of the proposals and 39 votes (12.6%) were against. In the polls, more people agreed to the proposals than disagreed, except for the poll relating to investing in community builders which had a 50-50 split on Twitter, but full backing on Facebook and the poll relating to the Pavilion which had a 50-50 split on Facebook.

The reach, impressions, and comments weren't as high as in the previous year's consultation. However, more people liked and shared the posts, clicked directly through to the budget and consultation pages, and the engagement rate was higher (2.5% compared with 1.7%).

One Torbay generated 362 direct click links to the Budget and Budget Consultation web pages.

Feedback

Most of the feedback on Torbay Council's social media channels was posted on Facebook. Torbay Council responded to comments to answer any questions posed, to correct misinformation, to signpost people to the consultation, and to refer comments to relevant departments. In addition, members of the council joined in the conversations and were able to put their views direct to residents.

Comments in response to our social media posts are listed below.

- Recycling bins need looking at as they generate so much liter in the bay, they need proper flip lids.
- Lets do away with curb side sorting, wht not sort it centrally like most councils.
- Give us bigger recycling bins and green bins.
- Look at subscription garden waste service. Almost all other councils do.
- Recycle at the depot. It would create extra employment.
- Good news (about investing more in SEND) but you could contact the local nurseries direct as there is more and more children arriving with SEND at their doors.
- Make time here more fun and easy by giving us free toilets, free parking, less militant parking wardens, a seafront skatepark as Torquay is one of the only towns in the south West without one.
- Replace benches along the coast and sea fronts.
- Can double yellow lines be repainted in areas, they are causing hard to residents.
- "Many new build houses have been bought and then a few months later they are up for LET. There needs to be strict conditions on people buying these so called affordable homes and not allowing anyone to buy them and then LET them out. "
- More support for vulnerable people is needed to keep their tenancies.
- More money for roads and pavements is needed.
- The centre of town should be moved down and part residentialised.
- SWISCo need more support from the public by sorting their own recycling, breaking down boxes and plastics
- IT would be good if community builders raised their profiles in each area, so many people have never heard of them, or know who theirs are in their area.
- Early intervention mental well-being needs to be a priority.

Facebook Live

The Facebook Live event on 2 February 2022 was viewed by 82 people at its peak on the night and was viewed by 1,700 people overall. There were 355 engagements, either by reactions, comments or shares.

Themes from the Live comments:

- What are we doing to help the homeless and those in temporary accommodation? More money needs to be spent on housing
- What support is there for lower income families?
- When are double yellow lines being repainted in areas? Roads and pavements need attention/Graffiti and rubbish everywhere
- What do the Community Builders do? – Some are also more active than others, how are they being measured? What is regarded as a success for them?

- How are going to rejuvenate our town centres? And manage the drug and alcohol problems in them
- SWISCo – are there plans to invest in staff as well as IT?
- SWISCo – weekly Sunday drop off at the coach station worked well, can it be reinstated?

Positive comments:

- Got to say…. Children's services are now amazing in Torbay! So credit where it's due! Amazing work! My wife had some integration with the team there. Brilliant!
- Great to have the street markets, brings a great vibe into Torquay
- 'SWISCo team have been fabulous in Galmpton! Well done on their level of service they could not be more helpful'
- It's great to actually have some interaction between council and people always feel cut off

TORBAY LABOUR LOCAL CAMPAIGN FORUM

Dear Councillor

100% Council Tax Reduction Scheme

We are writing to you to ask you to support the introduction of a Council Tax Support scheme in Torbay. You may know that prior to the introduction of Universal Credit, households on low incomes could get a100% reduction in Council Tax. Under subsequent arrangements each local authority can establish their own scheme which sets a minimum rate which each household must pay.
Torbay has set this rate at 30%which means even those on the lowest levels of income have to pay this amount. Neighbouring Teignbridge has set their level at 0% along with many other Councils. Even South Hams levies only 15%. You will know the Government has withdrawn the £20 per week uplift for those on Universal Credit, the regulator has permitted substantial increases in energy prices, which are now forecast to go even higher this year, food prices are increasing and other every day costs are increasing alarmingly, which will impact most on the lowest income households. Evidence shows that in Torbay most of these households are in work, many are single parents, and a large proportion are households with children. The main impact of not having a reduction scheme in Torbay is that this winter those who are innocent and most vulnerable will be at greatest risk of going hungry and cold. A significant number of these are likely to be your constituents.
Steve Darling is on record saying that “One of the Council’s priorities is to tackle poverty in the Bay”. The introduction of a Council Tax Reduction scheme would give voice to this commitment.

We hope you can support this move and put pressure on the present Council administration to include this measure in their budget proposals for 2022-2023. We look forward to hearing from you.

Yours Faithfully,

Eddie Harris -T.L.L. Campaign Forum Secretary

Dear Torbay Council,

I am writing to you as the Chair of the Imagine this…partnership of 48 vcse organisations who work with children, young people and families cross Torbay.

Firstly I would like to offer our support to the development proposal to increase funding for youth work by £100K. However, we know from our youthwork partners that there are a number of areas and groups underserved in Torbay and although £100K will improve things, it will not enable full coverage across the bay.

Secondly, We have reviewed the proposals and are surprised that, despite the improvement priority for early help and engagement in extensive activity to create an early help network across Torbay with paid for input from PeopleToo, there are no proposals in the draft budget to provide additional resources to broaden the range of early help out in the community. There are amazing organisations both across our partnership and beyond who provide significant positive impact, but they are at capacity. Childrens Services led engagement on early help promotes better early help in three town based localities. To ensure that we deliver effective early help across Torbay we need investment in the range of community and voluntary organisations that can support this. We would propose a development fund of £500K to appropriately resource effective early help delivery. We also feel that this level of investment needs to be sustained over a minimum of three years to ensure effectiveness and sustainability.

Imagine This… partners support the proposed development fund for SEND Reform, following the recent ofsted report and note the requirement for more effective co-production with parents, children and young people. Imagine this partners already work with these people and are well versed in effective co-production and working with young people with Learning Disabilities and would like to propose that Imagine this is formerly engaged in the SEND reforms and would like to assist with effective engagement and co-production. As far as we are aware we have two partners on the newly convened group to develop the plans / reforms, which is Pat Teague (Healthwatch and Torbay Youth Trust and Kelly Givens, SENDIASS Manager. We would also propose inviting Tanny Stobart from Play Torbay, who is already supporting this work and the newly forming Parents Forum.

Simon Sherbersky, Chair, Imagine This…`Torbay is a great place to grow up` vcse Partnership

Dear Torbay Council,

In my role as current Chair, I am writing on behalf of the VCSE Wellbeing Network to support the direction of travel we have experienced, led by Adult Social Care. We have seen a huge change in approach to partnership working with our sector, where we have been made to feel like equal and valued partners.

We really support this shift in approach and the associated funds that have been allocated to enable our sector to support people in need across Torbay and, in particular, the support to maintain the VCSE network community helpline and associated supports and the creation of the VCSE alliance, which shows this commitment to partnership working needed for the residents of Torbay.

Regards,

Stuart Bakewell

Head of Operations and Business Development

TORBAY COUNCIL

Meeting: Council **Date:** 3 March 2022

Wards Affected: All Wards

Report Title: Review of Reserves 2022/23

Is the decision a key decision? No

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

Cabinet Lead Contact Details: Darren Cowell, Cabinet Member for Finance Darren.cowell@torbay.gov.uk

Supporting Officer Contact Details: Sean Cremer, Deputy Chief Finance Officer Sean.Cremer@Torbay.gov.uk

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1. Purpose

1.1. The Council holds several reserves as part of its approach to maintaining a sound financial position, protecting the Council to some degree from volatility in its budget going forward. The requirement for financial reserves is linked to legislation such as the Local Government Act 1992 which requires councils to "have regard" to the level of reserves needed to meet future expenditure when calculating a budget. Part of sound financial management is to assess the adequacy of these reserves and release those reserves no longer required.

2. Proposed Decision

2.1. That, in support of the 2022/23 budget setting process, Council notes the Council's reserves position.

3. Reasons for Decision

3.1. A Review of Reserves is a key part of the Council's budget setting process. Consideration of reserve levels is linked to legislation for budget setting contained in both the Local Government Acts of 1992 (section 31A & 42A) and 2003 (section 25) and linked to section 114 of the Local Government Finance Act 1988.

3.2. The Council continues to face significant financial uncertainty because of Covid-19 and the impact on both expenditure and income, as well as in the longer-term uncertainty over future council funding levels given the 2022/23 Local Government finance settlement was for one year only. In addition, the 2021 Spending Review national funding allocation for local government for 2023/24 and 2024/25 were at the same levels as 2022/23 (excluding the health and social care levy), therefore meaning that there is no provision for growth or inflation in these years.

3.3. As a result of Covid-19 the Government allowed Councils to spread the loss relating to 2020/21 over 3 years. So far in 2021/22 collection of Council Tax and Business Rates (NNDR) has performed in line with forecasts used in setting the 2021/22 budget. At this stage it is unclear to what extent the latest developments in relation to new strains of Covid-19 may impact upon collection rates in 2022/23.

3.4. The General fund is at £5.6m which is approx. 5% of the Council's 2021/22 net budget. This is after an agreed Council increase to the Reserve of £1m in 2020/21. This level of General Fund reserves is low but prudent, however should the Local Authority be required to fund the

Dedicated Schools Grant (DSG) deficit, which is forecast to be more than £9m by March 2022, this would exceed the General Fund Reserve balance and would cause a fundamental financial issue for the Council.

3.5. The Comprehensive Spending Review (CSR) reserve may be needed to fund any in year overspend for 2021/22 should this overspend not be addressed during the remainder of the financial year.

3.6. Whilst Childrens Social Care underspend in 2020/21, the continued impact of Covid-19 on this budget in terms of placement sufficiency has provided significant pressure on the 2021/22 budget. This has served as a reminder of the significant impact should spend start to rise again at levels seen in previous years, noting that there is limited funding within the CSR Reserve and the General Fund reserve to meet this. Future increases in spend like those seen in previous years would be a major concern for the Council as Children's Services represents approx. 40% of the Council's budget.

3.7. As a result of the relatively low level of general reserves it remains an option for the Council to approve prudential borrowing of up to £3m to fund items in the capital plan that were intended to be funded from revenue or reserves. This results in ongoing borrowing costs which will need to be included in future year budgets but does give a boost to reserves that are low. This funding could be added to both the General Fund Reserve and the Comprehensive Spending Review Reserve. This would then provide a higher level of mitigation for the Council by increasing the general fund reserve and increase the Comprehensive Spending Review Reserve to above minimum target levels. This option can be taken by Council in year if financial issues materialise in 2022/23 or future years.

3.8. The total balance of earmarked reserves may seem adequate however an examination of the individual reserves shows that for the majority of reserves their balance is ring fenced, links to a partner or is for a specific future funding issue or a specific future risk, therefore the flexibility to use those reserves to apply to an overspend position is limited.

3.9. As mentioned earlier, there remains a significant reserve risk due to the deficit balance on the DSG due to higher demand and cost in relation to children who require additional support (Higher Needs). Whilst this is no longer shown as a negative reserve due to the current Statutory override which allows a reclassification of the deficit on the council's balance sheet, this remains a significant risk to the Council's reserve position. The Council does not receive any funding for schools as part of its own funding therefore the overspend is expected to remain in the DSG to be funded from DSG in future years and is therefore not a cost that the Council must fund. This position had been confirmed by the School and Early Year Finance (England) Regulations 2020. However, most recently, engagements with the Education and Skills Funding Agency (ESFA) have indicated that a central government funding solution is unlikely. Consequently, it was disappointing that the Schools Forum, on a majority vote, chose not to agree to transfer 0.5% of the Schools block (of funding) in the 2022/23 DSG to the Higher Needs block. This decision exacerbates the position in relation to the deficit.

3.10. Due to the significant financial risks facing the Council in 2022/23 because of the prolonged effect of Covid-19 and possible risks in future years it is essential that the Council's reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget. Following previous Review of Reserves and the Medium-Term Financial Plan, it is recommended that, because of the level of current and previous year budget variations, to continue the target to establish a balance of the CSR Reserve at a minimum of £3m.

3.11. In addition to possible rises in demand pressures for social care, the future financial risks facing the Council are compounded by the uncertainty around future funding due to the spending review being reduced to a one-year settlement. Torbay's actual funding allocation was notified in December 2021, and whilst it contained one-off monies, it is not prudent to fund ongoing recurring expenditure with one-off funding and therefore this short-term nature of the settlement provides challenges to the medium-term finances.

3.12. In the absence of clarity from central government, councils, including Torbay, will inevitably aim to mitigate against that uncertainty. Uncertainties for Torbay Council include:

- Impact of Spending Review in 2023/24 onwards
- The ongoing financial impact of Covid-19
- Impact on new funding formula for Councils in 2023/24 (at the earliest)
- Ending of New Homes Bonus Grant (in its current form) in 2023/24
- Unconfirmed allocations for specific grants such as Improved Better Care Fund, Flexible Housing Grant and Supporting Families for 2023/24
- Impact of relative resource (council tax and service) equalisation in 2023/24 (at the earliest)
- Impact of the new NNDR retention scheme in 2023/24 (at the earliest)
- Impact of the revised NNDR baselines in 2023/24 (at the earliest)
- Future funding of Higher Needs Block in new schools funding formula
- Future value of contract for Adult Social Care in 2023/24
- Impact of reforms to Adult Social care from 2023.

3.13. The Council has previously undertaken activities that have a higher level of risk associated with them. This includes the Investment Fund (purchases now stopped) and both affordable and extra care housing where the Council is investing a significant amount funded by prudential borrowing via its subsidiary company Torvista. Whilst significant business case analysis and due diligence of proposals is undertaken for each initiative, there is always a risk that the projects will not deliver the income required to cover the “fixed” costs of the borrowing. These more commercial activities carry a higher level of risk and reward which is linked to changes in income streams (such as rent) and fluctuations in the values of any underlying assets.

3.14 Several of the regeneration and housing schemes the Council is considering are high value schemes that have a higher level of risk associated and require a significant level of future income to support the borrowing required. These include the Council funded housing development at Preston Down Road, extra care accommodation at both Crossways and Torre Marine and the major regeneration schemes at Union Square possible involving a joint venture company and at Victoria Square.

3.15 In addition, the Council owns 100% of SWISCo, Torbay Education Limited and the TDA Group of companies including Torvista, TEDC Developments, C&A Consultancy and Complete Cleaning Solutions. There are inevitably risks associated with those companies.

3.16 As part of setting the Budget for 2021/22 £1.2m was held in reserves for SWISCo, as it was recognised that they were likely to require financial support. This entire balance has been required in 2021/22 and the Council is proposing an “re basing” of the SWISCo funding in 2022/23.

3.17 Members are again reminded of the advice previously given by the Chief Finance Officer, that reserves should not be used for supporting ongoing recurring expenditure. Use in that way is not financially sustainable as reserves can only be spent once.

4 <u>Chief Finance Officer Statement.</u>

4.1 The Council is continuing to face financial challenges. I am satisfied that the Council’s General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council’s Financial Plans for 2022/23 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.

4.2 I fully support retaining the prudent levels in the general fund reserve at close to 5% of the Council's net revenue budget and the continued, prudent use of reserves to support potential Covid-19 issues and the three-year impact of the 2020/21 collection fund deficit.

4.3 My statement for 2022/23 must be caveated due to the continued uncertainty around Covid-19. So far there is no announced financial support for 2022/23 to deal with increased expenditure or reduced income.

4.4 The adequacy of the Council's reserves can be supported if the following actions are undertaken:

a) The Medium-Term Financial Plan includes an increase to the CSR reserve to achieve a minimum ongoing balance of £3m.

b) That the Council maintains the focus on social care, both adults and childrens, as the biggest financial risks to the Council to deliver the identified improvements supported by a robust financial recovery plan and the sufficiency strategy

c) That Council recognises the option of using borrowing to fund the capital plan to enable an increase to reserve levels by £3m if needed.

4.5 However, all consideration of reserves must recognise the fundamental financial risk to the Council and schools associated with the increasing cumulative deficit on the higher needs block which is part of the ring-fenced Dedicated Schools Grant. This deficit is forecast to be over £9m by March 2022. While the Council and schools work jointly to mitigate this financial pressure the only viable solution is a central government resolution to this issue. The current central government short-term "fix" of having a statutory override to reclassify the deficit on the Council's balance sheet does not solve the issue. Inevitably if there is a risk that the council will have to fund this deficit then the fundamental financial impact on the Council will result in a s114 notice being issued and service and school spend being reduced or stopped.

4.6 At this stage with the significant uncertainty in relation to central government funding for 2023/24 I am currently only able to provide limited assurance in relation to 2023/24. I recommend, however, that the Council continues to be prudent in its use of reserves and plans for future risks and their mitigation. These to include:

a) Establishing and then maintaining a balance on CSR reserve of £3m

b) Protection to current level of General Fund Reserve

c) No general reserves used to balance 2022/23 or future year budgets

d) Specific material risks still mitigated for – e.g., insurance, NNDR volatility and investment fund

e) Regular updates and awareness of the risks identified in the Medium-Term Resource Plan

f) That the Council continues to deliver its transformation programme at pace in the medium term

g) Continued focus on reducing spend in children's' social care

h) That work continues on the Adult Social Care improvement plan

4.6 For more detailed information on this proposal please refer to the supporting information attached.

Sean Cremer
Deputy Chief Finance Officer

Supporting information

A1. Introduction

A1.1 A Review of Reserves is part of the Council's annual budget process.

A2 Review of Reserves 2022/23

A2.1 Overview

A2.2 As at the start of the year, Torbay Council's reserves were as follows:-

- Reserves	Balance as at at 1/4/21 £'000	Balance as at at 1/4/22 £'000	Balance as at at 1/4/23 £'000	Balance as at at 1/4/24 £'000	Balance as at at 1/4/25 £'000
General Reserves					
General Fund	5,744	5,622	5,622	5,622	5,622
Earmarked Reserves					
COVID Reserve	2,350	1,100	100	0	0
Comprehensive Spending Review	2,370	1,865	1,765	2,265	2,765
Capital Reserves:	2,925	2,445	2,189	2,117	2,117
School Related Reserves	1,586	1,442	1,276	1,131	1,006
Partner/Ring Fenced Reserves	3,976	3,852	3,452	1,675	1,662
Specific issues	32,753	12,488	10,266	8,628	8,428
Investment Fund	1,376	1,659	2,658	3,658	4,658
Grants - received not spent	10,336	6,797	3,729	1,349	1,348
Total Earmarked Reserves	**57,672**	**31,648**	**25,435**	**20,823**	**21,984**
TOTAL RESERVES	**63,417**	**37,270**	**31,057**	**26,445**	**27,606**

A2.3 A list of the Council's Reserves is attached in Appendix 1.

A2.4 The table above currently **excludes** the deficit balance in the higher needs block of the Dedicated Schools Grant of £5.8m as at March 2021. Under a statutory override this reserve is reclassified until the end of 2022/23. At this point if the statutory override is not extended, nor a central government solution identified, then the total of Torbay's reserves will reduce by the deficit balance which is forecast to be more than £9m at the end of 2022/23.

A2.5 Each reserve has been assessed for its estimated balance as at 31st March 2022 and for the estimated additions or withdrawals from the reserve during 2022/23 and future years. This is included in the table at Appendix 1. Where there is a surplus balance on a reserve this has been transferred to the CSR Reserve.

A2.6 The level of reserves is expected to decrease between 2021/22 and 2022/23 by circa £26m.

A2.7 The majority of the movement is due to amounts carried forward specific issues including the Collection fund Reserve balance that reflects the timing of the 2020/21 s31 NNDR relief compensation grants.

A2.8 The Collection Fund reserves were inflated at the start of the year by £12m which were reversed in 2021/22. This relates to the timing difference between the grant funding of the 2020/21 retail, leisure and hospitality 100% reliefs and the following financial year that the impact has to be accounted for in. With the 2021/22 extended NNDR reliefs and the proposed

2022/23 NNDR extended relief schemes, depending on how and when DLUHC will pay and recoup the relevant compensation grants there could be, as in 2020/21, significant temporary balances held for NNDR at year end which have not been included in these tables pending detail from DLUHC being issued.

A2.9 Adults Social Care

A2.10 The current three-year agreement will expire in March 2023. This agreement between the Integrated Care Organisation (ICO) and Clinical Commissioning Group (CCG) and the Council provides a "fixed" annual payment in exchange for no exposure to the risk of changes in cost. This therefore reduces the exposure to financial risk on this service to nil. Given the impact of Covid-19 the work of the Adult Social Care Improvement board is integral to mitigating the risk of future increases wherever possible.

A2.11 Children's' Social Care

A2.12 Following significant investment in the service the financial position for Children's Social care has improved. Continued stability within spend in this service remains crucial to the Council's medium-term sustainability.

A2.13 As part of the 2022/23 budget to mitigate against volatility of cost and demand for placements a new earmarked reserve will be established with an initial level of £1.0m. This reserve will be created from the reallocation of surplus balances from other reserves.

A3.0 Guidance on the Management of Reserves

A3.1 The CIPFA guidance on reserves is now included in the Financial Management Code of Practice (2019). It states:

Local authorities are directed to have regard to the level of reserves when considering their budget requirement. Consequently, reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of 'adequate' and 'necessary' levels of reserves is a matter for local authorities to determine. It is the responsibility (with statutory backing in England and Wales) of the Chief Finance Officer to advise the local authority on the appropriate level of reserves and the robustness of the estimates.

The budget report should include details of the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances.

A well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. Compliance with the Financial Management Code will give important reassurance that the authority's financial management processes and procedures are able to manage those risks.

These should be maintained at a level appropriate for the profile of the authority's cash flow and the prospect of having to meet unexpected events from within its own resources. Even where, as part of their wider role, auditors have to report on an authority's financial position, it is not their responsibility to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

As a general rule, the authority might seek to: have a policy as to the level of reserves it wishes to retain and how these reserves may be used, be able to demonstrate that it has used its reserves only for investment in future activities or in the implementation of savings plans, rather than to plug funding gaps in the delivery of services.

A3.3 In undertaking a detailed annual review of reserves that is presented to Council, Torbay

Council is largely complying with the CIPFA Financial Management Code.

A3.4 It is important to differentiate between general and uncommitted reserves and reserves held for a specific purpose. It is only the general and uncommitted reserves that could be used to support “short term costs”. As shown in the table above, the Council’s uncommitted reserves were part of the Comprehensive Spending Review reserve and the Council’s general fund balance which is discussed later. The Council does not have a large value of unallocated reserves compared to its overall budget or compared to the value of budget reductions required over the next few years or compared to the value of the in-year budget variances in social care over the past few years.

A3.5 The Chief Finance Officer is reluctant to use any reserve funds, which can only be spent once, to support ongoing expenditure as this is not financially sustainable, as it only delays the impact of the required budget reductions.

A3.6 This position taken by the Chief Finance Officer is in keeping with the CIPFA Financial Management Code guidance which states:

The aim of the authority’s financial reserves is to provide funding for investment in future activities and to act as a safety net in case of short-term financial challenges. Consequently, limited use of reserves to support the delivery of a clear and transparent savings programme is perfectly acceptable. Using reserves to fund otherwise-unsustainable services or to defer the need to make difficult decisions about service delivery, on the other hand, is to be avoided. Such an approach does nothing to enhance financial resilience. It also serves to make those difficult decisions even more difficult when they inevitably have to be made in the future.

A3.7 Earmarked Reserves

A3.8 The following paragraphs make specific comments on several reserves. A summary of each reserve and their purpose is included as Appendix Two. Further information on all Council Reserves is available that shows details about each reserve, including the reason/purpose of the reserve, how and when the reserve can be used and the process for retention of each reserve to ensure continuing relevance and adequacy.

A3.9 Comprehensive Spending Review Reserve

A3.10 Due to the significant financial risks facing the Council in future years it is essential that the Council’s reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget.

A3.11 Given the levels of budget variation the Council has experienced in recent years, the minimum target reserve level should still be £3m. The budgeted contribution of £0.5m with additional contributions in future years will help to provide a higher level of risk mitigation for the Council.

A3.12 Dedicated Schools Grant

A3.13 The reserve for Dedicated Schools Grant is estimated to be in a deficit of £9m as at March 2022. Funding for schools activities are primarily funded though the dedicated schools grant (DSG). The Council does not receive any schools funding within its own grant and funding allocations. This grant is allocated in “blocks” to cover different activities.

A3.14 The higher needs block has in the recent years been under financial pressure as a result of an increasing level of referrals from schools and parents for higher needs support for children resulting in a cumulative overspend.

A3.15 The Council does not receive any funding for schools therefore the overspend will remain in the DSG to be funded from DSG in future years. This overspend is therefore not a cost that the Council has to fund. This position was confirmed by the School and Early Year Finance (England) Regulations 2020 and repeated for 2021. However, as mentioned earlier in the report, recent conversations with the Education and Skills Funding Agency (ESFA) have indicated that a central government funding solution to deficits is unlikely.

A3.16 The Explanatory note to the 2020 Regulations stated:

We have made changes to how a local authority should handle deficits in their schools budget in order to make clear, on a statutory basis, that the schools budget is a ringfenced fund. Therefore, where a local authority decides not to deduct the deficit from its schools budget, it must carry forward the deficit to future financial years rather than fund it from other sources.

A local authority will now only be able to fund a deficit from a previous financial year from other sources where the Secretary of State has given authorisation to disregard the requirements in the regulations.

To reflect this, a number of changes have been made in Regulations 8(7) and 8(8) and Part 8 of Schedule 2 on dealing with the handling of deficits in a local authority's schools budget. The impact of these changes will be that a local authority with a deficit in its schools budget from a previous funding period ("funding period" is defined as a financial year) must either: (i) deduct the whole of the deficit from its schools budget for the current financial year; (ii) deduct part of the deficit from its schools budget for the current financial year and carry forward the rest of it into the next financial year; (iii) carry forward the whole of the deficit into the next financial year.

A3.17 This represents a significant financial risk that needs to be highlighted to Members given the relative value compared with the total balances in the Council's General Fund and CSR reserve.

A3.18 Investment Fund Reserve

A3.19 The Council has now invested over £235m in investment property and capital loans. Following on from the HM Treasury started a consultation on future PWLB borrowing terms the Council is no longer purchasing such assets, but it retains its previous investments.

A3.20 The reserve remains in place to mitigate any variations in income or costs associated with Investment Fund properties such as void and rent-free periods and receives annual contributions from the rental income received.

A4 Review of Provisions, other Potential Liabilities and potential risk from Council Companies

All companies owned by the Council are ultimately part of the Council's overall (consolidated) financial position and as CIPFA states that "the statutory role of the CFO does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest".

TEDC trading as TDA, 100% owned by the Council, has established several companies including Complete Cleaning Solutions Limited, TorVista, and TEDC Developments, Kings Ash Holdings and C&A Consultancy.

Following the launch of SWISCo in 2020 amidst challenging operating environments the Council has continued to provide additional financial support as part of setting the 2021/22 budget and further support is proposed for 2022/23 and future years. This work is predominantly focussed on modernisation of the Company and should result in improved operational efficiency in future years.

Torbay Education Limited started operating in November 2021 for the delivery of an independent service providing which provides specialist tuition for students unable to attend mainstream school for medical reasons.

As the number of council subsidiary companies and the range of activities they undertake expand, the Council must ensure it closely monitors the Companies performance.

In addition to earmarked and general reserves the Council also holds provisions, where appropriate, for issues where the Council has a clear liability which is likely to result in a payment, but the amount and timing of the potential payment is uncertain. The council also holds provisions for future issues mostly in relation to insurance claims where the “time lag” on claims being notified and settled is often over one year and a provision for NNDR appeals. The Council gains or loses a 49% share of any movements in NNDR.

A5 Collection Fund

The Collection Fund Adjustment Account (formally Collection Fund Reserve) is slightly different from all other reserves and includes both Council Tax and NNDR. For Council Tax, legislation requires any balance (surplus or deficit) to be applied at the next Council Tax setting to the three major precepting authorities (Torbay, Devon & Cornwall Police Authority and Devon and Somerset Fire Authority). (Note Brixham Town Council as a minor precepting body does not bear any share of surplus or deficit).

For NNDR, because of the introduction of the new Local Government funding arrangements from April 2013, the Council bears a 49% share of the risk and reward of changes in the level of National Non-Domestic Rate income. Changes from the Council’s initial National Non-Domestic Rate income estimate arising from changes in yield and collection will now also result in a Collection Fund surplus or deficit. The Council’s share of any surplus or deficit will impact on the forthcoming year. The Council holds a NNDR equalisation reserve to help smooth the volatility of income, set at a target level of 5% of the Council’s annual NNDR retained income under a 49% retention scheme.

Estimates of future year surpluses or deficits are included in the Budget Setting process and reflected in the Medium-Term Resource Plan.

The economic impact of Covid-19 has had a significant impact on the collection of council tax in 2020/21 and, in line with forecasts, 2021/22 has seen a continued, but lower, shortfall.

The earmarked reserve established in 2020/21 remains sufficient to meet the spread of the 20220/21 deficit over three years. As a result, the Council in future years will not have to make service reductions to fund this shortfall. However, given the developments in December 2021 in relation to Covid-19, there remains uncertainty on the future impact.

A6 Pensions and Loans (Non Treasury Investments)

Pensions: The Council has provided several guarantees in respect of pensions when staff have transferred from the Council’s employment to an alternative supplier who has set up a LGPS pension scheme as an “admitted body". These are not guarantees to the supplier but to the pension fund in the event of the insolvency of the supplier. In the exceptional case of the pension liability being realised it is likely the liability will be transferred to the Council’s own pension liability which will be reflected in future employer contribution rates. As such, under accounting standards (IFRS), these are accounted for as insurance contracts. There is different accounting treatment for the guarantee to TEDC as that is now accounted for as a “pass through” agreement.

Loans: The Council has provided several loans to the private sector and to it subsidiary companies. If a loan defaults or under the “expected loss” model of assessing the fair value of a loan, then the loss will be charged to the council’s revenue budget in the year the loss is recognised. The value of the Council loans is now significant – including £2.8m to TEDC, £9m to That Group for Torwood Street and £4m to South Devon College with a potential further £25m loan to Torvista. At year end the Chief Finance Officer will assess each loan for actual or potential “expected losses” and will make a charge to revenue in year or set aside funds as a “bad debt” provision as required.

Investment Properties: The Council has purchased several investment properties. Risk and reserve management of these is discussed above.

A7 General Fund Reserve -Risk Assessment and Sensitivity/Scenario Appraisal

The Council increased its General Fund Reserves in 2020/21 by £1m to £5.6m which is approx. 5% of the Council's net 2022/23 budget. Despite the prudent and welcome increase this level of "unallocated financial reserves" is relatively low compared to other unitary Council's.

The CIPFA guidance on reserves does not recommend a minimum level of reserves. It states that "Local Authorities should make their own judgments on such matters taking into account all the relevant local circumstances which will vary between Authorities". CIPFA also state that "a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of reserves".

A risk assessment of all budgets suggest that the maximum overspend in any year, if all services were subject to adverse pressures and where there isn't any specific service-related earmarked reserve, would be £10.1m million or circa 9% of 2022/23 draft net revenue budget. An estimate should be added to reflect any, as yet unknown, in year budget pressures, potential Bellwin scheme claims (emergency planning), to reflect the financial risks inherent in any significant new partnerships such as Torvista and SWISCo, investments, funding changes, outsourcing or capital developments, of £1.0 million. This would result in a required General Fund reserve of £11.1 million or 10% of net budget. The current level of General Fund Reserve will cover 50% of this sum.

The risk above has been mitigated as the council continues to expect to have a fixed payment for Adult Social care. This fixed payment does remove volatility from the second largest budget/service the Council has. However, if there is no fixed payment then the Council will again be exposed to the risk of volatility of both demand and cost in this key service.

In addition, the challenges of achieving the ongoing significant budget reductions from central government create a major risk of budget variations.

A prudent risk-based approach to budget setting and reserve levels will have mitigated some risks of an overspend. It is vital that the improvement plans continue to yield results within both Adults and Children's Social Care and the medium-term financial strategy for this service is delivered to reduce the levels of (financial) risk.

However, it is unlikely that all budgets will be adversely affected in the same year or that there will be no under spending arising from savings or additional income. Therefore, the General Fund Reserve should be equal to 50% of the total assessed risk in any financial year (which equals to 5% of estimated 2022/23 net revenue budget). This for 2022/23 will result in a target general fund reserve balance of £5.9 million.

The 2022/23 budget to be presented in March 2022 to Members will also include an assurance statement from the Chief Finance Officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the Local Government Act 2003.

A8 **Capital Investment Plan**

It is assumed that in the circumstances of a significant overspend within the Council's capital programme this will be covered by alterations to the timing of the Council's capital investment plan, use of the capital contingency or from additional borrowing within the Council's approved Prudential Indicators. Any additional borrowing costs would have to be met from the Council's revenue budget.

The Council's capital plan has a contingency of £0.6 million. It should be noted that all capital projects should have contingencies within the individual project costs. (Note additional contingency funded from prudential borrowing proposed as part of 2022/23 revenue budget).

It should be noted that there is currently high risk of cost inflation on capital projects. Any cost rises within a project will have to met within that project's funding. Therefore, it is essential appropriate project contingencies are set in the business case for each project.

A9 **Comparison with Other Councils:**

CIPFA issue the financial resilience index for all councils. Using this Index, Torbay's general fund reserve remains low when compared to other Council's. Based on 2020/21 data Torbay's general fund reserve as a percentage of its net revenue budget was 11 lowest from 14 statistically similar councils. The same comparison for earmarked reserves ranked Torbay as 8 lowest from the same 14 Councils.

A10 **Governance of Reserves.**

Appendix 1 shows the projected balances of the reserves at the end of the current financial year and future years. These balances are based upon planned levels of spending. In the event of any unplanned expenditure occurring in the financial year current Standing Orders and Financial Regulations will apply.

The Reserves will continue to be reported as part of the Council's Statement of Accounts and subject to this annual review and challenge as part of the budget process by both members and senior officers. Councillors should consider the Council's General Fund Reserve as part of the annual budget setting process. Any quarterly reporting of issues relevant to earmarked reserves will be on an exception basis.

Schools reserves are part of the delegated schools funding and these reserves remain at the discretion of the Head Teachers and Governing Bodies.

A11 **Risk assessment of preferred option**

Outline of significant key risks

It is important that the issues raised in this report are considered by Members and appropriate action is taken, where necessary, to ensure that the Council has adequate reserves in the short and medium term. Failure to consider the issues raised within this report and take appropriate action could result in the Council having insufficient reserves that could adversely impact on the revenue budget and the longer-term financial viability of the Council.

The major risks facing the Council at present are the uncertainty of the Council's future funding from 2023/24 onwards and the ongoing financial pressures from both Children's social care and, in the longer term, adults' social care.

As a guide to higher costs in the longer term from changes in demand from the demographic profile of Torbay, the following table shows the ONS estimated population changes in Torbay over the next 10 years.

Age Group	**2020 000's**	**2025 000's**	**2030 000's**	**10 year Change 000's**	**10 year Change %**
Up to 4	7	7	7	0	0
5 to 17	22	23	23	+1	+5
18 to 64	71	71	69	(2)	(3)
65 to 79	27	28	30	+3	+11
80 and over	10	12	15	+5	+50
Total Population	**137**	**141**	**144**	**+7**	**+5**

The table shows that there is likely to be decline in the working age population over 10 years with increases on both school age and over 65's. It is the rise in over 65's and within that the increase in the over 80 population that is likely to result in significantly higher social care costs in the longer term. It is essential that the Council has a long-term plan for these future demand changes.

It is important for the Council to review its risks and rewards in relation to new activities, such as Investment properties and its interests in its companies if the level of activity in those companies changes. Companies include the TDA Group including Torvista and TEDC Developments and “SWISCo”.

Appendices

Appendix 1	Review of Reserves 2022/23
Appendix 2	Summary of Council Reserves

Appendix 1 Review of Reserves 2022/23

- Reserves - -	Balance as at at 1/4/21 £'000	Balance as at at 1/4/22 £'000	Balance as at at 1/4/23 £'000	Balance as at at 1/4/24 £'000	Balance as at at 1/4/25 £'000
General Reserves					
General Fund	-5,744	-5,622	-5,622	-5,622	-5,622
	-5,744	**-5,622**	**-5,622**	**-5,622**	**-5,622**
Earmarked Reserves					
Comprehensive Spending Review					
COVID Reserve	-2,350	-1,100	-100	0	0
Comprehensive Spending Review	-2,370	-1,865	-1,765	-2,265	-2,765
	-4,720	**-2,965**	**-1,865**	**-2,265**	**-2,765**
Capital Reserves:					
Capital Funding Reserve	-2,742	-2,345	-2,139	-2,117	-2,117
IT Equipment Reserve	-54	0	0	0	0
IT Replacement Res New Project	-130	-100	-50	0	0
	-2,926	**-2,445**	**-2,189**	**-2,117**	**-2,117**
School Related Reserves					
Dedicated Schools Grant	0	0	0	0	0
Education Schools Exit Packages	-150	-150	-112	-84	-63
School Balances	-1,436	-1,293	-1,163	-1,047	-942
	-1,586	**-1,442**	**-1,276**	**-1,131**	**-1,006**
Partner/Ring Fenced Reserves					
Adult Social Care	-1,425	-1,425	-1,425	-37	-37
Devon Audit Partnership	-25	-25	-25	-25	-25
EDC Reserves (Funds paid in advance)	-66	-66	-66	-66	-66
Harbours Reserves	-39	-163	-163	-174	-161
Public Health Reserve	-1,893	-1,893	-1,493	-1,093	-1,093
Museum Reserve	-25	-25	-25	-25	-25
Swimming Pool Reserve	-42	-42	-42	-42	-42
Salix Fund	-214	-214	-214	-214	-214
EU Exit Funding	-248	0	0	0	0
	-3,976	**-3,852**	**-3,452**	**-1,675**	**-1,662**
Specific issues					
Adult Care Trust	-268	-268	-268	-268	-268
Childrens Services	0	-1,000	-1,000	-1,000	-1,000
Community Engagement	-215	-140	-65	0	0
Concessionary Fares	-960	0	0	0	0
Council Elections	-216	-276	-336	-86	-86
Crisis Support Reserve	-487	-487	-387	-287	-187
Growth Fund	-3	0	0	0	0
Equipment Reserves	-277	-277	-277	-177	-77
Geopark	-16	-6	0	0	0
Governance	-33	0	0	0	0
Green Travel Plan	-106	-106	-106	-106	-106
Highway Reserves	-347	-297	-297	-297	-297
Housing First	-114	0	0	0	0
Housing Benefit	-475	-475	-475	-475	-475
HR	-9	0	0	0	0
Insurance Reserves	-3,295	-3,295	-3,295	-3,295	-3,295
Ind Chair for Strat Housing Bo	-40	-40	-40	-40	-40

Collection Fund	-16,952	-2,659	-1,709	-759	-759
Partnership 2122	-2,000	0	0	0	0
Planning Reserve	-275	-275	-275	-275	-275
PFI Sinking Fund	-573	-373	-173	0	0
Regeneration Reserve	-243	-243	0	0	0
Town Centre Regeneration	-46	-46	0	0	0
Section 106	-7	-7	-7	-7	-7
Service Carry Forwards	-2,847	-786	-606	-606	-606
SWISCo operational	-1,200	-248	-248	-248	-248
Tourism	-12	0	0	0	0
Transformation Reserve	-178	-78	0	0	0
Waste Strategy	-248	0	0	0	0
WESTLANDS PFI	-52	0	0	0	0
Climate Change	-55	-55	0	0	0
Better Bus area	-9	0	0	0	0
Community Infrastructure Levy	-343	-343	-343	-343	-343
Retail Reserve	-511	-443	-143	-143	-143
Car Parking	-315	-265	-215	-215	-215
New Burdens - Transparency Code	-26	0	0	0	0
Leisure Centre Support	0	0	0	0	0
	-32,753	**-12,488**	**-10,266**	**-8,628**	**-8,428**
Investment Fund					
Investment Fund	-1,376	-1,658	-2,658	-3,658	-4,658
	-1,376	**-1,658**	**-2,658**	**-3,658**	**-4,658**
Grants - received not spent					
Grants - received not yet spent	-10,336	-6,796	-3,729	-1,348	-1,348
	-10,336	**-6,796**	**-3,729**	**-1,348**	**-1,348**
Total Earmarked Reserves	**-57,673**	**-31,647**	**-25,435**	**-20,823**	**-21,984**
TOTAL RESERVES	**-63,418**	**-37,270**	**-31,057**	**-26,445**	**-27,606**

Appendix Two

Name of Reserve	**Description of Reserve**	**Responsible Officer**
Adult Social Care	Reserve for any adult social care funding to be used to support adult social care	Jo Williams Director of Adult Social Care
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.	Martin Phillips Chief Finance Officer
Carry Forwards	Balance of any Service specific Carry Forward of budget	Martin Phillips Chief Finance Officer
Childrens Services Reserve	To fund any variations in the cost of placements for looked after children.	Nancy Meehan Director of Children's Services
Collection Fund Reserve	Reserve to smooth the volatility of NNDR and Council Tax income including appeals, s31 grant and the performance of the Devon wide NNDR pool. Also includes funding for the impact of the three-year spread of the cost of the 2020/21 collection fund deficit	Martin Phillips Chief Finance Officer
Comprehensive Spending Review Reserve	To fund costs associated with meeting future budget reductions	Martin Phillips Chief Finance Officer
Crisis Support Fund	Reserve to support the costs of social fund and exceptional hardship	Tara Harris Divisional Director Community Services
Dedicated Schools Grant	Reserve to reflect the position on the ring-fenced dedicated school grant – currently a negative balance reclassified as an "unusual reserve" under a statutory override.	Nancy Meehan Director of Children's Services
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.	Various
Geo Park Conference	To support costs of Geo Park activities	Kevin Mowat Director for Place
Grants recognised but not used	Reflects the value of revenue grants (without conditions) received by 31st March but not yet used to support expenditure. This includes Covid-19 Grants	Martin Phillips Chief Finance Officer
Harbours	Torquay, Paignton and Brixham Harbours – To finance	Kevin Mowat

	Harbour expenditure schemes for the purpose of Harbour Users.	Director for Place
Highways Reserves	Reserve holding funds received under Highways Acts and other legislation where the Council holds funds to do works.	Kevin Mowat Director for Place
Housing Benefit Subsidy	Reserve to mitigate variations to the Council's housing benefit subsidy	Tara Harris Divisional Director Community Services
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve covers potential future liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims	Martin Phillips Chief Finance Officer
IT Equipment Reserve	To provide funds for priority driven replacements of IT equipment. Reserve to fund costs of the purchase of a replacement case management system for childrens' social care	Matt Fairclough-Kay Divisional Director – Corporate Services
Investment Fund Reserve	Reserve to mitigate any short-term variations in income or costs associated with Investment Fund properties such as void and rent-free periods	Kevin Mowat Director for Place
Collection Fund Reserve	Reserve to smooth the volatility of NNDR income including appeals, s31 grant and the performance of the Devon wide NNDR pool. To fund the impact of the three-year spread of the cost of the 2020/21 collection fund deficit	Martin Phillips Chief Finance Officer
Misc. Specific Reserves	Includes: Council Elections, Devon Audit Partnership, Green Travel Plan. Museums and Salix (energy initiatives).	Various
PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (The Spires and Homelands Schools) and to provide funding towards Paignton Community College expansion project.	Nancy Meehan Director of Children's Services
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years and Masterplan delivery.	Kevin Mowat Director for Place
Public Health	Reflects carry forward of ring-fenced funds for Public Health	Lincoln Sargeant Director Public Health
Regeneration Reserve	A reserve to support economic regeneration and employment initiatives	Kevin Mowat

		Director for Place
Regeneration/TDA Reserve	Reflects the value of funds awarded to the TDA where the work has yet to be completed.	Kevin Mowat Director for Place
School Balances	Reflects the carry forward by schools of their delegated school budget share.	Rachael Williams Divisional Director Education
School Redundancy Reserve	Reserve to support the costs of redundancies for schools-based staff	Rachael Williams Divisional Director Education
Swimming Pool Reserve	Reserve established as part of 2018/19 budget proposals to support unplanned expenditure or income variances for community run internal swimming pools.	Kevin Mowat Director for Place
Town Centre Regeneration	Reserve established to fund the staffing and feasibility costs associated with the Town Centre Regeneration project	Kevin Mowat Director for Place
Transformation Reserve	Reserve to support expenditure on projects associated with the Council's transformation programme.	Anne-Marie Bond Chief Executive
SWISCo Reserve	Reflects the reclassification of Waste Strategy reserve to reflect the new operational arrangements with SWISCo..	Kevin Mowat Director for Place

TORBAY COUNCIL

Meeting: Cabinet **Date:** 22 February 2022

Council **Date:** 3 March 2022

Wards affected: All

Report Title: Capital Strategy

When does the decision need to be implemented? Immediately

Cabinet Member Contact Details: Darren Cowell, Cabinet Lead for Finance,

Darren.cowell@torbay.gov.uk

Director Contact Details: Martin Phillips, Director of Finance,

Martin.phillips@torbay.gov.uk

1. Purpose of Report

1.1 The Council has a statutory responsibility to comply with the CIPFA Prudential Code (revised December 2017) which is the "proper practice" document linked to the Local Government Act 2003. Part of this compliance is for the Council to approve a Capital Strategy.

1.2 The Prudential Code places more emphasis on the risks associated with Council capital activities, in particular the higher risks associated with more commercial activities and requires the Chief Finance officer to "report explicitly on the affordability and risks associated with the capital strategy".

1.3 In accordance with the Council's Constitution, the Capital Strategy is required to be approved on an annual basis.

2. Reason for Proposal and its benefits

2.1 The Council has a requirement to approve a Capital Strategy each year.

3. Recommendation(s) / Proposed Decision

1. That the Capital Strategy 2022/23 be approved.

4. Recommendation(s) / Proposed Decision

4.1 The Capital Strategy is an overarching document. There are clear links to other documents such as:

- Treasury Management Strategy – the operational plan for management of treasury activities including borrowing,

- Asset Management Plan – the operational plan for management of assets,

- Capital Plan and quarterly Budget Monitoring – the key documents for the financial reporting on the capital plan, both its expenditure and funding.

Appendices

Appendix 1: Capital Strategy 2022/23

TORBAY COUNCIL

Capital Strategy and Capital Receipts Strategy

2022/23

Contents

1. Introduction

The Council has a range of capital resources at its disposal, which it uses to deliver services and to achieve its strategic objectives. These resources will include land and buildings, such as offices, schools, parks and open spaces, leisure, and conference centres and much more.

The Council's ability to maintain these assets to ensure, and to enhance, their role in the delivery of services is crucial to its financial resilience. If assets fall into disrepair, they are no longer able to fulfil their primary purpose, then the Council's ability to deliver the associated services is impaired and it has resources tied up in assets that it cannot use.

The Capital Strategy provides a high-level overview of how capital expenditure, capital financing, investments, liabilities, and treasury management activity contribute to the provision of services, together with an overview of how associated risk is managed and the implications for future financial sustainability.

Consequently, planning and managing the use of the Council's capital resources is vital. This includes understanding the role that these assets play in the delivery of services and ensuring that the authority's asset base remains fit for purpose.

The Corporate Asset Management Framework and the Transport Asset Management Plan provides information on the sustainability of these assets and the efficient use of the asset portfolio to provide value for money. These Plans are available on the Council's website.

When incurring capital expenditure there is an element of risk that needs to be managed by the Council. This risk could be:

- whether an asset will deliver outcomes projected,
- the accuracy of the estimates of running costs and income at the time of acquisition, and
- whether it is prudent to borrow for this expenditure.

Over the last few years local authorities, including Torbay, have been purchasing property to provide an investment return. This investment has provided an income stream to the revenue budget and helped to offset some of the budget pressures arising from increased demand and reduced funding from central government. These assets will have different characteristics and risk especially where an authority has funded the acquisition through borrowing.

During 2020 HM Treasury carried out a consultation called 'Public Works Loans Board: Future lending terms'. In November 2020 the response to the consultation was published, any investment asset bought primarily for yield which was acquired after 26 November 2020 would result in the authority not being able to access the PWLB in that financial year or being able to use the PWLB to refinance the transaction at any point in the future. Consequently, Torbay Council removed the proposed purchase of any investment assets/projects ('debt for yield') from the 21/22 capital plan onwards.

In August 2021, the HM Treasury PWLB Borrowing guidance was updated. The updated guidance reinforced central government's expectation that councils do not engage in more commercial activity such as the purchase of investment property and avoid activity that "is primarily for yield". The guidance also included a list of "permissible categories of local authority capital expenditure - (service delivery, housing, regeneration, preventative action, and treasury management)". The Council will have to submit information to treasury on an annual basis to demonstrate compliance with the new guidance. The guidance further defines "regeneration" with a list of characteristics of what HM Treasury would regard as a permissible regeneration project. In summary the council can only do regeneration projects to address market failure, act only when the private sector cannot deliver, or where the council is making a change to the asset by significant investment or significant change. Compliance with the guidance will also apply to where the council finances capital projects undertaken by its subsidiary companies.

All new capital projects decisions will need to include an assessment and justification of the classification of the project under the new borrowing rules to ensure compliance. This will need to be agreed by the s151 officer, as it is that officer that must provide the assurances to HM Treasury

These regulations apply to all types of borrowing not just PWLB.

Link to August 2021 update: PWLB guidance for applicants (updated) V1.docx (dmo.gov.uk)

Regulation

Authorities are required by regulation to have regard to the **Prudential Code for Capital Finance in Local Authorities** (December 2017) when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003. **The key messages from the Code is, in relation to capital expenditure, the consideration of Prudence, Affordability and Sustainability.**

In November 2021 CIPFA consulted on changes to the Prudential Code for Capital Finance and the Treasury Management Code following the statutory guidance issued by HM Treasury in relation to PWLB borrowing.

CIPFA's Prudential Code provides a framework for the self-regulation of the authority's capital financing arrangements. It requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent, and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital and revenue planning.

A Capital Strategy is part of the Prudential Code requirements and sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to both risk and reward and to the impact of the strategy on the achievement of the authority's priority outcomes.

The Financial Management Code of Practice has been issued by CIPFA 'to provide guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively'. The Financial Management Code applies to all local authorities and brings together statutory requirements and Codes of Practice into one document.

The Capital Strategy will need to reflect the standards outlined in the **CIPFA Financial Management Code of Practice**.

Objectives of the Capital Strategy

The Capital Strategy is one of the Council's key documents in providing a long/medium term plan. It will be consistent with the plans and strategies shown below. This Strategy should be considered with the following plans to provide a fully integrated transparent Plan for the Council:

- Corporate Asset Management Plan
- Transport Asset Management Plan
- Medium Term Resource Plan
- Capital Plan
- Revenue Budget
- Treasury Management Strategy
- Investment and Regeneration Fund Strategy

The Capital Strategy is therefore the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Plan. In addition, as part of the Strategy, the Director of Finance reports explicitly on the affordability and risk associated with the capital strategy.

Inevitably the full picture of the control system around the Council's wide range of capital expenditure and its funding is reflected in a range of documents, monitoring and management arrangements. A summary of five key aspects of capital activities are shown in the table on the next page.

Capital Expenditure	Debt and Borrowing Treasury Management (TM)	Commercial Activity	Other Long-Term Liabilities (e.g PFI schemes)	Knowledge, Skills and competence
▪ strategic service plans + asset management plans + capital strategy ▪ pipeline process ▪ capitalisation rules ▪ long-term forecasts ▪ basis of estimating future costs and sensitivity to risk ▪ sustainability of the asset base	▪ projections of external debt and internal borrowing ▪ how debt will be repaid ▪ authorised limit and operational boundary ▪ how TM decisions are made and how they are scrutinised	▪ proportional and affordability i.e. dependency of budget on commercial activity ▪ proportionality on the balance sheet ▪ policies for approval and scrutiny ▪ on-going management Note: Due to the HM treasury response to the PWLB consultation (see Para 1) the future investment fund plans have been removed from the capital plan	▪ identification and approval ▪ on-going monitoring ▪ creation of liabilities on the balance sheet	▪ knowledge and skills available ▪ professional competence in specialist areas ▪ use of advisers ▪ training plans
		Key Documents		
Capital Strategy Asset Management Plan Transport Asset Management Plan	Treasury Management Strategy TM Mid-Year Review TM Outturn Report	Capital Strategy Investment and Regeneration Fund Strategy	Treasury Management Strategy Statement of Accounts	Treasury Management Strategy Investment and Regeneration Fund Strategy

Council Reports	Revenue Budget	Capital Budget		
	Medium Term Resource Plan	Revenue Budget		
		Medium Term Resource Plan		
Key Committees and Meetings				
Council	Audit Committee	Audit Committee	Audit Committee	Audit Committee
Cabinet	Council	Cabinet	Council	Cabinet
Capital & Growth Board		Council		

Capital investment is defined as: **Expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e. items of land, property and plant which have a useful life of more than 1 year.** A fuller definition is attached at Appendix 2. Expenditure outside this definition will therefore be revenue expenditure.

Most non-current assets are properties that are used in service delivery. The Council's land, buildings and infrastructure asset base of some 3,800 asset records has a Balance Sheet value as at the 31 March 2021 of approx. £577 million (£580m as at 31/03/20), of which £203 million (£209m as at 31/03/20) are Investment Properties. Investment properties are 35% of the non-current asset base. The outstanding borrowing as at 31/12/21 was 389m with £16m of long-term liabilities in relation to PFI schemes.

The Capital Strategy is presented to Council as a Policy Framework document, and links with both the Treasury Management Strategy, Medium Term Resource Plan and the Corporate Asset Management Plan which is the key **operational** asset plan covering repairs and maintenance.

In considering the principles, the Council needs a balance between guidance and prescription to allow a flexible approach to be taken but reflective of times of uncertainty. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Council priorities and statutory responsibilities.

The management of the Capital Plan is also supported by the Council's approved Financial Regulations.

2. Guiding Principles

Approach to Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board to fund capital schemes or, on a short-term basis, use its own internal resources (i.e. cash flow). However, for all capital schemes initially funded from borrowing, the Council will have to fund the principal repayment and interest costs, these ongoing borrowing costs are unavoidable.

The Council is only able to borrow under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council, although in some cases approval of individual schemes within an overall allocation by Council have an alternative approval process (such as by Cabinet).

The Prudential Code requires authorities to ensure that decisions for capital expenditure plans are made with sufficient regard to the long run financing implications and potential risks to the authority and include effective due diligence.

Based on the Council's latest Capital Plan update (Quarter 2 2021/22) the 2022/23 Treasury Management Strategy recognises the potential need to take an additional £165m of borrowing by the end of 2024/25 (net of MRP) to support several capital projects, potentially increasing the Council's overall external borrowing by the end of 2024/25 (excluding PFI) to £554m.

Based on current economic forecasts a borrowing cost should be assumed for new borrowing in 2022/23 of 3.235%

The Council takes a prudent approach to new borrowing, paying regard to the robustness of the business case to include forward predictions of affordability, with the aim that projects should be self-funding (i.e., create a revenue stream so that the cost of borrowing is cost neutral on Council Tax). However, the Council has changed its risk appetite in recent years and has approved a significant number of projects that are more commercial in nature.

Following the changes to PWLB the Council will no longer be acquiring commercial properties using 'debt for yield' however the risks around income on the properties purchased and the ongoing cost of the borrowing will still need to be managed. All new proposals for a self-funding or invest to save scheme supported by borrowing must have a robust business case that is subject to significant challenge prior to consideration by Council.

In addition, the Council will comply with the PWLB new H M Treasury guidance around the use of borrowing – which are now over four categories, each with a definition of the type of capital projects that can be borrowed for – service delivery, housing, regeneration and re financing. These rules will apply to all forms of borrowing not just PWLB.

Each business case, as appropriate, must clearly identify and consider the ongoing revenue implications of:

- fixed interest and principal repayment costs

- associated income stream and sensitivity
- volatility of the income stream
- the contribution to the general fund or breakeven point
- the sensitivity of the that contribution
- achieve the target return linked to the purpose of the spend
- ensuring asset value exceeds outstanding debt
- Demonstrates value for money
- Project sustainability
- Exit strategy and costs

All of the above need to be considered for the whole life of the asset.

Each business case must clearly identify and consider the ongoing balance sheet implications of:

- the change in the level of Council debt
- address how changes in asset value will be funded i.e., capital appreciation and impairment and the total of assets funded by borrowing
- Maintenance of asset to ensure sustainable use

To ensure all members are fully informed of the risks and rewards associated with borrowing reporting will include:

- Total debt of the Council
- The underlying assets funded by that debt
- Affordability - Ongoing revenue costs of principal and interest
- Income Streams associated with that asset
- Implications of changes in asset values or income streams

To support its revenue budget the Council will continue to evaluate any capital investment projects either acting alone or with partners that will produce an ongoing revenue income stream for the Council as part of service delivery.

There may be the need for borrowing that has no identifiable future revenue stream, for example, to repair or construct infrastructure assets. Here a broader view can be taken of the value of repairing the asset to the overall economy of the Bay. The cost of such borrowing falls on the taxpayer through payments of debt interest on the Council's revenue account and repayment of debt over a specified period. There may still be a need for such borrowing, but each proposal should be reviewed on a case-by-case basis with the project evaluation clearly stating how the borrowing is to be afforded. Given the significant ongoing financial challenges facing this Council over the next few years it is likely that such schemes will be an "exception".

The Council's Treasury Management Strategy provides further information on the Council's borrowing strategy for the coming financial year:

www.torbay.gov.uk/council/policies/finance-policies/treasury-management/

Long Term Capital Liabilities

The Council can also finance capital expenditure by means of a long term PFI contract, whereby the private sector company will build and then supply an asset (usually with services as well) back to the Council for a specified number of years. At the end of the contract the asset transfers to the ownership of the council. The value of the asset and the associated liability over the life of the contract to fund that asset is reflected on the Council's balance sheet. As with borrowing, any Council decisions on agreeing contracts that result in long-term liabilities are made with sufficient regard to the long run financing implications and potential risks to the authority and include effective due diligence.

Council's may also lease in assets for service delivery rather than purchase. Depending on the lease terms, including the length of lease, these assets and the associated liability over the life of the lease to fund that asset is reflected on the Council's balance sheet. Changes in International Financial Accounting Standards (IFRS16) in relation to lease recognition have, again, been delayed until 2022/23 (with a restated comparative year of 2021/22) and may result in more leased in assets and liabilities being reflected on the Council's balance sheet. (Note in February 2022, CIPFA issued a consultation to delay the implementation of IFRS16 for another year).

Grant Allocations

The Council receives capital grant funding from government and can bid for grant funding direct to government departments or from other grant awarding bodies. The funding from central government tends to be un-ring fenced and without conditions, however this funding is at a significantly lower level than in the last decade.

Any un-ring-fenced capital grants received will be reported to Council. The presumption is that the grants will be allocated in line with the service intentions of the identified government body awarding the grant, however Council has the option to reallocate. Once capital grants have been allocated to a specific service, individual schemes within that allocation are subject to each individual scheme being approved by the relevant Director in consultation with the relevant Cabinet member and Director of Finance.

The Council continues to bid for additional external grant funding but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved. All bids are to be agreed with the Leader of the Council and Director of Finance prior to submission. Where external grants are used the grant conditions of linking to the capital grant and future use of the asset need to be adhered to.

In October 2019 Cabinet strengthened the governance around capital bids and acceptance of capital funding by resolving:

(i) that Council Directors ensure that all bids submitted for their portfolio are checked by them for accuracy.

(ii) that significant decisions made by Officers should have formal Record of Decisions, irrespective of whether or not the legal test for their preparation is met;

(iii) that meetings, such as ones where the Leader and Group Leaders were consulted, should be minuted in the future;

(iv) that all future bids for Government money must be made and submitted in accordance with the Constitution; and

(v) that Officers ensure that the submission of all future bids are in accordance with Council Policies.

Capital Receipts and Capital Contributions

The Council receives capital receipts and capital contributions from:

- Asset Disposals
- Right to Buy Clawback
- Section 106 agreements and Community Infrastructure Levy (CIL)
- Repayment of loans for a capital purpose

Asset Disposals

The policy is to pool all receipts from the sale of all assets sold to support the Capital Plan in line with funding the Council's priorities which will include the potential sale of any investment properties. The current Capital Plan has a capital receipts target to support previously incurred expenditure that has not yet been met. All capital receipts received should be allocated to support this target and not allocated to new schemes, subject to any potential use of capital receipts under the Capital Receipts Strategy and any loan repayment. An asset disposal will be deemed to occur when the Council transfers the freehold or a long lease (usually for leases over 40 years where the lease term is the significant compared to the asset life).

The Council will consider exceptions to this policy where rationalisation of assets used for service delivery is undertaken and in respect of school sites where the Secretary of State has approved the disposal – such exceptions will require Council decision.

The Council will aim to maximise its capital receipts, where possible, by enhancing the land prior to disposal, e.g. by obtaining planning permission or providing a development plan. As appropriate the Council may dispose of assets by tender or by public auction.

Asset Disposals at nil consideration or below market value

In considering asset disposals, the Council will comply with its Asset Management Framework and the need to consider the policy on Community Asset Transfers where the Council will consider, on a case-by-case basis, the potential transfer of assets to an alternative provider after a full assessment of the long term (full life) risks and rewards of the transfer, including the achievement of best value including potential market value, linked to the Council's aims and objectives.

The Localism Act 2011 introduced the "Community Right to Bid" and placed a duty upon local authorities in England to maintain a list of assets of community value. Once an asset is "Listed" any disposal will be under the Community Asset Transfer policy or for market value by tender/auction.

Where the Council proposes to dispose of, or grant a long lease, at nil consideration or at a value below market value this is required to be approved by Cabinet. This will also apply where the disposal is for a community or service benefit.

Right-to-Buy Clawback

100% of these receipts are currently used to support the provision of the approved Housing Strategy, although this policy could be reviewed to provide additional resources for projects in other service areas.

Section 106 contributions and Community Infrastructure Levy (CIL)

Section 106 monies come from developer contributions through the planning system. Unless there are service specific conditions on the use of the S106, the monies should be used to support existing Council priorities and commitments rather than be allocated to new schemes. Any S106 monies received without a service or scheme specific allocation within the planning agreement will be allocated in line with Council's capital scheme priorities.

Any monies received for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements ("the Regulation 123 List") in line with Council's capital scheme priorities including any specific funding requirements such as the South Devon Highway with the allocation of the "neighbourhood proportion" made after the funds have been received.

The current policy is to pool all capital contributions to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital contributions target to support the approved Plan that has not yet been met. All capital contributions received should, where possible, be allocated to support this target and not allocated to new schemes.

Repayment of loans for a capital purpose

Where the Council provides a loan for a capital purpose this will be approved by full Council and accounted for as capital expenditure. The repayment of a loan by the borrower will be treated as a capital receipt; however, any receipts of this nature will be specifically applied to reduce the value of the Council's outstanding loan.

Capital Receipts Strategy

The Department of Levelling Up, Housing and Communities (DLUHC) revised their statutory guidance in relation to the Local Government Act 2003 on the use of capital receipts for the period from April 2016 to March 2022. It is uncertain whether this flexibility will be extended for 2022/23 and future years. This provides Councils with the flexibility to use capital receipts for "the revenue costs of service reform". This flexibility is subject to a Strategy for the use of capital receipts being approved by full Council. By approving this document Council will be approving this flexibility to be used as appropriate with any use reported to Council as an amendment to the Council's capital plan (subject to DLUHC extending the flexibility into 2022/23).

Potential uses for capital receipts, (subject to the capital receipts being received and Council approval of changes to capital plan), would be to support any implementation costs for the Council's transformation programme. DLUHC within their statutory guidance have included several examples of the type of expenditure that would meet the definition of "revenue costs of service reform".

The Council has used this flexibility in the past but there is no plan for its use in the 2022/23 revenue budget due to the lack of anticipated capital receipts.

Revenue and Reserves

The Council can use revenue funding and reserves for capital schemes. The Council's policy is generally not to budget to use revenue or reserve funds to directly fund capital projects after the feasibility stage.

Once a revenue contribution has been applied to a capital project it cannot be returned to revenue. However, the Council would be able, subject to the approval of the Director of Finance, to use prudential borrowing to replace any revenue or reserve funding used or proposed to be used. This will result in a one-off return of revenue funding to the Council's revenue budget offset by higher Minimum Revenue Provision (MRP) and interest costs to fund the prudential borrowing costs in future years.

Prioritisation and Approval

It is always difficult to make choices between competing priorities within a top tier Council that delivers so many varied services. It is the responsibility of senior officers to recommend to Member the prioritisation of competing demands for capital resources in the context of the limited central government funding now awarded.

The Council maintains and reports on a rolling four-year capital plan (including its funding) that is updated and reported to Senior Leadership Team and Members on a quarterly basis. The capital plan will include any capital expenditure approvals by Council in the previous quarter.

The key stages in the Council's prioritisation and approval process are as follows:

1. A service can submit a capital business case for consideration to the Director of Finance and the (officer) Capital and Growth Board at any stage of a financial year. The capital business case will be linked to that service's needs.
2. For a specific scheme to be approved/funded there will be a requirement for a detailed capital business case. The capital business cases are to be initially submitted to both the Director of Finance and the officer Capital and Growth Board prior to wider consultation with the Council's senior leadership team and the Cabinet.

If a scheme is to be funded from (previously approved by Council) allocations the scheme will be approved as stated in the approval or, if the approval process not stated, by the relevant Director in consultation with the relevant Cabinet Lead and Director of Finance and progressed when funding confirmed or,

If new (confirmed) funding is to be used for a scheme to be funded by, say, a specific grant and if the scheme is supported by the Chief Executive, in consultation with the Cabinet Lead for Finance and Director of Finance, it will be reported to Council.

If funding has been allocated by Council to a service without individual schemes being identified at the time of approval, (such as a general allocation to schools for "basic need" projects), individual schemes within that allocation are subject to each individual scheme being approved by the relevant Director in consultation with the Director of Finance.

3. Proposals for invest to save or self-financing schemes, (usually financed from prudential borrowing), will also require a detailed capital business case. The capital business case is to be initially submitted to the Director of Finance and the officer Capital and Growth Board. If the scheme is supported, it will be recommended to Council for approval.
4. Any recommendations for schemes to be approved by Council will be included in the next quarterly Capital Plan Update Report.
5. Other schemes that do not require financial support but include the use of Council assets as a Council contribution to a scheme will also be subject to the Council's approval process.
6. Where there is a proposal to transfer capital resources from a previously approved scheme to a new scheme and there is a change of "policy", the new scheme will be approved by Council.
7. Where a specific approval process has been set up and approved by Council e.g., Cabinet for Regeneration Fund purchases or Director of Finance for Housing Company loans that process will apply.

Affordability and Sustainability of Proposals

The Prudential Code also requires that, in making its capital investment decisions, the Council should have explicit regard to option appraisal and risk, asset management planning, strategic planning for the authority and achievability of the forward plan.

The Capital Business Case will identify the projected running costs and financing costs of the relevant asset and assessed the affordability of the proposals both for the initial investment and over the life of the asset. In all cases the capital expenditure and any ongoing costs must be sustainable in relation to the Council's medium term financial plans.

These to include consideration of:

- service objectives, e.g. strategic planning for the authority;

- stewardship of assets, e.g. asset management planning;
- value for money, e.g. option appraisal;
- prudence and sustainability, e.g. risk, implications for debt and whole life costing;
- affordability, e.g. implications for council tax/district rates; and
- practicality, e.g. achievability of the forward plan.

Where an asset is directly linked to generating an income or rental stream for service delivery, the initial Capital Business case (or Council report) will need to consider the future risks to those revenue returns and how these will be mitigated. This may result in the creation of an earmarked reserve for both income volatility and future asset related expenditure.

Management and Monitoring of Capital Plan

The key objective of the Council's management and monitoring of the Capital Plan is to ensure that all Members and the Council's senior leadership team, have visibility of the capital plan and the approval of individual capital projects to encourage collective responsibility for the capital expenditure on a project and the success of the schemes themselves.

The Council's senior leadership team should ensure that progress against the programme – in terms of expenditure and timescales – is in line with what has previously been agreed. Where projects are exhibiting cost overruns or delays in the completion schedule, these should be addressed promptly.

Arrangements to include: -

1. Overview and Scrutiny Board and Cabinet will receive 3 quarterly monitoring report and one outturn report each year.
2. A Capital budget for forthcoming year will be part of each financial year's budget proposals
3. The (officer) Capital and Growth Board now reviews the Council's Capital Plan and the governance arrangements associated with its various projects
4. Senior Leadership Team and the Cabinet to have responsibility for the oversight and challenge on the delivery of the capital plan including slippage and outcomes.
5. Capital business cases are to be initially submitted to both the Director of Finance and the officer Capital and Growth Board prior to wider consultation with the Council's senior leadership team and the Cabinet.

Alternative Funding and Delivery Opportunities

The Council, as appropriate, will continue to consider other methods of supporting capital expenditure within the Bay, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Council. The Council can use its assets to support schemes or aim to maximise funding from any source possible.

The Council continues to bid for additional external funding and/or work with other bodies to secure capital investment or consider use of its own assets in a development, but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved along with an assessment of the opportunity costs of alternative options. All schemes are to be agreed with the Director of Finance prior to submission and/or contractual commitment.

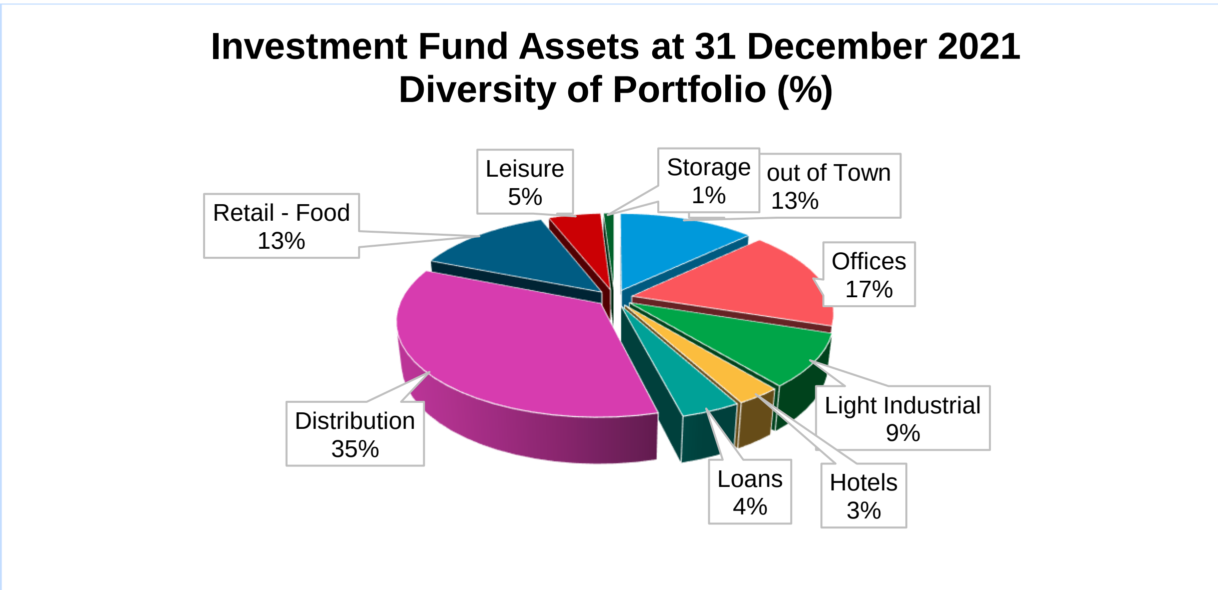
Non-Treasury Investments

Linked to its approach to borrowing and the Council's Investment and Regeneration Fund Strategy the Council has previously considered, where opportunities arose and there was a "multiple benefit", the purchase of land and property as an investment to generate an ongoing income. CIPFA has classified investment properties as a Non-Treasury Investment for reporting purposes and included in the Treasury Management Code of Practice.

The Council will comply with the DLUHC statutory guidance, and any sector led commentary and opinions associated with this activity. Consequently, all the Council's Investment Fund purchases have now ceased following the Government's consultation exercise and decision to disallow all PWLB borrowing for authorities with any further plans for such investments.

The risks associated with investment properties and the Council's strategy in mitigating these risks are outlined and described in the Council's Investment and Regeneration Fund Strategy last update approved by Council in July 2019.

The original investment Fund was £231m which comprised of loans and commercial property. Over time the value of these assets will change which will be reported in the Treasury Management Mid-Year Report and Outturn Report. At the 31 December the Council had invested of the approved Investment Fund in the following sectors to ensure diversification.



The Council’s Treasury Management Strategy Statement also includes references to the monitoring and reporting of the Council’s Non-Treasury Investments (NTI). The Strategy is available on the Council’s website at:

www.torbay.gov.uk/council/policies/finance-policies/treasury-management/

Proportionality of Non-Treasury Investments

Throughout this Strategy the impact of Non-Treasury Investments has been considered but, in this section, specific indicators are provided in relation to proportionality. As shown in Section 3, there are two main aspects to the proportion of investment property held:

Income

To monitor the reliance of the revenue budget on income generated from these investments an indicator should be set based on, the ratio of commercial income to net service expenditure.

It is considered that the revenue account could reasonably absorb in year unexpected shortfalls at this level: -

- as any known potential rental shortfalls have been built into the revenue budget
- considering the diversification within the Council’s portfolio it is unlikely all properties would be affected at the same time
- a reserve is held for rental “events” such as void period or rent-free periods.

This mitigation has been tested during the COVID pandemic with rental incomes under pressure as tenants are impacted by economic impact of Covid-19.

It should be noted that if an investment property is sold the funds received will be a capital receipt and cannot be taken to the revenue account e.g., to offset the loss of an income stream.

Financing Costs- affordability

Ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream For Torbay investment income includes income from investment fund properties and the effect of this is also shown.

Asset Disposal Strategy

Purchases of assets are primarily to be retained in the long term. However, the benefit of selling the assets will be regularly reviewed by Director of Place for potential disposal at which point any outstanding debt will be repaid. The review will need to consider the resulting impact on the Council’s revenue budget and any impact of operational delivery from the lost income stream and any costs of disposal.

Loans for Capital Purposes

Loans for a capital purpose can also be approved by full Council subject to a business case and due diligence on the borrower including as appropriate guarantees and bonds to secure the repayment of the loan. The loan value should not exceed the value of the underlying asset and there should be no third parties legal charge on the asset. Interest will be charged on the loan at a market rate, this will include loans to Council subsidiary companies. This will ensure compliance with State Aid regulation.

Capital expenditure and assets held by wholly owned subsidiary companies

The Council has overall control of these entities and therefore is ultimately responsible for the companies' assets and liabilities. The controls of any subsidiary's activities are controlled by the Council's through 'reserved matters' listed within the memorandum and articles of association of the company. These 'reserved matters' cover capital expenditure and the making of any borrowing. The assets and liabilities of all council companies would be consolidated into the Council's group accounts.

As these capital assets and liabilities are part of the council's overall financial position the Council will report on the total group assets and liabilities and the associated risk and reward. The risk associated with capital expenditure and borrowing by these companies is expected to significantly rise from both SWISCo and the TDA Group of companies including the expected significant expansion of borrowing for capital expenditure on housing by TorVista and TEDC Development limited.

Training and Skills

The Council needs to ensure that all decisions in relation to capital are properly informed.

In relation to skills the Director of Finance, Monitoring Officer and Director of Place will ensure that the appropriate expertise is always resourced in relation to any financial, legal and asset related due diligence required.

Due to the complexities associated with commercial property investment training has been provided to officers and members to provide sufficient competence to understand and evaluate the advice they are being given and to enable decision making within the authority's risk appetite.

The Council's knowledge and skills will be complemented by the use of advisers and agents as required.

Treasury Management Links

All capital decisions to be funded by prudential borrowing will directly impact on the Council's Treasury Management activities. The level and timing of the capital expenditure will be reflected in the capital plan once approved and in the strategic cash flow forecasts to plan for the required borrowing. The resulting costs (Interest and MRP, at a historic average cost of 5% of capital cost) and any income to fund those costs will be included in the standard budget monitoring and budget setting process.

Total borrowing will also be monitored by the annual setting of both the Operational and Authorised Limits (for borrowing).

Balance Sheet Issues

The impact of capital projects and any prudential borrowing used have an impact on the Council's balance sheet.

1. Increase in the value of the Council's non-current assets
2. Increase in the value of Council's long-term debtors (if capital loan provided)
3. Increase in the Council's long-term borrowing
4. Maturity profile of borrowing and repayment of borrowing
5. Profile of capital loan repayments
6. Increase/decrease in Capital Financing Requirement (CFR) - borrowing offset by MRP.
7. Annual depreciation on operational assets
8. Annual revaluation or impairment on operational assets
9. Annual valuations of investment properties
10. Impact on Council's cash flow in delivery stage or on purchase
11. Impact on Council's cash flow at time of borrowing

The value of non-current assets should always aim to exceed the value of the outstanding liabilities. In addition, the value of the outstanding liabilities should not exceed, in the medium term, the Capital Financing Requirement (which is the measure of a Council's underlying need to borrow).

3. Director of Finance: Statement on Delivery, Affordability and Risk of Capital Strategy

Background

The current guidance for a council's level of borrowing is the Prudential Code (December 2017) and as "proper practice" must be adhered to. The following extracts from the Code summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply.

"the local authority shall ensure that all its capital and investment plans are affordable, prudent and sustainable.

'A local authority shall determine and keep under review how much money it can afford to borrow.'

"the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local discretion"

"a local authority must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed"

Torbay Council Borrowing Position

All Borrowing	Actuals as at 31/03/21 £m	Projected as at 31/03/25 £m
External Borrowing including PFI	409	574
	2021/22	**2022/23**
Revenue budget	116	121
Interest and repayment of principal costs per annum	18	19
Interest repayment cost as a % of net revenue budget	16%	16%
Investment Fund Rental Income (estimate)	(13)	(13)

Potential impact of investment market fluctuations

1. Value of rental income on investment properties decreases by 10%. Revenue budget will have a shortfall of £1.3m pa.
2. Value of underlying asset decreases by 10%. Assuming £235m invested and no capital appreciation, balance sheet value will fall of £24m as an unrealised loss.
3. General economic conditions may affect the both the rental income and asset values such as the economic impact of Covid-19, economic downturn, post Brexit sentiment and the retail environment. Locally tenants may choose not renew leases or re-negotiate a lower rental.

Summary of the borrowing position

The risk principally lies in the Council's investment portfolio and in the future will also include the risk around housing and regeneration capital expenditure funded from rental income. The remainder of the borrowing is linked to a range of operational assets which are expected to be used in the long term and have a full provision for the full recovery of principal over the asset life. All operational assets are supported by a robust business case and while there is a risk in income returns not being achieved overall these are not significant.

In relation to investment properties these are more sensitive to the market fluctuations identified above. An MRP is applied to repay the borrowing over the estimated asset life (up to the maximum 50-year asset life identified in the DLUHC Statutory Guidance). An Investment Fund reserve is used (funded from rental income) to mitigate against future income volatility on these assets which is reviewed by the Chief Finance officer for adequacy on an annual basis.

Due to the current low borrowing rates the Council has fixed all its loans and adopted a flat maturity profile, this mitigates the risk of increasing rates in the long term. Borrowing will increase the council's fixed interest and borrowing costs which will be an annual charge to the revenue budget. This fixed cost is partially offset by income streams from the assets funded from borrowing.

Director of Finance Report

Within the Prudential Code It is the responsibility of the Chief Finance Officer to explicitly report on the delivery, affordability and the risks associated with this Strategy.

Delivery

The delivery of the individual schemes on the plan are directly linked to the original approval of the capital project supported by each project having a client officer and a project manager who are responsible for the delivery of the project (appropriate skills, contracting, planning etc.) and the subsequent achievement of the objectives of that project.

Members, via Overview and Scrutiny Board and Cabinet receive quarterly updates to the capital plan. These updates are driven by the requirement by financial reporting, however in doing so Members can review and challenge the delivery of projects and any changes to both the timing and value of the capital plan.

If after the capital project being completed there are variations to the income expected to be generated from that asset, these will be reported as a variance in the quarterly revenue budget reporting and if ongoing be included in the following years revenue budget proposals.

The Council's senior leadership team, supported by the Capital and Growth Board, has oversight for the delivery of and challenge to the capital plan.

Affordability

Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital plan. This is mostly demonstrated by a specific report on the project being presented to council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme.

All projects need to have a clear funding source. If external funding such as an external grant is to be used there needs to be a clear funding commitment.

Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing costs of the operation and funding of that capital spend.

Where borrowing is to be used the affordability is key and that affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing. This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The “rules” around the governance of this borrowing is outlined in the prudential code and the HM Treasury (as summarised above).

At no stage should the asset value be lower than the value of outstanding debt, other than for a short period, unless there is a clear plan to mitigate that shortfall or to sell that asset.

Risks

The risks associated with a significant capital plan and a significant level of borrowing can be mitigated and indeed should be mitigated as “business as usual”, i.e. all capital projects are supported by business plan, have adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning, cash flow, clear operational plan for the use of the asset, use of specific committees, security and due diligence on loans and purchases, use of external advice where appropriate, project contingencies, full tender process and regular and transparent reporting to members.

There are clear links from the capital plan to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by members at Audit Committee and Council.

For any new borrowing, and this is a greater risk as the value of borrowing increases, this increases the councils’ overall liabilities that will need to be repaid in the future. In addition, this increases the Council’s level of fixed interest and repayment costs that it will incur each year. This is a clear risk that all members need to be aware of.

However, this risk for all assets is mitigated by a robust business case and a full MRP that will repay the borrowing costs over a (prudent) asset life. Any variation in expected income is an issue however given the wide range of operational assets and different income streams, overall this is not a significant risk.

As outlined above in the position statement, investment, housing and regeneration properties are a different type and level of risk. Risk arises from both variations in income streams (tenant non-renewal etc.) and from asset values (impact economic conditions and retail trends etc.). The Council had established a clear strategy, criteria and a governance route for these purchases (Cabinet and Council) which has included member training, second opinion on asset values, due diligence, site visits, surveys etc.

The Council is aware of the risks relating to investment into commercial property and ensures appropriate advice was sought before, during and after investment decision together with ongoing review over the life of the asset. Due to the nature of commercial investment, advice has been sought from advisers and agents with specialist knowledge and the experience required.

There are risks (and rewards) associated with the purchase of this type of assets, therefore all members need to have sight of, and understand the risks and rewards inherent in these commercial investments.

Conclusion

The current system of borrowing is still a self-regulatory system which means that responsibility for borrowing decisions, and the level of borrowing incurred by a Council are determined at a local level. Elected members have a key role.

"..the responsibility for decision making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with full Council". (Prudential Code December 2017).

The Director of Finance's professional view is that borrowing decisions result in a long-term commitment to fund that borrowing, and therefore it is essential that all decision making should be as transparent as possible both to all Members and the residents of Torbay.

The pace and level of change in the Council's borrowing is still significant. The Council's capital financing requirement (i.e. its underlying need to borrow) by the end of 2024/25 could be £574m with a £26m ongoing revenue cost (assuming a 4% annual cost of MRP and interest for new borrowing 0.5%) offset by rental or interest income from capital expenditure with a revenue stream.

Therefore, all members need to be fully informed as to all implications of its capital investment decisions, those funded from borrowing.

Appendix 1 - Definition of Capital Expenditure

Capital investment is simply described as:

> **Expenditure on the acquisition, creation, or enhancement of "non-current assets"**

(Non-current assets are items of land and property which have a useful life of more than one year.

This definition of capital expenditure that the Council has to comply with for the classification and, therefore, the funding of capital expenditure in linked to International Financial Reporting Standards. "Qualifying Capital Expenditure" under s25 of Local Government Act 2003 is defined when:

> **"The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with "proper practices"**

"Proper Practice" (from 01/04/10) is under International Financial Reporting Standards (IFRS) rules. The relevant standard is IAS16 which has the following definition of capital expenditure:

> **"Expenses that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management".**

"Directly attributable" i.e. if building a school – costs linked to the actual construction of the building, not temporary accommodation, moving people around etc.

Subsequent Capital Expenditure on an asset is defined as:

> **"Expenses that make it probable that future economic benefits will flow to the authority and whose cost can be measured reliably."** Subject to….. "if the expenditure is to replace a component, the old component must be written out of the balance sheet".

Future economic benefits i.e. it is not necessary for the expenditure to improve the condition of the asset beyond its previously assessed standard of performance – the measurement is against the actual standard of performance at the date of expenditure; e.g. if service potential or asset life is increased.

TORBAY COUNCIL

Meeting: Cabinet **Date:** 22 February 2022

Council **Date:** 3 March 2022

Wards affected: All

Report Title: Capital Plan 2022/23

When does the decision need to be implemented? Immediately

Cabinet Member Contact Details: Darren Cowell**,** Cabinet Lead for Finance,

Darren.cowell@torbay.gov.uk

Director Contact Details: Martin Phillips, Director of Finance,

Martin.phillips@torbay.gov.uk

1. Purpose of Report

1.1 Torbay Council's Capital Plan totals £288 million for the 4-year programme to 31 March 2025 with £43 million scheduled to have been spent in 2021/22 and £114 million due to be spent in 2022/23. Of the £114m, £68m has been allocated to specific projects and £46m is Council borrowing approvals awaiting proposals. The Council's Capital Plan is updated on a quarterly basis as new funding announcements and allocations are made.

1.2 The attached document provides high-level information on the proposed capital expenditure and funding for 2022/2023 and is part of the total Plan. Shown against the targeted actions of the Council's Community and Corporate Plan, it gives details of the capital schemes which have previously been approved by the Council. In addition, the 2022/23 Capital budget now includes three new allocations, (Car Parks investment £1m, Climate Change initiatives £1m and capital cost inflation and supply chain contingency £4m), which are funded from prudential borrowing where the cost of interest and MRP are included in the 2022/23 revenue budget. The approval process for each of the three new allocations is outlined in the scheme detail.

1.3 In some cases, it sets out funding which has been allocated to services but where specific schemes have not yet identified.

2. Reason for Proposal and its benefits

2.1 To enable the Council to agree its Capital Expenditure and Capital Funding for the 2022/223 financial year as required by the Constitution.

3. Recommendation(s) / Proposed Decision

1. That the Capital Plan for 2022/23 as set out in Appendix 1 to the submitted report be approved

Appendices

Appendix 1: Proposed Capital Plan for 2022/23

TORBAY COUNCIL

Appendix 1: Capital Plan Budget 2022/23

22 February 2022

This document can be made available in other languages and formats.

For more information please contact finance@torbay.gov.uk

Capital Plan 2020/2021 to 2024/2025

Torbay Council's Capital Plan totals £288 million for the 4-year programme to 31 March 2025 with £43 million scheduled to be spent in 2021/22 and **£114 million** due to be spent in 2022/23.

Of the £114m, £68m has been allocated to specific projects and £46m is Council borrowing approvals awaiting proposals. The Capital Plan is updated by project managers on a quarterly basis which will result in regular re profiling of budgets to reflect the latest estimate of the timing of expenditure on each project.

This document provides high-level information on the proposed capital expenditure and funding for 2022/23 and is part of the total Plan. Shown against the targeted actions of the Council's Community and Corporate Plan, it gives details of the capital schemes which have previously been approved by the Council. However, in some cases, it sets out funding which has been allocated to services but where specific schemes have not yet been identified.

In accordance with Torbay Council's Constitution, the figures presented will form the approved capital budget for the coming year. The figures are based on the (draft) Quarter 3 2021/22 capital monitoring report which forms the basis of the 2022/23 Capital Budget. In addition, the 2022/23 Capital budget now includes three new allocations, (Car Parks investment £1m, Climate Change initiatives £1m and capital cost inflation and supply chain contingency £4m), which are funded from prudential borrowing where the cost of interest and MRP are included in the 2022/23 revenue budget. The approval process for each of the three new allocations is outlined in the scheme detail.

Expenditure:	£m	%
Thriving People and Communities	23.889	21
Thriving Economy	39.629	35
Tackling Climate Change	4.775	4
A Council fit for the Future	0.065	0
Council Borrowing Approvals Awaiting Proposals	45.591	40
Total Capital Expenditure 2022/23	**113.949**	**100**

Funded by:	£m	%
Prudential Borrowing	73.131	64
Capital Grants	37.913	33
Capital Contributions	0.705	1
Revenue Contributions	0.119	0
Use of Reserves	0.206	0
Capital Receipts	1.875	2
Total Capital Funding	**113.949**	**100**

Targeted Action 1: Thriving People and Communities

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2022/23 Budget £000
Capital Repairs and Maintenance 20/21 & 21/22	DfE grant to provide resources to improve the condition of school premises			400
Education Review Projects	Resources from Government allocations to provide improved School facilities still to be allocated to specific projects			3,329
Mayfield Expansion	Provide additional pupil place capacity	Council-16 Jul 2020	1,575	500
Roselands Primary - Classroom	Additional teaching space to accommodate demand for primary places	Council – Oct. 2018	599	80
St Cuthbert Mayne Expansion	School expansion to provide additional Secondary School places in Torquay Additional allocation (School Conditions Allocation & Diocese contribution) Funding from Sustainable Travel Initiative	Council-16 Jul 2020 Cabinet-21 Sep 2021	3,600 190 6	500
Polsham Centre Development	Allocation from underspend on Special Provision Fund.	Cabinet – Feb 2022	250	200
Foster Home – adaptations	Allocation from revenue to fund the costs of adaptations in foster homes	Revenue	300	100
Crossways, Paignton	Proposals for mixed use development to include extra care and affordable housing Additional funding from Future High Street & Adult Social Care Capital	Council – 26 Sep 2019 Cabinet – 16 Nov 2021	22,359 3,020	7,500
Disabled Facilities Grants	Residual balance of 2021/22 DFG allocation. 2022/23 allocation expected, but not yet announced.	n/a	n/a	980
Extra Care Housing	Development of extra care units at Torre Marine Additional funding from Affordable Housing budget Additional funding from Adult Social Care Capital Additional funding from Brownfield Land Release Fund	Record of Decision – 1 Mar 2019 Cabinet – 18 Feb 2021 Cabinet – 21 Sep 2021 Cabinet – 16 Nov 2021	2,250 600 850 415	2,800
Tor Vista Housing Co. Loan	Capital loan to Tor Vista to enable housing development at Preston Down Road site, Paignton.	Council – 8 Oct 2020	23,000	7,500
Sub-total				**23,889**

Targeted Action 2: Thriving Economy

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2022/23 Budget £000
Claylands Redevelopment	Council-owned land at Claylands will be redeveloped using a combination of Council and Heart of the Southwest Local Enterprise Partnership funding. When fully developed the site will support approximately 350-400 jobs and will support the growth of the business rate base.	Council – 10 Dec 2015 **Updated at Council – 19 Oct 2017**	10,440	350
	Additional funding – contribution from tenant	Cabinet -21 Sep 2021	710	
Edginswell Business Park Unit 1	Development of retail unit for regeneration.	Council 22 Jun 2017 Updated at Council 21 May 2020	5,819	4,000
Edginswell Business Park Unit 3	Development of retail unit for regeneration.	Cabinet 16 Nov 2021	6,500	2,000
Edginswell Enabling Works	Additional grant support for infrastructure improvements on the Edginswell Business Park site, funded by LEP grant	Cabinet – 16 June 20	1,957	1,757
Edginswell Station	Provision of new railway station to enhance transport options to the Edginswell area including Torbay Hospital. DfT New Stations Fund grant £7.883m with costs likely to be spread across two years.	Council – Sep 2014 Chief Executive Decision 5 Jun 2020	13,017	4,000
Lymington Road Business Centre	Additional start-up workshop units at Torquay Coach station site funded with LEP grant	Cabinet – 16 Jun 20, 15 Dec 2020, 16 Nov 21 and Feb 22	3,527	3,330
Flood Defence Schemes	This budget represents resources for flood alleviation work largely funded by Environment Agency at Cockington and Monksbridge	Council – 27 September 2012	740	396
Paignton Coastal Defence Scheme	Scheme to provide additional protection against sea inundation in low lying areas of Paignton and Preston	Cabinet – Jan 2020	3,142	1,705
Princess Pier Structural repairs	Structural repairs to the superstructure alongside potential substructure repairs partly funded by the Environment Agency.	Council – 1 Feb 2012 Updated Council 13 Sep 2017	1,665	796
RICC Improvements – Backlog Repairs	To improve facilities and refurbish the RICC to facilitate new management agreement.	Council - 18 Jul 2019 Council – 6 Feb 2020	1,250	493
Transport - Integrated Transport Schemes	Grant allocations from the Department for Transport. The allocations are linked to the value of the planned maintenance backlog on the road network. The Council agreed to allocate these resources in line with	Council – 26 Feb 2015 Updated at Council – 13 Sep 2017	n/a	
Roads Structural Maintenance			n/a	150

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2022/23 Budget £000
	Government intentions. £1.5m has been allocated to Edginswell Station project. Details of 2022/23 allocations still awaited.			
Torquay Gateway Road Improvements	The Council successfully submitted a bid to the Local Transport Board for improvements at Torquay Gateway. The Government subsequently confirmed its funding to the Local Transport Board to support this scheme with the Council approving a contribution to the scheme. Additional funding – S106	Council – 27 Sep 2014 Cabinet -21 Sep 2021	2,927 41	80
Paignton Future High Streets Funding	Government grant allocation of £13.363m to regenerate Paignton town centre.	Cabinet - 14 July 2020		
	Breakdown of grant application:			
	Torbay Road		668	659
	Station Square		2,259	1,254
	Victoria Centre Phase 1		652	652
	Victoria Centre Phase 2		3,862	3,844
	Picture House		1,285	1,101
	Diversification		1,300	0
	Crossways Transferred to Project within Thriving People & Communities (see above)	Cabinet – 16 Nov 21	2,766 (2,766)	
	Flood Defence		571	114
Western Corridor Improvements	The Council successfully submitted a bid to the Local Transport Board for improvements to the Western Corridor. The Government subsequently confirmed its funding to the Local Transport Board to support this scheme with the Council approving a contribution to the scheme. Additional funding – S106	Council – 27 Sep 2014 Cabinet -21 Sep 2021	12,271 22	257
Torquay Town Deal	Government grant allocation of £21.9m to regenerate Torquay town centre.			
	Breakdown of grant application:			
	Programme Management		157	52
	Union Square Phase 1		5,050	3,100
	Union Square Phase 2		5,993	750
	Strand Land Assembly & Demolition Funding transfer re Debenhams Acquisition costs		2,000 (1,769)	

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2022/23 Budget £000
	Remaining funding - demolition Harbour Public Realm Pavilion Core Area Public Realm Stronger Future Stronger Future moved to Revenue Edginswell Station Moved to Edginswell Station Project (see above)		231 2,500 2,000 600 600 (600) 3,000 (3,000)	231 2,500 1,900 575
Harbour View Hotel Development	New hotel (Premier Inn) development on Terrace Car Park site	Investment & Regeneration Committee – 10 Jul 2018 Cabinet – 19 May 2020	14,017	765
Old Toll House	Redevelop site to support Town Centre Regeneration – funded from Economic Growth Fund.	Cabinet – Nov 2019	1,200	350
Corbyn Head – Development of former WCs	Redevelop site to support Town Centre Regeneration – funded from Economic Growth Fund.	Cabinet – 14 Dec 21	1,250	1,250
Preston (North) – Development of former WCs	Redevelop site to support Town Centre Regeneration – funded from Economic Growth Fund.	Cabinet – 14 Dec 21	718	718
Car Park Investment	Investment in car park infrastructure. Allocation of budget to be by Director of Place in consultation with Leader of the Council, Cabinet Lead for Finance and Cabinet Lead for Infrastructure, Environment and Culture.	Council 3 March 2022	1,000	500
Sub-total				**39,629**

Targeted Action 3: Tackling Climate Change

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2022/23 Budget £000
Solar Farm, Brokenbury	Creation of solar farm on agricultural land at Brokenbury Revision to projected spend	Cabinet - 19 May 2020 Cabinet – 21 Sep 2021 and Feb 2022	2,750 (987)	1,605
Solar Farm, Nightingale Park	Construction of solar farm on former landfill site near The Willows to generate energy. Revision to projected spend	Cabinet - 11 August 2020 Cabinet – 24 Aug 2021 Cabinet – Feb	2,200 900 (52)	2,920

		2022		
Climate Change Initiatives	Allocation to support programme of capital investment to help achieve net nil carbon. Allocation of budget to be by Director of Place in consultation with Leader of the Council, Cabinet Lead for Finance and Cabinet Lead for Infrastructure, Environment and Culture.	Council 3 March 2022	1,000	250
Sub-total				**4,775**

Targeted Action 4: A Council fit for the future

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2022/23 Budget £000
Enhancement of Development Sites	Capital provision for expenditure required on Strategic sites to enable development and disposal. 22/23 budget is unspent balance from 21/22.	n/a	n/a	65
Sub-total				**65**

Targeted Action 5: Council Borrowing Approvals Awaiting Proposals

Scheme Name	Description	Latest Approval	Total Estimated Scheme Cost £000	2022/23 Budget £000
Torre Abbey Renovation – Phase 3	Council commitment to proposed further renovation works at Torre Abbey, awaiting further bids for funding,	Council – 27 Feb 2020	1,700	1,700
Regeneration Programme and Economic Growth Fund	Council received a report in October 2017 proposing to borrow £25 million to support Town centre Regeneration. Council agreed additional £100m Torbay Economic Growth Fund allocation to fund further regeneration	Council 19 Oct 2017 Council - 18 Jul 2019	90,391	40,391
Tor Vista - Loan	To facilitate the work of the Housing Rental Company, in the form of a loan for a capital purpose	Council 20 Jul 2017	24,442	2,500
Capital Contingency	Capital allocation to support approved capital projects to ensure their viability that are subject to higher costs either from supply chain issues or cost inflation. Allocation of contingency to be by Chief Finance officer in consultation with Leader of the Council and Cabinet Lead for Finance and reported to Cabinet.	Council 3 March 2022	4,000	1,000
Sub-total				**45,591**