

Meeting: Cabinet

Date: 27 September 2022

Wards Affected: All Wards

Report Title: Budget Monitoring 2022/23 – April to July 2022 Revenue Outturn Forecast & April to June 2022 Capital Outturn Forecast

Is the decision a key decision? No

When does the decision need to be implemented? N/A

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1. Purpose and Introduction

- 1.1. This report provides a high-level budget summary of the Council's revenue and capital position for the financial year 2022/23 which commenced on 1st April 2022. This report is based on the budget and forecasts.
- 1.2. The Council is facing significant external pressure due to the wide-reaching UK implications of the current economic situation. The levels of cost inflation impacting the Council are affecting almost every single service & are expected to be a 'recurring theme' when looking to set the budget for 2023/24 and draft the Medium-Term Resource Plan.
- 1.3. The Council's draft overspend for 2022/23 was forecast to be **£3.564m**. Since this position was presented to the Senior Leadership Team, mitigation has been identified by officers which reduces this overspend to **£1.21m**.
- 1.4. This mitigation required to achieve this position will require robust oversight and scrutiny from the Council's Section 151 Officer, all of the Directors and their teams. This level of overspend is **above** the tolerance that the Section 151 Officer believes to be manageable. The Section 151 Officer will take action without delay to identify further mitigation which will be presented as part of the Quarter 2 2022/23 report.
- 1.5. The Capital Plan budget totals **£256m** for the 4-year programme, with **£52m** forecast to be spent in 2022/23, including **£27m** on regeneration and **£8m** on various education projects. Of the £256m, £114m relates to borrowing approvals for Growth Fund and Housing awaiting proposals.

2. Recommendation (s) / Proposed Decision

Recommendations for Cabinet

- 2.1. That Cabinet notes the report & recommends that Council approve the increased Capital Contingency from £4m to a total of £12m. The impact of this decision will result in an ongoing impact of £0.8m. This requires an additional £0.6m to be included in the 2023/24 draft budget. Allocation of contingency to be delegated to Chief Finance Officer in consultation with Leader of the Council and Cabinet Lead for Finance and reported to Cabinet.
- 2.2. That Cabinet approves the increase of £0.5m to the working capital facility provided by the Council to TDA, taking the total working capital facility to £1.5m.

3. 2022/23 Budget Summary Position

- 3.1. In order to deliver a mitigated overspend of **£1.21m** the Councils Section 151 Officer and Chief Executive will introduce increased scrutiny on all recruitment and expenditure commitments.
- 3.2. Mitigation also includes the cessation of spending any Council funded 'one-off' monies, projects or carry forward monies which do not result in direct, tangible cost mitigation or cost reduction for the 2022/23 position.
- 3.3. More direct oversight on spend decisions will be undertaken by Directors and other key Statutory officers within the Council.
- 3.4. Consideration will also be given to opportunities to generate increased income by factoring in the increased cost of delivery into fees & charges.
- 3.5. **Further mitigation will be required to deliver a balanced budget.**
 - 3.5.1. There are a number of areas upon which officers remain focussed and are closely monitoring given their potential impact, namely:
 - 3.5.2. The legacy costs of Covid-19 and the transition to the more regular Public Health protection and response work.
 - 3.5.3. For another year variations to income are a risk. This includes collection fund income (Council Tax £78.1m and Business Rates £35.6m) and within services notably parking income where the changes to household income will impact key funding streams for local service delivery.
 - 3.5.4. The continuous improvement journey within Children's Services which remains crucial to the Council's medium term financial stability and will be required to mitigate national issues which are starting to impact on the local delivery of Children's services.
 - 3.5.5. The Dedicated Schools Grant and in particular the Higher Needs Block which is forecast a £2.7m deficit in year, with a cumulative deficit of £11.7m.

3.5.6. The areas above are expected to remain a prominent feature of the 2022/23 budget monitoring, as well as new emerging issues around the cost-of-living crisis. It is expected this crisis will affect demand for services across the Council as households come under extreme financial pressure, which may be mitigated, in part by further central government support.

4. Emerging issues

Adults Social Care

- 4.1. The Council's Chief Executive has received a joint letter from the Chief Executive of Torbay & South Devon NHS FT and Chief Executive of NHS Devon dated 9th August 2022.
- 4.2. This letter outlines the financial position for the delivery of Adult Social Care and makes a request for £6m in-year funding to support meeting the financial pressures.
- 4.3. The Council is considering allocations of one-off monies which could be invested into intervention activity to reduce ongoing gap between the fixed price financial arrangement and the current reported total cost of delivering an integrated Adult Social Care service.
- 4.4. Any funding offer will come with increased scrutiny and oversight from the Councils Leadership team and statutory officers.
- 4.5. Progressing this work will be critical to the longevity of the relationship with the Integrated Care Organisation (ICO) and ensure the sustainable delivery of Adult Social Care.

Collection Fund

- 4.6. The establishment of the Collection Fund reserve formed part of the Budget 2022/23. This reserve will, for a second year, meet the future impact of carrying forward the shortfall from 2020/21. This reserve funds the 2020/21 impact of the shortfall for the period 2021/22 – 2023/24.
- 4.7. Performance in 2021/22 was in line with forecast collection levels, namely a 2% reduction on pre Covid-19 collection rates.
- 4.8. At this point 2022/23 collection is in line with forecast levels, however this could worsen as we move into Autumn/Winter given the pressures facing households across the UK.
- 4.9. During 2022/23 Households in Bands A-D will benefit from a £150 of support for energy bills administered as a rebate for Council Taxpayers. This totals £8.398m for Torbay. Final payments under this scheme must be made by 30th September 2022.
- 4.10. There is a further £0.376m to be distributed as part of a discretionary fund which will launch in September 2022, with final payments required to be made by 30th November 2022.

4.11. Revised NNDR bills incorporating the 2021/22 Covid-19 Additional Relief Fund (CARF) will be sent to eligible businesses. Given the Government prescribed restrictions on eligibility this fund can only support businesses which missed out on the Retail Hospitality & Leisure (RHL) focussed support during the Covid-19 pandemic. This scheme will provide 100% relief on the 2021/22 bills. The total fund is £1.895m.

5. Capital

5.1. The Council is seeing extreme cost inflation in respect of Capital projects. As a result of this pressure several schemes that are in progress, are facing rising costs. The viability of schemes supported by prudential borrowing are further impacted from the recent rises in borrowing rates.

5.2. As part of the 2022/23 budget a capital contingency of £4m was established, however based on latest scheme cost forecasts officers are seeking proposals as to how a total contingency of up to £12m would be allocated to support projects. This would have an ongoing annual revenue cost of £0.8m (£0.6m increase on 22/23 budget) which would need to be added to the 2023/24 budget.

6. Grant Support

6.1. During 2022/23 the Council has received grant funding for a number of schemes including:

6.1.1. Household Support Fund (HSF) which we are now administering “round 2” of the HSF, totalling £1.2m. This funding was ringfenced to be a minimum 33% to be spent on pension age households and a minimum of 33% to be spent on households with children.

6.1.2. A third round was announced to cover the period October 2022 to March 2023. The application of this third round is current being developed.
Link to guidance: <https://www.gov.uk/government/publications/household-support-fund-guidance-for-local-councils>

6.1.3. Homes of Ukraine. Funding for this scheme is based on the number of people supported. As part of the latest quarterly return (May 2022) there were 102 “newly arrived guests” resulting in a grant of £1m. Further financial support is paid to “hosts” totalling £350 per month.
Link to guidance: <https://www.gov.uk/guidance/homes-for-ukraine-guidance-for-councils>

7. Wholly owned companies

- 7.1. This section contains an overview of the financial position for the Council's wholly owned companies.
- 7.2. SWISCo. remains under financial pressure in terms of operational delivery due to rising costs of fuel, challenges to recruitment and retention. The latest pay award offer which is a fixed £1,925 per full time employee, has a disproportionate percentage impact on SWISCo given the average salary. As a result, the Council has been asked for an additional £0.6m of funding to meet the shortfall in the assumed pay award.
- 7.3. SWISCo is planning to launch a Garden Waste collection service in late 2022.
- 7.4. To the end of May 2022 TDA group draft consolidated year to date (YTD) surplus for was £0.03m.
- 7.5. Within the TDA Group, TorVista continues to operate with a higher level of deficit compared to their business plan. The accumulated deficit in the company to March 2022 was £0.8m with a further deficit of £0.35m forecast for the current year. Based on the current and forecast trading performance a request has been received to extend TorVista Home's working capital loan facility from £1.0m to £1.5m. The approval of this loan would be by full Council. The expectation is that a revised TorVista business plan will be prepared to present to the Council in December so as to permit a longer term view of the required support to be taken.
- 7.6. More detailed financial reporting about the Council's wholly owned Companies will be presented to Audit Committee on a regular basis and will form part of the final statement of accounts when presented to Audit Committee.

8. Statement of Accounts – 2020/21 and 2021/22

- 8.1. The Council's auditors, Grant Thornton, presented their Audit Findings for 2020/21 at the Audit Committee on 6th December 2021. Grant Thornton advised that by the Government's Statutory deadline of September only 30% of audits were signed off increasing to 40% in November 2021. This was partly due to lack of capacity in the market. At the time of writing this report the 2020/21 accounts remain unsigned by Grant Thornton.
- 8.2. In order to provide reassurance to members, all outstanding work from Council officers has been completed and therefore the audit is fundamentally complete.
- 8.3. There are two outstanding items which Grant Thornton are considering. The first relates to the Council's existing TDA pension "pass through" arrangement and the second is a national issue related to the reporting of infrastructure assets. This matter is currently subject to a national consultation. As a result, it's unlikely the accounts will be signed off until this consultation has concluded. The 2021/22 accounts will be issued in early September 2022 with the audit due to start afterwards.

8.4. The protracted statement of accounts process continues to put significant pressure on the finance team, for whom the majority of the last year have been working concurrently on 2020/21, 2021/22, 2022/23 financial years and now are also working on the 2023/24 financial year.

9. Service Budgets

9.1. The table below contains the forecast spend for the financial year 2022/23. The reporting hierarchy reflects the current Senior Leadership Team (SLT) Structure.

| Service | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 | Mitigated Position | Change compared to Outturn Variance |
|----------------------|-------------------------|----------------------------|---------------------------|--------------------|-------------------------------------|
| Adult Services | 46,551 | 46,644 | 93 | 93 | - |
| Executive | 3,576 | 3,967 | 391 | 324 | (67) |
| Children's Services | 45,722 | 47,213 | 1,491 | 1,591 | 100 |
| Corporate Services | 6,473 | 6,810 | 337 | 522 | 185 |
| Finance | (8,367) | (8,365) | 2 | (1,441) | (1,443) |
| Investment Portfolio | (4,637) | (4,469) | 168 | 0 | (168) |
| Place | 21,400 | 22,482 | 1,082 | 415 | (667) |
| Public Health | 10,100 | 10,100 | - | (294) | (294) |
| | 120,818 | 124,382 | 3,564 | 1,210 | (2,354) |

9.2. After mitigation the overall Council position shows an overspend of **£1.2m**. More information on the service variances is contained below.

Adult Services

9.3. The Director for Adults Services covers the three service areas shown below.

| Service | Previous Year Actuals £'000 | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 |
|-----------------------|--------------------------------|-------------------------|----------------------------|---------------------------|
| Adult Services | 44,218 | 46,551 | 46,644 | 93 |
| Adult Social Care | 41,264 | 43,723 | 43,723 | 0 |
| Community Services | 2,632 | 2,067 | 2,160 | 93 |
| Customer Services | 322 | 761 | 761 | 0 |

9.4. Overall Adults Services directorate shows a slight overspend.

9.5. Within Adult Social Care the majority of spend is against a fixed price financial arrangement (contract) for the delivery of services provided by the Integrated Care Organisation (ICO).

- 9.6. As mentioned earlier in the report the Council has received a request for additional financial support totalling £6m for 2022/23 and the Council is considering allocations of one-off monies which could be invested into intervention activity to address fundamentally the cost pressures.
- 9.7. The new agreement for the delivery of Adult Social Care was signed in March 2022 and will commence in April 2023. This agreement will see an uplift of £5m for 2023/24, with a further £1.1m the following year. A new arrangement will need to be negotiated for 2025/26 onwards.
- 9.8. Community Services has a shortfall on income. This represents the continued shortfall on income generating activity within the service which includes Licensing.
- 9.9. Temporary Accommodation is currently forecast to be on budget, after utilising service specific reserves to meet the extra demand the service is facing. As at the end of July 2022 there were 137 households living in Temporary Accommodation.
- 9.10. Work is underway to directly procure and lease property to increase the stability of accommodation options available to the Housing Options team. This stability will allow more work to be done to prevent homelessness and support households to find more permanent housing.
- 9.11. There remains considerable demand in the local housing market which is affecting this service significantly. The low availability of temporary options for individuals and family groups in need of temporary accommodation is resulting in significant cost increases. The “cost of living” crisis is likely to increase demand for this service.
- 9.12. Customer services continues to see increased demand as staff are involved in the administration of a number of key grant schemes in addition to all the usual support and advice provided by the service. Upon implementation of the Councils “CRM” system in future years more self-service options will be available for customers which will help to streamline straight-forward contact.

Corporate Services & Executive

| Service | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 | Mitigated Position | Movement |
|--------------------|-------------------------|----------------------------|---------------------------|--------------------|----------|
| Executive | 3,576 | 3,967 | 391 | 324 | (67) |
| Corporate Services | 6,473 | 6,810 | 337 | 522 | 185 |

- 9.13. Within the Executive unit shows a mitigated overspend of £0.32m or 9.1% of the budget due to continued income shortfalls in traded services and overspends on salaries.

- 9.14. Within Corporate Services, the mitigated position has worsened and is reporting an overspend of £0.52m or 8.1% of the budget. This is caused by significant, continued pressures within Legal Services:
- 9.14.1. Challenges to recruit and retain suitably qualified staff result is forecast to result in £0.3m agency costs, which is partly offset by the vacant posts being covered.
- 9.14.2. Reduced fee-earning work provides a further cost pressure of £0.2m on income.
- 9.15. The Divisional Director for Corporate Services has been working on mitigation to this position over the last year.
- 9.16. During this financial year the new provider of the print & post service begins the first phase of their service delivery.

Children's Services

| Service | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 | Mitigated Position | Movement |
|----------------------------|-------------------------|-------------------------------|------------------------------|-----------------------|------------|
| Children's Services | 45,722 | 47,213 | 1,491 | 1,591 | 100 |
| Schools Services | 3,998 | 3,979 | (19) | 181 | 200 |
| Children's Safeguarding | 41,724 | 43,234 | 1,510 | 1,410 | (100) |

- 9.17. Overall Children's Services is experiencing significant financial pressure. In previous years this type of pressure was perceived as somewhat within the Local Authorities control. The recent improvements to the Ofsted rating to 'Good' and underspending for two years in a row demonstrates the Council has been influencing and improving outcomes through effective care planning coupled with equal parts scrutiny and support from the Council as a whole.
- 9.18. However, this year the pressures are largely due to extreme external forces outside of the control of Council officers. These factors are affecting the provision and accessibility of placements for children and young people due to significantly increased demand for placements. This is exacerbated by the demand arising from the increasing volume of cases allocated to Torbay through to the National and Regional allocation of Unaccompanied Asylum seeking children (UASC) as well as other International support schemes. A proportion of which are cared for by the Local Authority, but living elsewhere in the UK.
- 9.19. Within **Schools Services** Local Authority funded activities are reporting an overspend of £0.18m which represents 4.52% of the budget.
- 9.20. The overspend is contributed to through continued pressure with the provision of Home to School transport. This is because of rising fuel costs for transport providers as well as children and young people needing more bespoke arrangements to get to and from school.

- 9.21. Outside of Local Authority funded activities, the schools' higher needs block in the Dedicated Schools Grant (DSG) remains under financial pressure because of an increasing level of referrals from schools for higher needs support for children. The pace of demand is far outstripping increases in dedicated funding as has been the case for several years.
- 9.22. For 2022/23 the DSG is forecasting an overspend of **£2.7m**. As a result, the DSG cumulative deficit is forecast to be in excess of **£11.7m** by the end of the financial year.
- 9.23. 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. The School and Early Year Finance (England) Regulations 2020 confirm that this is not a cost that the Council must fund. However, for how long this position is sustainable is not certain. At some point the deficit will need to be funded therefore it is essential that officers and members continue to focus on this key issue.
- 9.24. In 2020/21 and the following two financial years additional legislation has been passed that, for accounting purposes, reclassifies the deficit on the Council's balance sheet. There is currently uncertainty as to what will happen after the end of the three-year period.
- 9.25. The Council is part of the Education and Skills Funding Agency (ESFA) and Department for Education (DfE) Safety Valve programme. Discussions are at an early stage but agreement with other councils suggest that if the council can deliver a balanced higher needs budget within a defined time period, all or some of the historic deficit may be funded by ESFA. However, this is dependent on the council being able to deliver a recovery plan that results in a balanced budget.
- 9.26. Early pre-negotiation dialogue with ESFA representatives indicated they were impressed with the work carried out so far and the Council were in a good position going into the formal process in Autumn 2022.
- 9.27. Within **Children's Safeguarding** there is a forecast overspend of £1.41m (3.38%).
- 9.28. Driving this forecast are exceptionally high emergency placement costs at £25 – 30k per week. This serves as a reminder of the significance of the need for continued and rigorous whole Council support for this service given the financial impact if the number and cost of care rises.
- 9.29. The current picture is however now one of national level issues having a local impact. There are significant shortages of placements meaning both that existing placements are costing more and that children & young people are unable to step down from residential to family-based settings such as fostering placements.
- 9.30. The cost of living will be putting increased stress on households across the bay which may threaten the stability of current living arrangements and mean more families require supported intervention from the Council.

- 9.31. Such is the scale of the national challenge it is understood that other Councils are also reporting placing children as young as 3 years old in residential placements as a result of the inability to find suitable family-based alternatives.
- 9.32. Across the south west Councils are seeing increased numbers of Cared for Children, reliance on agency staff and number of children and young people placed out of area. This increased competition also drives the overall costs within the market higher.
- 9.33. All of this means that despite the continued oversight, challenge and support from colleagues, external factors are now significantly influencing spend.
- 9.34. The table below shows a snapshot of the key placement figures as at the end of June, compared to previous years. The highest point for the year (max) also shown.

| Placement types | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|------------------------|------------------------|------------------------|------------------------|----------------|
| Residential Placement | March: 34 Max: 34 | March: 31 Max: 44 | March: 20 Max: 28 | March: 23 Max: 24 | Jul: 21 |
| Independent Fostering Agency (IFA) Placement | March: 95 Max: 95 | March: 101 Max: 101 | March: 80 Max: 101 | March: 78 Max: 83 | Jul: 87 |
| Total Cared for Children | March: 361 Max: 361 | March: 356 Max: 368 | March: 321 Max: 374 | March: 299 Max: 315 | Jul: 302 |

- 9.35. As at July 2022/23 the above table includes 12 placements due to Torbay's allocation of Unaccompanied Asylum Seeking Children (UASC) which increases the figures in 2022/23. As the numbers of UASC supported increases there are wider resource impacts such as additional Social Workers, travel and accommodation costs for visits which puts further pressure on an already stretched staff and care provider market.
- 9.36. Overall the table demonstrates that overtime not only have the overall figures decreased steadily, the volatility within the placement type also appears to have stabilised.
- 9.37. Following successful recruitment and retention within the service, the total number of Agency staff employed has reduced from 49.3FTE in April 2021 to 25.0 FTE in July 2022. Again, the reduction seen has been steady over the last few financial years and helps provide stability within the workforce and therefore consistency when working with children and young people and their families.
- 9.38. As a result of the continued improvement total Agency costs are forecast to be £2.4m. This is compared with a total spend in 2021/22 of £4.9m. This demonstrates that Torbay Council has achieved significant improvements to influence spend where it can, but is now seeing significantly increased salary expectations within the agency market and stiff competition from other Councils that are offering higher hourly rates to stabilise their own workforce.
- 9.39. The continued stability within placements and continued success of the Learning Academy in recruiting and retaining staff remains integral to delivering a balanced budget in 2022/23 and beyond.

9.40. Finance

| Service | Previous Year Actuals £'000 | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 | Mitigated Position | Movement |
|---------|-----------------------------|----------------------|-------------------------|------------------------|--------------------|----------|
| Finance | (10,668) | (8,367) | (8,365) | 2 | (1,441) | (1,443) |

- 9.41. As part of setting the 2022/23 budget a few centrally held contingencies linked to inflation risks were held under finance and will be released to contribute toward the known cost pressures.
- 9.42. £1.15m has been released to partially offset rising utility costs and for an up to 3% pay award. The latest National offer on pay has an average impact to the Council of 5% meaning there is a shortfall over and above current funding of £0.7m.
- 9.43. The pay award offer of a “flat cash” £1,925 for all staff has a higher percentage impact on lower graded staff, whereby this value represents a much higher percentage of their salary. This is a large contributor to the SWISCo request for finances given the mix of salaries.
- 9.44. A further £0.7m saving has been declared which is primarily caused by the impact of increased interest rates. This means the Council earns higher rates of interest on its current cash balances. Given the current low levels of spend on Capital projects, there is also a saving on interest payable by the Council as lower levels of spend activity means lower amounts borrowed, therefore reduced interest paid by the Council.
- 9.45. There is a further £0.2m gainshare declared from the gainshare arrangements from the Devon-wide Business Rates Pool £0.2m

9.46. Investment Portfolio

| Service | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 | Mitigated Position | Change compared to Outturn Variance |
|----------------------|----------------------|-------------------------|------------------------|--------------------|-------------------------------------|
| Investment Portfolio | (4,637) | (4,469) | 168 | 0 | (168) |

- 9.47. The Council’s Investment Portfolio’s mitigated position is balanced after the use of the investment property reserve to cover lost rent and holding costs of the empty unit at Wren Park.
- 9.48. This means the Council’s investment portfolio will contribute £4.4m towards Council activity.
- 9.49. Any tenants with arrears are all actively engaging with colleagues in TDA and repayment plans arising from the covid lockdowns continue to be adhered to.

9.50. Place

| Service | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 | Mitigated Position | Movement |
|---|-------------------------|----------------------------|---------------------------|--------------------|--------------|
| Place | 21,400 | 22,482 | 1,082 | 415 | (667) |
| Place Operations | 12,996 | 14,033 | 1,038 | 366 | (672) |
| Place Commissioned | 3,261 | 3,988 | 727 | 732 | 5 |
| Planning, Housing and Climate Emergency | 5,143 | 4,460 | (683) | (683) | 0 |

- 9.51. Within the Place directorate there is a mitigated overspend of **£0.8m** which represents 1.94% of the budget.
- 9.52. **Place Operations** has a cost pressure of **£0.37m**.
- 9.53. Highways, which is the service responsible for Torbay's street lighting is forecast to overspend by £0.34m. This figure is based on the latest utility price forecasts provided by our supplier. This is offset in part by the release of contingencies held under the Finance directorate. As there is no 'cap' on non-domestic tariffs the Council is exposed to significant market fluctuations.
- 9.54. Waste & Recycling is forecasting an overspend of £0.6m because of SWISCo's request for additional financial support.
- 9.55. Within Torre Abbey income, there is a £0.05m shortfall because of reduced visitor numbers. This reflects the continued hesitancy to return to indoor visitor attractions even as the Covid restrictions have changed and possibly further contributed to by the re-opening of international holiday destinations.
- 9.56. Currently Parking Services is forecast to break even. Whilst summer income has been higher than last year, there remains significant uncertainty as to how the cost-of-living crisis will impact on residents and visitor behaviour over the coming months.
- 9.57. The pressures within Place Operations are partially offset by the following mitigation:
- 9.57.1. Review and delay or cessation of Highways projects equating to £0.25m
- 9.57.2. Review and delay or cessation of "one-off" funded projects equating to £0.42m
- 9.58. These decisions are unfortunate, but necessary to prevent cessation of core service delivery elsewhere in the Council.

Place Commissioned

- 9.59. As part of the Place Commissioned service there are several operational assets managed by TDA which the Council pays the utility bills for. The increased utility costs within this service are forecast to result in an overspend of £0.34m.
- 9.60. There are increased security and health & safety related works carried out at Oldway which are forecast to cost £0.1m.
- 9.61. There are also continued pressures because of delays to the implementation of the solar farms costing £0.1m which were expected to generate a surplus for the Council.
- 9.62. **Planning, Housing and Climate Emergency**
- 9.63. Within Strategy & Project Management a forecast underspend of £0.5m is because of reduced costs for Concessionary Fares. The reduced costs are in part contributed to by fewer journeys being taken by concessionary fare passengers after the pandemic.
- 9.64. **Public Health**

| Service | Current Budget £'000 | Projected Outturn £'000 | Outturn Variance £'000 | Mitigated Position | Movement |
|---------------|-------------------------|-------------------------------|------------------------------|-----------------------|----------|
| Public Health | 10,100 | 10,100 | - | (294) | (294) |

- 9.65. Public Health colleagues continue to lead on the Council's response to Covid-19 and co-ordinate and deliver a number of key and continuing strands of the response and recovery work.
- 9.66. As part of identifying mitigation for the Council's overall position, a contribution of £0.15m will be made towards supporting the provision of high-quality housing in order to improve public health outcomes.
- 9.67. There is a further £0.15m of funding contributed towards funding Drug & Alcohol Rehabilitation work.

10. Capital Plan Overview

- 10.1 The impact on inflation on the council's revenue budget is concerning, however the impact of cost increases, supply chain issues and limited contractor options are having a major impact on the council's capital plan.
- 10.2 The Council's budget for 22/23 recognised the rising risk of inflation and in the budget established a capital contingency of £4m. Since then, the economic position has significantly worsened, in part from the impact of war in Ukraine, resulting in inflation rates and projected higher inflation rates not experienced for 40 years. The council is experiencing up to 100% increases between its original forecast costs and the latest contractor quotes. As the contractors themselves are also subject to rapid changes in prices for materials and their sub-contractor costs, more quotes are now caveated which then result in more cost increases happening within a short period.
- 10.3 In addition, the economic position has resulted in higher bank base rate and increases in gilt yields which has pushed up the PWLB rates of borrowing to 4.5%.
- 10.4 The combination of increased costs of borrowing and significantly increased construction costs will result in the business cases for several council projects now being potentially financially unviable. Any council project that has not started could now inevitably be at risk.
- 10.5 The capital contingency of £4m now needs to be £12m to enable the council to continue several projects where the council is committed to continue. These include Edginswell enabling works, the retail unit at Edginswell and Harbour View hotel. In addition, the council will continue with the project at Lymington Road coach station to mitigate abortive costs, loss of grant and the loss of the economic and public realm benefit that scheme will provide.
- 10.6 As the cost pressure is impacting on most projects in the capital plan the risks will be mitigated in several ways.
- a) The officer Capital and Growth Board has taken the lead in prioritising projects prior to discussion with the Partnership and Directors.
 - b) Where a scheme or a range of schemes such as those in Town Deal and Future High Street, these will need to be revised to enable the schemes to be financially viable with the level of grant funding.
 - c) Where a scheme or a range of schemes such as those funded from the Highways and Schools grant funding, these will need to be revised to enable the schemes to remain within the level of grant funding.
 - d) The capital contingency to be increased to £12m (with an ongoing revenue impact of the borrowing) to enable some schemes where the council has a commitment to continue or a significant loss of grant and/or benefits.
 - e) Funding bodies will be approached where possible to increase the level of grant funding awarded to individual projects to enable them to continue.
 - f) Some projects will inevitably be paused until the project can become financially viable again.
- 10.7 This uncertainty has reduced the pace of progress and therefore the level of spend on the capital plan. To the end of August £5m has been spent on the Plan and this rate of

spend is likely to continue for the rest of this financial year with significant amount of spend on major projects unlikely to be incurred in 2022/23.

- 10.8 The capital appendix shows the capital budget approved by council in March 2022 then increased by the slippage brought forward from 2021/22 (as per 2021/22 outturn report to Council in July) with spend and commitments to date. The Chief Finance Officer has then moved to 2023/24 the budgets for several schemes that could be impacted by cost and therefore funding pressures. This reduces the forecast capital spend in 2022/23 to £52m. The profile and viability of all schemes will be reviewed in more detail for the quarter two budget monitoring which will inevitably result in more revisions of projected spend to future years. The quarter two report will also include any new capital grants and any cabinet and council decisions on capital expenditure since April 2022.

11 Capital Plan Summary Position

- 11.1 The Capital Plan budgets to spend a total of £256m on capital projects over the 4 year programme, with £52m currently scheduled to be spent in 2022/23, including £27m on various Regeneration projects and £8m on various Education projects. The Capital Plan is funded from capital receipts, capital grants and contributions, reserves and revenue budget contributions, and long-term borrowing to ensure a balanced budget over the life of the Plan.
- 11.2 The spend and funding profile for the Capital Plan is included in Appendix 1.
- 11.3 Of the £7.6m capital receipts budgeted for in the Capital Plan, £1.2m has been received by the end of July 2022 albeit nothing significant received in the 2022/23 financial year. This leaves a balance of £6.4m still to be realised from both capital receipts and capital contributions. It is only after this £6.4m has been achieved that any capital receipts can be applied to new schemes, this will ensure the Capital Plan remains fully funded.
- 11.4 The movements in the estimate of expenditure in 2022/23 on the Capital Plan of £111.5m and the current approved budget for 2022/23 of £52.1m are shown below.
- 11.5 Please note the format of this table shows schemes ordered by Council's Targeted Actions, as is Appendix 2.

12 Updates to Capital Plan

| Scheme | Variation in 2022/23 | Change £m | Reason |
|--|------------------------|---------------|---|
| 2022/23 profiled spend as at Q3 2021/22 | | 111.5 | Capital Plan Update – 2021/22 Quarter 3 (Cabinet 22nd Mar 2022) |
| Scheme budgets brought forward from 2021/22 | Re profiled to 2022/23 | 17.0 | For details see 2021/22 Capital Outturn report (Cabinet 12th July 2022) |
| | Total | 128.5 | |
| Thriving People and Communities | | | |
| Extra Care Housing (Torre Marine) | Rephased budget | (2.7) | Budget moved to 23/24 |
| Tor Vista Homes re Preston Down Road | Rephased budget | (7.7) | Budget moved to 23/24 |
| | Total | (10.4) | |
| Thriving Economy | | | |
| Edginswell Business Park Site 3 | Rephased budget | (2.2) | Budget moved to 23/24 |
| Edginswell Station | Rephased budget | (4.5) | Budget moved to 23/24 |
| TEDC Capital Loans | Rephased budget | (0.6) | Budget moved to 23/24 |
| Torquay Town Deal - Union Square Ph.1 | Rephased budget | (3.2) | Budget moved to 23/24 |
| Torquay Town Deal - Union Square Ph.2 | Rephased budget | (0.7) | Budget moved to 23/24 |
| Paignton Future High Streets Fund - Flood Defence | Rephased budget | (0.6) | Budget moved to 23/24 |
| Paignton Future High Streets Fund - Victoria Centre Ph.2 | Rephased budget | (3.8) | Budget moved to 23/24 |
| Corbyn Head - development of former WC's | Rephased budget | (1.2) | Budget moved to 23/24 |
| Preston (North) - development of former WC's | Rephased budget | (0.7) | Budget moved to 23/24 |
| | Total | (17.5) | |

| Tackling Climate Change | | | |
|---|-----------------|---------------|-----------------------|
| Solar Farm, Brokenbury | Rephased budget | (1.6) | Budget moved to 23/24 |
| Solar Farm, Nightingale Park | Rephased budget | (2.9) | Budget moved to 23/24 |
| | Total | (4.5) | |
| Council Fit for the Future | | | |
| | Total | 0 | |
| Council Approvals with No Plans | | | |
| Torre Abbey Renovation - Phase 3 | Rephased budget | (1.7) | Budget moved to 23/24 |
| Regeneration Programme and Economic Growth Fund | Rephased budget | (40.4) | Budget moved to 23/24 |
| Housing Rental Company - Loan | Rephased budget | (1.9) | Budget moved to 23/24 |
| | Total | (44.0) | |
| Estimate – Quarter 1 2022/23 | | 52.1 | |

12.1 In addition to the above changes, new scheme budgets are detailed below and will be added in quarter 2.

Thriving Economy

- 12.2 Car Park Investment – total budget of £1m agreed as part of Capital Plan 2022-23 budget setting process. £0.5m profiled in 22/23. To be funded from borrowing.
- 12.3 Torre Abbey Gatehouse/SW Wing – new grant funding of £468,993 has been awarded from Museum Estate Development Fund (MEND) to help fund the restoration works of the Gatehouse and South West Wing of Torre Abbey. The project has a total budget of £964,157, with matchfunding of £471,715 from Torbay Council (part of previously agreed borrowing of £1.7m) and £23,449 contribution from Friends of Torre Abbey.
- 12.4 Torre Abbey SE Wing/Courtyard/Tower - new grant funding of £363,748 has been awarded from National Heritage Memorial Fund (NHMF) to help fund the restoration works of the South East range of Torre Abbey. The project has a total budget of £404,165, with match funding of £20,209 from Torbay Council (part of previously agreed borrowing of £1.7m) and £20,208 contribution from Friends of Torre Abbey.
- 12.5 Torquay Flood Alleviation (River Fleet) – new grant funding of £50,000 from Environment Agency towards cost of study.
- 12.6 Paignton Flood Alleviation – new grant funding of £60,000 from Environment Agency towards cost of study.
- 12.7 Brixham Flood Alleviation – new grant funding of £45,000 from Environment Agency towards cost of study.

- 12.8 Haldon and Princess Piers – new grant funding of £95,000 from Environment Agency towards cost of study.
- 12.9 Paignton Picture House - new grant funding of £2,322,670 has been awarded by Department for Digital, Culture, Media and Sport (DCMS) towards the restoration and development of Paignton Picture House.
- 12.10 Changing Places Toilets – new grant funding of £180,000 has been awarded by Department of Levelling Up, Housing and Communities (Changing Places Fund) for the implementation of Changing Places Toilet facilities.
- 12.11 12-14 The Strand (former Debenhams site) - £9,600,000 has been allocated from the Economic Growth Fund for the regeneration of the site.
- 12.12 TCCT Seashore Centre (Drake House) – £110,000 borrowing in respect of lease surrender, Seashore Centre (Drake House), Goodrington.

Climate fit for the Future

- 12.13 Climate Change Initiatives – total budget of £1m agreed as part of Capital Plan 2022-23 budget setting process. £0.25m profiled in 22/23. To be funded from borrowing.

A Council Fit for the Future

- 12.14 Capital Contingency - total budget of £4m agreed as part of Capital Plan 2022-23 budget setting process. £1m profiled in 22/23. To be funded from borrowing.

13 Receipts & Funding

- 13.1 The funding identified for the latest Capital Plan budget is shown in Appendix 1. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years. A summary of the funding of the Capital Plan is shown in the Table below:

| Funding | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m | Totals @ Q1 22/23 (£m) |
|-----------------------|---------------|---------------|---------------|---------------|---------------------------|
| Unsupported Borrowing | 18 | 141 | 19 | 0 | 178 |
| Grants | 30 | 38 | 1 | 0 | 69 |
| Contributions | 1 | 0 | 0 | 0 | 1 |
| Revenue | 0 | 0 | 0 | 0 | 0 |
| Reserves | 1 | 0 | 0 | 0 | 1 |
| Capital Receipts | 2 | 1 | 4 | 0 | 7 |
| Total | 52 | 180 | 24 | 0 | 256 |

14 Capital Receipts

- 14.1 The approved Plan relies on the generation of a total of £7.6m capital receipts from asset sales by the end of 2025/26. At 1 April 2022 the Council held a balance of £1.2m with nothing significant added by the end of July 2022, leaving a target of £6.4m still to be achieved.

15 Capital Grants

- 15.1 New capital grant allocations have been announced and will be added in quarter 2.
- 15.2 Ministry of Housing Communities and Local Government – Disabled Facilities grants 2022/23 of £2,128,689. This grant allocation is used to support our DFG expenditure but also includes the former Adult Social Care capital grant. £1m will be allocated to DFGs with the balance to Adult Social Care.
- 15.3 Department for Education – School Condition Allocation 2022/23 - £376,564. Provided to authorities for major repairs and maintenance of school estates.
- 15.4 Department for Education– Devolved Formula Capital Grant 2022/23 - £84,115. This is a ring-fenced grant and will be paid to appropriate schools as required.
- 15.5 Department for Education – Basic Need allocation 2022/23 – revised from £1,829,365 as previously reported, to £1,952,924.
- 15.6 Department for Education - High Needs Provision Capital 2022/23 £1,269,329 and 2022/23 £1,401,225. Provided to support the creation of new High Needs places or the improvement of existing provision.
- 15.7 Department for Transport – Highways Structural Maintenance Grant £809,000 together with Potholes Action Fund £809,000. Both allocations for 2022/23. Indicative allocations for 23/24 and 24/25 also at £809,000 for both Structural Maintenance and Potholes.
- 15.8 Department for Transport – Incentive Element 2022/23 - £202,000. This is an indicative amount and the maximum amount but is subject to DfT review and adjudication before being confirmed. This element of grant is paid to authorities following effective asset management and adopting efficiency and best practice principles for local highway maintenance. Indicative allocations for 23/24 and 24/25 also at £202,000.
- 15.9 Department for Transport – Integrated Transport Block 2022/23 - £1,071,000. Indicative allocations for 23/24 and 24/25 also at £1,071,000.

16 Capital Contributions – S106 & Community Infrastructure Levy

- 16.1 The Council's Capital Strategy states that capital contributions are applied to support schemes already approved as part of Capital Plan and are not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital plan. No Section 106 capital contributions have been received in 2022/23 to date. The Council's Community Infrastructure Levy (CIL) scheme came into effect from 1 June 2017. The main capital project identified for funding from CIL receipts is the South Devon Highway.

16. Risks & Sensitivity

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

| Risk | Impact | Mitigation |
|---|--------|---|
| Adult Social Care funding request | High | The Director of Adult Social Care is developing a range of interventions. |
| Future funding of DSG Deficit | High | Recovery meetings have been convened by the Chief Finance Officer to review any and all opportunities to locally influence this area of spend. The Council is also engaged in the Department for Education's Safety Valve program. |
| CPI at a 40 year high at 9% is having a major impact on both revenue and capital costs. The exact impact is still uncertain, e.g. pay award for 22/23 not yet agreed. Some council capital projects will no longer be affordable. | High | Inflation contingencies in both the 22/23 revenue and capital budgets. However, these may be inadequate. 23/24 budget "build" includes a higher than usual allowance for inflationary pressures. |
| Rise in borrowing rates | High | The council current portfolio is at fixed rates so the recent rises do not impact, however all new borrowing is likely to be higher than forecast in the original scheme business cases. |
| The "cost of living" economic impact on the Council's residents from higher fuel and utility costs is likely to impact on both demand for council services and may result in reduced income from council tax. | High | The Council has established a cross council "cost of living" group to mitigate where possible the impact on council services and support/sign post residents to support. The council will continue to administer payments under both the Household Support Fund and Council tax Rebates. |
| Continued loss of income | High | Recovery meetings have been convened by the Chief Finance Officer for all the Council's main areas of income. Each group is tasked with developing an action plan to influence income where possible |
| Collection Fund shortfall | High | Additional resources allocated to support the Revenues & Benefits team and a review of debt recovery will be undertaken. |

| | | |
|---|--------|--|
| Fair Funding Formula | Medium | Development of a robust MTRP to address the expected impact on Torbay's funding. Timing of this funding change is now expected to be 2025/26 at the earliest. |
| Identification, and delivery, of savings as per Medium Term Resource Plan | High | Work on the Budget for 2023/24 started in May 2022 with service plan reviews taking place in June 2022 with Star Chambers in July 2023. Options will be reviewed by Senior Leadership Team in collaboration with Cabinet to consider options for future years. |
| Delivery of Children's Services cost reduction plan | Medium | Meetings continue to monitor the current rate of delivery against the identified actions from the Sufficiency Strategy. |
| Unable to recruit staff and need to use agency staff. | High | Recruitment & retention of Social Work staff, particularly in safeguarding is still one of the core priorities for the Senior management team within Children's Services. This pressure is also being seen across a number of front-line services which are integral to the Council's "Summer Response Team" Work continues to identify solutions to these challenges which seem to be on a national scale. |
| Additional demand and cost pressures for services, particularly in children's social care | Low | 2022/23 Budget monitoring, use of service performance data and recovery plan. |
| Delivery of approved savings for 2022/23 | Low | Further to regular budget monitoring for all budget holders, the Council's Senior Leadership Team receive monthly updates on the 2022/23 position. |
| Investment Property Income changes | High | The investment board will continue to review future leases and manage any potential break clause implications. |

17 Appendices:

17.1 Appendix 1 - Capital Plan summary – Quarter 1 2022/23