

**Teignbridge District Council
Executive
1 November 2022
Part i**

**2022/23 BUDGET MONITORING – REVENUE & CAPITAL, TREASURY
MANAGEMENT LENDING LIST**

Purpose of Report

To update Members on the principal areas where there are likely to be departures from the 2022/23 revenue budget and summarise those variations to the end of September 2022 including updates on progress with the capital programme and funding and any amendments to the lending list for treasury management purposes.

Recommendation(s)

The Executive Committee resolves to:

- (1) Approve the revenue budget variations for 2022/23 as shown at appendix 1**
- (2) Approve the updated capital programme as shown at appendix 2**
- (3) Note the updated lending list as shown at appendix 3**

Financial Implications

The financial implications are contained throughout the report. The main implication is that there is a favourable variance of £146,160 at the end of September 2022.

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Legal Implications

The Council is required to secure a balanced budget and also to provide certain services. Regular financial monitoring by the Executive helps ensure that the Council is able to meet these statutory obligations. See 7.1.

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Risk Assessment

Major risks are identified in 4.13 and summarised in section 6. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income.

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Environmental/ Climate Change Implications

The revenue budget supports the funding of a Climate Change Officer and associated budget and capital projects are highlighted which contribute towards our climate change objectives – see section 8.

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Executive Member

Councillor Richard Keeling – Executive Member for Resources

Appendices/Background Papers

Appendix 1 – Revenue budget variations 2022/23
Appendix 2 – Capital programme
Appendix 3 – Treasury management lending list
Current year budget files: capital files:

1. PURPOSE

- To identify the principal areas where there are likely to be departures from the approved 2022/23 budget and summarise the likely overall variation based on the information available to the end of September 2022. Also to inform Members of progress that has been made with achieving savings and efficiencies. All shown at Appendix 1.
- To update Members on progress with the capital programme and funding and bring the latest details for members' approval as shown at Appendix 2.

- To update Members on the treasury management lending list as shown in Appendix 3.

2. SUMMARY

- 2.1** The draft accounts for 2021/22 have been published with anticipated general reserves for the year to be maintained at just above £2.0 million plus earmarked reserves for specific grants, contributions and carry forwards including the various grants for business rates etc. The 2021/22 external audit has commenced. There is a net surplus of £146,160 forecast for 2022/23 arising from variations to the original budget.
- 2.2** A summary of revenue budget variations by service identified to the end of September for the current year is shown below with favourable variations indicated by a minus sign as per the details shown in Appendix 1.

Service	Variance £
Development management including land charges	43,750
Corporate services	-709,480
Economy & assets	20,140
Environment/climate change	-851,640
Housing/revenue & benefits/rent allowances	155,210
General	1,195,860
TOTAL FAVOURABLE BUDGET VARIATION TO DATE	-146,160

- 2.3** Budgeted contributions to capital were eliminated as part of the budget process two years ago with new homes bonus receipts likely to disappear as the bonus is phased out. There is still no clarity as to what will take its place. Estimated rates retention above the baseline and pooling gain is assumed to be reset. Government did intimate that we would receive a two year settlement next year but we will have to await confirmation from the new Government that this will still take place and any review and reallocation of funds will eliminate most of the business rate gains made. There is still uncertainty as to whether this will actually take place next year as planned. There has been no other communication on consultation about fair funding so it seems most likely that any reset will be delayed further. We await clarification on this which may be made clearer when full details of the next settlement are provided for 2023/24 in December. The business rates retention reserve holds funds to assist with this eventuality initially. Likely shortfalls for future years after 2022/23 will need to be addressed as part of the budget setting and monitoring process this year and next year. Work is ongoing through service plan reviews, modified business plans and work with Ignite to determine savings to meet the gaps identified in the final budget papers from February 2022.

3. BACKGROUND

3.1 For a number of years Government have only provided one year settlements for core funding. They had intimated over the Summer that a two year settlement would be provided next year. We will have to wait and see if the new Government confirms this change. We have consistently been told that new homes bonus receipts are likely to reduce again as the bonus is phased out. There is still no clarity as to what will take its place. If there is a two year delay then there is the possibility that new homes bonus will continue for two more years and there will be no reset of business rates retention as it is clear that fair funding is not going to be consulted on in the short term. We await clarification on this which may be made clearer when full details of the next settlement are provided for 2023/24 in December. The funding reserve holds funds to assist with this eventuality initially. Likely shortfalls for future years after 2022/23 will need to be addressed as part of the budget setting and monitoring process this year and next year. Work is ongoing through service plan reviews and modified business plans to determine savings to meet the gaps identified in the final budget papers from February 2022 and the additional work with Ignite.

4. VARIATIONS BY SERVICE 2022/23 (revenue shown in appendix 1 and capital in appendix 2)

4.1 Building control

- At the end of September fee income is forecast to meet the target budget of £437,500. Any variation at the year end will be charged to the building control reserve so will not affect Teignbridge's general reserve. Income received to date is up on that at the same time last year.
- Teignbridge became the Lead Authority fully hosting The Devon Building Control Partnership with South Hams and West Devon councils from 1 April 2017 and holds the partnership earmarked reserves on behalf of the partners.

4.2 Development management including land charges

- At the end of September net planning application income is forecast to be in line with the original budget of £795,000. Planning application numbers are 15% down at the end of September as compared with last year – however the number of applications in 2021/22 were particularly high.
- The Executive of 30 May 2017 agreed the introduction of charges for pre-application planning advice from 1 July 2017. At the end of September 2022 income was down on the original budget of £75,000 by an estimated £33,750 for the year.
- Planning appeal costs are currently estimated at £10,000 for this financial year.

- Land charges income is forecast to be in line with the projected net budget of £212,000. The number of searches is 10% down on last year but above the average of previous years. A search can be a full or part search or individual questions.

4.3 Strategic leadership team & corporate services

The 2019 revised strategic leadership team structure has permanent appointments to the relevant positions. The new structure will ultimately deliver ongoing savings in excess of £150,000. These savings have already been incorporated into the budget for 2021/22, 2022/23 and thereafter.

Finance

- Forecast interest receivable at £764,484 is forecast to be up £734,484 on the base income budget of £30,000. Interest accrued to the end of September is £210,814. There is currently no forecast external borrowing for the year, which means zero interest payable against a base budget for interest payable of £30,200. While call account rates with banks remain relatively subdued, money market fund rates have risen in response to base rate changes. There have been seven base rate rises between December 2021 and September 2022 with the rate at 2.25% from 22nd September 2022. Our average lending rate up to the end of September was 1.02% compared to the average SONIA (Sterling Overnight Index Average) in the same period of 1.065%. This is due to instant access rates remaining well below SONIA. Average daily lending for the year is forecast at £40.9 million, with average rates prudently forecast to rise to 1.87% over the year. This forecast is based on base rate reaching 4% by the end of 2022. There is considerable economic uncertainty at present which may affect the Bank of England’s interest rate decisions. Cash flow also continues to be volatile due to government grant activity around the pandemic and cost of living crisis. If base rates increase further in line with commentators’ expectations, forecast interest income may rise further.
- As at the end of 2021/22, the capital financing requirement (CFR) (underlying need to borrow) is £20.069 million. By using existing balances to fund this internally rather than borrowing externally, the Council saves £668,268 per annum. This is based on the cost of borrowing 50% of CFR at the PWLB’s 10-year certainty rate and 50% at the 25-year certainty rate as at 7th October 2022, less potential interest earned at the forecast average rate of 1.87%.

In April we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	0.55	2,000,000	01/04/2022	27/04/2022	26	783.56
DMO	0.565	500,000	01/04/2022	09/05/2022	38	294.11

DMO	0.59	500,000	01/04/2022	19/05/2022	48	387.95
DMO	0.56	3,000,000	08/04/2022	29/04/2022	21	966.58
DMO	0.56	500,000	11/04/2022	28/04/2022	17	130.41
DMO	0.55	500,000	14/04/2022	28/04/2022	14	105.48
DMO	0.55	3,000,000	19/04/2022	28/04/2022	9	406.85
DMO	0.55	5,000,000	19/04/2022	29/04/2022	10	753.42
DMO	0.55	1,000,000	21/04/2022	29/04/2022	8	120.55
DMO	0.55	1,000,000	25/04/2022	29/04/2022	4	60.27
DMO	0.755	5,000,000	27/04/2022	26/05/2022	29	2,999.32
DMO	0.55	4,500,000	28/04/2022	05/05/2022	7	474.66
DMO	0.59	1,500,000	29/04/2022	06/05/2022	7	169.73
DMO	0.645	2,000,000	29/04/2022	09/05/2022	10	353.42
DMO	0.685	1,000,000	29/04/2022	11/05/2022	12	225.21
DMO	0.735	1,000,000	29/04/2022	19/05/2022	20	402.74
DMO	0.74	1,000,000	29/04/2022	20/05/2022	21	425.75
DMO	0.755	2,500,000	29/04/2022	23/05/2022	24	1,241.10
DMO	0.76	1,000,000	29/04/2022	24/05/2022	25	520.55
DMO	0.77	2,500,000	29/04/2022	26/05/2022	27	1,423.97

and we had £39.4 million lent out or in call accounts at the end of the month.

In May we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	0.82	3,000,000	03/05/2022	26/05/2022	23	1,550.14
DMO	0.85	2,500,000	05/05/2022	20/06/2022	46	2,678.08
DMO	0.8	1,500,000	06/05/2022	11/05/2022	5	164.38
DMO	0.85	1,000,000	11/05/2022	23/06/2022	43	1,001.37
Nationwide	1.46	1,000,000	11/05/2022	10/05/2023	364	14,560.00
Thurrock Council	1.1	2,000,000	01/06/2022	01/09/2022	92	5,545.21
DMO	0.835	1,000,000	16/05/2022	20/06/2022	35	800.68
DMO	0.885	7,000,000	16/05/2022	05/07/2022	50	8,486.30
DMO	1.005	2,000,000	20/05/2022	09/08/2022	81	4,460.55
DMO	0.93	2,000,000	24/05/2022	05/07/2022	42	2,140.27
DMO	0.965	1,500,000	26/05/2022	19/07/2022	54	2,141.51

and we had £35.0 million lent out or in call accounts at the end of the month.

In June we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	1.05	3,000,000	01/06/2022	09/08/2022	69	5,954.79
DMO	1.05	1,000,000	06/06/2022	18/07/2022	42	1,208.22
DMO	1.115	3,000,000	15/06/2022	09/08/2022	55	5,040.41
DMO	1.16	1,500,000	15/06/2022	22/08/2022	68	3,241.64
DMO	1.165	1,000,000	15/06/2022	23/08/2022	69	2,202.33
DMO	1.06	1,000,000	20/06/2022	22/07/2022	32	929.32
DMO	1.05	500,000	27/06/2022	05/07/2022	8	115.07
DMO	1.22	500,000	27/06/2022	26/08/2022	60	1,002.74
DMO	1.28	1,500,000	27/06/2022	12/09/2022	77	4,050.41

and we had £43.1 million lent out or in call accounts at the end of the month.

In July we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	1.05	1,000,000	01/07/2022	04/07/2022	3	86.30
DMO	1.31	2,500,000	01/07/2022	15/09/2022	76	6,819.18
DMO	1.345	1,500,000	07/07/2022	19/09/2022	74	4,090.27
DMO	1.36	1,000,000	07/07/2022	23/09/2022	78	2,906.30
DMO	1.46	2,500,000	15/07/2022	28/09/2022	75	7,500.00
DMO	1.525	1,500,000	15/07/2022	10/10/2022	87	5,452.40
DMO	1.585	1,500,000	25/07/2022	19/10/2022	86	5,601.78
DMO	1.275	1,000,000	29/07/2022	11/08/2022	13	454.11

and we had £41.7 million lent out or in call accounts at the end of the month.

In August, we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	1.35	4,500,000	01/08/2022	11/08/2022	10	1,664.38
Coventry	2.07	1,000,000	09/08/2022	03/02/2023	178	10,094.79
Principality	1.83	1,000,000	11/08/2022	07/11/2022	88	4,412.05
DMO	1.76	4,500,000	11/08/2022	21/10/2022	71	15,406.03
Nationwide	2.12	1,000,000	15/08/2022	10/02/2023	179	10,396.71
DMO	1.755	6,000,000	15/08/2022	21/10/2022	67	19,329.04
DMO	1.63	500,000	16/08/2022	26/09/2022	41	915.48

DMO	1.88	1,500,000	17/08/2022	21/11/2022	96	7,416.99
DMO	2.22	1,500,000	30/08/2022	19/12/2022	111	10,126.85

and we had £42.4 million lent out or in call accounts at the end of the month.

In September, we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	2.09	7,000,000	01/09/2022	25/11/2022	85	34,069.86
London Borough Of Haringey	3.17	3,000,000	21/09/2022	20/09/2023	364	94,839.45
DMO	1.77	500,000	15/09/2022	30/09/2022	15	363.70
DMO	1.955	2,000,000	28/09/2022	30/09/2022	2	214.25

and we had £38.4 million lent out or in call accounts at the end of the month.

- Municipal Mutual Insurance (MMI) provided insurance for the Council until early 1993 when policies were transferred to Zurich Municipal. MMI experienced financial difficulties in 1992 and a scheme of arrangement was agreed by local authority creditors to facilitate the solvent run-off of the company. The scheme has been triggered and we have to pay a percentage of our potential liability of £341,000.

In 2013/14 a provision was made for the first levy notice of 15% or £51,000 which the administrator issued in April 2013 and was billed and paid early in 2014. A further reserve of 35% or £119,000 for likely claims in future years was also set up. Together these allowed for a total 50% of the potential liability as recommended by the broker. MMI's accounts to 30 June 2015 were published and we paid a second levy of 10% or £34,000 in April 2016. We were not required to pay any more after publication of the accounts since 2016. We still have £85,000 in reserve for the potential remaining 25%.

Human resources, legal, democratic services, audit and procurement

It is anticipated that the extra costs for holding committee meetings externally for room hire and principally web casting will amount to £25,000.

4.4 Economy & assets

- Repairs and maintenance are on target to be within the budget of £727,520. Actual spend to the end of September is £201,482.
- Income from car parking is currently in line with the original budget of £4.2 million at the end of September.

- General rental income has reduced over the last 12 months. The income to date is currently in line with the budget set. Market income is slightly down by £7,200 from the original budget. The total property income budget is £3.1 million.
- Renewal of the building cleansing contract has added a budget pressure of £12,940 for 2022/23 and an ongoing annual budget pressure of £25,890 for future years.

Capital

- The capital programme is shown at appendix 1. It continues to include significant provisions for investment in town centres and employment land. This includes the Future High Street Fund projects, which will revitalise the centre of Newton Abbot, creating a central, flexible mixed use space for community, artistic and cultural activities, alongside a revitalised market, food hall and Market Square. There are improvements to Queen Street and the National Cycle Network Route, as well as the building of a new state-of-the-art cinema. This regeneration will help transform the town centre into a vibrant and welcoming place to visit, boosting footfall and local spend and creating a premier market destination for the wider area. The total investment of £12.5 million includes government funding of £9 million.
- In 2019, Council resolved to progress plans to develop a hotel, including car park re-provisioning as part of the town centre regeneration outlined in the Newton Abbot master-plan. This project is funded mainly from prudential borrowing.
- Council of 28 April 2022 granted authority for the sale of land at Brunswick Street in Teignmouth town centre to Torbay and South Devon NHS Trust. Alongside this, it was resolved to create a new car park at the junction of George Street and Brunswick Street, to be funded from capital receipts.
- There is a £2 million provision for employment sites, funded from borrowing. It is anticipated this will be spent on schemes on council owned land, either to invest in new assets or to enhance and make best use of those already available. This will encourage new and existing businesses to set up, move in and stay in the area. The aim is to create better paid jobs and business expansion for a more resilient local economy. Where people can both work and spend leisure time locally, carbon emissions are also reduced. Individual projects will come back to committee as appropriate as business cases are developed
- Council of 6 June 2016 resolved to commit funding to the Superfast Broadband Connecting Devon and Somerset phase 2 programme. An investment of £250,000 financed from capital receipts was confirmed and the collaboration agreement signed. It is anticipated to be paid in 2022/23.

- Following planning permission being granted for structural changes to the former Beachcomber Restaurant in Teignmouth, the public toilets (excluding the disabled WC) currently on the ground floor are being replaced by temporary public toilets on the Den. A budget of £41,600 is included for preparatory work, funded from the earmarked reserve for revenue contributions to capital. These works pave the way for finalising new lease arrangements at the site.

Capital - coastal & drainage

- The South West Regional Coastal Monitoring Programme (SWRCMP) completed its 3rd phase in 2020/21 and entered a new 6 year phase on 1 April 2021. This is 100% funded by grant from the Environment Agency – up to £10.5 million over 6 years. The latest phase includes coastal asset data in addition to topographic beach survey data, bathymetric data, LiDAR, aerial photography and habitat mapping, providing a long term dataset showing changes to the beaches and coastline of the South West. It ensures that all Coastal Protection Authorities have the evidence to better understand the processes affecting the coast ensuring that coastal defence schemes are designed based on reliable information.

4.5 Environment

- A waste savings sharing agreement exists with Devon County Council. Additional savings which might arise can help to contribute towards the costs of implementing and on-going costs of extra waste and recycling rounds and improvements. This is anticipated to be £56,030 higher than the budget set (after in year costs) for 2022/23.
- Fuel costs have increased and are currently predicted to be £75,000 higher than the budget set.
- Income from recycling sales is up on the original budget by £887,000 – mainly due to volumes which have increased and been maintained and also due to the price for cardboard and plastics collected.
- The increased volumes have increased recycling credit income by £72,690.
- Hardware replacement to the waste and recycling vehicles will be required at a likely cost of £62,100. In addition £26,980 is required for replacement of the conveyor for the recycling sort line. This will be funded by extra revenue contributions to capital. An additional £23,000 is required for new bins and

containers. This will be funded from fees and charges for the provision of waste bins to new properties.

Capital

- On 4 May 2021, Council approved decarbonisation works at Forde House offices. This includes £0.672 million grant funding secured under the Public Sector Decarbonisation Scheme. The delivery of projects covered by grant funding at Forde House is dependent on the Authority further investing in building upgrades and renovation works to enable compatibility with low-carbon technologies and to future-proof the site for flexible working. A further £2.4 million for these supporting works, funded from prudential borrowing and capital receipts, was also approved. Works include upgrading heating and ventilation systems, installing thermal fabric improvements and upgrading the incoming electricity supply. The flexible working project seeks to optimise and modernise staff provisions to support Council services, by redistributing desks and freeing up ground floor space to enable the potential to rent out the space and generate a new income stream. Following the original contractor going into administration, the works were re-tendered. Cost increases relating to unprecedented levels of inflation meant that an urgent decision was taken on 13th April 2022 to increase the total budget to £4.4 million, with the additional funding comprising revenue savings from the 2021/22 financial year and capital receipts. Works are progressing with the new contractor.
- The Authority also worked with a leisure energy specialist to develop a grant application under the Public Sector Decarbonisation Scheme covering Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido. The bid was successful, resulting in receipt of £2.3 million of grant funding to replace existing gas-fired heating systems with low-carbon air source heat pumps. Further provisions covered by the grant vary on a site-by-site basis but broadly involve electricity system upgrades, air handling unit works, solar photovoltaics and energy management system upgrades. A further budget line was added to allow the existing roof at Broadmeadow sports centre to be replaced prior to the installation of solar photovoltaics. This additional item is funded from developer contributions. These projects were recently Highly Commended in the Large Scale Project of the Year category at the Energy Efficiency Awards – South West.

4.6 Housing

- Teignbridge have received £43,623 of new burdens funding towards the statutory duty to support victims of domestic abuse within safe accommodation.
- Devon authorities have been asked to make a contribution of £9,000 each towards funding of the Devon Housing Commission task force.

Capital

- The 2022/23 Better Care government grant, received via Devon County Council is £1.48 million, with a further £0.92 million carried over from 2021/22. This is budgeted towards statutory disabled facilities and other discretionary grants, to meet anticipated increased demand.
- To date in 2022/23, no previously paid renovation grants have so far been recovered.
- The Council successfully bid for Warm Homes funding streams (supported by Better Care funding) covering provision of both air source heat pumps and first-time gas central heating to residents. £20,000 budget is carried forward for park home grants and £400,000 for Category 1 (Gas) and Category 2 (Air Source Heat Pumps).
- In addition, £1.1 million was received in 2020-21 from the Green Homes Fund. £250,000 is carried forward for grants towards energy efficiency measures.
- A provision of £8.5 million over two years relates to the first half of the Teignbridge 100 housing scheme for affordable and social housing. This work has already commenced as the programme covers previously approved schemes. Two homes at Drake Road, Newton Abbot and a further 5 units at Carlisle St (East St), Newton Abbot were recently completed. The tenants have the benefit of EPC A-rated energy efficient homes. The Carlisle St project also includes two fully wheelchair accessible flats. In addition, three properties have recently been acquired under the Rough Sleeper Accommodation Programme. The aim of this project is to provide move on accommodation and support to rough sleepers, to enable them to transition to independent living. A shared housing property in Dawlish has been acquired and is in the process of being refurbished as a supported accommodation hostel. The Teignbridge 100 pipeline covers a range accommodation types, the intention being to deliver a rented programme across urban and rural locations on Teignbridge land.
- Figures and timing are currently indicative only and will be refined as due diligence progresses. Funding is assumed to be a combination of Homes England grant, capital receipts (including right to buy receipts estimated at £0.6 million per annum until payments cease in 2024) section 106 for affordable housing and borrowing. Discussions continue with housing providers over the method of delivery and pipeline projects will be brought forward for approval in due course. Funds have been provisionally earmarked for initial work towards design and planning permission at Sherborne House, Newton Abbot, subject to business case.
- A shared equity scheme funded from £0.7 million of external planning contributions was approved at Full Council in November 2019. Housing market conditions meant there was no take-up of the scheme, therefore these

funds have been diverted to the direct purchase of dwellings in Chudleigh to be rented to applicants with a local connection to Chudleigh. The adjusted budget for this scheme is £1.024 million, with the additional amount assumed to be funded from Homes England grant, capital receipts and borrowing.

4.7 Leisure / Green spaces

- Leisure experienced significant loss of income due to various lockdowns in 2020/21. The single biggest income stream is memberships which reduced significantly and although income has gradually increased again, competition has resulted in slower growth than anticipated. Actual income is down on the base budget for 2022/23 with an estimated loss for the year of £84,570 at the end of September – mainly due to memberships and also decarbonisation works at Broadmeadow sports centre and difficulty in offering a full range of activities due to issues with recruiting and retaining staff. Swimming lessons income is currently above target. It is anticipated that the loss of fees and charges income will be offset by savings.
- We currently have £10.0 million in S106 receipts, of which £2.8 million is committed towards projects in the capital programme. These are over many services and parishes but the majority is for leisure including open spaces, sports provision and play facilities.

Capital

- Following improvements to Bakers Park and Decoy play area, the latest play area refurbishment to be completed was the Den in Teignmouth. This £280,000 scheme was completed in time for the summer holidays. £150,000 is budgeted for play area improvements at Ashburton Road, Newton Abbot, funded from developer contributions.
- Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido will benefit from the £2.3 million decarbonisation project outlined in 8.5. In addition, a project to replace the sports hall floor at Broadmeadow Sports Centre was completed, with a budget to introduce modern gated access across our leisure centres (both funded from Section 106 contributions).

4.8 Licensing

Licensing income looks to be on target to achieve the budget of £227,550.

4.9 Revenue & benefits plus customer services

- Covid 19 has created significant pressure on revenue and benefits in distributing the business grant support monies to various businesses and increased workload from council tax support and recently the distribution of the £150 energy grant. Government have provided support and a new burdens grant was received this year of £66,590 – at least £42,800 of which is expected to be spent on administering the scheme.
- Projected housing rent allowance costs less recoverable through subsidy are likely to increase by £170,000 compared to budget.

4.10 Spatial planning and delivery

We received the first payments of community infrastructure levy (CIL) in 2015/16. The money is being coded by town/parish and any payments due to them are made half-yearly. As at year end 2021/22, Teignbridge had recognised £18.6 million of usable CIL after payments due to parishes. As CIL may be paid in instalments, actual cash received to the end of 2021/22 was £15.5 million (£12.3 million after the £3.2 million paid to parishes). £7.4 million has been spent on infrastructure, with the remainder committed to existing approved projects including provisions for local transport, education and sports. £0.3 million has been allocated towards administration costs since inception. The actual cash balance after parish payments and expenditure was £4.6 million. A further £2.8 million of usable CIL has been recognised to date in 2022/23.

- Teignbridge received £164,000 of capacity funding to support the delivery of Newton Abbot as a garden town from the Garden Communities Programme and £160,000 Design Code Pathfinder funding. The Programme is to transform local communities focused on sustainability and supported by the right infrastructure.

Capital

- At Council on 25 September 2017, the acquisition of approximately 38 hectares of land at South West Exeter for the creation of Ridgetop Park was approved. This is occurring in phases, with instatement works taking place in line with the acquisition phasing. £2 million is included for the acquisition, instatement and endowment costs of future phases, funded from Housing Infrastructure Fund grant.
- Both Dawlish Countryside Park and the first phase of Ridgetop Park have been handed over to the respected land charity, the Land Trust for management under agreements which will ensure that the public and environmental benefits of the sites will be safeguarded for the long term.

- In addition to the Garden Communities revenue funding of £164,000 noted above Teignbridge has also been awarded a capital element of £250,000 towards infrastructure funding.
- £4.8 million of CIL is budgeted for infrastructure projects in 2022/23 including £2.6 million towards ongoing improvements to the A382, £600,000 for the Jetty Marsh Link Road, and £1.2 million towards cycling and other sports and leisure projects. There is £337,000 provision towards habitat mitigation infrastructure.

4.11 General revenue

- Council tax support cost has decreased and was just over £10.5 million at the end of September which is £492,311 below the original estimate of £11.0 million. Council tax support falls directly to Teignbridge including parishes (12.6% together), county, fire and police and is being monitored monthly.
- Our business rateable value (RV) has increased slightly and stands at just over £86.1 million. The number of assessed businesses has increased from 5,617 to 5,647. These are the end of September 2022 figures as compared to the beginning of the current year. We still seem to be on target to achieve the total budget of £5.1 million business rates retention income for the year.

4.12 General savings progress

- Strata Service Solutions Ltd - the current year budget included a savings target of £212,780 which it is anticipated will be achieved. In 2021/22 Strata had identified that they will deliver savings over and above the original savings target anticipated. A request was made by Strata that the three Councils reinvest surplus funds totalling £411,000 with Strata in 2022/23. The Councils share is £112,500. The reinvestment will allow Strata to continue to support the delivery of the required services and changes required for the three Councils. As part of our closedown of our accounts for 2021/22 the savings have been allocated to an earmarked reserve and on 4 July 2022 Executive approved that they are reallocated to Strata in 2022/23 to be spent on extra resources to deliver the services and requirements needed.
- Salary vacancy savings at the end of September look to be in line with the required budget target of £425,000. There has been an initial offer proposed of a flat £1,925 across all grades in relation to the pay award for 2022/23. We had assumed in the budget for 2022/23 a 2% increase. This has added £981,860 as a budget pressure if agreed by all the Unions. There is likely to be further pressures on the provision made for pay increases in 2023/24 and thereafter and so an additional provision has been outlined in 2023/24 of

£180,000. There are no other material variances on other salary costs at the end of September.

- Utility costs for gas, electricity and water have increased significantly and we anticipate a budget pressure this year of £150,000 and £300,000 in future years.
- The Executive are to spend up to £64,000 from general reserves on expenditure to inform decision making on Future High Street Fund schemes.
- The Better 2022 review of service business plans will continue to identify savings that will be fed into the budget process together with the work and findings from Ignite.
- Construction cost inflation is being driven across the UK by numerous external Global factors including, inter alia: supply side issues for materials in particular steel; a weaker pound having fallen significantly against the dollar from May 2021 to date; cost of energy, transport and the cost of labour.
- Increasing costs for capital projects combined with increasing borrowing costs will challenge returns on capital projects and will require continual monitoring.
- All capital schemes undergo rigorous business plan projections using experts internally/externally as required. Risk registers are formulated and associated mitigations to those risks identified to all aspects of a project particularly with Global and external factors being volatile in the current economic cycle such as inflation, borrowing, interest rates, income projections, rates of return, running costs, environmental factors, legal aspects, our prudential indicators etc. These are modelled and revisited periodically (on larger projects this will be in the form of monthly valuations) as new information is made available or as a project moves to the next milestone or stage to ensure the returns are made and the objectives of the project are delivered.

4.13 Future years

- Council tax has been closed down and balanced for 2021/22 and the surplus/deficit declared will be shared with county, fire and police in 2022/23. An earmarked reserve is held to cover these fluctuations where deficits arise.
- The number of dwellings in Teignbridge on the valuation list is monitored monthly and the data feeds into the new homes bonus (NHB) calculation if NHB is retained next year and not replaced with an alternative form of funding. At the end of September there were 64,229 dwellings which is 471 more towards any potential NHB payment for 2023/24. We will need to wait until the next provisional settlement announcement to be clear on the overall budget impact of loss of NHB and any replacement or perhaps further modification of the existing scheme for a further year or two. The number of empty homes has been reduced from 305 to 292.

- Business rates baseline funding was due to be reset in 2020/21. This has been delayed by 12 months at each spending review and was supposed to be introduced in 2023/24. It is still not clear when this will take place. When the reset takes place it is considered likely that we will lose the majority of the business rate growth retention income we have received in recent years as a result of this reset. These losses will be significant for future budget setting and financial planning. We hold funds within the business rates/funding reserve to help cushion the impact of any initial losses of income as a result of the baseline reset. It has been intimated that we might get a two years settlement next year which if approved by the new Government is positive in that we will maintain our business rates growth for two more years.
- The overall impacts of the Brexit outcomes between the UK and the EU have been difficult to determine and has then been overshadowed by the events from the Covid 19 pandemic. Therefore drawing any conclusions about its impact for local government is not possible. We will continue to monitor any information we receive in relation to this as part of our risk and financial management.
- Work has commenced on the initial budget proposals for 2023/24. There are concerns in relation to the state of the economy, impact on income streams and costs, inflation and the cost of living, salary levels and further budget pressures which could widen the budget gap within the medium term financial plan. Plans must continue to be developed to identify savings, increase income and develop commercial opportunities where possible. There is likely to be pressure on other spend budgets and so a provisional assumption of a £100,000 budget pressure has been allocated for future years. **Please note the potential increasing adverse budget pressures for 2023/24 and 2024/25 as shown in Appendix 1 which are over and above the existing budget gaps for those years. These pressures and any others arising will need to be considered in any budget proposals for 2023/24.**

5. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 3)

- 5.1 The authorised treasury management lending list was approved at the 2022 February budget meeting. Following the appointment of treasury management advisors in 2019, additional highly-rated institutions were added to the Council's official lending list. From 1 January 2019, the largest UK banks had to separate core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks addressed ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. In some cases, ring-fencing affected ratings. Officers continue to monitor all ratings to ensure they meet the Council's lending criteria.

5.2 The lending list has been updated for the latest ratings and is included at appendix 1. Goldman Sachs moves from Tier 1 to Tier 2 in line with current ratings.

6. RISKS

The major risks to be aware of are around future funding and the adequacy of reserves going forward. Clarification of the two year settlement will be crucial in determining the impact on this. General reserves are maintained at a value higher than originally budgeted and earmarked reserves have been increased to help deal with future forecast funding changes and potential exposure to on going reductions in income. These risks may impact on the performance of treasury management and borrowing levels moving forward.

The most significant concerns are detailed in 4.13 above and mainly relate to future financial planning, predicted changes to business rates retention and the abolition of New Homes Bonus.

7. MAIN IMPLICATIONS

The main implications members need to be aware of are as follows:

7.1 Legal

Regular budget monitoring is required by the Council's Constitution and Financial Rules.

The Council is required to secure a balanced budget and also to provide certain services. Regular financial monitoring by the Executive helps ensure that the Council is able to meet these statutory obligations.

Monitoring and reporting of the treasury management results is required by the CIPFA Treasury Management Code.

7.2 Resources

The report notes an overall favourable variance of £146,160 identified this year to the end of September. Cash flow is forecast to be positive for the next twelve months. Revenue reserves are considered to be sufficient to sustain the council for the current financial year however the February 2022 budget identified a budget next year of £3.3 million and £2.6 million for 2024/25 currently being funded by earmarked reserves. Service reviews are exploring further savings that can be made this year and in the future to protect significant use of earmarked funding reserves. Consideration will need to be made of any future developments regarding funding changes from business rates retention and changes to New Homes Bonus. Capital is funded over the medium term. As mentioned in 3.1 above work is ongoing with Ignite to determine how we address the revenue budget gap in the medium to long term. A number of savings options are being considered and costed together with a review of the overall structure of the organization.

8. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

The revenue budget supports the appointment of a climate change officer and associated budget. The capital programme identifies projects which have an impact on climate change denoted with a green leaf in appendix 2.

9. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

10.00 a.m. on 8 November 2022