

EXECUTIVE

LEADER: Cllr Jeremy Christophers

PORTFOLIO HOLDER: Cllr Stuart Barker

DATE: 5 December 2017

REPORT OF: INTERIM CHIEF FINANCE OFFICER

SUBJECT: BUDGET MONITORING – REVENUE & CAPITAL,
TREASURY MANAGEMENT LENDING LIST

PART I

RECOMMENDATIONS

The Executive is recommended to

Resolve

- (a) To approve the revenue budget variations as shown at appendix 1.
- (b) To approve the updated capital programme as shown at appendix 2.
- (c) To note the updated lending list as shown at appendix 3

The Executive recommends to Council

- (a) To note the mid-year review of treasury management at appendix 4

1. PURPOSE

- To identify the principal areas where there are likely to be departures from the approved 2017/18 budget and summarise the likely overall variation based on the information available to the end of October 2017. 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 in Appendix 2.
- To update Members on the lending list for treasury management purposes as shown in Appendix 3.
- To bring the mid-year treasury management review for information as shown at appendix 4.

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2. SUMMARY

- 2.1 Opening general reserves for the year are £1.7 million plus earmarked reserves of nearly £3.4 million for specific grants, contributions and carry forwards. The 2016/17 external audit is complete and no changes were made to the Teignbridge figures. There is a surplus of £226,050 forecast for 2017/18 arising from variations to the original budget.
- 2.2 A summary of revenue budget variations by service identified to date 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	-49,080
Corporate services	-24,850
Economy & assets	-10,900
Environment	-214,600
Leisure	-40,000
General	113,380
TOTAL FAVOURABLE BUDGET VARIATION TO DATE	-226,050

- 2.3 A contribution to capital of £1.5 million is assumed in the current year enabled through new homes bonus receipts but these reduce in later years. Estimated rates retention above the baseline and pooling gain is assumed to grow over the three year plan period from £1.2 million in the current year. A new reserve has been set up with £1.5 million for revenue contributions to capital carried forward to the current year.

3. BACKGROUND

- 3.1 A report on the variations to the 2017/18 budget as identified at the end of August was brought to members on 3 October 2017. At that time an updated capital programme was also approved and updated lending list noted. The external auditors are currently checking the £35 million housing benefits claim in time to certify it by the deadline of 30 November. Their findings will be reported to the next Audit Scrutiny Committee.

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

4.1 Building control

- At the end of October fee income is forecast to be slightly down on the budget of £360,000. 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 down 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 this year. Following this £175,000 was transferred from South Hams/West Devon into Teignbridge's general reserve for previous building control deficits it had funded.

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4.2 Development management including land charges

- At the end of October planning application income is forecast to be £83,000 up on the original budget of £773,000 and significantly up on last year. This is mainly because of the June income for the Wolborough development where the money may be required for legal fees. Planning application numbers are similar at the end of October as compared with last year.
- The Executive of 30 May 2017 agreed the introduction of charges for pre-application planning advice from 1 July. At the end of October we were slightly down compared to the estimated income of £22,500 for the year which is extra to the original fees and charges budget for the year.
- Government last increased planning fees by 15% from 22 November 2012. In late February 2017 government offered to increase planning fees by 20% from July. Authorities could accept the offer by committing to spend the extra income on planning functions. Teignbridge did this by the deadline of 13 March. There has been a delay in implementing this and the regulations are not yet in place.
- Land charges income is forecast to be £10,000 above the updated budget of £211,000. This is less than last year as at the end of October but the number of searches is 2.4% up on last year. A search can be a full or part search or individual questions. For the current year additional questions were introduced and this is the likely reason for the additional number of searches.

4.3 Corporate leadership team & corporate services

The chief executive left on the 9 June 2017 and corporate leadership team is currently under review. The deputy chief executive has been designated head of paid service on an interim basis and there is one business lead.

Democratic services

Portfolio holder decision 15 - 2017 was approved on 15 August to contribute just over £10,000 to the County Council elector fund. This has to come from reserves as it was unknown at the time of the budget whether county would be continuing with the scheme.

Finance

- Net interest is forecast to be up £28,000 on the income budget of £7,000 as we have not had to undertake long term borrowing. Base rate was increased by 0.25% to 0.5% on 2 November with an intimation that there may be further small increases in the future. Our bank call accounts interest rate receivable is linked to base rate so this change will provide us with a small increase in likely interest received. Call account rates are however still relatively low because of the changes to bank regulations over the past few years. Our average lending rate to the end of October is 0.26% which is above the benchmark 7 day London Interbank Bid rate to date of 0.19%.

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In April we arranged lending of -

£2 million to Coventry Building Society (BS) at 0.22% for 43 days to 31 May 2017

and we had £5.3 million lent out or in call accounts at the end of the month.

In May we arranged lending of -

£1 million to Nationwide BS at 0.45% for 308 days to 19 March 2018

£1 million to Lloyds Bank at 0.65% for 276 days to 15 February 2018

£1 million to the Debt Management Office at 0.15% for 7 days to 22 May 2017

and we had £3.8 million lent out or in call accounts at the end of the month.

In June we arranged lending of -

£1 million to Lloyds Bank at 0.4% for 92 days to 15 September 2017

£1 million to Coventry BS at 0.33% for 165 days to 27 November 2017

and we had £11.2 million lent out or in call accounts at the end of the month.

In July there was no new lending and we had £10.6 million lent out or in call accounts at the end of the month.

In August there was no new lending and we had £11.8 million lent out or in call accounts at the end of the month.

In September we arranged lending of –

£8 million to the Debt Management Office at 0.1% for 3 days to 18 September 2017

£1 million to Lloyds Bank at 0.32% for 159 days to 21 February 2018

and we had £11.8 million lent out or in call accounts at the end of the month.

In October we arranged lending of –

£4 million to the Debt Management Office at 0.1% for 7 days to 23 October 2017

£1 million to Skipton Building Society at 0.19% for 80 days to 4 January 2018

£1 million to Princiapality Building Society at 0.21% for 80 days to 4 January 2018

and we had £10.2 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.

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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 to 30 June 2017. We still have £85,000 in reserve for the potential remaining 25%.

- The Audit Commission (AC) was closed in March 2015 and a not-for-profit company Public Sector Audit Appointments (PSAA) was established by the Local Government Association. The government specified PSAA as the appointing person for local government audits. PSAA plans to make a distribution of surplus funds from the transferred retained earnings of the AC and subsequent PSAA surpluses and efficiencies to local government. Teignbridge is likely to receive around £7,000 this year.

New external auditors have also been appointed by PSAA to authorities for audits of accounts from 2018/19. Teignbridge and as far as we know the rest of Devon will have Grant Thornton who are our current auditors. This is forecast to result in an 18% reduction in fees or around £10,000 saving from 1 October 2018.

Human resources, legal and procurement

There are no significant variations to report.

4.4 Economy & assets

- Repairs and maintenance are on target to be within the budget of £900,000. Actual spend to the end of October is £463,000.
- General rental income continues to improve due to new and renewed leases but some specific adverse variations offset this resulting in an overall adverse £11,000. This is minor compared to the total property income budget of £2.7 million. However there is a national decline in market trading and the livestock market has been affected by the ban on moving poultry as a result of bird flu. Overall market income is estimated to be down on budget by £44,000.
- There is a favourable variation in general car parking income of £89,000 compared with the original budget of £2.8 million. The decrease in income at the Point, Teignmouth due to the sea defence construction works has been offset by increases in other Teignmouth car parks. There has also been an increase in Newton Abbot income. In addition a favourable variation of £54,000 in permit income has been identified. £77,100 of the variation is required to fund the current car parking capital improvement schemes.

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Capital

- Council of 6 June resolved to commit funding to the Superfast Broadband Connecting Devon and Somerset phase 2 programme. An investment of £250,000 financed from capital receipts and spread over the years 2017/18 and 2018/19 was confirmed and the collaboration agreement signed. We have had confirmation from county that the contribution is still required, however it has been negotiated that this payment is deferred to be paid in one instalment in 2019/20.
- The Forde House refurbishment works to relocate internal departments and accommodate the Department for Works and Pensions are progressing with £1.06 million of the £1.13 million budget spent or committed to date. We have nearly completed the renovation works with teams settled into their new office spaces.
- Council of 25 September resolved to commit £2.138 million to improvements at Market Walk, Newton Abbot, including shop facades and canopy. This will be funded mainly by prudential borrowing.

Capital - coastal & drainage

The current year's programme is fully funded by budgeted grants of £2.8 million mainly from the Environment Agency for regional coastal monitoring, and flood alleviation and prevention. Of this £1.5 million was received in earlier years and £635,000 has been received to date in the current financial year. Teignmouth sea defence wall construction works which are included in the programme are progressing with £1.473 million spent or committed this year to date. There had been a delay after additional essential repair work was identified to tackle erosion under the sea wall.

4.5 Environment

- Waste has a positive variation in income of £74,600. This is largely from additional aluminum and cardboard materials sales.
- A waste savings sharing agreement with county was approved on 8 March in portfolio holder decision 6 – 2017. An extra £140,000 is expected to be received annually from this which will be dependent on actual waste tonnages in comparison to the baseline year, allowing for household growth.

4.6 Housing

- Teignbridge has been allocated a flexible homelessness support grant of just over £176,000 for the current year with nearly £186,000 next year. This is a significant increase on the prevention grant of nearly £65,000 last year. Current rent support, young persons homeless prevention and money advice services continue. In addition a portfolio holder decision 14 – 17 dated 30 August approved extra and improved staffing resources funded by the grant to prevent and deal with homelessness.

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- Teignbridge was also allocated a significant community housing fund grant of just over £581,000 towards the end of last year. This is to enable local people to play a leading and lasting role in solving housing problems, creating genuinely affordable homes and strong communities in ways that are difficult to achieve through mainstream housing. Plans are still being developed and one officer is working on this. Further funding is expected for later years.

Capital

We received 90% i.e. £1.028 million of the government housing capital funding for 2017/18 towards statutory disabled facilities grants in June via county. We also have £227,000 carried over from last year giving a total £1.255 million for the current year. £700,000 is now anticipated and budgeted each year for right to buy receipts towards the affordable housing programme. We received £792,000 for last year in May 2017. £25,000 of previously paid renovation grants has been recovered for Teignbridge to date this year.

4.7 Leisure

- Leisure continues to experience growth in their membership income with a favorable variation of £40,000.
- We currently have just over £6 million in uncommitted S106 receipts. Of this sum £2.09 million is for leisure including sports provision and play facilities, £0.647 million is for open space and the remainder for other services.

4.8 Licensing

Licensing income looks to be on target to achieve the budget of £210,000. Income to date is slightly less than last year.

4.9 Revenue & benefits plus customer services

- Nationally rates were revalued by the valuation office effective from 1 April 2017. Overall values have increased but the effect has been negated by government reducing the multiplier from 49.7p to 47.9p. Rates have generally gone down in the south west. However some properties have had increases and these are subject to transitional relief over four years.
The government has also brought in a discretionary rate relief scheme for those with the highest increases. Teignbridge is receiving funding of £294,000 this year reducing to £8,000 in year 4. Devon districts have worked together on a policy for granting the relief in accordance with government guidance.
- Universal Credit started for Teignbridge from 9 November 2015 for new single job seekers and we are due to go live with the full service in May 2018. There has been help from the department for work and pensions in connection with the transition but the specific funding agreement ended last year.

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4.10 Spatial planning

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 will be made every six months in April and October. Teignbridge has currently received/is due £4.0 million of CIL after payments due to parishes. This is all committed to existing approved projects including the Suitable Alternative Natural Green Space (SANGS) described below.

Capital

- Council of 4 July 2016 approved the acquisition of land at Dawlish to provide a natural recreational area for local people to enjoy. The land was acquired on 9 September 2016 as part of the £2.9 million SANGS project. It will help protect internationally important conservation sites at nearby Dawlish Warren and the Exe Estuary providing more leisure choices for the growing population and people living in new developments nearby. £43,000 has been spent or committed to date this year on instatement works and the 65 acre countryside park was opened to the public on 3 September 2017.
- Council of 26 September 2016 approved that Teignbridge becomes a shareholder of the public sector Energy Services Company. This will involve providing up to £98,000 of revenue support towards procurement from an identified revenue carry forward. In the longer term capital investment of up to £177,000 is expected into the Joint Venture Company starting next year with net revenue returns expected from 2034/35.

4.11 General revenue

- Council tax support cost continues to go down and was just under £8.7 million at the end of October which is £189,000 below the original estimate of £8.9 million. Council tax support falls directly to Teignbridge including parishes (12.8% together), county, fire and police and is being monitored monthly.
- Our business rateable value (RV) has risen from £84.5 million to £85.0 million and the number of assessed businesses has increased from 5,116 to 5,234. These are the end of October 2017 figures as compared to the beginning of the current year. We still seem to be on target to achieve the total budget of £4.4 million business rates retention income for the year.

4.12 General savings progress

- Following Executive of 22 July 2014, Council approved on 31 July 2014 the implementation of a shared ICT service between Exeter, Teignbridge and East Devon district councils. This is through a stand-alone limited company called Strata Service Solutions Ltd which was launched on 1 November.

The original 10 year business plan showed costs of £428,000 and savings of £1.7 million in total. The current year budget included higher pension costs following the actuarial valuation. Negotiations reduced these and there is now an annual saving of £41,000.

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- Salary vacancy savings at the end of October look to be at least £100,000 more than the required budget target of £100,000. This is after allowing for the full costs of the pay award. There is a new requirement to pay holiday pay on overtime and this will cost at least £36,000 this year and £19,000 ongoing. We had already provided £22,000 in the current year for this.
- The last BEST 2020 review agreed some savings of just over £59,000 that have been made in 2017/18 budgets onwards.

4.13 Future years

- Council tax has been closed down and balanced for 2016/17 and a surplus of £1 million is available for sharing with county, fire and police in 2018/19. This has arisen mainly because of the reduction in council tax support. Teignbridge will get £128,000.
- The number of dwellings in Teignbridge on the valuation list is monitored monthly and the data feeds into the new homes bonus (NHB) calculation. By the NHB deadline of 2 October there were 61,655 dwellings which is 666 more towards the next NHB payment which starts in 2018/19. This is above the target of 620 for growth and we have also managed to reduce empty homes by 3 which is a tremendous achievement for all departments involved. It is expected that government will again take at least a 0.4% baseline deduction as they did for this year. As growth is around 1.1% that means new homes bonus is reduced by just over one third. There is a technical consultation paper on the 2018/19 Local Government Finance Settlement and there are suggestions that the baseline and methodology could be revisited in the event of significant and unexpected housing growth. The consultation closed on 26 October 2017 and we await details as to whether the final NHB calculation will be altered in future years.
- There is now likely to be an extra cost for the district elections in May 2019 with the probable loss of £40,000 efficiency savings that would have arisen from the European Union election previously expected to be held at the same time.
- The Queen's Speech on 21 June 2017 did not reintroduce the Local Government Finance Bill. However a new invitation to pilot 100% business rates retention has been sent out by government. Preference will be given to applications from two-tier areas and the focus will be on applications from rural areas. The deadline was 27 October and Devon chief finance officers have worked together to submit a bid.
- The Chancellor's Autumn Budget 2017 statement took place on 22 November. Significant changes to local government funding were not expected. A verbal update will be provided of any implications arising.
- The shape of the eventual Brexit deal between the UK and the EU is still very much unknown as is the pace of its introduction i.e. the transition arrangements. Therefore drawing any conclusions about its impact for local government is not possible at this stage.

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- The draft council tax base has been estimated for next year. This shows a volume increase of 2.0% for council tax income. These figures will be fed into the initial budget proposals for 2017/18 to be considered at Executive on 9 January 2018.
- The Teignbridge forward budget plan currently assumes no council tax increase for 2019/20. A small 'in year' surplus of £7,540 is currently estimated for that year from the variations highlighted above. This will reduce the £92,170 shortfall identified in February 2017 when the 2017/18 to 2019/20 financial plan was approved by Council to a net deficit of £84,630. Further work will be carried out to review other pressures – mainly in relation to the changes in staffing costs for future years – as we progress the initial budget proposals for 2018/19, 2019/20 and 2020/21. A council tax increase of £5 could generate at least £243,000 per annum ongoing. If a 2% increase is considered this would generate £155,000 per annum ongoing.

5. TREASURY MANAGEMENT

5.1 Lending list (appendix 3)

The authorised treasury management list was approved at the 2017 February budget meeting and updated at Executive on 18 July and 3 October. Since then ratings have been updated and the lending list adjusted to reflect any changes. Leeds Building Society was moved from Tier 2 to Tier 3. The current list is shown in appendix 3 for information.

5.2 Mid year review

The mid year review of performance which is required to be noted by Council is attached as appendix 4. This shows good returns of 0.26% being in excess of the benchmark London interbank bid rate of 0.19%. Interest earned to the end of September is £13,497, less than last year due to lower interest rates. The forecast for the year is £35,085, broadly similar to 2016/17. This reflects the base rate rise on 2 November 2017 to 0.5%.

6. MAIN IMPLICATION

The main implication members need to be aware of is as follows:

Resources

The report notes an overall favourable revenue variation of £226,050 identified this year to the end of October. Cash flow is forecast to be positive over the next twelve months apart from any borrowing for significant new projects. Revenue reserves are considered to be sufficient to sustain the council over the three year financial plan period. Capital is funded over the medium term.

7. TIME-SCALE

This report covers the year 2017/18 but also refers to the accounts for 2016/17 and the financial plan for 2017/18 to 2019/20.

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8. JUSTIFICATION

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

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

10.00 a.m. on Tuesday, 12 December 2017.

Martin Flitcroft
Interim Chief Finance Officer

Wards affected	All
Contact for more information	Martin Flitcroft 01626 215246 or Claire Moors 01626 215242
Background Papers (For Part I reports only)	Current year budget monitoring files; Capital files; Latest year end files;
Key Decision	Yes
In Forward Plan	Yes
In O&S Work Programme	No
Appendices	App 1 – Revenue variations App 2 – Capital programme App 3 – Treasury management lending list App 4 - Treasury management mid year review