

TEIGNBRIDGE DISTRICT COUNCIL

EXECUTIVE

11 FEBRUARY 2021

Report Title	FINAL FINANCIAL PLAN PROPOSALS 2021/22 TO 2023/24
Purpose of Report	To consider the final financial plan proposals 2021/22 to 2023/24 for recommendation to Council on 22 February. These proposals include recommended revenue and capital budgets for 2021/22 and planned in outline for 2022/23 and 2023/24.
Recommendation(s)	<p>The Executive propose a budget set out as in appendix 4 for revenue and appendix 7 for capital and</p> <p>Resolve</p> <p>That these proposals be considered together with any subsequent consultation comments for approval by Council as the final budget for 2021/22 and the outline plan for the subsequent years 2022/23 and 2023/24.</p> <p>The proposed budget includes:</p> <ul style="list-style-type: none">• An increase in council tax of £5 or 2.85% to £180.17• Continued funding for a climate change officer and enhanced planning enforcement• Increased provision in the capital programme for climate change projects• The continuing reduction in new homes bonus• Other central funding reductions – in particular provisional assumptions for business rates for future years and reset of the baseline• Reserves at 13.0 % of the net revenue budget or just under £2.0 million• Increased support for housing including the Teignbridge 100 whilst backing business and bringing people and organisations together for local neighbourhood planning• Infrastructure delivery plan investment funded by community infrastructure levy and external sources where available• Continuation of grant funded South West Regional Monitoring Programme• Town centre investment in infrastructure and employment

	<ul style="list-style-type: none">• Use of long term borrowing where appropriate• Assumptions of a 1.5% pay deal• Rural aid funding frozen during the Covid 19 pandemic <p>The Executive Committee recommends to Council to note the mid year review of Treasury Management shown at appendix 8</p>
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APPENDIX

Financial Implications	<p>The financial implications are contained throughout the report. The main purpose being to approve the final budget proposals for both revenue and capital budgets and medium term financial plan covering the years 2020/21 to 2023/24.</p> <p>Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk</p>
Legal Implications	<p>The Executive is required under the budget and policy framework procedure rules in the constitution (section 7 (a) and 7 (b)) to agree and recommend a budget to Council each year. See section 8 of the report.</p> <p>Karen Trickey – Solicitor to the Council Tel: 01626 215119 Email: Karen.trickey@teignbridge.gov.uk</p>
Risk Assessment	<p>The risks involved in not setting a balanced budget are highlighted throughout the report. The major risks are in 3.9, 4.14, 4.16 and 4.27 with reference to uncertainties as to income projections as a result of Covid 19, future funding – particularly business rates retention and New Homes Bonus and an alternative funding stream to replace New Homes Bonus if this is scrapped. A programme of identifying savings or increased income is required to meet the budget gap in 2022/23 and future years thereafter if additional funding is not provided from Government.</p> <p>Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk</p>
Environmental/ Climate Change Implications	<p>The revenue budget supports the funding of a Climate Change Officer and associated revenue budget and capital projects are highlighted which contribute towards our climate change objectives in appendix 7 – capital programme.</p> <p>David Eaton – Environmental Protection Manager Tel: 01626 215064 Email: david.eaton@teignbridge.gov.uk</p>
Report Author	<p>Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk</p>
Executive Member	<p>Councillor Richard Keeling – Executive Member for Corporate Resources</p>

Appendices	App 1 – Budget timetable 2021/22 App 2 – Recommended council tax base 2021/22 App 3 – Council tax calculator 2021/22 App 4 – Summary revenue plan 2020/21 onwards App 5 – Revenue budget detail App 6 – Fees and charges summary App 7 – Capital programme App 8 – Treasury management mid year review
Part I or II	Part I
Background Papers	Budget and settlement files The Constitution

1. PURPOSE

- 1.1 To consider the final financial plan proposals 2021/22 to 2023/24 for recommendation to Council on 22 February.
- 1.2 These proposals include recommended revenue and capital budgets for 2021/22 and planned in outline for 2022/23 and 2023/24.
- 1.3 To bring the mid year treasury management review for information as shown at appendix 8.

2. SUMMARY

- 2.1 Recent budgets have taken account of reducing government grant over the period of the last comprehensive spending review. We now have the provisional local government finance settlement for 2021/22 which will be a settlement for one year only due to the Covid 19 pandemic and uncertainties created. New Homes Bonus is extended for one more year but with no legacy payments. Council tax thresholds are maintained at the higher of 2% or above £5 (see 4.5 for full explanation). 100% business rates retention was promised in earlier consultations but with the transfer in of some funding obligations. Government may introduce 75% business rates retention in 2022/23 – a year later than anticipated this time last year. We will continue to work as a Business rates pool with the rest of Devon. Receipt of revenue support grant ended in 2018/19 and new homes bonus legacy payments were reduced. The reduction was from 6 years to 5 years in 2017/18 and then to 4 years from 2018/19. An initial baseline reduction of 0.4% was also set for 2017/18 reducing the Bonus further. No further modifications were made to the baseline in 2018/19, 2019/20, 2020/21 or proposed in 2021/22 following budget consultation and receipt of the provisional settlement. Government had indicated its intention to cease New Homes Bonus in future years. This funding has been extended for one more year (2021/22) with further

consultation to take place next year about any future replacement. See also 4.15 below.

- 2.2 We have benefitted from previous savings plans and restructuring efficiencies are still producing cost reductions. This budget also benefits from the Strata partnership. We are in the sixth year of Business Efficiency Service Transition (BEST) 2020 review following Business Challenge in earlier years. As part of the recovery plan this process is being refined and relabeled 'Better 2022'.
- 2.3 The economy continues to be turbulent due to Covid 19 and the uncertainties continue about future demand and outcomes as we leave the European Union and related negotiations. Teignbridge has seen significant losses in income this year – in fees and charges – in particular leisure and car parking, rental income has also seen a severe reduction and losses are anticipated in council tax and business rates.
- 2.4 General increases in most off street parking charges are proposed to cover inflation and in particular the continuing higher business rates from the revaluation which mainly falls on car parking (see also 4.3 below).
- 2.5 The capital programme to 2023/24 includes infrastructure delivery plan projects funded by CIL and external sources where available. The investment in housing continues including a significant new provision for social and affordable housing (The Teignbridge 100) and investment in efficient heating systems. There are increased provisions for spending on climate related schemes, including a proposal to proceed with carbon reduction measures at leisure sites subject to a successful grant bid. The main aim is to reduce our impact on climate change and become carbon neutral, create more affordable homes and jobs. Significant provisions have also been included for town centre investment, including the successful Future High Streets Fund bid, and employment infrastructure to help stimulate growth in the local economy and ensure it is an attractive and well-connected environment for local businesses. Prudential borrowing supports a number of projects where a good return on capital can be demonstrated. The South West Regional Coastal Monitoring Programme continues with a new 6-year phase, fully funded from Environment Agency grant.

3. BACKGROUND

- 3.1 The budget and policy framework procedure rules in the Constitution set out the process for developing annual budgets and their approval by Council. Thus there is a budget timetable in the Executive forward plan which includes Overview and Scrutiny consideration of the financial plan proposals. The detailed **timetable** is shown at **appendix 1**. The Council is responsible for the adoption of its budget including approving the appropriate level of council tax.
- 3.2 Previous budgets took account of reductions in government grant. An ambitious programme of **savings** was identified reducing costs and increasing income. **Revenue support grant** was cut by £1.0 million in 2015/16, just under an additional £0.9 million in 2016/17 and a further reduction of £0.75

million in 2017/18. In 2018/19 the reduction was just under £0.5 million leaving revenue support grant at just under £0.4 million. We have received nothing in 2019/20 and thereafter.

- 3.3** The impact of Covid 19 resulted in a significant budget gap arising in 2020/21 and a **savings** exercise was undertaken to deliver in year savings of just over £2 million. These savings which have been incorporated into these budget proposals have also been assessed for future years and included where applicable. They include elimination of revenue contributions to capital, ceasing provision of the rural skip service, reduction in budgets for repairs and maintenance, training, car mileage and allowances, staff savings through restructures and voluntary redundancy and additional income. It is proposed to suspend Rural Aid during the Covid 19 crisis in the current year and for 2021/22. Covid 19 is likely to continue to impact on income in 2021/22 and beyond. The Government will provide support for losses from sales, fees and charges for the first three months of 2021/22 and a further tranche of general grant funding. Capital schemes providing positive net income have also been reflected within the medium term financial plan. This budget also gains from the Strata partnership savings
- 3.4** The sixth year of **Business Efficiency Service Transition (BEST) 2020** has built on the Business Challenge process in the last five years. This process is being re-branded as **Better 2022** as part of the recovery plan work in response to the pandemic. Options for continuing to reduce budgets have been or are being evaluated and also the pressures or investment that might require those savings. Those savings that can be made have been built into the budgetary figures. Teignbridge is also working with partners on the Heart of the South West devolution proposals and more locally re. Innovation Exeter in the Greater Exeter/Greater Devon partnership.
- 3.5** We updated our ten year Strategy to take us to 2030. This sets the tone for contributing to civic life and ensuring public services focus on 'place and person' while remaining accountable, fair and value for money. At the heart are the Teignbridge Ten overarching projects that guide our activities, where we focus our resources and how we shape services to deliver real progress for the district.
- 3.6** The council tax support scheme is proposed to be amended slightly to ensure claimants are protected from any adverse impacts to the Council Tax Reduction scheme entitlement arising from the measures introduced by the Government to support claimants through the Covid 19 crisis. The proposed amendment does not introduce any additional cost into the scheme as it preserves entitlement at original levels. A budget survey is planned which will be put on the website and publicised to encourage feedback. In particular it will be brought to the attention of **businesses**, the residents' panel and Teignbridge relationship groups.
- 3.7** The current council tax for Teignbridge is £175.17 per year for an average band D property. The 2020/21 **tax base** or effective number of properties for calculating council tax income is 49,714. Thus current year council tax income

for the district is estimated at £8.7 million as shown in **appendix 2 - the recommended council tax base 2021/22**. A table of values for various increases in council tax is shown at **appendix 3 - the council tax calculator**

3.8 Of the current total average annual £2,000.95 council tax collected per property, Teignbridge keeps 9% or just over £3.36 per week for its services. 72% goes to County, 11% to the Police, 4% to the Fire Authority and 4% to parishes and towns for their local. The Teignbridge council tax of £175.17 is below the current average of Devon districts of £181.86.

3.9 Significant government funding and cost changes affecting us for current and future years are as follows:

A 6.2% increase in the statutory National Living Wage from £8.21 to £8.72 this year and broad proposals for this to continue to increase in future years (this is being monitored in light of the Covid 19 impacts on the labour market and will increase to £8.91 from April 2021);

Pay increases for current and future years. A one year deal to employees as tabled by the National Employers for Local Government Services for 2020/21 was agreed. A flat rate increase for all grades of 2.75%. This approved deal is built into the current years salary budgets. There is no agreed increase for next year however an assumption of 1.5% for next year and thereafter has been built into the initial financial plan proposals based upon the public sector 'pay freeze' offering at least £250 for workers earning less than £24,000 and future increments.

The actuarial valuation of the Devon pension fund for 31 March 2019 required increased employers contributions from the Employer over the next three years. We reduced this cost by upfront payments;

The continuing consultation on reforms to New Homes Bonus paying only legacy payments reducing receipts and the proposal to potentially cease New Homes Bonus after 2021/22 and replace with an alternative source of housing funding and what that level of funding will be going forward;

The outcome of consultation on the move to 75% business rates retention but with the transfer in of some funding responsibilities.

A delayed reset of the baselines for the business rates retention scheme in 2022/23 and the impact on the business rates retained for 2022/23 and thereafter.

Additional staffing, leasing and running costs to maintain delivery of the refuse and recycling service and for the additional dwellings being built and in occupation.

Other budget pressures anticipated and included are for ash die back costs, reduced income streams from Covid 19 restrictions and general activity levels. A covid contingency has been included to cover these impacts which will be partly met by the continuance of the income compensation scheme by Government for April to June 2021. There is also a further tranche of general funding and any other gap can be met by use of earmarked reserves (with any additional shortfall in year being investigated and further savings being made in year).

3.10 The Executive has had three **monitoring** reports this financial year on 21 July, 8 September, and 3 November 2020. These have updated current year budgets and also future year forecasts. The provisional local government settlement was announced on 17 December and Teignbridge responded on 8 January. The final settlement is still awaited.

3.11 The **mid year review of treasury management** performance which is required to be noted by Council is attached as appendix 8. This shows returns of 0.06% being in excess of the benchmark London 7-day interbank bid rate, which has been negative since 3rd July 2020. Interest earned to the end of September is £12,937, less than last year, mainly due to a reduction in interest rates. The forecast for the year is £15,230, a decrease of £105,395 compared to 2019/20. This is mainly due to reduced interest rates, however the funds available for investment are also forecast to decrease during the second half of the year due to items within the capital programme. This is dependent on the timing of the schemes proceeding as anticipated.

4. REVENUE FINANCIAL PLAN

4.1 **Appendix 4** to this report is the draft budget scenario for the next three years. The effects of budget variations in 2020/21 already approved by Executive and Full Council are included. Future savings expected from the Strata partnership have been fed into the plan. The increasing cost reductions from the in year savings exercise are included.

4.2 Proposed **fees and charges** draft income totals for each service are shown at **appendix 6**. An increase of £203,000 in income is anticipated for next year compared to this years base budget. Detailed proposed fees and charges have been available on the website since early January at this [link](#). There are general changes for most charges with some areas being altered to reflect better alignment to cost recovery and/or comparable charges/market rates elsewhere. Some charges at Newton Abbot indoor and outdoor market have been frozen after having been reduced in last years budget setting. Income as shown ignores any further impacts of Covid 19 in 2021/22.

4.3 Car parking charges are proposed to increase to give extra gross income of £94,000 (before deduction of any Covid provision) from the 2020/21 base budget which equates to an increase of just over 2%. This will help towards inflation, increases in card payment charges and rates increases arising from the revaluations that mostly affects car parks. The main changes have been to increase charges generally across the majority of car parks including permits and some extension to winter charges.

4.4 The successful opt in green waste subscription has seen an increase in customers over the past year. The charge has not been increased for two years and it is proposed to increase the fee to £45 in 2021/22. The fee continues to be below the national average.

4.5 The **Localism Act** introduced the power for the Secretary of State to set principles each year under which council tax increases are determined as

excessive. This can apply to Teignbridge, County, Fire, Police, or towns and parishes. For the current year limits are to continue to be set for all but towns and parishes with a referendum being triggered if districts had an increase of 2% and above, AND above £5.

- 4.6** In all such cases Teignbridge has to make the arrangements to hold a **local referendum** for residents. Costs can be recovered from the relevant precepting authority. The Government has previously expected town and parish councils to demonstrate restraint when setting precept increases. They would be looking for clear evidence of how the sector is responding to this challenge, mitigating increases by the use of reserves where they are not earmarked for other purposes or for ‘invest to save’ projects which will lower ongoing costs. Any controls for town and parish councils are likely to continue to be deferred subject to these conditions being adhered to.
- 4.7** The extra income from any increase in **council tax** is shown at **appendix 3** and this additional amount would be recurring in future years. The proposal is to increase council tax in Teignbridge by 2.85% or £5 to £180.17. This is the annual charge for an average band D property and the increase equates to less than 10p a week. A £5 increase has also been assumed for 2022/23 and 2023/24.
- 4.8** Council tax **freeze grants** have ceased with the last one being received in 2015/16. This was equivalent to a 1% increase in council tax but assumed no council tax support reduction so amounted to £78,000.
- 4.9** Teignbridge is required to estimate the surplus or deficit on the council tax collection fund on 15 January each year for the following budget year. A deficit of £2.5 million was estimated which has to be shared between the major preceptors in 2021/22 per their current precepts. The district share is £314,368 against next year’s budget as shown at line 18 in appendix 4.
- 4.10** **Settlement funding** of business rates retention baseline to the Council from Government is £3.4 million for the current year.
- 4.11** We had a **four year funding deal** which ended in 2019/20 and a one year settlement for 2020/21. We have received a further one year settlement for 2021/22 and the figures are shown in the table below:

	2017/18	2018/19	2019/20	2020/21	2021/22
	£million	£million	£million	£million	£million
Revenue support grant	0.847	0.000	0.000	0.000	0.000
Rates baseline funding	3.169	3.685	3.339	3.394	3.394
New homes bonus	3.436	2.917	2.614	2.244	1.485
Main grant	7.452	6.602	5.953	5.638	4.879

Cash reduction in year		-0.850	-0.649	-0.315	-0.759
Percentage reduction in year		-11%	-10%	-5%	-13%

The table shows the cash reductions of £0.9 million in 2018/19, £0.6 million in 2019/20, £0.3 million in 2020/21 and £0.8 million in 2021/22. Percentage reductions are 35% in total over the four years. Main grant funding had reduced by one third by 2019/20 when compared to 2013/14 when rates retention and council tax support started and continues to drop. Revenue support grant has also reduced from £4.5 million to zero over the same period to 2019/20. Uncertainty exists for 2022/23 when the delayed proposed reset of the baseline is likely to occur, reducing gains established from growth and altering business rates retention to 75%.

- 4.12** The **business rates retention** 50% funding system started on 1 April 2013. Rules for charging and rateable values are still set nationally by Government and the Valuation Office respectively. The system includes top ups, tariffs, levies and safety nets. The latter is to protect income to some extent within overall reducing national funding levels. The system is more complicated as Government has introduced small and rural business rates relief. The cost of this through loss of rates retention income to Teignbridge is generally covered by separate specific grant.
- 4.13** Within Devon it has been beneficial for authorities to form a **rates pool** to avoid any payment of levy from Devon to the Government. With historic assumptions of moderate business growth in the area significant savings have been achieved increasing over the years. The pool also spreads the risk of any business downturn in an authority over all members of the pool and encourages economic prosperity across authority boundaries. The Devon pool became a 100% business rate pilot for 2018/19 following its successful submission and reverted back to a rates pool in 2019/20 and 2020/21 as our bid to be a pilot in that year was unsuccessful. It is anticipated that whilst business rates income may decline going forward the benefits of being in a pool for 2021/22 still exist and so an application for this has been submitted.
- 4.14** Teignbridge's position is better than the rates baseline because of estimated growth in business rates. We have also gained from pooling and this has been shown together with previous growth in the revenue summary as estimated rates retention and pooling gain. 100% rates retention was originally promised by 2020 but with the transfer in of some funding responsibilities and the share of the total for districts could be reduced. Levies will cease but there may still be some opportunity for pooling of risk. Negotiations to exit the European Union and now Covid 19 appear to have delayed the roll out of any eventual 100% business rates retention and a reset of baselines in 2021/22 which has now been postponed to 2022/23 will have a

negative impact on funding levels. The provisional settlement now suggests that 75% business rates retention may be introduced in 2022/23.

- 4.15 New homes bonus** is also part of core funding and is top sliced from settlement grant. It is based on additional property brought into occupation in the previous year with a higher amount for affordable housing. Teignbridge is receiving £1.5 million for 2021/22. Estimates of NHB were based on 620 homes per annum as in the local plan with each new year giving four years of grant. The Government no longer pays any new legacy payments in future.
- 4.16** Government reformed the new homes bonus reducing the length of payments from 6 years to 4 years. Since these original reforms payments have reduced further by elimination of any legacy payments and funding is for one year only. Government had intimated that it will cease New Homes Bonus after 2020/21 and replace with an alternative source of Housing funding. The spending review has allowed New Homes Bonus for one further year in 2021/22 and to review and cease this funding in future years. No details are available to clarify what this will mean in terms of future funding and whether it will provide similar funding levels to that received under New Homes Bonus. Government had allowed it freedom to change the baseline for 2021/22 however in the provisional settlement this will be left unaltered at 0.4%. The budgeted figures are based upon the provisional settlement with little change anticipated for the final settlement. Immaterial changes will be funded through alterations to the general reserve balance and any major reductions will be funded initially by use of the business rates retention reserve with savings to be found in future years to replenish the reserve to an appropriate level.
- 4.17** Council tax benefit was replaced by **council tax support** from 1 April 2013. As the support reduces the tax base there is less council tax income for county, fire, police, and towns & parishes. The cost was around 90% funded by government grant initially but then transferred into main grant and not identified separately. The 10% shortfall was covered at Teignbridge, in the first year by one minor change to benefit, technical reforms, and use of transitional grant.
- 4.18** For 2014/15 two minor changes to compensate for the loss of transitional grant were consulted on and introduced. The majority of taxpayers adapted well to these changes, collection has been maintained and spend on council tax support itself continues to go down. There were further changes to the scheme applicable from 1 April 2017. No changes were made for 2018/19 or 2019/20. In 2020/21 the changes moved us to an income banded scheme due to the existing scheme not being compatible with the roll out of Universal Credit and with the aim to simplify administration and support the most vulnerable. In 2021/22 the minor change proposed is to ensure claimants are protected from any adverse impacts to the Council tax reduction scheme arising from measures introduced by the Government to support claimants through the Covid 19 crisis and ensures no additional cost to the scheme, preserving entitlement at original levels.

- 4.19** Teignbridge currently receives £305,000 for administering **housing benefit** and £139,000 for council tax support. **Universal Credit** started for Teignbridge from 9 November 2015 for new single job seekers and we went live with the full service in September 2018. There has been specific help from the department for work and pensions in connection with the transition but the current funding agreement ended in 2017. The main grant funding has been assumed to continue in future years.
- 4.20** The statutory minimum **National Living Wage** increased by 6.2% to £8.72 from 1 April 2020 and increases to £8.91 in April 2021. The impact of the increased national living wage through the pay award which also addresses differentials in the pay spine has had significant cost implications in 2019/20 and extended into subsequent years of the current financial plan. Continued exploration of apprenticeships and training will be encouraged to utilize available apprenticeship levy funding.
- 4.21** The **actuarial valuation** of the **Devon pension fund** effective from 1 April 2020 set Teignbridge contributions for future years. These were made up of a basic amount which has increased from 14.6% to 16.6% for future service accrual plus an increasing cash sum to reduce the past service deficit. The amended cash sum payment started in 2020/21 at £1,254,000 increasing to £1,347,000 for 2022/23. We agreed to pay the past deficit contributions upfront to obtain a significant discount of 4.5% and this is built into the initial budget proposals.
- 4.22** **Investment income** remains low. Base rate was reduced to 0.10% on 19th March 2020 as part of the measures taken by the Bank of England (BOE) to support the economy during the Covid 19 pandemic. It has remained steady since. At its latest meeting in November, the BOE monetary policy committee voted unanimously to maintain base rate at 0.10% and also increase quantitative easing. While the impacts of Covid 19 and Brexit are expected to weigh on the economy in early 2021, some degree of recovery is anticipated by the end of the year. The Bank of England commented that the outlook for the economy remains unusually uncertain. No change to base rate is anticipated in the near term. Forecast investment income for the current year is £15,230 with an average daily lend of £18.5 million to the end of November 2020.

The amount available for investment is forecast to reduce over the next year, mainly due to several large capital schemes getting underway. Over the last year, the Council has made use of its internal balances to rule out the need for external borrowing. With an underlying need to borrow (Capital Financing Requirement) of £20 million at the beginning of 2020/21 (estimated to be £22 million by the end of the year) and using the average Public Works Loans Board (PWLB) 10-year annuity rate of 1.96%, this represents interest saved of around £392,000. It is anticipated that the internal balances available in 2021/22 will be lower due to the budget measures being taken to make required savings. It is anticipated there will be a net interest cost of £35,000, rising to around £200,000 in 2022/23 and £280,000 in 2023/24 as further capital projects are financed with borrowing. The PWLB have recently

reduced their borrowing rates by 1% subject to loans not being used to finance schemes which are primarily for financial yield.

- 4.23** The latest professional guidance on **reserves** issued in November 2008 recommends a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing and a contingency to cushion the impact of unexpected events or emergencies. Earmarked reserves can also be built up to meet known or predicted requirements. Teignbridge operates with a low level of reserves compared to many districts and will look to utilize these (in particular earmarked reserves) to balance any funding gaps in the medium term financial plan as appropriate.
- 4.24** Our main contingent liability was settled seven years ago and provision has been made for other smaller potential liabilities. The current funding regime including rates retention, new homes bonus and council tax support carries a risk for us of likely more volatility in resources. This will increase as we move towards likely 75% rates retention. We are more reliant on income generated from our own fees and charges as government funding reduces and the significant reduction in income in 2020/21 due to Covid 19 has created significant uncertainty on likely income receivable for the foreseeable future.
- 4.25** The Audit Commission December 2012 report 'Striking a balance' stated that reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments. The proposed budget recommends general reserves to stay constant at just under £2 million being 12.4% of the net revenue budget in 2020/21 and 13.0% in 2021/22. This equates to 14.1% and 13.7% in later years. General reserves are held to accommodate continuing future uncertainties and increasing reliance on generating our own income.
- 4.26** Historically the **Executive** has **authority** to exceed the approved overall revenue budget by up to £100,000 from general reserves to meet unexpected expenditure within the year. The aim is to replenish the reserves in the same year by making compensating savings as soon as possible. It is recommended to maintain this allowance at £100,000 for future years. All other decisions with regard to budgetary change will be approved by reference to virement rules in the financial instructions.
- 4.27** In conclusion these budget proposals show how Teignbridge can start to prepare for the grant reductions, anticipated funding regime and losses in income due to Covid 19 by continuing to make savings and generate income. **The revenue budget is partly funded over the medium term by savings found, additional income and use of earmarked reserves built up to cover anticipated future reductions in funding however significant work is still required to identify the significant budget gaps which are in 2022/23 and 2023/24 as shown in appendix 4 (line 25) as just under £1.2 million in 2022/23 and over £2.6 million in 2023/24 together with further savings to be found to meet aspirations to bolster the capital programme in future years as contributions to capital have been reduced to zero to support the revenue budget and ideally should be**

reestablished at around £0.5 million per annum initially. There may be a bigger budget gap if the alternative housing funding is not forthcoming or lower than the assumptions made. **The Chief Finance Officer (CFO) has a statutory duty to balance the budget each year and if this is not achievable at some point in the future it may be necessary for the CFO to issue a s114 notice.** Some support for Covid 19 losses has been provided by Government for sales, fees and charges in the first 3 months of 2021/22 and further conversations/lobbying to Government will continue to request funding for other streams of income and the likelihood that the impacts of Covid 19 through operating restrictions and demand will continue throughout 2021/22 and thereafter. In the mean time we have made a provision for Covid 19 losses that may arise. Right to buy receipts cease after 2024 increasing funding pressures on the capital programme. Exploration of suggestions from the BEST2020 process (now rebranded as 'Better 2022') and service plan reviews have been incorporated into future budgets. Further suggestions will be worked up and costed to deliver savings to move towards balancing future budget years from 2022/23 alongside the ongoing investigation into commercial investment opportunities, alternative service delivery plans and review of our existing assets and their use. The use/closure of relevant assets and operations going forward will be monitored as part of the changing circumstances/restrictions caused by the impact of Covid 19. These ideas together with any other income generation opportunities should help to identify funds to re-introduce revenue contributions to the capital programme. Investigation of a possible Teignbridge lottery scheme will also be explored to assist local community good causes with grant funding alongside any crowd funding opportunities. At the same time general reserves are anticipated to be around 13.0% of the budget at the end of 2021/22 which is equivalent to just under £2.0 million. However there is much uncertainty over the move to 75% and potentially an eventual 100% business rates retention scheme with the higher risks that Teignbridge will face. The budget deficits for 2022/23 and 2023/24 increase substantially and Members will be updated on progress with funding reforms/further Government funding/savings/Covid recovery plans to determine whether the funding gap can be closed.

- 4.28** These proposals include a £5 increase in council tax next year and subsequent years and substantial capital investment over the next three years. They will be publicised and comments brought back to the Executive before making the final budget recommendation to Council for 22 February 2021.

5. CAPITAL PROGRAMME

- 5.1** The **capital programme** is shown at **appendix 7** with links to the Teignbridge 10 strategy projects. It continues to include significant provisions for investment in town centres and employment land and increasing support for housing including the Teignbridge 100 and climate change projects. Some of these will require prudential borrowing and each will be the subject of separate reports as the business cases are developed. There is also a provision for Future High Street Fund projects. The Council received an in-principle funding offer of £9.2 million. This was 69% of the original bid due to

the funding being oversubscribed. It will make a significant contribution to the infrastructure of Newton Abbot town centre.

- 5.2** The programme is partly funded by sales of assets. Community Infrastructure Levy, Section 106 and grant from the Housing Infrastructure Fund is anticipated to fund the infrastructure plan. Contributions from revenue have been eliminated. A review of suggestions from the BEST2020 process (now rebranded as 'Better 2022') may generate savings to support future revenue budget gaps and potentially re-introducing contributions to capital of £0.5 million per annum.
- 5.3** Government subsidy for housing disabled facilities grants through better care funding (received via Devon County Council) is assumed to continue at £1.0 million per annum. £1.0 million has been received in 2020/21, with the majority invested in grants towards the provision of disabled facilities and energy improvements. In addition, there is £2.1 million budgeted over the remainder of 2020/21 and during 2021/22 towards Warm Homes Fund schemes, funded from a combination of £1.6 million of government grant, with £0.08 million capital receipts and £0.423 million borrowing.
- 5.4** A provision of £6.6 million has been made over three years for the first half of the Teignbridge 100 housing scheme for affordable and social housing. This is in accordance with the priority Actions outlined in the latest Council Strategy for delivering affordable and social housing, whether through direct delivery or working with developers and housing associations. This work has already commenced as the programme covers the previously approved capital schemes at Drake Road, East Street, and Sherborne House, Newton Abbot. The pipeline covers a range of urban and rural sites, including the Dartmoor National Park. Houses, apartments and bungalows are included and scheme sizes range from 2 to 30. The intention is to deliver a rented programme across urban and rural locations on Teignbridge land.

Figures and timing are currently indicative only and represent the initial estimate for the first 50% of the Teignbridge 100 projects less the amounts within that which relate to Sherborne House, East Street and Drake Road (already shown as separate projects). The aim is to deliver the full programme over time, with projects being brought forward for approval in due course. Construction costs are based on nationally described space standards for the area and the Royal Institution of Chartered Surveyors Building Cost Information Service (BCIS) rates for smaller schemes with an additional margin for enhanced carbon efficiency measures. Funding is assumed to be a combination of Homes England grant, capital receipts (including right to buy receipts estimated at £0.45 million for 2020/21 and £0.6 million per annum thereafter, ceasing 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.

A shared equity scheme funded from £0.7 million of external planning contributions as approved at Full Council in November 2019 is also included.

5.5 The infrastructure delivery plan investment over the next few years contributes to:

- A new railway station at Marsh Barton for South West Exeter and Teignbridge residents' access to employment (£1.3 million by March 2021).
- Provision for improvements to the A382 of £5.1 million by 2022/23.
- £4.78 million budgeted towards Dawlish link road and bridge is funded from government grant. £1.25 million is being forward funded from internal borrowing, pending developer contributions in relation to the Houghton Barton link road.
- Provision for Education in SW Exeter and the wider Teignbridge area of £5 million over 3 years, funded from community infrastructure levy.
- Provision for further acquisition, instatement and endowment of green spaces (including contributions towards habitat mitigation and wildlife) of £6.4 million over the remainder of 2020/21 and the next 3 years. This is funded from Housing Infrastructure funding via Devon County Council and developer contributions.
- Sports and leisure provision of £6.7 million over the remainder of 2020/21 and the next 3 years, including Decoy, the Den, other play area refurbishments and improvements to Bakers Park. Work continues on understanding the requirements to improve leisure provision post-Covid. Provisions are included for refurbishments at Broadmeadow sports centre and Dawlish leisure centre. These will be the subject of separate reports as business cases are developed.
- An initial £0.05 million of community infrastructure levy is budgeted towards South West Exeter District Heating, with a further £2 million anticipated to be loaned in 2025.
- Heart of Teignbridge, coastal and other cycle provision (£1.2 million over three years).

5.6 The Authority is engaged 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. If successful, up to £3 million of grant funding will be available to replace existing gas-fired heating systems with low-carbon air source heat pumps. Further provisions covered by the grant application will vary on a site-by-site basis but will broadly involve electricity system upgrades, air handling unit works, solar photovoltaics and energy management system upgrades. The grant application will be submitted in advance of the deadline on 11 January 2021 and will be reviewed by the awarding body on or by Friday 29 January 2021. It is proposed that subject to the current grant bid being successful, the Council proceeds with these measures.

A separate bid for grant funding under the Public Sector Decarbonisation Scheme is being pursued to cover the cost of replacing the Forde House gas boiler system. If successful, the grant will fund the installation of an air source heat pump and thermal building fabric improvements.

For projects not covered by grant funding, provisions have been made for significant investment in carbon reduction measures covering the Authority's Scope 1 & 2 carbon footprint. These provisions incorporate a total of £3.6 million from borrowing over three years and are yet to be finalised as part of the ongoing Carbon Action Plan, which is being developed by the Climate Change Officer. Likely provisions will target emissions arising from the Authority's vehicle fleet and top 15 sites by carbon emissions; provisions are likely to include: fleet electric vehicle charging infrastructure, fleet electric vehicles (additional estimated provision of £8.2 million under Waste Management – business case for electric vehicles will be considered as part of a procurement process), onsite renewable energy generation, renewable energy power purchase agreements, thermal fabric improvements and energy efficiency improvements.

- 5.7** The South West Regional Coastal Monitoring Programme (SWRCMP) is the largest of the National Coastal Monitoring Programmes in England, encompassing 2,450 km of coast between Portland Bill in Dorset and Beachley Point on the border with Wales. It is 100% funded by the Environment Agency. Since its inception in 2006 Teignbridge District Council have acted as the lead authority for the region. The Programme collects a multitude of coastal monitoring data, including topographic beach survey data, bathymetric data, LiDAR, aerial photography and habitat mapping and has a wave buoy and tide gauge network around the South West coast. From 2021 coastal asset data will also be collected and maintained. The data feeds into 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. The Programme is just completing its 3rd phase and enters a new 6 year phase on 01 April 2021. The business case and funding has been approved by the Environment Agency but funding has not yet been allocated. If the Programme receives its full allocation it could be up to £9.5 million over the next 6 years, the first three of which are shown in the capital programme.
- 5.8** 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

6. GROUPS CONSULTED

- 6.1** County, Fire and Police and the public are consulted about any changes to the council tax support scheme. The initial budget proposals have been

publicised and considered by Overview and Scrutiny 1 and 2 on 12 January 2021. They also scrutinised these final plans on the 9 February 2021. Parishes and town councils have been advised of these proposals. There have been two budget meetings with town and parish councils on 17 December 2020 and 21 January 2021.

- 6.2** A budget survey has been put on the website and publicised to encourage feedback. In particular it has been brought to the attention of businesses, the residents' panel and Teignbridge relationship groups. Responses will be reported verbally to this Executive and in the final Council budget report on 22 February 2021.

7. TIME-SCALE

The financial plan covers the years 2020/21 to 2023/24. Final consideration of the budget by Council is due on 22 February 2021. At that time the council tax resolution is also approved which covers the total council tax including County, Fire, Police and towns & parishes.

8. LEGAL / JUSTIFICATION

The Executive is required under the budget and policy framework procedure rules in the constitution (section 7 (a) and (b)) to agree and recommend a budget to Council each year.

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

Call in does not apply as the final budget recommendations will be considered for approval by Council on 22 February 2021.