

**Teignbridge District Council  
Executive  
5 July 2021  
Part i**

**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 2021/22 budget and summarise those variations to the end of May 2021, to update Members 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 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 the favourable variance of £86,570 at the end of May on the revenue budget

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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.

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**Risk Assessment**

Major risks are identified in 4.13 and summarised in section 9. The most significant of these is the level of future funding from Central Government

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## **Environmental/ Climate Change Implications**

Impacts are summarised in section 10. The revenue budget supports the funding of a Climate Change Officer and capital projects are highlighted which contribute towards our climate change objectives

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## **Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## **Appendices/Background Papers**

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

### **1. PURPOSE**

- To identify the principal areas where there are likely to be departures from the approved 2021/22 budget and summarise the likely overall variation based on the information available to the end of May 2021. 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.

### **2. SUMMARY**

- 2.1** The closing of the ledger for 2020/21 is currently being finalized with anticipated general reserves for the year to be maintained at £2.0 million plus earmarked reserves for specific grants, contributions and carry forwards including the various Covid grants for business rates etc. The 2020/21

external audit is due to commence in August. There is a net surplus of £86,570 forecast for 2021/22 arising from variations to the original budget.

- 2.2** A summary of revenue budget variations by service identified to the end of May 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	0
Corporate services	-204,970
Economy & assets	71,350
Environment/climate change	31,000
Leisure/green spaces	16,050
General	0
<b>TOTAL FAVOURABLE BUDGET VARIATION TO DATE</b>	<b>-86,570</b>

- 2.3** Budgeted contributions to capital were eliminated as part of the budget process last year with new homes bonus receipts likely to reduce again next year 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 next year as part of the review into fair funding which will eliminate most of the gains made. There is still uncertainty as to whether this will actually take place next year as planned. We await clarification on this which may be made clearer when full details of the next settlement are provided for 2022/23 in December. The business rates retention reserve holds funds to assist with this eventuality initially. Likely shortfalls for future years after 2021/22 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 2021.

### **3. BACKGROUND**

- 3.1** The Covid 19 pandemic created a massive financial uncertainty for all Local Authorities. As a result the detailed financial reports for 2020/21 were replaced by more frequent updates on the overall financial position taking account of updates from Central Government on their financial support and the various lockdowns suffered. A budget realignment took place in September 2020 which was subsequently updated as part of the annual budget process as approved in February 2021. Reporting this year will revert to more detailed variance analysis by service area.

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

#### **4.1 Building control**

- At the end of May fee income is forecast to be 10% above the target budget of £380,000. 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 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 May net planning application income is forecast to be in line with the original budget of £844,300. Planning application numbers are 22% up at the end of May as compared with last year.
- The Executive of 30 May 2017 agreed the introduction of charges for pre-application planning advice from 1 July 2017. At the end of May 2021 we were in line with the estimated income of £45,000 for the year.
- Planning appeal costs are currently estimated at £10,000 to £20,000 this financial year.
- Land charges income is forecast to be £20,000 higher than the projected budget of £204,000. The number of searches is 281% up on last year. 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 and thereafter.

#### **Finance**

- Forecast net interest receivable at £6,167 is forecast to be up £41,137 on the base net interest (payable) budget of £34,970 as we have not had to undertake long term borrowing. There is currently no forecast external borrowing for the year. Call account rates continue at record lows. Our average lending rate to the end of May is 0.02% which is above the average benchmark 7 day London Interbank Bid Rate to date of -0.07%.
- As at the end of 2020-21, the draft capital financing requirement (CFR) (underlying need to borrow) is £19.6 million. By using existing balances to fund this internally rather than borrowing externally, the Council saves £306,471 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, less potential interest earned at the current average rate of 0.02%.

In April we arranged lending as follows:

BORROWER	RATE	AMOUNT	START DATE	END DATE	TOTAL DAYS	INTEREST
DMO	0.010	5,000,000	01/04/2021	19/04/2021	18	24.66
DMO	0.010	1,000,000	06/04/2021	12/04/2021	6	1.64
DMO	0.010	4,000,000	06/04/2021	19/04/2021	13	14.25
DMO	0.010	2,000,000	06/04/2021	28/04/2021	22	12.05
DMO	0.010	1,000,000	06/04/2021	21/05/2021	45	12.33
DMO	0.010	7,000,000	06/04/2021	26/05/2021	50	95.89
DMO	0.010	2,000,000	07/04/2021	26/05/2021	49	26.85
DMO	0.010	1,000,000	07/04/2021	02/07/2021	86	23.56
DMO	0.010	500,000	15/04/2021	28/04/2021	13	1.78
DMO	0.010	1,000,000	15/04/2021	19/05/2021	34	9.32
DMO	0.010	1,000,000	15/04/2021	21/06/2021	67	18.36
DMO	0.010	1,000,000	15/04/2021	23/06/2021	69	18.90
DMO	0.010	3,000,000	15/04/2021	02/07/2021	78	64.11
DMO	0.010	1,000,000	16/04/2021	26/04/2021	10	2.74

and we had £26.4 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	TOTAL DAYS	INTEREST
DMO	0.010	1,000,000	17/05/2021	19/05/2021	2	0.55
DMO	0.010	2,000,000	17/05/2021	24/05/2021	7	3.84
DMO	0.010	1,000,000	18/05/2021	07/06/2021	20	5.48
DMO	0.010	2,000,000	18/05/2021	21/06/2021	34	18.63
Nationwide	0.050	1,000,000	19/05/2021	19/08/2021	92	126.03
DMO	0.010	1,500,000	27/05/2021	02/07/2021	36	14.79

and we had £22.4 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**

Resources have been diverted to assist with distribution of business grants. This additional support provided by internal audit will be back filled by Devon Audit Partnership. £30,000 is required to be funded by new burdens monies received as detailed in 4.9.

#### **4.4 Economy & assets**

- Repairs and maintenance are on target to be within the budget of £916,730. Actual spend to the end of May is £229,129.
- Income from car parking is currently in line with the original budget of £2.8 million (net of Covid provision) at the end of May.
- General rental income has reduced over the last 12 months. There is likely to be a further reduction this year resulting in an adverse variance of £30,000 to date. Market income is forecast to be down by £41,350. The total property income budget is £2.8 million.

#### **Capital**

- The capital programme is shown at appendix 2. It continues to include significant provisions for investment in town centres and employment land. This includes a provision for 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. With the upgrades to Queen Street and the National Cycle Network Route, as well as the building of a new state-of-the-art cinema, the 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. Government funding of £9 million was confirmed in May 2021.
- 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. It also granted the necessary authority to advance regeneration with the purchase of Sherborne House, which is anticipated to provide accommodation for Health services. Both projects are funded mainly from prudential borrowing.
- Council of 29 July 2019 granted authority to enable progression of the regeneration in the Brunswick Street area of Teignmouth town centre. This project is funded mainly from prudential borrowing.

- 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.

### **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 £50,000 less than budgeted for 2021/22.
- Fuel costs are currently in line with the budget set.
- Income from recycling sales is up on the original budget by £19,000 – mainly due to the price for cardboard and paper collected.

### **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 upgrade 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.

- 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.

#### **4.6 Housing**

- For a fourth consecutive year Teignbridge have successfully bid jointly with South Hams and West Devon for the Rough Sleeper Initiative. The £249,346 grant will continue to fund staff and delivery specifically for rough sleepers, from first contact through the pathway system to settled accommodation.
- Teignbridge have also received £60,000 emergency accommodation support towards costs incurred due to the Covid 19 pandemic and £32,264 new burdens funding towards the statutory duty to support victims of domestic abuse within safe accommodation.

#### **Capital**

- The indicative anticipated 2021-22 Better Care government grant, received via Devon County Council is £1.2 million, with a further £1 million carried over from 2020-21. £0.58 million of this is budgeted towards supporting the Warm Homes fund grant scheme, with the remainder towards statutory disabled facilities and other discretionary grants, to meet anticipated increased demand.
- To date in 2021-22, no previously paid renovation grants have so far been recovered.
- The Council successfully bid for Warm Homes funding streams covering provision of both air source heat pumps and first-time gas central heating to residents. £212,000 is included for park home grants and £1.7m for Category 1 (Gas) and Category 2 (Air Source Heat Pumps).



- In addition, £1.1 million was received from the Green Homes Fund and is budgeted for grants towards energy efficiency measures.
- A provision of £6.6 million over three 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 the previously approved capital schemes. Two homes at Drake Road, Newton Abbot are approaching completion with construction of a further 5 units also underway at Carlisle St (East St), Newton Abbot. The 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 represent the initial estimate for the first 50% of the Teignbridge 100 projects less the amounts relating to previously approved projects. 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.

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

#### **4.7 Leisure / Green spaces**

- Leisure has experienced significant loss of income due to various lockdowns in 2020/21. The single biggest income stream is memberships which have been deferred whilst lockdowns have occurred. Leisure commenced re-opening on 12 April with restrictions. Exercise classes were unable to resume until 17 May. Actual income is down on the base budget (adjusted for the Covid provision) for 2021/22 with a loss of £55,830 at the end of May (after offset of furlough) – mainly due to memberships and swimming income and being unable to reopen until 12 April.
- The losses to the end of May are partly recoverable from the Governments sales, fees and charges compensation scheme (which ends on 30 June) leaving a net loss of £16,050.
- We currently have £8.7 million available in S106 receipts. These are over many services and parishes but the majority is for leisure including open spaces, sports provision and play facilities.

## **Capital**

The improvements to Bakers Park are approaching practical completion, having delivered a new pavilion together with improved car parking, footpath and tennis court refurbishment.

Decoy play area improvements have started on site.

Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido will benefit from the £2.3 million decarbonisation project outlined in 4.5

### **4.8 Licensing**

Licensing income looks to be on target to achieve the budget of £214,680.

### **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. Government have provided support and a new burdens grant was received this year of £228,800.

### **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 are made half-yearly. Teignbridge has recognised £14.4 million of usable CIL to date after payments due to parishes (£1.8 million paid to the end of 2020-21). £4.0 million has been spent on infrastructure, with the remainder committed to existing approved projects including provisions for local transport, education and sports. £0.1 million has been allocated towards administration costs since inception. As CIL may be paid in instalments, the actual cash balance after parish payments and expenditure is £3.2 million.

- Teignbridge has been successful in bidding for £150,000 of capacity funding to support the delivery of Newton Abbot as a garden town from the Garden Communities Programme. 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 SANGS was approved. This is occurring in phases, with instatement works taking place in line with the acquisition phasing. It is intended that future management of this site will pass to the Land Trust following instatement, together with Dawlish Countryside Park.

#### **4.11 General revenue**

- Council tax support cost has increased and was just over £11.1 million at the end of May which is £621,000 above the original estimate of £10.5 million. Council tax support falls directly to Teignbridge including parishes (12.5% together), county, fire and police and is being monitored monthly.
- Our business rateable value (RV) has increased slightly and stands at just under £86.0 million. The number of assessed businesses has increased from 5,521 to 5,548. These are the end of May 2021 figures as compared to the beginning of the current year. We still seem to be on target to achieve the total budget of £4.7 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 £164,230 which it is anticipated will be achieved.
- Salary vacancy savings at the end of May look to be in line with the required budget target of £275,000. There are no other material variances on other salary costs at the end of May. There is an initial offer in relation to the pay award for 2021/22 of 1.5% which is the assumed increase set at budget time in February. This initial offer has been rejected by Union representatives. If the offer is increased there would be a pressure on the revenue budget of approximately £90,000 for every additional 0.5%.
- Utility costs for gas, electricity and water are in line with existing budgets as at the end of May.
- The Better 2022 review of service business plans is in progress and any identified savings will be fed into the annual budget process.

#### **4.13 Future years**

- Council tax is currently being closed down and balanced for 2020/21 and a surplus/deficit ultimately declared will be shared with county, fire and police in 2022/23.
- 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 May there were 63,576 dwellings which is 332 more towards any potential NHB payment for 2022/23. 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.

- Business rates baseline funding was due to be reset in 2020/21. This has been delayed by 12 months at each spending review and is now supposed to be introduced in 2022/23. It is still not clear whether this will take place next year. 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.
- The overall impacts of the Brexit outcomes between the UK and the EU is still difficult to determine and have been overshadowed by the events from the Covid 19 pandemic. Therefore drawing any conclusions about its impact for local government is not possible at this stage. We will continue to monitor any information we receive in relation to this as part of our risk and financial management.

## **5. TREASURY MANAGEMENT**

### **5.1 Lending list (appendix 3)**

The authorised treasury management list was approved at the 2021 February budget meeting. Since then ratings have been updated and Clydesdale Bank was removed due to the account being switched to Virgin Money following the merger. Virgin Money does not meet minimum ratings requirements.

## **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 £86,570 identified this year to the end of May. 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 for the current financial year however the February 2021 budget identified a budget gap next year of £1.2 million and £2.6 million for 2022/23. Service reviews are exploring further savings that can be made this year and in the future. 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.

## **7. TIME-SCALE**

This report covers the year 2021/22 but also refers to the accounts for 2020/21 and the financial plan for 2021/22 to 2023/24.

## **8. LEGAL**

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

## **9. RISKS**

The major risks in examining and projecting financial forecasts are predicting future trends and variances. This has been heightened by the Covid 19 pandemic. This is mitigated through monthly monitoring and discussions with service managers. The Government is also supporting losses from sales, fees and charges for April to June 2021. The most significant concerns are detailed in 4.13 above and mainly relate to future financial planning, only currently having a one year settlement, predicted changes to business rates retention and the abolition of New Homes Bonus and what it may be replaced with and how our funding from these sources will change as a result. The long term impacts of leaving the European Union and the economic impacts are difficult to determine and any further impacts on business rates, council tax support, debt recovery etc.

## **10. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

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

## **11. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)**

10.00 a.m. on 12 July 2021