

**Teignbridge District Council
Executive
8 February 2022
Part i**

FINAL FINANCIAL PLAN PROPOSALS 2022/23 TO 2024/25

Purpose of Report

To consider the final financial plan proposals 2022/23 to 2024/25 for recommendation to Council on 22 February.

These proposals include recommended revenue and capital budgets for 2022/23 and planned in outline for 2023/24 and 2024/25.

Recommendation(s)

The Executive propose a budget set out as in appendix 4 for revenue and appendix 7 for capital and

Resolve

That these proposals be considered together with any subsequent consultation comments for approval by Council as the final budget for 2022/23 and the outline plan for the subsequent years 2023/24 and 2024/25.

The proposed budget includes:

- **An increase in council tax of £5 or 2.78% to £185.17**
- **Continued funding for a climate change officer (with increased temporary resources) 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 12.8 % of the net revenue budget or just over £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**
- **The re-introduction of rural aid at £26,000 for 2022/23**
- **A new two year pot of £40,000 per annum for 'Tidy Teignbridge' initiatives to improve cleanliness for town and parish councils**

- **A provision for voluntary and community sector small grant scheme for 2022/23**
- **Paying £1 million off our pension deficit in 2022/23 to reduce ongoing contributions**
- **Additional temporary resources to deliver expediently the significant projects and proposals identified above and within the capital programme, service reviews and processes to identify business and system improvements/developments, estate management, governance and communications**

Financial Implications

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 2021/22 to 2024/25.

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

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.

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Risk Assessment

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 when this is scrapped. A programme of identifying savings or increased income is required to meet the budget gaps for future years if additional funding is not provided from Government.

Martin Flitcroft – Chief Finance Officer

Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Environmental/ Climate Change Implications

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. Additional temporary staffing resources are proposed within the revenue budget to assist with the implementation of various works to meet our climate change aspirations.

David Eaton – Environmental Protection Manager
Tel: 01626 215064 Email: david.eaton@teignbridge.gov.uk

Report Author

Martin Flitcroft – Chief Finance Officer
Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk

Executive Member

Councillor Richard Keeling – Executive Member for Resources

Appendices/Background Papers

App 1 – Budget timetable 2022/23
App 2 – Recommended council tax base 2022/23
App 3 – Council tax calculator 2022/23
App 4 – Summary revenue plan 2021/22 onwards
App 5 – Revenue budget detail
App 6 – Fees and charges summary
App 7 – Capital programme
Budget and settlement files
The Constitution

1. PURPOSE

- 1.1** To consider the final financial plan proposals 2022/23 to 2024/25 for recommendation to Council on 22 February.
- 1.2** These proposals include recommended revenue and capital budgets for 2022/23 and planned in outline for 2023/24 and 2024/25.

2. SUMMARY

- 2.1** Recent budgets have taken account of reducing government grant over the period of the last comprehensive spending review. We have received the provisional local government finance settlement for 2022/23 which is a

settlement for one year. Lower tier services grant continues but at a lower sum (£0.15 million) and a new one off grant - 'Services Grant' has been provided for all local authorities. The allocation for Teignbridge is £0.234 million. New Homes Bonus (NHB) 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 had suggested introducing 75% business rates retention however this appears to be scrapped now as part of the levelling up agenda. 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 in 2018/19 through to 2021/22. For 2022/23 New Homes Bonus continues for a further year following receipt of the provisional settlement. Government had indicated its intention to cease New Homes Bonus in future years with further consultation to take place next year about any future replacement. See also 4.16 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 and savings made. We are in the first year of 'Better 2022' as part of the recovery plan to identify savings through service reviews following the successful Business Efficiency Service Transition (BEST) 2020 reviews and Business Challenge in earlier years.
- 2.3** The economy remains turbulent due to Covid 19 and the uncertainties continue about future demand, supply and outcomes now that we have left the European Union. Teignbridge has seen significant losses in income over the last eighteen months – in particular from fees and charges – the largest losses being leisure and car parking, rental income has also seen significant reductions. Some good recovery has taken place in specific income streams but still well below pre pandemic projections. The new Omicron variant is likely to provide further uncertainty.
- 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** Rural aid has been re-introduced into the budget proposals at £26,000 for 2022/23 after having been frozen for two years due to the pandemic. Other schemes include a proposal for two years to increase funds to deal with street cleansing for towns and parishes to bid into totaling £40,000 per annum and the introduction of a voluntary sector small grant scheme at just over £9,000 for 2022/23.
- 2.6** The capital programme to 2024/25 includes infrastructure delivery plan projects funded by CIL and external sources where available. The investment in housing continues including the significant provision for social and

affordable housing (The Teignbridge 100) and investment in efficient heating systems. There are provisions for spending on climate related schemes, including a provision for the third phase of Public Sector Decarbonisation Scheme following successful bids in relation to Forde House and Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido. 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 Future High Streets Fund schemes, 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, 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 1 and 2 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 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 have also been assessed for future years and included where applicable. Rural Aid was suspended for two years but is to be re-introduced as detailed in 2.5 above. Covid 19 is likely to continue to impact on income streams in future years. The Government provided support for losses from sales, fees and charges for the first three months of 2021/22 and a further tranche of general grant funding but that has now ceased and nothing further has been provided. Capital schemes providing positive net income have also been reflected within the medium term financial plan.
- 3.4** **Business Efficiency Service Transition (BEST) 2020** was rebranded 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.

- 3.5** Our ten year Strategy takes 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** There are no proposed amendments to the council tax support scheme. The scheme already makes provision for an uplift in income band thresholds so we can protect claimants from receiving reduced levels of support as a result of a small uplift in their state benefits if necessary. A budget survey was planned and has been 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 £180.17 per year for an average band D property. The 2021/22 **tax base** or effective number of properties for calculating council tax income is 48,410. 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 2022/23**. 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 £2,099.47 council tax collected per property, Teignbridge keeps 9% or just over £3.46 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 precepts. The Teignbridge council tax of £180.17 is below the current average of Devon districts of £186.86.
- 3.9** Significant government funding and cost changes affecting us for current and future years are as follows:

Pay increases for current and future years. A one year deal to employees as tabled by the National Employers for Local Government Services for 2021/22 is not yet agreed. A flat rate increase for all grades of 1.75% and 2.75% for the lowest NJC point is proposed. This final offer is built into the current year's salary budgets. There is no agreed increase for next year however an assumption of 2% for next year and thereafter has been built into the initial financial plan proposals.

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. We also propose repaying a further £1 million in 2022/23 to reduce the overall deficit;

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 2022/23 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 changes to business rates.

A delayed reset of the baselines for the business rates retention scheme to 2023/24 and the impact on the business rates retained for 2023/24 and thereafter.

Additional staffing and running costs to maintain delivery of the refuse and recycling service and for the additional dwellings being built and in occupation. This includes the recent approval to increases in pay for this service using market forces.

Other budget pressures anticipated and included are for reduced income streams continuing as a result of Covid 19 and general activity levels. 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 5 July, 16 September, and 2 November 2021. These have updated current year budgets and also future year forecasts. The provisional local government settlement was announced on 16 December and Teignbridge responded on 7 January. The final settlement is still awaited.

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 2021/22 already approved by Executive and Full Council are included. Future savings expected from the Strata partnership have been fed into the plan.
- 4.2** Proposed **fees and charges** draft income totals for each service are shown at **appendix 5**. Detailed recommended 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. Charges at Newton Abbot indoor and outdoor market are still frozen after having been reduced previously.
- 4.3** Changes to car parking charges are mainly inflationary. 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 introduce all year round charges to public car parks that are currently free or have only 'Summer' charges at present.
- 4.4** The successful opt in green waste subscription has seen an increase in customers over the past year. It is proposed to increase the fee to £50 in 2022/23. 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 will 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 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 2.78% or £5 to £185.17. 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 2023/24 and 2024/25.
- 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 surplus of £0.5 million was estimated which has to be shared between the major preceptors in 2022/23 per their current precepts. The District share is £62,309 allocated 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 one year settlements for 2020/21 and 2021/22. We have now received a one year settlement for 2022/23 and the figures are shown in the table below:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£million	£million	£million	£million	£million	£million
Revenue support grant	0.847	0.000	0.000	0.000	0.000	0.000
Rates baseline funding	3.169	3.685	3.339	3.394	3.394	3.394
New homes bonus	3.436	2.917	2.614	2.244	1.485	1.270
Main grant	7.452	6.602	5.953	5.638	4.879	4.664
Cash reduction in year		-0.850	-0.649	-0.315	-0.759	-0.215

Percentage reduction in year		-11%	-10%	-5%	-13%	-4%
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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, £0.8 million in 2021/22 and £0.2 million in 2022/23. Percentage reductions are 37% in total over the five 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 2023/24 when the delayed proposed reset of the baseline is likely to occur, reducing gains established from growth and altering business rates retention.

- 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 thereafter. It is anticipated that whilst business rates income may stall/decline going forward the benefits of being in a pool for 2022/23 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 have been reduced. Levies would cease but there may still be some opportunity for pooling of risk. Leaving the European Union and now Covid 19 appeared to have initially delayed the roll out of any eventual 100% business rates retention and a reset of baselines in 2022/23 which has now been postponed to 2023/24 will have a negative impact on funding levels. The provisional settlement now suggests that the initial move to 75% business rates retention is not to be pursued or the eventual 100% retention as a result of the levelling up agenda so we await the outcome of how the funding changes and consultation will be explored in the next twelve months.

- 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 likely to receive £1.270 million for 2022/23.
- 4.16** Government reformed the new homes bonus reducing the length of payments from 6 years to 4 years. Since these original reforms payments were 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 2021/22 and replace with an alternative source of Housing funding. The spending review has allowed New Homes Bonus for one further year in 2022/23 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 2022/23 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 earmarked funding 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 was 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. No changes to the scheme are planned for 2022/23 but depending on the annual uprating proposed by DWP in January 2022 we may need to increase the income threshold for claimants in Band 1 to accommodate the increase. This will protect existing claimants currently receiving 100% within this band from receiving a reduction in support to 75% as a result of receiving a small increase in state benefits. This will have a negligible impact on the costs of the scheme.

- 4.19** Teignbridge currently receives £297,000 for administering **housing benefit** and £158,000 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 to £8.91 in April 2021 and will be £9.50 in April 2022. 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 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 up-front to obtain a significant discount of 4.5% and this is built into the initial budget proposals. We are also planning to pay £1 million off the pension deficit in 2022/23. This will generate further savings in future year's payments which are projected to be between 6% and 7% every year.
- 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 remained the same until the Bank of England's monetary policy committee meeting on 16 December 2021, when it voted 8-1 to raise base rate to 0.25%. The Bank expects inflation to peak at 6% in April 2022. While Omicron has affected some sectors, the Bank said it was acting now due to its remit to control inflation over the medium term. The forecast path for base rate is for further modest rises, to around 1.0% by the end of 2022. Forecast investment income for the current year is £12,209 with an average daily lend of £33.7 million to the end of December 2021. This represents an average interest rate of 0.036%, in excess of the average 7-day LIBID rate, which has been consistently negative during 2021/22.

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 £19.6 million at the beginning of 2021/22 (estimated to be £21.2 million by the end of the year) and assuming a combination of Public Works Loans Board (PWLB) 10-year and 25-annuity loans, this represents interest saved of around £346,000.

It is anticipated that the internal balances available in 2022/23 will be lower due to capital expenditure and fewer Covid-related government grants. It is anticipated that net interest will be zero in 2022/23, rising to around £70,000 payable in 2023/24 and £100,000 payable in 2024/25, as further capital

projects are financed with borrowing. The PWLB has revised its borrowing conditions and CIPFA has revised its guidance so that loans are not available to finance investments 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 eight 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. We are more reliant on income generated from our own fees and charges as government funding reduces and the ongoing reduction in income in 2021/22 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 over £2 million being 13.3% of the net revenue budget in 2021/22 and 12.8% in 2022/23. This equates to 14.2% 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 mainly funded over the medium term by savings found, additional income and principally from 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 arise as shown in appendix 4 and will be ongoing. This is £2.6 million in 2024/25 before using earmarked reserves (line 14) built up to support the reduced funding 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 re-established 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. 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 2024/25 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 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. Introduction of a Teignbridge lottery scheme will be pursued 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 13.3% of the budget at the end of 2021/22 which is equivalent to just over £2.0 million. The budget deficit for 2024/25 is likely to continue into future years and Members will be updated on progress with funding reforms/further Government funding/savings/Covid recovery plans to determine how the funding gap can be closed.

- 4.27** 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 2022.

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. 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 Better 2022 process may generate savings to support future revenue budget gaps and potentially re-introducing contributions to capital of £0.5 million per annum.

- 5.2** Government subsidy for housing disabled facilities grants through better care funding (received via Devon County Council) is assumed to continue at £1.25 million per annum. £1.2 million has been received in 2021/22, with the majority invested in grants towards the provision of disabled facilities and energy improvements. There is £1.9 million budgeted over the remainder of 2021/22 and during 2022/23 towards Warm Homes Fund schemes, funded mainly from government grant, with £0.01 million contributed from capital receipts. £1.1 million grant was also received from the Department for Business, Energy and Industrial Strategy in relation to Green Homes grants, mostly for 2021/22.
- 5.3** A provision of £8.5 million has been made over two years for Phase 1 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 is in addition to work which has already commenced as the programme covers the previously approved capital schemes at Drake Road and East Street, Newton Abbot and more recently, shared housing and rough sleeper accommodation schemes. 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.

Figures and timing are indicative and represent current estimates for the remainder of Phase 1 of the Teignbridge 100 projects. Live and approved projects are listed separately. The aim is to deliver the full programme over time, with pipeline projects being brought forward for approval in due course as details are firmed up. Schemes can move up and down the priorities pipeline depending on a number of factors, including planning constraints and affordability. Construction costs are based on a desktop study carried out by an experienced local housing company. Funding is assumed to be a combination of Homes England grant, capital receipts (including right to buy receipts estimated at £0.6 million for 2021/22 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.

In relation to the previously approved custom-build housing scheme at Houghton Barton, an additional £0.6 million of ring-fenced central government grant funding has been received to enable delivery.

A £0.3m provision is also made for a custom self-build scheme in Dawlish, for which a successful grant bid has been made. A report will come forwards in due course once due diligence has reached an appropriate stage.

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

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

- Improvements to the A382 – a further £2.6 million in 2022/23, making a total of £5.1 million, funded from CIL. In addition, there is a provision for £0.6 million towards the Jetty Marsh link road, £2 million provision for South West Exeter transport and £1.5 million provision for transport hubs and public transport, all funded from CIL.
- £4.78 million budgeted towards Dawlish link road and bridge between 2021/22 and 2023/4, funded from government grant.
- Provision for Education in the wider Teignbridge area of £6.1 million, funded from community infrastructure levy.
- Provision for further acquisition, instatement and endowment of green spaces (including contributions towards habitat mitigation and wildlife) of £5.8 million over the remainder of 2021/22 and the next 3 years. This is funded from Housing Infrastructure funding via Devon County Council and developer contributions.
- Sports and leisure provision of £3.7 million over the next 3 years, including the Den, Teignmouth and Ashburton Road, Newton Abbot and other play area refurbishments. 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.
- Heart of Teignbridge, coastal and other cycle provision including the Teign Estuary Trail (£2.4 million over three years).

5.5 Following successful bids for grant funding under the Public Sector Decarbonisation Scheme for Forde House offices, Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmough Lido, a further provision is included for a third phase application. This will be subject to due diligence and a business case, with a report being brought forward in due course. Grant applications 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.

In relation to the Forde House offices decarbonisation and agile working project, the original budget approved by Full Council on 4 May 2021 was £3.04 million based on costings put together by professional multi-disciplinary consultants.

The construction market has been subject to turbulent market pressures due to the pandemic and leaving the European Union. This has put upward pressures on the availability of labour and materials. In addition, the

programming of other planned works which would have taken place in the near future, have been added to the scope to take advantage of economies of scale (e.g. scaffolding costs) and the inevitable disruption associated with this project. Significant items include replacement roof coverings, lightning protection upgrade and replacement switch gear and associated design works. Delivery of the programme is now over 42 weeks instead of the original 30 due to a combination of market pressures and the additional works.

Following a two-stage tender process the Council in conjunction with its consultants scrutinised the final contract arrangements to ensure delivery of the scheme and value for money. The resulting budget requirement is £3.8 million. This figure includes a 5% contingency sum. It is an increase of £760,000 on the original budget. £279,000 is funded from the repairs and maintenance budget, in relation to some of the additional works. It is proposed to fund the remaining shortfall from a combination of capital receipts and borrowing. The final combination will be dependent on the outcome of the Forde House ground floor letting and the business case will be reviewed once this is known. Based on current rental assumptions, the project still meets the Council's minimum 1% return with the revised budget of £3.8 million.

For projects not covered by grant funding, a further £1.2m provision has been made for investment in carbon reduction measures covering the Authority's Scope 1 & 2 carbon footprint 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, onsite renewable energy generation, renewable energy power purchase agreements, thermal fabric improvements and energy efficiency improvements.

A provision of £2m is also made towards strategic energy infrastructure and low carbon, funded from CIL.

- 5.6** 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. 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. In 2022/23 the programme will enter the second year of the current 6 year phase.

- 5.7** 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.

£19 million is included for town centre investment, including the Future High Streets Fund schemes to help stimulate growth in the local economy and ensure it is an attractive and well-connected environment for local businesses. This is funded from a combination of £9 million government grant, £0.3 million CIL and other external contributions, with the balance from prudential borrowing.

- 5.8** £0.27 million is included for a new financial management system which is required to meet the changing demands for financial information, reports and support. The new solution will create efficiencies and have enhanced reporting capabilities allowing managers to access financial information themselves.

There is also £0.26 million in provisions for IT infrastructure projects.

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 10 and 11 January 2022. They also scrutinised these final plans on 1 and 2 February 2022. Parishes and town councils have been advised of these proposals. There have been two budget meetings with town and parish councils on 16 December 2021 and 20 January 2022.
- 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 2022.

7. TIME-SCALE

The financial plan covers the years 2021/22 to 2024/25. Final consideration of the budget by Council is due on 22 February 2022. 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 7 (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 2022.