

**Teignbridge District Council
Council
22 February 2022
Part i**

BUDGET AND COUNCIL TAX 2022/23

Purpose of Report

To consider a recommendation from the Executive in relation to the Final Financial Plan Proposals 2021/22 to 2024/25. The information set out below is intended to assist the Council in its consideration of the Executive's budget proposals. The Executive Member for Corporate Resources will present the Executive's proposals.

Recommendation(s)

- a That the Teignbridge band D council tax for 2022/23 is increased by 2.78% or £5 to £185.17 per annum**
- b That general reserves are increased to 12.8% of the net revenue budget for 2022/23 or just over £2.0 million**
- c That £100,000 of the general reserve balance in any one year continues to be available to the Executive to meet unexpected expenditure in addition to the agreed revenue budget**
- d All other decisions with regard to budgetary change will be approved by reference to virement rules in the financial instructions**
- e That the summary revenue budget for 2022/23 is £16.1 million as shown at appendix 4. In particular the revenue budget includes:**
 - Assumptions of a 2.0% pay from 1 April 2022**
 - Revenue contributions to fund capital continue to be suspended in the medium term to protect the revenue budget**
 - Voluntary grants are amended as detailed at 8 February Executive minute number 12 and adjusted in 2022/23 by virement**
 - A 'Tidy Teignbridge' pot is introduced for 2022/23 at £40,000 per annum for 2 years**
 - The councillors community fund grant is increased to £1,200 each and adjusted in 2022/23 by virement**
 - A payment of £1,000,000 to reduce the pension deficit**

- f** That fees and charges are approved as shown summarised at appendix 6.
- g** That the capital programme as shown at appendix 7 is approved. In particular this includes:
- **Increasing jobs and homes through continuing support for housing whilst backing business and encouraging community-led planning. Work has begun on the Teignbridge 100 affordable housing project with a second site in Newton Abbot nearing completion. An increasing rented programme across urban and rural sites has commenced and delivery will continue over the next 3 years of the programme.**
 - **Increased investment for climate change projects following successful funding bids for low carbon heating and energy system improvements. Schemes are underway at leisure sites and Council offices with further provisions under the Carbon Action Plan.**
 - **Infrastructure delivery plan investment contributing to improving education, transport links, sports and open spaces**
- Regeneration investment, including one hotel in Newton Abbot funded mainly from prudential borrowing. The funding offer from the Government Future High Street Fund for grant of £9.2 million aimed at improving town centres was confirmed. This will have a positive impact on Newton Abbot and the wider Teignbridge economy. Co-funding includes CIL, grant from other sources and prudential borrowing. There is also an indicative provision for employment site investment to be funded through prudential borrowing. A business case will be brought to members for consideration once it is finalised.**
- h** That the prudential indicators are noted and the prudential limits approved all as set out in appendix 10
- i** That the updated treasury management strategy statement and authorised lending list as set out in appendix 11 is approved together with the capital strategy in appendix 11a
- j** That each scheme will be considered on its merits as explained at the end of appendix 11 to decide the calculation of minimum revenue provision for capital expenditure in 2022/23
- k** That the council tax resolutions as recommended in appendix 14 are approved

Financial Implications

The financial implications are contained throughout the report. The main purpose being to approve the level of council tax for Teignbridge and associated resolutions, the final budget proposals for both revenue and capital budgets and medium term financial plan covering the years 2021/22 to 2024/25 and the prudential limits.

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Legal Implications

Council is required under general local government law including as part of the setting of council tax etc., as well as the budget and policy framework procedure rules in the constitution (section 7(a) and 7 (b)) to approve a budget each year. See also section 3 of the report.

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Risk Assessment

The main risk is not setting a balanced budget and the impact on reserves. An assessment of future funding are a significant concern with changes anticipated for 2023/24 in relation to 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 gaps for future years if additional funding is not provided from Government.

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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.

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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

App 8 – Financial plan sensitivity and risk analysis

App 9 – equality impact assessment

App 10 – recommended prudential borrowing indicators

App 11 – treasury management statement, authorized lending list and minimum revenue provision annual statement

App 11a – Capital strategy

App 12 – consultation report

App 13 – draft minute of the Executive meeting held on 8 February 2022 relating to the final financial plan proposals 2022/23 to 2024/25

Appendix 14 – council tax resolutions 2022/23

Budget and settlement files

The Constitution

1. PURPOSE

- 1.1 To consider a recommendation from the Executive in relation to the Final Financial Plan Proposals 2022/23 to 2024/25. The information set out below is intended to assist the Council in its consideration of the Executive's budget proposals. The Executive Member for Corporate Resources will present the Executive's proposals.
- 1.2 The final financial plan proposals 2022/23 to 2024/25 as per agenda item 8 Overview and Scrutiny 1, 1 February 2022 and agenda item 8 Overview and Scrutiny 2, 2 February 2022 and agenda item 7 Executive 8 February 2022 have been issued. These include the detailed budget background; a complete budget pack will be issued to all Members once relevant information has been finalised. The proposals include recommended revenue and capital budgets for 2022/23 and planned in outline for 2023/24 and 2024/25.

- 1.3 Appendices 1 to 7 were attached to both the Overview & Scrutiny 1 and 2 and Executive agendas. The recommended figures are based on the provisional settlement as the final settlement had not been agreed. The final settlement has now been received and there have been no material changes.
- 1.4 A sensitivity and risk analysis is added at appendix 8 as part of the assessment of the robustness of the budget and adequacy of the reserves. See also 2.4 below. New mainly technical appendices 9 to 14 are being added to the website as they become available. The full council pack together with all appendices will be issued as we have the final recommended precepts from county, fire and police.

2. FINANCIAL PLAN SUMMARY

In considering the recommendation from the Executive the Council may wish to have regard to the following points.

2.1 A financial background for 2022/23 of:

- Teignbridge has received a one year government settlement for 2022/23. The government is now suggesting a review of future core funding in 2022/23 with changes from 2023/24. The baseline is likely to be reset. New homes bonus has reduced and identified as being scrapped in future years with no clarity on its replacement in 2023/24. There are no legacy payments on the 2022/23 bonus.
- We have benefitted from previous savings plans and restructuring efficiencies are still producing cost reductions. This budget also gains from the Strata partnership.
We are in the first year of Better 2022 (previously BEST2020).

The budget process has required £2.6 million of earmarked reserves to balance the budget in 2022/23, a further use of £3.3 million of earmarked reserves in 2023/24 and £2.6 million in 2024/25. Further work will be required to identify savings/generate income to balance the on-going budget gap and protect our earmarked reserves.

- We are operating within our updated ten year Strategy taking 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.
- The economy continues to be fragile. We have had to accommodate the significant changes to our medium term financial plan brought about by

the Covid 19 pandemic. This has created significant financial uncertainties for the future. We have left European Union – the outcomes of which are difficult to determine due to Covid and are still being analysed.

Teignbridge has continued to see reduced income in 2021/22 with only partial support from Government. This support will not continue in 2022/23.

- The assumption of a 2.0% pay rise from 1 April 2022.
 - No council tax freeze grants are available for 2022/23. A referendum would be triggered in 2022/23 if the band D council tax increase is equal to or above 2% AND is above £5
- 2.2 The budget detail in appendix 5 clearly shows the responsible Executive member as in recent years to provide transparent accountability.
- 2.3 The capital programme funding includes community infrastructure levy for local plan projects. Contributions from revenue remain at zero to support the pressure on the revenue budget.
- 2.4 The chief finance officer is designated under section 151 of the Local Government Act 1972. He endorses the recommendations made in this report and discharges his duty under section 25 of the Local Government Act 2003 to report to the Council on the following matters:
- a) the robustness of the estimates made for the purposes of the council tax calculations; and
 - b) the adequacy of the proposed financial reserves.
- The relevant detailed sensitivity and risk analysis is shown at appendix 8.
- There are enough reserves in the short to medium term to balance the budget in a context of falling resources and income streams. This includes heavy use of earmarked reserves. Risks are therefore manageable at present. If action is not taken promptly to balance the medium term position the Council will face challenging decisions that can be managed or avoided by a strategic approach now.
- 2.5 An equality impact assessment has been carried out on the financial plan 2022/23 and this is shown at appendix 9.
- 2.6 Recommended updated prudential indicators are shown at appendix 10. An updated treasury management statement, incorporating policy statement, clauses to be adopted, investment strategy including authorised lending list and minimum revenue provision statement is at appendix 11. The capital strategy is at appendix 11a. Both the treasury management statement and capital strategy are linked to the proposed revenue and capital budgets and have regard to affordability, prudence and sustainability as required by the

latest Chartered Institute of Public Finance and Accountancy Prudential Code 2017 and Treasury Management Code 2017.

- 2.6.1 Indicators 1 to 4 of the prudential indicators are calculated from the proposed revenue and capital budgets and have been changed accordingly.
- 2.6.2 The authorised lending list at appendix 11 takes account of the latest ratings for banks and building societies.
- 2.7 The budget proposals have been published and considered by Overview & Scrutiny 1 and 2 and at two meetings of town and parish councils.
- 2.8 A budget survey was put on the website and publicised to encourage feedback. In particular it was brought to the attention of businesses, the residents' panel and Teignbridge relationship groups. Responses are included for member consideration as appendix 12 to the Council budget papers.
- 2.9 Also included is a recommendation to pass the formal council tax resolutions which are set out in appendix 14. These are technical resolutions which are required to be passed by law by the Council and take into account the requirements of our precepting bodies.
- 2.10 Final decisions are being made by police, county and fire on 28 January, 17 and 18 February respectively and members will be advised accordingly.

3. LEGAL / JUSTIFICATION

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

In coming to a decision in relation to the revenue budget and the council tax, the Council and Councillors have the following legal duties:

- a. To act in accordance with their statutory duties and responsibilities;
- b. To act reasonably; and
- c. To have careful regard to their fiduciary duty to its rate payers and Council tax payers.

The Council has a clear legal duty to set a balanced budget. A resolution not to set a Council tax would be unlawful so would be a resolution to set a Council tax which deliberately did not balance the budget.

The meaning of fiduciary duty is more difficult to define but can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers. When discharging their fiduciary duties councillors will need to consider the following:

- a. Prudent use of the council's resources, including the raising of income and the control of expenditure;
- b. Financial prudence both long and short term;
- c. Striking a fair balance between the interest of the council tax payers on the one hand and the community interest and adequate and efficient services on the other hand; and
- d. Acting in good faith with a view to complying with statutory duties and exercising its statutory powers for the benefit of the community.

Restriction on voting

Members' attention is drawn to the provisions of S.106 of the Local Government Finance Act 1992 which applies to members where: they are present at a meeting of full Council, Executive or relevant Committee and at the time of the meeting an amount of Council tax and has remained unpaid for at least 2 months and any budget or Council tax calculation or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such members shall at the meeting and as soon as practical after its commencement disclose the fact that S.106 applies to them and shall not vote on any question concerning budget setting.

Failure to comply with these requirements is a criminal offence unless such member can prove that they did not know S.106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at that meeting.