

**Teignbridge District Council  
Executive  
12 September 2022  
Part i**

**2021/22 DRAFT FINAL ACCOUNTS & TREASURY MANAGEMENT  
2022/23 BUDGET MONITORING – REVENUE & CAPITAL, TREASURY  
MANAGEMENT LENDING LIST**

## **Purpose of Report**

To report the 2021/22 draft final revenue results including draft closing general reserves. To bring the 2021/22 draft final capital and updated ongoing programme for members' approval including draft closing capital funding and resources carried forward. To report the draft financial results of the treasury management function for the year ended 31 March 2022. To update Members on the principal areas where there are likely to be departures from the 2022/23 revenue budget and summarise those variations to the end of July 2022 including updates 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) Note the draft revenue results for 2021/22**
- (2) Approve the draft year end capital and updated programme as shown at appendix 1**
- (3) Approve the revenue budget variations for 2022/23 as shown at appendix 2**
- (4) Note the updated lending list as shown at appendix 3**

**The Executive recommends to Council that the draft treasury management results for 2021/22 at appendix 4 are noted**

## **Financial Implications**

The financial implications are contained throughout the report. The main implication is that the accounts have been closed and general reserves are slightly above the budgeted level anticipated at 31 March 2022 - £2.106 million. See section 3. For 2022/23 there is a favourable variance of £140,890 at the end of July 2022. See sections 7 and 8.

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## **Legal Implications**

See section 10.1 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts.

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 summarised in section 9. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income.

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## **Environmental/ Climate Change Implications**

The revenue budget supports the funding of a Climate Change Officer and associated budget and capital projects are highlighted which contribute towards our climate change objectives – see section 12.

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## **Report Author**

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## **Executive Member**

Councillor Richard Keeling – Executive Member for Resources

## **Appendices/Background Papers**

Appendix 1 – Draft year end and updated capital programme

Appendix 2 – Revenue budget variations 2022/23

Appendix 3 – Updated treasury management lending list

Appendix 4 – Draft treasury management results 2021/22

## 1. PURPOSE

- To report the 2021/22 draft revenue results including draft closing general reserves.
- To bring the 2021/22 draft final capital and updated ongoing programme for 2022/23 for members' approval including draft closing capital funding and resources carried forward.
- To report the draft financial results of the treasury management function for the year ended 31 March 2022 as shown in Appendix 4.
- To note the updated treasury management lending list as shown in Appendix 3.
- To identify the principal areas where there are likely to be departures from the approved 2022/23 budget and summarise the likely overall variation based on the information available to the end of July 2022. Also to inform Members of progress that has been made with achieving savings and efficiencies.

## 2 BACKGROUND

- 2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May however the Covid 19 pandemic has triggered amendments to this deadline by extending this to the end of July. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this has been amended to the end of November for 2021/22.
- 2.2** The statement of accounts and financial records have been closed, balanced and the draft accounts published and are being audited by our external auditors Grant Thornton during September and October. If any alterations are required the details will be reported to Audit Scrutiny Committee with the external audit accounts report in October. Any revenue or capital resource effects will be brought to Executive in the budget monitoring report planned for 1 November 2022. Grant Thornton is required to provide the opinion on the statement of accounts by the end of November.
- 2.3** The availability of the accounts and records for inspection by interested persons has been advertised on the website [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see Draft Statement of Accounts 2021-2022. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 1 August to 12 September 2022.

- 2.4** An updated treasury management statement and authorised lending list was approved at the 2022 February budget meeting. This was based on the latest 2021 edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy (CIPFA). Further changes were reported to Executive on 4 July 2022. The updated statement is detailed in section 5 below and is shown for information at Appendix 3
- 2.5** The 2021/22 revenue and capital budgets were approved on 22 February 2021 and updated by Council on 22 February 2022.

### **3 DRAFT REVENUE RESULTS / STATEMENT OF ACCOUNTS 2021/22**

- 3.1** The draft statement of accounts has been certified by Martin Flitcroft as the responsible finance officer and is available on the website. [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see public inspection notice Audit of Accounts 31 March 2022 in the downloads section. The final version will be brought to the next meeting of Audit Scrutiny Members with further explanation for consideration and recommendation to 29 November 2022 Council. The final version is planned to be brought to Executive on 1 November 2022.
- 3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 22. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 33 and relevant notes 14 to 16 and 23 from page 66. Reserves are shown on the balance sheet and analysed on page 32. The draft closing general reserves at 31 March 2022 of £2.106 million are an improvement on the original budget of £46,000. Savings were also identified as part of the recovery work from the Covid 19 pandemic to deal with likely shortfalls over the medium term financial plan which have been added to earmarked reserves.
- 3.3** An analysis of the variations to budget is contained within the narrative statement. These have arisen mainly because of increases in fees and charges and sales with waste recycling sales showing a significant increase, property rental income has decreased compared to budget. Savings were made in expenditure in many areas including staffing, training, water, repairs and maintenance and advertising. Some costs have risen including energy and fuel.
- 3.4** Bad debt provisions have increased for Council tax (increase of £201,000 to £1,381,000), decreased for business rates (decrease of £90,000 to £420,000) and increased for general bad debts including rents (increase of £70,000 to £1,199,000) to reflect likely collectability.
- 3.5** For 2021/22 sundry debt write offs were £69,000 (£45,000 2020/21) or 0.58% of debt raised in the year. Council tax write offs were £132,000 (2020/21 £125,000) or 0.10% of the charge raised. National non domestic rate write offs were £43,000 (2020/21 £16,000) or 0.11% of the charge.

#### **4. 2021/22 DRAFT FINAL CAPITAL PROGRAMME**

**4.1** The draft final capital programme is shown at appendix 1. The original estimate of £38.477 million for 2021/22 was approved at Council on 22 February 2021. This had been decreased by probable stage in the February 2022 budget update to £25.888 million mainly due to the removal of aspects of the provisions for town centre regeneration at Brunswick Street, Teignmouth and Sherborne House, Newton Abbot and the rescheduling of schemes for decarbonisation, employment sites, leisure centre refurbishment and Warmer Homes grants. Teignbridge contributions to the Dawlish Link Road and bridge were also later than originally budgeted. The actual spend in 2021/22 was £15.575 million. The difference of £10.313 million from the updated budget is mainly due to:

£575,000 of cycling provision budgets were carried forward to future years. £136,000 has also been carried forward in relation to gym equipment at Newton Abbot Leisure Centre.

£79,000 towards the purchase, instatement and endowment for maintenance of the remaining parcels of Suitable Alternative Natural Green Spaces (SANGS) land were carried forward and the spend profile updated based on the latest forecasts, following the transfer to Land Trust of Dawlish Countryside Park and the first parcels of Ridgetop Park. £65,000 relating to contributions towards land for cirl buntings was also carried forward.

£203,000 was carried forward in relation to Dawlish Link Road and bridge.

£1.125 million of the Future High Street Fund projects budget was carried forward to 2022-23 along with the £200,000 cattle market enabling budget.

£1.251 million of the Forde House decarbonisation works budget and £793,000 of the leisure sites decarbonisation budget were carried forward, with an additional £60,000 of the budget for the replacement roof at Broadmeadow Sports Centre. These projects have progressed in 2022-23. £232,000 of the provision for other carbon reduction projects was unspent and has been carried forward. £31,000 of this has been used towards increased costs of solar PV at Teignmouth Lido.

£586,000 of the South West coastal regional monitoring probable budget of £1.607 million for the year was unspent. This is all funded by grant from the Environment Agency and other external contributions and the remaining budget has been carried forward to 2022-23 (year 2 of this six-year phase). The £107,000 Teignmouth Beach Management Plan budget was also carried forward.

£918,000 of the private sector housing probable budget relating to disabled facilities and other grant measures funded from Better Care grant was carried forward. Green Homes fund and Warm Homes fund grant budgets have been reduced in line with demand.

£654,000 of the Chudleigh shared equity scheme budget was carried forward. The remaining £44,000 budget for social housing at Well House, Carlisle Street (East Street) Newton Abbot was carried forward. This project has reached practical completion in the interim. A £95,000 contribution to a housing association scheme at Widecombe in the Moor was also carried forward.

The remaining £679,000 of Rough Sleeper Accommodation scheme budget was carried forward to 2022-23, following the purchase of the first property in 2021-22. The remaining £57,000 refurbishment budget in relation to shared housing in Dawlish was also carried forward following the purchase of the property in 2021-22.

£922,000 of grants and contributions were carried forward for affordable housing at Houghton Barton and Dawlish, plus a further £85,000 towards development enabling.

£74,000 has been carried forward relating to IT improvements being carried out by Strata.

**4.2** At the end of 2021/22 there was £5.671 million of capital receipts carried forward made up of £2.341 million general receipts plus £3.330 million from housing. Actual right to buy receipts for 2021/22 were £758,609 which is £158,609 higher than the £600,000 forecast in the probable budget. As at year-end 2021/22, there was also £10.953 million community infrastructure levy available towards funding investment as per the local plan.

**4.3** Recent additions to the capital programme for the current and future years include £540,000 for the creation of a new car park at the junction of George Street and Brunswick Street in Teignmouth, approved at Full Council on 28 April 2022.

A £600,000 contribution of CIL towards the Jetty Marsh Link Road was agreed, also at Full Council of 28 April 2022. At Full Council on 24 May 2022, a £500,000 contribution was agreed towards a strategic cycle route between Newton Abbot and Torbay, dependent on a funding bid to the Levelling Up Fund being successful.

Work continues to progress the Future High Street fund projects which are aimed at stimulating growth in the local economy and ensuring an attractive and well-connected environment for local businesses. A planning application was recently submitted for the new state-of-the-art cinema in Market Square, Newton Abbot.

Work also continues around the Teignbridge 100 affordable housing project. Two homes at Drake Road, Newton Abbot and a further 5 units at Carlisle St (East St), Newton Abbot were recently completed. Two properties have recently been acquired under the Rough Sleeper Accommodation Programme, with funding for three more to follow. The aim of this project is to

provide move on accommodation and support to rough sleepers, to enable them to transition to independent living. The Teignbridge 100 pipeline covers a range accommodation types, the intention being to deliver a rented programme across urban and rural locations on Teignbridge land.

## **5. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 3)**

- 5.1** The authorised treasury management lending list was approved at the 2022 February budget meeting. Following the appointment of treasury management advisors in 2019, additional highly-rated institutions were added to the Council's official lending list. From 1 January 2019, the largest UK banks had to separate core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks addressed ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. In some cases, ring-fencing affected ratings. Officers continue to monitor all ratings to ensure they meet the Council's lending criteria.
- 5.2** The lending list has been updated for the latest ratings and is included at appendix 1. Sumitomo Mitsui banking moves from Tier 2 to Tier 1; Standard Chartered Bank and Nationwide Building Society from Tier 1 to Tier 2, while Clydesdale Bank has been added to the list in Tier 3 due to improved ratings.

## **6. TREASURY MANAGEMENT RESULTS 2021/22 (Appendix 4)**

- The financial results of the treasury management function are reported to Council in accordance with the Chartered Institute of Public Finance and Accountancy 'Treasury Management Code 2021'. Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions. There was no long term borrowing in 2021/22. Current forecasts do not anticipate long-term external borrowing during 2022/23 however this is dependent on the rate of progress of capital schemes.
- The Council's treasury team continue to use internal borrowing in order to minimise interest costs. As at the end of 2021/22, the capital financing requirement (CFR) (underlying need to borrow) was £20.069 million. By using existing balances to fund this internally rather than borrowing externally, the Council saves £289,989 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 as at end of July, less potential interest earned at the forecast average rate of 1.32%.
- Any borrowing which is undertaken will be in line with the Council's prudential indicators and treasury management strategy which were approved at the February 2022 Council budget meeting.

- The average funds available for investment increased in 2021/22 by £13.2 million to £36.5 million, from £23.3 million in 2020/21. This is mainly due to one-off payments from central government for Covid-19 grants and business rates relief.
- Net interest earned has increased from £15,945 in 2020/21 to £26,065 in 2021/22. The average rate achieved was 0.07% in both 2020/21 and 2021/22. The Bank of England's base rate was reduced to 0.1% in March 2020. It remained at this level until December 2021. There were then three rate rises in the latter months of 2021/22, bringing base rate to 0.75% as at the end of March. After consecutive rises of 0.25% in May and June and 0.5% in August, economic forecasts anticipate further rate rises during 2022/23 to around 2.5% - 2.75% by the end of the financial year. Call account rates continue to be low because of banking regulations requiring banks to keep capital buffers.
- Following the withdrawal of LIBOR rates, the benchmark being used is now the compounded 12-month SONIA (Sterling Overnight Index Average), which represents the actual rates at which banks lend to one another. For 2021/22, this rate was 0.1372%. The lower Teignbridge average is reflective of the need to keep investments liquid in order to manage volatile cash-flows arising from grant payments, some uncertainty about the repayment of Covid grants and continuing low call account rates.

Full details of draft treasury management results and prudential indicators are shown in Appendix 4.

## 7. REVENUE BUDGET MONITORING 2022/23 – SUMMARY

- 7.1 There is a net surplus of £140,890 for 2022/23 arising from variations to the original budget. A summary of revenue variations by service identified to the end of July is shown below with favourable variations indicated by a minus sign as per the details shown in Appendix 2.

Service	Variance £
Development management including land charges	18,800
Corporate services	25,000
Economy & assets	7,200
Environment/climate change	-594,590
Leisure/green spaces	0
General	402,700
<b>TOTAL FAVOURABLE BUDGET VARIATION TO DATE</b>	<b>-140,890</b>

For a number of years Government have only provided one year settlements for core funding. They had intimated over the Summer that a two year settlement would be provided next year. We will have to wait until the Autumn to see if the new Government confirms this change. We have consistently been told that new homes bonus receipts are likely to reduce again as the

bonus is phased out. There is still no clarity as to what will take its place. If there is a two year delay then there is the possibility that new homes bonus will continue for two more years and there will be no reset of business rates retention as it is clear that fair funding is not going to be consulted on in the short term. We await clarification on this which may be made clearer when full details of the next settlement are provided for 2023/24 in December. The funding reserve holds funds to assist with this eventuality initially. Likely shortfalls for future years after 2022/23 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 2022 and the additional work with Ignite.

## **8. VARIATIONS BY SERVICE 2022/23 (revenue shown in appendix 1 and capital in appendix 2)**

### **8.1 Building control**

- At the end of July fee income is forecast to meet the target budget of £437,500. Any variation at the year end will be charged to the building control reserve so will not affect Teignbridge's general reserve. Income received to date is down on that at the same time last year.
- Teignbridge became the Lead Authority fully hosting The Devon Building Control Partnership with South Hams and West Devon councils from 1 April 2017 and holds the partnership earmarked reserves on behalf of the partners.

### **8.2 Development management including land charges**

- At the end of July net planning application income is forecast to be in line with the original budget of £795,000. Planning application numbers are 19% down at the end of July as compared with last year – however the number of applications in 2021/22 were particularly high.
- The Executive of 30 May 2017 agreed the introduction of charges for pre-application planning advice from 1 July 2017. At the end of July 2022 income was down on the original budget of £75,000 by an estimated £8,800 for the year.
- Planning appeal costs are currently estimated at £10,000 for this financial year.
- Land charges income is forecast to be in line with the projected net budget of £212,000. The number of searches is 14% down on last year but above the average of previous years. A search can be a full or part search or individual questions.

### 8.3 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, 2022/23 and thereafter.

#### Finance

- Forecast interest receivable at £531,340 is forecast to be up £501,340 on the base income budget of £30,000. Interest accrued to the end of July is £102,185. There is currently no forecast external borrowing for the year, which means zero interest payable against a base budget for interest payable of £30,200. While call account rates remain relatively subdued, money market fund rates have risen modestly in response to base rate changes. There have been six base rate rises between December 2021 and August 2022 with the rate now at 1.75%. Our average lending rate up to the end of July was 0.76% compared to the average SONIA (Sterling Overnight Index Average) in the same period of 0.88%. This is due to instant access rates falling well below SONIA. Average daily lending for the year is forecast at £40.4 million, with average rates prudently forecast to rise to 1.32% over the year. There is considerable economic uncertainty at present which may affect the Bank of England's interest rate decisions. Cash flow also continues to be volatile due to government grant activity around the pandemic and cost of living crisis. However if base rates increase in line with commentators' expectations, forecast interest income may rise further.
- As at the end of 2021/22, the draft capital financing requirement (CFR) (underlying need to borrow) is £20.069 million. By using existing balances to fund this internally rather than borrowing externally, the Council saves £289,989 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 as at end of July, less potential interest earned at the forecast average rate of 1.32%.

In April we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	0.55	2,000,000	01/04/2022	27/04/2022	26	783.56
DMO	0.565	500,000	01/04/2022	09/05/2022	38	294.11
DMO	0.59	500,000	01/04/2022	19/05/2022	48	387.95
DMO	0.56	3,000,000	08/04/2022	29/04/2022	21	966.58
DMO	0.56	500,000	11/04/2022	28/04/2022	17	130.41
DMO	0.55	500,000	14/04/2022	28/04/2022	14	105.48
DMO	0.55	3,000,000	19/04/2022	28/04/2022	9	406.85
DMO	0.55	5,000,000	19/04/2022	29/04/2022	10	753.42

DMO	0.55	1,000,000	21/04/2022	29/04/2022	8	120.55
DMO	0.55	1,000,000	25/04/2022	29/04/2022	4	60.27
DMO	0.755	5,000,000	27/04/2022	26/05/2022	29	2,999.32
DMO	0.55	4,500,000	28/04/2022	05/05/2022	7	474.66
DMO	0.59	1,500,000	29/04/2022	06/05/2022	7	169.73
DMO	0.645	2,000,000	29/04/2022	09/05/2022	10	353.42
DMO	0.685	1,000,000	29/04/2022	11/05/2022	12	225.21
DMO	0.735	1,000,000	29/04/2022	19/05/2022	20	402.74
DMO	0.74	1,000,000	29/04/2022	20/05/2022	21	425.75
DMO	0.755	2,500,000	29/04/2022	23/05/2022	24	1,241.10
DMO	0.76	1,000,000	29/04/2022	24/05/2022	25	520.55
DMO	0.77	2,500,000	29/04/2022	26/05/2022	27	1,423.97

and we had £39.4 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	Days	Interest (£)
DMO	0.82	3,000,000	03/05/2022	26/05/2022	23	1,550.14
DMO	0.85	2,500,000	05/05/2022	20/06/2022	46	2,678.08
DMO	0.8	1,500,000	06/05/2022	11/05/2022	5	164.38
DMO	0.85	1,000,000	11/05/2022	23/06/2022	43	1,001.37
Nationwide	1.46	1,000,000	11/05/2022	10/05/2023	364	14,560.00
Thurrock Council	1.1	2,000,000	01/06/2022	01/09/2022	92	5,545.21
DMO	0.835	1,000,000	16/05/2022	20/06/2022	35	800.68
DMO	0.885	7,000,000	16/05/2022	05/07/2022	50	8,486.30
DMO	1.005	2,000,000	20/05/2022	09/08/2022	81	4,460.55
DMO	0.93	2,000,000	24/05/2022	05/07/2022	42	2,140.27
DMO	0.965	1,500,000	26/05/2022	19/07/2022	54	2,141.51

and we had £35.0 million lent out or in call accounts at the end of the month.

In June we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	1.05	3,000,000	01/06/2022	09/08/2022	69	5,954.79
DMO	1.05	1,000,000	06/06/2022	18/07/2022	42	1,208.22
DMO	1.115	3,000,000	15/06/2022	09/08/2022	55	5,040.41

DMO	1.16	1,500,000	15/06/2022	22/08/2022	68	3,241.64
DMO	1.165	1,000,000	15/06/2022	23/08/2022	69	2,202.33
DMO	1.06	1,000,000	20/06/2022	22/07/2022	32	929.32
DMO	1.05	500,000	27/06/2022	05/07/2022	8	115.07
DMO	1.22	500,000	27/06/2022	26/08/2022	60	1,002.74
DMO	1.28	1,500,000	27/06/2022	12/09/2022	77	4,050.41

and we had £43.1 million lent out or in call accounts at the end of the month.

In July we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	1.05	1,000,000	01/07/2022	04/07/2022	3	86.30
DMO	1.31	2,500,000	01/07/2022	15/09/2022	76	6,819.18
DMO	1.345	1,500,000	07/07/2022	19/09/2022	74	4,090.27
DMO	1.36	1,000,000	07/07/2022	23/09/2022	78	2,906.30
DMO	1.46	2,500,000	15/07/2022	28/09/2022	75	7,500.00
DMO	1.525	1,500,000	15/07/2022	10/10/2022	87	5,452.40
DMO	1.585	1,500,000	25/07/2022	19/10/2022	86	5,601.78
DMO	1.275	1,000,000	29/07/2022	11/08/2022	13	454.11

and we had £41.7 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**

It is anticipated that the extra costs for holding committee meetings externally for room hire and principally web casting will amount to £25,000.

## 8.4 Economy & assets

- Repairs and maintenance are on target to be within the budget of £843,800. Actual spend to the end of July is £97,263.
- Income from car parking is currently in line with the original budget of £4.2 million at the end of July.
- General rental income has reduced over the last 12 months. The income to date is currently in line with the budget set. Market income is slightly down by £7,200 from the original budget. The total property income budget is £3.1 million.

### Capital

- The capital programme is shown at appendix 1. It continues to include significant provisions for investment in town centres and employment land. This includes the 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. There are improvements to Queen Street and the National Cycle Network Route, as well as the building of a new state-of-the-art cinema. This 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. The total investment of £12.5 million includes government funding of £9 million.
- 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. This project is funded mainly from prudential borrowing.
- Council of 28 April 2022 granted authority for the sale of land at Brunswick Street in Teignmouth town centre to Torbay and South Devon NHS Trust. Alongside this, it was resolved to create a new car park at the junction of George Street and Brunswick Street, to be funded from capital receipts.
- 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.

## **8.5 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 in line with the budget set for 2022/23.
- Fuel costs are currently in line with the budget set.
- Income from recycling sales is up on the original budget by £584,000 – mainly due to volumes which have increased and been maintained and also due to the price for cardboard and plastics collected.
- The increased volumes has increased recycling credit income by £72,690.
- Hardware replacement to the waste and recycling vehicles will be required at a likely cost of £62,100. This will be funded by extra revenue contributions to capital.

### **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 upgrades 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. Following the original contractor going into administration, the works were re-tendered. Cost increases relating to unprecedented levels of inflation meant that an urgent decision was taken on 13th April 2022 to increase the total budget to £4.4 million, with the additional funding comprising revenue savings from the 2021/22 financial year and capital receipts. Works are now underway with the new contractor.

- 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. A further budget line was added to allow the existing roof at Broadmeadow sports centre to be replaced prior to the installation of solar photovoltaics. This additional item is funded from developer contributions. These projects were recently Highly Commended in the Large Scale Project of the Year category at the Energy Efficiency Awards – South West.

## **8.6 Housing**

- Teignbridge have received £43,623 of new burdens funding towards the statutory duty to support victims of domestic abuse within safe accommodation.

### **Capital**

- The indicative anticipated 2022/23 Better Care government grant, received via Devon County Council is £1.48 million, with a further £0.92 million carried over from 2021/22. This is budgeted towards statutory disabled facilities and other discretionary grants, to meet anticipated increased demand.
- To date in 2022/23, no previously paid renovation grants have so far been recovered.
- The Council successfully bid for Warm Homes funding streams (supported by Better Care funding) covering provision of both air source heat pumps and first-time gas central heating to residents. £20,000 budget is carried forward for park home grants and £400,000 for Category 1 (Gas) and Category 2 (Air Source Heat Pumps).
- In addition, £1.1 million was received in 2020-21 from the Green Homes Fund. £250,000 is carried forward for grants towards energy efficiency measures.

- A provision of £8.5 million over two 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 previously approved schemes. Two homes at Drake Road, Newton Abbot and a further 5 units at Carlisle St (East St), Newton Abbot were recently completed. The tenants have the benefit of EPC A-rated energy efficient homes. The Carlisle St project also includes two fully wheelchair accessible flats. In addition, two properties have recently been acquired under the Rough Sleeper Accommodation Programme. The aim of this project is to provide move on accommodation and support to rough sleepers, to enable them to transition to independent living. A shared housing property in Dawlish has been acquired and is in the process of being refurbished as a supported accommodation hostel. The Teignbridge 100 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.

## **8.7 Leisure / Green spaces**

- Leisure experienced significant loss of income due to various lockdowns in 2020/21. The single biggest income stream is memberships which reduced significantly and although income has gradually increased again, competition has resulted in slower growth than anticipated. Actual income is down on the base budget for 2022/23 with an estimated loss for the year of £48,920 at the end of July – mainly due to memberships and also decarbonisation works at Broadmeadow sports centre and difficulty in offering a full range of activities due to issues with recruiting and retaining staff. Swimming lessons income is currently above target. It is anticipated that the loss of fees and charges income will be offset by savings.
- We currently have £9.6 million in S106 receipts, of which £3.4 million is committed towards projects in the capital programme. These are over many services and parishes but the majority is for leisure including open spaces, sports provision and play facilities.

## Capital

- Following improvements to Bakers Park and Decoy play area, the latest play area refurbishment to be completed was the Den in Teignmouth. This £280,000 scheme was completed in time for the summer holidays. £150,000 is budgeted for play area improvements at Ashburton Road, Newton Abbot, funded from developer contributions.
- Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido will benefit from the £2.3 million decarbonisation project outlined in 8.5. There is also a project to replace the sports hall floor at Broadmeadow Sports Centre and to introduce modern gated access across our leisure centres (both funded from Section 106 contributions).

## 8.8 Licensing

Licensing income looks to be on target to achieve the budget of £227,550.

## 8.9 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 and recently the distribution of the £150 energy grant. Government have provided support and a new burdens grant was received this year of £66,590 – at least £18,970 of which is expected to be spent on administering the scheme.

## 8.10 Spatial planning and delivery

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. As at year end 2021/22, Teignbridge had recognised £18.6 million of usable CIL after payments due to parishes. As CIL may be paid in instalments, actual cash received to the end of 2021/22 was £15.5 million (£12.3 million after the £3.2 million paid to parishes). £7.4 million has been spent on infrastructure, with the remainder committed to existing approved projects including provisions for local transport, education and sports. £0.3 million has been allocated towards administration costs since inception. The actual cash balance after parish payments and expenditure is £4.6 million. A further £0.5 million of usable CIL has been recognised to date in 2022/23.

- Teignbridge received £164,000 of capacity funding to support the delivery of Newton Abbot as a garden town from the Garden Communities Programme and £160,000 Design Code Pathfinder funding. 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 Ridgetop Park was approved. This is occurring in phases, with instatement works taking place in line with the acquisition phasing. £2 million is included for the acquisition, instatement and endowment costs of future phases, funded from Housing Infrastructure Fund grant.
- Both Dawlish Countryside Park and the first phase of Ridgetop Park have been handed over to the respected land charity, the Land Trust for management under agreements which will ensure that the public and environmental benefits of the sites will be safeguarded for the long term.
- In addition to the Garden Communities revenue funding of £164,000 noted above Teignbridge has also been awarded a capital element of £250,000 towards infrastructure funding.
- £4.8 million of CIL is budgeted for infrastructure projects in 2022/23 including £2.6 million towards ongoing improvements to the A382, £600,000 for the Jetty Marsh Link Road, and £1.2 million towards cycling and other sports and leisure projects. There is £337,000 provision towards habitat mitigation infrastructure.

### **8.11 General revenue**

- Council tax support cost has decreased and was just under £10.7 million at the end of July which is £346,969 below the original estimate of £11.0 million. Council tax support falls directly to Teignbridge including parishes (12.6% together), county, fire and police and is being monitored monthly.
- Our business rateable value (RV) has decreased slightly and stands at just under £85.8 million. The number of assessed businesses has decreased from 5,617 to 5,614. These are the end of July 2022 figures as compared to the beginning of the current year. We still seem to be on target to achieve the total budget of £5.1 million business rates retention income for the year.

### **8.12 General savings progress**

- Strata Service Solutions Ltd - the current year budget included a savings target of £212,780 which it is anticipated will be achieved. In 2021/22 Strata have identified that they will deliver savings over and above the original savings target anticipated. A request was made by Strata that the three Councils reinvest surplus funds totalling £411,000 with Strata in 2022/23. The Councils share is £112,500. The reinvestment will allow Strata to continue to

support the delivery of the required services and changes required for the three Councils. As part of our closedown of our accounts for 2021/22 the savings have been allocated to an earmarked reserve and on 4 July 2022 Executive approved that they are reallocated to Strata in 2022/23 to be spent on extra resources to deliver the services and requirements needed.

- Salary vacancy savings at the end of July look to be in line with the required budget target of £425,000. There has been an initial offer proposed of a flat £1,925 across all grades in relation to the pay award for 2022/23. We had assumed in the budget for 2022/23 a 2% increase. This has added £981,860 as a budget pressure if agreed by the Unions. There are no other material variances on other salary costs at the end of July.
- Utility costs for gas, electricity and water are in line with existing budgets as at the end of July. We anticipated some significant inflationary pressures as part of the February 2022 budget setting considerations.
- The Better 2022 review of service business plans will continue to identify savings that will be fed into the budget process together with the work and findings from Ignite.
- Construction cost inflation is being driven across the UK by numerous external Global factors including, inter alia: supply side issues for materials in particular steel; a weaker pound having fallen 17% against the dollar from May 2021 to date; cost of energy, transport and the cost of labour.
- Increasing costs for capital projects combined with increasing borrowing costs will challenge returns on capital projects and will require continual monitoring.
- All capital schemes undergo rigorous business plan projections using experts internally/externally as required. Risk registers are formulated and associated mitigations to those risks identified to all aspects of a project particularly with Global and external factors being volatile in the current economic cycle such as inflation, borrowing, interest rates, income projections, rates of return, running costs, environmental factors, legal aspects, our prudential indicators etc. These are modelled and revisited periodically (on larger projects this will be in the form of monthly valuations) as new information is made available or as a project moves to the next milestone or stage to ensure the returns are made and the objectives of the project are delivered.

### **8.13 Future years**

- Council tax has been closed down and balanced for 2021/22 and the surplus/deficit declared will be shared with county, fire and police in 2022/23. An earmarked reserve is held to cover these fluctuations where deficits arise.
- 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 July there were 64,153 dwellings which is 395 more towards any potential NHB payment for 2023/24. 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 or two.

- Business rates baseline funding was due to be reset in 2020/21. This has been delayed by 12 months at each spending review and was supposed to be introduced in 2023/24. It is still not clear when this will take place. 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. It has been intimated that we might get a two years settlement next year which if approved by the new Government is positive in that we will maintain our business rates growth for two more years.
- The overall impacts of the Brexit outcomes between the UK and the EU has been difficult to determine and has then been overshadowed by the events from the Covid 19 pandemic. Therefore drawing any conclusions about its impact for local government is not possible. We will continue to monitor any information we receive in relation to this as part of our risk and financial management.

## **9. RISKS**

The major risks to be aware of are around future funding and the adequacy of reserves going forward. Clarification of the two year settlement will be crucial in determining the impact on this. General reserves are maintained at a value higher than originally budgeted and earmarked reserves have been increased to help deal with future forecast funding changes and potential exposure to on going reductions in income. These risks may impact on the performance of treasury management and borrowing levels moving forward.

Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors could qualify the accounts.

## **10. MAIN IMPLICATIONS**

The implications members need to be aware of are as follows:

### **10.1 Legal**

The Financial Accounts for 2021/22 need to be produced and audited in accordance with the Accounts & Audit Regulations 2015.

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.

Monitoring and reporting of the treasury management results is required by the CIPFA Treasury Management Code.

## **10.2 Resources**

The report notes that general reserves have been maintained at a level slightly higher than originally budgeted at 31 March 2022 and interest earned in 2021/22 from treasury management has increased from that obtained in 2020/21. The report notes an overall favourable variance of £140,890 identified this year to the end of July. Cash flow is forecast to be positive for the next twelve months. Revenue reserves are considered to be sufficient to sustain the council for the current financial year however the February 2022 budget identified a budget next year of £3.3 million and £2.6 million for 2024/25 currently being funded by earmarked reserves. Service reviews are exploring further savings that can be made this year and in the future to protect significant use of earmarked funding reserves. 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. As mentioned in 7.1 above work is ongoing with Ignite to determine how we address the revenue budget gap in the medium to long term. A number of savings options are being considered and costed together with a review of the overall structure of the organization.

## **11. GROUPS CONSULTED**

The draft accounts are advertised as available for inspection and are available on the website. The external auditors have been auditing the financial records and accounts during September.

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

The revenue budget supports the appointment of a climate change officer and associated budget. The capital programme identifies projects which have an impact on climate change denoted with a green leaf in appendix 1.

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

10.00 a.m. on 19 September 2022