

**Teignbridge District Council
Executive
7 February 2023
Part i**

FINAL FINANCIAL PLAN PROPOSALS 2023/24 TO 2025/26

Purpose of Report

To consider the final financial plan proposals 2023/24 to 2025/26 for recommendation to Council on 21 February.

These proposals include recommended revenue and capital budgets for 2023/24 and planned in outline for 2024/25 and 2025/26.

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 2023/24 and the outline plan for the subsequent years 2024/25 and 2025/26.

The proposed budget includes:

- **An increase in council tax of £5.54 or 2.99% to £190.71**
- **Providing a one-off cost of living payment of £5.54 to households liable to pay council tax on their main home on 1 April 2023 in 2023/24**
- **Maintaining 100% council tax support**
- **Continuing to react to the climate change emergency by maintaining ongoing revenue budgets for a climate change officer and associated spending, temporary staffing resources in revenue and provision in the capital programme, including ongoing provisions for corporate decarbonization schemes as per 5.5**
- **A £2 million provision for employment sites funded by borrowing**
- **Provision for an Emergency Planning officer**
- **Temporary funds for a Scrutiny Officer to assist Members with the Scrutiny function and working groups; appointment of a Digital transformation Manager and other temporary resources including for facilitating the Modern 25 work**
- **Support for housing including the Teignbridge 100 (see 5.3) whilst backing business and bringing people and organisations together for local neighbourhood planning**
- **The continuing reduction in new homes bonus**

- **Other central funding reductions – in particular provisional assumptions for business rates for future years and reset of the baseline**
- **Reserves at 13.0% of the net revenue budget or £2.3 million**
- **Infrastructure delivery plan investment funded by community infrastructure levy and external sources where available**
- **Continuation of grant funded South West Regional Monitoring Programme as per 5.6**
- **Town centre investment in infrastructure and employment as per 5.7**
- **Re-establishing revenue contributions to capital initially at £300,000 per annum**
- **Continuation of enhanced Planning funding**
- **Councillors community fund set at £1,000**
- **Provision of £20,000 for year 2 of the ‘Tidy Teignbridge’ initiative to improve cleanliness for town and parish councils**
- **Paying £500,000 off our pension deficit in 2023/24 to reduce ongoing contributions**
- **An additional document - the Financial Plan 2023 – 2028 for adoption (at Appendix 8) and to facilitate Member progression of work plans by Overview & Scrutiny to address the budgetary position and deliver savings**

The Executive Committee recommends to Council to note the mid year review of Treasury Management shown at appendix 9

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 2022/23 to 2025/26.

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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.

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Risk Assessment

The risks involved in not setting a balanced budget are highlighted throughout the report. The major risks are in 3.9, 4.13, 4.15 and 4.26 with reference to uncertainties as to income projections following the pandemic and economic conditions, future

funding – particularly business rates retention and New Homes Bonus and if an alternative funding stream to replace New Homes Bonus is provided 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.

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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

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Appendices/Background Papers

App 1 – Budget timetable 2023/24
App 2 – Recommended council tax base 2023/24
App 3 – Council tax calculator 2023/24
App 4 – Summary revenue plan 2022/23 onwards
App 5 – Revenue budget detail
App 6 – Fees and charges summary
App 7 – Capital programme
App 8 – Financial Plan 2023 - 2028
App 9 – Treasury management mid year review
Budget and settlement files
The Constitution

1. PURPOSE

- 1.1** To consider the final financial plan proposals 2023/24 to 2025/26 for recommendation to Council on 21 February 2023.

- 1.2 These proposals include recommended revenue and capital budgets for 2023/24 and planned in outline for 2024/25 and 2025/26.
- 1.3 To bring the mid year treasury management review for information as shown at appendix 9.

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 2023/24 which is a settlement for one year with some clarification of funding for year two (2024/25). The Lower tier services grant is eliminated to help fund the announcement of a 3% funding increase guarantee grant and the new grant introduced in 2022/23 - 'Services Grant' - provided for all local authorities – has been reduced to claw back funding for the national insurance contributions increase that was reversed. The allocation for Teignbridge in 2023/24 is to reduce to £0.132 million from £0.234 million. The funding guarantee grant allocation amounts to £1.132 million for 2023/24. New Homes Bonus (NHB) is extended for one more year but with no legacy payments. Council tax thresholds are increased to the higher of 3% 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 2022/23. For 2023/24 New Homes Bonus continues for a further year. Government had indicated its intention to cease New Homes Bonus in future years with further consultation to take place about any future replacement. See also 4.15 below.
- 2.2 We have benefitted from previous savings plans and restructuring efficiencies are still producing cost reductions. This budget also benefits from the Strata partnership and savings made. We are in the second 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 still remains turbulent due to fallout from the pandemic and the uncertainties continue about future demand, supply and outcomes now that we have left the European Union and recessionary economic conditions and cost of living impacts. Teignbridge saw significant losses in income – in particular from fees and charges, rental income has also seen significant

reductions. Some good recovery has taken place in specific income streams but still below pre pandemic projections.

The budget proposals include a one off payment of £5.54 to households liable to pay council tax on their main home. This is to support residents with the cost of living crisis that is impacting on all of us. This could cost in the region of £330,000 plus administration costs.

- 2.4 General increases in most off street parking charges are proposed to cover inflation and in particular the continuing higher business rates from the revaluation which mainly falls on car parking (see also 4.3 below).
- 2.5 The second year funding of the Tidy Teignbridge' initiative is included at a budget of £20,000 to deal with street cleansing for towns and parishes.
- 2.6 Business rates are revalued nationally. There is transitional relief so that reductions and increases will take five years to work through. Our on-going investment in Newton Abbot will enhance its vitality and viability and improve access to and within the town centre.
- 2.7 The capital programme to 2025/26 includes infrastructure delivery plan projects, which are vital to the development and accessibility of the area, 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 and other support measures such as disabled facilities. There are provisions for spending on climate related schemes, including a provision for the second phase of decarbonisation at Broadmeadow Sports Centre. An application has been made for partial grant funding under Phase 3b of the Public Sector Decarbonisation Scheme. This follows successful bids in relation to Forde House and initial schemes at Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido. The main aim of the capital programme 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. In 2023/24 we will now receive £0.245 million but this is mainly due to the council tax support admin subsidy grant and family annex council tax discount grant being rolled into this funding stream rather than being paid separately to us.
- 3.3** Covid 19 is likely to continue to have some 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** **Better 2022** incorporating review of Business Plans remains one of the options for exploring reduction in budgets and also to evaluate the pressures of investment that might be required to deliver those savings. The savings that can be made have been built into the budgetary figures. The **Modern 25** work will take this forward over the medium term.
- 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 an 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 has been brought to the attention of **businesses**, the residents' panel and Teignbridge relationship groups.
- 3.7** The current council tax for Teignbridge is £185.17 per year for an average band D property. The 2022/23 **tax base** or effective number of properties for calculating council tax income is 49,633. Thus current year council tax income for the district is estimated at £9.2 million as shown in **appendix 2 - the recommended council tax base 2023/24**. 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 £2,166.85 council tax collected per property, Teignbridge keeps 9% or just over £3.56 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 £185.17 is below the current average of Devon districts of £191.86.
- 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 2022/23 for a flat rate of £1,925 has been agreed and 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 had been built into the financial plan proposals last year. With further increases to the minimum wage and cost of living pressures likely to continue the assumption has been increased to 3% for 2023/24 and dropping back to 2% for 2024/25 and thereafter. The actuarial valuation of the Devon pension fund for 31 March 2019 required increased employers contributions from the Employer over the next three years. We reduced this cost by upfront payments. The actuarial valuation for 31 March 2022 has increased the primary employers contribution rate by 3% to 19.6% from 1 April 2023. These extra costs are partly offset by a reduction in our past deficit contributions (secondary rate) which reduce next year by £196,520. £80,000 of this reduction is due to paying off £1 million of the deficit in 2022/23. We also propose repaying a further £500,000 in 2023/24 to reduce the overall deficit, drive down the past deficit contributions and provide returns which have been utilized to support the cost of living payment in 2023/24;

The continuing uncertainty on reforms to New Homes Bonus paying only legacy payments reducing receipts and the proposal to potentially cease New Homes Bonus after 2023/24 or 2024/25 and whether there will be an alternative source of housing funding and what that level of funding will be going forward;

The outcome of any future consultation on the changes to business rates. A delayed reset of the baselines for the business rates retention scheme to 2025/26 and the impact on the business rates retained for 2025/26 and thereafter.

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

Emergency planning post – following a review of the Councils response into the Covid 19 pandemic it was identified that there was a lack of resilience to deliver the Council's response. In terms of our ability to meet our responsibilities in a major incident or emergency, this is not a sustainable solution and there is not sufficient capacity to undertake all the outstanding tasks in a timely manner. The post would have specific responsibilities to deliver the outstanding work and embed training and exercising into the organization as well as support existing trained officers in responding to emergencies.

Other budget pressures anticipated and included are for the impacts of inflationary pressures 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 4 July, 4 October, and 1 November 2022. These have updated current year budgets and also future year forecasts. The provisional local government settlement was announced on 19 December and Teignbridge responded on 20 December. The final settlement is still awaited.
- 3.11** The **mid year review of treasury management** performance which is required to be noted by Council is attached as appendix 9. This shows average returns of 1.02% to the end of September - comparable to the benchmark average SONIA (Sterling Overnight Index Average) rate as published on the first of each month for April to September, of 1.065%. Interest earned to the end of September, including sums which fall into 2022/23 from lending arranged the previous financial year, is £211,780. It is more than last year (£4,030 at the same point), mainly due to increases in interest rates. The forecast for the year is £765,678, an increase of £739,613 compared to 2021/22. This is mainly due to increased interest rates as outlined in 4.22 below.

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 2022/23 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 in January at this [link](#). There are general changes for most charges to reflect significant inflationary increases in costs for these services 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 continue to be frozen after having been reduced previously. Leisure membership fees and pre application planning charges have also been frozen.
- 4.3** Changes to car parking charges are mainly inflationary and again to cover increases in costs due to inflation. This will also help towards 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. Car parking will continue to be free after 6 pm.

- 4.4** At Full Council on 29 November 2022 approval was given to increase the opt in green waste subscription charge to £55 in 2023/24. The fee continues to be below the national average and the increase is to help towards the increased costs of the drivers salaries.
- 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 3% 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 were 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. The provisional settlement again confirmed there would be no restrictions for towns or parishes.
- 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 2.99% or £5.54 to £190.71. **This is the annual charge for an average band D property and the increase equates to less than 11p a week. A 2.99% increase has been assumed for 2024/25 and 2025/26. The band A equivalent increase for 2023/24 is £3.69 which equates to just over 7p per week.**

The Teignbridge element of the council tax bill goes towards funding the services we provide. We recycle your household waste, take away your rubbish, clean your streets, make sure your food is safe, work with others to reduce crime, decide planning applications, create and attract new jobs, consider licensing applications, support people in need with housing and council tax reduction schemes, and support voluntary organisations.

We work with a whole range of organisations to do things such as support public transport and greener travel – for example cycle routes, protect the environment, look after your street signs, administer council tax for over 64,000 households, look after homeless families, work with partners to provide housing, deliver new jobs and bring prosperity to our beautiful area.

We organise elections, improve housing conditions for vulnerable households, promote better energy efficiency, deal with stray dogs, graffiti and fly-tipping; provide renovation grants for unfit properties, deal with noise complaints, provide car parks, check out bonfire nuisances among many others.

In one way or another, the work we do looks after more than 134,000 people across 260 square miles of land, stretching from the moor to the sea.

- 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 £1.0 million was estimated which has to be shared between the major preceptors in 2023/24 per their current precepts. The District share is £125,545 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, 2021/22 and 2022/23. We will now receive a one year settlement for 2023/24 and some clarity for elements of 2024/25 - the historic and current year 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%

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. We have now received the provisional settlement for 2023/24 which shows a further loss of £0.9 million in 2023/24 due to losses in New Homes Bonus and legacy payments. Percentage reductions are approximately 50% in total over the six 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 2025/26 when the delayed proposed reset of the baseline is likely to occur, reducing gains established from growth and altering business rates retention. We will however receive a 3% guarantee grant in 2023/24 to ensure our core funding increases by 3% overall next year.

- 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 2023/24 still exist and so an application for this has been submitted and approved by Government.
- 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 2023/24 which has now been postponed and likely to be 2025/26 and will have a negative impact on funding levels. Previous settlements suggest 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 any correspondence or 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 £0.4 million for 2023/24.

- 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 delay has allowed New Homes Bonus to continue for at least one further year in 2023/24 and probably 2024/25 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 or nothing at all. Government had allowed it freedom to change the baseline however in the provisional statement for 2023/24 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** In 2020/21 the council tax benefit scheme 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 major changes to the scheme were made for 2022/23 apart from amending the income threshold for claimants in Band 1 to 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. For 2023/24 the proposed changes are only for a potential uplift in income bands to accommodate any increases in primary benefits.
- 4.19** Teignbridge currently receives £295,000 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. The council tax support grant will be rolled into revenue support grant in 2023/24 according to the provisional settlement.

- 4.20** The statutory minimum **National Living Wage** increased to £9.50 in April 2022 and will be £10.42 in April 2023. 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%. The future service accrual contributions are now increasing from 16.6% to 19.6% from 1 April 2023 however the past service deficit contributions have decreased to £1,090,000 in 2023/24, £1,140,000 in 2024/25 and £1,180,000 in 2025/26. We are also planning to pay £500,000 off the pension deficit liability in 2023/24. This will generate further savings in future year's past service deficit payments and supports the cost of living payment of £5.54.
- 4.22** Forecasts of **investment income** receivable have increased over the last year. The Bank of England's monetary policy committee raised base rate for the ninth consecutive meeting in December 2022 to 3.50%. It stated that the committee was still willing to act forcefully by raising rates further to deal with inflationary pressures. However, the markets now anticipate that the peak of interest rates (expected during the second half of 2023) may be at lower levels than previously forecast. Current forecasts indicate this may be at around 4.5%, after which rates are expected to fall.

Forecast investment income for the current year is £765,678 with an average daily lend of £41.5 million to the end of November 2022. This represents an average interest rate of 1.33% to the end of November. The average SONIA (Sterling Overnight Index Average) rate as published on the first of each month for April to November is 1.35%, so this is in line with benchmark expectations. It is forecast that Teignbridge's average rate for the year will be 1.88%.

It is anticipated that Council balances available for investment in 2023/24 will be lower due to capital expenditure and the repayment of government grants. Based on the forecast rates above and estimated projected cash-flows, investment income is expected to rise in 2023/24 to £1,004,500. This is dependent on the progress of capital projects and other cash-flow influences such as receipt of government grants and developer contributions, all of which are subject to change. Investment income is then forecast to fall to around £393,000 in 2024/25 as both interest rates and amounts available for investment reduce.

Over the last year, the Council has made use of its internal balances to rule out the need for external borrowing. With an underlying need to borrow (Capital Financing Requirement) of £20.1 million at the beginning of 2022/23

(estimated to be £21.1million by the end of the year) and assuming a combination of Public Works Loans Board (PWLB) 10-year and 25-annuity loans (adjusting for lost investment interest at 1.88%), this represents interest saved of around £449,000.

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 earmarked reserves to balance any funding gaps in the medium term financial plan as appropriate. It is proposed that general reserves increase to £2.3 million.
- 4.24** There are no known significant contingent liabilities, 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 some ongoing reduction in income in 2022/23 since the pandemic has created significant uncertainty on likely income receivable for the foreseeable future and predicting trends.
- 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 increase slightly to £2.3 million being 14.1% of the net revenue budget in 2022/23 and 13.0% in 2023/24. This equates to 12.4% and 14.4% in the two subsequent 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 changes and some losses in income due to the pandemic 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. The budget gap has worsened and is £3.4 million in 2025/26 before using earmarked reserves (line 14) built up to support the reduced funding. This is due to the additional pressures already mentioned above. There may be a bigger budget gap if an 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.** Right to buy receipts cease after 2024 increasing funding pressures on the capital programme. Exploration of suggestions from the Better 2022 process and service plan reviews have been incorporated into future budgets. Further suggestions including the work with Ignite will be worked up and costed to deliver savings to move towards balancing future budget years from 2025/26 alongside the ongoing investigation into commercial investment opportunities, alternative service delivery plans and review of our existing assets and their use. **The budget deficit for 2025/26 is likely to continue into future years and Members will be updated on progress with funding reforms/further Government funding /savings to determine how the funding gap can be closed in conjunction with work carried out by Overview & Scrutiny 1 and 2 work on specific areas of the budget. It is recommended that Overview & Scrutiny working groups be established to look at specific areas of the budget (following approval) with a work plan to support meeting the budget gap.**

The budget papers also include **Appendix 8** for approval at Full Council – the **Financial Plan 2023 to 2028**. The purpose of the plan is to define how the Council will structure and manage its finances over the next five years in order to deliver services and deliver savings, provide information around key funding streams, the inter relationship between revenue and capital and establish and adopt some key principles and proposals to be followed and worked through over the next two years via the work plan involving Overview & Scrutiny 1 and 2. The draft document has been reviewed by Audit Scrutiny in January.

- 4.28** These proposals include a £5.54 band D increase in council tax next year and 2.99% in subsequent years and substantial capital investment over the next three years. They have been publicised and comments brought back to the Executive in February before making the final budget recommendation to Council for 21 February 2023.

5. CAPITAL PROGRAMME

- 5.1** The programme is shown at **appendix 7** and 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 re-introduced at £300,000 per annum initially from 2023/24 increasing to £500,000 in future years.

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. £1.5 million has been received in 2022/23, with the majority invested in grants towards the provision of disabled facilities and energy improvements. There is £0.48 million budgeted over the remainder of 2022/23 towards Warm Homes Fund and Green Homes Fund schemes, funded from government grant.

5.3 A provision of £8.5 million has been made over three 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 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 already completed, delivering 7 units of housing allocated to local applicants in housing need at Drake Road and Well House, East Street, Newton Abbot and more recently, shared housing and rough sleeper accommodation schemes. In addition, a scheme to acquire 4 homes in Chudleigh for social rent is anticipated to be complete by the end of 2022/23. 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. Estimated construction costs are based on a desktop study carried out by an experienced local housing company, with assumptions being updated as more detailed work is carried out. Funding is assumed to be a combination of Homes England grant, capital receipts (including right to buy receipts estimated at £0.6 million for 2022/23 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 £0.3 million 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 provisional budget line of £0.03 million has been added to the programme for periodic capital expense in relation to Teignbridge's social housing

portfolio, for example replacement roofs, fabric improvements and replacement fixtures and fittings. Projects will be brought forward for approval as they occur. Funding is from revenue contributions to capital. Any surplus income from the properties will be earmarked for this purpose.

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

- Improvements to the A382 – £2.6 million in 2022/23, with a provision for a further £0.9 million in 2023/24 making a total contribution since 2020/21 of £6.0 million, funded from CIL. £0.5 million was contributed towards the Jetty Marsh link road in 2022/23, with a further £0.5 million provision for South West Exeter transport and £1.5 million provision for transport hubs and public transport, all funded from CIL.
- £4.6 million budgeted towards Dawlish link road and bridge between 2022/23 and 2023/24, funded from government grant, with a provision for £1.3 million to be funded from CIL.
- Provision for Education in the wider Teignbridge area of £9.1 million, funded from community infrastructure levy.
- Provision for further acquisition, instatement and endowment of green spaces (including contributions towards habitat mitigation and wildlife) of £6.0 million over the remainder of 2022/23 and following three years. This is funded from Housing Infrastructure funding via Devon County Council and developer contributions.
- Sports and leisure provision of £3.4 million over the next 3 years, including Powderham, Newton Abbot, Prince Rupert Way, Heathfield and other play area refurbishments. There is an additional £0.14 million contribution approved in 2022/23 towards Manor Gardens play area in Dawlish. 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 is £1.7 million over three years, including £0.5 million towards the Levelling Up Fund bid in relation to the Torbay to Newton Abbot cycle route.

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 Teignmouth Lido, a further provision of £1.3 million is included for a third phase application. This relates to further measures at Broadmeadow Sports Centre, including fabric improvements, insulation and installation of an air source heat pump. A grant application has been made. The project will be subject to due diligence and a business case, with a report being brought forward in due course.

In relation to the Forde House offices decarbonisation and agile working project, work progresses and is anticipated to be completed in 2023/24. The project delivers a modern working environment for flexible working as well as up to 92% carbon emissions reduction at the site compared to 2018/19. The original budget approved by Full Council on 4 May 2021 of £3.04 million was revised to take into account the programming of other planned works which would have taken place in the near future. This was to take advantage of economies of scale (e.g. scaffolding costs) and inevitable disruption associated with this project. Following the original contractor going into administration, an alternative contractor was secured. The tender costs reflected inflationary pressures, labour and supply chain shortages and an extended construction period, with subsequent increases to project management fees and the contractor's preliminaries and margins. The current approved budget is £4.4 million as reported at Full Council on 28 April 2022, funded from a combination of grant, capital receipts, revenue contributions from the repairs and maintenance budget and borrowing. The combination will be dependent on the outcome of the Forde House ground floor letting opportunity and the business case will be reviewed once this is known. Risks remain around potential extensions of time to the contract and variations around provisional sums within the project scope. Monitoring continues in conjunction with cost scrutiny and project management provided by specialist consultants.

For projects not covered by grant funding, a further £1.3 million provision over three years 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 £4 million over three years is also made towards strategic energy infrastructure and low carbon, funded from CIL.

A successful bid to the UK Shared Prosperity Fund has resulted in the allocation of £1.6 million funding for the Council's related investment plan, supporting businesses, hard to reach groups, women and local communities. There is some flexibility over the amount to be allocated to capital and this will be adjusted as the project progresses and future year allocation amounts are confirmed by central government. For 2022-23, £0.081million is allocated for green business grants.

- 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 2023/24 the programme will enter the third year of the current 6 year phase.

- 5.7** There is a £2 million provision for employment sites, funded from borrowing and developer contributions where applicable. 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.

£19.6 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.

£0.54 million is included over 2022/23 and 2023/24 for the creation of additional car parking at George Street, Teignmouth.

- 5.8** £0.27 million is included for a new financial management system between 2022/23 and 2024/25, 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 a further £0.5 million in provisions for IT infrastructure projects, software upgrades and applications to enable more effective, digital ways of working. These items will be brought with business cases for approval in due course.

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 January 2023. They also scrutinised these final plans on 2 February 2023. Parishes and town councils have been advised of these proposals. There have been two budget meetings with town and parish councils on 15 December 2022 and 19 January 2023.

- 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 21 February 2023.

7. TIME-SCALE

The financial plan covers the years 2022/23 to 2025/26. Final consideration of the budget by Council is due on 21 February 2023. 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 21 February 2023.