Appendix 7

Teignbridge District Council

Draft Financial Plan

2024 to 2029

1. About this Plan

Our Financial Plan looks at the position of the revenue budget and considers the General Fund [1] position in terms of general reserves and earmarked reserves and the Capital Programme [2] and the inter-relationship between the two.

The purpose of this Plan is to define how the Council will structure and manage its finances over the next five years in order to deliver services to residents and support the objectives detailed within the Council Plan.

The Financial Plan also links with other key plans and documents of the Council including Service Plans, Asset Management and Disposal policies, the Digital Strategy we are developing, Procurement and Treasury Management. Input will also be provided through the Overview & Scrutiny Committees review of budget priority and savings work and the Council's Senior Leadership Team.

The Financial Plan comprises of two parts;

- **Part 1 - The Medium Term Financial Plan (MTFP**) *(page 3)*

  This is a key element of the budget setting process. The MTFP provides a financial model and forecast of the cost of providing services over a rolling five year period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources and interaction with earmarked reserves if available to smooth funding where appropriate.

  As well as considering the revenue implications and the General Fund balance, the MTFP also reviews the affordability of the Council's capital investment programme, matching forecast funding against planned capital spending over a five year horizon. The capital programme is easier to control as individual schemes can be approved or not by Council to match resources available. Clearly this has its own implications in meeting the Council Plan objectives but does not have the same degree of organisation complexity as the General Fund involving significant staff numbers, team interaction and service delivery.

- **Part 2 – Financial Viability Process (FVP)** *(page 14)*

  This part of the Financial Plan considers how the Council will attempt to balance its finances over the coming years to continue to provide service for its residents and customers. It ensures we are achieving Value for Money throughout the Council within each service, it evidences this and seeks improvement and savings where possible. The process involves review of service plans with a team of key staff from the Business Transformation Team, Finance and Performance to aid us in this process. They work with the relevant services to discover likely savings to pursue, viability, time scales and resources required to implement.

Depending on the outcome of this work and savings achieved, consideration will then need to be given as to whether service reductions are required to balance the books in order to achieve financial sustainability and viability.

Definition Note:

1. The General Fund records day to day revenue spending and income on the delivery of Council services.
2. Capital programme spending relates to purchases or enhancements of assets, expenditure that has benefit greater than a year and is over £10k.

- **Part 1 - The Medium Term Financial Plan (MTFP)**

2. Introduction

The development of a five year financial model is based upon a number of assumptions and perceived risks which clearly become more difficult to predict as the period covered lengthens. In recent years we have been subject to one year only financial settlements from Government, there have been fundamental funding reviews proposed, delayed and then cancelled on a number of occasions making even short term planning difficult. We now have a further one year settlement for 2024/25 with no clarity on what will happen about when central funding is to be reviewed again which is now predicted to be in 2026/27. Any plan built over a period greater than 5 years becomes more unpredictable as assumptions about future financial indicators lengthen.

In broad terms the model has been developed on the basis of 'reasonable and prudent' forecasts and assumptions in accordance with sound accounting practice.

3. Fundamental principles

Underpinning this plan, the following fundamental principles have been adopted:

- To secure the financial viability and stability of the Council in accordance with the Chief Finance Officers (CFO) responsibility to protect the Council's finances.
- Annually, a balanced revenue budget will be set with expenditure to be limited by the amount of available resources.
- Where a balanced revenue budget cannot be achieved in the short term use of earmarked funding reserves will be used to balance the budget but by exception.
- The General Fund balance will be maintained at the agreed adopted level as advised by the Chief Finance Officer.

- If earmarked reserves are not available to balance the budget resources will be redirected from low to high priority services to meet objectives set out in the Council Plan and maintain statutory functions.

- Council Tax increases will be kept within annually announced government guidelines to ensure a local referendum is not triggered.

In considering the capital budget, the Council will continue to follow the methodology of assessing schemes against their contribution to the corporate strategy, service improvement and long-term impacts on budget as well as deliverability within finite staff resources. The Council will also seek to maximise the use of its assets.

4. Financial background

The Government has cut core funding significantly for a number of years.

Additional support was provided during the Pandemic but this has now been withdrawn and the underlying funding for local authorities is historically low.

There are significant financial pressures to consider with higher inflation rates, interest rates, energy and food costs and a potential recession. As a consequence the indications are higher national pay awards and other direct cost implications mainly associated with contractor and partner costs. There has traditionally been low investment income received however this increased significantly with the increases in base rate but has an adverse impact on borrowing costs for capital schemes. Profiling debt can smooth out some of these short term change in rates. Ambitions remain to pursue our carbon reduction programme and improve services through further investment. This all brings significant financial challenges and a requirement for us to act more commercially to generate more income.

These factors have shaped the finances of the Council over recent years and placed it in a continuous difficult position of setting balanced budgets.

The Council needs to address its continuing budget gaps on the revenue budget and mitigate use of funding earmarked reserves which could be redirected to other activities. Member support is key to achieving this objective.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and benefited in additional government funding through New Homes Bonus and extra Business Rate income which to date has put the Council in a stronger financial position than a number of other councils. This has enabled continued significant investment in non-statutory services to benefit the district. The Council has also embarked on building its own housing to facilitate moving towards its affordable housing target aspirations.

5. Medium Term Financial Plan

The base for the MTFP is the 2023/24 approved budget and the current cost of ongoing services, adjusted to take account of a range of unavoidable costs such as pay increases, inflationary pressures, the implementation of any approved changes to the budget and any costs arising from new legislation and associated regulations or changes in resident demand. The updated MTFP takes account of any forecast variations in the level of both investment and fee income.

The Plan also considers and makes reasonable assumptions about the likely incomes from council tax and central government funding.

The MTFP is designed to model likely outcomes and to aggregate the sum of all potential financial inputs, to determine whether the Council will have sufficient resources to achieve its objectives, or indeed whether action is required to bridge a funding gap.
In formulating these calculations a number of assumptions have been made and a range of external influences considered. The various risks and pressures are detailed at the end of the Plan with commentary on their potential impact. The consequence of the pandemic was a significant risk but high inflation and other economic factors and their impact on our finances and the public is now the central concern.

Appendix A to the Financial Plan contains the best estimates of the 5 year costs and incomes.

A similar exercise has been undertaken in respect of future capital expenditure, detailing the anticipated level of resources required, together with potential funding sources available to the Council to support its planned programme of works and where there are revenue implications these have been acknowledged within the Plan.

6. MTFP – Revenue Position

The position on General Fund services is extracted in the table below in section 8 and shows the current year 2023/24 for comparison and forms the basis from which future assessments have been made. The 2023/24 position is the set budget from February 2023 and then the latest position for 2023/24, the implications effecting this budget are considered going forward.

Some key areas to note in this calculation:

Service Budgets - This position is calculated based on current service provision adjusted where there are known resident demand changes, contract agreements or legislative requirements. This position does not include any growth in service or staffing to the Council's current service level with the exception of:

- Inclusion of £1.0 million as a one off to pay an element of the pension fund deficit and reduce future deficit funding contributions.

- Additional temporary resources to deliver significant projects, climate change, service reviews, business/systems improvements etc and for the Modern 25 work and scrutiny function.

- Renewal of the vehicle leasing contracts.

- The 2023/24 budget for staff salaries was based on an assumed 2% increase. At the time of developing the MTFP the latest offer of a flat sum payment of £1,925 per employee (based on a full time individual) has been approved and implemented. This equates to a net cost over the budgeted sum in the General Fund in excess of £750,000 for 2023/24 and over £850,000 for future years based on full employment. This additional cost has been added to the model.

- Each of the 3 owners of Strata are requiring additional support to meet the various work demands and objectives requiring IT support and development. This will lead to an increase in cost. The base budget will include the provisional sums known and be amended when the relevant approvals have been provided.

The Council's previous full set of budget papers Agenda for Full Council on Tuesday, 21st February, 2023, 10.00 am - Teignbridge District Council is a useful historical reference as it details significant information about the service provision currently provided; costs and income received for revenue (appendix 4 and appendix 5), staffing resources involved in each area (appendix 5) and the capital programme (appendix 7).

Government Funding General - The 2023/24 Local Government Finance Settlement was a one-year spending round only with some information in relation to 2024/25. This put on hold again planned reforms; changes to both the local government funding formula and the re-basing and implementation of a new business rate retention scheme.

The Government continued to follow previous years settlements and issue a settlement for one year only for 2024/25. There was no announcement about when they intend to undertake a review of local authority funding however this is probably going to be in 2025/26 with likely funding resets to be in 2026/27. Any change in Government following the General Election could alter this.

Understanding this funding position and the implication on other core funding mechanisms (Business Rate Growth and New Homes Bonus) is critical to determining the MTFP position but there is uncertainty.

The MTFP now assumes a fall to baseline funding for the Council from 2026/27; taking away any growth in business rates (2024/25 budget £2.8 million (including pooling gain) and £2.9 million assumed for 2025/26 and the change in NHB from £0.4 million per annum in 2023/24 to £0.6 million in 2024/25 with an assumption of £0.6 million in 2025/26) and nothing thereafter. In terms of the possible reductions as stated the timing is unclear and the cliff edge in funding reduction has been assumed in the model as worst case because there is likely to be transitional funding introduced to smooth out the reductions for authorities like Teignbridge (this is referred to as 'damping' and some provisional estimated figures are now included to reflect a possible likely position but still very uncertain).

The Local Government Finance Settlement is announced normally late November/early December and for 2024/25 was announced on 18 December which makes planning extremely difficult as councils initial budget processes are finalised at that point. The finance policy statement published on 5 December 2023 only outlined some of the key principles for 2024/25.

The implications of the Levelling Up and Regeneration Bill and any change to the shape of local government going forward, particularly in Devon, has not been addressed in the MTFP as it seems no fundamental change in the short term is likely but this position will need to be kept under review.

7. Business Rate income

This has been assumed under the existing arrangements; the 50% rate retention scheme. The Government had intended to introduce a 75% retention scheme but this has now been dropped with a review at some stage still being the Government's stated intention.

The MTFP assumes in 2024/25 the Council will be £2.800 million above the baseline funding level (retained growth) including pooling gains. This is considered reasonable based on current levels of income and projected growth. The Council does maintain a bad debt provision and a business rate funding reserve to mitigate annual fluctuations in rating assessments.

The greater, more fundamental risk is Government changing the regime and us losing the business rate growth in future years which has been built up. Because the timing and degree of risk is unknown the Council currently holds a Funding Reserve to cover these fluctuations and the existing gaps in the revenue budget which is not balanced. This will be used to continue to meet service costs in the budget in the short term if the worst case scenario happened. This would take place if the Government announce in any December Settlement that all growth income from business rates will be lost in the following year – highly unlikely especially without some transition protection but this reserve is available to give time to cut costs in an orderly manner to best protect the residents of Teignbridge should the worst happen.

8. Council Tax

The Government has for a number of years determined district councils can increase their council tax by £5 a year or up to 2% whichever is the greatest before triggering a local referendum. This is the level of income the Government assess is available to the Council and the MTFP applies this increase annually. The Government assumes that the Council will increase its Council tax by these limits when setting its allocation of other funding streams. The allowance for 2023/24 was increased to 2.99% before a referendum is triggered and this is built into the model for 2024/25 and future years (£5.70 for 2024/25).

9. New Homes Bonus (NHB)

Income retained in the General Fund to support revenue costs has been included in the annual budgets for a number of years but has reduced significantly and is currently £0.4 million. The scheme is supposedly ending in its current form with the annual amount reducing; this gives £0.4 million available in 2023/24 which is then increasing to £0.6 million for 2024/25 and projected to be £0.6 million for 2025/26 and then potentially not replaced so zero for 2026/27 onwards. There are still no guarantees about future years after 2024/25 or whether a replacement will be available.

A replacement for NHB was consulted on over three years ago with the Government wishing to sharpen the incentivising of housing growth in the most effective way, no announcement of a replacement scheme has been made so it is assumed the scheme will continue in its reduced form with just an annual sum paid based on one year's growth and then end. A provision of £0.4 million had been included for potential repurpose of the NHB funding stream but this now seems unlikely. At the height of the scheme the Council was paid the annual growth sum for 6 years – in 2016/17 the Council received £3.848 million (the most received in any one year). A provision for smoothing of the funding changes is also incorporated into 2026/27.

10. MTFP numbers

The MTFP is provided annually in the budget papers as appendix 4. This provides the latest numbers for the current year and the following 3 years. Future years are extremely uncertain however an attempt to calculate our budget gaps extended to year 5 is shown below the 3 year projection replicated below.

Revenue Budget Summary

Appendix 4

	Revenue Budget	2023-24 Forecast	2023-24 Latest	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
	EXPENDITURE	**£**	**£**	**£**	**£**	**£**
1	Employees	24,398,970	23,963,540	26,934,620	26,142,300	26,863,990
2	Property	5,721,180	5,809,390	5,873,810	6,023,260	6,180,400
3	Services & supplies	6,768,450	8,250,310	6,900,580	6,796,780	6,992,810
4	Grant payments	19,182,450	22,432,450	19,334,800	17,334,800	15,334,800
5	Transport	1,057,840	799,050	1,082,810	1,099,660	1,118,190
6	Leasing & capital charges	1,497,950	1,543,670	2,365,490	2,701,240	2,726,460
7	Contributions to capital	300,000	417,290	500,000	500,000	500,000
8	**Total expenditure**	58,926,840	63,215,700	62,992,110	60,598,040	59,716,650
	INCOME					
9	Sales	-1,467,900	-783,700	-807,690	-840,000	-873,600
10	Fees & charges	-10,781,150	-11,395,240	-11,928,260	-12,524,670	-13,150,900
11	Grants - income	-19,388,510	-22,926,590	-19,542,500	-17,542,500	-15,542,500
12	Property income	-3,343,710	-3,871,920	-3,699,950	-4,127,570	-4,251,700
13	Other income & recharges	-4,105,820	-5,528,090	-4,533,480	-4,010,380	-3,843,720
14	Transfer from (-) / to earmarked reserves	-2,205,900	-920,310	-3,670,140	-2,269,490	-4,480,430
15	**Total income**	-41,292,990	-45,425,850	-44,182,020	-41,314,610	-42,142,850
16	**Total net service cost**	17,633,850	17,789,850	18,810,090	19,283,430	17,573,800
	Funding					
17	Council tax	-9,576,500	-9,576,500	-10,004,930	-10,507,120	-10,929,500
18	Council tax/community charge surplus(-) / deficit	-125,550	-125,550	-251,670	0	0
19	Revenue support grant	-245,040	-245,040	-261,270	-277,060	0
20	Rates baseline funding	-3,520,800	-3,520,800	-3,634,240	-3,720,860	-3,768,620
21	Estimated rates retention and pooling gain	-2,446,200	-2,684,960	-2,800,410	-2,920,830	-1,319,150
22	New homes bonus	-404,940	-404,940	-650,240	-650,240	0
23	Alternative housing funding/damping	0	0	0	0	-1,500,000
24	Other grants	-1,314,820	-1,314,820	-1,207,330	-1,207,320	-56,530
25	Budget gap (-) to be found	0	0	0	0	0
26	**Total funding**	-17,633,850	-17,872,610	-18,810,090	-19,283,430	-17,573,800
27	**-Surplus/shortfall**	**0**	**-82,760**	**0**	**0**	**0**
28	**General reserves at end of year**	**2,300,001**	**2,400,004**	**2,400,004**	**2,400,004**	**2,400,004**
29	**General reserves as % of net revenue budget**	**13.0%**	**13.4%**	**12.8%**	**12.4%**	**13.7%**

The table below shows annual budget position over the 5 year period – see appendix A for more detail.

Table: MTFP Model – Annual budget shortfall

General Fund	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000
Budget Shortfall/(Surplus)	3,670	2,269	4,480	4,344	4,090	Not costed	Not costed	Not costed	Not costed	Not costed

Shortfalls are covered by earmarked reserves. 2026/27 is when rebasing of business rates is expected creating a significant business rates funding reduction. Early identification of savings will ensure the funding reserve is not expended as this is required in the medium term to assist with ongoing variations. By using the model different scenarios can be shown to guide the annual budget setting process.

The Model identifies the pressures and influences on the Council's revenue budgets and highlights a shortfall between the Council's spending requirements and the amount of finance available. Actions will need to be taken to meet these shortfalls and the need to keep finding savings year on year is not to be underestimated.

11. MTFP Revenue - The Way Forward

The funding gap for 2024/25, 2025/26 and 2026/27 needs to be addressed working with SLT, senior officers and Members – ultimately eliminating the ongoing gap in 2026/27 when reset of funding is now likely to take place. Savings should be filtered into the budget process each year as part of the annual budget process but also in year as savings ideas are formulated, worked on and delivered.

A key area to explore is what savings/increased income can be achieved by working through service reviews and proposed savings options, this being before more fundamental decisions are made on whether there is a need to explore cutting services to the public. Working through service plans and Modern 25, eliminating quick wins, working more commercially will help towards achieving this goal. Clarifying the appropriate level of investment in IT to reconstruct our organisational structure will be vital and identify staff savings through automation of procedures. These are some initiatives that will help as well as the normal scrutiny through the budget process. This Plan also proposes that we work with the actions in the Financial Viability Process.

The Plan proposes a two stage approach which is linked to the uncertainty of Government funding for local authorities and possibly even the shape of local government going forward.

- Each year we will undertake service reviews to ensure we are delivering VFM, drive efficiencies to see what savings can be achieved and to form an evidence base that we have done what we can, challenging ourselves on cost effective delivery of services. This will also be combined with looking at suggestions from the Ignite report (now incorporated into Modern 25) and savings suggestions identified from review of previous unspent budgets and invest to save – such as IT investment to deliver more automation. A review of our assets including disposal, re-use etc will be explored and all commercial opportunities to generate more income.

- If the funding gap estimated in 2026/27 of £4.5 million materialises, which is dependent on Government direction, then efficiencies and income generation are not going to drive that level of savings and we will need to propose significant service reductions. But this comes at a point when we know how much we need to find and when, before radical service decisions are made. As stated we have an earmarked Funding Reserve in place to protect us against any immediate changes should Government carry out reforms without good notice and support existing revenue budget gaps.
  This gap should not be ignored and what actions could be taken should be considered and formulated. If savings are not found over the next 3 years then the Funding Reserve will be depleted leaving insufficient funds to address future significant variations in funding or budget pressures. Early identification of savings and their introduction would allow unspent earmarked funding reserves to potentially be reallocated. There is also some uncertainty around some further funding in the form of 'damping'. It is difficult to determine the value of this funding with no guidance available but this could assist for a period of 24/36 months in 2026/27 and 2027/28 (and possibly 2028/29).

  Key areas of budget proposals to be agreed are as follows and can continue to be monitored and developed through the Overview & Scrutiny work plan:

  a. **Approval of Council tax increases at the maximum allowed – £5 or 2.99% currently**
  b. **Agreement of our asset strategy and determining best use of our assets – disposal/transfer/re-use and re-model**
  c. **Pursuit of maximum asset disposal proceeds**
  d. **Exploring commercial investment opportunities including charging policy**
  e. **Maximising income from existing fees and charges**
  f. **Exploring new opportunities for setting fees and charges**
  g. **Reviewing the savings options from the Ignite work**
  h. **Investing in our IT provision to deliver more automation and efficiencies**
  i. **Review our policy for earmarked reserves and funding budget gaps**
  j. **Reviewing support for third sector grants and support**
  k. **Identifying other voluntary grants and future support**
  l. **Reviewing quick wins and budgets no longer required**
  m. **Periodic review of the capital programme and alignment to strategic priorities**
  n. **Agreement to provide a revenue contribution to capital at £300,000 per annum in 2023/24 and £500,000 per annum for future years**
  o. **Determining adequate borrowing limits including headroom for the capital programme through approval of the appropriate treasury management indicators**
  p. **Councillors community fund budget**
  q. **Further payments to reduce the pension fund deficit**
  r. **Minimum level of general reserves – currently suggested at £2.4 million**
  s. **Limit use of earmarked reserves to bridge budget gaps**
  t. **Considering new funding models**
  u. **Timeline for delivery of savings**
  v. **Working with Town and Parish councils re service provision**

12. Capital

The Council maintains a programme of capital expenditure designed to improve a wide range of community facilities and local infrastructure. The forward funding projections below only include rolling items and projects identified early by managers; **there will be proposals missing from this list** that will need to be considered for funding out of available resources as they come forward.

There will be a disparity between the Council's capital spending aspirations being greater than the amount of finance available. In producing these figures agreed principles have/will be applied:

- A capital bid process is in place whereby appraisal forms are completed for each scheme and an assessment methodology applied to prioritise expenditure within resources available. This prioritisation is overseen by the Corporate Projects Board.

MTFP Model – Capital Expenditure and Funding Position

Strategic Priority	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
A roof over our heads	8,412	8,262	1,454	1,454	1,454
Clean scene	388	14,203	768	321	220
Going to town	2,277	15,271	1,955	-	-
Great places to live and work	829	6,422	7,138	2,088	5,138
Health at the heart	-	-	-	-	-
Investing in prosperity	180	2,250	-	-	-
Moving up a gear	6,222	3,025	1,130	250	550
Out and about and active	757	260	700	701	40
Strong communities	2,001	2,443	1,674	1,666	-
Action on climate	3,106	4,552	2,439	439	2,000
Vital, viable council	437	289	209	284	41
Total Capital Expenditure	**24,609**	**56,977**	**17,467**	**7,203**	**9,443**
Borrowing	(2,924)	(28,771)	(2.939)	(934)	-
Capital Receipts	(1,043)	(3,472)	(423)	(154)	(24)
Revenue contributions (includes specific sums)	(544)	(1,620)	(489)	(505)	(291)
Grants / external contributions	(13,894)	(14,842)	(3,308)	(3,066)	(1,400)
CIL	(4,256)	(7,113)	(10,268)	(2,338)	(7,688)
S.106	(1,948)	(1,159)	(40)	(206)	(40)
Total Funding	**(24,609)**	**(56,977)**	**(17,467)**	**(7,203)**	**(9,443)**

The Programme expenditure includes those schemes already approved by Council and rolling items and provisions. **Bids will come through the annual budget process giving a different picture to that given above and there will be choices to make in order to keep expenditure within resources available.**

The above has been produced using the latest budget monitoring position and it is clear from observation that periodically the programme needs to be re-profiled with the budget managers. There are a number of schemes which will not be delivered in part or full in the year the budget is allocated. From the view of the MTFP it's the overall position that can be considered taking all years into account.

The programme assumes £35.6 million of borrowing between 2023/24 and 2027/28 in addition to the current underlying need to borrow of £21.0 million. Cash flow monitoring and balance sheet review exercises indicate no immediate need to borrow externally over the next 2-3 years. This is dependent upon the speed with which capital projects progress and is reviewed periodically alongside interest rate monitoring, so that when long-term external borrowing is required, it is undertaken in a controlled way in line with the Council's treasury strategy. This position has been factored into the revenue model in terms of costs of borrowing/lost external interest/minimum revenue provision etc. Any new borrowing will need to be considered in conjunction with existing borrowing commitments, maximum borrowing limits and a comfortable headroom for borrowing.

The above capital receipts line is based on the most recent activity and forecast information.

Key issues to consider for this Plan in terms of capital are:

- Only approved schemes and provisions from the February 2023 budget process and subsequent approvals brought to Members are included. The current position shows General Fund capital receipts largely being used by 2025/26. If any new projects or schemes do come forward, it is assumed they will attract sufficient funding and/or have a positive business case with a minimum return of 1%.

- Any scheme inclusion in the Programme over and above this core annual expenditure needs to be considered carefully for inclusion in future programmes. This happens on a case-by-case basis to determine if they meet corporate objectives. Business cases must evidence the required 1% return in the case of self-funded schemes, or show delivery in conjunction with other agencies/partners. Some schemes will come with no funding but may still be necessary, for example IT improvements and asset refurbishments.

- The introduction of £300,000 per year baseline as a revenue contribution to capital in 2023/24 (then increasing to £500,000 in future years) will assist in supporting the capital programme and for any spends without a sufficient supporting business case. Revenue contributions are all committed until 2027/28.

The Way Forward – Capital programme

- There is a clear necessity for the continuation of the Corporate Projects Board to consider the allocating of capital resources against competing capital scheme bids.

- The programme needs to be populated with realistic expenditure estimates into the future; further work has been undertaken on Council assets costs and a review of our asset management policies and use of assets.

- The Project Management Guidelines will continue to be used to inform the capital bid process through detailed capital appraisal forms and Project Initiation Document (PID). There will be continued monitoring of progress on key projects through the Council's Corporate Projects Board.

- **Part 2 – Financial Viability Process (FVP)**

13. Aim of the FVP

This part of the Finance Plan considers how the Council will balances its finances over the coming years to continue to provide service for its residents and customers. We will ensure we are achieving Value for Money throughout the Council within each service, we will evidence this and seek improvements and savings where possible. We have key dedicated resources to aid us in this process and available to work with services.

Depending on the outcome of this work, and the savings achieved, as identified in 11 above we will then need to look at reductions in service delivery necessary to balance the books going forward to deliver financial viability and sustainability.

This will all be looked at against the backdrop of the risks and challenges that have implications for the Council's financial position in the medium term.

The major risks and pressures are:

Changing government funding
Inflation
High interest rates
Cost of living crisis and impact on services/income
Ongoing impact following the Covid pandemic and recovery
Existing budget gaps and limited earmarked reserves
Staff resources
Additional demands from Government

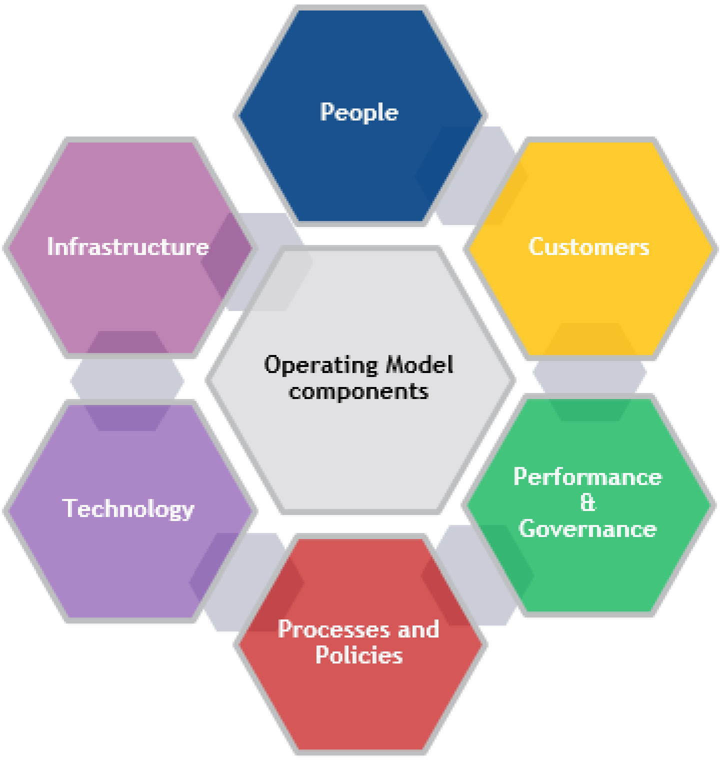
14. Modern 25 Programme

TDC accepts that to achieve the level of savings required, it needs to change the way things are done and alter its operating model, whilst ensuring that the customer is still at the heart of council services. Independent consultants were commissioned through a procurement process to work in partnership with Teignbridge Senior Leadership Team to deliver:

- A strategic alignment review
- Recommendations for a new Target Operating Model

The objective of the programme is to deliver a new operating model for the council. An operating model encompasses all aspects of the way the organisation delivers its core purpose and includes

- People and Organisation – the activities that our staff carry out and how they are managed and organised
- Technology and Infrastructure – the software, physical ICT infrastructure and physical assets that are in place to support how people carry out the council's work
- Ways of Working – the processes, policies, procedures, performance, governance, leadership and management that is in place
- Culture & Behaviours – Creating a work environment which supports delivery of strategic priorities and core services to our customers and an organisation that invests in its people
- Strategic Priorities – the strategic portfolio of programmes and projects that are in place to deliver the council's strategic priorities



From their recommendation we have developed our Modern 25 programme which aims to deliver a new operating model for the council delivering £2.6 million of phased benefit savings by April 2026 and implementing the changes across the whole council in line with agreed design principles. The programme focuses on delivery of 3 main workstreams

1. **Customer and Service Design - Lead Tracey Hooper**

This will digitalise services that the users of our services want and design support mechanisms for customers who need help to make a request or support service users who have complex needs.
Our services will be designed to be more sustainable through:

- Shifting our service users to less expensive digital channels in line with our current demand, through active promotion and nudges
- Designing services that are easy for users to access and make a request
- Maximising the value provided by our front line staff in helping residents with complex needs
- Creating excellent online information and guidance for our service users
- Proactively and passively keeping service users informed throughout their service journey

2. **Technology and Digital - Amanda Pujol**

This will define and develop the technology and digital requirements to support the new operating model by:

- Defining the key technologies that will support the new operating model and ways of working
- creating a roadmap for delivering these capabilities
- Defining the digital capabilities required and running a procurement exercise to fill the capability gaps
- Provide resources in skills to configure new digital capabilities and integrate them, in line with our technology roadmap

It is underpinned by our Digital Strategy adopted in 2021 built around six themes:

1. Customer access and service
2. Digital and mobile work force
3. Digital democracy
4. High-quality, accessible data
5. Digital and Net Zero
6. Responsive, resilient and secure infrastructure and systems

3. **People and Organisational Design - Tim Slater**

We are currently designing, developing and delivering a new council structure that supports the new operating Model for the delivery of services to our customers and the delivery of our strategic portfolio. This will include a review of current HR policies and procedures, including performance management, to support the implementation of the new operating model and define:

- The spans of control for managers and the scope of management responsibilities for changes to the organisational structure

- The creation and evaluation of any new roles that will be created to support the delivery of the new operating model
- The programme will review HR policies and procedures, including performance management to support the implementation of the Target Operating Model
- The governance structures that will support performance management

4. Strategic portfolio - Martin Flitcroft

This will define and develop business cases, statements of works and specific individual projects to deliver against a revised strategic portfolio which is aligned with the Council's priorities and strategy. The programme will oversee:

- all implementation and change activities associated with the deliverables from the strategic portfolio projects
- Monitoring of projects progress as part of overall programme governance
- alignment of project outcomes with the new operating model

In order to deliver this programme of work there will be an upfront investment to provide additional temporary staffing resources and capital investment in digital infrastructure and systems. The new structure will result in a reconfiguration of services and new posts and roles being created. The Council is also undertaking a pay structure review which will result in a new pay scale and job evaluation process being developed and implemented to ensure the Council remains competitive and can attract the staff with the key skills to deliver the best service for residents in the District. Changes to the structure and potential investments are/will be incorporated into the revenue and capital budgets.

We are developing a Digital Strategy and we are now working with Strata and our other partner authorities to ensure the outcomes can defined and delivered. The Strategy is built around six themes

Customer access and service
Digital and mobile work force
Digital democracy
High-quality, accessible data
Digital and Net Zero
Responsive, resilient and secure infrastructure and systems

5. Performance Management Data: Lead – Jack Williams

It is crucial we use relevant data to inform our business decisions. Performance data needs to be readily available and used by managers, SLT, CMT and members to drive decisions and be clear where action is needed/not needed and how we are performing for our residence, identifying and resolving issues quickly. Importantly this needs to link with system thinking to ensure we measure the right things.

It is necessary to understand cost, performance and activities of services and undertake appropriate comparisons to be clear where we are providing Value for Money and where we are not. Help identify where improvements are needed or to determine we are comfortable and understand the variances.

We have a Performance and Data Analyst but also services have their own resources in this area and we need to share and oversee the whole.

6. Asset Management: Lead – Tom Phillips

In reviewing our services there are some services where asset management is relevant and areas it is not. There are key elements to be considered by services;

a) Understanding the financial and non-financial performance of assets and using this to drive asset management decisions.

b) Proactive asset management – Maximising the returns from assets and disposing of assets that have a poor financial / non-financial return and at market value where appropriate.

c) Investing in assets only where there's a strong business case.

d) Supporting wider objectives – Being clear where and how asset management is supporting wider objectives, such as benefitting the community, shaping the built landscape, supporting the Council in its service delivery and proactively supporting our commitment to tackling climate change.

e) Encouraging asset transfer where appropriate.

There can be a quick analysis within each service to determine scope of opportunities.

7. Income Maximisation: Lead – Claire Moors

It is viewed that members are supportive of ensuring where fees and charges are made that these are set at appropriate rates and reviewed regular to keep pace with costs. It is also considered there is support to develop existing services areas where there is opportunity and customer demand for additional or enhanced services to be offered that can generate surpluses for the Council. An average 5% increase is proposed for 2024/25 to recoup inflationary costs. Any charges below an average for the service need to be increased accordingly and a more commercial view pursued for the charging of activities and services.

Again there can be a quick analysis within services to determine scope for opportunity.

EXTERNAL INFLUENCES AND KEY ASSUMPTIONS WITHIN THE REVENUE MTFP MODEL

- **Inflation**

  Inflation rates are based on the latest available data.
  Although the financial model is based upon what are believed to be a series of prudent assumptions, there is inevitably a risk that some or all factors applied could be inaccurate. The table below summarises the impact of any such inaccuracies that would have a detrimental effect upon the financial plan. Inflation in recent times has not been a high risk but currently rates are historically high with Bank of England projecting inflation to remain relatively high in the short to medium term driven by food and energy costs. Contract costs, pay rises and a pay review of salaries are likely to cause some of the biggest pressures for future years.

Financial impact of changes in inflation assumptions 2024/25.

Factor	**MTFP Predicted Inflation Costs** £000	**Worse by 1%** £'000	**Worse by 2%** £'000
Pay, N.I & Pension & other employee costs + other costs	872	218	436

- **Investment Returns**

  The approach adopted, of budgeting for investment income remains prudent. Investment return predictions have been factored in with higher income in 2023/24 but reducing in future years.

- **Council Tax Income**

  The MTFP had previously followed recent Government practice of allowing a £5 a year increase.
  This was modified to reflect the change in percentage to 2.99% for 2023/24 and 2.99% for 2024/25 (£5.70) and future years.

Financial impact of changes in council tax levels (2024/25).

Level of council Tax increase	**Predicted council tax income** £000	**Loss of income in MTFP 2024/25** £'000
Council tax yield at £5 (2.62%) increase	(9,969)	36
Yield at 2.0%	(9,909)	96
Yield at 1.0%	(9,812)	193
Yield at 0.0%	(9,715)	290

This calculation shows a one year effect, this reduction would be lost each year going forward plus the opportunity to increase the level in future on a higher base.

- **New Homes Bonus**

  The main risk is numbers being below the projections as new properties being built continues to recover from the pandemic plus constraints within the house building market. The Plan assumes significant reduction in income from previous years. We await Government consultation on any revised scheme and the implications on the MTFP but no projections can be made on this until Government outline any replacement scheme (if any).

- **Business Rate Income**

  The risks associated with Business Rate income have been covered above including the Government's intention of business rates rebasing. A £2.800 million additional benefit has been budgeted in 2024/25 for additional rates above the Council's baseline (including pooling gain), this is the sum that will be budgeted and if the actual amount is less through a reduction in assessments or collection of income drops than the difference will be met from the earmarked Funding Reserve.

  When the Government looks at rebasing then the Council has the earmarked Funding Reserve to be used to mitigate this for the year.

Revenue Budget Summary

Appendix A

	Revenue Budget	2023-24 Forecast	2023-24 Latest	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
	EXPENDITURE	£	£	£	£	£	£	£
1	Employees	24,398,970	23,963,540	26,934,620	26,142,300	26,863,990	27,669,910	28,500,010
2	Property	5,721,180	5,809,390	5,873,810	6,023,260	6,180,400	6,337,540	6,494,680
3	Services & supplies	6,768,450	8,250,310	6,900,580	6,796,780	6,992,810	7,188,840	7,384,870
4	Grant payments	19,182,450	22,432,450	19,334,800	17,334,800	15,334,800	13,334,800	11,334,800
5	Transport	1,057,840	799,050	1,082,810	1,099,660	1,118,190	1,118,190	1,118,190
6	Leasing & capital charges	1,497,950	1,543,670	2,365,490	2,701,240	2,726,460	2,726,460	2,726,460
7	Contributions to capital	300,000	417,290	500,000	500,000	500,000	500,000	500,000
8	**Total expenditure**	58,926,840	63,215,700	62,992,110	60,598,040	59,716,650	58,875,740	58,059,010
	INCOME							
9	Sales	-1,467,900	-783,700	-807,690	-840,000	-873,600	-908,540	-944,880
10	Fees & charges	-10,781,150	-11,395,240	-11,928,260	-12,524,670	-13,150,900	-13,808,450	-14,498,870
11	Grants - income	-19,388,510	-22,926,590	-19,542,500	-17,542,500	-15,542,500	-13,542,500	-11,542,500
12	Property income	-3,343,710	-3,871,920	-3,699,950	-4,127,570	-4,251,700	-4,379,250	-4,510,630
13	Other income & recharges	-4,105,820	-5,528,090	-4,533,480	-4,010,380	-3,843,720	-3,959,030	-4,077,800
14	Transfer from (-) / to earmarked reserves	-2,205,900	-920,310	-3,670,140	-2,269,490	-4,480,430	-1,437,870	0
15	**Total income**	-41,292,990	-45,425,850	-44,182,020	-41,314,610	-42,142,850	-38,035,640	-35,574,680
16	**Total net service cost**	17,633,850	17,789,850	18,810,090	19,283,430	17,573,800	20,840,100	22,484,330
	Funding							
17	Council tax	-9,576,500	-9,576,500	-10,004,930	-10,507,120	-10,929,500	-11,368,850	-11,825,870
18	Council tax/community charge surplus(-) / deficit	-125,550	-125,550	-251,670	0	0	0	0
19	Revenue support grant	-245,040	-245,040	-261,270	-277,060	0	0	0
20	Rates baseline funding	-3,520,800	-3,520,800	-3,634,240	-3,720,860	-3,768,620	-3,816,000	-3,867,000
21	Estimated rates retention and pooling gain	-2,446,200	-2,684,960	-2,800,410	-2,920,830	-1,319,150	-1,375,870	-1,435,030
22	New homes bonus	-404,940	-404,940	-650,240	-650,240	0	0	0
23	Alternative housing funding/damping	0	0	0	0	-1,500,000	-1,317,000	-1,210,000
24	Other grants	-1,314,820	-1,314,820	-1,207,330	-1,207,320	-56,530	-56,530	-56,530
25	Budget gap (-) to be found	0	0	0	0	0	-2,905,850	-4,089,900
26	**Total funding**	-17,633,850	-17,872,610	-18,810,090	-19,283,430	-17,573,800	-20,840,100	-22,484,330
27	**-Surplus/shortfall**	**0**	**-82,760**	**0**	**0**	**0**	**0**	**0**
28	**General reserves at end of year**	**2,300,001**	**2,400,004**	**2,400,004**	**2,400,004**	**2,400,004**	**2,400,004**	**2,400,004**
29	**General reserves as % of net revenue budget**	**13.0%**	**13.4%**	**12.8%**	**12.4%**	**13.7%**	**13.4%**	**13.0%**