

**Teignbridge District Council
Executive
4 January 2024
Part i**

INITIAL FINANCIAL PLAN BUDGET PROPOSALS 2024/25 TO 2026/27

Purpose of Report

To consider the initial financial plan proposals 2024/25 to 2026/27 to be published for comments over the next six weeks

Recommendation(s)

The Executive Committee is recommended to resolve:

- (1) That comments be invited on these budget proposals**

The Executive Committee recommends that Council resolves:

To approve the council tax base of 50,939 for 2024/25 at appendix 2

To note the mid year review of Treasury Management shown at appendix 8

Financial Implications

The financial implications are contained throughout the report. The main purpose being to formulate the initial budget proposals for both revenue and capital budgets and medium term financial plan covering the years 2023/24 to 2026/27.

Martin Flitcroft – Chief Finance Officer

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

Legal Implications

The Executive is required under the budget and policy framework procedure rules in the constitution (section 7(a) and 7 (b)) to agree and recommend a budget to Council each year. See section 9 of the report.

Martin Flitcroft – Chief Finance Officer

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

Risk Assessment

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

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

Environmental/ Climate Change Implications

The revenue budget supports the funding of a Climate Change Officer and associated revenue budget and capital projects are highlighted which contribute towards our climate change objectives in appendix 6 – capital programme. Additional temporary staffing resources are proposed within the revenue budget to assist with the implementation of various works to meet our climate change aspirations.

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

Report Author

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

Executive Member

Councillor Richard Keeling – Executive Member for Resources

Appendices/Background Papers

App 1 – Budget timetable 2024/25
App 2 – Recommended council tax base 2024/25
App 3 – Council tax calculator 2024/25
App 4 – Summary revenue plan 2023/24 onwards
App 5 – Fees and charges summary
App 6 – Capital programme
App 7 – Financial Plan 2024 - 2029
App 8 – Treasury Management mid year review 2023/24
Budget and settlement files
The Constitution

1. PURPOSE

- 1.1 To consider the initial financial plan proposals 2024/25 to 2026/27 to be published for comments over the next six weeks.
- 1.2 These proposals include draft revenue and capital budgets for the three years 2024/25 to 2026/27. The main issues taken into account are:
- The level of council tax and the proposal to increase it by £5.70 (2.99%).
 - Reducing central funding and the need to make ongoing efficiencies using invest to save where possible.
 - Maintaining 100% council tax support
 - The ongoing impact of post pandemic activity and economic conditions on income streams and changing Government funding.
 - Continuing to react to the climate change emergency by maintaining ongoing 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 decarbonisation schemes as per 5.5.
 - A £2 million provision for employment sites funded by borrowing.
 - Continuing funding for a Scrutiny Officer to assist Members with the Scrutiny function and working groups and other temporary resources for facilitating the Modern 25 work.
 - Authority for Executive to exceed the approved overall revenue budget by up to £200,000 per 4.25.
 - Introduction of a blue badge car parking permit at £215 per annum as detailed in 4.3 including the appointment of a Technical Support Officer to administer the scheme.
 - Support for housing including the Teignbridge 100 (see 5.3) whilst backing business and bringing people and organisations together for local neighbourhood planning.
 - Infrastructure delivery plan investment funded by community infrastructure levy (CIL) and external sources where available (see 5.4); continuation of grant-funded South West Regional Coastal Monitoring Programme as per 5.6.
 - Town centre investment in infrastructure and employment as per 5.7
 - Revenue contributions to capital being maintained at £500,000 per annum
 - Councillors community fund set at £1,000 each
 - Paying £1,000,000 off our pension deficit liability to reduce on going contributions and reduce the budget gap year on year
 - The level of reserves necessary for the council as per 4.22 – recommended at £2.4 million.
 - Estimated revenue budget gap of £4.5 million in 2026/27 and ongoing gaps (before use of remaining earmarked reserves) and action required to address this from established working groups informing Overview & Scrutiny on work to reduce the gap (see 4.26).

The Executive committee recommends to Council to note the mid year review of Treasury Management as shown at appendix 8.

- 1.3 To consider the proposed council tax base 2024/25 to recommend for Council approval on 16 January 2024 as shown at appendix 2.

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 2024/25 which in accordance with according to the policy statement issued on 5 December is a settlement for one year. The 3% funding increase guarantee grant and the 'Services Grant' - provided for all local authorities – continue. The Services Grant allocation for Teignbridge reduces to £0.022 million from £0.137 million this year. New Homes Bonus (NHB) is extended for one more year but with no legacy payments. Council tax thresholds are maintained at 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. New homes bonus legacy payments have reduced over a number of years. 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 2023/24. For 2024/25 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 next year 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. We are using the Modern 25 agenda as part of the recovery plan to identify savings through service reviews following the successful Business Efficiency Service Transition (BEST) 2020 reviews and Better 2022 initiatives in earlier years.
- 2.3 The economy still remains turbulent due to fallout from the pandemic, international developments 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 some are still below pre pandemic projections.
- 2.4 General increases in most off street parking charges are proposed to cover inflation and in particular the continuing higher business rates from revaluations which mainly falls on car parking. A new charge has been introduced for blue badge permits (see also 4.3 below).

- 2.5** 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.
- 2.6** The capital programme to 2026/27 includes infrastructure delivery plan projects, which are vital to the development and accessibility of the area, funded by CIL and external sources where available. A contribution of £1.0 million was recently approved towards the Teign Estuary Trail. 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 infrastructure for Battery Electric Vehicles as part of the fleet replacement, supporting local businesses with green business grants and a provision for the second phase of decarbonisation at Broadmeadow Sports Centre, partly funded from Public Sector Decarbonisation Fund grant. 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. Provision is also 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 to 2022/23. In 2023/24 we are receiving £245,000. For 2024/25 we will receive £261,000 but this is mainly due to the transfer in of council tax admin and annex grants previously paid separately up to the end of 2022/23.
- 3.3** The fall out post pandemic continues to impact on income streams in future years with a gradual recovery. Capital schemes providing positive net income have also been reflected within the medium term financial plan.

- 3.4 Modern 25**, continuing review of Business Plans and O&S scrutiny working groups are the key 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 to date have been built into the budgetary figures.
- 3.5** Our ten year Strategy (which is to be reviewed) 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 will be brought to the attention of **businesses**, the residents' panel and Teignbridge relationship groups.
- 3.7** The current council tax for Teignbridge is £190.71 per year for an average band D property. The 2023/24 **tax base** or effective number of properties for calculating council tax income is 50,215. Thus current year council tax income for the district is estimated at £9.6 million as shown in **appendix 2 - the recommended council tax base 2024/25**. 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 £2,279.30 council tax collected per property, Teignbridge keeps just over 8% or just over £3.67 per week for its services. 72% goes to County, 12% to the Police, 4% to the Fire Authority and 4% to parishes and towns for their local precepts.
- 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 2023/24 for a flat rate of £1,925 has been approved and has been reflected in the update to 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 4% for 2024/25 and dropping back to 3% for 2025/26 and thereafter.

The actuarial valuation of the Devon pension 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 reduced this year by £196,520. **£80,000 of this reduction is due to paying off £1 million of the deficit in 2022/23.**

We also repaid a further £500,000 in 2023/24 to reduce the overall deficit and drive down the past deficit contributions and provide ongoing returns;

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 2024/25 or 2025/26 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 is now assumed in 2026/27 rather than 2025/26 and the impact on the business rates retained for 2026/27 and thereafter. It is assumed there will be some damping in 2026/27 however it is not clear how this will be implemented or the level of damping and timeframe of provision.

Additional running costs to maintain delivery of the refuse and recycling service in relation to the leasing costs of the various vehicles. Reduction in the selling price for recyclable waste.

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).

We have progressed work to find **savings** to alleviate these budget pressures and these include the following:

Providing additional contributions to the pension fund to reduce on going deficit contributions in future years as noted above.

The mid year review of fees and charges to counteract the additional inflationary costs we are incurring has created additional income of over £346,000 per annum for future years.

Exploring the best options for investment of our cash deposit funds to increase the interest we receive in our cash flow management activities. Reviewed quick wins and smaller budgetary spends and adjusted accordingly.

Incorporating new/updated letting arrangements, reprofiling other contributions and spends to align with costs being incurred.

Funded substantive positions from grant funding received by Government e.g. homelessness.

Income budgets have been realigned for new charging opportunities e.g. waste containers at new properties.

There has been significant vacancy management savings arising helping with in year pressures.

- 3.10** The Executive has had two **monitoring** reports this financial year on 10 July and 12 September 2023. These have updated current year budgets and also future year forecasts.
- 3.11** The **mid year review** of **treasury management** performance which is required to be noted by Council is attached at appendix 8. This shows average returns of 4.52% 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 4.63%. Interest earned to the end of September, including sums which fall into 2023/24 from lending arranged the previous financial year, is £849,057. It is more than last year (£211,780 at the same point), mainly due to increases in interest rates. The forecast for the year is £1,836,540 an increase of £1,043,670 compared to 2022/23. This is mainly due to increased interest rates as outlined above.

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 2023/24 already approved by Executive and Full Council are included.
- 4.2** Proposed **fees and charges** draft income totals for each service are shown at **appendix 5**. Detailed recommended fees and charges will be available on the website early in January via the members' newsletter. 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. 'Jam Packed' Leisure membership fees remain frozen at £39 per month. There are general increases in other leisure charges. There has been a statutory change to planning application fees with effect from 6 December 2023 and the new charges are incorporated into the budget proposals. Major planning application fees increase by 35% and fees for other applications by 25%.
- 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. A new permit for blue badge holders has been proposed at a fee of £215 per annum which will require approval to appoint a Technical Support Officer to administer the scheme.
- 4.4** The successful opt in green waste subscription remained unchanged at £55 at the mid year review of charges in 2023/24 and the fee remains at £55 for 2024/25. The fee continues to be below the national average.
- 4.5** The **Localism Act** introduced the power for the Secretary of State to set principles each year under which council tax increases are determined as excessive. This can apply to Teignbridge, County, Fire, Police, or towns and parishes. For the current year limits 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 will be looking for clear evidence of how the sector is responding to this challenge, mitigating increases by the use of reserves where they are not earmarked for other purposes or for 'invest to save' projects which will lower ongoing costs. The policy statement issued on 5 December 2023 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 £5.70 to £196.41. **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 2025/26 and 2026/27. The band A equivalent increase for 2024/25 is £3.80 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** **Settlement funding** of business rates retention baseline to the Council from Government is £3.5 million for the current year.
- 4.10** We had a **four year funding deal** which ended in 2019/20 and one year settlements between 2020/21 and 2022/23. We received a further one year settlement for 2023/24 and some clarity for elements of 2024/25. For 2024/25 we have yet another one year settlement with no clarity about any longer term funding stability. Uncertainty exists for 2026/27 when the delayed proposed reset of the baseline is likely to occur, reducing gains established from growth and altering business rates retention. Some damping is assumed.

- 4.11** 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.
- 4.12** 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 2024/25 still exist and so an application for this has been submitted.
- 4.13** 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 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 2026/27 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.
- 4.14** **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 estimated to receive £0.65 million for 2024/25.
- 4.15** 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 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 previously however for 2024/25 this will be left unaltered at 0.4%.

- 4.16** 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.
- 4.17** 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 minor changes were for a potential uplift in income bands to accommodate any increases in primary benefits. Similarly, for 2024/25 we are proposing to uplift the income band thresholds to reflect any Government increase in primary welfare benefits.
- 4.18** Teignbridge currently receives £285,000 for administering **housing benefit** and the 2022/23 grant of £158,000 for council tax support has now been rolled into revenue support grant funding for 2023/24 along with the council tax annex grant. **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.
- 4.19** The statutory minimum **National Living Wage** increased to £10.42 in April 2023 and will be £11.44 in April 2024. Continued exploration of apprenticeships and training will be encouraged to utilize available apprenticeship levy funding.
- 4.20** 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 increased 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 increasing to £1,140,000 in 2024/25 and £1,180,000 in 2025/26. We have also paid £500,000 off the pension deficit liability in 2023/24. This will generate further savings in future year's past service deficit payments. A further £1,000,000 is proposed to be paid in 2024/25 which will deliver savings of up to £80,000 every year.

- 4.21** Forecasts of investment income receivable have increased over the last year. The Bank of England's monetary policy committee (MPC) left interest rates unchanged at 5.25% in November 2023, with the market view being that they have now peaked. The MPC stated that monetary policy would need to be "sufficiently restrictive for sufficiently long to return inflation to the 2% target". Rates are forecast to remain stable until around the third quarter of 2024, after which they are likely to decline slowly as inflationary pressures ease. Economic commentators forecast a rate of 4% by spring 2025.

Forecast investment income for the current year is £1,836,340 with an average daily lend of £38.7 million to the end of November 2023. This represents an average interest rate of 4.59% 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 4.71%, so this is in line with benchmark expectations. It is forecast that Teignbridge's average rate for the year will be 4.88%.

It is anticipated that Council balances available for investment in 2024/25 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 reduce in 2024/25 to £1,279,610. 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 £361,000 in 2026/27 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 £21.0 million at the beginning of 2023/24 (estimated to be £23.6million 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 4.59%), this represents interest saved of around £166,000.

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.

The **mid year review** of **treasury management** performance which is required to be noted by Council is attached as appendix 8. See 3.11 above for analysis of the mid year review.

- 4.22** 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 are increased from £2.3 million to £2.4 million to build in some resilience for inflationary pressures.
- 4.23** 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 areas hit by the economic climate and outfall from the pandemic has created significant uncertainty on likely income receivable for the foreseeable future and predicting trends.
- 4.24** 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 be increased from £2.3 million to £2.4 million being 13.4% of the net revenue budget in 2023/24 and 12.8% in 2024/25. This equates to 12.4% and 13.7% in the two subsequent years. General reserves are held to accommodate continuing future uncertainties and increasing reliance on generating our own income.
- 4.25** 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. Following a review and approval of the doubling of the financial limits it is proposed that this is now at the revised level of £200,000 for future years. All other decisions with regard to budgetary change will be approved by reference to virement rules in the financial instructions.
- 4.26** In conclusion these budget proposals show how Teignbridge can start to prepare for the grant reductions and anticipated funding regime changes by continuing to make savings and generate income. **The revenue budget is 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 £4.5 million in 2026/27 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. With no further work to address the gap it is anticipated that a s114 notice would have to be issued at the end of the 2026/27 financial year.** Right to buy receipts cease after 2024 increasing funding pressures on the capital programme. Further suggestions including the work with Ignite and the Modern 25 agenda will be worked up and costed to deliver savings to move towards balancing future budget years from 2026/27 alongside the ongoing investigation into commercial investment opportunities, alternative service delivery plans and review of our existing assets and their use and the work and findings from Overview & Scrutiny in relation to the MTFP. **The budget deficit for 2026/27 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 work on specific areas of the budget.**

The budget papers also include the updated Financial Plan at **Appendix 7** for approval at Full Council – the **Financial Plan 2024 to 2029**. 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.

- 4.27** These proposals include a £5.70 band D increase in council tax next year and 2.99% in subsequent years and substantial capital investment over the next three years. They will be publicised and comments brought back to the Executive in February before making the final budget recommendation to Council for 27 February 2024.

5. CAPITAL PROGRAMME

- 5.1** The programme between 2024/25 and 2026/27 has the following funding sources: Sales of assets (capital receipts) account for £4 million. There is an element of risk in forecasting receipts from sales, which can be subject to lengthy legal and planning processes. If forecast sales do not materialise, capital expenditure plans will need to be re-assessed. Community Infrastructure Levy (CIL) accounts for £19.7 million, largely for infrastructure projects, with a further £1.4 million from Section 106. Government grants account for £21 million of funding over the 3 years from 2024/25 to 2026/27. This includes £6.4 million assumed towards housing grants and affordable housing with other grants towards decarbonisation, open space, coastal

monitoring, highways and regeneration. Contributions from revenue were re-introduced in 2023/24, with £500,000 per annum budgeted over the course of the Medium Term Financial Plan. Several projects rely either partly or entirely on borrowing, the financing costs of which impact revenue budgets. Additional borrowing over the 3 years is forecast to be £32.6 million. All projects involving borrowing are appraised to ensure the borrowing is affordable.

5.2 Government subsidy for housing disabled facilities grants through Better Care funding (received via Devon County Council) is assumed to continue at £1.4 million per annum. £1.7 million has been received in 2023/24, with the majority invested in grants towards the provision of disabled facilities and energy improvements. There is £0.36 million budgeted over the remainder of 2023/24 and 2024/25 towards Warm Homes Fund and Green Homes Fund schemes, funded from government grant.

5.3 A provision of £6.8 million has been made in 2023/24 for the construction of a social housing scheme in Sherborne House car park. The proposal is for a *Passivhaus* extremely energy-efficient design, enabling residents to benefit from lower energy bills. Subject to planning consent being granted, this scheme will be brought back to Full Council for approval in due course. 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. It is assumed to be funded from a combination of Homes England and One Public Estate grant, S106 contributions, capital receipts and borrowing. This uses the balance of the funding allocated for Phase 1 of the Teignbridge 100 housing programme, in accordance with the priority Actions outlined in the Council Strategy for delivering affordable and social housing. To date, the programme has delivered:

- 7 units of housing allocated to local applicants in housing need at Drake Road and Well House, East Street, Newton Abbot
- 5 units of shared housing in Dawlish
- 5 units of rough sleeper accommodation in Dawlish, Teignmouth and Newton Abbot
- 4 homes for social rent in Chudleigh
- 15 homes for social rent under the government's Local Authority Housing Fund scheme, which in the short term provides accommodation for families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes. Longer term, the homes will provide a supply of affordable housing for local communities.

The pipeline covers a range of urban and rural sites, including the Dartmoor National Park, with work ongoing to identify further means of delivery, whether this is direct or by partnership with developers and housing associations. 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.

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 provisional budget line of £0.03 million per annum is in relation to 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 – a further £1.0 million in 2023/24 making a total contribution since 2020/21 of £6.1 million, funded from Community Infrastructure Levy (CIL). There is a £0.2 million provision for South West Exeter bus services in 2025/26 and £1.5 million provision for transport hubs and public transport in 2023/24 and 2024-25, all funded from CIL.
- £5.6 million budgeted towards Dawlish link road and bridge between 2023/24 and 2024/25, funded mostly from government grant, with £1.3 million to be funded from CIL.
- Provision for Education in the wider Teignbridge area of £10.1 million, funded from community infrastructure levy.
- £1.4 million is provided for the final stages of land acquisition, instatement and endowment towards ongoing maintenance at Ridgetop Countryside Park. This is funded from Housing Infrastructure funding via Devon County Council. There is provision of £3.7 million towards new countryside parks in 2025/26 and habitat mitigation between 2023/24 and 2026/27, funded from CIL. An additional £0.4 million is anticipated to be contributed to the RSPB in relation to cirl bunting habitat during the remainder of 2023/24 and 2024/25 and £20,000 towards improvements at Stover Park, both funded from Section 106 developer contributions.
- Sports and leisure provision of £5.2 million over the next 3 years, including £3.5 million to refurbish and further decarbonise Broadmeadow sports centre (approved by Full Council in July 2023). A provisional sum of £1.3 million is included for improvements to Dawlish leisure centre. Work continues on understanding the requirements to improve leisure provision post-Covid and this scheme will be brought back for approval as the business case is developed. Following recent improvements to play areas at Decoy and Ashburton Road in Newton Abbot and the Den in Teignmouth, provisions of £0.2 million are included for Powderham Park in Newton Abbot and Prince Rupert Way play area in Heathfield and other play area refurbishments.

- £1 million in CIL is allocated towards the Teign Estuary Cycle Trail, following approval at Full Council on 28 November 2023. £1.2 million in CIL is provisionally allocated to other cycle schemes over three years. £0.2 million of Garden Communities funding is being used towards the Ogwell Strategic Cycle Link.

5.5 Following successful bids for grant funding under the Public Sector Decarbonisation Fund (PSDF) for Forde House offices, Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido, a third phase application was made in relation to further measures at Broadmeadow Sports Centre. This second phase comprises fabric improvements, insulation and installation of an air source heat pump. In addition, consultation is underway to ensure that planned refurbishment proposals meet the needs of centre users. The aim is to deliver a sports centre fit for the future, benefiting both communities and the environment. Funding is a combination of PSDF grant, S106 contributions, revenue contributions and borrowing.

The Forde House offices decarbonisation and agile working project completed earlier in 2023/24, delivering a modern, flexible working environment. The project is also a significant step to phase out fossil fuel use from our buildings and represents a reduction in emissions equivalent to heating around 50 homes with natural gas. There is now the opportunity to let the ground floor of Forde House. The £4.9 million cost of the project is funded from a combination of grant, capital receipts, revenue contributions from the repairs and maintenance budget and borrowing.

In September 2023, Full Council approved the replacement of the vehicle fleet, with all suitable small, medium and large vans switching to Battery Electric Vehicles. £0.8 million is included in 2024/25 for the associated infrastructure improvements. The proposed project will reduce the Authority's Scope 1 Carbon Footprint by 58 tonnes CO₂ per annum and provide the infrastructure necessary to support the long term future needs of a battery electric fleet.

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 top 15 sites by carbon emissions; provisions are likely to include: onsite renewable energy generation, renewable energy power purchase agreements, thermal fabric improvements and energy efficiency improvements.

A provision of £4 million between 2023/24 and 2025/26 is also made towards strategic energy infrastructure and low carbon, funded from CIL.

5.6 The South West Regional Coastal Monitoring Programme (SWRCMP) is the largest of the National Coastal Monitoring Programmes in England,

encompassing 2,450 km of coast between Portland Bill in Dorset and Beachley Point on the border with Wales. It is 100% funded by the Environment Agency. Since its inception in 2006 Teignbridge District Council have acted as the lead authority for the region. The Programme collects a multitude of coastal monitoring data, including topographic beach survey data, bathymetric data, LiDAR, aerial photography and habitat mapping and has a wave buoy and tide gauge network around the South West coast. The data feeds into a long term dataset showing changes to the beaches and coastline of the South West. It ensures that all Coastal Protection Authorities have the evidence to better understand the processes affecting the coast ensuring that coastal defence schemes are designed based on reliable information. In 2024/25 the programme will enter the fourth 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.

£0.8 million is included for further measures funded from the UK Shared Prosperity Fund as approved on 26 July 2022, including green business grants. An additional £31,705 is included following a successful grant bid to Heart of the South West LEP.

£16.6 million is included for town centre investment, including the remaining 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, with the balance from prudential borrowing. These budgets are subject to the outcome of project variation approvals from Full Council and the Department of Levelling Up, Housing and Communities.

£0.49 million is included over 2023/24 and 2024/25 for the creation of additional car parking at George Street, Teignmouth.

- 5.8** £0.20 million is included for a new financial management system between 2023/24 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 £1.3 million in provisions for IT infrastructure projects, software upgrades and applications to enable more effective, digital ways of working between 2023/24 and 2026/27. These items form part of the Strata business plan, which will be brought forward for approval in due course.

5.9 An exercise is currently underway to identify likely major expenditure requirement in relation to the Authority's critical assets over the medium term. This will feed into the asset review process and will mean identifying funding resources and prioritising expenditure. There are known issues around the need to further improve waste management infrastructure (workshop, offices, storage, welfare) and assets in need of fabric and heating improvements. The current position is that general fund capital receipts and revenue contributions are fully committed until 2027/28.

6. COUNCIL TAX BASE 2024/25

- 6.1 The **council tax base** is the estimated number of band D equivalent properties in the district for next year less a small allowance for likely collection losses. The details are shown at section 1 of **appendix 2**. The council tax for each of District, County, Fire, Police and towns/parishes multiplied by the base gives the income or precept which the district pays to each authority. The District is responsible for collecting council tax.
- 6.2 The estimate for next year must be based on information available on the 30 November. It has to be approved by Council which is planned for 16 January 2024 and notified to the major preceptors - County, Fire and Police between 1 December 2023 and 31 January 2024. Similarly towns and parishes also need the base for their area to calculate their council tax from their precept.
- 6.3 The initial data is extracted from the council tax records. This includes the deduction for council tax support which reduces the base. Finally an estimate is made of the growth in the number of dwellings to 2024/25 based on recent history and this has been calculated at 0.9%. Thus a total of 52,031.6 is the estimated number of band D properties for next year.
- 6.4 A collection rate of 97.9% has been assumed giving 50,939 for 2024/25. For Teignbridge this base means that at the current council tax level of £190.71 just under £9.7 million of income would be generated next year. This is 1.4% or £138,000 more than in the current year. Estimated 2024/25 income for all preceptors is shown at **appendix 2**, section 2 based on the current council tax.
- 6.5 All the council tax income goes into a collection account from which the precepts are paid. As the income is estimated a surplus or deficit can arise which has to be notified and shared out between the District, County, Fire and Police. The district has to pay for any deficit or take any surplus relating to the towns and parishes. The aim is to minimise balances on the account.
- 6.6 Teignbridge has 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 £2.0 million is currently estimated which has to be shared between the major preceptors in 2024/25 as per their current precepts. The District share is £251,675 allocated to next year's budget as shown in line 18 of appendix 4. Surpluses or deficits arise due to a number of factors including variations to

previous year's assumptions in relation to the number of new houses built, the banding of these properties, the number claiming council tax support, collection rates, discounts, bad debts and provisions in relation thereto.

7. GROUPS CONSULTED

- 7.1** County, Fire and Police and the public are consulted about any changes to the council tax support scheme. 20 December 2023 marks the start of the publication period which includes Overview and Scrutiny 1 and 2 meetings on 9 January 2024 and 6 February 2024. Parishes and town councils will also be advised of these financial proposals with a meeting on 19 December 2023.
- 7.2** A budget survey is planned which will be put on the website and publicised to encourage feedback. In particular it will be brought to the attention of businesses, the residents' panel and Teignbridge relationship groups. Responses will be reported to members for consideration with the final budget proposals by Executive on 13 February 2024 and by Council on 27 February 2024.

8. TIME-SCALE

The financial plan covers the years 2023/24 to 2026/27. Final consideration of the budget by Council is due on 27 February 2024. At that time the council tax resolution is also approved which covers the total council tax including County, Fire, Police and towns & parishes.

9. 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.

10. 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 27 February 2024.