

EXECUTIVE

LEADER: Cllr Jeremy Christophers

PORTFOLIO HOLDER: Cllr Stuart Barker

DATE: 2 October 2018

REPORT OF: Chief Finance Officer

SUBJECT: BUDGET MONITORING – REVENUE & CAPITAL,
TREASURY MANAGEMENT LENDING LIST

PART I

RECOMMENDATIONS

The Executive is recommended to

Resolve

- (a) To approve the revenue budget variations as shown at appendix 1.
- (b) To approve the updated capital programme as shown at appendix 2.
- (c) To note the updated lending list as shown at appendix 3

1. PURPOSE

- To identify the principal areas where there are likely to be departures from the approved 2018/19 budget and summarise the likely overall variation based on the information available to the end of August 2018. Also to inform Members of progress that has been made with achieving savings and efficiencies. All shown at Appendix 1.
- To update Members on progress with the capital programme and funding and bring the latest details for members' approval as shown in Appendix 2.
- To update Members on the lending list for treasury management purposes as shown in Appendix 3.

2. SUMMARY

- 2.1 Opening general reserves for the year are £1.9 million plus earmarked reserves of nearly £4.6 million for specific grants, contributions and carry forwards. The 2017/18 external audit has now been completed for Council of 30 July and no changes were required to the Teignbridge figures. There is a surplus of £36,840 forecast for 2018/19 arising from variations to the original budget and extra reserves retained from 2017/18.

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- 2.2** A summary of revenue budget variations by service identified to date for the current year is shown below with favourable variations indicated by a minus sign as per the details shown in Appendix 1.

Service	Variance £
Development management including land charges	72,200
Corporate services	-17,900
Economy & assets	-60,000
Environment	28,560
Leisure	0
General	-59,700
TOTAL FAVOURABLE BUDGET VARIATION TO DATE	-36,840

- 2.3** A budgeted contribution to capital of £0.55 million is assumed in the current year enabled through new homes bonus receipts but these reduce in later years. A further £0.25 million is anticipated towards specific economic development and car parking schemes. Estimated rates retention above the baseline and pooling gain is assumed to grow until the end of 2019/20 however a reset of the baseline is due in 2020/21 which could eliminate most of the gains made. The business rates retention reserve holds £1 million to assist with this eventuality in 2020/21. Likely shortfalls for future years after 2020/21 will need to be addressed as part of the budget setting and monitoring process this year and next year. The revenue contributions to capital reserve now holds £3.0 million towards current year and future years' capital projects.

3. BACKGROUND

- 3.1** A report on the draft results for 2017/18 was brought to members on 17 July 2018. At that time an updated capital programme was also approved and updated lending list noted. The external auditors have completed their audit of the accounts and submitted a report to audit scrutiny on 19 July. They are currently checking the £33 million housing benefits claim in time to certify it by the deadline of 30 November.

4. VARIATIONS BY SERVICE (revenue shown in appendix 1 and capital in appendix 2)

4.1 Building control

- At the end of August fee income is forecast to be 6% above the target budget of £361,000. Any variation at the year end will be charged to the building control reserve so will not affect Teignbridge's general reserve. Income received to date is up on that at the same time last year.
- Teignbridge became the Lead Authority fully hosting The Devon Building Control Partnership with South Hams and West Devon councils from 1 April 2017 and holds the partnership earmarked reserves on behalf of the partners.

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4.2 Development management including land charges

- At the end of August planning application income is forecast to be £57,200 down on the original budget of £900,000. Planning application numbers are 2% down at the end of August as compared with last year.
- The Executive of 30 May 2017 agreed the introduction of charges for pre-application planning advice from 1 July 2017. At the end of August 2018 we were £10,000 up compared to the estimated income of £26,000 for the year.
- Planning public enquiry costs are likely to be in the region of £25,000 this year.
- Land charges income is forecast to be in line with the projected budget of £211,000. The number of searches is 9% down on last year. A search can be a full or part search or individual questions.

4.3 Corporate leadership team & corporate services

The corporate leadership team is currently under review. The deputy chief executive has been appointed head of paid service with a job title of Managing Director. The remaining Business Lead has ceased employment with the Council and an interim Strategic Leadership team is in place until a permanent restructure is confirmed and approved. It is anticipated that a new permanent structure can deliver significant savings for the council.

Democratic services

Portfolio holder decision 14 - 2018 was approved on 16 August to contribute just over £10,000 to the County Council elector fund. This has to come from reserves as it was unknown at the time of the budget whether county would be continuing with the scheme.

Finance

- Net interest is forecast to be up £38,300 on the base income budget of £31,700 as we have not had to undertake long term borrowing. Base rate increased from 0.5% to 0.75% in August. Call account rates continue to be low because of the changes to bank regulations over the past few years. Our average lending rate to the end of August is 0.68% which is well above the average benchmark 7 day London Interbank Bid rate to date of 0.50%.

In April we arranged lending of -

£1 million to Close Brothers at 1.00% for 346 days to 15 March 2019
£8 million to the Debt Management Office at 0.25% for 4 days to 20 April 2018

and we had £8.3 million lent out or in call accounts at the end of the month.

In May we arranged lending of -

£1 million to Nottingham BS at 0.55% for 87 days to 10 August 2018

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£1 million to Coventry BS at 0.70% for 178 days to 9 November 2018
£1 million to the Debt Management Office at 0.25% for 6 days to 21 May 2018
and we had £5.5 million lent out or in call accounts at the end of the month.

In June we arranged lending of -

£1 million to the Debt Management Office at 0.25% for 4 days to 19 June 2018
and we had £12.9 million lent out or in call accounts at the end of the month.

In July we arranged lending of –

£1 million to the Debt Management Office at 0.25% for 2 days to 4 July 2018
£2 million to the Debt Management Office at 0.25% for 3 days to 19 July 2018
£1 million to Nationwide BS at 0.71% for 252 days to 25 March 2019
£1 million to Nationwide BS at 0.69% for 179 days to 11 January 2019

and we had £14.4 million lent out or in call accounts at the end of the month.

In August we arranged lending of –

£3 million to the Debt Management Office at 0.45% for 8 days to 9 August 2018
£1 million to Santander at 0.90% for 216 days to 19 March 2019
£2 million to the Debt Management Office at 0.5% for 5 days to 20 August 2018

and we had £15.0 million lent out or in call accounts at the end of the month.

- Municipal Mutual Insurance (MMI) provided insurance for the Council until early 1993 when policies were transferred to Zurich Municipal. MMI experienced financial difficulties in 1992 and a scheme of arrangement was agreed by local authority creditors to facilitate the solvent run-off of the company. The scheme has been triggered and we have to pay a percentage of our potential liability of £341,000.

In 2013/14 a provision was made for the first levy notice of 15% or £51,000 which the administrator issued in April 2013 and was billed and paid early in 2014. A further reserve of 35% or £119,000 for likely claims in future years was also set up. Together these allowed for a total 50% of the potential liability as recommended by the broker. MMI's accounts to 30 June 2015 were published and we paid a second levy of 10% or £34,000 in April 2016.

We were not required to pay any more after publication of the accounts to 30 June 2016, 2017 and 2018. We still have £85,000 in reserve for the potential remaining 25%.

Human resources, legal, audit and procurement

The additional costs of providing GDPR officer support have been investigated. An interim arrangement is being implemented using officers within Internal Audit

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and back funding audit work with the Devon Audit Partnership. This is likely to be in the region of £15,000 per annum.

4.4 Economy & assets

- Repairs and maintenance are on target to be within the budget of £866,000. Actual spend to the end of August is £308,000.
- There a favourable variation in car parking income of £70,000 compared with the original budget of £3.5 million. The increase is due to higher visitor numbers and good weather experienced over the Summer.
- General rental income continues to improve due to new and renewed leases but some specific adverse variations offset this resulting in an overall small favourable variance of £3,000. Market income is forecast to be down by £13,000. These variations are minor compared to the total property income budget of £2.7 million.

Capital

- Council of 6 June 2016 resolved to commit funding to the Superfast Broadband Connecting Devon and Somerset phase 2 programme. An investment of £250,000 financed from capital receipts was confirmed and the collaboration agreement signed. This is now anticipated to be paid in 2019/20.
- The Forde House refurbishment works to relocate internal departments and accommodate the Department for Works and Pensions were completed within budget.
- The £2.1 million glass canopy and fascia redevelopment works at Market Walk are progressing and were recently unveiled.
- The £220,000 resurfacing and drainage works at Dawlish Warren car park, funded from capital receipts and revenue contribution have reached practical completion, with the final payment due soon.
- Following Council on 25 April 2018, the Minerva Building on the Brunel Industrial Estate was purchased for £2 million plus £125,000 costs. Further works totalling £1.75 million are anticipated prior to the building being leased. Funding for this project is a combination of grant and prudential borrowing. To date, no long-term external borrowing has been required.

Capital - coastal & drainage

The current year's programme is fully funded by budgeted grants of £1.7 million from the Environment Agency for regional coastal monitoring and flood alleviation and prevention. Of this £770,000 was received in the previous year, with the remainder anticipated in the current financial year. Teignmouth sea defence wall construction works at the Point car park were completed in 2017/18.

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4.5 Environment

- A waste savings sharing agreement with county was approved last year. An extra £63,000 is expected to be received this year which will cover the costs of implementing and on-going costs of extra waste and recycling rounds.
- The rural skip service is likely to continue to cost an extra £29,000 this year due to increases in contractors costs to deliver the service.

4.6 Housing

- Teignbridge has been allocated a flexible homelessness support grant of nearly £186,000 for the current year with just over £266,000 next year. This is to fund additional costs due to changes in homelessness legislation in 2017. Current rent support, young persons homeless prevention and money advice services continue. Also extra and improved staffing resources will be required long term to prevent and deal with homelessness and these will be funded by the grant.
- Teignbridge was also allocated a significant community housing fund grant of just over £581,000 towards the end of 2016/17. This is to enable local people to play a leading and lasting role in solving housing problems, creating genuinely affordable homes and strong communities in ways that are difficult to achieve through mainstream housing. Funds have been allocated to staffing and project costs and grant funding for communities. This allows communities to bid for funds towards community engagement, technical support and capital costs.

Capital

- We received £1.193 million of the government Better Care capital funding for 2018/19 towards statutory disabled facilities and other discretionary grants in July via Devon County Council. We also have £513,000 carried over from last year giving a total £1.706 million for the current year. £700,000 is now anticipated and budgeted each year for right to buy receipts towards the affordable housing programme. We received £630,000 for last year in April 2018. No previously paid renovation grants have so far been recovered by Teignbridge this year.

4.7 Leisure

- Leisure has experienced growth in their membership income for a number of years. Actual numbers are slightly up on last year so no significant variation to report at this time.
- We currently have £9.5 million available in S106 receipts. These are over many services and parishes but the majority is for leisure including open spaces, sports provision and play facilities.

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4.8 Licensing

Licensing income looks to be on target to achieve the budget of £202,210. Income to date is slightly less than last year.

4.9 Revenue & benefits plus customer services

- Universal Credit started for Teignbridge from 9 November 2015 for new single job seekers with the full service rolling out from September 2018. There has been some help from the department for work and pensions in connection with the transition but the specific funding received this year is relatively low at £24,682.

4.10 Spatial planning

We received the first payments of community infrastructure levy (CIL) in 2015/16. The money is being coded by town/parish and any payments due to them are made half-yearly. Teignbridge has recognised £5.4 million of usable CIL to date after payments due to parishes. £1.6 million has been spent on infrastructure, with the remainder committed to existing approved projects including Suitable Alternative Natural Green Space (SANGS), green infrastructure and provisions for local transport, education and sports. As CIL may be paid in instalments, the actual cash balance after parish payments and expenditure is £1.6 million.

Capital

- Council approved the purchase of land at Dawlish on 4 July 2016 and following instatement works, the 65 acre countryside park was opened to the public on 3 September 2017. At Council on 25 September 2017, the acquisition of approximately 38 hectares of land at South West Exeter for the creation of SANGS was approved, which is likely to occur in phases.
- Council of 26 September 2016 approved that Teignbridge becomes a shareholder of the public sector Energy Services Company. This will involve providing up to £98,000 of revenue support towards procurement from an identified revenue carry forward. In the longer term capital investment of up to £177,000 is expected into the Joint Venture Company, currently anticipated in 2019/20 with net revenue returns expected from 2034/35.

4.11 General revenue

- Council tax support cost continues to go down and was just under £9.0 million at the end of August which is £245,000 below the original estimate of £9.2 million. Council tax support falls directly to Teignbridge including parishes (12.6% together), county, fire and police and is being monitored monthly.
- Our business rateable value (RV) has increased slightly and stands at just over £85.1 million. The number of assessed businesses has increased from 5,294 to 5,314. These are the end of August 2018 figures as compared to the beginning of the current year. We still seem to be on target to achieve the total budget of £5.5 million business rates retention income for the year (including rolled in RSG). We are also producing more regular monitoring reports of our business

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rates income and reliefs to identify any variations on the predicted additional income as a result of being a business rate pilot for 2018/19.

4.12 General savings progress

- Following Executive of 22 July 2014, Council approved on 31 July 2014 the implementation of a shared ICT service between Exeter, Teignbridge and East Devon district councils. This is through a stand-alone limited company called Strata Service Solutions Ltd which was launched on 1 November.

The current year budget included a savings target of £90,000. This is expected to be at least £104,000 this year thus a favourable variance of £14,000 per annum.

- Salary vacancy savings at the end of August look to be in line with the required budget target of £200,000. There is a small adverse variance on other salary costs of £32,000. This is after allowing for the full costs of the pay award. There is a requirement to pay holiday pay on overtime and this will cost at least £18,000 this year and ongoing. We had already provided £17,000 in the current year for this.
- Utility costs for gas, electricity and water are showing a small favourable variance of £23,000 as at the end of August. It is predicted this saving will be ongoing.

4.13 Future years

- Council tax has been closed down and balanced for 2017/18 and a surplus of £1 million is available for sharing with county, fire and police in 2019/20. This has arisen mainly because of the reduction in council tax support. Teignbridge will get £126,000.
- The number of dwellings in Teignbridge on the valuation list is monitored monthly and the data feeds into the new homes bonus (NHB) calculation. At 9 September there were 62,406 dwellings which is 751 more towards the next NHB payment for 2019/20. We are therefore 131 above the target estimated 620 growth in homes and just need to reduce the empty homes by the 1 October deadline. It is expected that government will amend the 0.4% baseline deduction as they have intimated such changes are likely in the forthcoming provisional settlement. It is not known at this stage what this will mean. As growth is around 1.2% that means new homes bonus is reduced by one third plus whatever changes are stated later in the year.
- The Chancellor's Autumn Budget 2018 statement should take place in late November. The New Homes Bonus baseline is anticipated to change as highlighted above and it is proposed to abolish New Homes Bonus from the end of 2019/20 and replace with an alternative form of housing delivery funding in 2020/21. This is significant for the Council as we receive over £2 million from this source of income. No details of the proposed changes are available at present. Business rates baseline funding will be reset in 2020/21. It is considered likely that we will lose the majority of the business rate growth retention income we

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have received in recent years as a result of this reset. These losses will be significant for future budget setting and financial planning. We hold £1 million in the business rates earmarked reserve to help cushion the impact of any initial losses of income as a result of the baseline reset. Bids can be made to become a business rate pilot for 2019/20. The Devon pilot group will look to bid for 2019/20 however the Government have stated that they will need fewer pilots next year.

- The shape and impact of the eventual Brexit deal between the UK and the EU is still unknown. Therefore drawing any conclusions about its impact for local government is not possible at this stage. We will continue to monitor any information we receive in relation to this deal as part of our risk and financial management.

5. TREASURY MANAGEMENT

5.1 Lending list (appendix 3)

The authorised treasury management list was approved at the 2018 February budget meeting and updated at Executive on 17 July. Since then ratings have been updated and Leeds Building Society has moved down to tier 3 due to reduced ratings. Royal Bank of Scotland has moved back up into tier 3 to be included in the list again. The current list is shown in appendix 3 for information.

6. MAIN IMPLICATION

The main implication members need to be aware of is as follows:

Resources

The report notes an overall favourable revenue variation of £36,840 identified this year to the end of August. Cash flow is forecast to be positive over the next twelve months apart from any borrowing for significant new projects. Revenue reserves are considered to be sufficient to sustain the council over the three year financial plan period. Consideration will need to be made of any future developments regarding funding changes from business rates retention and changes to New Homes Bonus. Capital is funded over the medium term.

7. TIME-SCALE

This report covers the year 2018/19 but also refers to the accounts for 2017/18 and the financial plan for 2018/19 to 2020/21.

8. JUSTIFICATION

Regular budget monitoring is required by the Council's Constitution and Financial Rules.

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9. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

10.00 a.m. on 9 October 2018

**Martin Flitcroft
Chief Finance Officer**

Wards affected	All
Contact for more information	Martin Flitcroft 01626 215246 or Claire Moors 01626 215242
Background Papers (For Part I reports only)	Current year budget monitoring files; Capital files; Latest year end files;
Key Decision	Yes
In Forward Plan	Yes
In O&S Work Programme	No
Appendices	App 1 – Revenue variations App 2 – Capital programme App 3 – Treasury management lending list