

Teignbridge District Council
Executive
16 July 2026

2025/26 Revenue, Capital & Treasury Management Outturn

Purpose of Report

This report provides analysis and commentary on the Council's financial position at the end of the 2025/26 financial year, covering:

- revenue and capital financial performance for 2025/26;
- the reserves position as at 31 March 2026; and
- treasury management performance for 2025/26.

Recommendations

- (1) The provisional revenue and capital outturn position for 2025/26 financial year, as detailed in this report, be noted.
- (2) That the movement in reserves, as detailed in section 4 are approved.
- (3) That the proposed carry forward balances, as detailed in 4.4 and table 5 are recommended to Full Council to approve.
- (4) The profiling of £32.8m of capital spend from 2025/26 into future years as set out in Appendix 1.
- (5) The Treasury Management position for 2025/26 financial year, as detailed in this report, be noted.

Financial Implications

The financial implications are contained throughout the report. The main implication is that the accounts have been closed and general balances have increased by £0.1m. See section 4.3.

Legal Implications

There are no adverse legal or governance implications arising directly from this report. The Council needs to be mindful of the need to operate within budget, and that it has a fiduciary duty to the taxpayer to which it must comply. Appropriate measures are in place to support

the Council's compliance with this and other obligations relating to its budget and service delivery.

Risk Assessment

Major risks are summarised in section 8. The three-year settlement has removed some uncertainty from future funding levels.

Environmental/ Climate Change Implications

The revenue budget supports the funding of a Climate Change Officer and capital projects contribute towards our climate change objectives.

Report Author

Gordon Bryant – Head of Finance and Audit
Email: Gordon.bryant@teignbridge.gov.uk

Executive Member

Councillor John Parrott – Executive Member for Corporate Resources

1. Background

1.1 The 2025/26 revenue and capital budgets were approved by Council on 25 February 2025. An updated Treasury Management Statement and authorised lending list was also approved at the 2025 February budget meeting. This was based on the latest 2021 edition of the Treasury Management Code published by the Chartered Institute of Public Finance & Accountancy (CIPFA).

2. Outturn Summary

2.1 Teignbridge District Council (the Council) concluded the 2025/26 financial year with a revenue underspend of £0.100m, which will be transferred to the General Fund Reserve. As a result of the strong financial performance for 2025/26, the planned draw from the Funding Reserve to balance the budget has not been required. Additional contributions have been made to the Capital Reserve, and new reserves to support Coastal Resilience initiatives and Local Government Reorganisation are recommended to be established. This strengthens the Council's financial sustainability and its capacity to respond to future challenges and opportunities.

Table 1 – Revenue Outturn Summary

Expenditure	Budget (£m)	Actual (£m)	Variance (£m)	Variance (%)
Employees	27.491	27.122	(0.368)	-1%
Property	5.693	6.717	1.024	18%
Services & Supplies	7.441	9.530	2.089	28%
Grant Payments	19.432	17.889	(1.542)	-8%
Transport	0.966	0.715	(0.251)	-26%
Leasing & capital charges	2.706	2.793	0.087	3%
Total expenditure	63.730	64.768	1.038	14%
Income				
Sales	(1.033)	(0.979)	0.053	-5%
Fees & Charges	(12.925)	(13.162)	(0.238)	2%
Property Income	(4.016)	(4.281)	(0.265)	7%
Grants - income	(21.320)	(23.289)	(1.969)	9%
Other income & recharges	(4.701)	(6.518)	(1.817)	39%
Total income	(43.994)	(48.229)	(4.236)	10%
Funding & Reserves				
Funding Reserve	(1.484)	0.000	1.484	-100%
Net contribution to Revenue Reserves	0.000	0.993	0.993	
Revenue Contributions to Capital	1.500	1.865	0.365	24%
Revenue Funding	(19.752)	(19.497)	0.255	-1%
Total funding	(19.736)	(16.638)	3.098	-16%
	0.000	(0.100)	(0.100)	

2.2 The favourable outturn position was driven by a number of factors across the Council’s operations. Significant savings were achieved on employee costs, reflecting the early delivery of savings arising from service restructures and vacancies managed throughout the year. Income performance was also strong, with additional fees and charges generated across a range of services, exceeding original budget expectations.

Further savings were realised within transport budgets, while the Council also benefited from several grants and external contributions that were received during the year but had not been assumed within the original budget.

Treasury management activities also outperformed expectations during the year, delivering a surplus of £0.465m above budget as a result of favourable investment returns and effective cashflow management. The Council further benefited from a one-off gain of £0.247m through its participation in the Devon Business Rates (NNDR) Pool; however, this additional income is not expected to recur in 2026/27.

- 2.3 The favourable outturn position demonstrates the effectiveness of the Council's proactive approach to financial management during the year. Several of the savings delivered in 2025/26 are expected to be recurring in nature and will contribute towards reducing the £1.1m budget gap currently forecast for 2026/27, which is budgeted to be met through a draw from the Funding Reserve.

However, these benefits are not expected to fully close the gap, and the Council will need to continue identify and deliver further efficiencies, savings and income opportunities to achieve a sustainable balanced budget over the life of the Medium Term Financial Plan.

The financial outlook remains challenging, with ongoing cost pressures arising from national and global economic factors. Whilst inflationary pressures have eased, uncertainty remains around the medium-term economic environment, including the potential for interest rate fluctuations and continued pressures on service costs. These factors create risks to both expenditure and income assumptions within the Medium-Term Financial Plan.

In light of these challenges, continued prudent financial management, regular budget monitoring and strong financial governance will be critical to maintaining the Council's financial resilience and ensuring resources remain available to support key priorities and service delivery.

3. Revenue Outturn

- 3.1 The final outturn position is set out in Table 2 and shows a total underspend of £0.100 million, equivalent to 0.5% of the Council's approved net revenue budget. This compares to the £0.820 million favourable variance forecast in December 2025. However, the reduction largely reflects additional year-end contributions to reserves, which were not included within the December forecast and were made to strengthen the Council's financial resilience and capacity to meet future pressures. Taking these additional reserve movements into account, the overall financial position at year-end remained broadly in line with expectations and demonstrates continued prudent financial management throughout the year.

Table 2 - Revenue Outturn by Service

	Adjusted budget after approved use of reserves (£m)	Outturn (£m)	Variance (£m)	Variance (%)
Corporate Services				
Business Transformation Team	0.807	0.799	(0.008)	-1%
Communications	0.518	0.439	(0.079)	-15%
Democratic Services	0.921	0.968	0.046	5%
Electoral Services	0.226	0.256	0.030	13%
Finance	1.400	1.187	(0.213)	-15%
Human Resources	0.723	0.705	(0.019)	-3%
Internal Audit & Information Governance	0.251	0.217	(0.034)	-14%
Legal	0.656	0.583	(0.073)	-11%
Procurement	0.045	0.044	(0.001)	-3%
Corporate Leadership Team	0.489	0.533	0.044	9%
	6.037	5.730	(0.306)	-5%
Strategic Place				
Building Control	(0.233)	(0.066)	0.167	-72%
Customer Services	0.876	0.844	(0.031)	-4%
Development Management	1.032	0.685	(0.347)	-34%
Economy & Assets	0.596	0.031	(0.565)	-95%
Housing	2.412	1.739	(0.674)	-28%
Parking	(3.765)	(3.416)	0.350	-9%
Revenues & Benefits	1.650	1.347	(0.304)	-18%
Spatial Planning	0.917	1.153	0.236	26%
	3.484	2.316	(1.168)	-34%
Environment, Health & Wellbeing				
Community Safety	0.136	0.195	0.059	43%
Environmental Health	1.524	1.256	(0.268)	-18%
Green Spaces & Active Leisure	1.183	1.073	(0.110)	-9%
Leisure	0.902	0.643	(0.260)	-29%
Licensing	(0.040)	(0.053)	(0.013)	33%
Resorts	0.118	0.034	(0.084)	-71%
Waste, Recycling & Cleansing	7.083	6.538	(0.544)	-8%
	10.906	9.685	(1.221)	-11%
Total all services				
	20.427	17.732	(2.695)	-13%
Financing Items	0.421	0.663	0.242	57%
Totals				
	20.848	18.394	(2.453)	
Use of Reserves				
	(1.096)	1.002	2.098	
Funding				
	(19.752)	(19.497)	0.255	
Net Outturn				
	0.000	(0.100)	(0.100)	

3.2 Some of the notable variances by Service include:

Strategic Place

- **Building Control** – The Building Control Partnership recorded a deficit of £0.167m compared with budget. The adverse variance arose primarily from a shortfall in income against an ambitious budget target, although this was partly offset by staffing underspends within the Partnership. The service is funded through a specific earmarked reserve, with annual surpluses or deficits transferred accordingly at year-end. Consequently, the 2025/26 deficit has been met from the Building Control Reserve and does not affect the Council's General Fund position.
- **Development Management** – Development Management reported a surplus of £0.346m against its base budget in 2025/26. The favourable variance was largely attributable to increased income from planning applications, reflecting improved levels of development activity during the year. Income from pre-application advice also exceeded budgeted levels, while a number of Planning Performance Agreements secured with developers generated additional revenue.
- **Economy & Assets** – Economy & Assets reported a surplus of £0.565m against budget in 2025/26. The favourable variance reflects strong financial management across the service, underpinned by salary savings, increased rental income from the Council's commercial property, and the successful utilisation of funding received through the UK Shared Prosperity Fund.
- **Housing** – Housing delivered a favourable variance of £0.674m against budget in 2025/26. The surplus was primarily driven by the receipt of several grants and external funding streams that were not included within the original budget. These included funding for initiatives such as Homes for Ukraine, Homelessness Prevention, Council House Building Support, and the Household Support Fund, all of which provided additional resources to support service delivery during the year.

In addition, the service achieved a significant saving on temporary accommodation expenditure. This was a significant achievement by the Housing Needs team in the context of increased homelessness demand and reflected reduced use of higher-cost temporary accommodation options and more timely move-on of customers to longer-term housing solutions.

- **Parking** – Parking recorded a budget shortfall of £0.350m in 2025/26. The adverse variance was primarily due to a one-off adjustment to recognise outstanding Penalty Charge Notice debt that had not previously been accounted for. A further pressure arose from the renewal of the RingGo contract, under which service charges are now retained by RingGo rather than shared with the Council as originally budgeted. However, the revised agreement reduces the overall cost of the service and provides better value for money than the previous contract.

- **Revenues & Benefits** – Revenue & Benefits reported a surplus of £0.304m in 2025/26. The favourable variance was largely attributable to staffing savings arising from vacant posts, together with a £0.190m underspend on Housing Benefit awards compared with the approved budget.
- **Spatial Planning** – Spatial Planning reported an adverse variance of £0.236m against its base budget in 2025/26. The deficit was primarily attributable to the early implementation of service restructures, with a number of employee costs being initially coded to Spatial Planning rather than the appropriate service areas. These coding issues are being reviewed and corrected as part of ongoing financial monitoring processes.

The service also incurred additional expenditure relating to the Local Plan, including professional fees and associated costs required to support its progression.

Environment, Health & Wellbeing

- **Environmental Health** – Environmental Health reported an underspend of £0.268m against budget in 2025/26. The favourable variance was largely attributable to staffing savings generated through vacant posts and employee turnover, together with additional income from fees and charges in excess of budgeted levels.
- **Leisure** – Leisure delivered a favourable variance of £0.260m against budget in 2025/26. This positive outturn was driven primarily by a significant increase in membership income, reflecting strong customer demand and improved participation levels following the reopening of Broadmeadow Sports Centre. The growth in subscriptions exceeded budget expectations and contributed to a substantial improvement in the service's overall financial performance during the year.
- **Resorts** – Resorts delivered a favourable variance of £0.084m against budget in 2025/26. This positive outturn was driven by employee cost savings achieved during the year, together with higher-than-anticipated income from the Council's property portfolio.
- **Waste, Recycling & Cleansing** - Waste, Recycling & Cleansing delivered a favourable variance of £0.544m against budget in 2025/26. The underspend was primarily driven by employee cost savings achieved during the year, alongside higher-than-anticipated income from the Extended Producer Responsibility (EPR) scheme. The Council received £2.168m in EPR grant funding compared with a budgeted assumption of £1.802m.

Corporate Services

- **Finance** – Finance reported an underspend of £0.213 million in 2025/26, largely attributable to salary savings resulting from key posts being vacant for much of the year.

Financing Items

- Financing Items recorded an adverse variance in 2025/26. This was primarily due to £0.450m of non-service specific contributions to reserves for 2026/27, which will strengthen the Council's financial resilience and support future priorities. In addition, centrally budgeted vacancy savings were not achieved within this budget heading, as the associated staffing savings were realised within individual service budgets. These pressures were partially offset by a £0.465m surplus from treasury management activities, reflecting strong investment returns and effective cashflow management during the year.

Corporate Funding

Table 3 – Funding Outturn

Funding	Adjusted budget after approved use of reserves (£m)	Outturn (£m)	Variance (£m)	Variance (%)
Council tax	(10.430)	(10.430)	(0.000)	0%
Council tax/community charge surplus(-) / deficit	(0.382)	(0.382)	(0.000)	0%
Revenue support grant	(0.288)	(0.288)	(0.000)	0%
Rates baseline funding	(3.664)	(3.664)	0.000	0%
Estimated rates retention and pooling gain	(3.660)	(3.405)	0.255	-7%
New homes bonus	(0.352)	(0.352)	(0.000)	0%
Other grants	(1.222)	(1.222)	0.000	0%
Funding Outturn	(19.998)	(19.743)	0.255	

- Business Rates Pooling** – Teignbridge participated in the Devon Business Rates Pool during 2025/26, which generated a one-off financial benefit of £0.247m for the Council. The pooling arrangement enabled participating authorities to retain a greater share of locally generated business rates growth than would otherwise have been possible under the standard rates retention system, resulting in additional income for the year.
- The gain achieved in 2025/26 made a positive contribution to the Council's overall outturn position and further supported the strengthening of reserves and financial resilience. However, the Devon Rates Pool has been dissolved from 2026/27 onwards and, as a result, the Council will no longer benefit from this arrangement. Consequently, the £0.247m gain should be regarded as one-off and has not been assumed within future budget forecasts or the Medium-Term Financial Plan.

4. Reserves

- 4.1 The 2025/26 outturn resulted in a net reduction in the Council's usable reserves of £0.809 million, decreasing the balance from £57.349 million at the start of the year to £56.540 million at 31 March 2026.

This movement reflects the planned use of £1.242 million of service specific earmarked reserves to support service delivery and the application of £4.685 million (net) of capital grants and contributions to finance the capital programme. Despite this reduction, the Council continues to maintain a robust reserve position, supported by the favourable revenue outturn and additional year-end contributions to reserves.

4.2 The position by useable reserve is set out in tables 4 and 5 below:

Table 4 – Movement in Revenue Usable Reserves

Revenue Movement in Usable Reserves 25/26	Opening Balance - 1st April 2025 (£m)	Net Movement £m)	Closing Balance - 31st March 2026 (£m)
General Fund Reserve	(2.500)	(0.100)	(2.600)
DBCP Earmarked Reserve	(0.152)	(0.007)	(0.159)
Spatial Planning Earmarked Reserve	(0.013)	0.013	0.000
Council tax Earmarked Reserve	(0.016)	(0.001)	(0.016)
NDR Earmarked Reserve	(0.765)	(0.247)	(1.011)
Insurance Reserve	(0.085)	0.000	(0.085)
Revenue contribution to capital reserve	(1.044)	(1.192)	(1.836)
Funding Earmarked reserve	(11.697)	0.635	(11.071)
Carry Forward Earmarked reserve	(3.170)	0.243	(2.927)
Sundry Grants Earmarked reserve	(2.450)	(0.534)	(2.984)
Coastal Resilience Reserve	0.000	(0.250)	(0.250)
LGR Reserve	0.000	(1.000)	(1.000)
Earmarked Reserve re. Air Quality	(0.233)	0.000	(0.233)
Earmarked Reserve re. Drainage	(0.052)	0.000	(0.052)
Earmarked Reserve re. Open Space	(0.515)	0.167	(0.348)
Earmarked Reserve re. XX1 Stover Canal	(0.019)	0.002	(0.016)
Development Mgt Earmarked Reserve	(1.152)	(0.005)	(1.157)
Total	(23.864)	(2.275)	(26.146)

Table 5 – Movement in Capital Usable Reserves

Capital Movement in Usable Reserves 25/26	Opening Balance - 1st April 2025 (£m)	Net Movement (£m)	Closing Balance - 31st March 2026 (£m)
Government Grants Unapplied	(0.011)	0.000	(0.011)
Le Molay Littry Way - Bovey Tracey	(0.030)	0.000	(0.030)
CRS S106 Teignmouth Car Parking	(0.205)	0.106	(0.099)
Community infrastructure levy	(23.273)	(2.216)	(25.489)
Capital External Contr. Unapplied	(5.599)	4.685	(0.914)
Capital Receipts	(4.366)	0.517	(3.850)
Total	(33.485)	3.092	(30.393)

- 4.3 The 2026–29 MTFP, approved by Full Council in February 2026, set a General Fund Reserve balance of £2.6m, requiring a £0.100m transfer into reserves during 2026/27. As part of the year-end outturn process, this transfer has been brought forward, resulting in the target reserve balance of £2.6m being achieved one year ahead of schedule.
- 4.4 A number of services have also requested carry forward earmarked reserves with new requests totalling £1.856m. This is made up of 42 new requests seeking to rephrase some of the services 2025/26 revenue resources into future years for spend against a specific project or initiatives. Carry forwards released by services has been added in to the Funding Reserve. The summary of requests by services are shown in table 5 below. Executive is recommended to Full Council to approve these requests.

Table 6 – Service Specific Reserves (Carry forwards)

	Opening Balance 01.04.2025	Applied in 25/26	Existing reserves released for 26/27	Additional requests for 26/27	Closing Balance 31.03.2026
Corporate Services					
Business Transformation Team	0.089	(0.089)	0.000	0.000	0.000
Communications	0.030	(0.030)	0.000	0.000	0.000
Democratic Services	0.039	(0.039)	0.000	0.000	0.000
Electoral Services	0.000	0.000	0.000	0.000	0.000
Finance	1.224	0.000	(0.218)	0.000	1.005
Human Resources	0.000	0.000	0.000	0.000	0.000
Internal Audit & Information Governance	0.000	0.000	0.000	0.000	0.000
Legal	0.069	0.000	0.000	0.056	0.125
Procurement	0.000	0.000	0.000	0.000	0.000
Corporate Leadership Team	0.624	(0.087)	0.000	0.026	0.563
	2.075	(0.245)	(0.218)	0.082	1.694
Strategic Place					
Building Control	0.000	0.000	0.000	0.000	0.000
Customer Services	0.000	0.000	0.000	0.000	0.000
Development Management	0.312	(0.231)	0.000	0.108	0.189
Economy & Assets	0.130	(0.022)	(0.109)	0.000	0.000
Housing	2.246	(0.408)	0.000	0.509	2.347
Parking	0.002	(0.002)	0.000	0.000	0.000
Revenues & Benefits	0.332	(0.027)	(0.000)	0.000	0.305
Spatial Planning	0.363	(0.216)	0.000	0.172	0.319
	3.385	(0.905)	(0.109)	0.790	3.160
Environment, Health & Wellbeing					
Community Safety	0.000	0.000	0.000	0.000	0.000
Environmental Health	0.031	(0.011)	(0.010)	0.000	0.010
Green Spaces & Active Leisure	0.063	(0.063)	0.000	0.000	0.000
Leisure	0.017	(0.003)	0.000	0.060	0.075
Licensing	0.000	0.000	0.000	0.000	0.000
Resorts	0.008	(0.007)	0.000	0.000	0.001
Waste, Recycling & Cleansing	0.056	(0.008)	0.000	0.474	0.521
	0.175	(0.092)	(0.010)	0.534	0.607
Total all services	5.634	(1.242)	(0.337)	1.406	5.461
Financing Items	0.000			0.450	0.450
Totals	5.634	(1.242)	(0.337)	1.856	5.911

- 4.5 In addition to the service-specific requests, two new earmarked reserves are being proposed. The first is intended to strengthen the Council's financial resilience in managing costs arising from coastal and environmental risks that fall outside normal business-as-usual activities. Examples include costs associated with coastal erosion, infrastructure protection works at The Ness, and the response and recovery costs arising from severe weather events such as Storm Gorette. These types of events can result in significant one-off expenditure that is difficult to predict and cannot always be accommodated within existing service budgets.

Establishing a dedicated reserve will provide a source of funding to respond quickly and effectively to emerging risks, reducing the need to draw on the General Fund Reserve and helping to protect the Council's overall financial position. By setting aside resources in advance, the Council will be better placed to manage the financial impact of future environmental and coastal pressures without adversely affecting the delivery of planned services or requiring in-year budget reductions. To establish this reserve, it is proposed that £0.250m be transferred from the overall service underspend.

- 4.6 The second proposed reserve is the establishment of a Local Government Reorganisation (LGR) Reserve. This reserve is intended to fund Teignbridge’s contribution towards the costs arising from the Devon Local Government Reorganisation programme, which is expected to be implemented from April 2028.

Establishing a dedicated reserve at this stage will strengthen the Council’s financial resilience by setting aside resources to meet these anticipated one-off costs, helping to minimise any future impact on service budgets or the General Fund Reserve.

It is proposed that £1.000m be transferred into the reserve from the undrawn funding reserve allocation originally included in the budget. The level of funding has been informed by the costs incurred through previous local government reorganisation programmes and reflects the anticipated scale of investment required to support the transition to the new arrangements.

- 4.7 In addition to the creation of the two new earmarked reserves, part of the overall service underspend is proposed to be used to strengthen the Council’s other reserves. This includes an additional contribution of £0.400m to the Capital Reserve, alongside the £0.100m transfer to the General Fund Reserve referred to earlier in this report.

These contributions will further enhance the Council’s financial resilience by increasing the resources available to support future capital investment and maintain adequate levels of general reserves as per the MTFP.

5. Capital Programme

- 5.1 The Council’s approved total capital budget was £29.4m for 2025/26. This was approved on the 25th February 2025, with the actual in-years spend of £14.6m, with the remaining £14.8m being reprofiled across the capital programme to 2026/27.

Table 7 – Capital Outturn 2025/26 by One Teignbridge Theme

One Teignbridge Themes	Approved 25/26 Budget (£m)	25/26 Outturn (£m)	Variance (£m)
Community	2.234	2.126	(0.108)
Economy	5.660	5.034	(0.626)
Environment	8.528	1.254	(7.274)
Homes	4.125	3.889	(0.236)
Infrastructure	8.347	2.003	(6.344)
Responsible Management	0.550	0.269	(0.281)
Total	29.444	14.575	14.869

- 5.2 Capital expenditure and the timing of delivery can be affected by a range of factors outside the Council’s direct control, including dependencies on third parties, statutory approvals, contractor availability and wider market conditions.

Consequently, movements in capital programme forecasts are not uncommon and reflect the evolving nature of project delivery schedules.

The most significant forecast slippages in 2025/26 relate to:

- £2.4 million – Sherborne House Car Park Housing Project
- £2.3 million – Waste Transfer Station Improvements
- £0.729 million – Market Hall Transformation
- £0.660 million – Dawlish Leisure Centre Refurbishment

These changes primarily reflect revised project timelines rather than reductions in the overall scope or anticipated delivery of the schemes. A number of projects, along with other schemes across the Capital Programme, are now being reprofiled into 2026/27 to align expenditure with the latest delivery schedules and project milestones. Accordingly, this report recommends that Full Council approves the reprofiled Capital Programme, including the carry-forward of budgets into future years to support the continued delivery of these schemes. The detailed capital programme for 2026/27 onwards is set out in Appendix 1, which provides a scheme-by-scheme breakdown of planned expenditure and funding.

- 5.3 The reprofiled capital budget for 2026/27 is £32.8m, compared to a historic maximum annual spend of approximately £15m. This represents a significant increase in expected delivery and is considered ambitious, with a risk that not all expenditure will be delivered within the year.

The capital programme will therefore need to be reviewed as part of the 2027/28 budget setting process to ensure expenditure remains realistic and achievable.

Table 8 – 26/27 Capital Programme Reprofile

One Teignbridge Themes	Approved 26/27 Budget (£m)	Reprofiled 26/27 Budget (£m)
Community	2.079	2.126
Economy	1.532	5.034
Environment	6.651	1.254
Homes	7.049	3.889
Infrastructure	5.618	2.003
Responsible Management	0.538	0.269
Total	23.467	32.788

- 5.4 The financing of the 2025/26 Capital Outturn is set out below. Total capital expenditure was funded through a combination of grants and contributions, revenue contributions, capital receipts and borrowing.

Funding of £10.4m was provided through grants and contributions, comprising £7.779m from central government grants, £0.685m from Section 106 contributions, and £0.374m from the Community Infrastructure Levy (CIL).

A further £0.774m was financed through revenue resources that were redirected to support capital projects, while £0.546m was funded from the use of capital receipts. The remaining £2.836m was financed through borrowing.

No external borrowing was required to fund the Council's capital programme in 2025/26, existing Council resources (or internal borrowing) were used to fund the capital spend which reduced borrowing costs and limiting exposure to interest rate risk.

Table 9 – Capital Programme Funding for 2025/26

One Teignbridge Themes	25/26 Outturn (£m)	Capital Receipt (£m)	Grants and Contribution (£m)	Revenue Contribution (£m)	Internal Borrowing (£m)	External Borrowing (£m)
Community	2.126	0	2.126	0	0	0
Economy	5.034	0.023	5.011	0	0	0
Environment	1.254	0.047	0.657	0.383	0.167	0
Homes	3.889	0.260	2.386	0	1.243	0
Infrastructure	2.003	0.048	0.239	0.290	1.426	0
Responsible Management	0.269	0.168	0	0.101	0	0
Total	14.575	0.546	10.419	0.774	2.836	0

5.5 Whilst internal borrowing avoids the immediate cost of external loans, it represents a future financial commitment that must be repaid over time. Increasing levels of internal borrowing can reduce financial flexibility and place additional pressure on future revenue budgets through Minimum Revenue Provision (MRP) charges. The Council must ensure that borrowing remains affordable, prudent and sustainable in accordance with CIPFA's Prudential Code and capital financing requirements.

5.6 The capital projects exceeding £0.5m in value, which account for 83% of the total capital expenditure for 2025/26, are detailed below:

Table 10 – Individual Capital Projects 2025/26 outturn (exceeding 0.5m)

Project Names	25/26 Outturn (£m)
Market Hall Improvements	4.229
Southwest Regional Coastal Monitoring Programme	1.723
Broadmeadow Sports Centre Decarbonisation and Refurbishment	1.717
Better Care Fund (inc. Disability Facilities Grant)	1.451
Local Authority Housing	1.817
Bradley Lane site clearance	0.575
Harewood House	0.554
Total	12.066

6. Treasury management

6.1 The Council is required by regulations issued under the Local Government Act 2003, to report on its treasury management activities, including its prudential and treasury indicators. This report meets that requirement, and also the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management, which recommends that Members be regularly updated on treasury management activities.

The minimum annual reporting requirements are the production of the following:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function (this report).

6.2 As of 18 June 2026, the Bank of England has held the Bank Rate at 3.75% since 18 December 2025, with the next interest rate decision scheduled for 30 July 2026. There remains uncertainty over the outlook for interest rates due to the conflict in the Middle East, which has increased inflationary pressures, particularly through higher energy prices and concerns over energy supplies.

6.3 The Council's approved lending list was approved by Council at its meeting on 26 February 2026. The Council continuously monitors changes to credit ratings issued by Fitch Ratings, Moody's and S&P Global ratings to ensure that the lending list remains current and reflects the latest assessments of counterparty creditworthiness. The updated lending list is shown below.

Table 11 -Approved Lending List

Type of Lender	Details	Lending Limit
Current Bank	Lloyds Bank	£6m
Public Service Authorities (inc. Police and Fire)	All	£5m
UK Debt Management Office Deposit Facility	UK Government AA-/Aa3/AA rated	No limit
UK Treasury Bills	UK Government AA-/Aa3/AA rated	No limit
Top UK-registered Banks and Building Societies	Subject to satisfactory risk rating	£5m
Money Market Funds	Subject to maintenance of AAAmf rating	£5m
Non-Specified	CCLA Property and Diversified Income Funds	£5m

6.4 As at 31 March 2026, the Council held £30m in fixed-term investments, of which £15m was invested in other local authorities. In addition, the Council held £6.0m in Money Market Funds and £2.8m in call accounts to support day-to-day liquidity requirements

Total investment income received during 2025/26 was £1.65m, exceeding the approved budget by £0.47m. This represents a decrease of £0.35m compared with the £2 million achieved in 2024/25. The reduction in income reflects the falling interest rate environment during the year, with the Bank of England base rate decreasing from 4.5% in March 2025 to 3.75% in March 2026, resulting in lower returns on invested balances.

7 Prudential Indicators

Table 12 – Prudential Indicators 2025/26

Prudential Indicators	Approved 25/26 Budget	25/26 Outturn
Capital Financing Requirement (CFR)	£37.9m	£36m
Financing Costs to Net Revenue Stream	-0.80%	4.03%
Authorised limit for External Borrowing	£55m	£45m
Operational Boundary for External Borrowing	£50m	£40m

- Capital Financing Requirement (CFR)** is a measure of the Council's underlying need to borrow for capital purposes. It represents the cumulative capital expenditure that has not yet been financed by grants, capital receipts, revenue contributions or other funding sources.

The CFR at 31st March 2026 is below the 25/26 budget by £1.9m, this is primarily due to the slippages in the capital projects noted in section 5.2. Compared to 31st March 2025, CFR has increased by £0.65m.

- Financing Costs to Net Revenue Stream** measures the proportion of the Council's revenue resources that is required to meet borrowing and capital financing costs, including interest payable, Minimum Revenue Provision (MRP) and other associated financing charges, net of investment income. The indicator increased from -0.80% in the budget to 4.03% at outturn. This variance was driven by higher than budgeted MRP charges arising from the adoption of IFRS 16. These increases were partially offset by higher investment income earned during the year and a favourable net revenue stream position.

Although the Council is not currently undertaking any external borrowing, it is required to monitor and report against both the Authorised Limit and the Operational Boundary for external debt as part of the Prudential Indicators framework.

- The Authorised Limit** for external borrowing sets a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the Full Council.

- **The Operational Boundary** is the limit beyond which external borrowing is not normally expected to exceed.

Both the Authorised Limit and the Operational Boundary were £10m below the approved 2025/26 budget at outturn.

8. Risks

2025/26 was a financially significant year for the Council for a number of reasons. It was the year in which the Business Rates reset and Funding Review was delivered, alongside a three-year settlement (2026/27 to 2028/29). This delivered a reduction in resources from Central Government but provided certainty over future years' funding. 2025/26 was also the year when the council was able to start seeing the results of the MOD25 initiatives on budgets. These two factors have impact upon the risk profile and has clarified future savings gaps. The monitoring and ongoing delivery to reduce the savings gap are a major source of focus for the council in the near future.

The major risks in examining and projecting financial forecasts are predicting future trends and variances. This is mitigated through monthly monitoring and discussions with service managers. Service budgets that are demand led or particularly volatile receive greater attention. This includes Temporary Accommodation, Car Parking and Planning income.

General reserves and earmarked reserves are held to help deal with future forecast funding changes and potential exposure to ongoing reductions in income. Another key area of financial risk is the delivery of the capital programme. The programme is large by historic standards and the market for key inputs may be subject to shortages or spikes in costs.

9. Main Implications

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

9.1 Legal

The Council is required to secure a balanced budget and also to provide certain services. Regular financial monitoring by the Executive helps ensure that the Council is able to meet these statutory obligations.

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

9.2 Resources

The Council is in a strong financial position with significant revenue and capital resources available and no external borrowing. There has been a small reduction in

usable reserves over the course of 2025/26 but that is essentially due to the drawdown on external grants. Both General Balances and carry forwards have increased over the course of the year and we have a fully funded Capital Programme.

The savings gap has reduced, and we have greater certainty over the size of the gap now that the funding review has completed. Savings continue to be delivered. Future aims for savings reductions include staff restructures and asset transfers. The council remains focussed on passing on a zero savings gap and a robust financial position to the new unitary authority.

10. Groups Consulted

The draft accounts will be advertised as available for inspection and will be available on the website. The external auditors will be auditing the accounts in the Summer and Autumn 2026.

11. Environmental / Climate Change Impact

The revenue budget supports the appointment of a climate change officer and associated budget. There are also a number of projects within the capital programme which have an impact on climate change.

12. Date of Implementation (Confirmation of decision subject to call-in)

10.00am on the 23rd July 2026.