

TEIGNBRIDGE DISTRICT COUNCIL

EXECUTIVE

10 FEBRUARY 2020

Report Title	FINAL FINANCIAL PLAN PROPOSALS 2020/21 TO 2022/23
Purpose of Report	To consider the final financial plan proposals 2020/21 to 2022/23 for recommendation to Council on 24 February. These proposals include recommended revenue and capital budgets for 2020/21 and planned in outline for 2021/22 and 2022/23.
Recommendation(s)	<p>The Executive propose a budget set out as in appendix 4 for revenue and appendix 7 for capital and</p> <p>Resolve</p> <p>That these proposals be considered together with any subsequent consultation comments for approval by Council as the final budget for 2020/21 and the outline plan for the subsequent years 2021/22 and 2022/23.</p> <p>That Council approve the Commercial Strategy in appendix 8 and delegate authority to the Chief Finance Officer to approve the purchase of assets meeting the prescribed criteria in section 6 of the Strategy subject to prior consultation with the Commercial Property Investment Board.</p> <p>The proposed budget includes:</p> <ul style="list-style-type: none">• An increase in council tax of £5 or 2.94% to £175.17• Funding for a climate change officer and enhanced planning enforcement• The continuing reduction in new homes bonus• Other central funding reductions – in particular provisional assumptions for business rates for future years and reset of the baseline• Reserves at 12.3 % of the net revenue budget or just under £2.0 million• Continuing support for housing whilst backing business and bringing people and organisations together for local neighbourhood planning• Infrastructure delivery plan investment funded by community infrastructure levy and external sources where available

	<ul style="list-style-type: none"> • Town centre investment in infrastructure and employment • Use of long term borrowing where appropriate • Assumptions of a 2% pay deal with higher increases for those on lower grades • Reducing rural aid to £26,000 and reducing councillors community fund to £1,000 each • £1 million payment to reduce the pension deficit and ongoing contributions
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Financial Implications	<p>The financial implications are contained throughout the report. The main purpose being to approve the final budget proposals for both revenue and capital budgets and medium term financial plan covering the years 2019/20 to 2022/23 and the Commercial strategy.</p> <p>Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk</p>
Legal Implications	<p>The Executive is required under the budget and policy framework procedure rules in the constitution (part 2, article 4, section 4.4b) to agree and recommend a budget to Council each year. See section 9 of the report.</p> <p>Karen Trickey – Solicitor to the Council Tel: 01626 215119 Email: Karen.trickey@teignbridge.gov.uk</p>
Risk Assessment	<p>The risks involved in not setting a balanced budget are highlighted throughout the report. The major risks are in 3.9, 4.14, 4.16 and 4.27 with reference to uncertainties as to future funding – particularly business rates retention and New Homes Bonus and an alternative funding stream to replace New Homes Bonus if this is scrapped. A programme of identifying savings or increased income is required to meet the budget gap in 2022/23 and future years thereafter.</p> <p>Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk</p>
Environmental/ Climate Change Implications	<p>The revenue budget supports the funding of a Climate Change Officer and associated budget and capital projects are highlighted which contribute towards our climate change objectives in appendix 7 – capital programme.</p> <p>David Eaton – Environmental Protection Manager Tel: 01626 215064 Email: david.eaton@teignbridge.gov.uk</p>
Report Author	<p>Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk</p>
Portfolio Holder	<p>Councillor Alan Connett – Portfolio holder for Corporate Resources</p>
Appendices	<p>App 1 – Budget timetable 2020/21 App 2 – Recommended council tax base 2020/21 App 3 – Council tax calculator 2020/21 App 4 – Summary revenue plan 2019/20 onwards App 5 – Revenue budget detail App 6 – Fees and charges summary App 7 – Capital programme App 8 – Commercial Strategy</p>
Part I or II	<p>Part I</p>

Background Papers	Budget and settlement files The Constitution
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1. PURPOSE

- 1.1** To consider the final financial plan proposals 2020/21 to 2022/23 for recommendation to Council on 24 February.
- 1.2** These proposals include recommended revenue and capital budgets for 2020/21 and planned in outline for 2021/22 and 2022/23.
- 1.3** To approve the Commercial Strategy.

2. SUMMARY

- 2.1** Recent budgets have taken account of reducing government grant over the period of the last comprehensive spending review. We now have the provisional local government finance settlement for 2020/21 which will be a settlement for one year only. The one major change to New Homes Bonus is to provide no legacy payments to the bonus earned for 2020/21 in future years. Council tax thresholds are reduced to the higher of 2% 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 is now planning to introduce 75% business rates retention in 2021/22 – a year later than anticipated this time last year. We will continue to work as a Business rates pool with the rest of Devon. Receipt of revenue support grant ended in 2018/19 and new homes bonus legacy payments were reduced. The reduction was from 6 years to 5 years in 2017/18 and then to 4 years from 2018/19. An initial baseline reduction of 0.4% was also set for 2017/18 reducing the Bonus further. No further modifications were made to the baseline in 2018/19, 2019/20 or 2020/21 following budget consultation. Government had indicated its intention to cease New Homes Bonus in future years. This is still subject to consultation. See also 4.15 below.
- 2.2** We have benefitted from previous savings plans and restructuring efficiencies are still producing cost reductions. This budget also benefits from the Strata partnership and the significant ongoing returns from Market Walk. We are in the fifth year of Business Efficiency Service Transition (BEST) 2020 review following Business Challenge in earlier years.
- 2.3** The economy continues to be generally buoyant however uncertainty continues about future demand and the outcome of the European Union negotiations. Teignbridge has seen some minor positive variations to income in the current year including planning applications and leisure memberships however general rental income, car parking and market income are down on the original budget.

- 2.4 General increases in most off street parking charges are proposed to cover inflation and in particular the continuing higher business rates from the revaluation which mainly falls on car parking.
- 2.5 The capital programme to 2022/23 includes infrastructure delivery plan projects funded by CIL and external sources where available. The investment in housing continues including provision of affordable homes and investment in efficient heating systems. The main aim is to create more homes and jobs. Significant provisions have also been included for town centre investment and employment land. Prudential borrowing supports a number of projects where a good return on capital can be demonstrated.

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 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 are receiving nothing in 2019/20 and thereafter.
- 3.3 The senior management structure has been finalised and approved and the resultant savings will ultimately amount to in excess of £150,000 per annum. The staff savings arising have been fed into the budget process. Management costs have been significantly reduced over recent years and further significant savings are now being made. These savings which have been incorporated into these budget proposals also include those from the waste savings sharing agreement with County, staff restructure savings, pension deficit savings, reducing rural aid to £26,000, reduction in councillors community fund by £500 per councillor and additional income. Capital schemes providing positive net income have also been reflected within the medium term financial plan. This budget also gains from the Strata partnership and significant returns from Market Walk.
- 3.4 The fifth year of **Business Efficiency Service Transition (BEST) 2020** has built on the Business Challenge process in the last four years. Options for continuing to reduce budgets have been or are being evaluated and also the pressures or investment that might require those savings. Those savings that can be made have been built into the budgetary figures. Teignbridge is also working with partners on the Heart of the South West devolution proposals and more locally re. Innovation Exeter in the Greater Exeter/Greater Devon partnership.

- 3.5** We are in the fourth year of our ten year Strategy 2016-2025. 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. The Strategy has now been updated to cover the future period 2020 to 2030.
- 3.6** The council tax support scheme is proposed to be amended to an income banded scheme due to the existing scheme not being compatible with the roll out of Universal Credit with the aim to simplify administration and supporting the lowest income households. Public consultation took place in the Autumn. A budget survey was put on the website on 19 December 2019 with a response deadline of 31 January 2020 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 £170.17 per year for an average band D property. The 2019/20 **tax base** or effective number of properties for calculating council tax income is 49,219. Thus current year council tax income for the district is estimated at £8.4 million as shown in **appendix 2 - the recommended council tax base 2020/21**. 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 £1,922.94 council tax collected per property, Teignbridge keeps 9% or just over £3.27 per week for its services. 72% goes to County, 11% to the Police, 4% to the Fire Authority and 4% to parishes and towns for their local precepts. The Teignbridge council tax of £170.17 is below the current average of Devon districts of £176.86.
- 3.9** Significant government funding and cost changes affecting us for current and future years are as follows:

A 4.9% increase in the statutory National Living Wage from £7.83 to £8.21 this year and broad proposals for this to continue to increase in future years; Pay increases for current and future years. A two year deal to employees as tabled by the National Employers for Local Government Services for 2018/19 and 2019/20 was agreed. A flat rate increase for the majority of grades of 2% in each year and higher increases on lower pay points of up to 9.2% in 2018/19 and a further 5.9% in 2019/20. A revised pay spine was also introduced in the deal with effect from 1 April 2019. These changes address adjustments to the National Living Wage and pay differentials across grades as a result. This approved deal is built into the current years salary budgets. There is no agreed increase for next year however an assumption of 2% and thereafter together with slightly higher increases for those on lower pay points for next year has been built into the initial financial plan proposals. The actuarial valuation of the Devon pension fund for 31 March 2016 required increased employers contributions to 2019/20. The latest valuation requires

increased contributions from the Employer over the next three years – partially offset by reducing deficit contributions;

The reforms to New Homes Bonus in relation to legacy payments reducing receipts and the proposal to potentially cease New Homes Bonus after 2020/21 and replace with an alternative source of housing funding and what that level of funding will be going forward;

The outcome of consultation on the move to 75% business rates retention but with the transfer in of some funding responsibilities.

A reset of the baselines for the business rates retention scheme in 2021/22 and the impact on the business rates retained for 2021/22 and thereafter.

Additional staffing, leasing and running costs to maintain delivery of the refuse and recycling service and for the additional dwellings being built and in occupation.

Additional budget provision has been created to fund the cost of the Climate Change officer for future years together with a climate change fund to enable the post to operate from appointment.

Additional budget has also been provided to increase staffing resources for planning enforcement work for the next two financial years.

Budget pressures anticipated for ash die back work on the trees held on Council land have been included.

Significant planning inquiry costs anticipated in the current and following financial year will be incurred resulting in an increase in the budget gap requiring further savings to be found.

- 3.10** The Executive has had three **monitoring** reports this financial year on 1 July, 8 October, and 28 November 2019. These have updated current year budgets and also future year forecasts. The Autumn Spending Round Statement 2019 was published on the 4 September. The provisional local government settlement was announced on 20 December and Teignbridge responded on 10 January. The final settlement is still awaited.

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 2019/20 already approved by Executive are included. Future increasing savings expected from the Strata partnership have been fed into the plan. The increasing cost reductions from the previous management restructures and recent changes are included. The plan also includes the significant ongoing returns from Market Walk.
- 4.2** Proposed **fees and charges** draft income totals for each service are shown at **appendix 6**. An increase of £239,000 in income is anticipated for next year compared to this years probable. Detailed proposed fees and charges have been available on the website since early January at this [link](#). There are general changes for most charges with some areas being altered to reflect better alignment to cost recovery and/or comparable charges/market rates elsewhere. Some charges at Newton Abbot indoor and outdoor market have been reduced.

- 4.3** Car parking charges are proposed to increase to give extra income of £185,000 from last years base budget which equates to an increase of 5%. This will help towards inflation and in particular the rates increase arising from the revaluation that mostly affects car parks. The main changes have been to increase charges generally across the majority of car parks however most permits have remained unchanged. To support the town centres it is proposed to freeze some of the parking charges in these areas up to half an hour. Some of the charges up to one hour are proposed to be no higher than their 2018/19 charge. A flat nominal charge for Sunday parking of £1 has been included within the fees and charges for the majority of the car parks across the District.
- 4.4** The successful opt in green waste subscription has been maintained at its existing level and no increase is proposed. The fee continues to be below the national average and the average charge within Devon.
- 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 were set for all but towns and parishes with a referendum being triggered if districts had an increase of 2% 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 expects 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. Any controls for town and parish councils are likely to continue to be deferred subject to these conditions being adhered to.
- 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 2.94% or £5 to £175.17. This is the annual charge for an average band D property and the increase equates to less than 10p a week. A £5 increase has also been assumed for 2021/22 and 2022/23.
- 4.8** Council tax **freeze grants** have ceased with the last one being received in 2015/16. This was equivalent to a 1% increase in council tax but assumed no council tax support reduction so amounted to £78,000.
- 4.9** Teignbridge is required to estimate the surplus or deficit on the council tax collection fund on 15 January each year for the following budget year. A surplus of £0.5 million was estimated which has to be shared between the major preceptors in 2020/21 per their current precepts. The district share is £62,000 towards next year's budget as shown at line 18 in appendix 4.

4.10 Settlement funding of business rates retention baseline to the Council from Government is £3.3 million for the current year.

4.11 With the **four year funding deal** ending in the current year we have received a one year provisional settlement with published figures for revenue support grant and business rates baseline provided for 2020/21. These have been used in the financial plan and are shown in the table below:

	2017/18	2018/19	2019/20	2020/21
	£million	£million	£million	£million
Revenue support grant	0.847	0.000	0.000	0.000
Rates baseline funding	3.169	3.685	3.339	3.394
New homes bonus	3.436	2.917	2.614	2.244
Main grant	7.452	6.602	5.953	5.638
Cash reduction in year		-0.850	-0.649	-0.315
Percentage reduction in year		-11.4%	-9.8%	-5.3%

The table shows the cash reductions of £0.9 million last year, £0.6 million in 2019/20 and anticipated £0.3 million in 2020/21. Percentage reductions are over 24% in total over the three years. Main grant funding has reduced by one third by 2019/20 when compared to 2013/14 when rates retention and council tax support started. Revenue support grant has also reduced from £4.5 million to zero over the same period to 2019/20. Uncertainty exists for 2021/22 when a proposed reset of the baseline is likely to occur, reducing gains established from growth and altering business rates retention to 75%.

4.12 The **business rates retention** 50% funding system started on 1 April 2013. Rules for charging and rateable values are still set nationally by Government and the Valuation Office respectively. The system includes top ups, tariffs, levies and safety nets. The latter is to protect income to some extent within overall reducing national funding levels. The system is more complicated as Government has introduced small and rural business rates relief. The cost of this through loss of rates retention income to Teignbridge is generally covered by separate specific grant.

4.13 Within Devon it has been beneficial for authorities to form a **rates pool** to avoid any payment of levy from Devon to the Government. With historic assumptions of moderate business growth in the area significant savings have been achieved increasing over the years. The pool also spreads the risk of any business downturn in an authority over all members of the pool and encourages economic prosperity across authority boundaries. The Devon pool became a 100% business rate pilot for 2018/19 following its successful submission and reverting back to a rates pool in 2019/20 as our bid to be a pilot in that year was unsuccessful.

4.14 Teignbridge's position is better than the rates baseline because of estimated growth in business rates. We have also gained from pooling and this has been shown together with 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 be reduced. Levies will cease but there may still be some opportunity for pooling of risk. Negotiations to exit the European Union appear to have delayed the roll out of any eventual 100% business rates retention and a reset of baselines in 2021/22 will have a negative impact on funding levels. The provisional settlement suggests that 75% business rates retention will be introduced in 2021/22.

- 4.15 New homes bonus** is also part of core funding and is top sliced from settlement grant. It is based on additional property brought into occupation in the previous year with a higher amount for affordable housing. Teignbridge is receiving £2.6 million this year. Estimates of NHB are based on 620 homes per annum as in the local plan with each new year giving four years of grant. Changes for future years will stop legacy payments earned in the current year.
- 4.16** Government reformed the new homes bonus reducing the length of payments from 6 years to 4 years. Estimates for future years assume 4 years bonus. Government had intimated that it will cease New Homes Bonus after 2020/21 and replace with an alternative source of Housing funding. 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. Government had allowed it freedom to change the baseline for 2020/21 however as per the **provisional settlement** announced on 20 January this will be left unaltered at 0.4%. The budgeted figures are based upon the provisional settlement with little change anticipated for the final settlement. Immaterial changes will be funded through alterations to the general reserve balance and any major reductions will be funded initially by use of the business rates retention reserve with savings to be found in future years to replenish the reserve to an appropriate level.
- 4.17** Council tax benefit was replaced by **council tax support** from 1 April 2013. As the support reduces the tax base there is less council tax income for county, fire, police, and towns & parishes. The cost was around 90% funded by government grant initially but then transferred into main grant and not identified separately. The 10% shortfall was covered at Teignbridge, in the first year by one minor change to benefit, technical reforms, and use of transitional grant.
- 4.18** For 2014/15 two minor changes to compensate for the loss of transitional grant were consulted on and introduced. The majority of taxpayers adapted well to these changes, collection has been maintained and spend on council tax support itself continues to go down. There were further changes to the scheme applicable from 1 April 2017. No changes were made for 2018/19 or 2019/20. In 2020/21 the proposals are to move 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 lowest income households.
- 4.19** Teignbridge currently receives £344,000 for administering **housing benefit** and £135,000 for council tax support. **Universal Credit** started for

Teignbridge from 9 November 2015 for new single job seekers and we went live with the full service in September 2018. There has been specific help from the department for work and pensions in connection with the transition but the current funding agreement ended in 2017. The main grant funding has been assumed to continue in future years.

- 4.20** The statutory minimum **National Living Wage** will increase to £8.72 for those aged 25 and over in April 2020 (targeted to be 60% of median earnings and a 6.2% increase). It increased by 4.9% to £8.21 from 1 April 2019. The impact of the increase in national living wage through the pay award which also addresses differentials in the pay spine has had significant cost implications in 2019/20 and extended into subsequent years of the financial plan. Further exploration of apprenticeships and training will be encouraged to utilise available apprenticeship levy funding.
- 4.21** The **actuarial valuation** of the **Devon pension fund** effective from 1 April 2017 set Teignbridge contributions for future years. These were made up of a basic amount of 14.6% for future service accrual plus an increasing cash sum to reduce the past service deficit. The amended cash sum payment started in 2017/18 at £1,369,000 increasing to £1,436,000 for 2019/20. A £1 million one-off payment has been included in our budgets for 2019/20 to reduce our pension deficit contributions going forward. Estimates from the actuary are that this will save us in the region of £58,000 on average per annum in each and every future year from our existing cash sum payments. The new valuation effective from 1 April 2020 has increased the future service accrual rate from 14.6% to 16.6%. This has created further budget pressures but is offset by a reduction in the past deficit contributions which have reduced in 2020/21 to £1,309,935, then £1,357,692 in 2021/22 and £1,407,190 in 2022/23. Negotiations have also taken place to pay the past deficit contributions up-front to obtain a significant discount of 4.5% and this is built into the final budget proposals together with the savings from the one off contribution.
- 4.22** **Investment income** remains fairly low. While base rate has been steady at 0.75% since August 2018, the November Bank of England (BOE) monetary policy committee saw two of the nine members voting for a rate cut. The BOE are keeping their options open for either a rate cut or rate increase, however continued Brexit uncertainty combined with a failure of global growth to recover could see a cut in 2020. The amount we will have to invest is also forecast to reduce over the next year as the Council makes use of its internal balances to minimise the need for external borrowing. Based on an average daily lending amount of approximately £6 million, anticipated investment income is predicted to be £30,000 for each of the next three years. For the current financial year this is predicted to be £91,470. As part of our review of future treasury management investments we propose to add the property fund and diversified income fund managed by CCLA as presented to Members to increase the options and returns available for future years.
- 4.23** The latest professional guidance on **reserves** issued in November 2008 recommends a working balance to help cushion the impact of uneven cash

flows and avoid unnecessary temporary borrowing and a contingency to cushion the impact of unexpected events or emergencies. Earmarked reserves can also be built up to meet known or predicted requirements. Teignbridge operates with a low level of reserves compared to many districts.

- 4.24** Our main contingent liability was settled six years ago and provision has been made for other smaller potential liabilities. There is some uncertainty around the new major contingent liability which arises from the McCloud pension case and may have implications for our overall pension liability going forward but this is still not clear at present. The McCloud case relates to a judgement in the Court of Appeal relating to possible age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pension arrangements for judges' and firefighters'. If the ultimate ruling is applied to local authorities there could be an increase in the pension liability and pension deficit. 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. This will increase as we move towards likely 75% rates retention. We are more reliant on income generated from our own fees and charges as government funding reduces.
- 4.25** The Audit Commission December 2012 report 'Striking a balance' stated that reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments. The proposed budget recommends general reserves to stay constant at just under £2 million being 12.3% of the net revenue budget in 2019/20 and 2020/21. This equates to 13.1% in later years. General reserves are held to accommodate continuing future uncertainties and increasing reliance on generating our own income.
- 4.26** Historically the **Executive** has **authority** to exceed the approved overall revenue budget by up to £100,000 from general reserves to meet unexpected expenditure within the year. The aim is to replenish the reserves in the same year by making compensating savings as soon as possible. It is recommended to maintain this allowance at £100,000 for future years. All other decisions with regard to budgetary change will be approved by reference to virement rules in the financial instructions.
- 4.27** In conclusion these budget proposals show how Teignbridge can start to prepare for the grant reductions and anticipated funding regime by continuing to make savings and generate income. The revenue budget is partly funded over the medium term by savings found, additional income and use of earmarked reserves built up to cover anticipated future reductions in funding however significant work is still required to identify the significant budget gap in 2022/23 shown in **appendix 4** (line 24) as just under £1.5 million per annum and thereafter together with further savings to be found to meet aspirations to bolster the capital programme in future years with increasing contributions to capital from revenue of around £0.8 million per annum initially. Revenue budget gaps in earlier years are funded from earmarked reserves. This is highlighted in the table below (extracted from appendix 4):

Year	2020/21	2021/22	2022/23
Line 14 Transfer from (-)/to earmarked reserves	-£354,890	-£2,135,890	-£79,500
Line 24 Budget gap (-) to be Found	£0	£0	-£1,473,860
Total	-£354,890	-£2,135,890	-£1,553,360

There may be a bigger budget gap if the alternative housing funding is not forthcoming or lower than the assumptions made. Right to buy receipts cease after 2024 increasing funding pressures on the capital programme.

Exploration of suggestions from the BEST2020 process and service plan reviews have been incorporated into future budgets. Further suggestions will be worked up and costed to deliver savings to move towards balancing future budget years from 2022/23 alongside the ongoing investigation into commercial investment opportunities, alternative service delivery plans and review of our existing assets and their use. These ideas together with any other income generation opportunities (including funding contributions for the rural skip service) should help to identify funds to increase revenue contributions to the capital programme. Investigation of a possible Teignbridge lottery scheme will also be explored to assist local community good causes with grant funding alongside any crowd funding opportunities. At the same time general reserves are maintained at around 12.3% of the budget which is equivalent to just under £2.0 million. However there is much uncertainty over the move to 75% and potentially an eventual 100% business rates retention scheme with the higher risks that Teignbridge will face.

- 4.28** These proposals include a £5 increase in council tax next year and subsequent years and substantial capital investment over the next three years. They will be publicised and comments brought back to the Executive before making the final budget recommendation to Council for 24 February 2020.

5. CAPITAL PROGRAMME

- 5.1** The **capital programme** is shown at **appendix 7** with links to the Teignbridge 10 strategy projects. It continues to include significant provisions for investment in town centres and employment land. Some of these will require prudential borrowing and each will be the subject of separate reports as the business cases are developed. There is also a provision for Future High Street Fund projects. The business cases for these projects are under development – if successful, the grant funding available will make a significant contribution to the infrastructure of Newton Abbot town centre.

- 5.2** The programme is partly funded by sales of assets. Community Infrastructure Levy is anticipated to fund the infrastructure plan. Contributions from revenue are budgeted at £0.2 million in 2019/20, with a further £0.27 million for specific schemes. In addition an aggregate £2.0 million over the next three years are enabled by new homes bonus receipts. The ongoing contributions are set at £0.6 million in 2020/21 increasing to £0.7 million in 2021/22 and 2022/23. A review of suggestions from the BEST2020 process should enable further increased contributions to be delivered as these are worked through and agreed.
- 5.3** Government subsidy for housing disabled facilities grants through better care funding via county is assumed to continue at £1 million per annum. £1.4 million has been received in 2019/20. A further £1.9 million grant has been secured in relation to the Warm Home Funds scheme, for heating improvements for vulnerable clients. Right to buy receipts are estimated at £0.7 million per annum (but ceasing in 2024). Housing investment continues at current levels with the majority going into the provision of, and disabled facilities and energy grants for, private sector housing. There are schemes for the provision of social rented housing at three sites in Newton Abbot. In addition, affordable housing provision is facilitated through identified sites with the majority of the remainder being delivered through the local plan. A shared equity scheme funded from external planning contributions is also included.
- 5.4** The infrastructure delivery plan investment over the next few years contributes to:
- A new railway station at Marsh Barton for South West Exeter and Teignbridge residents access to employment (£1.3 million by March 2021).
 - Provision for improvements to the A382 of £5.1 million by 2022-23.
 - Provision for Education in SW Exeter and the wider Teignbridge area of £5 million over 3 years.
 - Provision for further green spaces of £1.2 million over 3 years.
 - Sports and leisure provision of £5.4 million over 3 years including Decoy and the Den play area refurbishments and improvements to Bakers Park. Work is continuing on advancing projects to improve leisure provision. Provisions are included for refurbishments at Broadmeadow sports centre and Dawlish leisure centre. These will be the subject of separate reports as business cases are developed.
 - Heart of Teignbridge, coastal and other cycle provision (£1.0 million over three years).
- 5.5** Provisions have been made for a project to investigate a major heating improvement for Forde House for 2020/21 and for other carbon reduction projects which will be brought forward by the climate change officer as the carbon reduction plan is developed.

6. COMMERCIAL STRATEGY

- 6.1** The commercial strategy at **appendix 8** provides the Council with a framework to achieve its vision of shaping Teignbridge as a place which is

economically resilient and also addressing the financial challenges brought about by the reduction in central government funding.

- 6.2** The strategy has a broad view of commercialisation including service and charging reviews, process redesigns, financial management, investment and procurement initiatives, housing and regeneration projects, asset management and income generation.
- 6.3** The core aims include increasing the Council's financial sustainability and social benefits, reviewing fees and charges policy, securing external funding and being socially responsible. There is also a desire to invest within the district as the first priority but also to review the benefits of any investment opportunities within the local functional economic area.
- 6.4** The key priorities include regeneration and commercial property investment, asset management and maximising the available benefits of its assets, agile operating practices, financial management and the provision of affordable/social rented accommodation.
- 6.5** There is an underlying requirement to consider affordability and the Councils ability to borrow. In particular the proportional debt limit in relation to the net revenue spend each year. The appropriate proportional debt limit is considered to be in the region of 4 to 5 times the net revenue spend – approximately £70 million from year to year.
- 6.6** The strategy also includes consideration of approvals and delegations and the necessity to act quickly in the commercial environment when opportunities arise which meets the requirements of the Council. There is a proposal to set up a Commercial Investment Board in section 6 of **appendix 8**. This Board would inform the Chief Finance Officer of all pertinent information in relation to each proposed investment and there would be delegated authority to the Chief Finance Officer to approve the purchase of assets which are in line with the principles of the commercial strategy as laid out in 6 (a) and (b) of the strategy. This delegation shall only apply in cases where it would be contrary to the financial interests of the Council to delay making a decision due to timings of the next available Committee.

7. GROUPS CONSULTED

- 7.1** County, Fire and Police and the public are consulted about any changes to the council tax support scheme. The initial budget proposals have been publicised and considered by Overview and Scrutiny on 14 January 2020. They also scrutinised these final plans on the 7 February 2020. Parishes and town councils have been advised of these proposals. There has been a budget presentation to the Teignbridge Association of Local Councils.
- 7.2** A budget survey has been put on the website and publicised to encourage feedback. In particular it has been brought to the attention of businesses, the residents' panel and Teignbridge relationship groups. Responses will be

reported verbally to this Executive and in the final Council budget report on 24 February 2020.

8. TIME-SCALE

The financial plan covers the years 2019/20 to 2022/23. Final consideration of the budget by Council is due on 24 February 2020. 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 (part 2, article 4, section 4.4b) 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 24 February 2020.