

# TEIGNBRIDGE DISTRICT COUNCIL

## EXECUTIVE

21 JULY 2020

<b>Report Title</b>	<b>2019/20 DRAFT FINAL ACCOUNTS &amp; TREASURY MANAGEMENT 2020/21 BUDGET MONITORING – REVENUE &amp; CAPITAL, TREASURY MANAGEMENT LENDING LIST</b>
<b>Purpose of Report</b>	<p>To report the 2019/20 draft final revenue results including draft closing general reserves.</p> <p>To bring the 2019/20 draft final capital and updated ongoing programme for members' approval including draft closing capital funding and resources carried forward.</p> <p>To report the draft financial results of the treasury management function for the year ended 31 March 2020.</p> <p>To update Members on the principal areas where there are likely to be departures from the 2020/21 budget and summarise those variations to the end of June 2020</p> <p>To update Members on progress with the capital programme and funding and any amendments to the lending list for treasury management purposes.</p>
<b>Recommendation(s)</b>	<p><b>The Executive Committee RESOLVES to:</b></p> <ul style="list-style-type: none"><li><b>(1) Note the draft revenue results</b></li><li><b>(2) approve the draft year end capital and updated programme as shown at appendix 1</b></li><li><b>(3) to note the updated lending list as shown at appendix 2</b></li></ul> <p><b>The Executive RECOMMENDS to Council :</b></p> <ul style="list-style-type: none"><li><b>(1) that the draft treasury management results for 2019/20 at appendix 3 are noted</b></li></ul>

<b>Financial Implications</b>	The financial implications are contained throughout the report. The main implication is that the general reserve balance at 31 March 2020 upon closure of the 2019/20 financial statements is maintained at just above its budgeted balance being £1.987 million and a favourable variance is reported of £5,000. For 2020/21 an adverse variance of £6.9 million is currently the budget gap as at the end of June on the revenue budget – see section 7. Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
<b>Legal Implications</b>	See section 10 – budget monitoring is required by the Constitution and Financial Rules. The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. Karen Trickey – Solicitor to the Council & Monitoring Officer Tel: 01626 215119 Email: Karen.trickey@teignbridge.gov.uk
<b>Risk Assessment</b>	Major risks are identified in section 7 and summarised in section 9. The most significant of these is the level of future funding from Central Government Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
<b>Environmental/ Climate Change Implications</b>	The revenue budget supports the funding of a Climate Change Officer and capital projects are highlighted which contribute towards our climate change objectives – see 12. David Eaton – Environmental Protection Manager Tel: 01626 215064 Email: david.eaton@teignbridge.gov.uk
<b>Report Author</b>	Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
<b>Portfolio Holder</b>	Councillor Alan Connett – Portfolio holder for Resources
<b>Appendices</b>	Appendix 1 – Capital programme Appendix 2 – Treasury management lending list Appendix 3 – Treasury management performance
<b>Part I or II</b>	Part I
<b>Background Papers</b>	Year end files including Accounts and Audit Regulations 2015. Current year budget monitoring files: capital files: Treasury Management working files including CIPFA Treasury Management Code 2017.

## 1. PURPOSE

To report the 2019/20 draft final revenue results including draft closing general reserves.

To bring the 2019/20 draft final capital and updated ongoing programme for 2020/21 for members' approval including draft closing capital funding and resources carried forward.

- To report the draft financial results of the treasury management function for the year ended 31 March 2020 as shown in Appendix 3
- To note the updated treasury management lending list as shown in Appendix 2
- To identify the principal areas where there are likely to be departures from the approved 2020/21 budget and summarise the likely overall variation based on the information available to the end of June 2020. Also to inform Members of progress that has been made with achieving savings and efficiencies.

## **2 BACKGROUND**

- 2.1** The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement has to be produced and certified by the Chief Finance Officer by 31 May. Due to the outbreak of Covid 19 the reporting date for production has been pushed back to 31 August. It has to be brought for Full Council approval after external audit and by 31 July in normal circumstances however to again facilitate the impact of Covid 19 this has been pushed back to 30 November.
- 2.2** The financial records for 2019/20 have been balanced and closed and the draft accounts are being prepared and will be finalised shortly including the incorporation of the results of Strata Service Solutions Limited. The £27 million housing benefit claim is complete and ready for the statutory external audit. The £31 million provisional business rates return which provides the information for rates retention has been completed and awaits certification. A final certified return has to be submitted by 30 November when the accounts have been audited. This report is based on the draft accounts.
- 2.3** The statement of accounts and financial records will be audited by our external auditors Grant Thornton during August. The draft accounts currently being finalised will be presented to Audit Scrutiny Committee on 26 August. If any accounts alterations are required the details will be reported to Audit Scrutiny Committee on 21 October with the external audit accounts report. Any revenue or capital resource effects will be brought to Executive in the subsequent budget monitoring report. We are not aware of any such alterations at this point.
- 2.4** The 2019/20 revenue and capital budgets were approved on 28 February 2019 and updated by Council on 24 February 2020. This report compares the draft results to the updated budget.
- 2.5** An updated treasury management statement and authorised lending list was approved at the February 2020 budget meeting. This was based on the latest

edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy. The lending list has been updated for the latest ratings and is included at appendix 2.

### **3 2019/20 DRAFT REVENUE RESULTS**

- 3.1** The draft closing general reserves at 31 March 2020 are £1.987 million. This is improved on the updated budget by £5,000. There is £2.512 million in the earmarked business rates reserve to cover future funding and income fluctuations. The revenue contributions to capital carried forward has £1.405 million at 31 March 2020.
- 3.2** There are specific grants or contributions totalling £3.3 million in earmarked reserves. The main items here are £350,000 from the government for various housing/homeless initiatives, £1.1 million relating to housing rent charges, £150,000 for garden communities £425,000 for habitat mitigations and £250,000 million for open spaces being largely section 106 contributions. There is a further £1.4 million of earmarked reserves for specific carry forwards which have been reviewed by Strategic Leadership Team. This total includes community led housing and various housing enabling and homelessness prevention initiatives, rural aid, elector fund project monies, town centre projects and other miscellaneous works.
- 3.3** In 2014/15 a new earmarked reserve was set up for our share of usable funds held from the Strata joint operations. This now stands at £211,000. The joint operation started trading on 1 November 2014 and is owned by Teignbridge, Exeter and East Devon district councils with Teignbridge owning 27.4%. The business of Strata is the operation and provision of a shared information communications technology service to each of the councils.

### **4 REVENUE BUDGET VARIATIONS 2019/20**

The most significant variations and points to note for the year were as follows:

- Car parking fees and charges income was down £38,000 on the probable budget of £3.6 million. Leisure income fees and charges was down £64,000 on the probable budget of £1.9 million. Building control and planning income fees and charges was £184,000 better than the probable budget of £2.0 million. The total fees and charges income for all services was £50,000 above the probable budget of £10.1 million.
- Our share of business rates income for the year was broadly in line with that anticipated in the probable budget. We do however have a year end cumulative deficit on the rates collection fund of just over £1.0 million of which our 40% share is £0.4 million. The deficit is mainly due to lower income to the collection fund when Government reliefs provide grant funding which switch income from the collection fund to the general fund. The business rates retention reserve has a balance of £2.3 million. This is to cover the deficit, future funding and income fluctuations and potential appeals.

- Overall salary costs including vacancy savings were underspent by £122,000 on the probable budget on a total salary cost of £18.1 million including employer's national insurance and superannuation. The saving is after any redundancy costs.
- There were additional costs for rent allowances net of recovery, business rates and some minor overspends on other expenditures.
- Bad debt provisions have been increased for Council tax (increase of £350,000 to £990,000) and general bad debts (increase of £123,000 to £661,000) to reflect likely collectability.
- Unfunded discretionary rate relief awarded in the year was £119,000 as compared with £132,000 in 2018/19.
- For 2019/20 sundry debt write offs were £149,000 (2018/19 £111,000) or 1.2% of debt raised in the year. Council tax write offs were £196,000 (2018/19 £165,000) or 0.17% of the charge raised. National non-domestic rate write offs were £49,000 (2018/19 £78,000) or 0.12% of the charge.

## **5 2019/20 DRAFT FINAL CAPITAL PROGRAMME & FUTURE YEARS**

**5.1** The draft final capital programme is shown at appendix 1. The original estimate of £27.849 million for 2019/20 was approved at Council on 28 February 2019. This had been decreased by probable stage in the February 2020 budget update to £13.863 million mainly due to the rescheduling of provisions for town centre improvement works for Newton Abbot and Teignmouth town centres and leisure provision expenditure. The actual spend in 2019/20 was £9.972 million. The difference of £3.891 million from the updated budget is mainly due to:

- £91,000 probable budget relating to Bakers Park was unspent and has been carried forward as part of an adjusted budget as approved by Executive on 19 May 2020. £120,000 has also been carried forward in relation to the playing pitch facilities at Coach Road, Newton Abbot.
- £232,000 probable budget relating to Cattle Market and Bradley Lane enabling works was unspent and has been carried forward.
- The refurbishment of the Minerva Building was completed £130,000 within budget. This project was funded from government grant and borrowing, therefore this saving means a lower than anticipated underlying need to borrow.
- £427,000 probable budget relating to the purchase and refurbishment of Sherborne House, Newton Abbot was carried forward. This project continues in 2020-21.

- £425,000 probable budget for the provision for Heart of Teignbridge Employment Sites was removed on the basis of an emerging arrangement on land adjacent Decoy Industrial Estate that would see employment development outcomes secured alongside the safeguarding of land for a link road without the need for council intervention. An associated agreement is due to be finalised during summer/autumn 2020.
- £304,000 of the probable budget for the contribution towards the Dawlish link road and bridge was unspent and has been carried forward. The remaining grant-funded contribution amounts are anticipated to be paid by the end of 2021-22.
- £410,000 of the South West coastal regional monitoring probable budget of £1.391 million for the year was unspent. This is all funded by grant from the Environment Agency and other external contributions and the remaining budget has been carried forward. Work is progressing in the current year and the programme continues during 2020/21.
- £402,000 of the probable budget for the Coastal Asset Review, Coastal Asset Review (project management support) and Teignmouth beach management plan was unspent. These projects are also funded by grant from the Environment Agency and have been carried forward.
- £100,000 of the provision for carbon reduction projects budget was unspent and has been carried forward.
- The probable budget for affordable housing projects was £475,000. £281,000 was spent and the remaining £194,000 relating mainly to Longstone Cross, Ashburton and additional social housing in Newton Abbot has been carried forward.
- £533,000 of the private sector housing probable budget which is mainly grant funded was unspent. The remaining better care funding relating to disabled facilities and other grant measures has been carried forward.
- £258,000 probable budget towards the purchase and instatement of land for Suitable Alternative Natural Green Spaces (SANGS), anticipated to be funded from Housing Infrastructure fund grant, has been carried forward.
- £183,000 has been carried forward relating to IT improvements being carried out by Strata.

**5.2** At the end of 2019/20 there was £5.843 million of capital receipts carried forward made up of £3.518 million general receipts plus £2.325 million from housing. Actual right to buy receipts for 2019/20 were £601,000 which is £99,000 lower than the £700,000 forecast in the probable budget. There is also £4.097 million community infrastructure levy available towards funding investment as per the local plan. As already mentioned in 3.1 there is £1.405 million for revenue contributions to capital carried forward to 2020/21.

**5.3** Recent additions to the capital programme for the current and future years include £1.500 million for additional social housing at East Street and Drake Road in Newton Abbot, (funded from a combination of government grant, Section 106 contributions and prudential borrowing) and the use of £667,000 Section 106 for a shared equity scheme in Chudleigh. These projects were both approved by Full Council in November 2019. The revised scheme for the purchase and refurbishment of Sherborne House, which also includes an element of social housing was approved by Full Council on 24 September 2019. At the Full Council meeting on 14 January 2020, members supported a bid to the Warm Homes Fund for grant funding alongside Teignbridge investment to help people living in fuel poverty. As with other capital projects, this is being kept under review as a result of the Covid-19 restrictions.

A provision for the Future High Street Fund bid was added to the capital programme during the Budget process following Teignbridge successfully submitting an expression of interest and being shortlisted along with 100 other towns. This opportunity to fund and invest in Newton Abbot is currently being consulted on and the business plan developed. Details will be brought to members for consideration in due course.

The use of £1.25 million CIL to forward-fund the Houghton Barton link road over the next two years was approved by Full Council in March 2020. £180,000 for the Newton Abbot East-West cycle route (previously a general cycle path provision and funded from CIL) was approved by Executive in October 2019.

The use of £300,000 of CIL and Section 106 to refurbish the play provision and Decoy Countryside Park was approved by Full Council in February 2020.

£267,000 for the replacement Finance system convergence project was incorporated in the Budget capital programme in line with Strata's 2020-21 Business Plan.

## **6 TREASURY MANAGEMENT RESULTS 2019/20 & LENDING LIST 2020/21**

**6.1** The financial results of the treasury management function have to be reported to Council in accordance with the Chartered Institute of Public Finance and Accountancy 'Treasury Management Code 2017'. Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions. There was no long term borrowing in 2019/20 but that is not expected to be the case during 2020/21. Long term borrowing is anticipated for a number of schemes anticipated to progress in 2020/21 and the significant loss of income which has occurred to date means we are likely to need to begin borrowing externally during the third quarter of the financial year. This is dependent on the degree to which capital schemes are able to re-start as the economy re-opens and also the level of central government support for local authorities in the wake of Covid-19. Any borrowing which is undertaken will be in line with

the Council's prudential indicators and treasury management strategy which were approved at the February 2020 Council budget meeting

- 6.2** The average funds available for investment have increased in 2019/20 by £1.3 million to £15.9 million, from £14.6 million in 2018/19. This is mainly due to grants and contributions which were received in advance of expenditure. Net interest earned has increased from £102,999 in 2018/19 to £120,632 in 2019/20. The average rate achieved has increased from 0.71% in 2018/19 to 0.75% in 2019/20, due to the Bank of England's base rate remaining at 0.75% for much of the financial year, only reducing to 0.25% and then 0.1% during March 2020 in response to the unfolding economic disruption caused by Covid-19. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.
- 6.3** Interest rates earned have been consistently better than the standard benchmark 7 day London Interbank Offer Rate (LIBOR) which for the same lending would have averaged 0.69% for the year (0.63% in 2018/19). Base rate increased from 0.5% to 0.75% in August 2018, where it remained until being reduced to 0.25% and then a historic low of 0.1% in March 2020. It is not anticipated that base rate will rise during the 2020-21 financial year. There also continues to be uncertainty about future demand and the outcome of the European Union negotiations.
- 6.4** Full details of draft treasury management results and prudential indicators are shown at appendix 3.
- 6.5** The authorised treasury management lending list was approved at the February 2020 Council budget meeting. Following the appointment of treasury management advisors, additional highly-rated institutions were added to the Council's official lending list. These include Handelsbanken, Sumitomo Mitsui, Goldman Sachs and Standard Chartered Bank as well as two further money market funds. From 1 January 2019, the largest UK banks had to separate core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks addressed ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. In some cases, ring-fencing affected ratings. Officers continue to monitor all ratings to ensure they meet the Council's lending criteria. The lending list has been updated for the latest ratings and is included at appendix 2. There have been no new additions or removals, however Goldman Sachs has now moved up to tier 1. Close Brothers has moved down to tier 2 and Royal Bank of Scotland down to tier 3.

## **7. REVENUE BUDGET MONITORING 2020/21**

- 7.1** Opening general reserves for the year are, subject to audit, £2.0 million plus earmarked reserves of £4.3 million for specific grants, contributions and carry

forwards. The 2019/20 external audit will be completed in August. There is a net deficit of £6.9 million forecast for 2020/21 arising from variations to the original budget – mainly due to loss of income in all areas partly offset by additional Government funding to date and a spending freeze on a number of budgets as explained in 9.4 below.

- 7.2** The Covid 19 pandemic has had a catastrophic impact on the income of the Council. The initial impacts were felt towards the end of the 2019/20 financial year and significantly in the 2020/21 financial year. Initial estimates of lost income were in excess of £12 million. The Government has provided funding of £1.4 million to date and we await clarification of what further funding will be provided. A monthly return is sent to Government to highlight the pressures. We currently anticipate a budget gap of £6.9 million in 2020/21. We are looking at how we may make savings going forward and utilisation of reserves to help reduce the deficit in conjunction with the clarity around what further funding may be received from Government to help support local services and the local economic recovery plan.
- 7.3** The most significant loss of income is from fees and charges. This is currently predicted to be just under £6 million with the largest losses being suffered in car parks and the closure of our leisure centres. Making accurate predictions of future receipts is difficult and dependent upon lock down release measures and reaction to this by the general public. There is also concern about our other income streams – in particular rents receivable if there are significant closures and potential loss of business rates. Higher levels of unemployment may reduce the income we receive from Council tax and a rise in council tax support. The slowdown in house building will have an impact on estimated council tax growth and any potential future receipts we may get from New homes bonus or its equivalent.
- 7.4** It is not clear how Government will support us going forward. At the start of the pandemic the Government had asked us to ‘do whatever it takes’ to react to the situation. District councils are in a more vulnerable position compared to County or Unitary councils due to the level of income from other sources. As a result of this continuing uncertainty we have undertaken an exercise to find £1.5 - £2.0 million in savings to reduce the budget gap in 2020/21. The Government have intimated that we will need to share the pain but there is no clarification what that would mean for this year or next. We have now identified savings in excess of £2.0 million which could be used to reduce the gap. These include items which we would prefer not to apply but will await further guidance from Government. As a result it is proposed that these savings are frozen from the current year budgets until we have that greater clarity. The savings include a freeze on recruitment for this year in relation to vacant posts unless externally funded, elimination of any contribution from revenue to capital to support the capital programme, savings in travel and fuel, partly due to changed working patterns and a reduction in the predicted price of fuel. Other savings include reductions in repairs and maintenance, savings which naturally occur as a result of services not operating e.g. leisure centres, training and numerous ledger spends.

In addition we have taken advantage of the Coronavirus Job Retention Scheme and furloughed a significant number of posts in order to enable us to receive funding for staffing costs whilst services cannot operate or are disrupted due to Covid 19 – these are mainly in leisure as a result of the closure of the leisure centres. In April the value of the claim amounted to £112,000 for that month.

- 7.5** We will continue to work through all BEST2020 savings suggestions to deliver further savings where possible and re-visit those that may have their progress delayed by Covid 19.

## **8. CAPITAL & TREASURY MANAGEMENT 2020/21**

### **Treasury Management**

- Net interest payable is currently forecast to be £150,766 compared to the base net interest receivable budget of £15,030. This is based on external borrowing from October, over a range of maturity dates in accordance with the Council's treasury management strategy. The cash-flow planner currently assumes large capital projects gradually resuming. It is assumed remaining business grant funding will be repaid. Estimates around income are cautious and based on the assumptions mentioned in 7.3 above. No further central government assistance is factored in. Cash-flow is reviewed regularly.

In addition to a higher borrowing requirement than forecast at the February budget, the bank of England base rate was cut twice in March – first from 0.75% to 0.25%, then to the historic low of 0.1%. No increase in this rate is anticipated in the 2020-21 financial year. The treasury management team has also focused on keeping investments in the very short term due to the uncertainty over income and funding and in order to manage cash-flow in relation to the payment of business grants. This has resulted in interest rates below the bank of England base rate.

The following fixed lending was arranged during April and May.

Borrower	Terms (%)	Amount (£)	Start date	End date	Total days	Interest (£)
Debt Management Office	0.100	44,000,000	01/04/20	08/04/20	7	843.84
Debt Management Office	0.040	5,000,000	08/04/20	09/04/20	1	5.48
Debt Management Office	0.045	4,500,000	08/04/20	14/04/20	6	33.29
Debt Management Office	0.095	34,500,000	08/04/20	16/04/20	8	718.36
Debt Management Office	0.055	1,000,000	14/04/20	17/04/20	3	4.52
Debt Management Office	0.080	1,000,000	15/04/20	23/04/20	8	17.53
Debt Management Office	0.080	1,500,000	15/04/20	27/04/20	12	39.45
Debt Management Office	0.040	12,500,000	16/04/20	17/04/20	1	13.7
Debt Management Office	0.045	18,000,000	16/04/20	20/04/20	4	88.77
Debt Management Office	0.080	500,000	17/04/20	29/04/20	12	13.15
Debt Management Office	0.040	1,400,000	20/04/20	21/04/20	1	1.53

Debt Management Office	0.045	2,000,000	20/04/20	22/04/20	2	4.93
Debt Management Office	0.055	1,000,000	20/04/20	23/04/20	3	4.52
Debt Management Office	0.060	5,000,000	20/04/20	24/04/20	4	32.88
Debt Management Office	0.080	7,200,000	20/04/20	27/04/20	7	110.47
Debt Management Office	0.080	1,000,000	22/04/20	29/04/20	7	15.34
Debt Management Office	0.080	3,000,000	24/04/20	30/04/20	6	39.45
Debt Management Office	0.080	6,500,000	27/04/20	04/05/20	7	99.73
Debt Management Office	0.080	1,000,000	29/04/20	11/05/20	12	26.30
Debt Management Office	0.080	1,000,000	30/04/20	19/05/20	19	45.81
Debt Management Office	0.080	1,400,000	30/04/20	22/05/20	22	67.51
Debt Management Office	0.055	2,000,000	01/05/20	26/05/20	25	75.34
Debt Management Office	0.055	1,500,000	01/05/20	27/05/20	26	58.77
Debt Management Office	0.040	1,000,000	04/05/20	06/05/20	2	2.19
Debt Management Office	0.040	1,000,000	04/05/20	12/05/20	8	8.77
Debt Management Office	0.050	3,400,000	04/05/20	19/05/20	15	69.86
Debt Management Office	0.040	400,000	11/05/20	27/05/20	16	7.01
Debt Management Office	0.040	1,000,000	12/05/20	27/05/20	15	16.44
Debt Management Office	0.040	2,000,000	14/05/20	27/05/20	13	28.49
Debt Management Office	0.040	1,000,000	15/05/20	18/05/20	3	3.29
Debt Management Office	0.040	4,500,000	15/05/20	27/05/20	12	59.18
Debt Management Office	0.050	1,000,000	15/05/20	08/06/20	24	32.88
Debt Management Office	0.040	2,500,000	15/05/20	22/06/20	38	130.14
Debt Management Office	0.040	1,000,000	19/05/20	20/05/20	1	1.10
Debt Management Office	0.040	1,000,000	19/05/20	23/06/20	35	38.36
Debt Management Office	0.040	1,400,000	19/05/20	26/06/20	38	58.30
Debt Management Office	0.020	1,000,000	26/05/20	28/05/20	2	1.10
Debt Management Office	0.020	1,000,000	29/05/20	24/06/20	26	14.25

We had £18.7 million lent out or in call accounts at the end of April.

We had £15.0 million lent out or in call accounts at the end of May

### Capital - Economy & Assets

- 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. Following further scrutiny, it is anticipated to be paid in 2022/23.
- 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 were undertaken at a cost of £1.6 million to prepare the building for the new tenant. The new tenants are now occupying the building, with the project completed within budget.
- Council on 28 February 2019 resolved to progress plans to develop a hotel, including car park re-provisioning as part of the town centre regeneration outlined in the Newton Abbot master plan. This project is funded mainly from

prudential borrowing. A planning application has been submitted in line with agreed contractual milestones.

- Council of 29 July 2019 (as updated at Council on 24 September) resolved to grant the necessary authority to advance the Sherborne House regeneration and Social Housing project in Newton Abbot. This project will be funded from prudential borrowing and grant from Homes England and is anticipated to provide accommodation for Health services in addition to Social Housing units. The acquisition was completed in March 2020, with conversion works to follow.
- Newton Abbot is the subject of a bid to Ministry of Housing, Communities and Local Government's Future High Streets Fund for town centre regeneration. Teignbridge successfully submitted an expression of interest and was shortlisted along with 100 other towns. This opportunity to fund and invest in Newton Abbot is currently being consulted on and the business plan developed. Details will be brought to members for consideration in due course.
- Council of 29 July 2019 also resolved to grant authority to enable progression of the regeneration in the Brunswick Street area of Teignmouth town centre. This project will be funded mainly from prudential borrowing.

### **Capital - coastal & drainage**

The current year's programme is fully funded by budgeted grants of £1.9 million from the Environment Agency for regional coastal monitoring, and flood alleviation and prevention. Of this £1.8 million was received in the previous and current year, with the remainder anticipated in the current financial year.

### **Capital - Housing**

- Teignbridge have been allocated £1.329 million of the government Better Care capital funding for 2020/21 towards statutory disabled facilities and other discretionary grants. Devon County Council administer the local Better Care Fund and will distribute this funding once the local allocation formula has been finalised. We also have £922,000 carried over from last year giving an estimated £2.251 million for 2020/21.
- We have been successful in bidding for £1.025 million from the Warm Homes Fund (Affordable Warmth Solutions) to provide central heating for vulnerable residents.
- £1.426 million is budgeted in 2020/21 for additional social housing at East Street and Drake Road in Newton Abbot, (funded from a combination of government grant, Section 106 contributions and prudential borrowing). Planning permission was granted in February 2020 and contractors appointed

in May. The £667,000 shared equity scheme in Chudleigh is being progressed.

- £300,000 is budgeted in 2020/21 for right to buy receipts towards the affordable housing programme. We received £601,000 for last year in April 2020, however do not anticipate the same level of income in the current year due to Covid-19 restrictions. This income will cease in January 2024. No previously paid renovation grants have so far been recovered by Teignbridge this year.

### **Capital – spatial planning**

- £4.858 million of CIL (Community Infrastructure Levy) and temporary internal borrowing is budgeted in 2020/21 towards infrastructure projects. This includes £535,000 towards cycle paths, £1.300 million towards Marsh Barton Station, £1.500 million for District Heating, £810,000 in forward funding for the Houghton Barton link road and £219,000 toward the play area refurbishment at Decoy countryside park. Available CIL as at the end of 2019/20 was £4.097 million, with £2.352 million forecast to be received in 2020/21, using a more cautious model than previously to reflect reduced house-building activity.
- 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. This is occurring in phases, with parcels K, 1 and 1A purchased to date in 2019/20. Instatement works will take place in line with the acquisition phasing.
- Teignbridge has been successful in bidding for £150,000 of capacity funding to support the delivery of Newton Abbot as a garden town from the Garden Communities Programme. The Programme is to transform local communities focused on sustainability and supported by the right infrastructure.
- The Capital Review Group are keeping all projects under review to identify increased risks due to the economic consequences of Covid-19. This includes the potential for delays, associated cost increases and changes to ongoing revenue assumptions and how this might affect the viability of projects.

## **9. RISKS**

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. The most significant concerns are detailed in section 7 above in relation to the revenue budget and Government funding to bridge the likely revenue gap. There is no clarity on funding for future years or how any further funding reviews will take shape. There is no

clarity on predicted changes to business rates retention and the abolition of New Homes Bonus and what it may be replaced with and how our funding from these sources will change as a result. The long term impacts of leaving the European Union and the economic impacts are difficult to determine and any impacts on business rates, council tax support, debt recovery etc. Covid 19 represents a very serious threat to delivery of services moving forward and the ability to generate income in the same way. Next steps will involve establishing a plan in conjunction with Central Government to stimulate the economy and deliver on key objectives and priorities. This will require a reset of the budget for the current financial year in conjunction with further advice from the Government.

## **10. MAIN IMPLICATIONS**

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

### **10.1 Legal**

Budget monitoring is required by the Constitution and Financial Rules.

The Financial Accounts for 2019/20 need to be produced in accordance with the Accounts & Audit Regulations 2015.

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

### **10.2 Resources**

The report notes an overall small favourable revenue variation for 2019/20. The revenue gap for 2020/21 of £6.9 million will require clarification of further funding from Government and a reset of the budget together with any related further savings exercise to meet the gap. Cash flow is forecast to require external borrowing during the second half of 2020/21. This is likely to be a mixture of short and long term loans in line with the treasury management strategy and prudential indicators. Capital is funded over the three year plan period 2020/21 to 2022/23 with the use of prudential borrowing where necessary.

## **11. GROUPS CONSULTED**

As described in paragraph 2.3 the external auditors are auditing the financial records and accounts during August.

## **12. ENVIRONMENTAL/CLIMATE CHANGE IMPACT**

The revenue budget supports the appointment of a climate change officer and the capital programme identifies projects which have an impact on climate change denoted with a green leaf in appendix 1.

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

10.00 a.m. on 28 July 2020