

Teignbridge District Council
Executive
10 July 2023
Part i

**BUDGET MONITORING – REVENUE & CAPITAL, TREASURY MANAGEMENT
LENDING LIST**

Purpose of Report

To update Members on the principal areas where there are likely to be departures from the 2023/24 budget and summarise those variations to the end of May 2023, to update Members on progress with the capital programme and funding and any amendments to the lending list for treasury management purposes.

Recommendation(s)

The Executive Committee RESOLVES to:

- (1) approve the revenue budget variations as shown at appendix 1**
- (2) approve the updated capital programme as shown at appendix 2**
- (3) approve the use of £103,090 of Strata revenue savings identified in 2022/23 to be reinvested in the delivery of information technology support in 2023/24**

Financial Implications

The financial implications are contained throughout the report. The main implication is the adverse variance of £239,240 at the end of May on the revenue budget

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Legal Implications

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.

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Risk Assessment

Major risks are identified in 4.13 and summarised in section 9. The most significant of these is the level of future funding from Central Government

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Environmental/ Climate Change Implications

Impacts are summarised in section 10. The revenue budget supports the funding of a Climate Change Officer and capital projects are highlighted which contribute towards our climate change objectives

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Executive Member

Councillor Richard Keeling – Executive Member for Resources

Appendices/Background Papers

Appendix 1 – Revenue variations
Appendix 2 – Capital programme
Appendix 3 – Treasury management lending list
Current year budget monitoring files: capital files:

1. PURPOSE

- To identify the principal areas where there are likely to be departures from the approved 2023/24 budget and summarise the likely overall variation based on the information available to the end of May 2023. Also to inform Members of progress that has been made with achieving savings and efficiencies. All shown at Appendix 1.
- To update Members on progress with the capital programme and funding and bring the latest details for members' approval as shown in Appendix 2.
- To update Members on the lending list for treasury management purposes as shown in Appendix 3.
- To approve revenue savings made by Strata in 2022/23 to be reinvested in supporting delivery of information technology services in 2023/24.

2. SUMMARY

- 2.1 The closing of the ledger for 2022/23 is currently being finalized with anticipated general reserves for the year to be increased in line with the February budget proposals to £2.3 million plus earmarked reserves for specific grants, contributions and carry forwards etc.

The delayed 2021/22 external audit is due to commence in late Summer. It is not clear when the 2022/23 external audit will commence. We are still awaiting sign off for the 2020/21 accounts and audit opinion.

There is a net deficit of £239,240 forecast for 2023/24 arising from variations to the original budget.

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

Service	Variance £
Development management including land charges	0
Corporate services	-437,120
Economy & assets	0
Environment/climate change	192,920
Leisure/green spaces	-270,000
General	753,440
TOTAL ADVERSE BUDGET VARIATION TO DATE	239,240

- 2.3 Significant budgeted contributions to capital were eliminated as part of the budget process two years ago with new homes bonus receipts likely to disappear as the bonus is phased out. The February budget proposals reintroduced these contributions at £300,000 for 2023/24. There is still no clarity as to what will take its place – if anything. Estimated rates retention above the baseline and pooling gain is assumed to be reset in the next two year as part of the review into fair funding which will eliminate most of the gains made. There is still uncertainty as to whether this will actually take place as planned. We await clarification on this which may be made clearer when full details of the next settlement are provided for 2024/25 in December. The funding reserve holds funds to assist with this eventuality initially. Likely shortfalls for current and future years will need to be addressed as part of the budget setting and monitoring process this year and next year and the associated work through the Modern 25 programme. Work is also ongoing through service plan reviews, modified business plans and the initial work with Ignite to determine savings to meet the gaps identified in the final budget papers from February 2023.

3. BACKGROUND

- 3.1 The Covid 19 pandemic created a massive financial uncertainty for all Local Authorities. As a result the detailed financial reports for 2020/21 were

replaced by more frequent updates on the overall financial position taking account of updates from Central Government on their financial support and the various lockdowns suffered. As we recovered from the pandemic and income streams became more certain reporting for 2021/22, 2022/23 and for this year have reverted to more detailed variance analysis by service area.

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

4.1 Building control

- At the end of May fee income is forecast to be 15% below the target budget of £500,380. Any variation at the year end will be charged to the building control reserve so will not affect Teignbridge's general reserve. Income received to date is down on that at the same time last year.
- Teignbridge became the Lead Authority fully hosting The Devon Building Control Partnership with South Hams and West Devon councils from 1 April 2017 and holds the partnership earmarked reserves on behalf of the partners.

4.2 Development management including land charges

- At the end of May net planning application income is forecast to be in line with the original budget of £795,000. Planning application numbers are 4% up at the end of May as compared with last year.
- Pre-application planning advice - At the end of May 2023 income was slightly down on the budget of £40,000 by an estimated £2,000 for the year.
- There are currently no known Planning appeal costs for this financial year.
- Land charges income is forecast to be in line with projected net budget of £229,000. The number of searches is 23% down on last year. A search can be a full or part search or individual questions.

4.3 Strategic leadership team & corporate services

The 2019 revised strategic leadership team structure has permanent appointments to the relevant positions. The new structure will ultimately deliver ongoing savings in excess of £150,000. These savings have already been incorporated into the budget setting process since 2021/22 and thereafter.

Finance

- Forecast interest receivable at £1,485,880 is forecast to be up £481,580 on the base income budget of £1,004,300. Interest accrued to the end of May is

£231,829. There is currently no forecast external borrowing for the year, which means zero interest payable, in line with budget expectations. The Bank of England monetary policy committee (MPC) raised interest rates for the twelfth consecutive meeting in May, increasing base rate by 0.25% to 4.5%. Market commentators anticipate a further rise of 0.25% in June, with further increases before peaking at around 5.00% - 5.5% at the end of 2023. Base rate is not anticipated to start to fall until early 2024. These rates are higher than anticipated at budget time, mainly due to persistent inflation reducing more slowly than previously forecast. The threat of recession has also receded. Bank, building society and money market fund rates have risen in response to base rate changes. Our average lending rate to the end of May is 4.01% in line with SONIA (Sterling Overnight Index Average), which was 4.18% as at 01 June 2023 and an average of 3.82% over the calendar year to date. Average daily lend for the year is forecast at £32.3 million.

- As at the end of 2022/23, the draft capital financing requirement (CFR) (underlying need to borrow) is £21.02 million. By using existing balances to fund this internally rather than borrowing externally, the Council saves £287,955 per annum. This is based on the cost of borrowing 50% of CFR at the PWLB's 10-year certainty rate and 50% at the 25-year certainty rate, less potential interest earned at the current average rate of 4.01%.

In April we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	4.1	4,000,000	03/04/2023	22/05/2023	49	22,016.44
DMO	4.05	500,000	04/04/2023	21/04/2023	17	943.15
DMO	4.11	2,000,000	05/04/2023	25/05/2023	50	11,260.27
DMO	4.06	500,000	06/04/2023	21/04/2023	15	834.25
North Lanarkshire Council	4.28	3,000,000	17/04/2023	15/03/2024	333	117,143.01
DMO	4.05	2,000,000	17/04/2023	19/04/2023	2	443.84
DMO	4.06	1,000,000	17/04/2023	24/04/2023	7	778.63
DMO	4.135	2,000,000	17/04/2023	25/05/2023	38	8,609.86
DMO	4.165	1,000,000	19/04/2023	25/05/2023	36	4,107.95
DMO	4.28	1,000,000	28/04/2023	19/06/2023	52	6,097.53

and we had £29.5 million lent out or in call accounts at the end of the month.

In May we arranged lending as follows:

Borrower	Rate (%)	Amount	Start date	End date	Days	Interest (£)
DMO	4.305	2,000,000	02/05/2023	19/06/2023	48	11,322.74
DMO	4.31	1,000,000	02/05/2023	23/06/2023	52	6,140.27
DMO	4.205	1,000,000	03/05/2023	23/05/2023	20	2,304.11
DMO	4.275	1,000,000	09/05/2023	22/05/2023	13	1,522.60
DMO	4.13	1,000,000	10/05/2023	12/05/2023	2	226.30
DMO	4.35	1,000,000	11/05/2023	12/05/2023	1	119.18
DMO	4.35	1,000,000	11/05/2023	15/05/2023	4	476.71
DMO	4.38	2,000,000	12/05/2023	03/07/2023	52	12,480.00
Nationwide	4.63	1,000,000	15/05/2023	13/05/2024	364	46,173.15
DMO	4.415	6,000,000	15/05/2023	03/07/2023	49	35,561.92
DMO	4.45	1,500,000	22/05/2023	19/07/2023	58	10,606.85
DMO	4.38	1,000,000	23/05/2023	25/05/2023	2	240.00
DMO	4.525	1,000,000	31/05/2023	19/07/2023	49	6,074.66

and we had £35.0 million lent out or in call accounts at the end of the month.

Prudential Indicators

In accordance with the Prudential Code for capital finance in local authorities (2021 edition), the following table relates to forward looking prudential indicators as reported in Appendix 11 of the budget papers in February 2023:

The capital financing requirement (CFR) represents the Council's underlying need to borrow. The Council is reducing the need for external borrowing by using existing balances to fund this need internally. The CFR at 31 March 2023 was £21.019 million.

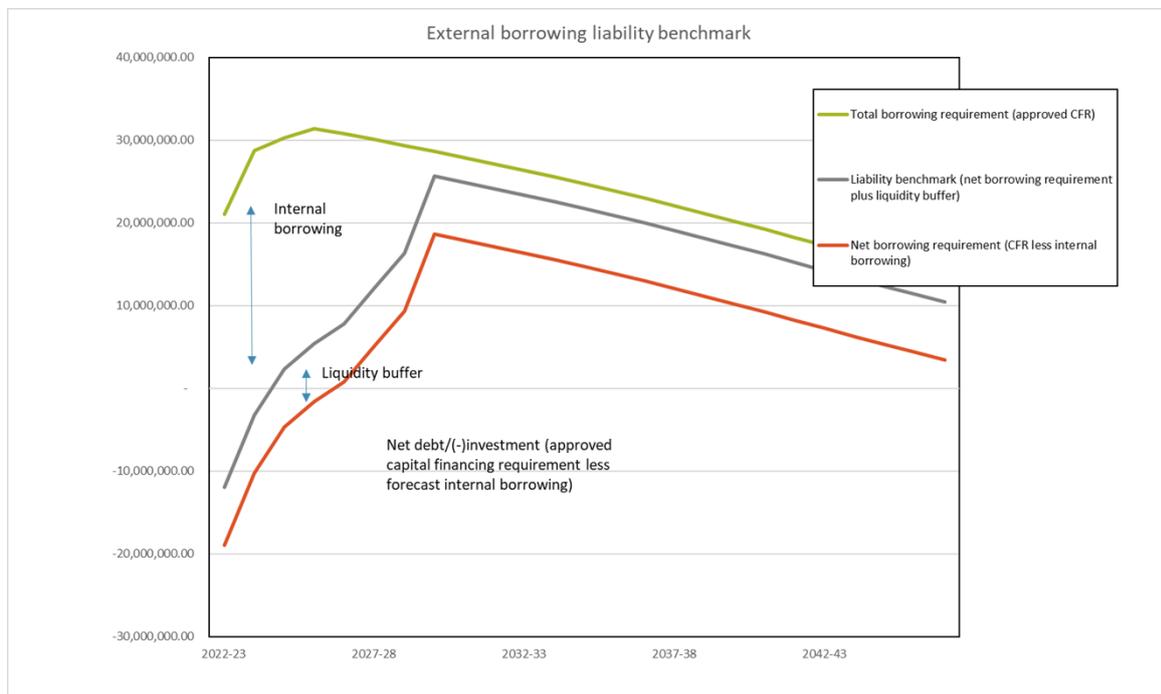
	2023-24	2024-25	2025-26
Estimate of the proportion of financing (-)income/costs to net revenue stream	-4.97%	1.33%	3.85%
Estimate of net income from commercial and service investments to net revenue stream	16%	17%	21%
Gross debt is not forecast to exceed the capital financing requirement (CFR)			

Estimate of capital expenditure	£41.304 million	£33.792 million	£17.266 million
Estimate of CFR (approved and provisional projects).	£31.398 million	£45.990 million	£47.676 million
Authorised limit for external debt	£20 million	£40 million	£40 million
Operational boundary for external debt	£22 million	£44 million	£44 million

The operational boundary and authorised limit for external debt are lower than the estimated CFR above due to estimates of capacity for internal borrowing. The CFR above also includes forecast provisional projects which have not yet been fully approved.

Debt liability benchmark – approved projects only.

The debt liability benchmark plots borrowing need relating to approved projects only and forecast internal borrowing and is a tool to help plan for external borrowing requirements.



Indicators relating to the maturity structure of borrowing, proportion of variable rate borrowing - there is currently no external borrowing.

Minimum Revenue Provision (MRP)

MRP is a charge to the revenue accounts in respect of capital expenditure financed by borrowing or credit arrangements. It is calculated with reference to the CFR. Forecast MRP has increased by £44,460 to £308,050, mainly due to prudent early provision being made for the new heating and ventilation systems at Forde House.

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

In 2013/14 a provision was made for the first levy notice of 15% or £51,000 which the administrator issued in April 2013 and was billed and paid early in 2014. A further reserve of 35% or £119,000 for likely claims in future years was also set up. Together these allowed for a total 50% of the potential liability as recommended by the broker. MMI's accounts to 30 June 2015 were published and we paid a second levy of 10% or £34,000 in April 2016. We were not required to pay any more after publication of the accounts since 2016. We still have £85,000 in reserve for the potential remaining 25%.

Capital

Work continues on implementing the new financial management system, with £199,000 budgeted over 2023/24 and 2024/25.

Human resources, legal, democratic services, audit and procurement

There are no variations to report at the end of May.

4.4 Economy & assets

- Repairs and maintenance are on target to be within the budget of £888,390. Actual spend to the end of May is £32,617.
- Income from car parking is currently in line with the original budget of £4.3 million at the end of May.
- General rental income has reduced over the last 12 months. The income to date is currently in line with the budget set. Market income is also in line with the original budget. The total property income budget is £2.55 million.

Capital

- The capital programme is shown at appendix 2. It continues to include significant provisions for investment in town centres and employment land. This includes the Future High Street Fund projects, aimed at revitalising the centre of Newton Abbot, creating a central, flexible mixed use space for community, artistic and cultural activities, alongside a revitalised market, food hall and Market Square. Improvements to Queen Street and the National Cycle Network Route sit alongside the building of a new state-of-the-art cinema. This regeneration will help transform the town centre into a vibrant and welcoming place to visit, boosting footfall and local spend and creating a premier market destination for the wider area. The total investment of £13.3 million includes government funding of £9 million.
- In 2019, Council 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.
- Council of 28 April 2022 granted authority for the sale of land at Brunswick Street in Teignmouth town centre to Torbay and South Devon NHS Trust. Alongside this, it was resolved to create a new car park at the junction of George Street and Brunswick Street, to be funded from capital receipts. The project is underway, with the majority of the £0.5 million budget in 2023/24.
- There is a £2 million provision for employment sites, funded from borrowing. It is anticipated this will be spent on schemes on council owned land, either to invest in new assets or to enhance and make best use of those already available. This will encourage new and existing businesses to set up, move in and stay in the area. The aim is to create better paid jobs and business expansion for a more resilient local economy. Where people can both work and spend leisure time locally, carbon emissions are also reduced. Individual projects will come back to committee as appropriate as business cases are developed
- 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. It is anticipated to be paid in 2024/25.

Capital - coastal & drainage

- The South West Regional Coastal Monitoring Programme (SWRCMP) enters the 3rd year of its 4th phase in 2023/24. The 6 year phase is 100% funded by grant from the Environment Agency – up to £10.5 million over 6 years, with £2.9 million budgeted for 2023/24, including carry-forward. The SWRCMP is the largest of the National Coastal Monitoring Programmes in England, encompassing 2,450 km of coast between Portland Bill in Dorset and

Beachley Point on the border with Wales. Since its inception in 2006 Teignbridge District Council have acted as the lead authority for the region. The Programme collects a multitude of coastal monitoring data, including topographic beach survey data, bathymetric data, LiDAR, aerial photography and habitat mapping and has a wave buoy and tide gauge network around the South West coast. The data feeds into a long term dataset showing changes to the beaches and coastline of the South West. It ensures that all Coastal Protection Authorities have the evidence to better understand the processes affecting the coast ensuring that coastal defence schemes are designed based on reliable information.

4.5 Environment

- A waste savings sharing agreement exists with Devon County Council. Additional savings which might arise can help to contribute towards the costs of implementing and on-going costs of extra waste and recycling rounds and improvements. This is anticipated to be in line with the budget set for 2023/24.
- Fuel costs are currently down on the original budget by £267,650 due to the reduction in fuel prices.
- Income from recycling sales is down on the original budget by £460,570 – mainly due to the drop in price for cardboard and plastics collected.
- Recycling credit income is in line with budget.

Capital

- On 4 May 2021, Council approved the Forde House decarbonization and agile working project. The approved budget as at 21 February 2023 was £4.400 million. This includes £0.672 million grant funding secured under the Public Sector Decarbonisation Scheme towards upgrading heating and ventilation systems, installing thermal fabric improvements and upgrading the incoming electricity supply. These works deliver up to a 92% carbon emission reduction compared to 2018/19. Investment in building upgrades and renovation works enabled compatibility with new low-carbon technologies and future-proofs the site. Staff provisions to support Council services have been optimised by redistributing desks and freeing up ground floor space to enable the potential to rent out the space and generate a new income stream for the Council.
- Works are now in the latter stages, focused on the ground floor. Further specific contributions were approved towards additional scope elements - the new fire alarm, window insulation and large screens for meeting rooms, bringing the budget to £4.550 million.
- The latest cost report indicates the project will exceed this budget by £229,985. This is mainly due to additional fire safety measures required and

the incremental costs (contractor preliminaries and consultants' project management fees) relating to extension of project.

- Successful bids for £2.327 million of grant funding under the Public Sector Decarbonisation Scheme (PSDS) for Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido funded projects which were highly commended in the Energy Efficiency Awards South West and will achieve a 76% reduction in natural gas consumption. A further successful bid has been made under the third phase of the PSDS. This provides £310,000 of grant funding towards a second phase of measures at Broadmeadow Sports Centre. The project involves replacing gas-fired heating with air source heat pumps, increasing building thermal fabric efficiency standards, and carrying out centre refurbishment works to increase centre provision and viability. An initial indicative provision of £1.3 million was included in the budget. The project will be subject to due diligence and a business case, with a report being brought forward in due course.
- A successful bid to the UK Shared Prosperity Fund has resulted in the allocation of £1.6 million funding for the Council's related investment plan, supporting businesses, hard to reach groups, women and local communities. There is some flexibility over the amount to be allocated to capital and this will be adjusted as projects progress and allocations are confirmed. £148,276 was paid in green business grants to local businesses in 2022/23. Indicative future capital budget is £242,733 for 2023/24 and £530,277 in 2024/25, towards measures to support local businesses in decarbonisation and protecting the natural environment and support for other community schemes.

4.6 Housing

- Teignbridge have received £34,046 of new burdens funding towards revenue expenditure relating to the statutory duty to support victims of domestic abuse and their children within safe accommodation, following the Domestic Abuse Bill.
- Both the grant funded Rough Sleeper Initiative and Rough Sleeper Accommodation Programme have been extended a year to March 2025.
- £56,777 funding has been received for the extension of the Economic Vulnerability Fund to help Councils to respond to continuing hardship challenges which have been compounded by the ongoing cost of living crisis.

Capital

- The indicative anticipated 2023/24 Better Care government grant, received via Devon County Council is £1.5 million, with a further £0.79 million carried over from 2022/23. £0.34 million of this is budgeted towards supporting the Warm Homes fund grant scheme, with the remainder towards statutory disabled

facilities and other discretionary grants, to meet anticipated increased demand.

- To date in 2023/24, no previously paid renovation grants have so far been recovered.
- The Council successfully bid for Warm Homes funding streams (supported by Better Care funding) covering provision of both air source heat pumps and first-time gas central heating to residents. £83,000 budget is carried forward for park home grants and £341,000 for Category 1 (Gas) and Category 2 (Air Source Heat Pumps).
- In addition, £1.1 million was received in 2020/21 from the Green Homes Fund. £116,000 is carried forward for remaining payments towards grants for energy efficiency measures.
- £4.908 million is included to procure 18 additional properties for the accommodation of Afghan and Ukrainian families in the short term and Teignbridge residents from the Housing Register in the longer term. £2.084 million will be funded from the Department for Levelling Up, Housing and Communities (DLUCH)'s Local Authority Housing Fund, with the remainder funded from Section 106, capital receipts and borrowing provisionally earmarked for the Teignbridge 100. To date, one property purchase has been completed with a further 15 in the pipeline provisionally secured.

A further £320,444 revenue grant has been received from Devon County Council in relation to the same scheme, for use towards acquisition costs or other measures to mitigate local accommodation pressure.

- The £5.438 million balance of Phase 1 of the Teignbridge 100 housing scheme for affordable and social housing is shown over two years. This indicative budget is in accordance with the priority Actions outlined in the Council Strategy for delivering affordable and social housing, whether through direct delivery or working with developers and housing associations. Under this scheme, 21 units of accommodation have been completed for social and affordable rent including 2 at Drake Road, Newton Abbot, 5 at Carlisle St, Newton Abbot, 5 units acquired under the Rough Sleeper Accommodation Programme in Newton Abbot, Teignmouth and Dawlish, 4 units in Chudleigh and 5 units of shared housing in Dawlish.

The Teignbridge 100 pipeline covers a range accommodation types. These include the refugee accommodation mentioned above. The aim is to deliver the full programme over time, with projects being brought forward for approval in due course as details are firmed up. Schemes can move up and down the priorities pipeline depending on a number of factors, including planning constraints and affordability. Funding is assumed to be a combination of Homes England grant, capital receipts, section 106 for affordable housing and borrowing. Discussions continue with housing providers over the method of delivery.

In relation to the previously approved custom-build housing scheme at Houghton Barton, an additional £0.6 million of ring-fenced central government grant funding has been received to enable delivery.

A £0.3 million provision is also made for a custom self-build scheme in Dawlish, for which a successful grant bid has been made. A report will come forwards in due course once due diligence has reached an appropriate stage. A provisional budget line of £0.03 million is included for periodic capital expense in relation to Teignbridge's social housing portfolio, for example replacement roofs, fabric improvements and replacement fixtures and fittings.

4.7 Leisure / Green spaces

- Due to the changes announced by HMRC to VAT treatment of local authority leisure services in March 2023, Leisure's fees and charges budget has been increased by £270,000 for 2023/24. At the end of May income was in line with the revised budget.
- We currently have £9.3 million available in S106 receipts. These are over many services and parishes but the majority is for leisure including open spaces, sports provision and play facilities.

Capital

Following improvements to Bakers Park and Decoy and the Den play areas, the final stages of work are now underway at Ashburton Road Newton Abbot, funded from developer contributions.

£244,256 will be invested in tennis court improvements in Newton Abbot, Teignmouth and Buckfastleigh. £139,781 is funded from Lawn Tennis Association (LTA) grant, with the remainder from S106 and capital receipts. This will support the provision of improved quality facilities to promote tennis and encourage equal opportunity participation in local communities and for visitors to the district, aligning with the LTA vision for 'opening tennis up' to everyone.

Newton Abbot Leisure Centre, Broadmeadow Sports Centre and Teignmouth Lido will benefit from the decarbonisation projects outlined in 4.5. In addition, £72,000 is budgeted for refurbishment of the flume at Newton Abbot Leisure Centre, bringing it back into use.

4.8 Licensing

Licensing income looks to be on target to achieve the budget of £236,610.

4.9 Revenue & benefits plus customer services

Continued pressure due to new and ongoing schemes:

- Teignbridge has received £244,335 Council Tax Support grant to reduce bills for Local Council Tax Support claimants and vulnerable households with council tax bills.
- EBSS AF (Energy Business Support Scheme Alternative Funding) and AFP AF (Alternative Fuel Payment Alternative Funding) schemes opened 27 February 23 and closed to new applications on 31 May 23.
- In conjunction with Housing, continued support to residents with the Household Support Fund 4 live for this financial year.
- Also working with Housing, continued administration of the Homes for Ukraine refugee and host payments.
- Administration of Cost of Living payment.
- Additional work on supported accommodation data and Housing Benefit Award Accuracy (HBAA)

4.10 Spatial planning and delivery

We received the first payments of community infrastructure levy (CIL) in 2015/16. The money is analysed by town/parish and any payments due to them are made half-yearly. As at year end 2022/23, Teignbridge has recognised £23.8 million of usable CIL to date after payments due to parishes (£4.6 million paid to the end of 2022/23). £10.5 million has been spent on infrastructure, with the remainder committed to existing approved projects including provisions for local transport, education and sports. £0.44 million has been allocated towards administration costs since inception. As CIL may be paid in instalments, the actual cash balance after parish payments and expenditure is £6.5 million.

- Teignbridge received £164,000 in 2021/22 of capacity funding to support the delivery of Newton Abbot as a garden town from the Garden Communities Programme and £160,000 Design Code Pathfinder funding. The Programme is to transform local communities focused on sustainability and supported by the right infrastructure. Unspent grants have been carried forward into 2023/24 for the continuation of specific projects.

Capital

- Both Dawlish Countryside Park and the first phase of Ridgetop Park have been handed over to the respected land charity, the Land Trust for management under agreements which will ensure that the public and environmental benefits of the sites will be safeguarded for the long term. £2 million is included for the acquisition, instatement and endowment costs of future phases of Ridgetop Park, funded from Housing Infrastructure Fund grant.

- In addition to the Garden Communities revenue funding of £164,000 noted above Teignbridge has also been awarded an infrastructure element of £250,000. £190,000 has been committed to the Ogwell strategic cycle link as approved at Executive on 6 June 2023.
- £6.2 million of CIL is budgeted for infrastructure projects in 2023/24 including £0.9 million towards ongoing improvements to the A382 and £1.3 million for the Dawlish Link Road and bridge. Provisional budgets of £0.8 million towards cycling, £2m for energy infrastructure and low carbon, £0.8 million for public transport and £0.4 million towards habitat mitigation infrastructure are also included.

4.11 General revenue

- Council tax support costs have decreased and were just over £10.45 million at the end of May which is £185,429 below the original estimate of £10.64 million. Council tax support falls directly to Teignbridge including parishes (12.6% together), county, fire and police and is being monitored monthly.
- Our business rateable value (RV) has stayed reasonably static at around £95.7 million. The number of assessed businesses has also been fairly constant since the start of the year at 5,665. These are the end of May 2023 figures as compared to the beginning of the current financial year. We will continue to monitor whether these numbers help us achieve the total budget of £5.9 million business rates retention income for the year taking into account bad debts, appeals and pooling gain.

4.12 General savings progress

- Strata Service Solutions Ltd - the current year budget included a savings target of £206,450 which it is anticipated will be achieved. In 2022/23 Strata have identified that they will deliver savings over and above the original savings target anticipated. A request has been made by Strata that the three Councils reinvest surplus funds totalling £376,600 with Strata in 2023/24. The Councils share is £103,090. The reinvestment will allow Strata to continue to support the delivery of the required services and changes required for the three Councils. As part of our closedown of our accounts for 2022/23 the savings have been allocated to an earmarked reserve and it is recommended that they are reallocated to Strata in 2023/24 to be spent on extra resources to deliver the services and requirements needed.
- Salary vacancy savings at the end of May look to be in line with the required budget target of £425,000. There are no other material variances on other salary costs at the end of May. The 2022/23 pay award was agreed at £1,925. There is an initial offer in relation to the pay award for 2023/24 of a further £1,925 which has been rejected. We had assumed in the budget for 2023/24

a 3% increase across all salaries. This offer is substantially more than anticipated and creates a further budget pressure of £753,440.

- Utility costs for gas, electricity and water are in line with existing budgets as at the end of May. We are not anticipating any further significant inflationary pressures as part of the February 2023 budget setting considerations as the wholesale prices start to fall.
- The Modern 25 review of service business plans will continue to identify savings that will be fed into the budget process together with the work and findings from Ignite.
- Construction cost inflation is being driven across the UK by numerous external Global factors including, inter alia: supply side issues for materials; a weaker pound; cost of energy, transport and the cost of labour.
- Increasing costs for capital projects combined with increasing borrowing costs will challenge returns on capital projects and will require continual monitoring.
- All capital schemes undergo rigorous business plan projections using experts internally/externally as required. Risk registers are formulated and associated mitigations to those risks identified to all aspects of a project particularly with Global and external factors being volatile in the current economic cycle such as inflation, borrowing, interest rates, income projections, rates of return, running costs, environmental factors, legal aspects, our prudential indicators etc. These are modelled and revisited periodically (on larger projects this will be in the form of monthly valuations) as new information is made available or as a project moves to the next milestone or stage to ensure the returns are made and the objectives of the project are delivered.

4.13 Future years

- Council tax is currently being closed down and balanced for 2022/23 and a surplus/deficit ultimately declared will be shared with county, fire and police in 2024/25.
- The number of dwellings in Teignbridge on the valuation list is monitored monthly and the data feeds into the new homes bonus (NHB) calculation if NHB is retained next year and not replaced with an alternative form of funding. At the end of May there were 64,714 dwellings which is 193 more towards any potential NHB payment for 2024/25. We will need to wait until the next provisional settlement announcement to be clear on the overall budget impact of any potential loss of NHB and any replacement or perhaps further modification of the existing scheme for a further year.
- Business rates baseline funding was due to be reset in 2020/21. This has been delayed at each spending review and is now supposed to be introduced in 2025/26. It is still not clear whether this will take place with little communication from Government in terms of consulting on any proposed

changes. When the reset takes place it is considered likely that we will lose the majority of the business rate growth retention income we have received in recent years as a result of this reset. These losses will be significant for future budget setting and financial planning. We hold funds within the business rates/funding reserve to help cushion the impact of any initial losses of income as a result of the baseline reset.

- The overall impacts of the Brexit outcomes between the UK and the EU has been difficult to determine and has then been overshadowed by the events from the Covid 19 pandemic. Therefore drawing any conclusions about its impact for local government is not possible. We will continue to monitor any information we receive in relation to this as part of our risk and financial management.

5. TREASURY MANAGEMENT

5.1 Lending list (appendix 3)

The authorised treasury management list was approved at the 2023 February budget meeting. There have been no changes in the interim and is included here for information purposes only.

6. MAIN IMPLICATION

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

Resources

The report notes an overall adverse revenue variation of £239,240 identified this year to the end of May. Cash flow is forecast to be positive over the next twelve months. Revenue reserves are considered to be sufficient to sustain the council for the current financial year however the February 2023 budget identified a budget gap next year of £0.5 million and £3.4 million for 2025/26 currently being funded by earmarked reserves. Service reviews and Modern 25 are exploring further savings that can be made this year and in the future to protect significant use of earmarked funding reserves. Consideration will need to be made of any future developments regarding funding changes from business rates retention and changes to New Homes Bonus. Capital is funded over the medium term. As mentioned in 2.3 above work is ongoing with Ignite to determine how we address the revenue budget gap in the medium to long term. A number of savings options are being considered and costed together with a review of the overall structure of the organization.

7. TIME-SCALE

This report covers the year 2023/24 but also refers to the accounts for 2022/23 and the financial plan for 2023/24 to 2025/26.

8. LEGAL

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

9. RISKS

The major risks in examining and projecting financial forecasts are predicting future trends and variances. This was heightened by the Covid 19 pandemic. This is mitigated through monthly monitoring and discussions with service managers. The most significant concerns are detailed in 4.13 above and mainly relate to future financial planning, only currently having a one year settlement, 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 further impacts on business rates, council tax support, debt recovery etc.

10. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

The revenue budget supports the funding 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 2.

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

10.00 a.m. on 17 July 2023