

# EXECUTIVE

LEADER: Cllr Jeremy Christophers

PORTFOLIO HOLDER: Cllr Stuart Barker

**DATE:** 1 December 2015

**REPORT OF:** CHIEF FINANCE OFFICER

**SUBJECT:** BUDGET MONITORING – GENERAL FUND & CAPITAL,  
TREASURY MANAGEMENT LENDING LIST

## PART I

### RECOMMENDATIONS

The Executive is recommended to

Resolve

- (a) To approve the revenue budget variations as shown at appendix 1
- (b) To approve the updated capital programme as shown at appendix 2

The Executive recommends to Council

- (c) To note the mid year review of treasury management at appendix 3

### 1. PURPOSE

- To identify the principal areas where there are likely to be departures from the approved 2015/16 budget and summarise the likely overall variation based on the information available to the end of October 2015. 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 bring the mid-year treasury management review for information as shown at appendix 3.

### 2. SUMMARY

- 2.1 Opening general reserves for the year are £2.5 million plus earmarked reserves of £1.8 million including carry forwards. There is a surplus of £95,000 forecast for 2015/16 arising from variations to the original budget.

## TEIGNBRIDGE DISTRICT COUNCIL

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

<b>Service</b>	<b>Variance £</b>
Building control	35,000
Development management	5,000
Finance	- 18,000
Green	-4,000
Leisure	-7,000
Waste	-19,000
General savings	-87,000
<b>TOTAL FAVOURABLE BUDGET VARIATION TO DATE</b>	<b>-95,000</b>

- 2.3** Significant revenue contributions to capital of £1.9 million are assumed each year to sustain the programme into the future. This has been enabled by substantial savings and increasing income including new homes bonus. Estimated rates retention above the baseline and pooling gain is assumed to grow over the three year plan period from £0.8 million in 2015/16.

### **3. BACKGROUND**

A report on the variations to the 2015/16 budget identified as at the end of August was brought to members on 29 September 2015. At that time an updated capital programme and amended treasury management lending list were also approved. The external auditors have finished the main checking of the £37 million 2014/15 housing benefits claim in time to certify it by the deadline of 30 November. No major changes were made.

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

#### **4.1 Building control**

At the end of October fee income is forecast to be down on the original budget of £399,000 by £35,000 which is also slightly less than last year.

#### **4.2 Development management including land charges**

- At the end of October planning applications income is forecast to be £9,000 down on the original budget of £825,000 and down on last year. Government last increased planning fees by 15% from 22 November 2012. Planning application numbers are down 2% as at the end of September.
- The Abbotskerswell legal challenge on the Local Plan failed. We have also successfully defended a second challenge by the Devon Wildlife Trust re Rocklands in Chudleigh. We have spent a net £12,000 in total on external appeal costs this year to date.
- Land charges income is forecast to be £4,000 improved on the latest budget of £242,000. This is better than last year as at the end of October.

## TEIGNBRIDGE DISTRICT COUNCIL

### 4.3 Economy & assets

Repairs and maintenance are on target to be within the latest budget of £881,000.

#### Capital

- The Pavilions project was approved in January 2014 based on £1.75 million of coastal communities capital funding, all now received, plus £2.5 million from Teignbridge. There was also a successful Arts Council bid for £537,000 to fit out the new building which will provide a community and arts facility for the area. Works are well underway with £3.4 million of the £4.1 million current year budget spent or committed to date.

The facility is being managed by an appointed board of trustees. The building is expected to be ready for the client fit out by the end of 2015 to open in March 2016. A start up grant of £57,000 was approved at Executive on 29 September funded by savings in the economy and assets budget. A £50,000 interest free loan facility if required within the first three years of operation was also agreed.

- The contributions of £500,000 towards the A380 South Devon link road and £540,000 towards the Decoy Industrial Estate access road scheme were paid to Devon County Council in June. The £500,000 was approved in the 2014/15 budget and the £540,000 was approved by Council on 31 July 2014. Both budgets were carried forward to the current year.

#### Capital - coastal & drainage

The programme is partly funded by budgeted grants of £2.3 million mainly from the Environment Agency for regional coastal monitoring, and flood alleviation and prevention. Of this £821,000 was received in earlier years and £675,000 has been received to date in the current financial year.

### 4.4 Finance

- Income from interest is forecast to be up £18,000 on the latest approved budget of £118,000. Base rate has stayed at 0.5% and is now unlikely to rise for some time. Daily lending is higher than last year but rates are slightly lower at an average 0.61%. However this is above the benchmark 7 day London Interbank Bid rate to date of 0.43%.

## TEIGNBRIDGE DISTRICT COUNCIL

In September we arranged lending of –

£1 million to Salford City Council at 0.4% for 202 days to 21 March 2016  
£1 million to the Debt Management Office (DMO) at 0.25% for 2 days to 4 September 2015  
£1 million to the DMO at 0.25% for 3 days to 7 September 2015  
£1 million to Coventry Building Society (BS) at 0.45% for 90 days to 10 December 2015  
£1 million to the DMO at 0.25% for 10 days to 21 September 2015  
£1 million to Salford City Council at 0.35% for 119 days to 11 January 2016  
£1 million to the DMO at 0.25% for 6 days to 21 September 2015  
£6 million to the DMO at 0.25% for 1 day to 16 September 2015

and we had £23.2 million lent out or in call accounts at the end of the month.

In October we arranged lending of –

£1 million to Nottingham BS at 0.53% for 90 days to 11 January 2016  
£1 million to the DMO at 0.25% for 1 day to 16 October 2015  
£4 million to the DMO at 0.25% for 4 days to 19 October 2015  
£4 million to the DMO at 0.25% for 7 days to 22 October 2015

and we had £22.9 million lent out or in call accounts at the end of the month.

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

In 2013/14 a provision was made for the first levy notice of 15% or £51,000 which the administrator issued in April 2013 and was billed and paid early in 2014. A further reserve of 35% or £119,000 for likely claims in future years was also set up. Together these allow for a total 50% of the potential liability as recommended by the broker. MMI's accounts to 30 June 2015 have now been published and it looks as if we need to pay another £56,000 possibly this year from the reserve.

#### **4.5 Governance & communications including corporate leadership team**

The management restructure was implemented in 2013/14 with a full update to Executive and Council in September 2013. The financial effects were included in the February 2014 budget with savings assumed to increase to over £400,000 in 2016/17. Two business leads and six business managers are in post.

#### **4.6 Green spaces and resorts**

Income including cemeteries and golf is estimated to be £4,000 up on the original budget of £233,000.

## TEIGNBRIDGE DISTRICT COUNCIL

### 4.7 Housing

The support scheme funding, as considered by Executive on 12 March 2013, to Teignbridge from County has continued for 2015/16. A total £137,000 plus £30,000 for administration is being paid to us quarterly on account and three quarters of the funding for this year have now been received. £90,000 had been spent by the end of October. The support covers money advice, emergencies, and resettlement and is accessed via the housing option service.

### Capital

We received all the current year government funding of £638,000 towards statutory disabled facilities grants in May. £500,000 is now budgeted each year for right to buy receipts towards the affordable housing programme. By the end of July Teign Housing had sold 5 properties generating £240,000 for Teignbridge so we look on target to achieve the budget. £30,000 of previously paid renovation grants had been recovered for Teignbridge by the end of October.

### 4.8 Human resources

There are no significant variations to report.

### 4.9 Information & communication technology

The Strata future delivery of ICT services is described in 4.18 below.

### 4.10 Legal and procurement

There are no significant variations to report.

### 4.11 Leisure

Income is estimated to be up on the original budget of £2.1 million by £7,000.

### 4.12 Licensing

Licensing income looks to be on target to achieve the original budget £185,000 as at the end of October.

### 4.13 Parking

General car parking income is forecast to be on target to achieve the latest approved budget of £2.9 million. Whilst Newton Abbot in general is down this is being offset by increases at the resorts.

### 4.14 Revenue & benefits plus customer services

- There are no significant variations to report.

## TEIGNBRIDGE DISTRICT COUNCIL

- The Department for Work & Pensions is rolling out Universal Credit (UC) in stages and Teignbridge had a 'go-live' date of 9 November this year. From this date all new single job seekers had to claim UC instead of Job Seekers Allowance. UC is a new form of benefit for working age claimants which brings together several existing benefits into one payment.

Only a small number of claimants are being affected initially and local support is available to help them. In the first week of the new system we understand there has only been one applicant.

### 4.15 Spatial and neighbourhood planning

- Teignbridge was successful in its bid for capacity funding with £267,000 awarded last year and £359,000 received in June this year. It is to support revenue / consultancy funding to bring forward large sites in the local plan. We are working with Devon County Council on this and some of the funding has already been transferred to them to facilitate this.
- This year we have received the first payments of community infrastructure levy. The money is being coded by town/parish with payments due to them in April and October. As at the end of October we had received or billed nearly £21,000 and paid out nearly £1,000 leaving just over £20,000 available towards the plan.

### 4.16 Waste, recycling & cleansing

- Recycling income is currently volatile due to world market fluctuations and problems in China and looks to be £295,000 below target. Fuel is currently looking to be £80,000 less than the original budget of £560,000.
- We had received £583,000 for the new garden waste scheme by the end of October and were at 94% of our target for this year. Further information on anticipated savings and costs is detailed in appendix 1.

### 4.17 General revenue

- Council tax support (CTS) continues to go down and was just over £8.8 million at the end of October which is £560,000 below the original estimate of £9.4 million. CTS falls directly to Teignbridge including parishes (12.6% together), county, fire and police and is being monitored monthly.
- Our business rateable value has increased from £81.3 million to £82.8 million and the number of assessed businesses has increased from 4,796 to 4,936. These are the end of October 2015 figures as compared with the beginning of 2013/14 which is when the new system started. These increasing figures will be beneficial for the business rates retention income to the council which looks on target to achieve the total budget of £3.9 million for the year.

## TEIGNBRIDGE DISTRICT COUNCIL

- The number of dwellings in Teignbridge on the valuation list is monitored monthly. This information feeds into the new homes bonus (NHB) calculation. For 2016/17 NHB we were 39 homes short of our 620 target but managed a further reduction in empty homes down by 7 to 365. We also look to have achieved 248 affordable homes which overall should mean we are about £13,000 better than the estimate.

However external commentators are warning that with 100% business rates retention NHB could be reduced or removed which is likely to hit districts the most. The method and timing of any reduction over the next five years is uncertain but we should learn more on the 25 November. There should be some compensation through the move to 100% business rates retention.

### 4.18 General savings progress

- Following Executive of 22 July 2014, Council approved on 31 July 2014 the implementation of a shared ICT service between Exeter, Teignbridge and East Devon district councils. This is through a stand-alone limited company called Strata Service Solutions Ltd which was launched on 1 November 2014. In September 2014 Strata secured £970K of government funding to support its commitment to improve services for residents and reduce costs.

The grant has funded Teignbridge's share of the revenue implementation costs and the capital part is being funded from the extra money in opening general revenue reserves at the start of the year. The 10 year business plan showed costs of £428,000 and savings of £1.7 million in total. These have been fed into the appropriate approved budgets and the relevant current year Teignbridge budgets have been transferred to Strata.

The original Strata business plan share of the revenue savings for the current year were anticipated to be £71,000. These are now forecast at £58,000 being a reduction of £13,000. The staffing restructure is projected to realise slightly lower savings than anticipated in year one.

- Salary vacancy savings at the end of October look to be at least £100,000 more than the budget target of £100,000.

### 4.19 Future years

The new government's first budget was published on the 8 July. The LGA briefing was circulated to CLT (E) and group leaders. The main points for Teignbridge's budget plan were:

- The projection for total managed expenditure implied little change to current forecasts for public spending to 2019/20. More detail will be published when the Spending Review 2015 (SR 2015) results are announced on 25 November. The chancellor's announcement at conference about 100% business rates retentions should now feature significantly. Around Christmas we expect to receive our settlement for 2016/17 hopefully with indications of funding beyond that.

## TEIGNBRIDGE DISTRICT COUNCIL

The previous government budget on the 18 March 2015 assumed that total public and local government finance will fall in real terms in 2016/17 and 2017/18 at the same rate as over the period 2010/11 to 2014/15. It would stay flat in 2018/19 and then increase slightly in 2019/20. For SR 2015 government has asked departments to model real terms savings of 25% and 40% over the four year period to 2019/20, which is the same as those asked for SR 2010.

- The proposal for a National Living Wage with a minimum of £9 for those aged 25 and over by 2020 starting with £7.20 from next April will cost about £3,000 next year but increasing significantly after that to around £300,000 by 2020. Overview and Scrutiny have requested that Teignbridge consider introducing the Living Wage from 1 April 2016 costing about £140,000 next year. Both options could be partly funded by not awarding the budgeted 1% to the remaining staff as implied by government.
- Four further years of public sector pay restraint at 1% per year for pay settlements under direct Government control. Pay negotiations in local government are conducted independently but 1% per annum is in line with our current budget plan.
- Employer's national insurance contributions are due to increase for Teignbridge from 1 April 2016 at a likely cost of £227,000. This affects all employers with contracted out pension schemes which includes all of local government. It is not yet clear whether there will be any funding from government to cover this extra statutory burden.
- Severing the link between the Local Housing Allowance rate and market rents will inevitably reduce the pool of properties available to households that are entitled to full Housing Benefit. The resulting shortfall may pose an increased risk of arrears, homelessness and temporary accommodation.
- The modest increase in Insurance Premium Tax is likely to cost us around £14,000 per annum from 1 April 2016.
- The actual figure of £3.1 million for New Homes Bonus was included in the approved budget for 2015/16. Future years figures have been estimated assuming the current funding system continues and using our Local Plan figures of 620 homes per year. However as explained above the government could reduce the scheme over the next five years.
- The council tax base for next year has been estimated. Mainly because of the extra number of houses there is a 2.3% volume increase as compared to the budgeted 1% which gives £89,000 extra income. This will continue in future years and we also have a £2 million council tax surplus from last year of which Teignbridge will receive £252,000.

## TEIGNBRIDGE DISTRICT COUNCIL

### 5. TREASURY MANAGEMENT

#### Mid-year review

The mid year review of performance which is required to be noted by Council is attached at appendix 3. This shows good returns of 0.59% well in excess of the benchmark London interbank bid rate of 0.44%. Interest earned is £12,000 more than last year due to higher average lending.

### 6. MAIN IMPLICATION

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

#### Resources

The report notes an overall favourable revenue variation of £95,000 identified this year to the end of October. Cash flow is forecasted to be positive over the next 12 months. Revenue reserves are considered to be adequate to sustain the council over the three year financial plan period. Capital is funded over the medium term.

### 7. TIME-SCALE

This report covers the year 2015/16 but also refers to the accounts for 2014/15 and the financial plan for 2015/16 to 2017/18.

### 8. JUSTIFICATION

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

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

10.00 a.m. on 8 December 2015

**Lesley Tucker**  
**Chief Finance Officer**

<b>Wards affected</b>	All
<b>Contact for more information</b>	Lesley Tucker 01626 215203 or Martin Flitcroft 01626 215246
<b>Background Papers (For Part I reports only)</b>	Budget monitoring 2015/16 files; Capital files; Year end 2014/15 files;
<b>Key Decision</b>	Yes
<b>In Forward Plan</b>	Yes
<b>In O&amp;S Work Programme</b>	No
<b>Appendices</b>	App 1 – Revenue Variations App 2 – Capital Programme App 3 – Treasury Management Mid Year Review