

Mr S Hearse
Chief Executive
Torrige District Council
Riverbank House
Bideford
Devon
EX39 2QG



Tel : Bideford (01237) 428700

Date: 30 January 2023

MEETING OF INTERNAL OVERVIEW & SCRUTINY COMMITTEE

| | | | |
|---------------|---|------------|----------|
| On: | Tuesday 7 February 2023 | At: | 10.00 am |
| Venue: | Town Hall - Bridge Street, Bideford, EX39 2HS | | |

NOTICE OF MEETING

The meeting will be able to watch through the Councils YouTube Channel
<https://tinyurl.com/TorrigeYouTube>

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| To: | Councillor P Watson (Chair) Councillor T Inch (Vice-Chair) Councillors: R Boughton, R Clarke, C Cottle-Hunkin, J Gubb, P Hames, S Harding and S Langford Non elected Members: Mr S Dengate and Mr I Harper |
|------------|--|

Members are requested to turn off their mobile phones for the duration of the meeting

AGENDA

PART I - (OPEN SESSION)

| | |
|----|--|
| 1. | Apologies For Absence |
| 2. | Minutes (Pages 3 - 7) Confirmation of the minutes held on 2 nd November 2023. |
| 3. | Action List (Page 8) |
| 4. | Public Contributions A 15-minute period for public contributions. (The deadline for registering to speak is by 2pm Friday 3 rd February. To register please email dem.services@torridge.gov.uk). |

| | |
|-----|---|
| 5. | Declaration of Interests Members with interests should refer to the agenda item and describe the nature of their interest when the item is considered. |
| 6. | Urgent Matters Brought Forward with the Permission of the Chair |
| 7. | Agreement of Agenda Items Part I And II |
| 8. | Budget 2023/24 MTFS (Pages 9 - 31) To receive the report of the Section 151 Officer |
| 9. | Capital Programme (Pages 32 - 40) To receive the report of the Deputy S151 Officer |
| 10. | Census Results To receive a presentation from the ICT, Strategy & Performance Manager. |
| 11. | Consideration of the Forward Plan (Pages 41 - 42) To review the Forward Plan. |
| 12. | Exclusion of the Public The Chairman to move:- That the public be excluded from the remainder of the meeting because of the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act 1972. |
| | Meeting Organiser: Kirsty Brown Dem Services 01237 428768 |
| | Centre for Public Scrutiny – website http://www.cfps.org.uk/ |

204. ACTION LIST

There are no outstanding actions.

205. PUBLIC CONTRIBUTIONS

There were no public contributions.

206. DECLARATION OF INTERESTS

Members were reminded that declarations of interest should be made as and when the specific agenda item to which they related was under discussion.

207. URGENT MATTERS BROUGHT FORWARD WITH THE PERMISSION OF THE CHAIR

No matters were brought forward.

208. AGREEMENT OF AGENDA ITEMS PART I AND II

There were no Part II items.

209. GROUNDS MAINTENANCE UPDATE

The Operational Services Manager attended the meeting to provide an update to Members on the first 6 months of the Grounds Maintenance being back in house.

The first 6 months had been an interesting and successful time and a lot had been learnt.

Details of staff TUPED over were provided and the work involved to ensure a smooth transition. Staff were now happier and with a few changes' standards had improved. Work was now about quality and work was not rushed. With the summer coming to an end the seasonal staff had finished although one had remained in a different team.

Complaints had reduced significantly.

Regular staff meetings had taken place to engage staff which had benefited everyone and the focus was to continually improve the service.

Unfortunately, a break in had occurred at the compound and greenhouses so further security had been implemented. Replacement of the stolen equipment had been sought through the insurance.

The Operational Services Manager was still waiting for one more big machine and had purchased second hand equipment at a reasonable price.

Grass cutting had gone well and under the old contract would have stopped by now.

Positive comments had been received regarding work carried out across the district as a whole and not just in Bideford. Complimentary remarks had been made concerning the flowers following the Queens Jubilee celebrations and work would continue to improve the ongoing maintenance of plants.

Moving forward TDC now had the flexibility to adapt to suit seasons and maintenance routines were not so rigid.

Biodiversity would be looked at in the future.

A shredder mulcher had been purchased and costings already showed its worth.

A discussion followed.

Councillor Inch wanted to thank the Operational Services Manager and team on behalf of the Bideford Rotary Club for the work carried out regarding the planting of 500 bulbs for the PolioPlus Partners Program.

Following a query, it was confirmed that the stolen equipment was replaced like for like.

The Operational Services Manager explained how the shredder mulcher would work and advised he would enquire with Sam Oliver, the Grounds Maintenance Supervisor on leaf collecting in parks.

In response to a query the Operational Services Manager advised he had not received any complaints from the residents of Torrington regarding the standard of maintenance. Torrington is a large area with 12 sites to maintain and when they were inherited, they were in poor condition. These were a priority to bring up to standard with the resources TDC have. He hoped the residents of Torrington had seen improvements like the rest of the district. If Rack Park was not to a satisfactory standard, he was happy to discuss further with any Members.

A request for funding from the volunteers of Rack Park had been received. Advice was given to approach their local Councillor for possible grant money for bulbs.

Members commented that improvement had been seen across the district.

The Operational Services Manager left the meeting at 10.30am.

210. QBR 2

The Finance Manager (S151 Officer) presented the report, the purpose of which was for Members to receive the quarterly business report for the period ending 30th September 2022. Salient points of the report were highlighted to Members with an

emphasis that the financial pressures of the Council were expenditure led not income led.

Following the presentation of the report questions were asked with the below responses:

It was advised that all options to secure further hostel accommodation were being investigated and that housing crisis was a constant agenda item at Senior Management meetings.

In the event of an increase in Planning appeals, the affect to TDC would be an increase to the overspend.

The remodelling of Barton House hostel would take place once new hostel accommodation had been secured which would then free space in Barton House hostel to enable the work. Until such time remodelling was not viable.

The Chief Executive explained the purpose of the QBR and advised any specific questions in relation to services would need to be directed to the relevant department.

Performance targets within the QBR were set by Members.

Questions on the QBR need to be asked in advance so that a detailed answer can be provided.

The QBR was noted.

QBR Questions and Answers.

Questions regarding the QBR were asked for in writing prior to the meeting to allow Officers time to formulate a response.

The Chair presented the Q&A supplement during which the following additional comments/questions were raised:

- as the Levelling Up bid had yet to been announced alternatives for the development of Middledock had not been investigated;
- to investigate non-statutory activities as a cost centre would require a separate exercise;
- the Senior Accountant (Deputy S151 Officer) is aware of the need for green and ethical investments however is constrained by the Treasury Management policy. The Council cannot afford any loss at present;
- further information was provided regarding the Northern Devon recovery plan and how it had escalated into the set up Northern Devon Futures board. Work was ongoing with agent and partners on producing something tangible that could be reported back to this committee;
- the Medium-Term Financial Strategy report is scheduled to be presented at Full Council on 12th December;

- the Community Project Officer had made contact with Parish Councils regarding the takeover of parks and play areas that TDC own;
- details of new Enforcement staff were given and a company that may investigate older cases. TDC are not obliged to carry out enforcement. When undertaking the review of the QBR Members asked for % to be shown. Powers of prosecution are restricted and progress on Enforcement issues can be made by negotiating;

211. CONSIDERATION OF THE FORWARD PLAN

The forward plan was discussed and updated.

The meeting commenced at 10.00 am and closed at 11.30 am

Chair:

Date:

OVERVIEW & SCRUTINY (INTERNAL) COMMITTEE – For 24th January 2023

Action List

| Minute No. / Date | Action | Person responsible for Action | Most recent Update | Action Status |
|---------------------------|---|--|--|---------------|
| 209 – 2 nd Nov | Speak to Sam Oliver, GM Supervisor, regarding leaf collecting in the parks. | Operational Services Manager – Richard Haste | 27.01.2023 - We do collect an amount the rest we blow onto shrub areas to act as a natural mulch to suppress weeds Sam Oliver Grounds Maintenance Supervisor | |

Agenda Item 8

Agenda Item

REPORT OF Section 151 Officer
 To: Internal Overview & Scrutiny
 Subject: Budget 2023/24, Medium Term Financial Strategy 2023/24 – 2027/28
 Date: 7th February 2023 Reference:

PURPOSE OF REPORT: For Members to consider, formulate and recommend the Budget 2023/24 to Full Council.

The Medium Term Financial Strategy (MTFS) indicates the possible extent of the budget and funding shortfall that the Council will face in the future. It is an aid in identifying the extent of service changes that the Council will need to make to achieve a balanced budget in each financial year up to 2027/28

1. Introduction

- 1.1. The Medium Term Financial Strategy (MTFS) provides an annual update of the Council's financial situation for the current and forthcoming five years. It illustrates through the application of forecasts and assumptions where and how spending pressures could materialise; how different funding sources may change, and the savings plans required to manage any identified revenue budget gap.
- 1.2. The MTFS provides the basis for the members to consider the 2023/24 budget and also whether an increase in Council Tax should be recommended to Full Council for 2023/24.
- 1.3. Whilst considering the 2023/24 Budget and the MTFS it is prudent to review and assess the levels and types of financial reserves the Council holds. This review is conducted in light of the levels of risk the Council faces and the potential financial impact if a major risk comes to fruition.

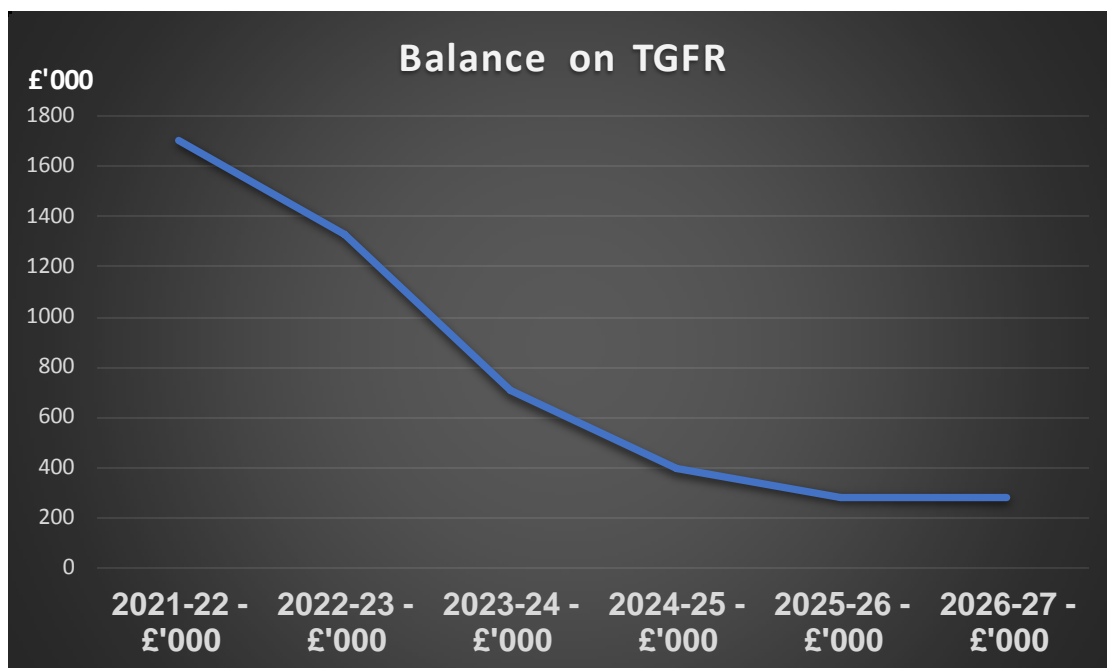
2. Recap – Approved budget 2021/22 and Medium Term Financial Strategy (MTFS)

- 2.1 Full Council on the 21st February 2022 approved the Council Tax and Budget for the financial year 2022/23 and the MTFS for the period ending 31st March 2027, as detailed in the table below.

| | 2022-23 - £'000 | 2023-24 - £'000 | 2024-25 - £'000 | 2025-26 - £'000 | 2026-27 - £'000 |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cost of Services | 9,707 | 9,709 | 9,964 | 10,236 | 10,571 |
| Movement to / (from) reserve | (1,354) | 727 | 850 | 816 | 784 |
| Other - Financing/Vacancy Factor | (370) | (3) | (45) | (97) | (97) |
| Subtotal - Expenditure | 7,983 | 10,433 | 10,769 | 10,955 | 11,258 |
| Funding | | | | | |
| Central Government Grant Funding | (1,181) | (1,040) | (1,042) | (1,044) | (1,047) |
| Council Tax | (4,490) | (4,553) | (4,766) | (4,947) | (5,131) |
| Retained Business Rates | (1,939) | (4,211) | (4,651) | (4,857) | (5,073) |
| Subtotal - Income | (7,610) | (9,804) | (10,459) | (10,848) | (11,251) |
| Use of Reserves to balance | (373) | (629) | (310) | (107) | (7) |
| | | | | | (1,426) |

As the table above shows the Council was in February 2022 predicting funding shortfalls in each of the financial years of the MTFS period.

- 2.2 The use of the Transition in Government Funding Reserve (TGFR) to balance the Councils budgets over the life of the MTFS were as shown below. Essentially the TGFR was projected to be significantly reduced by the end of the MTFS period.



- 2.3 The Financial reports presented to Full Council on the 21st February 2022 also included the approval of the Council's capital program and its funding. Full Council on the 21st February 2022 approved a capital program of £30.4m, with identified sources of funding of £30.1m.

3. The Financial Year 2022-23

3.1. Inflation

The 2022-23 budgets were approved by Full Council on the 21st February 2022, three days later Russia invaded Ukraine. Inflation was already becoming of matter of some concern to officers within the Council (particularly construction price inflation) prior to the Russian invasion. In the aftermath of the invasion inflation rose to heights not seen in the UK for a generation.

2022-23 Pay Awards

In line with many other Councils, Torridge set aside 2% for the 2022-23 pay award which was still outstanding at the time the 2022-23 budgets were agreed. With inflation exceeding 10% and with Central Government making a commitment to increase the National Living Wage (NLW) by inflation; the 2% set aside for the pay award quickly became inadequate.

With the NLW effective from the 1st April 2023 potentially exceeding five of the lowest local authority pay points, the pay offer from the local authority employers was for a flat increase of £1,925 per scale point. For Torridge this equated to an increase of circa 7% to the Council pay bill; the additional costs being **circa £430k** which would be subsequently borne in each year of the MTFS

Fuel

One of the impacts of the Russian invasion of the Ukraine was significant inflationary pressures on Fuel prices. The biggest impact upon the Council's being incurred by the Council's Refuse and Street Cleansing fleet. The impact of the additional fuel costs being **circa £120k**.

Utilities.

2022-23 also saw unprecedented increases in the costs of utilities (Gas & Electricity), the Council was on a fixed term which expired in October 2022, consequently it was somewhat protected from market volatility. However, utilities are anticipated to exceed budget in 2022-23 by **circa £100k**.

Other Inflationary pressures

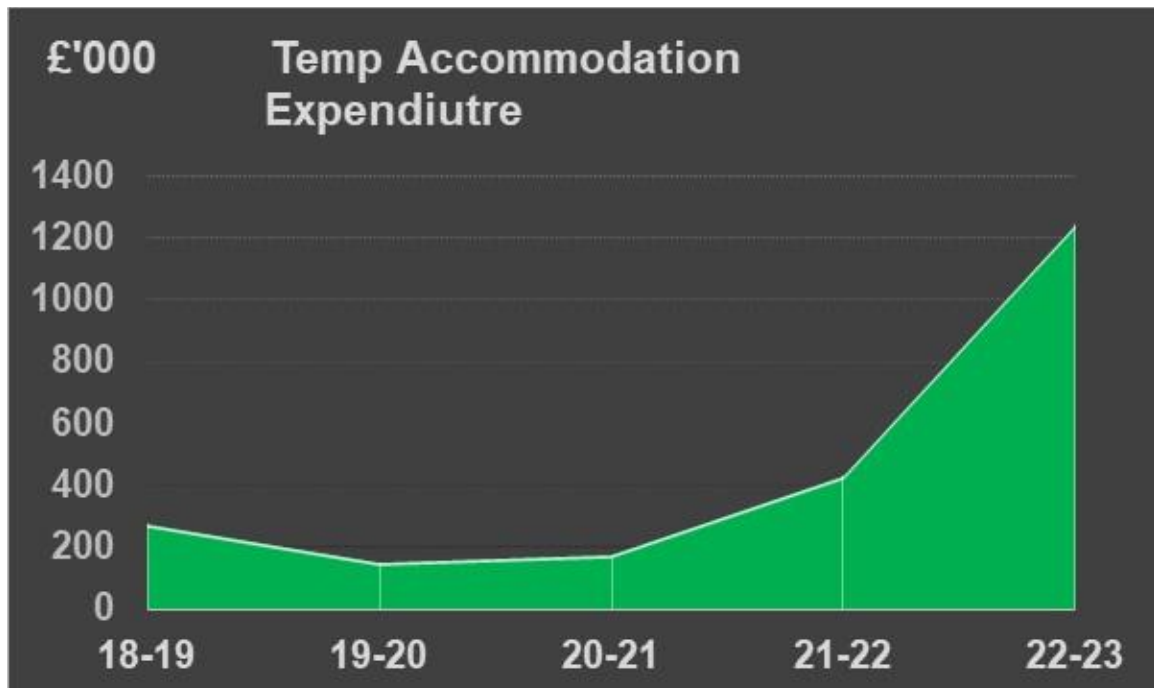
The Council has several contracts/agreements where annual uplifts are linked to inflation, e.g. the Council's insurance contract is linked to inflation (Sept 2022 circa 10%) and the property element of the insurance contract is linked to the cost of rebuilding properties in the event of fire/flood etc. Consequently, the insurance costs in 2022-23 were £56k above budget.

Construction price inflation has seen the costs of the Council's planned capital works and planned maintenance rise significantly, putting pressures on both the revenue and capital budgets.

3.2 Housing Crisis – costs of temporary accommodation

The last quarter of the financial year 2021-22 saw a steep rise in the Council's expenditure on temporary accommodation, which has continued throughout 2022-23. In meeting its obligations to those residents at risk of homelessness, the Council incurs temporary accommodation costs, whilst it attempts to find substantial long term tenancies. The current housing market has seen a dramatic rise in rents within the private rental market, making rents increasingly unaffordable.

Consequently, the length of time residents at risk of homelessness are in temporary accommodation has risen which has resulted in very significant increased costs to the Council. The chart below demonstrates the sharp rise in temporary accommodation costs, of which only a modest proportion is recoverable from Housing Benefits.



4 Sources of Council's Funding and Expenditure breakdown

4.1 Source of Council Funding

The Council has four mainstreams of funding

- **Council Tax**

Increases in Council Tax are constrained by Referendum Levels, for a District Council like Torridge the limit is £5 for Band D equivalent or up to 3% whichever is the greater; for Torridge this is 2.99%.

- **Business Rates**

Torridge is the billing authority for Business Rates, it retains 40% of the business rates collected (after paying the tariff to Central Government). Where Torridge in its capacity as the planning authority gave consent for a renewable energy scheme, it retains 100% of the business rates payable.

The rateable value of businesses is set by the Valuation office, with the rate in the pound charged being determined by Central Government. Central Government also determines various reliefs and discounts for business rates which Torridge in its capacity as billing authority is obliged to implement.

- **Central Government Grant**

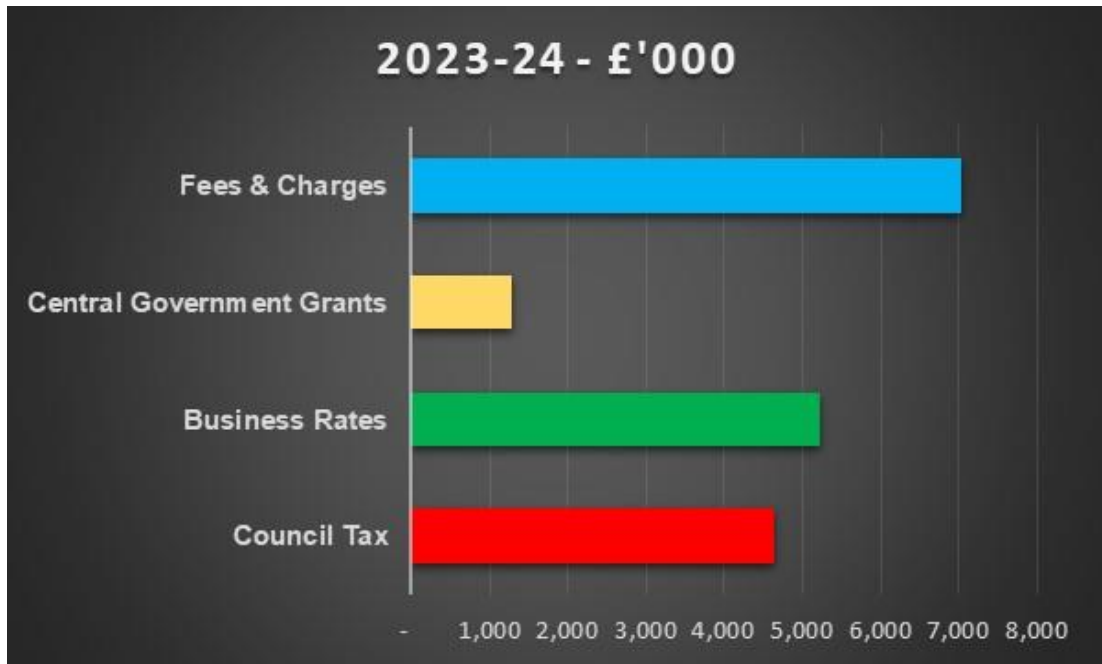
Torridge along with all other local authorities receives central government grant funding. For district authorities like Torridge central government grant funding has since 2013 (with the introduction of retained business rates) become a less significant source of funding when compared to unitary and upper tier authorities.

- **Fees and Charges**

Fees and Charges are the Council's biggest single source of revenue. Fees and Charges can be broken down in three main categories:

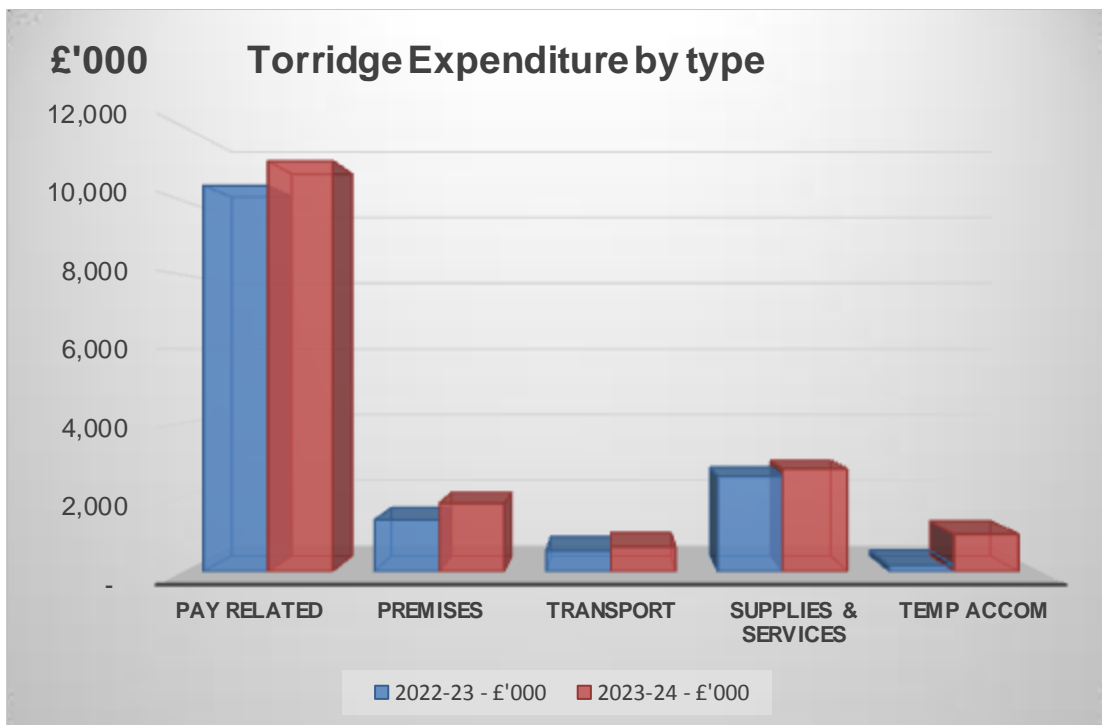
- Charges set by statute, such as planning fees, licensing fees etc
- Charges set to recover the Council's costs, e.g., land charges
- Discretionary charges such as car parking

The chart below shows the relationship between the four main funding streams.



4.2 Council Expenditure

The chart below shows the gross expenditure of the Council (excluding Housing Benefit payments of circa £12m); as with most organisations pay represents the biggest single item of expenditure.



As the chart above shows Torridge has incurred expenditure pressures across all expenditure categories. Pay and the costs associated with Temporary Accommodation being the greatest area of expenditure pressure.

5. 2023-24 Provisional Local Government Financial Settlement

5.1 The provisional settlement was published on the 21st December 2022; the key points to note are:

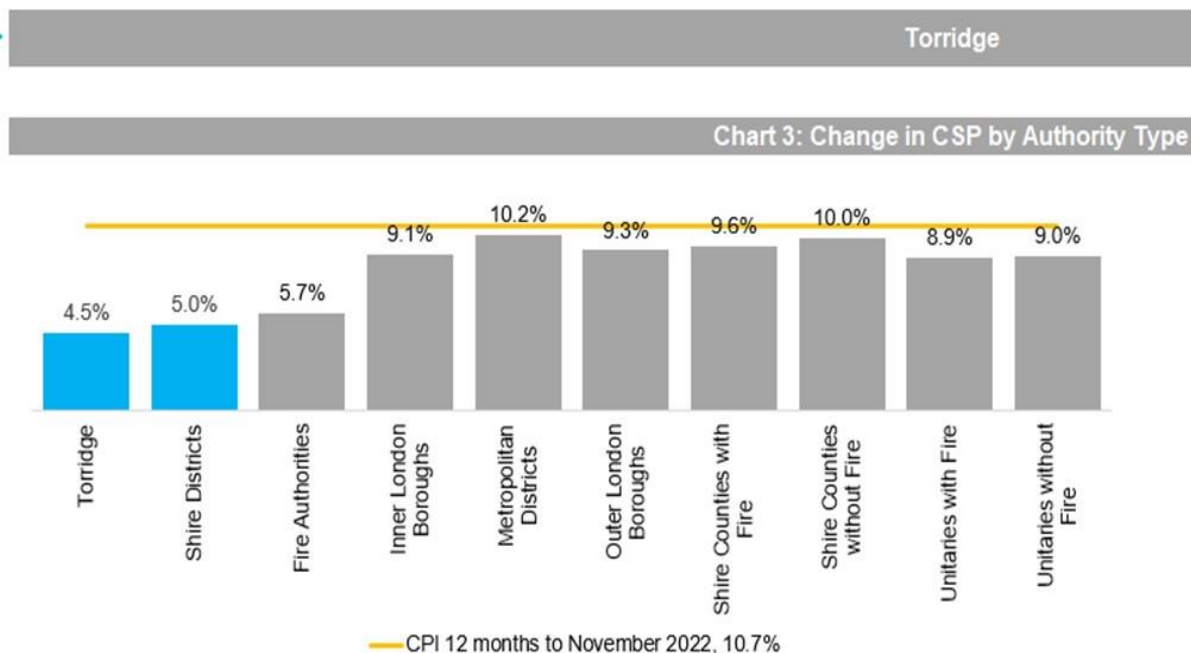
- The settlement was confirmed for one year only.
- The Revenue Support Grant was uplifted by CPI, two previously separate grants were incorporate within the RSG, namely:
 - Council Tax Annex Grant
 - Local Council Support
- Rural Services Delivery Grant remains unchanged – for the third year it has not been uplifted by inflation.
- New Homes Bonus funding only confirmed for 2023-24, no legacy payments accruing.
- Services grant reduced by £200m nationally reflecting reduced Employer's National Insurance contributions
- The lower tier services grant (£111m nationally) and a proportion of expired New Homes Bonus legacy payments (estimated at £276m nationally) have been repurposed to guarantee that all authorities see an increase in Core Spending Power (CSP) of at least 3%.
 - CSP being the income Torridge derives from Council Tax, Business Rates and Central Government Grants.
- Business Rate Pools to continue for 2023-24 (Torridge is a member of the Devon Business Rate Pool).

The Settlement for Torridge is summarised in the table below

| Central Government Grant Settlement | | | |
|--|----------------|----------------|--------------------------------------|
| | 2022-23 | 2023-24 | Notes |
| Revenue Support Grant | 138 | 310 | |
| Local Council Tax Support Admin | 65 | 0 | Combined into RSG |
| Council Tax Annex Grant | 86 | 0 | Combined into RSG |
| Subtotal | 289 | 310 | |
| Rural Sparisty Funding | 497 | 497 | No inflation uplift **** |
| Lower Services Support Grant | 107 | 0 | Removed |
| Services Grant | 164 | 92 | Reduced - Employer NI Contributions |
| Funding Guarantee Grant | 0 | 239 | To ensure 3% minimum increase to CSP |
| New Homes Bonus | 275 | 141 | Reduced -no legacy payment |
| Total | 1,332 | 1,279 | |
| CSP - Comprehensive Spending Power | | | |
| **** - Effectively a 10% cut in funding of circa £50k | | | |

For Torridge District Council the provisional settlement has seen its Core Spending Power (CSP) increase by 4.5%, which given inflation is circa 10.7% is **a real term reduction of 6.2%**.

The chart below shows the increase in Core Spending Power for Torridge compared to inflation and other authorities.



As the chart above shows the CSP for Torridge at 4.5% is significantly below inflation (the yellow line) and below the average for other shire districts at 5%. It is significantly below that of upper tier and unitary authorities.

6. Council Tax

6.1 Central Government assessment of **Core Spending Power** (the resources available to local authorities) is built on the expectation that Council Tax will increase year on year in line with the approved referendum limits; currently up to 3% or £5 per Band D Equivalent, whichever is the greater. For Torridge an increase of 2.99% is greater than a £5 increase to a Band D property.

If a local authority chooses not to increase its Council Tax, no compensating increase to its CSP would be forthcoming from Central Government. Furthermore due to the restrictions imposed by referendum constraints it will not be possible to make up this shortfall in subsequent years.

Local Authorities are obliged by statute to declare their tax base in Band D equivalents. The tax base is the mechanism by which Torridge and its preceptors calculate the income they will derive from the Council Tax levied. Torridge's calculation is shown below

| | Disabled | A | B | C | D | E | F | G | H | Total |
|------------------------------|----------|---------|-------|-------|-------|-------|-------|------|------|---------|
| Number of properties | | 8,225 | 7,278 | 7,067 | 5,855 | 3,372 | 1,137 | 374 | 30 | 33,338 |
| after discounts, reliefs etc | 22 | 6,895 | 6,477 | 6,460 | 5,433 | 3,160 | 1,074 | 351 | 18 | 29,890 |
| less LCTS | (8) | (1,208) | (598) | (339) | (173) | (41) | (9) | (2) | 0 | (2,378) |
| Revised total | 14 | 5,687 | 5,879 | 6,121 | 5,260 | 3,119 | 1,065 | 349 | 18 | 27,512 |
| Convert to Band D | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | |
| Band D equivalents | 8 | 3,791 | 4,573 | 5,441 | 5,260 | 3,812 | 1,538 | 582 | 36 | 25,041 |
| add new properties | | | | | | | | | | 213 |
| less non collection | | | | | | | | | | (505) |
| Tax base in Band Ds | | | | | | | | | | 24,749 |

Essentially in calculating the Tax base the first step is identify the total number of properties liable for Council Tax as the end of November. Then the impact of various discounts such as disabled relief, single person discount etc are calculated to give a revised figure.

The impact (reduced Council Tax liability) arising from the awarding of Local Council Tax Support (LCTS) is also calculated.

As per statute the figure is then converted in Band D equivalents; the same adjustments before finalising the tax base is to estimate:

- How many new properties will become eligible for Council Tax
- And the allowance for the non collection of Council Tax

- 6.2 In 2022-23 the average Band D equivalent Council Tax within Torridge is £2,144.91 of which the amount levied by Torridge Council was £178.66, with an estimated collectable tax base of 24,447.03 Band D Equivalent properties. This equates to a Council Tax income for Torridge of £4.37m for the financial year 2022/23.
- 6.3 On the 20th December 2022 Full Council approved the tax base for 2023-24 at 24,749.62 Should Torridge increase its Council tax in line with its referendum levels 2.99% then a Band D charge would be £184.00; Torridge's Council Tax income for 2023/24 would be £4.45m
- 6.4 Whilst by statute councils are obliged to report their tax base in Band D equivalents and increases to Council Tax are referenced to the Band D equivalent, the majority of properties within Torridge fall within Bands A-C.

The table below shows the number of properties liable for Council Tax by band, the Torridge element of the Council Tax levied and how much a 2.99% increase on a Band D Equivalent would be by Band for 2023-24.

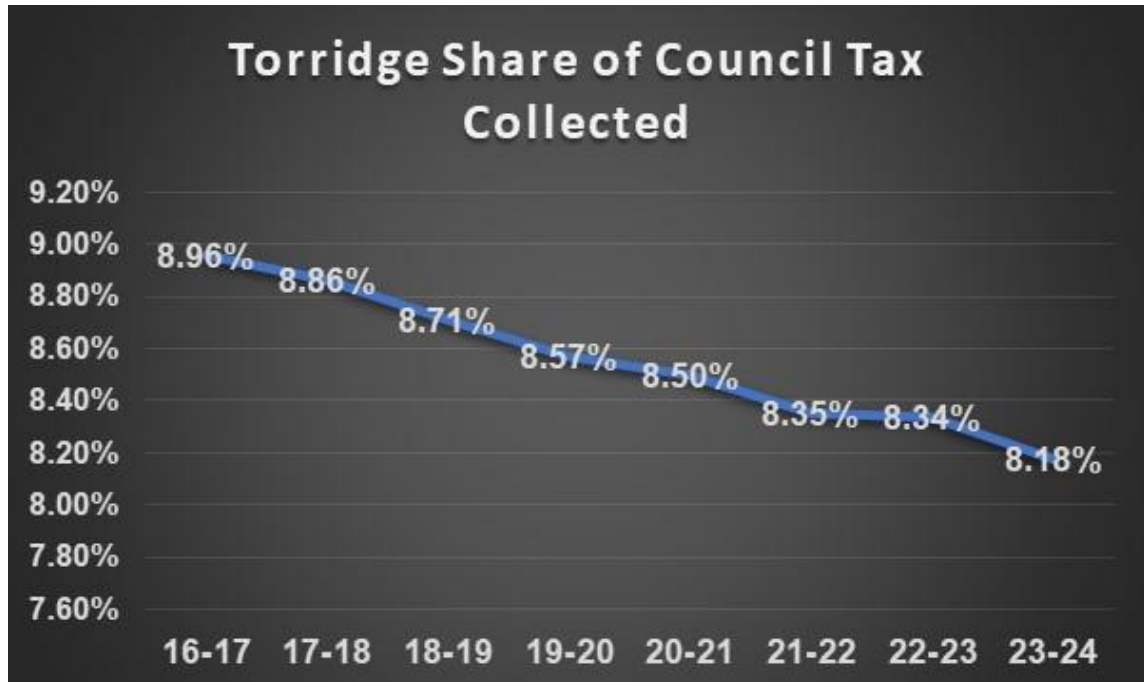
| Council Tax Band | Number of Properties | Torridge 22-23 Charge | Impact of 2.99% increase | Weekly increase |
|-------------------------|-----------------------------|------------------------------|---------------------------------|------------------------|
| A | 8,225 | 119.11 | £3.56 | £0.07 |
| B | 7,278 | 138.96 | £4.15 | £0.08 |
| C | 7,067 | 158.81 | £4.75 | £0.09 |
| D | 5,855 | 178.66 | £5.34 | £0.10 |
| E | 3,372 | 218.36 | £6.53 | £0.13 |
| F | 1,137 | 258.06 | £7.72 | £0.15 |
| G | 374 | 297.77 | £8.90 | £0.17 |
| H | 30 | 357.32 | £10.68 | £0.21 |
| | 33,338 | | | |

As the table above shows 68% of properties within Torridge fall within Bands A – C and so would pay less than 10p extra a week extra if Torridge's Council Tax was to increase by the referendum limit of 2.99%.

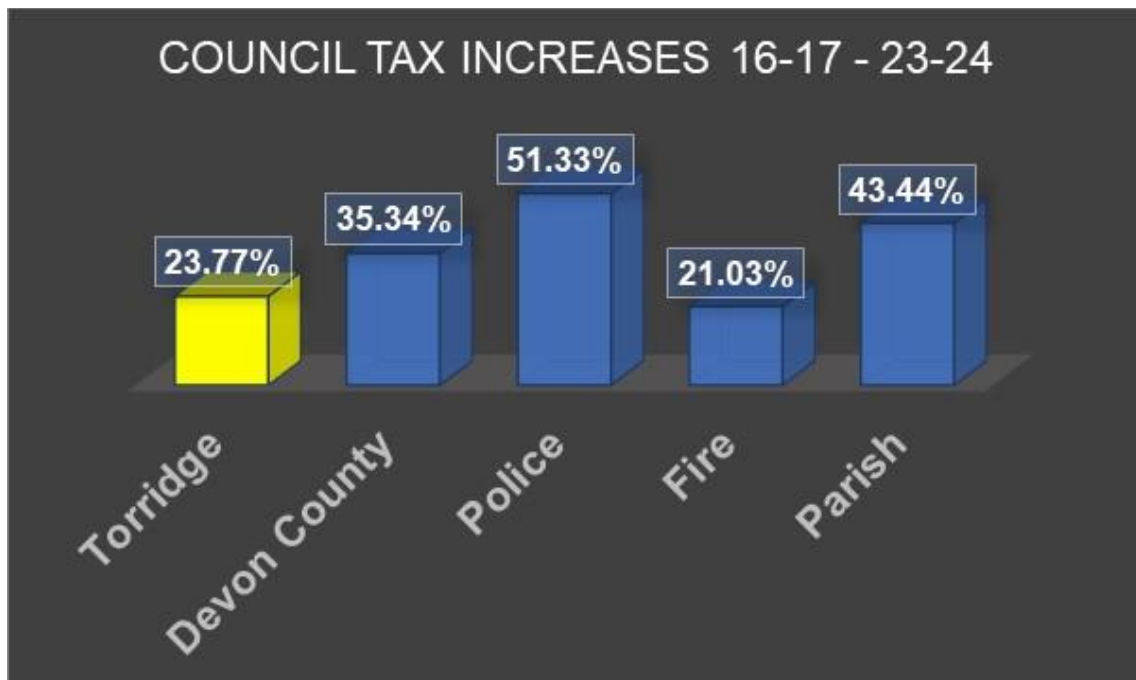
The Council Tax levied by Torridge is only one component of the Council Tax bill levied on its residents. Over recent years the proportion of Council Tax levied by Torridge Council has been in decline. This is due to a combination of factors such as Devon County Council

being able to raise an additional social care precept, above inflation rate increases for Devon and Cornwall Police Commissioner. and the absence of referendum limits for Town and Parish Councils.

The table below shows the percentage of the council tax retained by Torridge Council. The 2023/24 figure assumes increases by preceptors to their maximum (and Parish and Town Council precept increase of 5%). As the chart below shows Torridge's share of Council Tax is likely to be circa 8.18% for the financial year 2023-24.



As a result of referendum restrictions for shire districts such as Torridge, its percentage increase has fallen behind that enjoyed by Devon County, Devon & Cornwall Police and the Town and Parish Councils. Torridge and the Fire Authority have had the lowest increases in their council tax for several years. Cumulative Council Tax increases for the period 2016-17 to 2023-24 are shown below.



6.5 Council Tax Support Fund

In recognition of the cost of living crisis Central Government has provided funding to mitigate the impact of rises in Council Tax for residents in receipt of Local Council Tax Support (LCTS). The support is capped at £25 per household, Torridge has been provided with funding of £103k. Any monies not utilised in capping Council Tax increases for recipients of LCTS can be used to assist economically vulnerable households.

The table below demonstrates that effectively there will be no increase for vast majority of residents in receipt of LCTS.

| Preceptor | 22-23 Band C Charges | Projected Increase | 23/24 Council Tax | Increase - £ |
|---|----------------------------|-----------------------|-------------------------|-----------------|
| Devon County Council | £1,383.52 | 5.00% | £1,452.70 | £69.18 |
| Devon & Cornwall Police | £219.16 | 6.08% | £232.48 | £13.32 |
| Devon & Somerset Fire | £81.59 | 5.45% | £86.04 | £4.45 |
| Torridge District | £158.81 | 2.99% | £163.56 | £4.75 |
| Parish (average) | £63.50 | 5.00% | £66.68 | £3.18 |
| | £1,906.58 | | £2,001.45 | £94.87 |
| | | | - | - |
| Council Tax Liability (75% LCTS support) | £476.65 | | £500.36 | £23.72 |
| Local Council Tax Support Funding (Max award - £25) | | | | £23.72 |

The example above is based on a Band C property, 68% of all properties within Torridge are in Bands A – C.

The example above also assumes that the recipient of LCTS receives the maximum support of 75%; over 80% of working age recipients of LCTS receive the maximum support.

Pensioners can receive 100% support from the LCTS scheme, some will receive a lesser award if they have savings or receive another source of income such as a private pension.

7. Business Rates Retention

For 2023/24 there has been a national revaluation of all non-domestic properties, effective from the 1st April 2023, the last business rate revaluation was undertaken in 2017. The key points of interest from the latest revaluation are:

- Gross ratable value for businesses within Torridge has risen to £45.4m from £40.8m an increase of 11%.
- There are 4,214 properties liable for Businesses Rates
- A package of support measures was announced to support business to accompany the revaluation
 - The multiplier which determines the rate in the pound has been frozen at 49.9p for small businesses and 51.2p for larger businesses. This is the fourth year the multiplier has been frozen. Torridge is compensated for its lost income via S31 grants.
 - There is 75% relief for all premises in the Retail, Leisure & Hospitality sector for one year effective from 1st April 2023 (this is an increase from the 50%

relief in 2022-23). The relief is capped at £110,000 per business. There are circa 400 premises within Torrington who will benefit from this relief.

- A new transitional relief scheme will be introduced effective from the 1st April 2023. This protects businesses by capping their increases at 5%, 10% or 30% dependent upon their ratable value. The value of this protection within Torrington is £1.9m.
- The continuation of Small Business Relief which provides 100% relief for businesses that occupy one property with a ratable value of less than 12,000: there is a tapered relief for properties with ratable values between 12,001 and 15,000. The value of Small Business Rate Relief payable in Torrington is circa £5m.
- For those businesses no longer receiving Small Business Rate Relief as a result of the revaluation will have the increases to their liability capped at £600.
- The business rate income receivable from renewable energy scheme has risen from £605k to £711k. Torrington retains all business rates from renewable energy schemes where it gave planning consent.

8. Budget 2023-24

The table below shows the proposed budget for 2023-24 and the remaining years of the Medium Term Financial Strategy (MTFS). As the table below shows the Council's budgets are in deficit for each year of the MTFS.

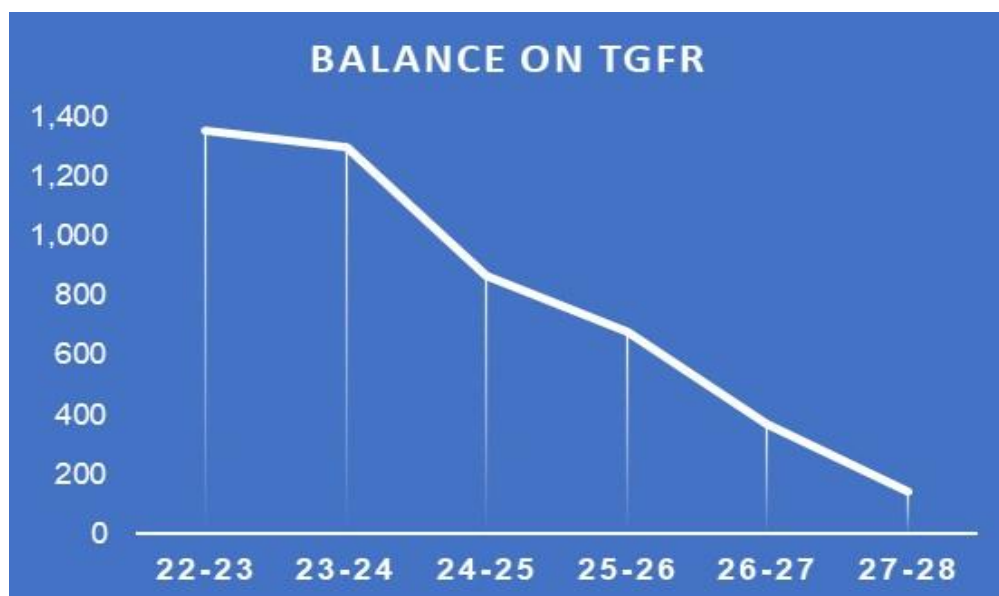
The increased deficit in 2024-25 compared to 2023-24 is largely explained by the one-off impact of reduced business rate appeal provision in 2023-24.

The increased deficit in 2026-27 is mostly due to the cessation of the cost share agreement with Devon County in 2026. Torridge is currently rewarded by Devon County Council for the recycling tonnage it collects, this agreement ends in 2026.

Devon County Council are under no obligation to pay Collection Authorities like Torridge for collecting recycling waste. It is not anticipated at this juncture that Devon County Council will make any cost share payments after 2026. The current value of this agreement to Torridge is £290k per annum.

| Expenditure | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2026-27 |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Cost of Service | 10,939,195 | 10,978,696 | 11,229,249 | 11,837,469 | 12,117,720 |
| Reserve Movement | 957,932 | 1,003,293 | 1,039,293 | 1,077,293 | 1,117,293 |
| Other - Financing, Vacancy Factor etc | (687,074) | (557,042) | (574,019) | (583,340) | (592,849) |
| subtotal | 11,210,053 | 11,424,947 | 11,694,523 | 12,331,422 | 12,642,164 |
| Funding | | | | | |
| Grants | (1,279,524) | (1,156,869) | (1,166,462) | (1,176,343) | (1,186,520) |
| Council Tax | (4,642,616) | (4,946,147) | (5,142,989) | (5,347,372) | (5,559,103) |
| Business Rates | (5,232,936) | (4,890,459) | (5,198,056) | (5,493,085) | (5,674,493) |
| subtotal | (11,155,076) | (10,993,474) | (11,507,507) | (12,016,800) | (12,420,116) |
| Use of TGFR to balance | (54,977) | (431,473) | (187,016) | (314,622) | (222,048) |
| | | | | | (1,210,136) |

Over the course of the MTFS the current cumulative projected deficit is £1.2m. The graph below the table shows the usage of the Transition in Government Funding Reserve (**TGFR**) to balance the budgets based upon the current financial assumptions within the MTFS. As the graph clearly shows without further action to bring the budgets back into balance the TGFR will be reduced to circa £144k by 2027-28.



The significant budget movements since the budget 2022-23 and MTFS was approved by Full Council in February 2022 are as detailed below:

| Analysis of budget movements since last MTFS (Feb 22) | | | | | |
|--|----------------|----------------|----------------|----------------|--------|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | |
| 2023-24 - MTFS | (55) | (431) | (187) | (315) | |
| 2022-23 - MTFS | (629) | (310) | (105) | (7) | |
| Movement | 574 | (121) | (82) | (308) | |
| (adverse) / favourable Movement | | | | | |
| Temporary Accommodation | (890) | (890) | (890) | (890) | |
| Fuel & Utilities | (311) | (255) | (255) | (255) | |
| External Audit Fees | (20) | (125) | (125) | (125) | |
| Insurance | (56) | (56) | (56) | (56) | |
| Pay Award | (427) | (449) | (492) | (545) | |
| Transfer to Reserve | (160) | (12) | (12) | (12) | |
| Termination of Cost Share Agreement | 0 | 0 | 0 | (290) | |
| MBWG Recommendations | 366 | 410 | 418 | 418 | Note 1 |
| Hostel Accommodation | 107 | 215 | 215 | 215 | |
| Central Government Grant Income | 175 | 50 | 57 | 64 | Note 2 |
| Vacancy saving | 48 | 57 | 66 | 75 | |
| Pension - Tri-annual review | 269 | 269 | 269 | 269 | |
| Council Tax Income | 90 | 180 | 195 | 217 | Note 3 |
| Business Rate Income | 1,021 | 239 | 341 | 420 | |
| Environmental Centre | 60 | (39) | (39) | (39) | |
| Interest Receivable | 339 | 254 | 254 | 254 | |
| Other Budget movements | (37) | 31 | (28) | (28) | |
| Subtotal | 574 | (121) | (82) | (308) | |

Note 1: Excludes MBWG recommendation re discretionary business rates, Council Tax premiums for empty properties and 2nd homes effective from 2024-25, which are included within the Council Tax and Business Rates lines.

Note 2: Central Government Grant Income includes Local Council Tax Support grant previously credited directly to services and Council Tax Annex grant previously reported via the Collection Fund, which have now been incorporated into the Revenue support Grant

Note 3: Council Tax for 2024-25 and beyond assumes additional income from 2nd Homes and empty homes as previously approved by Full Council.

9. Assumptions

The budget 2023-24 and MTFS makes use of various assumptions, the key ones of which are discussed below.

- **Central Government Grant Funding**

The recent 2023-24 settlement was only a one year settlement, for the purpose of the MTFS the 2023-24 settlement levels have been largely assumed for the duration of the MTFS period. The exception being that an inflationary uplift to the Revenue Support

Grant has been assumed and the Funding Guarantee Grant has not been assumed to continue for the duration of the MTFS.

- **Council Tax Income**

In setting the Council Tax base, used for calculating the income to be derived from Council Tax an assessment of the expected non collection of Council is required. For 2023-24 and the other financial years of the MTFS a collection rate of 98% has been assumed.

The MTFS assumes that Council Tax will rise up to the referendum levels for each financial year of the MTFS; 2.99%.

- **Business Rates**

The MTFS only assumes modest growth in the business rate base of the Council of 1.5%. Where planning applications have been made for renewable energy schemes (100% of business rates income retained by Torridge Council), an estimate of future income has been included with the MTFS. The additional business rate income assumed for renewable energy schemes being

- 2024/25 £28k
- 2025/26 £139k
- 2026/27 £121k

- **Income from short term treasury deposits**

In response to rising inflation the Government has increased the Bank of England's base rate, which at the time of writing this report is 3.5%. Consequently there has been a marked rise in the income the Council has obtained from its short term treasury deposits and interest earned on its current account. Income from short term treasury deposits and interest accruing on the Council current bank account over the last few years is shown below:

| | |
|-------------------|-------|
| 2019/20 | £147k |
| 2020/21 | £ 31k |
| 2021/22 | £ 20k |
| 2022/23 | £ 35k |
| 2023/24 projected | £550k |

Projecting future income from short term treasury deposits and interest earned on the current bank account is difficult as it is dependant upon both future interest rates and the timing of future capital expenditure (e.g. Environmental Centre, Maritime Innovation Centre etc.). The MTFS assumes a reduction of £50k in income derived from short term deposits from 2024-25 onwards as the Council incurs expenditure on the new Environmental Centre and the Maritime Innovation Centre, and its cash balances decline. The MTFS assumes interest rates of 3% over the life of the MTFS.

Whilst the Council benefits from high interest rates with respect to its short term treasury deposits, high interest rates increase the borrowing costs associated with capital projects such as the Environment Centre.

- **Income from Fees and charges**

For the majority of the Council's fees and charges the annual income fluctuates within relatively narrow boundaries. However this is not the case for all fees and charges, predicting income from planning applications is challenging since a few major planning applications can cause significant swings in income.

Income from Planning Applications over the last few financial years is shown below



The budget for planning income in 2023-24 and for the remaining years of the MTFS has been set as £790k. Clearly the last few years have been volatile with regards to Planning Income. As prices for planning applications are set by statute and the Council can only process applications as they are submitted, it is not in the position to forecast income with any substantial degree of certainty. It remains to be seen how any economic downturn will impact upon planning income. Should planning income return to pre-pandemic levels then this will have a significant impact on the Council's finances.

- **Pay awards.**

Government has made a commitment to increase the National Living Wage (NLW) in line with inflation. With inflation currently running at just under 10%, there is a potential for the increase in the NLW effective from April 2024 to exceed some of the lower pay points of the Council's pay structure, without a significant increase to at least the lower Council salary scale points.

The 2022-23 pay award at a flat rate of £1,925 per annum resulted in an increase to the Council's pay bill of 7% (against a budgeted allocation of 2%). The MTFS assumes a pay award of 5% for 2023-24 in line with Government's projections for inflation in the later half of the financial year. Pay awards of 2% are assumed for the remainder of the MTFS period. For information every 1% increase to pay awards results in an increase to the Council's pay bill of circa £100k.

Torrige is a member of the Local Government Association pay bargaining group and therefore does not set its own pay award.

- **Employers Pension contributions**

The Council's pension scheme is subject to a tri-annual review undertaken by Devon Peninsula Pensions. The review determines

- The employers pension contribution rate for the next three years
- The employer's contribution to the underlying pension deficit.

The latest review effective from the 1st April 2023 saw the employer's contribution rate increase to 19.5% (from previous estimate of 18.75%). However, there was a sharp decline in Torrige's contribution to the underlying pension deficit, of circa £270k.

The MTFS assumes that the employer's pension contribution rate will remain at 19.5% for the duration of the MTFS and that the contribution to the underlying pension deficit will be as per the latest tri-annual review for the years 2023/24 – 2025/26, increasing by £20k per annum for the remainder of the MTFS.

- **Homelessness**

The Council's expenditure on temporary accommodation is projected to be circa £1.3m in 2022-23 with only a modest proportion of these costs being recoverable from Housing Benefit. Whilst the Council is striving to increase its provision of hostel accommodation and secure other housing, it would not be prudent to assume that the Council's liability for temporary accommodation would reduce significantly. Consequently, current temporary expenditure levels are projected for the remainder of the MTFS.

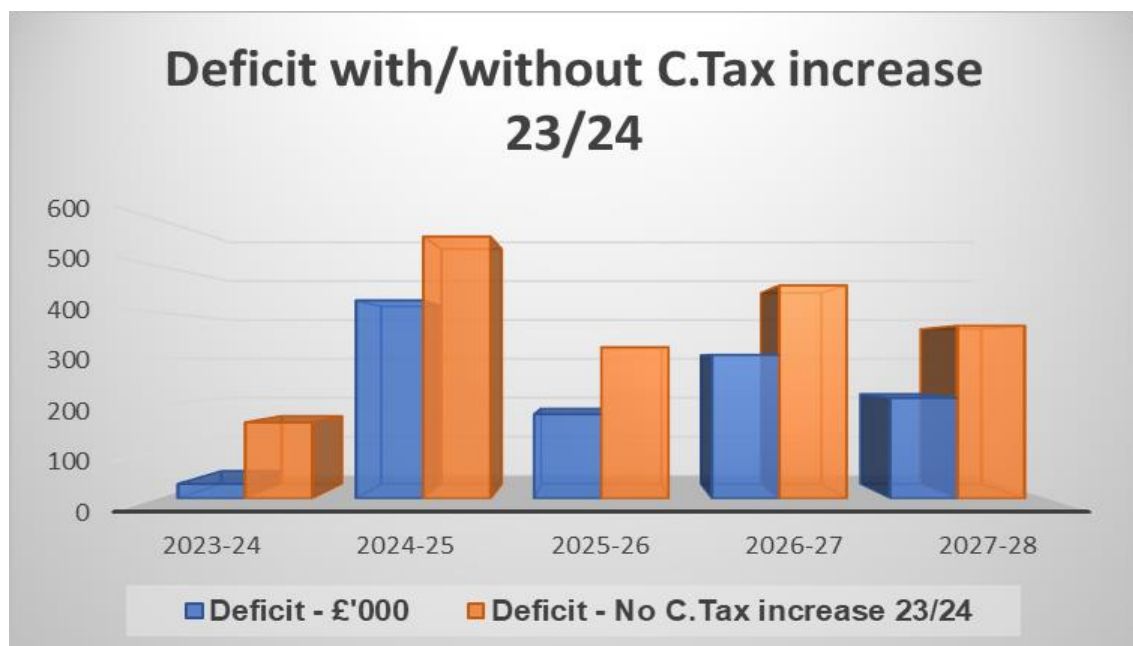
10 Risk and sensitivity

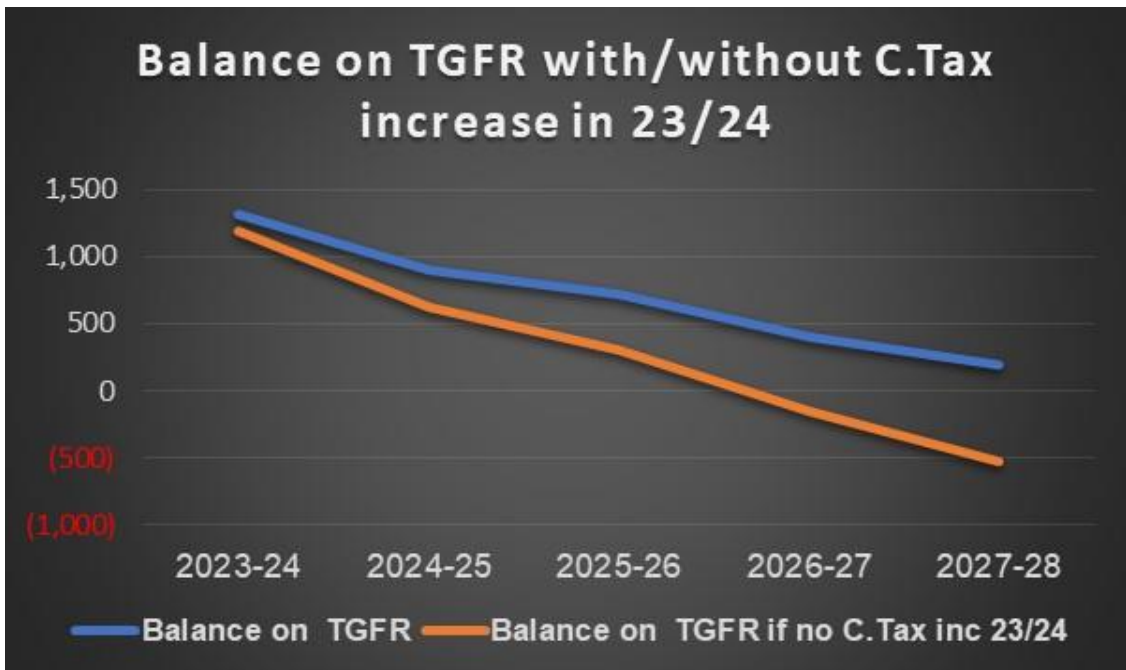
10.1 The MTFS is based upon projections and assumptions, there are risks to the Council's budgets if the assumptions upon which the MTFS are erroneous. The impact of changes to some of the key assumptions within the MTFS are shown below to demonstrate the potential impact of movement in the key assumptions.

- **Council Tax Increase**

The MTFS assumes the Council Tax will rise by the referendum level (2.99%) for the duration of the MTFS. If the decision was made to not increase Torridge's Council Tax for 2023-24, then the impact upon the MTFS is as shown in the charts below (figures in £'000).

As the charts show the increased deficit arising from not increasing Council Tax for just one year would result in the TGFR going into deficit in during 26/27; with a deficit of circa £0.5m. The cumulative costs of not increasing the Council Tax being £700k over the period of the MTFS





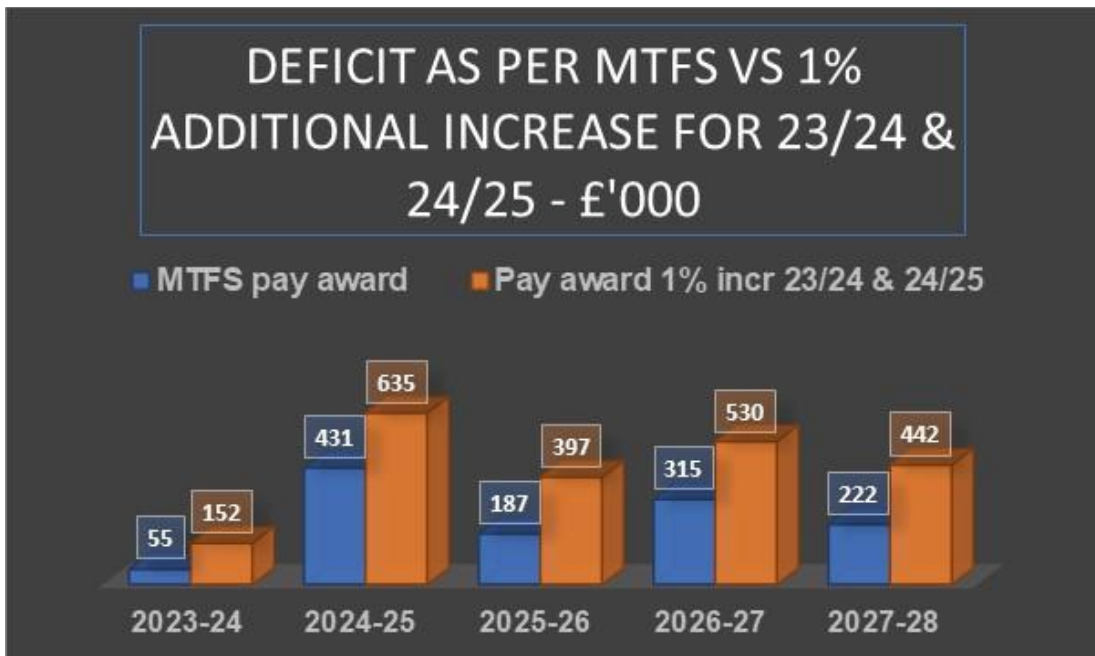
- **Pay awards**

As the single biggest item of expenditure increases to pay above those projected within the MTFS represent a significant area of risk to the financial health of the Council.

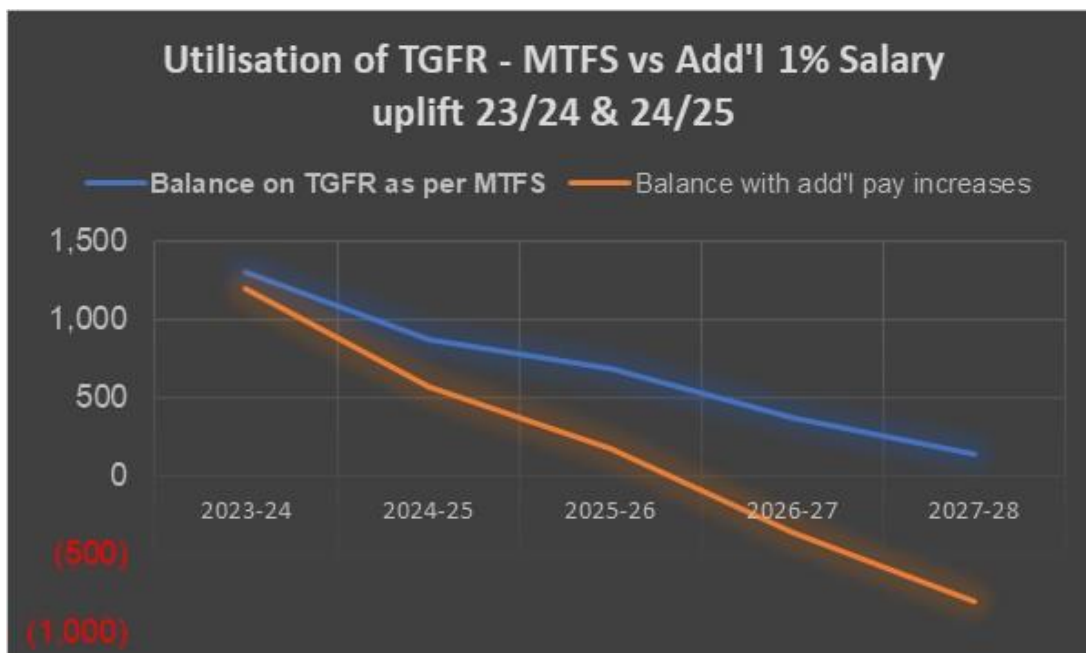
The current projected pay awards over the life of the MTFS are:

- 2023-24 5%
- 2024-25 – 2027-28 2%

If actual salary uplifts for both 2023-24 and 2024-25 were to be 1% more than those forecast within the MTFS then the impact would be as detailed in the chart below.



The chart below shows the impact of increased pay award on the utilisation of the Transition in Government Funding Reserve (TGFR). As pay represents the biggest item of expenditure for the Council additional 1% increases in salary over the MTFS forecast for 2023-24 & 2024-25 have a profound impact upon the TGFR.



- **Interest Rates impact on income from short term treasury deposits**

When Full Council approved the 2022-23 budget and MTFS in February 2022, the Bank of England base rate was 0.5%. The current base rate is 3.5%, a sevenfold increase.

As stated previously the Council has seen a dramatic increase in its income from short term treasury deposits as a result of increases to the Bank of England Base Rate; allied to delays in the capital program such as the Environment Centre.

Whilst the Council cash balances going forward are difficult to predict as they are dependant upon the timing of capital expenditure; based on current projections a 1% **rise or fall** in interest rates would impact on the Council's income from short term treasury deposits by £125k.

- **Central Government Grant Settlement**

As previously stated, the 2023-24 Central Government Grant Settlement was a one year settlement. Government has signalled that the Fair Funding review will not take place during the current parliament. It is widely expected that shire districts like Torridge will fare poorly under a fair funding review as they have benefited to a far larger extent from the Business Rate Retention scheme than unitary authorities and county councils.

Given the pressures Unitary Authorities and County Councils face in dealing with their statutory obligations for adult social care, it would be prudent to anticipate some relative realignment of funding between upper tier and lower tier authorities.

11. Council Reserves

11.1 In addition to the Transition in Government Funding reserve, the Council holds other reserves, the majority of which have been assigned for Capital purposes. The projected make-up of the Council's reserves as at 31st March 2023 is as below:

| | |
|--|---------------|
| | £'000 |
| Capital Reserves | 8,563 |
| Transition in Government Funding Reserve | 1,354 |
| Other Earmarked Reserves | 3,199 |
| Total | 13,116 |

- 11.2 In addition to the specific reserves held above, a sum of £1.084m is also set aside as the General Fund Balance, which is there to deal with unforeseen events that are not budgeted for due to their unpredictability e.g. loss of income due to recession and cannot be met from other available resources in year. The balance on the General Fund being 11.1% of the Council's Annual net budget
- 11.3 The current level of monies held is considered appropriate in light of the existing and increased levels of risks associated with Torridge's current operational activities and responsibilities and the sum held is periodically risk assessed taking account of any new and emerging risks.
- 11.4 The Council utilises transfers to reserve to set aside funds for future commitments. The table below outlines the funds to be set aside over the MTFS, based upon the assumptions made regarding the Council's income post 2023/24.

| Budgeted contributions to / (from) Reserves | 2023-24 £'000 | 2024-25 £'000 | 2025-26 £'000 | 2026-27 £'000 | 2027-28 £'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Vehicle Replacement Reserve | 687 | 721 | 757 | 795 | 835 |
| ICT Replacement | 80 | 80 | 80 | 80 | 80 |
| General Capital Contribution | 180 | 180 | 180 | 180 | 180 |
| Council Tax Spreading | (11) | 0 | 0 | 0 | 0 |
| Property Maintenance | 75 | 75 | 75 | 75 | 75 |
| Planning Appeals | 20 | 20 | 20 | 20 | 20 |
| Funding of Apprentices | (106) | (106) | (106) | (106) | (106) |
| Other | 33 | 33 | 33 | 33 | 33 |
| Subtotal | 958 | 1,003 | 1,039 | 1,077 | 1,117 |

12 Looking forward

- 12.1 Clearly the Council cannot continue to spend beyond it means, the current MTFS projects a cumulative deficit over the life of the MTFS of £1.2m; with the Transition in Government Funding Reserve declining to circa £150k by the close of the MTFS period. As the sensitivity analysis in section 10 shows, the Council's finances can take a dramatic downturn if some key assumptions prove to be erroneous; Council Tax increases, pay awards, interest rates, Planning Income etc.
- 12.2 The Member Budget Working Group (MBWG) which has worked throughout 2022-23 to identify additional sources of income/reduced expenditure whilst adhering to the remit of protecting services will continue its work in coming up with proposals to bring the Council's finances back into the black.
- 12.3 The table below shows some potential actions which will further improve the Council's finances.

| | 2023-24 - £'000 | 2024-25 - £'000 | 2025-26 - £'000 | 2026-27 - £'000 | 2027-28 £'000 | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------|
| Funding Gap (TGFR utilisation) | 55 | 431 | 187 | 315 | 222 | 1,210 |
| Balance on TGFR | 1,299 | 868 | 681 | 366 | 144 | |
| Potential Proposals | | | | | | |
| Section 106 Monitoring Fees | (50) | (75) | (75) | (75) | (75) | |
| Energy Efficiency Lesiure Sector | | (35) | (70) | (70) | (70) | |
| Further Hostel Provision | | (90) | (90) | (90) | (90) | |
| Subtotal - revised funding Gap | 5 | 231 | (48) | 80 | (13) | 255 |
| Subtotal - revised balance on TGFR | 1,349 | 1,118 | 1,166 | 1,086 | 1,099 | |

- A separate report to this committee from the head of planning details a proposal to commence charging for the monitoring of Section 106 agreements. This has already been implemented in other local authorities. The figures shown in the table above are an estimate of the income which could be potentially generated; however this is dependent upon future levels of planning applications received which can be volatile in nature.
- Active Torridge is exploring options to improve energy efficiency within their facilities. It is hoped that external grant funding may be obtained which in conjunction with investment from the Council, could reduce the energy costs across the Council's leisure facilities.
- The Council continues to explore opportunities to secure additional hostel accommodation in response to the housing crisis. The figures quoted in the above table are not based on the financial benefits accruing from the Sully House/ Hubbastone Hostel development which will hopefully come on stream during 2023-24.

If the additional proposals come to fruition, then the Council returns to a balanced budget position by 2027-28, and still has a balance on its Transition in Government Funding Reserve of £1.1m.

13. ROBUSTNESS OF THE BUDGET

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (s151 Officer) of a billing or major precepting authority to report to Members on the following matters.

- The robustness of the estimates made for the purposes of the budget calculations.
- The adequacy of the proposed financial reserves contained within the budgets.

Robustness of Estimates

The estimates have been calculated based upon the information contained within the work and associated papers and guidance used to forecast the Medium Term Financial Strategy 2023/24 to 2027/28 within this report.

The following represent the areas of greatest uncertainty over the period of the MTFS

- Costs associated with meeting the Council's obligations to residents at risk of homelessness.
- Central Government review of local authorities needs and resources
- Future planning income
- Inflationary pressures, construction price inflation, utilities and staff pay awards

The final consideration is that this Council has a robust performance management framework in place with regular reports being presented to the Senior Management Team, Overview & Scrutiny (Internal) and Community & Resources Committees. This framework provides additional reassurance that budgets are proactively monitored and controlled throughout the financial year.

Taking all of the above into consideration, the budget which has been recommended for approval by Council is sufficiently robust for members to use it as a basis for approving the proposed Council Tax for 2023/24 and the use of financial reserves.

14. Risk Assessment

The major risks associated with the achievement of both the Budget 2023/24 and the MTFS is that the major assumptions and forecasts highlighted in section 8 and 10 are significantly different to that considered to be the position now. They are forecasts so we do expect them to change in both positive and negative ways and the Finance Team regularly monitor and update our forecast position when new information comes to light.

Implications

Legal Implications

The Council is required to set a balanced annual budget.

Financial Implications

These are contained in the report.

Human Resources Implications

These will form part of the detailed budget consideration.

Sustainability Implications

These will form part of the detailed budget consideration.

Equality/Diversity

These will form part of the detailed budget consideration.

Risk Management

The Council will be required to reduce net expenditure over the medium term. The MTFS (section 14) indicates the level of reduction required and reduces the risk of not achieving a balanced budget or identifying savings that are not achievable.

Compliance with Policies and Strategies

Forms part of the strategy process.

Lead Member Views

Councillor Hodson:

Date of Consultation – 18th January 2023

“Whilst it is always difficult to recommend and justify a decision to increase the Council Tax in any year, it is my opinion a necessity given the financial challenges faced by the Council. Council Tax is one of few areas that we have control over to manage our finances and we must plan not just for next year, but for the future and, therefore, I support the recommendations in the report.

The provisional settlement has again been particularly disappointing, following on from several below inflation settlements over the previous few years .

Clearly the Council faces an uncertain financial future and options will have to be developed to bring the budgets back into the black over the period of the MTFS”.

Conclusion

The report highlights the uncertain financial challenges faced by Torridge Council in an increasingly uncertain environment. The Council's commitment to its residents at risk of homelessness represents a significant cost to the Council. Given the current financial environment faced by Council across the country the financial health of Torridge is within reasonable parameters. However notice should be given to the financial assumptions and risks within the MTFs and their potential to adversely impact on the financial health of the Council.

15. Recommendations:

Recommend to Full Council

That Members recommend to Full Council

- a) Torridge's Band D Council Tax for 2023/24 be increased by (2.99%) from £178.66 to £184.00 per year
- b) Torridge's Net Revenue Budget 2023/24 is £11.155m
- c) The contributions to the Council's reserves as outlined in paragraph 11.4 are approved.
- d) That in light of the risks to the Council's finances identified within the report that the Member Working Group continue its work to bring the Council's budgets back into balance.

That members note:

The Chief Finance Officer (s151 Officer) assurance of the robustness of the budget 2023/24 set out in section 13 of the report.

Note the assumptions and forecast applied to develop the MTFs outlined in section 9

Note the risks associated with the Budget 2023/24 and MTFs outlined in section 10

SUPPORTING INFORMATION

| | |
|------------------|--|
| Consultations: | Date of Consultation – 18 January 2023 |
| | Leader - Councillor Ken James Deputy Leader – Councillor Claire Hodson |
| | Officers Consulted – Steve Hearse Chief Executive Sean Kearney Head of Communities and Place Staci Dorey Head of Legal & Governance |
| Contact Officer: | David Heyes – Section 151 Officer |

Background Papers:

Agenda Item 9

REPORT OF Deputy Section 151 Officer
To: Internal Overview & Scrutiny
Subject: Capital Programme 2023/24 to 2027/28
Date: 7th February 2023

Reference:

PURPOSE OF REPORT: For Members to consider, formulate and recommend updates to the Capital Programme 2023/24 to Full Council.

The Capital Programme includes authorised projects which require updating due to inflationary pressures, along with new PIDs (Project Initiation Documents) which require authorisation from members before inclusion.

1. Introduction

1.1. The Capital Programme covers the current and forthcoming five years.

It is made up of:

- Approved Projects (PIDs)
- New Proposed Projects (PIDs)

These are funded by:

- Current Capital Reserves
- Future contributions from revenue
- Current/Future Capital Receipts
- Current/Future Capital Grants

Previously the Council set aside 50% of its New Homes Bonus (NHB) funding into its capital program, however the level of NHB funding has been in sharp decline and is likely to cease in the near future. The decline in NHB funding has been a significant contributory factor to the increased capital funding pressures.

In addition to funding pressures, the capital programme is also under significant pressure from the increase in inflation.

1.1 Capital Programme – Funding Pressures & New PIDs

Due to the funding/inflation pressures that the Council is facing, no new PIDs were sought for inclusion in the 2023/24 Capital Programme.

However projects have arisen during the year, that aim to alleviate some of the wider cost pressures the Council is under.

These Projects are:

- Sully House *(Approved by C&R March 2022)*
- Sully House Modular Units *(Approved by C&R March 2022)*
- Hubbastone Conversion *(Approved by C&R July 2022)*

These projects need to be formally added to the Capital Programme.

1.2 Capital Programme – Bfwd

The brought forward balance on the Capital Programme on 1st April 2022 was:

| | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
|-----------------------------------|-----------------------------|-------------------|-----------------------------------|
| Capital Programme - Updated 22/23 | 25,986 | (28,541) | (2,555) |

(See Appendix 1 for the breakdown)

1.3 Capital Programme – Movements in the year

Environment Centre (updated by Full Council – December 2022)

Due to increasing costs, the environment Centre provision was adjusted, this included:

- Reduced overall cost to £7.2M
- Reduced borrowing to £2.8M
- Various capital PIDs released, and funds reallocated to the centre
- Future capital receipts earmarked for the centre

Effect on Capital Programme:

| | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
|--|-----------------------------|-------------------|-----------------------------------|
| Capital Programme - Updated Environment Centre | 24,658 | (27,213) | (2,555) |

Homelessness – Projects to alleviate wider cost pressures

Projects are:

- Sully House £968K (Approved by C&R March 2022)
- Sully House Modular Units £221K (Approved by C&R March 2022)
- Hubbastone Conversion £372K (Approved by C&R July 2022)

The Capital Programme has £226K of budget remaining on the “Homelessness” PID, which was originally for £1m (with £1m of approved borrowing). To date the spend on this PID has been funded through general capital reserves.

Hubbastone uses this remaining budget (£226K) plus other identified reserves (£146K)

Sully House Modular Units have £174K grant funding, the remainder coming from capital reserves/borrowing.

Sully House – funding to come from capital reserves/borrowing

It is proposed that as the borrowing has not yet been utilised, that the approved borrowing of £1m is used for Sully House / Sully House modular, and the previous spend is funded from capital reserves.

(See appendix 2 for detailed adjustments)

| | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
|---|-----------------------------|-------------------|-----------------------------------|
| Capital Programme - Updated Homelessness Projects | 25,993 | (27,533) | (1,540) |

Extend Capital Programme by 1 year – For a full 5 year programme

(See appendix 2 for detail)

Updates are for extension of existing programmes:

– Car Parks / Property / IT Equip / DFGs (disabled facilities grants) / Vehicles:

| | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
|-----------------------------|-----------------------------|-------------------|-----------------------------------|
| Capital Programme (2023/24) | 26,856 | (29,129) | (2,273) |

The increased surplus relates to the Vehicle Programme, and is caused by setting aside money for the main recycling fleet replacements in 2025/26 and 2032/33. With 2032/33 being beyond the 5 year programme.

1.4 Capital Programme Split

The updated capital programme has a surplus of £2.3m

However, a significant portion of this relates to the money we put aside to fund our refuse fleet in the future. (The main recycling fleet in 2025/26 and 2032/33).

Therefore, the programme can be split as follows:

| | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
|-------------------|-----------------------------|-------------------|-----------------------------------|
| Vehicle Programme | 5,170 | (6,590) | (1,420) |
| General Programme | 21,686 | (22,539) | (853) |
| Total | 26,856 | (29,129) | (2,273) |

Note: The £1.4M surplus on the Vehicle programme is to fund the main recycling fleet replacement in 2032/33.

1.5 Capital Programme – Future Pressures

The General capital programme (excluding the vehicle programme) has a surplus of £853K

However, there are significant future pressures:

| | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
|---|-----------------------------|-------------------|-----------------------------------|
| General Programme | 21,686 | (22,539) | (853) |
| Pressures: | | | |
| Leisure (3 centres, £60K per site per year = £900K) | 900 | (521) | |
| Electric Vehicles (Including refuse) | 327 | | |
| New PIDs from 2023 to 2028 | ??? | | |
| Linear defence - working with environment agency | ??? | ??? | |
| Future INFLATION !!!! | ??? | | |
| Capital Programme - Updated 22/23 | 22,586 | (23,060) | (474) |

Appledore Clean Maritime Innovation Centre

At the time of writing this report, it was announced that Torridge has been successful and awarded just under £15.6m for the creation of a Clean Maritime Innovation Centre in Appledore.

The council will be contributing to the project by providing the site, and through additional borrowing required to meet the total cost of the project.

Additional borrowing costs are to be funded by the rental income that the site generates, making the project cost neutral in the context of the capital programme. (i.e. no effect on the current capital programme surplus)

For the project to be added to the capital programme a detailed PID will be submitted to Full Council.

1.6 Capital Programme – Updated

See Appendix 3 for the current capital programme by project including the movements in year from 1.3 above.

Implications

Legal Implications

The Council is required to set a balanced annual budget.

Financial Implications

If the recommendations below are used to update the Capital Programme, the Capital Programme will have a surplus of £2.2M (£0.9M General Capital Programme surplus).

Human Resources Implications

There are no specific human resources implications.

Sustainability Implications

There are no specific sustainability implications.

Equality/Diversity

There are no specific equality/diversity issues.

Risk Management

A funded Capital Programme ensures the Council has the assets required to run its key services, and the existing Council's assets are maintained.

Compliance with Policies and Strategies

This Report fits within the Councils Capital Strategy.

Lead Member Views

Councillor Hodson:

Date of Consultation – 19th January 2023

“The Council has a significant Capital Programme, which is currently fully funded.

However it is facing some significant funding pressures, from both inflation and future capital requirements.

Any additional spend to the Capital Programme should be considered with these pressures in mind, therefore I support the recommendations in the report”.

Conclusion

The report highlights the pressures on the Capital Programme, in an environment where there is increasing uncertainty on the revenue budget.

1.9 Recommendations:

That Members recommend to Full Council

- a) The Capital Programme is updated to include:
 - Sully House
 - Sully House Modular Units
 - Hubbastone Conversion

SUPPORTING INFORMATION

Consultations: Date of Consultation – 19 January 2023

 Deputy Leader – Councillor Claire Hodson

 Officers Consulted –

 Steve Hearse Chief Executive

 Sean Kearney Head of Communities and Place

 Staci Dorey Head of Legal & Governance

Contact Officer: Peter Hudson – Deputy Section 151 Officer

Appendix 1 – Capital Programme 2022/23

Capital Programme – Bfwd

| 1 Capital Programme Update 2022-23 | | | |
|--|-----------------------------|-------------------|-----------------------------------|
| | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
| General Programme | 24,368 | (24,827) | (459) |
| Vehicle Programme (Extended to 32/33) | 5,377 | (6,064) | (687) |
| Capital Programme (Feb 2022) | 29,745 | (30,891) | (1,146) |
| <u>Includes following commitments: (remove as no formal PID)</u> | | | |
| Leisure (3 sites @£60K per yr for 5 years) | (900) | 521 | |
| Electric Vehicle - additional costs | (327) | | |
| | 28,518 | (30,370) | (1,852) |
| <u>Year end adjustments</u> | | | |
| Burrows - final cost (includes £100K stewardship costs/grant) | 279 | (100) | |
| IT desktop strategy timings/reserve correction | 71 | (142) | |
| Work hub | 39 | (39) | |
| | 28,907 | (30,651) | (1,744) |
| <u>2021/22 Additions</u> | | | |
| Capital spend for the year | (2,921) | 2,921 | |
| Capital Programme - Updated 22/23 | 25,986 | (27,730) | (1,744) |
| <u>Funding Adjustments</u> | | | |
| Cap receipt - Contingency for non receipt | | (500) | |
| RTB addn receipts | | (73) | |
| Bridge Buildings | | (125) | |
| Cleave wood | | (18) | |
| Brunswick Wharf | | (95) | |
| Capital Programme - Updated 22/23 | 25,986 | (28,541) | (2,555) |

Appendix 2 – Capital Programme 2022/23 to Capital Programme 2023/24

Capital Programme – Movements in year

| 2 Capital Programme Update 2023-24 | Capital Programme £'000s | Funding £'000s | (Surplus)/ Shortfall £'000s |
|---|-----------------------------|-------------------|-----------------------------------|
| Capital Programme - Updated 22/23 - Bfwd | 25,986 | (28,541) | (2,555) |
| <u>Update To Environmental Centre</u> <i>Approved by Full Council 20th December 2022</i> | | | |
| Reduction in Project Cost (to £7.2m) | (508) | | |
| Use of Future Capital Receipts (Cleavewood/Hatchmoor/etc) | | (1,460) | |
| Use of PIDs released | (820) | | |
| Reduction in PWLB borrowing (£5.6m to £2.8m) | | 2,788 | |
| | 24,658 | (27,213) | (2,555) |
| <u>Update for Homelessness (C&R Approved)</u> | | | |
| Hubbastone Conversion | 146 | (146) | |
| Sully House | 968 | | |
| Sully House (Modular Units) | 221 | (174) | |
| | 25,993 | (27,533) | (1,540) |
| <u>Extend Capital Programme to 2027/28</u> | | | |
| Car Parks/ Property / IT Equip | 260 | (260) | |
| DFG | 500 | (500) | |
| Vehicle Programme | 103 | (836) | |
| Capital Programme (2023/24) | 26,856 | (29,129) | (2,273) |

Appendix 3 – Capital Programme 2023/24 to 2027/28

Capital Programme – Detail by Project

| Capital Programme | | |
|--|----------------|---------------|
| Project | Type | 2023-2028 |
| Car Park Refurbishment Program | Car Parks | 905 |
| Leisure Contingency | Culture/Sport | 350 |
| Depot provision | Depot | 7,154 |
| Disabled Facilities Grant | DFG | 3,255 |
| Linear Defence - Westward Ho! | Environmental | 60 |
| Torrige Cemetery Extension | Environmental | 157 |
| Affordable Housing | Housing | 207 |
| Decent Homes Funding | Housing | 127 |
| Gypsy & Traveller Site Provision | Housing | 100 |
| Barton House Hostel Re-modelling | Housing | 77 |
| Homelessness Accom - Hubbastone | Housing | 372 |
| Homelessness Accom - Sully House | Housing | 968 |
| Homelessness Accom - Modular Sully Hse | Housing | 221 |
| Capital Improvement Program | Infrastructure | 621 |
| Victoria Park Paths & Services | Infrastructure | 110 |
| Play Area Program | Infrastructure | 130 |
| Town Hall Library Roof | Infrastructure | 880 |
| Riverbank house Phase 2 | Infrastructure | 131 |
| Muslim Burials | Infrastructure | 44 |
| Skate Park Acoustics | Infrastructure | 66 |
| Harbour (Shipping works) | Infrastructure | 77 |
| Westward Ho WC Drains | Infrastructure | 39 |
| Caddsdwn Disabled Access Pathways | Infrastructure | 46 |
| Grounds Maintenance Equipment | Infrastructure | 168 |
| Sandymere Road | Infrastructure | 46 |
| IT Replacement | IT | 351 |
| IT (Desktop Strategy) | IT | 121 |
| Core Server | IT | 95 |
| Holsworthy Agri Business | Regeneration | 2,100 |
| Caddsdwn Phase 3 Land & Servicing | Regeneration | 2,000 |
| Strategic Property Reserve | Strategic | 710 |
| Vehicle Replacement Program | V&P | 5,168 |
| | | <u>26,856</u> |

| Funding | | | |
|------------------|------------------|--------------|----------------|
| Capital Reserves | Capital Receipts | Grants | PWLB Borrowing |
| 905 | - | - | - |
| 350 | - | - | - |
| 2,932 | 1,460 | - | 2,762 |
| - | - | 3,255 | - |
| 60 | - | - | - |
| 157 | - | - | - |
| 207 | - | - | - |
| 127 | - | - | - |
| 100 | - | - | - |
| 77 | - | - | - |
| 372 | - | - | - |
| - | - | - | 968 |
| 15 | - | 174 | 32 |
| 621 | - | - | - |
| 110 | - | - | - |
| 130 | - | - | - |
| 880 | - | - | - |
| 131 | - | - | - |
| 44 | - | - | - |
| 66 | - | - | - |
| 77 | - | - | - |
| 39 | - | - | - |
| 46 | - | - | - |
| 168 | - | - | - |
| 46 | - | - | - |
| 351 | - | - | - |
| 121 | - | - | - |
| 95 | - | - | - |
| - | 600 | 1,500 | - |
| - | 1,000 | 1,000 | - |
| 710 | - | - | - |
| 4,668 | 500 | - | - |
| <u>13,605</u> | <u>3,560</u> | <u>5,929</u> | <u>3,762</u> |

OVERVIEW & SCRUTINY (INTERNAL) COMMITTEE – FORWARD PLAN 2022/23

| Cycle 1 | Cycle 2 | Cycle 3 | Cycle 4 | Cycle 5 | Cycle 6 | Cycle 7 | Cycle 7 | Cycle 8 |
|---|--|---|---------|--|--|--|--|---------|
| 14 June 2022 | 26 July 2022 | 20 Sept. 2022 Cancelled | | 2 Nov. 2022 | 13 Dec. 2022 | 7 Feb. 2023 | 21 Mar. 2023 | |
| 10 am | 10am | 10 am | | 10am | 10am | 10am | 10am | |
| QBR 4 Forward Plan / Work Programme | QBR1 Census Results (JWal) Draft Digital by Default Strategy (JWal) Temporary Accommodation (SD) | Grounds Maintenance Service Update Housing Strategy Update (JWil) | | QBR2 Grounds Maintenance Service Update (RH) | Social Values Update Homelessness Strategy (JWi) Census Results (JWa) | <u>Budget Special</u> Census MTFS Capital Programme | QBR3 Homelessness Strategy Social Value | |

OVERVIEW & SCRUTINY (INTERNAL) COMMITTEE – FORWARD PLAN 2023/24

| Cycle 1 | Cycle 2 | Cycle 3 | Cycle 4 | Cycle 5 | Cycle 6 | Cycle 7 | Cycle 7 | Cycle 8 |
|--------------|--------------|---------------|---------|-------------|--------------|-------------------------------|--------------|------------|
| 13 June 2023 | 25 July 2023 | 19 Sept. 2023 | | 7 Nov. 2023 | 12 Dec. 2023 | 6 Feb. 2023 Budget Special | 19 Mar. 2023 | 30 Apr. 23 |
| 10 am | 10am | 10 am | | 10am | 10am | 10am | 10am | 10am |
| | | | | | | | | |