

Full Council on the 5<sup>th</sup> September were presented with an updated Medium Term Financial Strategy (MTFS). The pertinent points of the report on the 5<sup>th</sup> September were:

- Projected **over spend for financial year 2022/23 of £1.08m** *after* repurposing reserves to the value of £554k. This compared to an underspend for 2021/22 of £1.7m
- The main drivers in the Council's adverse financial performance being:
  - Costs associated with meeting the Council's responsibilities towards it's residents at risk of homelessness.
  - Inflationary pressures
    - Salaries – 2022/23 pay award circa 7%, budgetary provision of 2%
    - Fuel
    - Utilities
    - Construction price inflation
- The Council's Transition in Government Funding Reserve (TGFR) would be heavily depleted and consequently the Council would have difficulty setting a balance budget for 2023/24.
- The recommendations of the Member Budget Working Group (MBWG) which were subsequently approved by Full Council, whilst significantly improving the Financial position of the Council, still required further savings to be found.



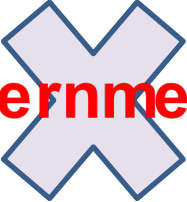
It needs to be acknowledged that in responding to the financial pressures faced by inflation the Council is limited in its response as it operates within a **regulatory environment**.

Rising input prices



Prices passed onto consumer



 <b>Council Tax</b>	 <b>Business Rates</b>
 <b>Government Grant</b>	<b>Fees and Charges</b>

The Council only has full freedom to adjust/increase approximately 50% of its Fees and Charges.

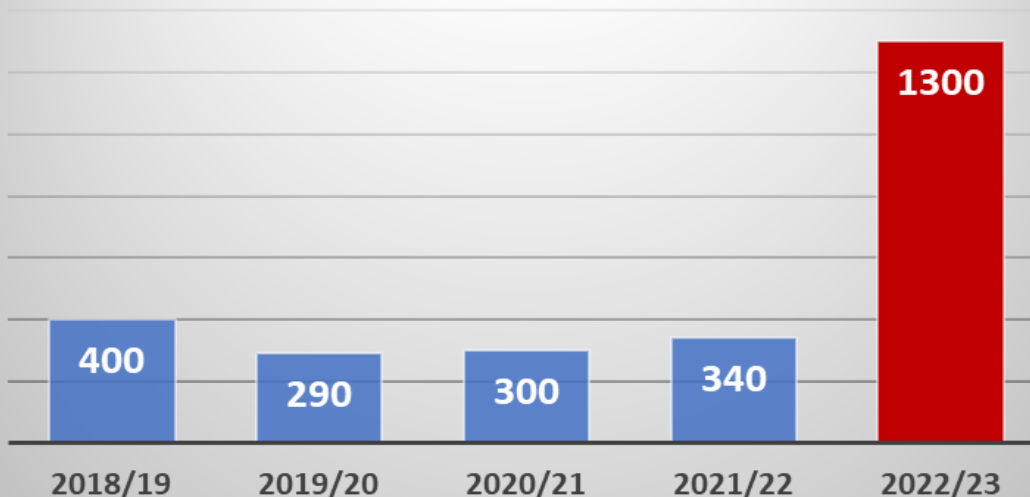
This is circa **19%** of the Council's Gross Income

So what has changed ?

Whilst there has been a measure of improvement in the Council's Financial position, the challenges faced by the Council remain largely the same.

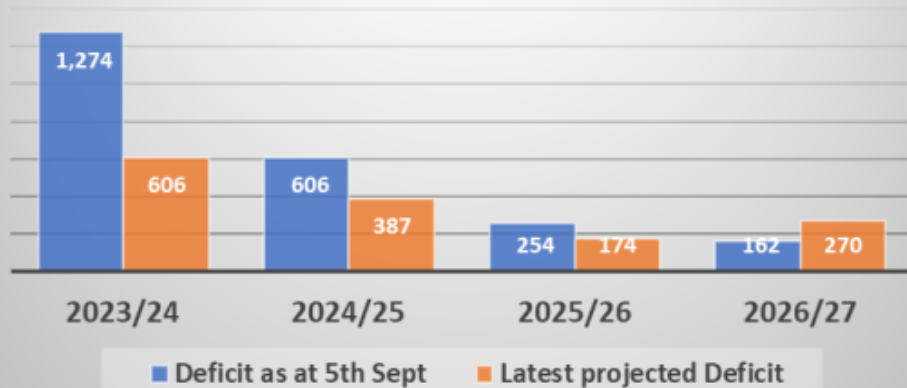
- The Council is still incurring unprecedented levels of expenditure on temporary accommodation in meeting its responsibilities towards residents at risk of homelessness. Projected 2022/23 expenditure ***circa £1.3m, gross expenditure of the Council excluding Housing Benefit payments is in the region of £16m. Temporary Accommodation expenditure represents the 2<sup>nd</sup> biggest single item of expenditure after salaries***
- Inflation at circa 11% continues to result in expenditure pressures across all aspects of the Council, pay, agency costs, Fuel, Utilities, construction, insurance etc

Temp Accommodation Spend - £'000



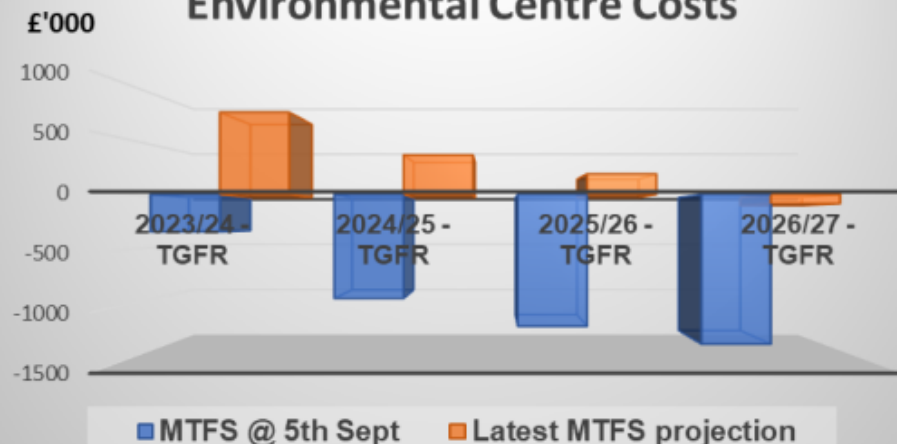
So what is currently being projected

## Updated Deficit - EXCLUDES Environmental Centre Costs



Whilst the figures presented, show an improvement it needs to be borne in mind that the latest projected MTFS figures **EXCLUDE** costs relating to the new Environmental Centre. These costs were **£170k per annum** in MTFS presented on the 5<sup>th</sup> September 2022.

## Balance on TGFR - Excludes Environmental Centre Costs



There are various assumptions, caveats and risks associated with the MTFS which are discussed later in this presentation.

It should be noted that even with the costs associated with the Environmental Centre, at no point do the Council's budgets balance and the TGFR is **completely depleted by 2026/27**.

## So what changes have there been since the last MTFS

- **Income from Treasury deposits** – higher interest rates
  - £80k 2023/24
  - £45k 2024/25

### **Council Tax Income – Surplus from 2022/23** - £100k realisable in 2023/24

- Additional Council Tax income – 3% rather than £5 per band D - £9k additional income in 2023/24 raising to £63k by 2026/27

### **Business Rate Income**

- revised business rate appeals provision circa £347k
- Reassessment of income from Renewable Energy related scheme

### **Environmental Centre**

- There is a separate agenda item on this Full Council to discuss options pertaining to the Environmental centre. For the avoidance of all doubt the revised projected MTFS ***excludes costs of £170k*** previously earmarked towards the new Environmental Centre.

## External Audit Fees

- In conjunction with 99% of all eligible bodies Torridge opted into the Public Sector Audit Appointment body's procurement of external audit services. Unfortunately the tender exercise has seen a significant increase in audit fees, reflecting both the increased regulatory environment and wider resources/capacity in the sector. Whilst definitive costs not confirmed projected ***additional financial pressure of £125k per annum from 2024/25***

## Insurance

- The Council's insurance contract renewable in September, is index linked to inflation which in September was circa 10%; additionally a significant element of the contract is linked to the cost of rebuilding properties in the events of fire/flood etc. With construction prices being so high, rebuild costs have risen and so consequently have the Council's insurance premiums. **The additional cost is £56k per annum.**

## Hostel / Modular Accommodation

- Increasing construction costs and rising interest rates have impacted upon the financial benefits of securing hostel accommodation. Remodelling of the various hostel schemes to better accommodate families has also result in a reduction to the number of units to be delivered. The **negative impact compared with the previous MTFS is £56k**

## Member Budget Working Group

- As detailed in a separate report to this Full Council, the MBWG has recommended the following which if approved would increase the Council's income accordingly.
  - Reduce resident discount for cemetery charges to 25% - **£28k income**
  - Increased Pre Planning Advice Fees - **£45k income**

## Risks, Caveats and Assumptions

The MTFS includes various assumptions, risks and caveats, the most pertinent of which are:

- Council Tax to rise by 3% per annum for each year of the MTFS
- Assumptions regarding delivery of hostel/modular accommodation
- The Council is exposed to interest rates both in terms of income it receives from short term treasury deposits.
- Future inflationary pressures, pay, fuel, utilities etc
- Number of new renewable energy schemes – Business Rate Income
- Costs associated with the delivery of an Environment Centre
- Future grant settlements from Central Government
- Growth in underlying business rate and council tax base
- Delivery timetable for hostel/modular accommodation
- Status of the private rented accommodation market
- Central Government Policy changes





As the MTFs involves projects several years into advance there is always a degree of uncertainty about the financial projections.

However clearly whilst the Council faces high inflation, whilst being constrained into how it can respond to it, it will face financial challenges:

- Council Tax Referendum limits significantly below inflation
- Central Government Settlements also significantly below inflation

The Housing crisis does not appear to be abating with rentals in the private rented market being significantly above those reimbursed by Local Housing Allowances

The Council cannot simply roll the dice and hope “things will work out”. There is an increasing list of Councils who for various reasons have issued Section 114 notice, curtailing non essential expenditure. The MBWG should be commended for the work they have done to date, but it should be recognised that further savings whilst needed will be more difficult to identify and deliver.