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North Devon Council
Brynsworthy Environment Centre
Barnstaple
North Devon EX31 3NP

K. Miles
Chief Executive.

POLICY DEVELOPMENT COMMITTEE

A meeting of the Policy Development Committee will be held as a Virtual – Online meeting on **THURSDAY, 19TH NOVEMBER, 2020 at 10.00 am.**

Members of the Committee

Councillor D. Spear (Chair) and
Councillors Campbell, Crabb, Hunt,
Jenkins, Luggar, Mack, Roome, Walker
and York

AGENDA

7. Mid Year Treasury Management Report 2020-21 (Pages 5 - 6)

Report by the Chief Financial Officer to Strategy and Resources Committee of 2nd November 2020 (attached) and Minute Extract of Strategy and Resources Committee of 2nd November 2020 (attached).

8. Performance and Financial Management Report: Quarter 2 of 2020/21 (Pages 7 - 10)

Report by the Head of Resources to Strategy and Resources Committee of 2nd November 2020 (attached) and Minute Extract of Strategy and Resources Committee of 2nd November 2020 (attached).

9. Commercialisation Strategy (Pages 11 - 12)

Report by Head of Resources to the Strategy and Resources Committee on 2nd November 2020 (attached) and Minute Extract of the Strategy and Resources Committee held on 2nd November 2020 (attached).

If you have any enquiries about this agenda, please contact Corporate and Community Services, telephone 01271 388253

NOTE: Pursuant to Part 3, Annexe 1, paragraph 3 of the Constitution, Members should note that:

"If a Member:

- (a) Arrives at a meeting during the consideration of an item; or*
- (b) Leaves a meeting at any time during the consideration of an item;*

They shall not:

- (i) propose or second any motion or amendment; or*
- (ii) cast a vote*

11.11.20



North Devon Council protocol on recording/filming at Council meetings

The Council is committed to openness and transparency in its decision-making. Recording is permitted at Council meetings that are open to the public. The Council understands that some members of the public attending its meetings may not wish to be recorded. The Chairman of the meeting will make sure any request not to be recorded is respected.

The rules that the Council will apply are:

1. The recording must be overt (clearly visible to anyone at the meeting) and must not disrupt proceedings. The Council will put signs up at any meeting where we know recording is taking place and a reminder will be issued at the commencement of virtual meetings.
2. The Chairman of the meeting has absolute discretion to stop or suspend recording if, in their opinion, continuing to do so would prejudice proceedings at the meeting or if the person recording is in breach of these rules.
3. We will ask for recording to stop if the meeting goes into 'part B' where the public is excluded for confidentiality reasons. In such a case, the person filming should leave the room ensuring all recording equipment is switched off. In a virtual meeting the public will be excluded from the meeting while in Part B.
4. Any member of the public has the right not to be recorded. We ensure that agendas for, and signage at, Council meetings make it clear that recording can take place – anyone not wishing to be recorded must advise the Chairman at the earliest opportunity. Public contributions to virtual meetings will be recorded, unless, at the Chair's discretion, recording is deemed inappropriate in accordance with point 2 above.
5. The recording should not be edited in a way that could lead to misinterpretation or misrepresentation of the proceedings or in a way that ridicules or shows a lack of respect for those in the recording. The Council would expect any recording in breach of these rules to be removed from public view.

Notes for guidance:

Please contact either our Corporate and Community Services team or our Communications team in advance of the meeting you wish to record at so we can make all the necessary arrangements for you on the day.

For more information contact the Corporate and Community Services team on **01271 388253** or email **memberservices@northdevon.gov.uk** or the Communications Team on **01271 388278**, email **communications@northdevon.gov.uk**.

Meeting Etiquette Reminder for Members

Members are reminded to:

- Join the meeting at least 10-15 minutes prior to the commencement to ensure that the meeting starts on time.
- Behave as you would in a formal committee setting.
- Address Councillors and officers by their full names.
- Do not have Members of your household in the same room.
- Be aware of what is in screen shot.
- Mute your microphone when you are not talking.
- Switch off video if you are not speaking.
- Only speak when invited to do so by the Chair.
- Speak clearly (if you are not using video then please state your name)
- If you're referring to a specific page, mention the page number.
- Switch off your video and microphone after you have spoken.
- The only person on video will be the Chair and the one other person speaking.
- Only use the Chat function to register that you wish to speak or to move or second a motion.

Virtual attendance by members of the public

If members of the public wish to attend virtually, please contact Corporate and Community services on 01271 388253 or memberservices@northdevon.gov.uk by 12pm on the Monday preceding the meeting.

NORTH DEVON COUNCIL

POLICY DEVELOPMENT COMMITTEE: 19TH NOVEMBER 2020

MINUTE EXTRACT OF STRATEGY AND REOURCES HELD ON 2ND NOVEMBER 2020 IN RESPECT OF ITEM 7 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA

206 MID YEAR TREASURY MANAGEMENT REPORT

The Committee considered a report by the Chief Financial Officer (circulated previously) regarding the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21.

The Exchequer Manager highlighted the following:

- The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by this Council on 26th February 2020.
- The underlying TMSS approved previously required revision in the light of economic and operational movements during the year as detailed in paragraph 4.1 of the report.
- The Council's Capital Position (Prudential Indicators) as detailed in paragraph 4.2 of the report.
- Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and Operational Boundary as detailed in paragraph 4.3 of the report. The forecast Capital Financing Requirement had reduced by circa £1.6m from the original estimate. The majority of this reduction related to the slippage in the Leisure Centre capital project with the spend re-profiled into future years.
- The forecast operational boundary has reduced by £6m. Delays to the capital programme expenditure, stronger reserve forecasts and the strategy of postponing or delaying external borrowing means that the external borrowing position was not now expected to exceed £2.25m this financial year.
- Limits to borrowing activity as detailed in paragraph 4.4. of the report.
- Borrowing strategy as detailed in paragraph 4.5 of the report, which remains to delay external borrowing whilst we can use internal cash flow balances. The current forecast for next financial year (2021/22) shows CFR increasing by £9.9m with the bulk of the Leisure centre spend in year, giving a total CFR of £17m. This would potentially require £14.5m of external borrowing in addition to internal borrowing.
- Annual Investment Strategy as detailed in paragraph 4.8 of the report. As shown by the interest rate forecasts in Appendix A, it was now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates were barely above zero now that Bank Rate was at 0.10%. The Council held £24.7m of investments as at 30 September 2020 (£16.25m at 31 March 2020). The Council's budgeted investment return for 2020/21 was £50,000. As at 30th September 2020 £40,689 investment interest was earned in the half-year period.
- Economic and Interests Rates as detailed in Appendix A.

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RECOMMENDED:

- (a) The changes to the prudential indicators be approved;
- (b) The report and the treasury activity be noted.

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POLICY DEVELOPMENT COMMITTEE: 19TH NOVEMBER 2020

MINUTE EXTRACT OF STRATEGY AND REOURCES HELD ON 2ND NOVEMBER 2020 IN RESPECT OF ITEM 8 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA

205 PERFORMANCE AND FINANCIAL MANAGEMENT REPORT: QUARTER 2 OF 2020-21

The Committee considered a report by the Head of Resources (circulated previously) regarding the Performance and Financial Management for quarter 2 of 2020/21.

The Accountancy Services Manager highlighted the following:

- The revenue budget for 2020/21 was approved at Council on 26th February 2020 at £13,380,000.
- As at 30 September 2020, the latest forecast net budget is £13,516,000, which produced a forecast budget deficit of £136,000. (Q1 deficit was £385,000). Details of all variances were shown in “Appendix A – Variations in the Revenue Budget”.
- The original budget for 2020/21 included a forecast to achieve £200,000 worth of salary vacancy savings. The current position forecasts this will be exceeded this year; we were currently predicting to achieve £245,000.
- There was much pressure on the 2020/21 budget due to the Covid-19 pandemic and the Council’s income streams have been greatly affected in the first two quarters of 2020/21 and this was expected to continue through the financial year. Also additional costs have been incurred by the council in provision of temporary accommodation, additional agency staff for waste and recycling and in supporting the local community.
- Central government have announced and paid local authorities three tranches of support funding totalling £1,189,000 for North Devon. We have also claimed £160,000 in respect of the job retention scheme and received £170,000 New Burdens grant for SBG and RHLG. Central government have announced they will help support local authorities for lost income by paying 75% of any lost income after Councils incur the first 5% variance. The expected lost income and additional costs have been factored into the figures in Appendix A along with the anticipated government support. Figures relating to the forthcoming national lockdown would be worked on this week.
- It was anticipated that there would be a reduction in both Council Tax and Business Rates income during 2020/21 as a result of the pandemic. However, no reduction for income was being reported for 2020/21 year as the financial effect of any deficit on the Collection Fund income will not have an impact on NDC finances until later years as the Government also announced that deficits on this taxation income can be spread over the next 3 financial years.
- It was difficult to quantify the full impact of Covid-19 at this stage with any certainty, however the financial pressure on the Council would be substantial through 2020-21 and beyond – even after taking into account the above mentioned emergency Covid-19 funding announced by the Government. The

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Council does have both general fund and earmarked reserve balances which it could call upon in 2020-21 to mitigate the economic impact being experienced but clearly this would have much longer term solvency implications for the authority.

- “Appendix B – Movement in reserves and Balances” detailed the movements to and from earmarked reserves in 2020/21.
- Full details of the Strategic Contingency Reserve movements and commitments are attached as “Appendix C – Strategic Contingency Reserve”.
- The 2020/21 to 2022/23 Capital Programme is attached as “Appendix D – Capital Programme”.
- Project under spends of £2,673,332 were brought forward from 2019/20 year and further variations of (£2,356,424) were approved as part of the performance and financial management report to Strategy and Resources to produce a revised 2020/21 Capital Programme of £12,938,936.
- Two capital funding bids for a further £166,000 were submitted to the Project Appraisal Group (PAG) in relation to new Trade Waste software £36,000 and Repairs to the Queens Theatre’s flat roof £130,000. The projects were to be funded from the improvement reserve and repairs fund respectively. The projects have been scored and have been put forward by the Project Appraisal Group.
- Overall variations of (£2,526,908) were proposed to the 2020/21 Capital Programme as detailed in paragraph 4.4.4.
- The overall Capital Programme for 2020/21 to 2022/23 is £29,729,999 and is broken down as follows: 2020/21 - £10,412,028; 2021/22 - £17,033,383; 2022/23 - £2,284,588.
- The Programme of £29,729,999 was funded by Capital Receipts / Borrowing (£14,844,331), External Grants and Contributions (£12,147,339) and Reserves (£2,738,329).
- Once funds have been included in the Capital Programme the Constitution required a separate decision to release those funds. Accordingly the schemes below need the funds to be released so that spending can start within the following three months: Trade Waste Software £36,000; Queens Theatre flat roof repair £130,000.
- Treasury Management (paragraph 4.5), Debt Management (paragraph 4.6) and General Debtors (paragraph 4.7).
- Performance information as detailed in Appendix E.

In response to a question regarding ICT Skype for Business (page 41), the Accountancy Services Manager advised that there was currently a dispute with the supplier and once resolved the final payment would be made.

In response to questions the Chief Executive advised:

- Park and Change site at Chivenor (page 47) - once the land ownership issues had been resolved, the Council would adopt the site and manage the car park in line with other Council managed car parks.
- Discounted sale processes action (page 49) – there were a number of supplementary planning documents to be produced. Discussions would be

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undertaken with the team shortly regarding progress on the production and adoption of these documents.

In response to questions, the Head of Resources advised:

- Action “Develop a Climate Change and Biodiversity Action Plan” (page 48) - the Environmental Policy had now been approved and that the action would be updated by the Head of Place.
- Appendix A Government funding – the Council had received three tranches of funding from the Government for Covid 19 totalling £1.189m. Since the publication of the agenda, the Council had received further Government funding of £385,000. However, following the next national lockdown there would be further financial impact on the Council. The report for the next quarter would detail the net financial impact on the Council. The claim for reimbursement of lost income for the first four months had been claimed. The forecast loss of income of £1.185m was until the end of the financial year. A further claim would be made for the reimbursement of income for the remainder of the year.

RESOLVED:

- (a) That the actions being taken to ensure that performance was at the desired level be noted;
- (b) That the contributions to/from earmarked reserves be approved as detailed in paragraph section 4.2;
- (c) That the movements on the Strategic Contingency Reserve (paragraph 4.3) be noted;
- (d) That funds be released for the capital schemes listed in paragraph 4.4.11;
- (e) That the sections dealing with Treasury Management (paragraph 4.5), and Debt Management (paragraphs 4.6 and 4.7) be noted;

RECOMMENDED:

- (f) That Council approve the variations to the Capital Programme 2020/21 to 2022/23 (paragraph 4.4.4)

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POLICY DEVELOPMENT COMMITTEE: 19TH NOVEMBER 2020

MINUTE EXTRACT OF STRATEGY AND REOURCES HELD ON 2ND NOVEMBER 2020 IN RESPECT OF ITEM 9 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA

208 COMMERCIALISATION STRATEGY

The Committee considered a report by the Head of Resources (circulated previously) regarding the Commercialisation Strategy.

Councillor Roome, Lead Member for Commercialisation outlined the reasons why a Commercialisation Strategy had been produced for the Council.

The Head of Resources highlighted the following:

- The financial position of the Council was uncertain and a budget gap was forecast beyond 2021/22.
- We were awaiting the Comprehensive Spending Review which was anticipated to be November 2020 and announcements on Government funding for Local Authorities which we hope would see a 3-year funding settlement to provide some certainty into the medium term. However, it was anticipated that this announcement would be a one year funding settlement.
- The Council had already started to look at other opportunities for generating income such as Plot 1B at Seven Brethren, where the Council took back the long term lease and site was now leased to the Police.
- A high-level refresh of the above forecast budget position in light of the current pressures being experienced had increased the predicted budget gaps further as detailed in paragraph 4.5 of the report.
- However, one certainty we can be assured of is that we will still have a significant funding gap for future years to bridge and we need to ensure that we have clear parameters and strong governance in place within the financial context we are operating to look at exploring opportunities and business cases when they arise.
- A Commercial Strategy sets these parameters, which we have clearly proposed as set out in Appendix A of this report.
- It was important that clear outcomes were set when devising any strategy and these had been defined in paragraph 4.10 of the report.
- Aspirational targets had been set as detailed in paragraph 5.1 of the report.
- Commercial Decision making should focus on four main drivers as detailed in Appendix A, page 126.

In response to questions, the Head of Resources advised the following:

- The Council had visited Cheltenham Borough Council to discuss types of commercial opportunities that they had been involved in as they had embedded similar principles and provided more “business like” services.
- He was unaware of the Preston model. The commercial strategy was not just about bridging the financial gap. It would also achieve economic benefits for both the community and the Council.

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- The Commercialisation Strategy had been discussed at a recent Managers Forum. Managers were invited to consider ideas with their teams that could be considered and feedback.
- There would be opportunities for Members to discuss the refreshed Medium Term Financial Strategy.
- There would be opportunities for both Members and Officers to feed in ideas into the commercial strategy.

RECOMMENDED that the context of the financial parameters the Council was currently working within be noted and that the adoption of the Commercialisation Strategy as set out in Appendix A of the report be recommended to Full Council.