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

AGENDA

1. Virtual meetings procedure - briefing and etiquette

   Committee Clerk to report.

2. Apologies

3. To approve as a correct record the minutes of the meeting held on 10th September 2020. (Pages 5 - 10)

4. Items brought forward which in the opinion of the Chair should be considered by the meeting as a matter of urgency.

5. Declarations of Interest.

   (Please telephone the Corporate and Community Services team to prepare a form for your signature before the meeting. Interests must be re-declared when the item is called, and Councillors must leave the room if necessary).

6. To agree the agenda between Part 'A' and Part 'B' (Confidential Restricted Information).

PART 'A'

INTERNAL ITEMS

7. **Mid Year Treasury Management Report 2020-21** (Pages 11 - 28)

   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 (to follow).

8. **Performance and Financial Management Report: Quarter 2 of 2020/21** (Pages 29 - 58)

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 (to follow).

9. **Commercialisation Strategy** (Pages 59 - 62)

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 (to follow).

10. **Notice of Motion - Council Pavement Parking** (Pages 63 - 64)

To consider a motion as agreed at Full Council of 7th October 2020 (attached) and minute extract of Full Council held in 7th October 2020 (attached).

11. **Work Programme 2020/21** (Pages 65 - 66)

To consider the work programme (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 in appropriate 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

Minutes of a meeting of Policy Development Committee held at Virtual - Online meeting on Thursday, 10th September, 2020 at 6.30 pm

PRESENT: Members:

Councillor D. Spear (Chair)

Councillors Campbell, Luggar, Mack, Roome, Walker and York

Officers:

Head of Resources

Also Present:

Councillors

56. VIRTUAL MEETINGS PROCEDURE - BRIEFING AND ETIQUETTE

The Corporate and Community Services Officer outlined the virtual meeting procedure and etiquette to the Committee and attendees.

57. APOLOGIES

There were no apologies for absence received.

58. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 16 JULY 2020 (ATTACHED).

RESOLVED that the minutes of the meeting held on 16th July 2020 (circulated previously) be approved as a correct record.

59. DECLARATIONS OF INTEREST.

There were no declarations of interest declared.

60. PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 4 OF 2019/20

The Committee considered a report to the Strategy and Resources Committee on 3rd August 2020 by the Head of Resources together with a minute extract (circulated previously) regarding the Performance and Financial Management Quarter 4 of 2019-20.

The Head of Resources advised that the report had already been subject to consideration by the Strategy and Resources Committee on 3rd August 2020.

He highlighted the following points to the Committee:

- As at 31st December 2019 the Council was reporting a net surplus of £6,000 against the budget. As at 31st March 2020 the final outturn was a budget surplus of £241,000. The main reasons for the movement were covered in appendix A of the report. The favourable variances in the last quarter included additional salary vacancy savings, investment interest and reduced borrowing costs.
- It was proposed that the revenue budget surplus (£241,000) be set aside into the following ear-marked reserves:
  - (£9,689) Museum Development – For the Museum garden path
  - (£17,144) Office Technology – ICT spend committed to but not paid in 2019-20
  - (£46,000) Leisure Centre replacement – Works at Seven Brethren
  - (£18,000) Building Control Partnership reserve – 50% of surplus to protect against loss of income in 2020-21
  - (£10,000) Harbour Repairs – Fender repairs
  - (£13,522) Lynton Agency – 2019-20 works not completed due to Covid-19
  - (£100,000) Repairs fund – Additional contribution for planned maintenance
  - (£26,260) Legal Services – External Legal Fees
- As at 31st March 2020 total external borrowing was £1.25million. This was lower than was originally anticipated.
- The Authority had been in a strong position at the end of 2019-20 going in to 2020-21. The effects of Covid-19 would be felt long into 2020-21 and beyond. It had affected the sources of core income and increased expense. The Council had incurred costs for additional agency staff for the Waste and Recycling team, costs of assisting the vulnerable in the community, additional work to find accommodation for the homeless and the impact upon the level of bad-debt provision. The situation would be monitored on an ongoing basis through 2020-21.
- Actual spend on the Capital Programme for 2019-20 financial year was £5,453,943. The underspend on the capital programme budget would be carried forward to 2020-21 to fund on-going projects.

- £143,315 investment interest was earned during the financial year. The 2019-20 interest receivable budget was £70,000 so this was a positive variance of over £73,000.

In response to questions from the Committee, the Head of Resources advised that:

- There was a plan to replace the roof of Barnstaple Pannier Market as the market was seen as fundamental in the investment into Barnstaple and its regeneration. He noted that the roof was a specialist project due to its historic nature which therefore increased the costs involved.
- Collection of Business Rates was at 97.1%, and Council Tax at 96.8%. Collection levels during 2020-21 (since Covid-19) had not dropped significantly but it was considered that the Government's Furlough Scheme had helped people to date. Once the furlough scheme ended it may change.
- The collection rates confirmed were similar to those of other Local Authorities.

RESOLVED, that the decisions and recommendations of the Strategy and Resources Committee be endorsed.

61. PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 1 OF 2020/21

The Committee considered a report to the Strategy and Resources Committee on 1st September 2020 by the Head of Resources together with a minute extract (circulated previously) regarding the Performance and Financial Management Quarter 1 of 2020-21.

The Head of Resources advised that the report had already been subject to consideration by the Strategy and Resources Committee on 1st September 2020.

He highlighted the following points to the Committee:

- As at 30th June 2020 the latest forecast net position was £13,765,000 which produced a forecasted budget deficit of £385,000.
- Central Government had announced three tranches of funding for Local Authorities and an additional scheme for recompense towards lost income and fees, e.g. from car parks. Support from the Government would be 75% of any lost income, once the Council had incurred the first 5% variance.
- The Council had claimed £160,000 from the Government's Furlough Scheme. This had been for those staff unable to work. Staff affected had included those in the Car Parks and Pannier Market teams.
- A £170,000 New Burdens grant had been received towards the administration cost involved with the business grants.
- It was anticipated that there would be a reduction in the Council Tax and Business Rates incomes for 2020-21 as a result of Covid-19. Any resulting effects on the Collection Fund income would not have an impact on finances until later years.
- The Government would be allowing Local Authorities to spread any Council Tax and Business Rate losses over the next three years. The Financial Team was currently looking at the implications of this action. The information about

future government funding was required so that it could be planned for and built in to future financial plans over the next three financial years.

- The Council had reserves but continued use of them could affect the long-term solvency of the Authority.
- Reserves at the end of the financial year were forecasted at £1.16million, with a borrowing requirement reduced to £500,000.

In response to a question from Councillor Mack regarding the importance of commercialisation, the Head of Resources confirmed that progress had been made into researching extending commercial activity at the Authority. The key area was to introduce new methods of income generation rather than purely by increasing fees and charges. Existing opportunities for income generation would need to be maximised, such as commercial waste services. It was outlined that findings and a report would be brought forward to Members at a future date.

In response to questions from Councillor Luggar, the Head of Resources confirmed that:

- The purchase of properties for temporary accommodation had helped to prevent higher costs being incurred if alternative housing had to be arranged for many of the families. Approximately £20,000 of savings had been achieved by each accommodation unit when compared to the alternative provision which would have been to place families into temporary accommodation such as Bed and Breakfast placements. Demand for those properties exceeded the supply and the Council hoped to acquire more in the future.
- The Authority had £5m of earmarked reserves in addition to the £1.2m general fund reserve. The forecast budget deficit was £385,000. If the general fund reserve was used to cover the in-year deficit the Council would remain just above the minimum level of reserves allowed. The current level of general fund reserve was 9%. The Head of Resources was of the opinion that to dip into those reserves should be a one-year option at most.

In response to a question from the Chair, the Head of Resources confirmed that:

- The situation was changing daily. The key aim was to support businesses and retain those networks which had been established. As this was a tourist area this had been positive for some businesses recently but there was the added worry about the impact of the pandemic following the influx of visitors.
- The Local Authority had received one of the largest allocations of business grant funding in Devon (at £51million).

RESOLVED, that the decisions and recommendations of the Strategy and Resources Committee be endorsed.

62. ANNUAL TREASURY MANAGEMENT REPORT 2019/20

The Committee considered a report to the Strategy and Resources Committee on 1st September 2020 by the Head of Resources together with a minute extract (circulated previously) regarding the Annual Treasury Management Report 2019/20.

The Head of Resources advised that the report had already been subject to consideration by the Strategy and Resources Committee on 1st September 2020.

He highlighted the following points to the Committee:

- This report was one of three mandatory reports produced each year: annual strategy at beginning of year, mid-year report in November outlining performance against the strategy and an annual report which sets out how the Council had actually performed in the year.
- NDC's strategy for treasury management was in the order of (1) Security, (2) Liquidity of the money and how easily accessible and (3) the Yield (return) on any investment made.
- 'Spare' cash was utilised for 'internal borrowing' as was cheaper to borrow from own reserves than external borrowing.
- Borrowing need for 2019/20 was £4.746million. External borrowing was only £1.25million, with the difference being borrowed internally from cash reserves. External borrowing was at £1.25m at the start and end of 2019/20.
- Net investments for the Council of £15.9million being held at 31st March 2020.
- During 2019-20 year the Council made no material non-treasury investments in property with a view of generating an income stream. Many Authorities had recently done this and it had resulted in a lower income than hoped for with the effects of the pandemic on commercial businesses who would have looked to occupy such premises.
- Investment Outturn position was shown in section 4.6 and the investment activity for the year conformed to the approved strategy and the Council had no liquidity difficulties. The Authority had around £650,000 more in cash balances at 31 March 2020 than at the same time in the previous financial year.
- The Council earned £143,000 of interest income on its investments in 2019-20 against the budgeted interest of £70,000.

RESOLVED, that the decisions and recommendations of the Strategy and Resources Committee be endorsed.

Chair
The meeting ended at 7.20 pm

NOTE: These minutes will be confirmed as a correct record at the next meeting of the Committee.

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NORTH DEVON COUNCIL

REPORT TO:	**STRATEGY AND RESOURCES**
Date:	**2ND NOVEMBER 2020**
TOPIC:	**Treasury Management Strategy Statement and Annual Investment Strategy** **MID-YEAR REVIEW REPORT 2020/21**
REPORT BY:	**CHIEF FINANCIAL OFFICER**

1. INTRODUCTION

1.1 This mid year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management (revised 2017), and covers the following:

- An economic update for the first part of the 2020/21 financial year (appendix A);
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure and prudential indicators;
- A review of the Council's investment portfolio for 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of any debt rescheduling undertaken during 2020/21;
- A review of compliance with Treasury and Prudential Limits for 2020/21.

2. RECOMMENDATIONS

The Committee is asked to recommend to full Council that:

2.1 The changes to the prudential indicators be approved.

2.2 The report and the treasury activity be noted.

3. REASONS FOR RECOMMENDATIONS

3.1 This Council is required through regulations issued under the Local Government Act 2003 to produce a mid year treasury report reviewing treasury management activities and the prudential and treasury indicators for 2020/21. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (revised 2017).

3.2 This Council is also required under the Code to give prior scrutiny to the treasury management reports by the Policy Development Committee before they are reported to the full Council.

4. REPORT

4.1 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by this Council on 26th February 2020.

The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes are set out below:

Prudential Indicator 2020/21	Original Estimate £000	Revised Prudential Indicator £000
Capital Financing Requirement	8,770	7,169
Operational Boundary	8,250	2,250

Section 4.3 of this report gives further information on the Capital Financial Requirement and the Operational Boundary.

4.2 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget.

Capital Expenditure by Service	2020/21 Original Estimate £000	Current Position 30/09/20 £000	2020/21 Revised Estimate £000
Chief Executive & Corporate	506	52	520
Corporate & Community	5,234	672	4,613
Environmental Health & Housing	1,801	465	2,757
Operational Services	876	177	512
Place	2,026	3	655
Resources	2,179	262	1,355
Total	**12,622**	**1,631**	**10,412**

Changes to the Financing of the Capital Programme

The table below draws together the capital expenditure plans (above), and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

Capital Expenditure	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
Total capital spend	**12,622**	**10,412**
Financed by:		
Capital receipts	(600)	(400)
Capital grants	(7,285)	(5,854)
Capital reserves	(1,207)	(1,195)
Total financing	**(9,092)**	**(7,449)**
Borrowing requirement	**3,530**	**2,963**

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table below shows the borrowing requirement (above), the reduction for the Minimum Revenue Provision (MRP) and impact on the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

	2020/21 Original Estimate £000	**2020/21 Revised Estimate £000**
Prudential Indicator – Capital Financing Requirement		
Borrowing requirement	3,530	2,963
Minimum Revenue Provision	(626)	(540)
Movement in CFR	2,904	2,423
Revised Total CFR	**8,770**	**7,169**
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	8,000	2,000
Other long term liabilities	250	250
Total debt (year-end position)	**8,250**	**2,250**

Prudential Indicator – Capital Financing Requirement

The forecast Capital Financing Requirement has reduced by circa £1.6m. This reduction can be broken down into £1.12m for the 19/20 estimate and £0.48m for the 20/21 estimate (as shown in the CFR movement above). However, the majority of this reduction relates to the slippage in the Leisure Centre capital project. In the Strategy the projected capital spend on this scheme by March 21 was £6.37m, although the current projection is spend of £4.57m to March 21. Please note that this reduction is a timing issue only with the project spend re-profiled into future years.

Despite the reduction in CFR from the forecast, it should still be noted that the current capital programme is adding circa £2.4m to the Council's overall need to incur borrowing.

Prudential Indicator – the Operational Boundary for external debt

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 is not now expected to exceed £2.25m this financial year. Section 4.5 looks at the borrowing strategy in more detail.

4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need, which will be adhered to if this proves prudent.

	2020/21 Original Estimate £000	Current Position 30/09/20 £000	2020/21 Revised Estimate £000
Gross borrowing	5,500	500	1,500
Plus: other long term liabilities	0	0	0
Total debt	**5,500**	**500**	**1,500**
CFR (year end position)	8,770		7,169

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit that represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2020/21 Original Indicator £000	2020/21 Revised Indicator £000
Borrowing	22,000	22,000
Other long term liabilities	500	500
Total	22,500	22,500

The Leisure Provision at Seven Brethren report considered by Full Council on 13th March 2019, approved the increase in authorised borrowing limit to £22m from 2020/21.

4.5 Borrowing

The Council's capital financing requirement (CFR) for 2020/21 is £7.2m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the Public Works Loan Board (PWLB), or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

At present, the Council has projected total external borrowing of £1.5m and utilising £5.7m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring of economic conditions.

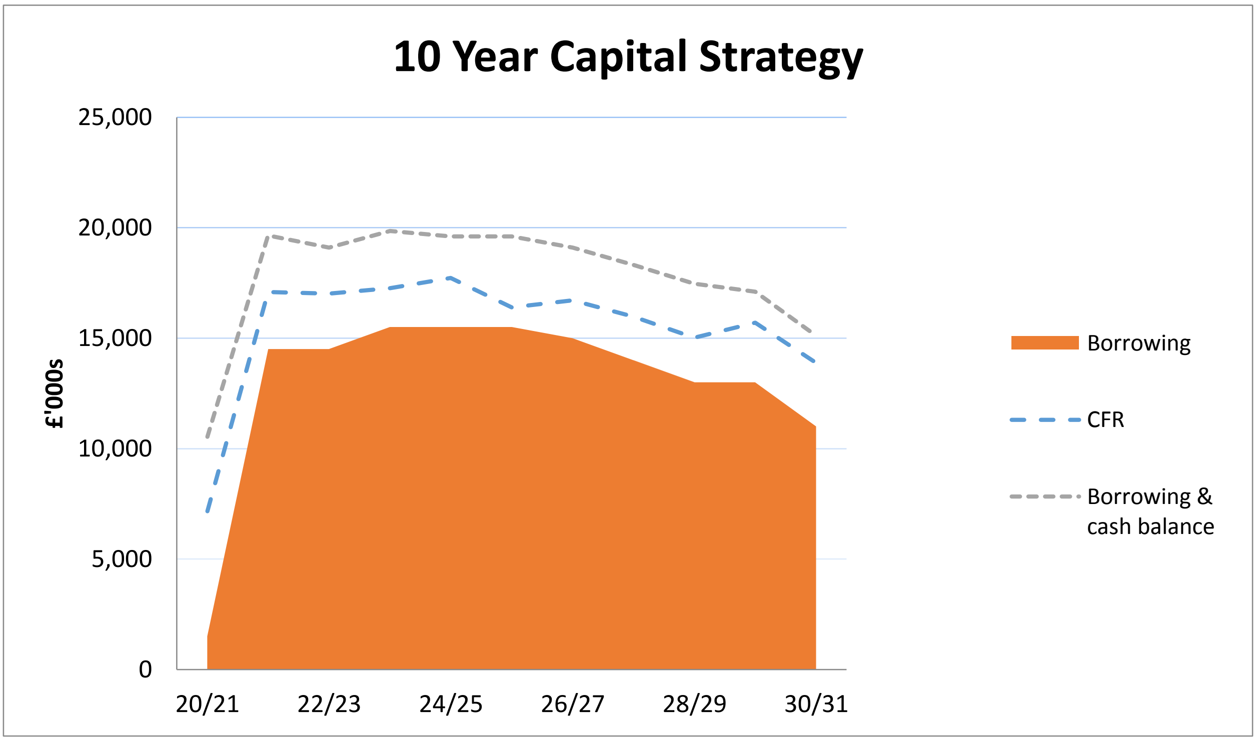
In May 2020 a PWLB loan of £0.75m matured, leaving the Council's total external borrowing at £0.5m. Whilst the borrowing projection prudently anticipates a further £1m of external borrowing might be required this financial year, however that is subject to the full capital programme being spent.

The Council's borrowing strategy remains to delay any external borrowing for as long as possible, or at least until the outcome of the PWLB consultation on the margins applied by HM Treasury is known, as there is an expectation that borrowing rates might reduce. At present we have been using internal borrowing from the Council's own cash flows, as this is a low cost financing option and reduces the net interest cost to the Council, but we will continue to monitor our cash position and amend the borrowing position as necessary.

PWLB Rates 1st April 2020 to 30th September 2020

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

Long-term borrowing projections



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 be funded from £14.5m of external borrowing and a further £2.5m of internal borrowing.

4.6 Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

4.7 Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2020, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2020. The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4.8 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 26th February 2020. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach.

As shown by the interest rate forecasts in Appendix A, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

Negative investment rates

While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the Debt Management Account Deposit Facility (DMADF), offer nil or negative rates for very short term maturities. This is not universal, and Money Market Funds are still offering a marginally positive return, as are a number of financial institutions.

Creditworthiness.

Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks. The Council will continue to monitor the creditworthiness of its counterparties with our Treasury Advisors Links Asset Services.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function

Investment balances

The Council held £24.7m of investments as at 30 September 2020 (£16.25m at 31 March 2020) and the investment portfolio yield for the first six months of the year was 0.24% against the benchmark 7 day LIBID of -0.06%.

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.

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2020/21.

Non-Treasury Management Investments

The PWLB consultation included the proposal to end any PWLB loans for 'debt for yield' projects where financial assets and property where purchased primarily for financial return. This could also mean no PWLB loans for the rest of the capital programme in that year.

We will need to review the new lending arrangements once they are finalised and released by HM Treasury and access the potential impact on the borrowing strategy, non-treasury investments and the Council's commercialisation strategy.

Bank Rate & LIBID rates 1st April 2020 to 30th September 2020

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.07	-0.07	-0.06	-0.01	0.11
Low Date	01/04/2020	19/06/2020	21/08/2020	28/08/2020	25/08/2020	28/08/2020
Average	0.10	-0.05	-0.01	0.14	0.25	0.41
Spread	0.00	0.08	0.22	0.62	0.63	0.66

5. RESOURCE IMPLICATIONS

5.1 As detailed in the report.

6. EQUALITIES ASSESSMENT

6.1 There are not any equalities implications anticipated as a result of this report, as the purpose of this report is to present the Council's financial position only.

7. CONSTITUTIONAL CONTEXT

Article and paragraph	Referred or delegated power?
Part 4 Financial Procedure Rules (Article 13.8) Part 2, Article 4.4	Delegated

8. STATEMENT OF CONFIDENTIALITY

8.1 This report contains no confidential or exempt information under the provisions of Schedule 12A of 1972 Act.

9. BACKGROUND PAPERS

9.1 Background papers will be available for inspection and will be kept by the author of the report.

10. STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate Councillors and Officers.

Author: Jon Triggs, Head of Resources Date: 19th October 2020

Reference: T:\Technical\Adam\Treasury Management\ TM Mid Year Report 2020_21.doc

APPENDIX A: ECONOMICS AND INTEREST RATES

1) Economic Update

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

    - The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
    - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
    - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.
- The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.

- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.
- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.
- **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e.following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.
- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

2) Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020:** this could have repercussions for the US economy and SINO-US trade relations.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

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NORTH DEVON COUNCIL

REPORT TO:	**STRATEGY AND RESOURCES**
Date:	2nd November 2020
TOPIC:	**PERFORMANCE and FINANCIAL MANAGEMENT QUARTER 2 of 2020/21**
REPORT BY:	**HEAD OF RESOURCES**

1 INTRODUCTION

1.1 This is one of the series of regular quarterly reports on the council's overall operational and financial performance. The report covers financial as well as operational performance. It mainly covers the quarter from July to September 2020.

1.2 Sections 4 deals with headline financial performance. More detailed performance information is available in Appendix E.

2 RECOMMENDATIONS

2.1 That the actions being taken to ensure that performance is at the desired level be noted.

2.2 That the contributions to/from earmarked reserves be approved (section 4.2)

2.3 That the movements on the Strategic Contingency Reserve (section 4.3) be noted.

2.4 That council approve the variations to the Capital Programme 2020/21 to 2022/23 (sections 4.4.4)

2.5 That funds are released for the capital schemes listed in section 4.4.11

2.6 That the sections dealing with Treasury Management (section 4.5), and Debt Management (sections 4.6 and 4.7) be noted.

3 REASONS FOR RECOMMENDATIONS

3.1 To ensure that appropriate action is taken to allow the council to meet its objectives.

3.2 To inform Members of actual results compared to the approved Corporate Plan, as well as progress in delivering service within the revenue budget and Capital Programme

4 PRIORITY – RESOURCES

4.1 Revenue

4.1.1 The revenue budget for 2020/21 was approved at Council on 26th February 2020 at £13,380,000.

4.1.2 As at 30 September 2020, the latest forecast net budget is £13,516,000, which produces a **forecast budget deficit of £136,000**. (Q1 deficit was £385,000). Details of all variances are shown in “Appendix A – Variations in the Revenue Budget”.

4.1.3 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 are currently predicting to achieve £245,000.

4.1.4 There is 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 is 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.

4.1.5 Central government have announced and paid local authorities 3 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.

4.1.6 The figures shown in Appendix A include a projection for the rest of 20/21 based on the current environment and continuing Covid-19 impact on our income streams. Any further worsening of the predicted situation or increased restrictions imposed by government would need to be taken into account and built into the figures and members updated accordingly.

4.1.7 It is anticipated that there will 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 is 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.

4.1.8 It is difficult to quantify the full impact of Covid-19 at this stage with any certainty, however the financial pressure on the Council will be substantial through 2020-21 and beyond – even after taking into account the above mentioned emergency Covid-19 funding announced by the Government. The 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.

4.1.9 Moving forwards, the Council will reset its Medium Term Financial Strategy in recognition of the impact of the pandemic and the refresh of the Council’s strategic objectives. The changing environment and ‘new normal’ in which we are likely to find ourselves will require the Council to review the services it provides, how these are delivered and the outcomes that are of the highest priority.

4.1.10 The recommended level of general fund balance is 5%-10% of the council's net revenue budget (£669,000 to £1,338,000). The forecast general fund reserve at 31 March 2021 is £1,161,000 which is a level of 8.7%.

4.1.11 At the 30th September 2020 total external borrowing was £500,000. The timing of any future borrowing is dependent on how the authority manages its treasury activity and due to current low interest rates and reduced returns on investments it is prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme.

4.2 Earmarked Reserves 2020/21

4.2.1 "Appendix B – Movement in reserves and Balances" details the movements to and from earmarked reserves in 2020/21.

4.3 Strategic Contingency Reserve

4.3.1 Full details of the Strategic Contingency Reserve movements and commitments are attached as "Appendix C – Strategic Contingency Reserve"

4.4 Capital

4.4.1 The 2020/21 to 2022/23 Capital Programme is attached as "Appendix D – Capital Programme"

4.4.2 The Budget and Financial Framework report to Full Council 26th February 2020 outlined the Capital Programme for the 2020/21 financial year of £12,622,028. 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.

4.4.3 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 are 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.

4.4.4 Overall variations of (£2,526,908) are proposed to the 2020/21 Capital Programme as follows:

- **Other variations (+ and -) to 2020/21 Capital Programme £185,002**

Scheme	Amount (£)	Notes
S106 South Molton Rugby Club, Drainage works	9,002	Strategy and Resources Committee 1st September 20
S106 Combe Martin Parish Council – Clubhouse refurbishment	10,000	Strategy and Resources Committee 1st September 20
Trade Waste software	36,000	Quarter 2 PAG business case
Queens Theatre – Flat roof repairs	130,000	Quarter 2 PAG business case

- **Project movements (to) / from future years**

Scheme	Amount (£)	Notes
Land Release Fund	(1,500,000)	Move from 2020/21 to 2021/22
Material Recovery Facility	(760,000)	Move from 2020/21 to 2021/22
Leisure Provision at Seven Brethren	(500,000)	Move from 2020/21 to 2021/22
Vehicle replacement reserve	48,090	Move from 2022/23 to 2020/21
Vehicle replacement reserve	468,892	Move from 2022/23 to 21/22

4.4.5 The revised Capital Programme for 2020/21 taking into account the budget variations above is £10,412,028.

4.4.6 Actual spend on the 2020/21 Capital Programme, as at 30 September 2020 is £1,630,714.

4.4.7 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

4.4.8 The Programme of £29,729,999 is funded by Capital Receipts / Borrowing (£14,844,331), External Grants and Contributions (£12,147,339) and Reserves (£2,738,329).

4.4.9 The timing and realisation of capital receipts can be impacted by events beyond the control of the Council and we have been able to manage cash flows for projects through internal borrowing.

4.4.10 We also have authority to borrow from the Public Works Loan Board (PWLB) as outlined in the Treasury Management Annual Investment Strategy and the Council currently has external borrowing of £500,000.

4.4.11 Release of Funds – 2020/21 Capital Programme

4.4.12 Once funds have been included in the Capital Programme the Constitution requires 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

4.5 Treasury Management

4.5.1 Bank Rate remained at 0.10% during the quarter.

4.5.2 The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 30th September 2020, was -0.06% (previous year 0.57%).

4.5.3 The return earned on the Council's investments was 0.24% (previous year 0.70%).

4.5.4 £40,689 investment interest was earned during the half year period. (The 2020/21 interest receivable budget is £50,000)

4.5.5 As at 30th September 2020, the Council had total external borrowing of £500,000.

4.5.6 £5,340 interest was paid at an average rate of 1.66% on the PWLB loans during the half year period. (2020/21 interest payable budget is £74,000)

4.6 Debt Management

4.6.1 The three major areas of credit income are Council Tax, Business Rates and General Debtors.

4.6.2 As billing authority, the Council annually raises the bills for Council Tax (£69,000,000) and Business Rates (£32,000,000).

4.6.3 Collection rates are controlled through monitoring:

- the level of write offs
- levels of previous years' outstanding debt

- the level of income collection in the year against the annual sums due to be collected.

4.6.4 The council's budget is based on the assumption that eventually 97.5% of sums due will be collected. To ensure this level is achieved, year on year levels of write offs approved are controlled against a ceiling of 2.5% of annual debt.

4.6.5 The outstanding amounts at 30th September 2020 are as set out below:

	Council Tax		**Business Rates**	
Age in Years	**2019/20** £'000	**2020/21** £'000	**2019/20** £'000	**2020/21** £'000
1 – 2	1,229	**1,599**	110	**670**
2 – 3	679	**789**	60	**224**
3 – 4	377	**477**	43	**92**
4 – 5	245	**281**	17	**50**
5 – 6	151	**190**	31	**25**
Over 6	213	**275**	43	**69**

4.6.6 Irrecoverable debts from previous years not exceeding £1,500 can be written off with the authorisation of the Chief Financial Officer. Decisions on whether to write off debts over £1,500 rest with the Chief Financial Officer, in consultation with the Leader of the Council. As at 30th September 2020 the amount of accounts written off was as follows:

Less than £1,500			**More than £1,500**	
No. of accounts	**Amount**		**No. of accounts**	**Amount**
215	£15,797.69	Council Tax	20	£26,530.55*
19	£3,617.22	Business Rates	5	£20,792.85**
83	£16,398.95	Housing Benefits	5	£11,986.28

* £23,459.45 due to bankruptcy (see section 4.6.8)

** £20,383.67 due to bankruptcy and company insolvency (see section 4.6.8)

4.6.7 The monitoring of in year collection is carried out against national performance indicators targets of sums collected in year as a percentage of the Net Sums Due for that year.

4.6.8 The majority of the write offs are individual bankruptcy and company insolvency and in a number of cases include liabilities for previous years. In these cases we are unable to recover the debt. However, if at a later date a dividend is paid, the money is allocated to the account and the relevant amount written back on.

4.6.9 The other main reason for write offs is where the person has gone away (no trace). However, write offs are reviewed and where we find the persons contact address the write off is reversed and recovery action continues.

4.6.10 The levels of collection are:

	Achieved 2019/20	Achieved 2020/21
Council tax	55.63%	**54.63%**
Business rates	57.45%	**57.23%**

4.6.11 The Authority has received funding from major preceptors to help support the billing and collection of Council Tax and Business Rates which we hope will see an increase in the above collection levels.

4.7 General Debtors

4.7.1 The level of general invoices raised was £3,300,000 at 30th September 2020 (previous year £5,880,000).

4.7.2 A summary of outstanding debt, by age, is set out below with comparison to the previous year.

Age of debt	30 Sept 2019	30 Sept 2020
	£'000	£'000
3 weeks to 6 months	675	283
6 months to 1 year	172	226
1 to 2 years	136	394
2 to 6 years	300	367
Over 6 years	24	57
TOTAL	**1,307**	**1,327**

4.7.3 In accordance with the Constitution, irrecoverable debts not exceeding £1,500 can be written off with the authorisation of the Head of Financial Services. The Chief Financial Officer, in consultation with the Leader of the Council, must authorise write off of debts over £1,500.

4.7.4 As at 30th September 2020, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
0	£0	0	£0

5 Equalities Assessment

5.1 There are no equality implications anticipated as a result of this report.

6 Constitutional context

Article and paragraph	Appendix and paragraph	Referred or delegated power?	A key decision?	In the Forward Plan?
7.12	13, para 4.7	Delegated power	No	No

7 Statement of Internal Advice

7.1 The authors (below) confirm that advice has been taken from all appropriate Councillors and officers.

8 Background Papers

None

Author: Jon Triggs, Head of Resources Date: 16th Oct 2020

Lead Member: Councillor Ian Roome

Ref: I:\Projects\Single Report\2020-21 Q2\Q2 Perf & FM - Exec.doc

APPENDIX A - VARIATIONS IN THE REVENUE BUDGET

Service and Cost Area	Qtr 1 £	Qtr 2 £	Movement £
Temporary Accommodation	254,000	234,000	(20,000)
Other	(10,000)	(10,000)	0
Environmental Health & Housing	**244,000**	**224,000**	**(20,000)**
BEC Utilities	(4,000)	0	4,000
Rental income	74,000	59,000	(15,000)
Rates	21,000	21,000	0
Housing Benefits Subsidy	135,000	135,000	0
Covid-19 Initial Response - Work environment Re-configuration	45,000	45,000	0
Resources	**271,000**	**260,000**	**(11,000)**
Museum income	25,000	25,000	0
Covid-19 Support - Leisure	200,000	200,000	0
Legal income	(6,000)	(6,000)	0
Democratic Representation & Management	(13,000)	(13,000)	0
Corporate & Community Services	**206,000**	**206,000**	**0**
Works & Recycling Employees Agency Covid-19	286,000	300,000	14,000
Works & Recycling Employees Other	(50,000)	26,000	76,000
Works & Recycling Vehicle costs (Fuel)	(43,000)	(28,000)	15,000
Works & Recycling Trade Waste Tipping Charges	0	(81,000)	(81,000)
Works & Recycling Supplies & Services	0	34,000	34,000
Works & Recycling Trade Waste income	200,000	200,000	0
Works & Recycling Recycling Credits	0	6,000	6,000
Works & Recycling Shared Savings Scheme Covid-19	72,000	72,000	0
Works & Recycling Shared Savings Scheme	0	(66,000)	(66,000)
Works & Recycling Recycling Sales	236,000	238,000	2,000
Works & Recycling Other	6,000	(4,000)	(10,000)
Car Parks Pay & Display income	1,736,000	1,318,000	(418,000)
Car Parks Other income (Ringo, Season Tickets, PCN)	330,000	268,000	(62,000)
Operational Services	**2,773,000**	**2,283,000**	**(490,000)**
Harbour reduced income	22,000	22,000	0
HR Professional Fees, Further Education, Management Development	(28,000)	(60,000)	(32,000)
Land Charges fees & Supplies	11,000	11,000	0
Other	(5,000)	(6,000)	(1,000)
Corporate Services	**0**	**(33,000)**	**(33,000)**
Place Employees	(10,000)	12,000	22,000
Planning fee income	80,000	80,000	0
Building Control income	65,000	60,000	(5,000)
Pannier Market income	108,000	98,000	(10,000)
Place	**243,000**	**250,000**	**7,000**
Covid-19 Initial Response - PPE, ICT hardware	95,000	95,000	0
National pay award 0.75% higher than budgeted	0	97,000	97,000
Additional Vacancy saving	0	(45,000)	(45,000)
Borrowing costs	0	(132,000)	(132,000)
Job Retention Scheme	(160,000)	(160,000)	0
New Burdens SBG RHLG	(170,000)	(170,000)	0
Estimated 75% Government Reimbursement for lost income	(1,928,000)	(1,550,000)	378,000
Additional Government Funding Covid-19	(1,189,000)	(1,189,000)	0
Other	**(3,352,000)**	**(3,054,000)**	**298,000**
Total	**385,000**	**136,000**	**(249,000)**

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Appendix B - Movement in Reserves & Balances

Earmarked Reserves	Opening Balance 1st April 2020	Transfer to Reserves	Transfer from Reserves (to Capital)	Transfer from Reserves (to Revenue)	Transfer between Reserves	Closing Balance 31st March 2021
Collection Fund Reserve	732,620					732,620
Community Housing Fund -Housing Enabling	569,400					569,400
Capital Funding Reserve	397,587		-31,447			366,140
Vehicle Renewals Fund	171,790	250,000	-117,790			304,000
Crem Equipment Replacement Reserve	240,000					240,000
Transformation Reserve	0	250,000		-13,020		236,980
Crem Earmarked Reserve	199,948					199,948
Flexible Homelessness Support Grant	200,990			-6,000		194,990
Planning Enquiries Fund	190,133			-20,000		170,133
Local Plans Fund	144,125					144,125
Digital Transformation Financial Systems	168,895		-33,894	-4,330		130,671
Economic Development Reserve	143,987			-22,820		121,167
Repairs Fund	400,003	236,290	-321,500	-236,290	6,000	84,503
Tarka Tennis Surface replacement	70,873	13,000				83,873
Strategic Contingency Reserve	193,842			-117,240		76,602
Self Build & Custom Housebuild	72,302					72,302
Leisure Centre Replacement Reserve	63,099					63,099
Office Technology Reserve	193,099	115,000	-230,180	-17,498		60,421
Council Tax Support Scheme Reserve	79,919			-27,420		52,499
Rough Sleeper Initiative - DCLG grant	78,577			-29,216		49,361
CCTV Reserve	117,000		-69,000			48,000
Prevention CLG Grant Reserve	45,317					45,317
Improvement Programme Reserve	95,817		-52,546			43,271
P C Planned Maintenance Fund	40,156					40,156
Car Parking Reserve	30,496					30,496
External Legal Services Reserve	30,000					30,000
Brownfield Land Registers and Permission	26,263					26,263
Internal Audit Plan	25,687					25,687
Brexit Exports EH	25,000					25,000
District Council Election	0	25,000				25,000
Community Protection Vehicles Reserve	18,000	6,000				24,000
Community Consultation	38,383		-14,700			23,683
Neighbourhood Planning	23,250					23,250
Climate & Environmental Grants	0	20,000				20,000
Specialist Domestic Abuse Reserve	18,901					18,901
Building Control Reserve	18,000					18,000
Development Control Fund	15,600					15,600
Lynton Agency Reserve	13,522					13,522
IER Funding	13,138					13,138
Ilfracombe Harbour Repairs	10,000					10,000
Members Technology Reserve	0	6,070				6,070
Town & Parish Fund	5,159					5,159
Greensweep Replacement Fund	32,703		-30,000			2,703
Noise Equipment reserve	129	2,000				2,129
New Homes Bonus Reserve	125,147	45,050	-168,355			1,842
Ilfracombe Watersports Centre Reserve	3,180			-1,880		1,300
Habitat Directive Reserve	945					945
Museum development fund	10,539			-9,689		850
Local Welfare Support reserve	541					541
Office Accommodation Reserve	41					41
Second Homes Council Tax Reserve	125,289		-125,289			0
Theatres Reserve	6,000				-6,000	0
Covid-19 Funding Reserve	52,672	1,136,391		-1,189,063		0
Provision for Brexit Reserve	52,452			-52,452		0
Future High Street Fund FHSF	45,271			-45,271		0
RS Rapid Rehoming Pathway	19,782			-19,782		0
	5,395,568	**2,104,801**	**-1,194,701**	**-1,811,971**	**0**	**4,493,697**

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"APPENDIX C - STRATEGIC CONTINGENCY RESERVE"

Resources Available	£
Balance brought forward 1st April 2020	(193,842)
Contribution to reserve 2020/21	(0)
	(193,842)
2020/21 Commitments	**£**
Junction 27 – Economic impact on North Devon (Exec 03/03/15)	10,000
Water Sports Centre, Ilfracombe (Exec 05/09/16)	11,740
North Devon Fisherman's Association (Exec 04/06/19)	500
Funding of potential Judicial review (Full Council 20/11/19)	3,000
Blue Glass Recycling Boxes (Strategy and Resources 01/06/20)	92,000
Total projected spend in Year	**117,240**
Balance Remaining at 31 March 2021	**(76,602)**

APPENDIX D - CAPITAL PROGRAMME 2020/21 TO 2022/23

Project	Original Budget 2020/21 £	Spend as at 30th Sept 2020	Variance	Original Budget 2021/22 £	Original Budget 2022/23 £
Chief Executive and Corporate					
Website Improvement	5,455	0	5,455	0	0
ICT Capital Investment 22/23	0	0	0	0	432,570
Office Technology Fund - End User Assets and IT Assets in Data Centre	160,873	0	160,873	357,770	0
ICT Improve Back-up and Recovery Capabilities	216,140	0	216,140	0	0
ICT Skype for Business	137,110	51,755	85,355	0	0
	519,578	**51,755**	**467,823**	**357,770**	**432,570**
Corporate and Community					
Museum of Barnstaple - Long Bridge Wing	39,573	0	39,573	0	0
Queens Theatre - Flat roof	130,000	0	130,000	0	0
21:21 (Transformation Project)	16,546	5,750	10,796	0	0
Committee Administration System	255	0	255	0	0
Online Consultation Software System	14,700	0	14,700	0	0
S106 Contributions - Various projects	456,344	250,698	205,646	0	0
Fremington Quay Wall Repair - Phase 1	30,000	0	30,000	0	0
Tarka Tennis Artificial Grass Pitch	4,560	0	4,560	0	0
Leisure Provision at Seven Brethren	3,921,315	415,819	3,505,496	10,438,608	0
	4,613,293	**672,267**	**3,941,026**	**10,438,608**	**0**

Agenda Item 8
Appendix D

Project	Original Budget 2020/21 £	Spend as at 30th Sept 2020	Variance	Original Budget 2021/22 £	Original Budget 2022/23 £
Environmental Health & Housing					
Affordable Housing delivery Grant	5,000	0	5,000	0	0
Affordable Housing Fund	90,000	0	90,000	0	0
S106 Affordable Housing - Higher Westaway, Newton Tracey	45,000	0	45,000	0	0
ECO Warm up Grants	586,046	24,777	561,269	0	0
Disabled Facilities Grant Programme	1,571,867	423,721	1,148,146	979,000	979,000
Boyton House	173,459	16,209	157,250	0	0
Provision of temporary accommodation	285,674	0	285,674	0	0
	2,757,046	**464,707**	**2,292,339**	**979,000**	**979,000**
Operational Services					
Works Unit Vehicles	443,000	146,000	297,000	1,372,000	773,018
Rolling Road - for Workshop	31,790	30,795	995	0	0
Trade Waste Software	36,000	0	36,000	0	0
HGV Ramps	950	0	950	0	0
Material Recovery Facility - Infrastructure	0	0	0	760,000	0
	511,740	**176,795**	**334,945**	**2,132,000**	**773,018**
Place					
Land Release Fund - Seven Brethren	529,670	3,200	526,470	1,500,000	0
CCTV service	115,000	0	115,000	0	0
Replacement Planning ICT system	10,730	0	10,730	0	0

Project	Original Budget 2020/21 £	Spend as at 30th Sept 2020	Variance	Original Budget 2021/22 £	Original Budget 2022/23 £
	655,400	**3,200**	**652,200**	**1,500,000**	**0**
Resources					
Barnstaple Bus Station re-furbishment	0	0	0	51,394	0
Marine Drive Car Park Resurfacing - Ilfracombe	0	0	0	65,000	0
Ilfracombe Harbour - Kiosks	53,772	1,269	52,503	0	0
Jubilee Gardens reserved car park retaining wall	31,447	0	31,447	0	0
Resurfacing to various car parks	0	0	0	54,796	0
Retaining Wall - Watersmeet Car Park Lynton	22,000	0	22,000	0	0
Retaining Wall - Cross Street Car Park Lynton	9,500	0	9,500	0	0
Esplanade Wall	49,208	0	49,208	0	0
Public Maintenance - Public House corner of Castle Street and 16 Castle Street	90,000	0	90,000	0	0
Refurbishment Lower Lyndale Public Toilets, Lynmouth	30,000	0	30,000	0	0
HR and Payroll System	33,894	13,821	20,073	0	0
Pannier Market Re-roofing works	100,000	0	100,000	300,000	100,000
Water Sports Centre Ilfracombe	200,000	0	200,000	1,154,815	0
Acquisition of Land off Frankmarsh, Barnstaple	335,900	246,900	89,000	0	0
Planned Maintenance Seven Brethren	109,250	0	109,250	0	0
Digital Transformation Asset and Financial Management System	40,000	0	40,000	0	0
	1,104,971	**261,990**	**842,981**	**1,626,005**	**100,000**

Project	Original Budget 2020/21 £	Spend as at 30th Sept 2020	Variance	Original Budget 2021/22 £	Original Budget 2022/23 £
Resources - Non Treasury					
Acquisition of Corporate Property	250,000	0	250,000	0	0
	250,000	**0**	**250,000**	**0**	**0**
	10,412,028	**1,630,714**	**8,781,314**	**17,033,383**	**2,284,588**

Agenda Item 8
Appendix D

Appendix E

Table A: High level status of all service plan actions tracked on Pentana

	Completed	Overdue	Cancelled	Not due	Total
Totals	**422**	**2**	**51**	**67**	**542**
Since the last report included in the total	**4**				

Table B: Service plan actions that have been cancelled authorised by SMT

Action	Reason
P PBP 12 19/20 Viable and sustainable Barnstaple Pannier Market. Explore development options for Barnstaple Pannier Market	This action duplicates CE PM 01 17/18 and therefore cancellation requested.

Table C: Service Plan Actions (4) completed

Action	Closure Note	Due Date	Completed Date
L 01 20/21 Review charge out rates. Enhance integration with financial systems	Completed 24/09/2020. Updated Legal charging rates in place from 09/09/2020. Legal Income/Expenditure spreadsheet shared with Accountants.	31-Jul-2020	24-Sep-2020
P 01 20/21 Procurement of new cashless parking provider	Cashless provider (RingGo) procured. Contracts signed. Completed for NDC.	30-Jun-2020	12-Oct-2020
Place 01 20/21 Future High Streets Fund Delivery - Barnstaple	The final business case has been submitted to MHCLG for a capital ask of over £9m. A decision will be given in the Autumn as per Government guidelines.	31-Jul-2020	19-Oct-2020
R 05 20/21 Implement new Council Tax support scheme for 2020/21	Scheme went live April 2020.	31-Mar-2021	24-Sep-2020

Table D: Actions where Heads of Service have requested a revision to the due date and these have been approved by SMT

HoS	Code	Description	Current due date	Revised due date request	Reason & (if applicable Officer) requesting this change
KEN MILES	C&C C&C 01 19/20	Review the Design Print and Post service	30-Sep-2020	31-Dec-2020	Progress is being made but other more business critical priorities have taken precedence.
KEN MILES	C&CS 01 20/21	Streamline administrative process and implement an automated process for the administration of the Councillors grant and new Parish Council grant scheme	31-Aug-2020	31-Jan-2020	Follow up meeting to be arranged with Andrew Hughes, ICT regarding its effectiveness and consider whether to continue with using the back off system.
KEN MILES	OS PARK 04 19/20	Carry out review of the parking team and parking policies.	30-Sep-2020	01-Dec-2020	Request revised due date: 1st Dec 2020
KEN MILES	OS W&R 10 17/18	Recycling Process Hall	30-Sep-2020	30-Sep-2021	The Baling equipment Tender is due to start in November 2020. Stuart from Taunton Council is managing this for us. We are just waiting to publish the vehicle tender before he starts the process hall project.
KEN MILES	PARK 06 16/17	To take operational control and enforcement of the Park & Change site at Chivenor	30-Apr-2020	01-Oct-2021	Resurfacing and lining now complete. Not currently operational due to raised drains on access/exit road, ticket machine needing service and updates, fencing blocking pedestrian access and no charges/name boards.
KEN MILES	C&C PL&C 01 17/18	Castle Mound Improvement Project	30-Sep-2020	30-Sep-2023	Historic England work now complete. Next phase is to finalise interpretation and protection of castle mound project scope. Submit application to the HLF and deliver work

Table D: Actions where Heads of Service have requested a revision to the due date and these have been approved by SMT

MICHAEL TICHFORD	Place 03 20/21	Develop a Climate Change and Biodiversity Action Plan	31-May-2020	31-Mar-2021	Climate Action Team work has been delayed due to focus being given to Covid19 response and recovery work. Enviromental Policy has been developed by the CAT and was approved by Policy Development Committee on 16 July 2020.
MICHAEL TICHFORD	PRO 01 16/17	To continue to provide support and guidence on the procurement process. From the business planning it will be clear how much procurement is needed over the authority and relevent support provided	30-Apr-2020	31-Jan-2021	Due to staff shortage & Covid-19, an extension of time is requested.
MICHAEL TICHFORD	Place 02 20/21	Develop a database to integrate natural capital into decision making as part of future sustainability appraisals	31-Aug-2020	30-Jun-2021	A consultant (from Plymouth Univ) agreed to help develop the specification, funded by SWEEP (South West Partnership for Environmental and Economic Prosperity). After several meetings the scope of what was needed has been agreed and the relevant published data sources identified. A method summary has been published. Paul Trodd has been involved and is ready to develop the database once the specification is finalised. However progress on the project has been delayed by Covid-19 restrictions, the lead consultant changing jobs and delays in a key data source (Devon natural capital atlas) being published

Table E: Outstanding Service Plan Actions (2)

Code	Description	Progress Bar	Latest Note	Original Due Date	Due Date
H 10 16/17	Discounted sale processes	60%	No change from last update. Tracked changes on the draft SPD submitted to planning policy in Nov-19 still not received from planning policy due to other priorities. Until this is made a corporate priority, it is difficult to keep giving revised deadlines until housing enabling know when this will be received to incorporate into a final draft. This would then have to go to Local Plan Working Group; then out for public consultation; then revise where necessary, then to LPWG then to Policy or S&R Committee to adopt. I would like to escalate this concern as the policy gap leaves us open to challenge on many important affordable housing issues.	30-Jun-2016	30-Jun-2020
H 13 16/17	Off-site contributions process	60%	No change from last update. Tracked changes on the draft SPD submitted to planning policy in Nov-19 still not received from planning policy due to other priorities. Until this is made a corporate priority, it is difficult to keep giving revised deadlines until housing enabling know when this will be received to incorporate into a final draft. This would then have to go to Local Plan Working Group; then out for public consultation; then revise where necessary, then to LPWG then to Policy or S&R Committee to adopt. I would like to	30-Sep-2016	30-Jun-2020

Table E: Outstanding Service Plan Actions (2)

			escalate this concern as the policy gap leaves us open to challenge on many important affordable housing issues.		

Table F: Key Performance Indicators : Last year's data + this year's results

PI Code & Short Name	Performance Data Q1 2019/20 & 2020/21	Performance Data Q2 2019/20 & 2020/21	Performance Data Q3 2019/20 & 2020/21	Performance Data Q4 2019/20 & 2020/21	Year End Target	Year End Result	Current Target	Latest Note & History
Planning								
NI 155 **Number** of affordable homes delivered (cumulative[1])	28	45	74	178		178		
	5	40						
NI 157a **Percentage** of major applications processed within 13 weeks	83%	90%	100%	100%	45%	93.25%	45%	
	100%	100%						
NI 157b **Percentage** of minor planning applications processed within 8 weeks	91%	95.19%	96.6%	95%		94.45%	75%	
	97%	93%						
	95%	95.68%	94.1%	96%	85%	95.2%		

[1] NI 155 changed from Gross to Cumulative

NI 157c **Percentage** of other applications processed within 8 weeks	91%	98%			85%		85.00%	
Waste & Recycling								
L82(i) Total **percentage** domestic waste recycled	50.91%	50.77%	47.78%	46.07%			46.00%	Quarter 2 figures not yet available
	51.9%							
Finance								
BV8 **Percentage** of invoices paid on time	96.52%	95.76%	95.7%	95.7%	97.00%	95.92%	97.00%	
	96.20%	93.30%			97.00%			
BV9 **Percentage** of Council Tax collected	28.59%	55.63%	82.33%	96.81%	98.00%		98.00%	
	27.47%	54.63%			98.00%			
BV78a (M) **Speed** of processing new Housing Benefit/Council Tax Benefit claims	21.5	17.3	17.8	21.3	28.00		28.0	
	27	27.6			28.00			
BV10 **Percentage** of Non-domestic Rates Collected	31.96%	57.45%	81.30%	97.07%	99.05%		99.05%	
	21.07%	57.23%			99.05%			

PI Code & Short Name	Performance Data Q1 2019/20 & 2020/21	Performance Data Q2 2019/20 & 2020/21	Performance Data Q3 2019/20 & 2020/21	Performance Data Q4 2019/20 & 2020/21	Year End Target	Year End Result	Current Target	Latest Note & History
Property & Technical								
L728 **Percentage** of the gross internal area of the investment estate currently let	95.21%	98.26%	98.28%	98.26%				
	98.16%	95.21%						
L168 **Income** per car park P&D ticket	June £1.69	Sept £1.74	Dec £1.62	March £1.41			£1.76	
	July £1.79	Sept £1.79						

PI Code & Short Name	Performance Data Q 2019/20 & 2020/21	Performance Data Q2 2019/20 & 2020/21	Performance Data Q3 2019/20 & 2020/21	Performance Data Q4 2019/20 & 2020/21	Year End Target	Year End Result	Current Target	Latest Note & History
Building Control								
L300 Building Regulation Full Plan applications determined in 2 months	99%	96%	100%	100%	95%	98.75%	95%	
	98%	99%			95%	98.75%		
L301 Building Regulation Applications examined within 3 weeks	84%	90%	98%	99%	95%	92.75%	95%	
	99%	100%			95%			
L302 Average time to first response (Days)	12	10	8	7	10		10	
	5	7			10			
Customer Services & Communications								
L999 Feedback Customer Satisfaction %	57%	49%	40%	59%	50%		50%	No results for this quarter as software failed. Currently waiting further
	N/A	N/A						

PI Code & Short Name	Performance Data Q 2019/20 & 2020/21	Performance Data Q2 2019/20 & 2020/21	Performance Data Q3 2019/20 & 2020/21	Performance Data Q4 2019/20 & 2020/21	Year End Target	Year End Result	Current Target	Latest Note & History
								advice re new software
L997 Customer Service Satisfaction %	95%	92%	93%	93%	90%	93%	90%	No results for this quarter as software failed. Currently waiting further advice re new software
	83%	N/A			90%			
L998 Media Satisfaction % Annual								
	Annual				90%	100%	90%	
Environmental Health & Housing								
LEHH014 Food Hygiene Interventions **Completed**	91	301	457	796	646	796		NIL food visits due to Covid best practice.
	16	2			892			
LEHH015 **Percentage** of Food Hygiene Due Interventions Completed	10.2%	43.8%	66.3%	88.7%	100%	88.7%	100	
	2.5%	0.3%			100%			
LEHH016 Housing Options - **Number** of Homelessness Prevented & Relieved	162	165	113	166		606	Data only	Prevent 98
	102	153						Relief 55

LEHH017 Housing Options - **Number** of Households Accommodated in Temporary Accommodation	24	37	29	30		121	Data Only	
	36	33						
LEHH019 Housing Standards - **Number** of DFG's Completed & **Monies Paid**	20	68	104	167		167	Data only	£315,250.54
	30	56						
LEHH026 **Number** of NDC Lets Through DHC	70	71	87	88			Data only	
	48	98						
LEHH020 Housing Standards – The **level** of unmet demand for DFGs	269,616	163,468	293,164	361,260			Data only	
	£366,156	£227,416					Data only	

2. Constitution Context

Appendix and paragraph	Referred or delegated power?
5.5	Delegated

3. Statement of Internal Advice

3.1 The author (below) confirms that advice has been taken from all appropriate Councillors and officers.

Agenda Item 8

Appendix E

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Open

NORTH DEVON COUNCIL

REPORT TO:	**STRATEGY AND RESOURCES**
Date:	2 November 2020
TOPIC:	**COMMERCIALISATION STRATEGY**
REPORT BY:	**HEAD OF RESOURCES**

1 INTRODUCTION

1.1 The Council's new Corporate Plan was approved in September 2019 to reflect the changing landscape we now face and the reality of the significant cuts to government grant support which have been extended into 2020-21. We are now forecasting reductions beyond 2020-21 as there are no indications that austerity measures will come to an end. The Corporate Plan identified four key priority areas, which are:

- We achieve financial security
- Become focused on delivering the best for our customers
- Our environment is cherished and protected
- We plan for North Devon's future

1.2 Councils are currently dealing with unprecedented, complex and often difficult to predict financial pressures. We don't and won't know for some time the consequences of COVID-19, coupled with the outcomes of Brexit and new trade deals and rules. Set against a backdrop of already established cuts in funding, rising demand for services and economic growth challenges and with further funding cuts likely, we have to take control of our future viability by becoming commercially focused to help ***achieve financial security***, which is one of our 4 corporate objectives.

1.3 Part of our drive towards financial security will include identifying new opportunities to generate income and investment in projects that provide good or even excellent financial returns. Whilst undertaking these commercial activities we should not lose sight of our values and our ambitions for our communities to achieve a promising future.

1.4 Sitting alongside the corporate priorities is a delivery plan which under the first priority of achieving financial security included the action of producing a Commercial Strategy that sets out the parameters moving forwards to enable the Council to become a more efficient, business like operation and increase revenue generation to contribute to bridging the future predicted budget gaps.

2 RECOMMENDATIONS

2.1 That members note the context of the financial parameters the Council is currently working within and recommend to Full Council the adoption of the Commercialisation Strategy as set out in Appendix A.

3 REASONS FOR RECOMMENDATIONS

3.1 It is important that there is a clearly defined strategy that the Council must work within when exploring commercial opportunities in order to generate additional revenue.

3.2 To ensure the Council has a savings plan in place to deliver the long-term financial strategy of the Council.

4 REPORT

4.1 In February 2020, Members approved the Revenue Budget for 2020-21 year and adopted the Medium Term Financial Plan (MTFP) 2020-2024 which set out the forecast budget gaps for the 2021-22 to 2023-24 financial years.

4.2 The cumulative budget gap that was being forecast back in February 2020 was;

Years	**2020-21 £m**	**2021-22 £m**	**2022-23 £m**	**2023-24 £m**
Budget gap / (surplus)	0	1.781	2.110	2.678

4.3 Clearly this creates a large budget gap to bridge moving forwards however it is crucial that both Officers and Members understand the potential financial context that we 'could' end up with, subject to any transitional arrangements the government put in place following the planned fair funding review. This clearly focuses minds on becoming more efficient within the services we currently provide and becoming entrepreneurial in the way we deliver services into the future and move towards a more commercially minded Council to generate additional income for the revenue budget

4.4 The first corporate priority of achieving financial security has of course become even more uncertain since the Medium Term Financial Plan was reviewed in February 2020; in light of Covid-19 with the Council experiencing significant reductions in core income and additional costs being incurred in response to the pandemic.

4.5 A high-level refresh of the above forecast budget position in light of the current pressures being experienced has increased the predicted budget gaps further to;

Years	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Budget gap / (surplus)	0	1.995	2.898	3.371

4.6 We are awaiting the Comprehensive Spending Review which is anticipated to be November 2020 and announcements on Government funding for Local Authorities which we hope will see a 3-year funding settlement to provide some certainty into the medium term.

4.7 A separate report on the Medium Term Financial Plan funding gaps and options for Members to explore and make key decisions on moving forwards will be coming forwards to the December meeting; hopefully in light of any government announcement on funding for 2021-22 onwards.

4.8 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.

4.9 A Commercial Strategy sets these parameters, which we have clearly proposed as set out in Appendix A of this report.

4.10 Setting clear outcomes are important when devising any strategy and these have been defined as;

- Commercial operating is increasing across the Council
- The efficiency of the Council has been improved
- Generating additional and sustainable income streams for the Council
- Reducing the net budget of a service by reducing controllable costs of a service whilst still achieving service outcomes.
- Having staff with a commercial ‘mind-set’ across the organisation through developing and upskilling our staff to be more enterprising and innovative.

5 RESOURCE IMPLICATIONS

5.1 We are working through the details of our commercial outcomes and, once completed and risk-assessed, we will build these into our future Financial and Treasury Strategies. In the meantime the following aspirational targets have been proposed and will be further refined during the 2021/22 budget setting process which will incorporate the Medium Term Financial Plan:

- To deliver a minimum of £0.500m of new revenue income by 31st March 2023.
- To reduce back office costs by 5% by 31st March 2024.
- To develop and deliver commercial skills development to Council staff commencing in 2021 which will support this ambitious cultural change.
- To make significant efficiencies in the way we manage our buildings and reduce cost or increase output by over 5% by 31st March 2024.
- To deliver £1m of capital receipts by 2023.

5.2 The primary target is generating additional revenue income and the other targets above must complement and not be at the expense of this key objective.

5.3 It will be the responsibility of the Chief Financial Officer to report to Strategy & Resources and Full Council, progress against the timescales, outputs and commercial activities following the adoption of this strategy.

6 EQUALITIES ASSESSMENT

6.1 There are no equalities implications anticipated as a result of this report.

7 CONSTITUTIONAL CONTEXT

Article or Appendix and paragraph	Referred or delegated power?
Part 3 Annexe 1 (para 1)	Delegated
Part 4 Budget Procedure Rules	Delegated

8 STATEMENT OF CONFIDENTIALITY

8.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

9 BACKGROUND PAPERS

9.1 The background papers are available for inspection and kept by the author of the report.

10 STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate Councillors and Officers.

Author: Jon Triggs, Head of Resources Date: 16 October 2020

NORTH DEVON COUNCIL

POLICY DEVELOPMENT COMMITTEE: 19TH NOVEMBER 2020

MINUTE EXTRACT OF FULL COUNCIL HELD ON 7TH OCTOBER 2020 IN RESPECT OF ITEM 10 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA

144 (d) NOTICE OF MOTION: PAVEMENT PARKING

Councillor Walker presented her notice of motion to Council.

It was moved by Councillor Walker and seconded by Councillor York that "we ask that this Council responds to the consultation on pavement parking stating they wish to control such parking and can fine issues for breaches."

> RESOLVED that we ask that this Council responds to the consultation on pavement parking stating they wish to control such parking and can fine issues for breaches.

Council noted that the notice of motion would be referred to the Policy Development Committee for consideration.

For Reference:

The consultation can be viewed at www.gov.uk/government/consultations/managing-pavement-parking

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Policy Development Committee Work Programme 2020/21

This work programme provides structure for the O&S committee to ensure it is focused on adding value and securing tangible outcomes; it is reviewed and updated at each committee meeting.

	Notes	Nov 19th	Dec 10th	Jan 7th (2021)	Feb 11th (2021)	Mar 18th (2021)
Quarterly Performance and Financial Management report		Q2 2020 /2021			Q3 2021 /2021	
Treasury Management		Mid-Year Report			Annual Strategy 2020/21	
Revenue Budget, Capital Programme and Medium Term Financial Strategy 2019-2023						
Review of Fees and Charges 2021/22						
Corporate Plan						
Service Plans - Annual Reporting (Jan each year) (KM)						
NHS Long Term Plan						
Fair Funding for Education	**Senior office for education at DCC be invited to attend a future meeting together with local Head Teachers.**					
Management of the Taw and Torridge Estuaries	**Biosphere and TDC be invited to attend.**					
Air Quality and Climate Change	**Head of Place be invited to future meeting to discuss Braunton.**					

Note(s):

Service Plans (Special meeting(s) will be required) in January of each year.

Air Quality Update to be considered after April 2018- then an annual update. (as agreed 14.12.17)

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