

NORTH DEVON COUNCIL

Minutes of a meeting of Policy Development Committee held at Virtual - Online meeting on Thursday, 11th February, 2021 at 6.30 pm

PRESENT: Members:

Councillor D. Spear (Chair)

Councillors Campbell, Jenkins, Luggar, Mack, Mackie, Walker and York

Officers:

Head of Resources and Accountancy Services Manager

80. VIRTUAL MEETINGS PROCEDURE - BRIEFING AND ETIQUETTE

The Chair advised the Committee of the rules and etiquette for online meetings.

The Corporate and Community Services officer confirmed the names of those Councillors present.

81. APOLOGIES

No apologies for absence were received.

82. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 7TH JANUARY 2021 (ATTACHED) WITH THE AMENDMENT AS DETAILED:

RESOLVED that the minutes of the meeting held on 7th January 2021 (circulated previously) be approved as a correct record and signed by the Chair with amendment to minute 78(a) as follows: "Electric charging points were planned for car parks in Lynton, South Molton, Ilfracombe and Barnstaple. These charging points would be available to all to use, which included Blue Badge holders".

83. ITEMS BROUGHT FORWARD WHICH IN THE OPINION OF THE CHAIR SHOULD BE CONSIDERED BY THE MEETING AS A MATTER OF URGENCY.

There were no items brought forward as a matter of urgency.

84. DECLARATIONS OF INTEREST.

Council Luggar – Item 7 declared personal interest as a Member of Tawstock Parish Council.

85. PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 3 OF 2020/21

The Committee considered a report by the Head of Resources (circulated previously) regarding the Performance and Financial Management for Quarter 3 of 2020/21.

The Accountancy Services Manager highlighted the following:

- The revenue budget for 2020/21 was approved at Council on 26 February 2020 at £13,380,000.
- As at 31 December 2020, the latest forecast net expenditure is £13,352,000, which produced a forecast budget surplus of £28,000. (Quarter 2 was a forecast budget deficit of £136,000). This £164,000 movement to a surplus combines various surpluses and deficits across the revenue budget, these details were shown in Appendix A – Variations in the Revenue Budget.
- The original budget for 2020/21 included a forecast to achieve £200,000 worth of salary vacancy savings. The current position forecasts we would achieve £388,000.
- There was much pressure on the 2020/21 budget due to the Covid-19 pandemic and the Council's income streams had been greatly affected in the first three quarters of 2020/21 and expected to continue through the financial year. Additional costs had been incurred by the council in provision of temporary accommodation, additional agency staff for waste and recycling and in supporting the local community.
- Central government had announced and paid local authorities four tranches of support funding totalling £1,575,000 for North Devon. NDC had also claimed £160,000 in respect of the job retention scheme and received £268,000 New Burdens grant for Small Business Grants and Retail, Hospitality and Leisure Grants.
- Central government had announced they would 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 above figures in Appendix A along with the anticipated government support.
- The figures shown in Appendix A included a projection for the rest of 20/21 based on the current environment and the continuing COVID-19 impact on income streams and expenditure.
- It was anticipated that there would be a reduction in both Council Tax and Business Rates income during 2020/21. However, no reduction for income was being reported for 2020/21 year as the financial effect of any deficit on the Collection Fund income would not have an impact on NDC finances until the following three years.
- "Appendix B – Movement in reserves and balances" detailed the movements to and from earmarked reserves in 2020/21.

- Full details of the Strategic Contingency Reserve movements and commitments were attached as “Appendix C – Strategic Contingency Reserve”.
- The 2020/21 to 2022/23 Capital Programme was detailed in “Appendix D – Capital Programme”.
- Further variations of (£3,301,516) were proposed to the 2020/21 Capital Programme as detailed in paragraph 4.4.3.
- Further variations of £1,872,135 were proposed to the 2021/22 Capital Programme as detailed in paragraph 4.4.4.
- The revised Capital Programme for 2020/21 taking into account the budget variations above was £7,110,512.
- The overall Capital Programme for 2020/21 to 2022/23 was £31,419,916 and is broken down as follows: 2020/21 £7,110,512; 2021/22 £22,384,916; 2022/23 £1,924,488.
- Once funds have been included in the Capital Programme the Constitution required a separate decision to release those funds. Accordingly three schemes need the funds to be released so that spending can start within the following three months: Additional Disabled Facility Grant funding £131,862; and Ilfracombe Water Sports Centre £1,515,535 as detailed on paragraph 4.4.12

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

- The figure provided for salary savings within paragraph 4.1.3 included all savings up to the end of the financial year and therefore included a couple months’ savings on the post of Head of Place.
- The Bus Station project had been moved forward to 2021 as the works were deemed to be a priority.
- Delays (caused by Covid 19) had occurred when employing contractors for works for the Eco grants hence the change to the programmed date for this work. It was noted that this was funded mainly with external funding.

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

86. REVIEW OF CHARGES AND FEES FOR 2021/22

The Committee considered a report by the Head of Resources (circulated previously) regarding the review of Charges and Fees for 2021/22.

The Accountancy Services Manager highlighted the following:

- This year the guidance was to increase some fees and charges by 2%, although some fees were set by statute and these would be set nationally.
- It was recommended that Allotments (Appendix A), Cemetery fees (Appendix F), sports pitches (Appendix G), Pannier Market charges (Appendix H) and Bulky Collections (Appendix I) were increased by 2%.

- Other variations to the 2% increase were Building Control (Appendix B), Trade Waste (Appendix C), Land Charges fees (Appendix D), Environmental Health fees (Appendix E), Garden waste charges (Appendix J) and pre-planning application fees (Appendix K).
- Building Control fees were subject to a 2% increase which was rounded to the nearest £1.
- Trade Waste fees and services had been reviewed to provide 'Holiday Home packages' which offered greater flexibility to customers.
- Garden waste green bin services would increase to £40 per annum. It was noted that the fees had not increased since the service was launched in 2017.

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

- Many of the Pannier Market stall holders (rather than those occupying premises) could be eligible for financial assistance in the form of the discretionary grant schemes available from the Authority.
- The 2% increase to the Pannier Market fees was in line with the other increases across the Authority. This was a 2% increase on the base figure, rather than on the temporarily reduced fee rate. The Chief Executive had reduced fees during 2020-2021 using Urgent Decision powers and could see to continue this in 2021-2022 if he wished.
- The Future High Street funded project could examine methods of attracting further footfall to the Pannier Market and possibly restructuring of fees to encourage new business traders.
- The Strategy and Resources Committee had approved the funding of a consultant to be employed to work on the Pannier Market project.
- Once the Future High Street (FHS) project had progressed the Authority could explore the possibility of setting up a working group to work with the Pannier Market officers and/or this Committee being provided with regular updates on the FHS project.
- The increased fees on the Garden Waste service would not cover the costs of running the service. To cover the costs fully the fee would be needed to be set at £45-£46pa. NDC's fees for the service were among the lowest in Devon.

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

87. REVENUE BUDGET 2021/22, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2021-2025

The Committee considered a report by the Head of Resources (circulated previously) regarding the Revenue Budget 2021/22, Capital Programme and Medium Term Financial Strategy 2021-2025.

The Head of Resources highlighted the following:

- Government settlement December 2020. The provisional 2021-22 settlement of £3.3m was the same level as 2020-21. The Fair Funding Review had been delayed by a further year until April 2022. The New Homes Bonus in-year

allocation had been allocated for 2021/22 only. There were no legacy payments on the 2021/22 allocation and the Government was intending to consult on future of the housing incentive during 2021/22. The Rural Services Delivery Grant matched the 2020/21 level.

- Council Tax levels for District Councils could be increased by up to 2% or £5 whichever was higher. The referendum in relation to Council Tax levels for Town and Parish Councils had been deferred.
- The Council would receive a lower tier services grant and Covid 19 support grant as one off payments.
- The Council would receive 75% reimbursement on sales, fees and charges losses for the period April to June 2021.
- Core Spending Power for England. This had increased by 4.5% overall; however 87% of this increase came from Council Tax compared to 56% in 2020/21.
- Urban/rural funding differences. Analysis by the Rural Services Network indicated that local authorities serving predominately urban areas receive “higher” level of central funding compared to those in rural areas: paying over £96 per head more in Council Tax (in rural Devon £138 per head more); receive £107 (61%) per head less from Settlement Funding Assessment (rural Devon, £120 less); receive £28 per head of Social Care Grant, compared to £32 per head in urban areas (rural Devon, £28); and receive over £112 (42%) per head less in Government Funding Spending Power, excluding Council Tax (rural Devon, £113).
- Outside of urban and rural differences, there were four points of common concern: concentration of cuts in public spending on local government; over reliance on Council Tax in general (assumption that areas with higher Council Tax could continue to sustain increases); time limited payments from incentive scheme as core funding (e.g. New Homes Bonus); and allocation of lower tier services grant on a one off basis.
- The Medium Term Financial Strategy (MTFS) (2020-2024) model had been refreshed in October 2020 based upon: increased recent pay award (2.75%) continuing for medium term; borrowing costs and Capital Programme re-profiled; assumed Covid 19 impact on sales, fees and charges income continuing into 2021-22; and Government fair funding review delayed 12 months to 2022-23; collection fund deficit (Council Tax and Business Rates) spread over next 3 years. A £2m funding gap was projected for 2021/22 in advance of the financial settlement announced on 17 December 2020.
- New Homes Bonus provisional level of funding of £1,354,430 for 2021/22. The level of funding 2020/21 was £1,836,820. The Medium Term Financial Plan assumed £815,000, therefore, there was an additional £539,000 compared to the MTFS. The forecast level for 2022-23 for the projected New Homes Bonus income was £434,860 which was a potential reduction of over £0.920m funding on current level. There was uncertainty regarding future funding and design of a new scheme for 2022/23.
- Business Rates Retention and forecast levels of income for 2021/22 year. The Authority retained 50% of any growth plus a percentage from the Devon pool. The Devon pool contribution was uncertain and therefore not included in the budget. The risk to the 50% of the growth which the Authority retained was that Central Government could reset the base line level therefore potentially

reducing the Authority's income from this source and have an impact on the revenue budget. It was anticipated that indicative allocations would be announced in Autumn 2021.

- Strategic Grants (appendix B) – the Medium Term Financial Plan had originally supported in principle the planned reductions to strategic grants in line with percentage reductions in Government funding to the local authority. However, the Government settlement was slightly better than forecast and therefore it was recommended that there be no reduction for 2021/22 in recognition of the works done by the sector to aid the community during the pandemic.
- Original £2m projected funding gap and how this was broken down.
- Draft Revenue Budget 2021/22 (Appendix A) showed a balanced budget and assumed: £5 increase on Band D Council Tax (as in previous years); fees and charges uplift by 2% and Garden Waste subscription increase from £36 to £40 as originally planned in the Medium Term Financial Plan; no reductions to Strategic Grants, Climate Environment or Councillor Grants. The risks were the ongoing impact of Covid 19 on the revenue budget.
- Reserves (Appendix C). General fund balance forecast level at 31 March 2022 was £1.161m (8.5% of net budget). The recommended level was 5%-10%. Earmarked reserves forecast level at 31 March 2022 was £4.048m. In compliance with Local Government Act 2003, the Chief Financial Officer assured members of the robustness of the estimates and the adequacy of the proposed financial reserves.
- Medium Term Financial Strategy 2021-2025 had now been refreshed. The funding gap originally faced for 2021-22 had now moved to 2022-23. Fundamental to bridging future year budget gaps would be the delivery of actions following the recent adoption of the Commercialisation Strategy. It had been based on a number of assumptions about the future which included: Fair Funding Review – planned for 2022-23 (assumed - £0.916m reduction); New Homes Bonus Review – planned for 2022-23 (assumed -£0.919m reduction for 2022-23 and further -£0.435m reduction for 2023-24); Uncertainty of not having a multi-year settlement. Paragraph 5.1.5.7 provided further detail on the budget gap and paragraph 5.1.5.13 provided further detail on what had not been included yet. Appendix D detailed the modelled financial projections.
- Capital Programme for 2020/21 to 2022/23. Investment plans for 2020-21 to 2022-23 totalled £31.420m. One business case for capital funding had been submitted for new ICT software for the Waste and Recycling team and the cost to the Council was £35,000.
- Draft Capital Programme (Appendix E). The total programme for 2020-21 to 2022-23 was £31.455m which would be recommended to Council on 24 February 2021 for approval.

In response to questions, the Head of Resources advised that;

- The income received from the Devon pool of Business Rate growth was of benefit to the Authority as if not part of the scheme that money would be retained by Central Government. The pooled funds were distributed proportionately based on the business rates baseline in each Authority's area.

- The Climate Environment Grants (CEG) of £20,000 would continue. In 2020-2021 an award of £10,000 had been made to a Parish Council from the first tranche of applications.

In response to a question from the Head of Resources, the Corporate and Community Services Officer advised that only one application had been submitted in tranche one and had been awarded the full £10,000 available. That was to East Anstey Parish Council. The second tranche of application had now been received. Five application had been eligible and they would be presented to the decision panel on the 25th February 2021.

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

- Although little reduction was seen in the Council Tax and Business Rates collection rates in 2020-21 it would expect that the rates may reduce within 2021-22 as and when there were changes to the wages furlough scheme and business rate relief awarded by Central Government. Although a reduction in council tax collection rates of 10% had been anticipated for 2020-21, only a 1% reduction had resulted.
- The Authority was looking forward to improve its efficiency with a view to then promoting its services in the commercial market. This was especially relevant within the Waste and Recycling service where improvements were required to enable the team to aim to improve their market share of commercial waste services.
- The Operational Services team were currently working within a 'Task and Finish' work pattern to reduce the number of staff coming into the work place. Drivers were collecting vehicles each day and then collecting staff on the routes. This had vastly reduced the footfall of staff being present at Brynsworthy.
- Town and Parish Councils were able to increase their precepts on the Council Tax in order to increase their income. The Head of Resources was unaware of any current plans within Central Government to review this.

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

88. TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

The Committee considered a report by the Chief Financial Officer (circulated previously) regarding the Treasury Management Strategy Statement for 2021/22.

The Head of Resources highlighted the following:

- Section 5.1 capital expenditure – the table detailed approved capital spend as per the previous report on the budget and capital programme, how this was financed in the lower table and therefore the 'net financing need for each year'.
- The Council's borrowing need (CFR) was outlined in the table on page 142. The increase to £17m from £6m (movement of £11m) took into account the borrowing for the new construction of the Leisure Centre.

- The Minimum Revenue Provision (MRP) set out the repayment of debt on both internal and external borrowing from revenue budget. The Medium Term Financial Strategy showed the impact of borrowing costs on the revenue budget.
- Paragraph 5.3 – the table showed the level of core funds and cash available for external investments, together with the Council's under borrowed position which enables the Council to internally borrow for the purposes of capital funding.
- There was a high level of external investment of spare cash in 2020-21 due to cash flow of additional government monies for business grants, up-front payment of grants to the Council and covid-19 grants provided to the Council.
- The current borrowing position was detailed in section 6.1. External borrowing this current year was only £500,000 at present. Net investments were higher this year due to all the grants cash that the Council were investing short term to gain minimal return until spent out.
- The level of borrowing would increase in 2021-22 as detailed in the table on page 146. Additional borrowing £14m would be required during the year to cover the treasury need for increased Capital Financing Requirement which was in line with the Council's financial plans. Under borrowing was funded from internal borrowing from cash reserves. The Council complied with this prudential indicator in the current financial year and it was not envisaged there would be difficulties for the future.
- The Operational Boundary (limit beyond which external debt was not expected to exceed) was set at £16million for 2021-22 to 2023-24 year.
- The Authorised limit (control on maximum level of borrowing) maintained at £22million was in line with the level set last year.
- The Council had adopted a prudent approach to managing risk and defined its risk appetite in section 7, in terms of creditworthy counterparties, lending limits, credit ratings of which the criteria was largely unchanged from last year.

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

89. 10 YEAR CAPITAL STRATEGY 2021 TO 2031

The Committee considered a report by the Chief Financial Officer (circulated previously) regarding the 10 Year Capital Strategy for 2021 to 2031.

The Head of Resources highlighted the following:

- The Capital Strategy was reviewed annually by Full Council prior to each financial year. The Strategy set out the 'governance arrangements' for capital projects coming forwards as detailed in section 4.3.
- All capital projects required a business case, reviewing options, risks and associated costs. Project Appraisal Group (PAG) comprised of the; Chief Executive, Business Information Systems Manager, Head of Resources and Accountancy Manager who would then meet to score the proposed project.

- In addition to the original approval of the project, a separate approval would also be sought from the Committee and then Full Council to release the capital funds.
- Medium Term (2021-2025) as set out in the table in paragraph 4.4 set out the impact of capital financing need, impact this had on the annual borrowing cost and then the overall Medium Term Financial Strategy budget gap, including the additional borrowing.
- For 2022/23 current projections showed a medium term financial strategy budget gap of £2.3m increasing to £2.9m in 2024/25.
- The estimated Capital Financing Requirement (CFR) for March 2021 was £5.76m which increased to its peak in March 2025 at £18.79m. This substantial increase in CFR reflected the £38m capital programme over the medium term including the new Leisure Centre.
- The Council would receive an annual management fee in relation to the running of the new Leisure Centre to help offset an element of the borrowing costs.

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

- Members were not involved in the procurement process but would be involved in considering the projects when the business cases were presented via the Strategy and Resources committee and then Full Council. The tender process was covered by specific governance arrangements. The procurement requirement for projects/purchases, as set out depending on financial cost, is covered on the table in section 4.3 of the report.
- The borrowing rates as used for the forecasts within the report are those from the Public Works Loans Board. The rates are set at the time that the loan is taken out, as with personal loans, the rate is dependent on the amount borrowed and the duration of the loan. Currently a rate of 1.7% was available if the loan was over 50 years. The budget had been modelled on the Leisure project using a rate of 3% as the rates were previously higher. As the rates were now cheaper it was prudent to take on the borrowing for the leisure centre.
- Longer Term (2025-2031) as set in the table in paragraph 4.5. The Council had identified two main areas of capital expenditure within the long term forecast which are necessary to maintain business as normal i.e. the vehicle replacement programme and the on-going maintenance of the ICT infrastructure. Leased vehicles were being considered for the Waste and Recycling service, rather than outright purchases. It was noted that electric or hybrid alternatives for these vehicles were currently more than double the purchase price. Vehicles used in Waste and Recycling were deemed to have a life of eight years, after which their maintenance costs resulted in them no longer being financially viable to retain.
- Each business case received was assessed on its own merits. If they were to bring in revenue streams which more than covered the borrowing costs on a project they might be favourable to the Authority to take on.

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

Chair

The meeting ended at 8.45 pm

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