

**NORTH DEVON COUNCIL**

Minutes of a meeting of Policy Development Committee held at Barum Room - Brynsworthy on Thursday, 14th July, 2022 at 6.30 pm

PRESENT: Members:

Councillor D. Spear (Chair)

Councillors Campbell, Bulled, Jenkins, Mackie, Roome, Walker and York

Officers:

Director of Resources and Deputy Chief Executive, Head of Governance and Sustainability and Climate Officer North Devon Council and Torridge District Council.

Also Present in person:

Councillors Pearson and L. Spear.

**53. APOLOGIES**

Apologies for absence were received from Councillors Hunt and Luggar.

**54. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 10TH FEBRUARY 2022 (ATTACHED).**

RESOLVED that the minutes of the meeting held 10<sup>th</sup> February 2022 (circulated previously) be approved as a correct record and signed by the Chair.

**55. MICHAEL TICHFORD**

Councillor York requested that the Committee held a minute silence in memory of the Former Head of Place Michael Tichford who had recently passed away.

**56. DECLARATIONS OF INTEREST.**

There were no declarations of interest announced.

**57. NORTH DEVON BIOSPHERE RESERVE.**

The Committee received a presentation from Andrew Bell, UNESCO World Biosphere Reserve Co-ordinator regarding the work of the North Devon Biosphere.

The Chair welcomed Mr Bell to the Committee and thanked him for his hard work in the delivery of the North Devon Biosphere.

Mr Bell outlined the work of the North Devon Biosphere to the Committee:

- The impact of the Yelland Planning Inquiry and the disappointment that it was approved following appeal together with the objections that the biosphere had made due to the landscape impact.
- How the biosphere had worked with the developers to try and mitigate the issues and concerns together with the impact on biodiversity.
- The public perspective of the biosphere as a result of the final decision being approved.
- Ways in which to achieve biodiversity net gain once the site has been redeveloped.
- The North Devon Biosphere had released a statement outlining their position regarding the Yelland application.
- Rising sea levels, which would bring changes to the landscape and surrounding areas were displayed via topographical visual modelling, which depicted the current situation and projected levels for 100 years into the future.
- The various scenarios, which were:
  - 1 m RSL (rate of change as in IPCC).
  - Protect all dry land for next 100 years.
  - No not protect land other than developed land.
  - Protect nothing.
- 2100 protect developed land.
- 2100 no dyke scenario.
- Protect all dry land.
- Protect developed land 2075 (Ha change).
- Protect developed land 2100 (Ha change).
- The North Devon Biosphere was looking at ways to change land cover up to 2100. There was a balance to address to maintain certain amount of salt marsh for flood protection together with a requirement to replace fresh water marsh.
- There was a nominated case worker working closely with farmers and landowners to address water quality and estuary erosion.
- CRITTER project:
  - A six year project working with landowners and land managers to improve water quality, reduce flood risk, increase the health of local soils, create areas of new saltmarsh, all supported through a simple small grant scheme process.
  - Funding agreement adopted on an annual basis.
  - The Environment Agency budget was reduced in the early months of 2022. So, the project was largely funded by carbon credits, which were capped at £100k and the project required funding of £750K over the next few years.
- Devon Woods project:

- The Devon Woods Project uses nature-based solutions to improve water quality throughout Devon. Extending across the whole of Devon from the highlands of Dartmoor, down the river valleys and beyond, the project aimed to improve water quality, flood management and biodiversity within the catchments of the rivers: Tamar, Torridge, Taw, Teign, Exe and Otter.
- Pair planting in bands along rivers to capture sediment and improve water quality.
- Grant funded project.
- Woods for Water project:
  - There are many catchments within Devon and Cornwall where water quality and flood risk was impacted by land management (River Basin Management Plan). Research and development demonstrated that woodland planting was cost beneficial and could form an important pollution and flood reduction measure if targeted appropriately.
  - Innovative project focussing on flood and coastal resilience and funded by the Water Environment Investment Fund (WEIF).
  - Working closely with South West Water to address the water quality measures.
  - The project had already seen success in Combe Martin where the water quality had improved.
  - Sensors placed within the soil to monitor moisture content.
  - Working with Exeter University to develop an algorithm to trigger a flood defence warning, which provided free software worth £500K for the next three years.
- HM Government's Community Renewal Fund (CRF):
  - North Devon UNESCO Biosphere has won £1.3m from the HM Government's Community Renewal Fund (CRF).
  - The project would promote green growth and investment in the area whilst raising well-being for local communities through nature based solutions.
  - The project would focus on the following areas:
    - i. Marine management.
    - ii. Fisheries conservation.
    - iii. Aqua culture/blue carbon storage within the seabed.
- Working with Plymouth Marine Laboratories exploring nature based solutions for climate change.
- Looking at where carbon was stored and held within kelp as an increase in water temperature halted its reproduction.
- Assessing Woodland supply chain and developing intelligence.

- Developing wellbeing skills through collaboration with the NHS and local GP surgeries to encourage nature prescriptions and get the population out in nature and remain active.
- Nature Improvement Plan:
  - Working with farmers to increase their biodiversity net gain, which was a profitable way of farming and providing habitats for wildlife, although there was a land tie in requirement of 30 years.
  - Concern had been raised by farmers regarding the 30 year land tie in requirement.
  - There were currently 72 farms on the market place who were interested in exploring biodiversity net gain.
  - British Airways were planting trees to offset their carbon footprint. However, they should first be exploring changes to their practices and operations before taking offsetting measures.
- White Cross Offshore Windfarm, which would deliver eight turbines 50km off shore.
  - Concerns had been raised in relation to the cable infrastructure that would be required as it was proposed to pass through the dunes at Braunton Burrows.
- The Biosphere was in regular contact with the Exmoor National Park Authority re. marsh management and there was a fair amount of work still required in that area.

Following the presentation the Committee discussed the following:

- The Committee felt that they were now in a position to understand the stance taken by the North Devon Biosphere and explain this to their constituents regarding the Yelland Planning inquiry.
- The potential cable depth in relation to the shifting sands of the dune system.
- The type of voltage being proposed and the preference of DC rather than AC voltage.
- Leaky dams in Braunton and the campaign to introduce beavers to the area.
- The launch of the North Devon Explorer app, which was due to be launched on Friday 15<sup>th</sup> July 2022 to provide tourists with ideas for activities within the area that link to the local environment.

The Committee thanked Mr Bell for his attendance at the meeting.

**58. PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 4 OF 2021/22**

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding the Performance and Financial Management for Quarter 4 of 2021/22 together with Minute Extract of Strategy and Resources on 6th June 2022 (circulated previously).

The Director of Resources and Deputy Chief Executive highlighted the following:

- The revenue budget for 2021/22 was approved at Council on 24th February 2021 at £13,639,000.
- As at 31 March 2022 it was pleasing to report that the final out turn position was a budget surplus of £604,000 which was an overall movement of £515,000 from the last forecast at quarter 3. The breakdown showing the movements was shown in Appendix A – Variations in the Revenue Budget.
- The original budget for 2021/22 included a forecast to achieve £225,000 worth of salary vacancy savings. This was exceeded by £99,000 giving an overall actual saving of £324,000.
- Included within the approved budget the Council factored in a government grant in relation to Covid-19 pressures of £536,710 and also budgeted for £375,000 of additional costs and reduced income, these were already incorporated into Appendix A along with the latest forecast for each service area.
- The above grant of £536,710 was approved and received and the Council was also anticipating £80,000 re-imbursement for Q1 loss of Sales, Fees and charges, from the continued Government 75% income reimbursement scheme, this had now been revised down to £64,000 and the change incorporated into Appendix A.
- At the end of 2020/21 the Council placed £375,000 into a Covid Budget management reserve to help mitigate any further adverse variances due to the pandemic in 2021/22, this future protection was still available if required.
- Members approved in June 2021 to proceed with the acquisition of Green Lanes Shopping Centre; which the Council completed the purchase in November 2021. The purchase of Green Lanes Shopping Centre was a once in a lifetime opportunity to acquire this strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project. The financial modelling demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council which could be used towards mitigating future risks on income volatility, investment back into the centre and the overarching council budget.
- The financial outturn for the Centre had produced a net return (income less costs) for the 2021/22 year of (£243,600) due to minimal borrowing costs for last financial year as these would start in 2022/23. This was a positive return for the Council for the four and half month's ownership in the 2021/22 year. The net return to the Council of (£243,600); of this it is proposed to place £75,000 into an earmarked reserve to protect the council budget and mitigate against any future income volatility that could materialise as the Council moved forwards with the centre and a further £168,600 into an earmarked reserve to fund future asset management initiatives to promote, market and maximise the occupancy of the Centre over the next few years, which the Council anticipated would then have a positive financial return on ongoing revenue streams.

- This was important for the ongoing financial viability of the Centre, however the team had already made positive steps in filling five of the empty units in the last few months and recent feedback from Knight Frank (Commercial Property Specialists) to the Council stated “As we discussed my involvement with Green Lanes is long standing. Prior to your purchase I have to say that the level of voids within the scheme provided a fairly depressing experience however on my most recent visit the overall feel of the scheme had changed with the recent lettings which have been undertaken both improving occupancy levels but also improving the customer ‘experience’ within the scheme”. This was really positive feedback for the Council and demonstrated their intent to make the Centre a success, both operationally and financially.
- The movement from Q3 of £515,000 could be attributed to:
  - ICT reduced spend £78,000.
  - Waste & Recycling reduced spend £110,000.
  - Waste and Recycling Sales income £74,000.
  - Car parking income £60,000.
  - Crematorium contribution £41,000.
  - Employee vacancy savings £60,000.
  - Borrowing costs – Interest Payable £41,000.
  - Other Reduced costs £51,000.
- As at 31st March 2022 the Collection Fund reserve balance was £5,722,000. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensured the revenue budget was not unduly affected in the year the taxes were collected. Collection Fund deficits/surpluses were reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses were recovered/distributed in the following financial years. This reserve included an £4,523,000 balance that would be utilised in 2022/23 and 2023/24 to mitigate timing differences of business rate reliefs awarded in 2021/22 that from an accounting perspective impacted over the next two financial years; thus leaving the fund reserve with a residue balance of £1,200,000 protection against future volatility.
- From the revenue budget surplus of £604,000, it was proposed to set aside the amount into the following earmarked reserves as follows:-
  - Repairs Fund £400,000 – to fund capital investment business cases.
  - Local Plan £100,000 – to fund the cost of the Local review.
  - Budget Management £104,000 – increase fund to help mitigate inflationary pressures in 2022-23 year.
- At the 31st March 2022 total external borrowing was £3,000,000. The timing of any future borrowing was dependent on how the authority managed its treasury activity and due to current low interest rates and reduced returns on investments it was prudent for the Council to ‘internally borrow’ and use these monies to fund the Capital Programme.
- Appendix B – Movement in reserves and Balances” detailed the movements to and from earmarked reserves in 2021/22.

- Full details of the Strategic Contingency Reserve movements and commitments were attached as “Appendix C – Strategic Contingency Reserve”.
- The 2021/22 Capital Programme was attached as “Appendix D – Capital Programme 2021/22”.
- Actual spend on the Capital Programme for 2021/22 financial year was £21,753,655. The variance against the budget of £23,805,932 was (£2,052,277); the majority of which would be carried forward into the 2022/23 Capital Programme to fund on-going projects.
- In order to pay for the £21,753,655 capital investment the Council funded this from £4,370,179 received from external sources in the form of grants and other assistance, £374,395 of internal resources held specifically for capital projects, £278,275 from capital receipts and £16,730,806 borrowing internally and externally.
- Project under spends of £2,031,062 from 2021/22 year were brought forward to produce a revised Capital Programme for 2022/23 year of £17,864,085.
- Further variations of £1,655,843 were proposed to the 2022/23 to 2024/25 Capital Programme were detailed on pages 78 and 79 of the report.
- The Programme of £26,948,994 was funded by Capital Receipts / Borrowing (£11,118,848), External Grants and Contributions (£13,550,785) and Reserves (£2,279,361).
- The Release of Funds – 2022/23 Capital Programme schemes, were detailed on pages 79 and 80 of the report.
- Bank interest rate increased twice during the quarter taking the rate from 0.25% in December 2021 to 0.75% in March 2022.
- The average 7 day LIBID (inter-bank bid rate), the Council’s benchmark rate was -0.07%; the LIBID rate stopped on 31st December 2021. On-going our performance would be compared to the 7 day backward looking SONIA (Sterling Overnight Index Average).
- The return earned on the Council’s investments was 0.05% (previous 0.16%)
- 4.5.4. £17,859 investment interest was earned during the financial year. (2021/22 interest receivable budget was £35,000) As at 31st March 2022, the Council had total external borrowing of £3,000,000. Three new PWLB loans were drawn in February 2022 for £2.5m. The Annual Treasury Management Report gives further details.
- £12,251 interest was paid at an average rate of 1.66% on PWLB loans during the financial year. (2021/22 interest payable budget was £109,000).
- The major areas of credit income were Council Tax, Business Rates, Housing Benefit overpayment Recoveries and General Debtors.
- As billing authority, the Council annually raised the bills for Council Tax (£69,000,000) and Business Rates (£32,000,000).
- Collection rates were 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.

- The Council's budget was based on the assumptions that eventually 97% of sums due would be collected. To ensure this level was achieved, year on year levels of write offs approved were controlled against a ceiling of 3% of annual debt.
- The outstanding amounts of Council Tax and Business Rates at 31st March 2022 were detailed in the table on page 81 of the report under paragraph 4.6.5.
- Irrecoverable debts from previous years not exceeding £1,500 could be written off with the authorisation of the Chief Financial Officer. Decisions on whether to write off debts over £1,500 rested with the Chief Financial Officer, in consultation with the Leader of the Council. As at 31st March 2022 the amount of accounts written off were detailed in the table on page 81 of the report under paragraph 4.6.6.
- The monitoring of in year collection carried out against national performance indicators targets sums collected in year as a percentage of the Net Sums due for that year.
- The majority of the write offs were normally individual bankruptcy and company insolvency and in a number of cases include liabilities for previous years. In these cases we were unable to recover the debt. However, if at a later date a dividend was paid, the money was allocated to the account and the relevant amount written back on.
- The other main reason for write offs was where the person had gone away (no trace). However, write offs were reviewed and where the Council found the persons contact address the write off was reversed and recovery action continues.
- The levels of collection for Council Tax and Business Rates were detailed on page 82 of the report.
- Information in relation to the Key Performance Indicators (KPIs) was contained within appendix F of the report.

In response to questions from the Committee, the Director of Resources and Deputy Chief Executive advised the following:

- Unfortunately, there was some damage sustained to the roof of the Crematorium following recent incidents of vandalism. The Police were investigating and working to secure an outcome. As a result, CCTV was now being installed on site as a deterrent together with an enhanced alarm system that could be triggered in the event of another possible incident on the roof. He added that there had been similar issues at the old leisure centre at Seven Brethren.
- Staff were on the national agreed pay scales. So, it would be a challenge to increase salaries for specific posts as a single authority.
- There was a recruitment challenge across all of local government at the current time, the pandemic has changed the landscape and working from home has allowed people to relocate from areas such as London and move to rural areas whilst still earning the same salary.
- To address recruitment issues, the salary for the vacant Planning Manager post had been reviewed and included a relocation package.



- Agency rates had always been higher and for some people agency work suited their lifestyle.
- There were additional pressures across all service areas at the present time and whilst Senior Management were not happy with the situation it was unavoidable at the current time. To mitigate the issues, the Council had employed agency staff to support the workforce in the delivery of their services and alleviate the pressure on employees.
- There was no insurance cover or earmarked budget to cover the potential costs awarded against the Council following the result of the Yelland inquiry and any costs would need to be met from the Councils reserves.
- There was no mechanism to appeal the decision and the Council had been advised that the decision was final.

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

The Committee expressed their thanks to the Crematorium Manager for his swift response to the unfortunate issues that had occurred at the Crematorium.

**59. ANNUAL TREASURY MANAGEMENT REPORT 2021/22.**

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding the Annual Treasury Management report for 2022/23 together with Minute Extract of Strategy and Resources on 6th June 2022 (circulated previously).

The Head of Governance highlighted the following:

- The Council undertakes capital expenditure on long-term assets. These activities may either be:
  - Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
  - If insufficient financing was available, or a decision was taken not to apply resources, the capital expenditure would give rise to a borrowing need.
- A large capital programme during 2021/22 including the new Leisure Centre, Watersports Centre and purchase of Green Lanes Shopping Centre had resulted in an increased Capital Funding Requirement (CFR) of circa £17m. The CFR was below the estimate due to slippages in the wider capital programme, with this spend re-profiled into 2022/23.
- On 30th March 2022 the Council received £5.8m from Central Government for the Council Tax Energy Rebate scheme to be paid out during 2022/23. At year end the Council also had a balance of £5.2m in relation to Covid-19 business grants and circa £2.5m in relation to Omicron business grant payments to be repaid to central government during 2022/23 once the final reconciliations had been carried out.

- At 31st March 2022, the CFR, excluding finance leases, was £20.8m. External borrowing was only £3m as the Council's cash flow and reserve balances enabled the authority to internally borrow the remaining £17.8m.
- £2.5m of new long term PWLB borrowing was added in February 2022, to secure the rate and provide some long term budget certainty, prior to potential further increases in bank rate. This was also at a time when rates temporarily reduced due to uncertainties around the conflicts in Russia and Ukraine.
- The 2021/22 budget for external borrowing interest was £109,000 but the actual interest paid was a much lower £12,251.
- The Council had not borrowed more than, or in advance of its needs, purely in order to benefit from the investment of the extra sums borrowed.
- No debt rescheduling was done during the year as it was not a viable option.
- Investments held by the Council - the Council maintained an average balance of circa £38m of internally managed funds. The internally managed funds earned £17,859 interest at an average rate of return of 0.05%.
- The comparable performance indicator was the average 7-day LIBID rate, which was -0.07%; the LIBID rate stopped from 31st December 2021. Ongoing our performance would be compared to the 7 day backward looking SONIA (Sterling Overnight Index Average) un compounded rate which was 0.1355% for the year. This compared with a budget assumption of £35,000 investment interest.

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

**60. WAIVING OF CONTRACT PROCEDURE RULES**

The Director of Resources and Deputy Chief Executive outlined each decision that was taken by the Strategy and Resources Committee on 6<sup>th</sup> June 2022 (circulated previously).

RESOLVED, that the decision and reasons to waive the Contract Procedure Rules for the three decisions detailed in item 9 of the report be noted.

Chair

The meeting ended at 8.11 pm

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