NORTH DEVON COUNCIL

Minutes of a meeting of Strategy and Resources Committee held at Barum Room - Brynsworthy on Monday, 4th July, 2022 at 10.00 am

PRESENT: Members:

Councillor Worden (Chair)

Councillors Lane, Patrinos, Pearson, L. Spear and Yabsley.

Officers:

Chief Executive and Director of Resources, Director of Resources and Deputy Chief Executive, Head of Governance, Head of Environmental Enhancement, Head of Customer Focus, Museum Manager, Accountancy Services Manager, Public Protection Manager and Parks Officer.

Also Present in person:

Councillors D. Spear and Tucker.

Also Present virtually:

Senior Solicitor and Monitoring Officer and Service Lead - Housing Advice and Homelessness.

25. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Knight, Lofthouse, Prowse and Wilkinson.

26. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 6 JUNE 2022 (ATTACHED).

Councillor Yabsley arrived at the meeting.

RESOLVED that the minutes of the meeting held on 6 June 2022 (circulated previously) be approved as a correct record and signed by the Chair.

27. DECLARATIONS OF INTERESTS.

There were no declarations of interest received.

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

Councillor L. Spear advised the Committee that Mr Reginald Cane a former Devon County Council, District and Parish Councillor had recently passed away.

The Committee thanked Councillor L. Spear and advised that Mr Cain would be remembered at the next meeting of Full Council on 20th July 2022.

29. 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.

The Accountancy Services Manager 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 months 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 26 and 27 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 27 and 28 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 29 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 29 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 30 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:

- There was an underlying need to borrow £21m for the Capital Programme over the next two financial years. There were a number of cash balances within the authority that would enable the Council to borrow internally, which was a more cost effective alternative than borrowing from the Public Works Loan Board (PWLB) at a time when interest rates had increased.
- The Council had borrowed against the estimated life of an asset over a period of years.
- Workforce numbers within the Planning service were increasing as approved by the Committee previously when the budget was set. There was a period of time between departure of any employees and a new employee in post and this was offset by agency costs in the short term.
- The Council had faced challenges with the recruitment to some posts within the authority, which was why the vacancy savings figures were slightly higher. However, comparatively in terms of recruitment issues, the authority was no different to any other Council.
- The figures for irrecoverable debts from earlier years were no higher than previous years. The majority of write offs were often individual bankruptcy or businesses that had gone into voluntary administration and with £90m of debt raised each year for Business Rates and Council Tax, the write off figures for the Council were not significant by comparison.
- The progress of projects within the capital programme varied depending on the circumstances.
- The recent planning appeal for the site at Yelland, which saw costs awarded against the Council would have a significant impact upon the Council's reserves as there was no budget set aside to cover any costs. Therefore, the funds would have to be taken from the Budget Management Reserve, which then left the Council with reduced funding as it tries to address inflationary pressures and financial resilience for the current year and 2023/24 onwards.
- The Chief Executive added that it would be some months before the Council knew the final figure and that once that was known, a report would be submitted to Full Council to discuss the options of how this would be financed.
- The revenue generated from Green Lanes Shopping Centre balanced out the running costs with the borrowing costs spread over the life of the asset. Any surplus revenue would be put back into a reserve fund to invest back into the Centre and also invest in future Regeneration projects.
- Officers were currently working on a strategy for the Green Lanes Shopping Centre, which would focus on the short/medium and long term and as part of this work one of the main priorities was to ensure that tenants were found for the remaining vacant units.
- The Chief Executive explained that the Council's purchase of Green Lanes underpinned its strategy for Barnstaple and the income generated from the asset would outweigh the borrowing costs. The Council's strategy at the current time was to make North Devon and Barnstaple vibrate and the revenue generated form Green Lanes was covering the borrowing costs at present.

- The financial details of the asset for 2021-22 year was set out as a standalone item in section 4.1.8 of the report and detailed the figures very clearly. There was a reserve set aside for Green Lanes to maintain the units and support the asset moving forwards.

RESOLVED that

(a) the actions being taken to ensure that performance is at the desired level be noted;

(b) the contributions to/from earmarked reserves be approved (section 4.2 of the report);

(c) the movement on the Strategic Contingency Reserve (section 4.3 of the report) be noted;

(d) funds be released for the capital schemes listed in section 4.4.13 of the report;

(e) the sections dealing with Treasury Management (section 4.5 of the report), and Debt Management (sections 4.6 and 4.7 of the report) be noted.

RECOMMENDED that:

(f) Full Council approve the variations to the Capital Programme 2022/23 to 2024/25 (sections 4.4.8 of the report).

30. 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 2021/22.

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 is available, or a decision is taken not to apply resources, the capital expenditure will 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 profit 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. On-going our performance will be compared to the 7 day backward looking SONIA (Sterling Overnight Index Average) uncompounded rate which was 0.1355% for the year. This compares with a budget assumption of £35,000 investment interest.

RECOMMENDED that:

(a) The annual treasury management report for 2021/22 be noted;
(b) The actual 2021/22 prudential and treasury indicators be approved.

31. NEW WOODLAND AT FRANKMARSH, BARNSTAPLE

The Committee considered a report by the Head of Environmental Enhancement (circulated previously) regarding the new woodland at Frankmarsh, Barnstaple.

The Parks Officer highlighted the following:

- The Council purchased 18ha of farmland and existing mature woodland adjacent to the existing Yeo Valley Community Woodland in June 2020 following a report by the Head of Resources and Corporate Property to Strategy and Resources dated 2nd December 2019, Acquisition of Corporate Property.

- The Forestry Commission awarded funding to North Devon Council in April 2022 to plant approximately 24,000 trees on the land. The funding had come through the “England Woodland Creation Offer” funding stream and was worth £211,000.
- The new woodland was primarily designed to absorb CO2 and calculations indicate approximately 3500 tonnes would be sequestered over the next 100 years helping to offset some of the Council’s carbon emissions. The scheme would be monitored through the Woodland Carbon Code. The new woodland would also offer informal recreation and biodiversity improvements.
- Infrastructure for the woodland would be installed from September 2022 and planting would commence at the end of 2022. The council had two years from the date of the agreement to plant the trees, although it was hoped to complete all the planting over the winter of 2022/ 2023.
- The funding would pay for capital costs i.e. the deer fencing around the site, the supply and planting of the trees and a contribution towards a surfaced path through the site. Additional contributions were paid for public access, being close to a settlement, water quality improvements and nature recovery benefits.
- The scheme also offered maintenance payments over a 10 year period for the establishment of the trees.
- Capital items were claimed retrospectively each year.
- It was hoped to encourage the community to participate in the planting with the Parks team, operating through a contractor funded through the external grant, contacting schools, colleges and community groups to take part over the winter. Contractors and in House staff would complete any planting not undertaken by volunteers.
- Tree species had been selected that would adapt and grow in a changing climate.
- Trees planted before the 20th December 2022 could be included in the Queen’s Green Canopy.
- The anticipated capital cost of the project was £164,631 (there was already £101,000 within the existing Capital Programme and this report was increasing the budget up to £164,631) and would be fully funded from the external grant. There would also be 10 years of annual maintenance payments totalling £46,560 which again would be fully funded from the external grant.

The Committee welcomed the scheme and were very supportive of the potential for involvement of schools, colleges and community groups together with the inclusion of wildflower planting and its carbon benefits.

In response to questions from the Committee, the Parks Officer advised the following:

- The scheme would be fully funded by grants from the forestry commission with the exception of the deer fencing and deer leap, which was being funding separately.
- There would be a mixture of trees on the site with 90% being hardwood as it had ecological site classification, the tree species was selected based on the

potential climate conditions in 50-60 years' time. With 10% of the woodland being conifer for address the carbon requirement.

In response to a question, the Parks Officers advised that rabbit fencing would also be included as part of the scheme.

RESOLVED that:

(a) the contents of the report be noted;

RECOMMENDED that:

(b) Council vary the Capital Programme by £63,631 as set out in section 5.1 of the report and that funds be released.

32. 2022-23 REVENUE BUDGET AND INFLATIONARY PRESSURES

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding the 2022-23 Revenue Budget and Inflationary Pressures.

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

- The Revenue Budget 2022-23 of £13.722m was approved by Full Council on 23 February 2022 alongside the future year budget projections for 2022-2028 within the Medium Term Financial Strategy.
- With the UK's inflation rate rising from 5.5% at the start of the year to 11.1% in April 2022, and global costs rising, research carried out estimated that nationally Councils' costs from inflation had risen from £789m in February when they set their budgets to £1.5bn as of June, leaving them with £729m of additional unfunded costs. A number of authorities were particularly exposed to these rising costs because of the nature of delivering services in large rural areas.
- Even though the Council were only a third of the way through the financial year, with inflation running at such a high level it was important that members were aware of the additional pressures on the budget for the current financial year and also the impact this had on the base budget ongoing for future years.
- The report set out the current in-year pressures being faced together with an updated high-level projection ongoing and measures being put in place to mitigate the unprecedented financial burden on the Council.
- The Medium Term Financial Strategy (MTFS) was last considered by Strategy and Resources at its meeting on 7 February 2022 and approved by Council at its meeting on 23 February 2022.
- Record energy prices, inflation in external contracts, rising fuel prices and increases in staff pay were expected to add significant pressure to the Council's budget which had already highlighted a £2m budget gap for 2023-24 due to the impending Government Fair Funding Review and reduced government funding as a result.

- The 2023-24 budget assumed a reduction of around £1.1m of income from retained business rates following the above review and a reset of business rates income. In addition, a forecast reduction from New Homes Bonus government grant of around £0.950m had also been predicted. However, these uncertainties had been prolonged due to the Fair Funding Review continually being delayed by Government and only a one-year finance settlement being given which did not help Councils plan for the medium term.
- The most recent pay claim for the 2021-22 year was settled in February 2022 and an agreed award of 1.75% effective from April 2021 was settled and paid in March 2022. This demonstrated how long it could take to settle a pay claim between the Unions and the Employers, 11 months in 2021-22 year.
- The Revenue Budget 2022-23 had assumed a 2% pay rise and likewise a further 2% rise factored into the Medium Term Financial projections above to 2028 year.
- The pay claim 2022-23 had now been received from the Unions and they had requested for a minimum of £2,000 on each pay scale point or RPI inflation (11.1% in April 2022), whichever was the highest outcome.
- With approximately 440 FTE staff, even the lowest costing of the above claim would cost the Council an additional £900,000 in 2022-23 and this cost was then an ongoing impact within the base budget for the following financial years.
- Financial modelling was shown on the potential outcomes based upon a higher increase than the 2% budgeted rise and showed the potential cost implication on the 2022-23 base budget of rises of 3% up to 11% and the increased cost this could produce.
- In addition were the financial implications of the National Living Wage (currently £9.50 per hour) and potential increased to this rate from April 2023 and April 2024, which would have a cost impact on the lower scale point ranges to ensure those rates were being aligned and adhered too, thus being in place prior to those effective dates.
- Further modelling had been carried out to determine the cost impact of a National Living Wage increase to £10.50 per hour (potentially from April 2023) and £11.50 per hour (potentially from April 2024) and the numbers of the current workforce this would impact upon;

    - Increase to £10.50 per hour – impact 20 staff and cost of £20,750
    - Increase to £11.50 per hour – impact 106 staff and cost of £256,790

- A claim being settled at the higher level of the above modelling would of course be financially unsustainable for Councils, not only to be able to fund in the current year but also the ongoing impact this had on the base budget level. The additional impact from the potential rise in the National Living Wage was the ‘knock-on’ effect this would have with the wider pay scales within the Council and ensuring equity and evaluation of roles throughout the workforce; therefore this projected cost could escalate into a much higher impact upon Councils.
- National employers were considering the above pay claim and would be looking to make an offer to the Unions by the end of July 2022; thus by the time consultation had taken place with their members we were not going to

have a settlement agreed until at least October 2022 at the earliest and as was the case in the 2021-22 year this could go on much longer.

- In terms of projected impact for 2022-23; there had been discussions with Chief Financial Officers throughout Devon and the consensus was one of assuming a pay award in the region of between 3% and 4%.
- Therefore for 2022-23; the Council could be looking at an additional cost of around £304,000 over and above what had been budgeted for and that cost would be an ongoing impact into the future year budgets too.
- The Council's budgeted energy costs for 2022-23 were Electricity (£196,000) and Gas (£14,000). The Crematorium energy costs were contained within the Joint Committee Budget which was held separately for North Devon and Torridge Councils; and a recent report to this Committee referred to the in-year price increase for Gas and how this cost was being managed within the Crematorium finances.
- Over the last couple of financial years the Council had incurred Electricity costs of around £170,000 per annum. The Council factored in a £26,000 increase (15%) into the 2022-23 budget; however based upon the prices the Council were incurring through the Crown Commercial Services contract they were looking at an additional cost of around £63,000 over and above what the Council had budgeted for and this cost would be potentially be an ongoing impact into the future year budgets too unless prices eventually started to reverse.
- The annual usage of fuel across our vehicle fleet was approximately 450,000 litres and the budget for 2022-23 was increased with an inflatory increase and set at a total of £524,000.
- Financial modelling had been carried out based upon the fuel rates the Council had been experiencing since the budget was approved and assuming a further increase of either 5% or 10% sensitivity.
- The sensitivity modelling showed the potential impact of further increases to the fuel budget; if rates stayed at the current May 2022 level then the Council would be looking at an additional cost of around £83,500 and if rates continued to rise then a potential additional cost of between £114,000 and £144,000.
- With so much uncertainty around the fuel prices and longevity of continued increases, the Council was assuming worst case scenario of the above modelling and looking at an additional cost of around £144,000 over and above what had been budgeted for and this cost would be potentially be an ongoing impact into the future year budgets too, unless prices eventually started to reverse.
- Looking through the wider Revenue Budget there were of course other areas where inflationary increases could impact upon the cost of service provision, such as third party contractors passing on higher costs they were incurring onto the cost they were charging the Council.
- The Council had base budgets for Repairs and Maintenance of £355,000 and Supplies and Services of £5,720,000. An increase of the following would have a financial impact of:

  - 2% increase on above £6,075,000 budgets – additional cost of £121,000.

  - 5% increase on above £6,075,000 budgets – additional cost of £304,000.
  - 10% increase on above £6,075,000 budgets – additional cost of £608,000.

- The Council generally managed the above budgets and prioritise spend within the allocated budget amount and would continue this throughout the year; however it was prudent to assume some level of impact and assumed an additional cost of around £200,000 over and above what had been budgeted for and this cost would be potentially be an ongoing impact into the future year budgets too, unless prices eventually started to reverse.
- Nationally, Councils were flagging up risks of additional costs arising from service contracts and outsourced services such as Leisure, Grounds Maintenance, Theatres or Waste and Recycling services. Contractors were experiencing the same rising costs as Councils and these services were extremely vulnerable to changes in energy prices and also carried the risk of reduced subscriptions as the public made their own cutbacks due to cost of living pressures. The Council just need to be mindful of these associated risks with third party contractors.
- The final area of risk which was becoming more prevalent was the risk on Capital Programme especially with key capital projects, one example of this being the Future High Streets Fund project. This was an £11million project (funded by £6.5m external government grant and £4.5m from NDC) and was approved by Members in February 2021 based upon a costed model which included a level of contingency. The construction element of this project is not being tendered for until this year.
- In the last 12 months, the Council had seen significant increases in material costs (together with delayed availability of materials and contractors) and thus was a serious risk in terms of escalating cost and time on capital projects. The project team was currently working closely with the external consultants on 'value engineering' the works with an aim of staying within the boundaries of the original budgeted cost.
- However, one key factor of the government funding was agreed specific outputs from the project in terms of areas such as delivery of units of housing etc and depending on the outcomes from the value engineering exercise; to ensure a deliverable project within budget may require decisions and a movement around these future outputs and deliverables if this was going to succeed within the original financial parameters.
- This was a risk that the Council would need to manage carefully, not just with this project but with all our major capital schemes and ensure that they had an open and transparent dialogue with our stakeholders and funding partners at the earliest opportunity.
- The inflationary pressures highlighted within the report indicated a number of potential financial outcomes in terms of impact upon the Council's 2022-23 budget and beyond.
- The assumptions made (which as shown in the modelling could vary from this significantly) were summarised as:

  - Staffing costs (assumption 4%) £304,000

- Energy costs £63,000
- Fuel costs £144,000
- Other costs £200,000
- **Potential additional costs £711,000**

- Also on the agenda was the Quarter 4 Performance and Financial Management 2021-22 report, which reported the outturn position for last financial year. This was a positive report following some budgetary underspends in the last quarter together with some additional income, over and above the anticipated level; resulting in a net budget surplus of £604,000.
- These funds were placed back into earmarked reserves to fund additional capital projects coming forwards through business cases; funds for the review of the Local Plan and the balance being placed into the Budget Management Reserve.
- The balance in the Budget Management Reserve had accumulated since the initial contribution at the end of the 2020/21 financial year of £375,000; together with some in-year contributions from additional funds received and a transfer from additional business rates income (over and above the budgeted level) – this reserve had an opening balance at 1 April 2022 of £935,879.
- In terms of mitigating the in-year budget pressures being highlighted above, the recommended approach was to meet these additional cost pressures in 2022-23 through the Budget Management Reserve, together with any in-year budget savings/underspends that materialise.
- The most pressing concern for the Council was the ongoing impact of these budgetary pressures; we can mitigate against the in-year pressure but as was shown earlier the Council were already forecasting a £2m budget gap before the current inflationary pressures were being experienced.
- There was a feeling amongst many that the planned Business Rate reset may be delayed by one further year to 2024-25 which did impact upon the original figures shown earlier as these figures assumed a much reduced Business Rates income for next year 2023-24 of £3.7m; whereas the current budget for this income was £4.7m plus in the current period the Council was seeing a return through the Devon Pool of around £250,000.
- Revised budget projections for 2022-23 to 2027-28 were shown.
- The assumption made was that the current 2022-23 additional inflationary pressures will continue into 2023-24 and beyond with minimal inflation reversal; together with the additional impact of further 2023-24 pay claim settlements (over and above already 2% factored into the original forecast) and National Living Wage implications; together with some element of further additional inflationary burden. An indicative amount of £450,000 had been included. The revised forecast then assumed a return to original predicted inflation levels in 2024-25.
- There was much uncertainty as already highlighted Government Financial settlements were only currently one-year and the level of funding for 2023-24 would not be announced until December 2022.
- It was therefore important that Members acknowledged the importance of firstly the level of potential budget gap the authority faces and secondly work cross-party to identify options to bridge the forecast financial gaps through

potential revenue budget savings and/or generation of additional income streams to the Council. The latter of course linked closely to the adopted Commercialisation Strategy which Members approved in November 2020.
- Officers would like to work closely with Members over the Summer period and therefore it was recommended that a Cross Party Working Group be set up to hold a series of budget workshops to identify options for mitigating the budgetary pressures being faced and then present these back in the Autumn prior to the detailed budget setting process for 2023-24 taking place.

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

- The Council was in an unprecedented situation regarding the funding gap, which was a real challenge in terms of inflationary increases, employee costs and the living wage etc.
- That Members had to act as soon as possible and not delay any decisions with regards to the funding gap until after the elections in May 2023.
- Officers working within the Housing and Planning teams were working extensively with applications and the ongoing housing crisis.
- There were also cost pressures with the delivery of the Future High Streets Fund agenda, which could have an impact on the progress with the Levelling Up agenda.
- There was a need to join the national debate and lobby the government as part of Team Devon.

In response to a question from the Committee, the Chief Executive advised the following:

- The Council had consulted with a barrister regarding any grounds to challenge the outcome of the Yelland Planning enquiry and awaited a response.

RESOLVED that:

(a) the report outlining the budgetary pressures being faced by the Council for the 2022-23 Revenue Budget and the impact this has on the future year ongoing Revenue Budget be noted; and

(b) a Cross Party Working Group be set up to hold a series of budget workshops to identify options for mitigating the budgetary pressures being faced and present back to a future meeting of Strategy and Resources Committee in the Autumn prior to the detailed budget setting process for 2023-24 commencing.

33. ENERGY REBATE DISCRETIONARY SCHEME

The Committee considered a report by the Head of Customer Focus (circulated previously) regarding the Energy Rebate Discretionary Scheme.

The Head of Customer Focus highlighted the following:

- On 23rd February 2022 DLUHC published the guidance and billing authority allocations for the implementation of the Council Tax (Energy) Rebate and the Discretionary Fund.
- NDC was allocated £192,000 to distribute for the Discretionary element of the fund which must be spent by end November 2022.
- Guidance on the distribution of this fund stated ‘ Councils could determine locally how best to make use of this funding to support those suffering financial hardship as a result of the rising cost of living. This could include households living in property valued in bands E to H that were on income related benefits or those where the energy bills payers were not liable for council tax. Where councils consider it the best means of supporting those in financial difficulty, they could use the discretionary fund to offer carefully targeted ‘top-up’ payments to the most vulnerable households in bands A to D (for example, those on means tested benefits), or to offer discretionary support exceeding £150 per household.’
- The Council would be awarding £150 to each household in bands E-H who claimed council tax support.
- The Council would, through social media, website and other means encourage householders in bands A-D who were not direct Council Tax payers but were liable for utility bills, to apply for a payment of £150.
- The Council would use a proportion of the fund to ‘top’ up’ payments to working age households in bands A-D who claim council tax support as at 4th July 2022.
- The funds would be administered via the Post Office payout scheme, incorporated with an allocation from the separate Household Fund, meaning only one visit to the post office would be required. By combining these funds households would receive a payment of around £70.
- Those Post Office vouchers would be issued end July / start August which was when many households incurred additional costs within the school holidays.

In response to questions from the Committee, the Head of Customer Focus advised the following:

- Officers were currently contacting all Houses in Multiple Occupation (HMOs) to ensure that they contact those members of the public that might not be aware of the scheme.

RESOLVED that the recommendations for the dispersal of the Energy Rebate Discretionary Scheme as set out in paragraphs 4.4 – 4.8 of the report be approved.

34. NORTHERN DEVON CULTURE STRATEGY 2022-2027

The Committee considered a report by the Museum Manager (circulated previously) regarding the Northern Devon Culture Strategy 2022-2027.

The Museum Manager highlighted the following:

- The report introduced "Flourishing Culture" the draft Northern Devon Culture Strategy prepared by Consultants Things Made Public with Arts Council funding for North Devon and Torridge District Councils.
- Flourishing Culture had been developed for the district councils of North Devon and Torridge as a vision and action plan for the development of the cultural sector over the next 5 years.
- This was the final draft, and final adjustments were being made in consultation with Torridge District Council. The first draft was presented to Northern Devon Futures on 25th April 2022.
- The Council was currently working on an application to Arts Council's Cultural Development Fund, with a submission date for EOI of 29th July 2022.
- Achieving a vision of thriving creativity and culture across the region would require building on the strengths and addressing the challenges of Northern Devon's cultural landscape. To achieve this the Culture Strategy for Northern Devon focused on two main themes:

  - **Culture – Helping Places Thrive** takes inspiration from the region's landscape to support a cultural offer that is as unique, diverse, celebrated and generous as its natural surroundings. This theme explores culture that is expressive of place, connects people to where they live, is protective of the environment and is distributed across the whole region. It recognises the built heritage of our towns and the need to support their role as the beating heart of cultural activity.

  - **Culture – Helping People Blossom** builds on a long history of culture passing between people in Northern Devon, from skills being shared through the generations, to ideas travelling the world through trade. This theme explores how everyone in Northern Devon has opportunities to connect with one another, develop their creative potential, increase their mental wellbeing and experience great culture.

- The themes were further developed into a series of priorities and suggested actions, supported by case studies from other parts of the UK and abroad. These included a focus on outdoor arts and festivals, digital and community activity, protecting the environment, talent development, national and international connections and improving visibility.
- The Strategy recommended that those steps were achieved by establishing a Town Team for Culture in Barnstaple, Bideford and Ilfracombe. It identified Ilfracombe as the place with the greatest potential to benefit from cultural investment through this process.
- In Barnstaple a Culture Team had already been established as part of Future High Streets. The Strategy supported an application to the Cultural Development Fund to support the creation and delivery of a more detailed Culture Plan for Barnstaple, and work on this was now in progress.
- Adoption of a Culture Strategy was a precondition for application to certain Arts Council funding streams.
- The Culture strategy was now at final draft stage and nearing completion. In order for its adoption to coincide with funding opportunities, it was requested that this be delegated to officers following receipt of final amendments.

- When delegating the adoption of the final draft this endorsed the creation of a Northern Devon Cultural Partnership to work in close partnership with Arts Council England to ensure that there was a clear delivery plan for this Strategy.
- North Devon's status as an Arts Council Priority Place and Torridge as a Levelling Up Culture Priority Place meant that now was the right time to be seeking funding for culture.
- The Council was considering an additional application to Arts Council's Place Partnership Fund.
- The strategy had been developed in line with North Devon Council and Torridge Council policies and in collaboration with stakeholders from across the cultural sector as well as the environment, business, community and education sectors and the general public. It set out the value that culture brought to Northern Devon, the aspiration for what it could be and a set of priorities for raising the ambition, sustainability and impact of culture in all its forms in Northern Devon.

The Committee commented that it was nice to hear something positive for the Council.

RESOLVED that:

(a) the Culture Strategy currently at final draft stage be noted;

(b) power to approve the final Strategy be delegated to the Head of Place, Property and Regeneration in consultation with the Leader and Lead Member for Economic Development and Strategic planning policy, following the conclusion of discussions with Torridge District Council; and

(c) the creation of a Northern Devon Cultural Partnership to support the delivery of this Strategy be endorsed.

35. OCEAN RECOVERY MOTION

The Committee considered a letter from Rebecca Pow MP, Department for Environment, Food and Rural Affairs (circulated previously) in response to the decision taken by the Strategy and Resources Committee meeting held on 4 April 2022.

RESOLVED that the contents of the response be noted. However, the Committee expressed its disappointment with the level of detail contained within it.

36. ORDER OF AGENDA

RESOLVED, that the Committee considered item 14 on the agenda whilst they awaited the arrival of the Service Lead - Housing Advice and Homelessness to the meeting.

37. APPROVAL AND RELEASE OF S106 PUBLIC OPEN SPACE FUNDS - BARNSTAPLE AND CHULMLEIGH

The Committee considered a report by the Parks, Leisure and Open Space Officer (circulated previously) regarding the allocation of section 106 public open space funds towards projects in Barnstaple and Chulmleigh.

The Committee considered a report by the Parks, Leisure and Open Space Officer (circulated previously) regarding the allocation of section 106 public open space funds towards projects in Barnstaple and Chulmleigh.

RESOLVED that:

(a) £6,000 be allocated to the Chulmleigh Town Hall Committee towards the enhancement of Chulmleigh Town Hall;

(b) £14,203.35 be allocated to North Devon Council towards the purchase of new goalposts and grass pitch improvements at Tarka Tennis Centre, Barnstaple;

(c) £3,475 be allocated to Barnstaple Pilot Gig Club CIO towards the enhancement of their boathouse on Rolle's Quay, Barnstaple;

(d) £40,000 be allocated to United Services Bowls Club towards the enhancement of their clubhouse on Mill Road, Barnstaple.

RECOMMENDED that:

(e) Council vary the capital programme by £63,678.35 and that funds be released, subject to a Funding Agreement upon such terms and conditions as may be agreed by the Senior Solicitor, for external projects.

38. ADOPTION OF CORPORATE ENFORCEMENT POLICY

The Committee considered a report by the Legal Executive (circulated previously) regarding the adoption of a Corporate Enforcement Policy.

The Senior Solicitor and Monitoring Officer highlighted the following:

- The Corporate Enforcement Policy had been drafted to identify the key enforcement priorities for the Council.
- As provided in the Corporate Enforcement Policy itself, its purpose was to provide guidance to ensure:

    - Decisions about enforcement action were fair, proportionate and consistent.
    - Officers applied current Government guidance and relevant codes of practice
    - Everyone understood the principles that were applied when enforcement action was considered.

- The Policy as drafted was intended to be generic and allow service areas to create their own service specific policy, strategy and orders should these be required. For instance there are specific processes which the Planning and Environmental Protection teams use but this Policy was designed to be generic to enforcement across the organisation as a whole to provide a framework and central point from which such strategies could develop.
- The Policy should provide guidance to customers (both individuals and businesses operating in North Devon), officers and members alike on what enforcement the Council could carry out and the principles that were followed and an overarching guide to the procedures that were undertaken including when enforcement action might be necessary and the principles and considerations governing what level of enforcement action may be necessary in any given situation.
- The Policy provided information on who decides when enforcement action should be taken and at what level and how the Council worked in partnership with other bodies in terms of enforcement.
- It was hoped that the Policy would provide a useful overview of enforcement undertaken at the Council and the procedures followed.
- Departmental consultation and input, agreement in general from all consultees was included in the preparation of this Policy.
- The Policy brought together and recorded existing practices and therefore it was not anticipated that this decision would have any resource impact.

In response to a question from Cllr Yabsley in relation to Planning Enforcement at the Council, the Chief Executive advised that the Head of Planning, Housing and Health would present a paper regarding the resource implications to the Group Leaders meeting.

RESOLVED that the Corporate Enforcement Policy be adopted.

39. <u>REFUGEES UPDATE</u>

The Committee received an update by the Service Lead – Housing Advice and Homeless in relation to Refugees who highlighted the following:

- The Council had received a letter from Lord Harrington on Friday 1st July 2022 regarding the current situation in relation to the Afghanistan housing scheme. The letter explained that nationally a further 2,000 properties were required with 68% percent of those for larger families, which equated to 500 plus properties of five to six bedrooms.
- As of 13th June 2022, less than 100 properties had been made available to the Afghanistan scheme.
- North Devon Council had pledged two units of accommodation within the North Devon area, which three families had refused and were now in temporary accommodation.
- There were 500 MOD units available across the UK and 12 of these were available at RMB Chivenor.

- North Devon Council approached the MOD to request that 50% of those 12 units be made available for local use and the MOD refused.
- RMB Chivenor was quite an isolated community and South West Councils were looking to offer accommodation in blocks. RMB Chivenor was not a long term community and families would struggle to settle in the area and would prefer housing in the larger cities of the UK.
- The cost figures per person were relayed to the Committee.
- The funding to furnish properties would also have to be taken from the funding per person and property conditions were also a concern. The MOD had provided assurance that all units would be brought up to the required standards for gas and electricity prior to allocation together with the reassurance to the Council that the £5000 per year payable per property would only be required if the property was actually occupied.
- There was a requirement for the Council to provide ongoing support to families in the same way as the Ukrainian scheme. However, there were concerns as to how that could be achieved at the present time.
- There were other concerns regarding additional pressures on the housing service with regards to housing options, temporary accommodation and homelessness approaches to the service.
- There were also concerns regarding the reaction of the local community who were unable to obtain accommodation within the North Devon area.
- The Ukrainian scheme was running smoothly at the present time and any issues that had been identified had been quickly resolved.
- There were currently 75 guests within the North Devon area.
- A meeting had been held with Devon County Council and there had been 50 responses from potential hosts within the North Devon area together 14-16 pending arrivals with an initial stay period of six months.
- There were weekly meetings with external partners in areas such as mental health.
- The Council has had to deal with a couple of situations with regards to two fathers of Ukrainian families losing their lives in the war and how to support the rest of the family in those very difficult circumstances.
- There was also a Ukrainian gentleman that sadly passed away at the North Devon District Hospital and the Council were involved with the funding for the burial arrangement together with respecting the religious beliefs of the family.
- The Home office was currently preparing a paper to provide guidance to Councils should a situation of that nature arise in future.
- Any media enquiries were being managed by Devon County Council as part of the Team Devon response.

In response to questions from the Committee, the Service Lead – Housing Advice and Homeless advised the following:

- How best to manage the situation when a family refuses a property and then the Council is unable to offer the same accommodation to local family.
- The nationwide pressure being put on local authorities to house refugees and the complexities involved as many MOD properties were located in rural areas where people didn’t want to be.

- The responsibility on the Council to manage those properties at a time when both finances and resources were significantly stretched.

The Director of Resources and Deputy Chief Executive advised that an update would be considered by Full Council on 20th July 2022.

RESOLVED that a paper be produced to provide full details of the briefing to the July Full Council meeting.

The Committee thanked the Service Lead – Housing Advice and Homeless for her update.

40. HACKNEY CARRIAGE FARE TARIFF REVIEW

The Committee considered a report by the Public Protection Manager (circulated previously) regarding the Hackney Carriage Fare Tariff Review.

The Public Protection Manager highlighted the following:

- North Devon Council had set maximum chargeable fares for taxis under the Local Government (Miscellaneous Provisions) Act 1976 which directly impacted the salaries of taxi drivers licensed in the district. A consultation on a proposed change to the tariff had been undertaken and the report sought agreement to recommend adoption of new North Devon Council Authorised Maximum Fares for Licensed Hackney Carriages (the hackney tariff).
- North Devon Council's current hackney carriage fare tariff became effective in April 2016. Subsequent to its implementation two reviews had taken place in November 2016, and February 2019 during which decisions were taken that any amendment was not justified at that time.
- A significant period of time had now passed and it was necessary to undertake a further review. Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 enables the Council to set fares for hackney carriage vehicles and required that before any alteration to the tariff table could take effect a public notice explaining the changes must be placed in a local newspaper. The public then must be provided with a period of at least 14 days to make comment on the proposals. If no adverse comment/objection is received, the approved changes must take effect. Alternatively, if adverse comment/objection was received then the matter must be returned to allow the Committee to consider the representation(s). Any tariff as existing or amended must come into effect within two months of the date of the public notice, being the 25 July 2022.
- A public notice was published in the North Devon Gazette in line with the above. Moreover, a press release was issued, a consultation survey launched on the Council's website, and a Council taxi newsletter explaining the changes and inviting observations was sent to the trade. Appendix B of the report detailed the 30 responses received.

RESOLVED that the recommendations made by the Licensing and Community Safety Committee during their meeting of 14 June 2022 be approved as follows:

(a) The current table of hackney carriage maximum fares be modified in line with Appendix A of the report; and

(b) That this tariff becomes effective on the 11 July 2022, and the words ‘fare price’ be changed to ‘total fare’ to provide absolute clarity in respect of the fuel surcharge listed under the extras.

41. URGENT DECISIONS TAKEN BY THE CHIEF EXECUTIVE

The Committee noted seven urgent decisions that had been made by the Chief Executive in accordance with paragraph 3.48, Annex 2, part 3 of the Constitution (circulated previously) regarding Rough Sleeping grants

Chair
The meeting ended at 12.25 pm

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