NORTH DEVON COUNCIL

Minutes of a meeting of Executive held at Barum Room - Brynsworthy Environment Centre on Monday, 4th February, 2019 at 10.00 am

PRESENT: Members:

Councillor Brailey (Leader)

Councillors Barker, R Cann, Edgell, Jones, Lane, Luggar, Meadlarkin, Moores and Yabsley

Officers:

Chief Executive, Head of Operational Services, Head of Corporate and Community Services, Head of Place, Head of Resources, Conservation Officer and Estates Officer

Also Present:

Councillors Edmunds, Leaver, Moore, Patrinos, Spear and Worden

96. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

97. TO APPROVE AS A CORRECT THE MINUTES OF THE MEETING HELD ON 7TH JANUARY 2019 (ATTACHED)

RESOLVED that the minutes of the meeting held on 7th January 2019 (circulated previously) be approved as a correct record and signed by the Chairman.

98. LEADER'S ANNOUNCEMENTS

The Leader reminded the Executive and members of the public of the housekeeping procedure rules.

99. DECLARATIONS OF INTERESTS

There were no declarations of interest announced.

100. QUARTERLY PERFORMANCE AND FINANCIAL MANAGEMENT - QUARTER 3 2018/19

The Executive considered a report by the Leader and Executive Team (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the Performance and Financial Management report for Quarter 3 of 2018/19.

The Accountancy Services Manager highlighted the following:

- As at 31st December 2018, the latest forecast net expenditure was £12.239m, which was £0.019m over budget. Details were shown in Appendix 1 and it was anticipated that the small variance could be reduced further throughout the remainder of the financial year.
- The original budget for 2018/19 included a forecast to achieve £0.200m worth of salary vacancy savings. The current position forecasts this would be exceeded and vacancy savings of £0.225m would be achieved.
- The “Recycle more” service changes were introduced on the 5th June 2017; the take up of the new garden waste service had exceeded expectations, 2017/18 saw a total sign up of 17,320. This year’s income was expected to exceed last year’s total by 570 properties.
- Within the overall £0.019m net budget deficit there were various cost pressures and one-off savings. The budget pressures seen within waste and recycling service had not increased any further at the quarter 3 forecast. There had been a significant reduction in the forecast planning fee income of £0.159m due to a reduction in the larger applications received, which was in line with other authorities experiencing the same pressure. However it was forecast there would be additional Business Rates Retention income of £0.200m over and above the budgeted £1.252m Business Rates growth which had resulted in maintaining the net budget deficit at a similar level reported at quarter 2.
- The Business Rate retention scheme was introduced in April 2013 which sees Billing authorities receive a ‘baseline’ funding but in addition they are exposed to the risks and rewards of retaining a proportion of the income collected. This exposure was mitigated by participation in the Devon-wide pool that collates all of the Business Rate growth and decline and returns a share of the impact to each local authority. There had been an estimated one-off additional income from the 100% Business Rates Retention pilot for 2018/19 of £0.750m; this additional income had been earmarked into reserves as detailed in paragraph 4.1.6 of the report to help fund future projects.
- At the 31st December 2018 the total external borrowing was £1.250m.
- The recommended level of general fund balance is 5%-10% of the council’s net revenue budget (£0.611m to £1.222m). The forecast general fund reserve at 31 March 2019 is £1.161m, which is a level of 9.5%.
- “Appendix-2 Movement in Reserves & Balances” detailed the movements to and from earmarked reserves in 2018/19.
- “Appendix-3 Executive Contingency Reserve” detailed the Executive Contingency Reserve movements and commitments.
- “Appendix-4 Capital Programme” detailed the 2018/19 to 2020/21 Capital Programme. The Programme of £12.842m was funded by Capital Receipts (£2.349m), External Grants and Contributions (£8.964m) and Reserves (£1.529m).
- Variations of (£2.254m) proposed to the 2018/19 Capital Programme as detailed in paragraph 4.4.3 of the report.
- The revised Capital Programme for 2018/19 taking into account the budget variations above was £5.529m.

- Actual spend on the 2018/19 Capital Programme, as at 31st December 2018 was £3.128m.
- Variations of £0.045m proposed to the 2019/20 Capital Programme as detailed in paragraph 4.4.6.
- The overall Capital Programme for 2018/19 to 2020/21 was £12.842m and was broken down as follows:
  - 2018/19 £5.529m
  - 2019/20 £6.313m
  - 2020/21 £1.000m
- The proposed release of funds from the 2018/19 Capital Programme as detailed in paragraph 4.4.12 of the report.
- £67,789 investment interest was earned during the three quarter period. The 2018/19 interest receivable budget was £60,000.
- £20,605 interest was paid at an average rate of 2.03% on the PWLB loans during the three quarter period. The 2018/19 interest payable budget was £40,000.
- Non-financial information was contained within paragraphs 5 to 9 in the report. Appendix 5 detailed key performance indicators and Service Plan Action updates.

In response to a question, the Executive were advised of the following:

- In relation to paragraph 4.1.6 of the report, the £0.150m would be placed in the Improvement Programme Reserve.

DECISIONS

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

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

(c) That the movements on the Executive Contingency Reserve as detailed in section 4.3 of the report be noted;

(d) That funds be released for the capital schemes as listed in paragraph 4.4.12 of the report;

(e) That sections dealing with Treasury Management (paragraph 4.5), and Debt Management (paragraphs 4.6 and 4.7) be noted.

RECOMMENDED

(f) That the variations to the Capital Programme 2018/19 to 2020/21 as detailed in paragraphs 4.4.3 and 4.4.6 be approved.

REASONS FOR DECISIONS/RECOMMENDATION

(a) To ensure that appropriate action is taken to allow the council to meet its objectives.

(b) To inform the Executive of actual results compared to the approved Corporate Plan, as well as progress in delivering service within the revenue budget and Capital Programme.

101. MATERIALS RECOVERY FACILITY INFRASTRUCTURE

The Executive considered a report by the Head of Operational Services (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the replacement of the Materials Recovery Facility infrastructure.

The Head of Operational Services highlighted the following:

- All recyclable materials collected were brought to Brynsworthy Environment Centre for sorting.
- The existing equipment in the process hall was often at maximum capacity to bale the collected materials. The equipment was old and regularly broke down or needed additional maintenance and was now in need of replacement.
- Some of the equipment was over 10 years old.
- As a direct result of the Recycle More project in 2017, which included the trial of the three-weekly residual collection service, the amount of recycling now collected had increased significantly.
- The Recycle More project had influenced residents to recycle more than ever before resulting in the existing facility used to process the recycled materials not being capable of keeping up with the throughput. The occurrence of breakdowns were approximately twice per week with more major breakdown being monthly. Breakdowns were not restricted to one particular component and there were regular problems with any one of the three existing balers, conveyors and ancillary equipment.
- In 2007/08, baling was introduced. The collection of mixed plastics was introduced in 2014.
- From 2014/15 to 2018/19 the collection of plastics had increased by 103%. The collection of aluminium had increased by 140% and steel had decreased by 34%.
- The existing equipment in the process hall was designed to deal with 6 tonnes. It now handled in excess of 6 tonnes and was unable to cope with the current level of materials that were processed. For the first 9-months of the financial year breakdowns and the recovery of breakdowns had cost the authority £44,264.00 which had not been budgeted for.
- A decision had not yet been taken in relation to the roll out of the three-weekly trial to other areas or district wide. If was extended the problem with the process hall would be further exacerbated. If this decision was not taken there would still be a need for the Council to increase its level of recycling to 50/55%.
- Alternative options available –

(a) Do nothing – purchase second hand equipment, however it was unlikely that all components could be purchased at the same time and get total compatibility with the various pieces of equipment. The pay back period would be less than the purchase of new equipment.

(b) Not process any of the materials ourselves and instead send it
to a third party processor. This would avoid the capital costs and reduce staff numbers within the process hall, however there was a limited local market for reprocessing with the nearest being Exeter City Council, or even further away in Bristol. There would be no income stream for the Council.

(c) change the collection methodology and to move away from kerbside sort and collect materials co-mingled. Co-mingled means collecting all of the recycling in a wheeled bin, however glass and food waste would need to be collected separately. Whilst this would mean there would be no capital investment into the plant and equipment there would be a need to replace kerbside sort vehicles with split bodied refuse collection vehicles and introduce a separate collection for food waste. A desktop analysis has been undertaken to assess the viability of this option. Capital costs for a co-mingled service are approximately £1.87m. Whilst there were significant staff savings to be made (approximately £437,000 saving), there was also a significant cost to transporting the co-mingled material to a process plant. No material income would be generated at a loss of £629,000 (based on 2017/18 figures).

- Independent advice had been sought and it was recommended that new plant and equipment along with all of the necessary ancillary equipment was purchased. If approved the process hall could be up and running to capacity by Christmas 2019 with improved reliability and throughput. The equipment would be able to not only cope with existing production but have the capacity to take the material if all the District were to recycle to its maximum ability along with increased trade recycling and also possible external additional business.
- During the period of decommissioning the old equipment and installing the new, Exeter City Council had agreed to process our steel/aluminium and plastics which would see a reduction in the overall income of approximately £12,500. Cardboard would still be moved under the current arrangement along with glass and paper.
- It was recommended that the process hall was configured with a series of new bulk storage bays to hold the separated plastics, steel, aluminium and cardboard. This would be achieved by a bulk storage bay for mixed materials that would be loaded onto floor level conveyors that will then take the individual materials though a series of electro-magnets (to capture steel) and eddie current separators (to separate aluminium). These separated materials can then be forwarded on individually to a twin ram auto banding baler. Overhead gantries with picking stations also need to be included to allow for additional materials to be removed / recycled if we chose to expand the

recycling service in the future, or if there was a market requirement to produce higher grade recyclet.

- Presently 4 operatives were required within the process hall to operate the three existing balers, the mechanical loader (Telehandler) and the two fork lift trucks. With the introduction of the new equipment it was envisaged that this number can be reduced to 3, creating a saving of £23,000 pa. This reduction would be managed through the normal vacancy process.
- The resource implications as detailed in paragraph 5.1 of the report. The capital expenditure would be borrowed over a 10 year period. There would be an increase in material income. During 2019/20 there would be a loss of income as a result of the materials being processed by Exeter City Council during the decommissioning of the old and replacement of the new equipment.

In response to questions, the Executive were advised of the following:

- The Government was in the process of consulting on the types of recyclable materials collected. If the Government made the collection of some materials statutory, then it was anticipated that Local Authorities would be offered a financial incentive.
- The new equipment would handle 6 tonnes per hour. Most Local Authorities provided a recycling service and the majority undertook kerbside collections. The value of materials collected fluctuated considerably.
- There had been a reduction in the collection of steel and paper. The collection of plastic, cardboard, steel and aluminium had all increased.
- The recycling rate had reduced when compared to the same quarter last year, however it was explained that this was due to materials being stock piled at the depot. Therefore it was anticipated that the recycling rate would increase.
- The baler for plastics was 10 years old, steel was 7 years old and aluminium 4 years old. Life expectancy for balers was 10 years.
- It was the Council's policy to borrow for the life of the asset.
- The new plant and equipment would last 10 years and have capacity to handle an increase in the recyclable materials collected.

DECISIONS

(a) That the replacement of the Process Hall recycling plant and equipment to the estimated value of £760,000 (subject to exchange rates) be approved;

(b) That delegated power be given to the Head of Operational Services in consultation with the Portfolio Holder to award the contract following a procurement process;

RECOMMENDED:

(c) That the capital programme be varied to the value of £760,000 and to release the funds required.

REASONS FOR DECISIONS/RECOMMENDATION

(a) The existing Process Hall equipment is beyond its useful life and is unable to cope with the current level of materials that we need to process. Breakdowns and stoppages are now a regular feature adding further pressure to an already over stretched service. For the first 9-months of the financial year breakdowns and the recovery of breakdowns has cost the authority £44,264.00 which has not been budgeted for.

102. REVIEW OF CHARGES AND FEES FOR SERVICES 2019/20

The Executive considered a report by the Head of Resources (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the review of Charges and Fees for Services 2019/20.

The Head of Resources highlighted the following:

- This year the guidance was to increase some fees and charges by 3%, although some fees are set by statute and these will be set nationally.
- Other variations to the 3% increase were set out in paragraphs 5.3 to 5.8 in the report.
- Trade Waste charges have been reviewed and simplified to aid the customer's understanding of the charging structure. Zones 1 and 2 have now been combined with a minimum increase of 5%, with schedule 2 and Recycling charges increasing by 10%. The Head of Operational Services had confirmed that with these price increases the service was still commercially competitive. (Appendix 3)
- Land Charges fees have been set to recoup the cost of providing the service, without changing the current fees the land charges service was still budgeted to recover all the costs and break even. (Appendix 4)
- There were minimal changes to the Environment Health fees, as the majority of these were set by statute or set to recover costs. The changes include, amendments to the animal licence fees. With Zoos and Dangerous Wild Animal Licences being under review. (Appendix 5)
- Single Sports pitch hire increased by 14.2%. The significant increase was due to current charges for grass pitch hire being relatively cheap. Block hire had also been introduced but kept at the 18-19 prices to encourage customers to lock themselves into a block booking of at least 11 games. (Appendix 7)
- The Pannier Market fees have been recommended to be increased by 3%. It was proposed that the additional £6,000 received be earmarked to be spent on the Pannier Market. (Appendix 8)
- Garden Waste charges have not been increased for 2 years and it was proposed not to increase the fees for the third year running. This would be reviewed in 2020/21. (Appendix 10).
- The net changes in the charges were expected to result in £88,400 of additional income which have been included within the draft 2019/20 budget.

RECOMMENDED:

(a) That there be a 3% increase in fees for 2019/20 financial year, for the following services:

- Allotments – Appendix 1
- Building Control Charges – Appendix 2
- Cemetery fees – Appendix 6
- Pannier Market Charges – Appendix 8
- Bulky Collections – Appendix 9

(b) That the remaining fees be varied by the elements outlined in paragraphs 5.3 to 5.8 of the report.

REASONS FOR RECOMMENDATIONS

(a) The change in fees charged for services provided by the Council is in line with the Medium Term Financial Strategy.

(b) Some fees are set by statute and these will be set nationally.

103. REVENUE BUDGET 2019/20, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2019-2023

The Executive considered a report by the Chief Financial Officer (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the Revenue Budget 2019/20, Capital Programme and Medium Term Financial Strategy 2019-2023.

The Head of Resources highlighted the following:

- Government settlement December 2018. The provisional 2019-20 settlement (including the Rural Services Delivery Grant) was £3.269m (Year 4). In cash terms this was £363,000 less than 2018-19 (10% reduction) in line with the Medium Term Financial Plan. 75% Business Rate Pilot bid for Devon had been unsuccessful. There were no new changes announced for the New Homes Bonus for 2019/20, however potential changes for 2020/21. The Rural Services Delivery Grant matched the 2018/19 level. Council Tax levels for District Councils could be increased by up to 3% or £5 whichever was higher. The referendum in relation to Council Tax levels for Town and Parish Councils had been deferred. The Government had awarded one off funding for Brexit over a 2 year period of £17,500 for 2018/19 and £17,500 for 2019/20. This grant would be placed in an earmarked reserve.
- Government settlement change in funding by class of Authority. The Shire Districts and County Councils had received the largest reduction in funding from 2015/16 to 2019/20.
- Medium Term Financial Plan (2018-22) approved by Council in February 2018 was based on a number of financial assumptions about the future which included funding from Central Government, retained Business Rates income

and future Council Tax levels, cost pressures and savings plans and contributions to and from reserves (e.g. vehicle replacement). The forecast budget gap from 2019/20 to 2021/22, as at February 2018 was outlined.

- New Homes Bonus changes introduced in 2017.
- New Homes Bonus provisional level of funding to 2019/20. The level of funding for 2018/19 was £1,313,520. The Medium Term Financial Plan assumed £1.3m for 2019/20 therefore there was an additional £146,000. £100,000 from the New Homes Bonus would be placed into a reserve for one off capital projects.
- Business Rates Retention. 100% Business Rate Pilot had been accepted for Devon for 2018/19. The pilot programme was for one year. The estimated additional one-off business rates gain was £0.750m. This gain had been placed into earmarked reserves 2018/19 for future year projects. The Government had invited bids for 2019/20 pilots, however Devon had been unsuccessful and would revert back to the Devon Pool (50% scheme).
- The 2019/20 Business Rate retention forecast was £1.690m. The 2019/20 draft budget (above baseline funding) was £1.502m.
- Local Government Finance funding reforms which included: Spending Review for the period 2020/21; a review of relative needs and resources; Business Rates Retentions pilots, business rates baseline reset, Fair Funding review, New Homes Bonus review, Reforms to Local Government funding would change the level of resources available and have an impact on revenue budget; indicative allocations would be announced during the Autumn 2019.
- Council Tax levels for 2018/19 Band D properties had been increased by £5.16 (equivalent to 2.99%). Rural Councils could increase levels by up to 3% or £5 whichever higher. By increasing the level by 2.99% for 2019/20 would increase NDC's proportion of Council Tax for Band D properties from £178.02 to £183.35 (an increase of £5.33).
- Strategic Grants – it had been recommended that the level of grants be reduced by 8%, which had been included within the draft budget for 2019/20. However, the Council's actual funding settlement had been reduced by 10%. Supporting statements from the organisations in receipt of Strategic Grants were contained within Appendix 2 of the report. It was proposed that the strategic grant for the South Molton Swimming pool be removed in full as the pool was now operated by a commercial organisation 1610 Limited which was a private company limited by guarantee. 1610 ran a number of pools in the South West area and across the country. Parkwood provided a service to the Council for the management of the Leisure Centre and Ilfracombe swimming pool. 1610 did not provide a service on behalf of the Council. The statement of accounts of 1610 had been reviewed for the year ending 31st March 2017 which included £1.5m held within its general fund reserves. Their general reserves were higher than was held by the Council. The reserves had grown by £110,000 in 2016/17. A statement had been included in the accounts from the Chief Executive Officer stating that the company had seen a growth in the core business. The business employed 500 staff and one employee was paid between £90,000 - £99,000. In preparation of the report, the Regeneration Manager had contacted Devon County Council regarding the Exeter Area Rail Project and no justification had been received. However, since the publication of the report an email had been received from Devon County Council to

advise that they still retained half of the strategic grant awarded for 2018/19 and gave no clear indication of how the remaining grant would be spent.

- Draft Revenue Budget 2019/20 - cost pressures and savings; options to balance the budget; how it would be funded.
- Draft Revenue Budget 2019/20 (Appendix 1) – was now predominately funded by taxation. Business rates retention and New Homes Bonus were both at risk of change for 2020/21 onward. It showed a balanced budget and assumed:
    - 2.99% increase in Council Tax (each 1% equates to circa £60,000)
    - Strategic Grants have been reduced at the proposed levels.
    - Parish Grants not reduced by 50% as outlined at the Parish Forum and previously notified to Parish Councils. It was now proposed to be included within the Medium Term Financial Strategy to fully remove the grant in 2020/21.
    - Savings from service reviews which included CCTV and Trade Waste being implemented and delivered.
- Reserves (Appendix 3). General fund balance forecast level at 31 March 2020 was £1.161m (9.3% of the net budget). The recommended level was between 5-10%. Earmarked reserves forecast level at 31 March 2020 was £3.289m. In compliance with the Local Government Act 2003, the Chief Financial Officer assured the Executive of the robustness of the estimates and the adequacy of the proposed financial reserves.
- Medium Term Financial Strategy (2019-2023) was based on a number of financial assumptions about the future which included: funding from Central Government; retained business rates income and future Council Tax levels; cost pressures and savings plans; and contributions to and from reserves (e.g. vehicle replacement). Appendix 4 detailed the modelled financial projections.
- Capital Programme for 2018/19 to 2021/22. 9 business cases for capital funding had been submitted. The gross cost of the business cases was £7,320,000. The net cost to the Council was £3,720,000. The Project Appraisal Group had scored all of the business cases as either “medium” or “high”. The business cases had been submitted for the following projects:
    - Rolling Road. There was an opportunity to provide this service to other Local Authorities provided it did not impact on the core business of the Council.
    - Vehicle Replacement Programme.
    - Material Recovery Facility Infrastructure.
    - HR and Payroll System.
    - Pannier Market Re-roofing works.
    - Contact Centre Telephony software.
    - Digital Transformation Asset and Financial Management System.
    - ICT Office Technology fund.
    - Disabled Facilities Grants.
- The Leisure Centre and Watersports Centre potential capital funding bids had not been included within the draft Capital Programme and would be considered by the Special Executive at its meeting on 26th February 2019.

- The total cost of the projects of £3.720m would be funded by earmarked reserves (£1.764m), Section 106 heritage contribution (£0.050m), existing capital programme (£0.194m) and borrowing need would be increased (£1.712m).
- (£0.592m) borrowing costs had been included within the draft budget for 2019/20. Future year borrowing costs had been included in the Medium Term Financial Plan. The borrowing costs would increase to £0.786m by 2022/23. The business cases generated net annual savings of (£0.030m). Without any further capital receipts in addition to the amount that had been forecast already, it was estimated that borrowing costs could increase to £1.140m in 2028/29 due to additional future year vehicle and ICT replacements.
- Draft Capital Programme (Appendix 5). The total Capital Programme 2018/19 to 2021/22 was £19.968m which would be recommended to Council for approval on 25th February 2019.
- How the total Capital Programme 2018/19 to 2021/22 would be funded.
- Projected underlying need to borrow in accordance with the 10 year Capital Strategy.
- Risks identified that could affect financial plans.
- Timeline – Council at its meeting on 16th January 2019 approved the Council Tax base; the budget and capital programme would be considered by the Executive on 4th February 2019 and Overview and Scrutiny Committee on 12th February 2019; Council on 25th February 2019 to consider the approval of the budget and capital programme and setting of Council Tax; Special Executive on 26th February 2019 and Council on 13th March 2019 to consider the potential Leisure Centre and Watersports Centre capital projects.

  RESOLVED that a vote of thanks be given to the Head of Resources and his team.

The Head of Corporate and Community gave advice to the Executive regarding the status of the company 1610 and advised that giving a grant would raise issues of State Aid. 1610 was a commercial organisation that bid for contracts with Local Authorities. The contract was between 1610 and the Swimming Pool trustees. If the Council awarded 1610 a grant, it could have an impact of the funding that Council received. There were various exemptions and de minimis levels that applied. External specialist advice could be sought, however it would cost in the region of £2,000. When the Council entered into a new contract for the Leisure provision, it would include a clause that the Council could not award funding to other competitor organisations.

In response to questions from the Executive and other Members, the Executive were advised of the following:

- The Leader and Head of Resources had met with 1610 prior to taking over the management of the South Molton Swimming pool. It was made very clear that any future grant awarded to 1610 would be subject to the annual budget setting process and was therefore not guaranteed. At that time, the company's financial position was unknown. South Molton Town Council owned the swimming pool land.

- Local Authorities and Rural Services Network were continuing to lobby the Government regarding the inequality of funding for Local Authorities. The Council still received less than the national average of funding.
- There had been a significant reduction in the number of Council employees from around 500 in 2010 to 350 in 2019. The reduction had been carried out in a managed way. All vacant posts were reviewed by the Senior Management Team to assess whether the post was still required or whether it could be delivered in a different way. The Council was now at capacity and therefore there was a need to make ongoing efficiency improvements delivered by the ICT infrastructure. To date the Council had not made any staff redundancies.

Councillor Luggar left the meeting.

- The funding gap in the future year's budget needed to be addresses by achieving savings and efficiencies. Costs for borrowing increased the budget gap. There were various options to consider.
- For every £1 awarded to the AONB, it attracted £3 from the Central Government.
- The Council had a contractual arrangement with Parkwood for leisure provision. The Council would not have a contractual arrangement with 1610.
- The de minimis level had been set at €200,000 over a three year period. There would be a need to review the funding that the Council had received over that period.
- 1610 had been contacted to provide an impact statement if the funding was withdrawn by the Council. An email response had been received which made a general case if funding was reduced however it did not specify what impact it would have.
- If funding was awarded to 1610, then a funding agreement should be put in place to specify the level of service the company should provide.

DECISIONS

(a) That the latest forecast for Budget 2018-19 and the proposed contributions to earmarked reserves be noted;

(b) That the Chief Financial Officer's assurance on the adequacy of the reserves and the robustness of the budget in paragraph 5.1.4.5 of the report be noted;

(c) That the Chief Financial Officer's highlighted areas of risk identified within the budget process set out in paragraphs 5.1.4.6 and 5.3 of the report be noted;

(d) That the latest Medium Term Financial forecast for 2019-2023 as shown in paragraph 5.1.5 of the report be noted;

(e) That subject to approval of (i) below, that funds be released for the capital schemes listed in paragraph 5.2.2 of the report.

RECOMMENDED:

(f) That there be an increase of 2.99% in the level of Council Tax charged by North Devon Council for 2019-20;

(g) That the actions identified in paragraphs 5.1.2 to 5.1.4 of the report, which were required to ensure a balanced budget be achieved and therefore recommend to Council the approval of 2019-20 General Revenue Account Budget subject to:

(i) South Molton Swimming Pool and Exeter Area Rail Project not being awarded a strategic grant;

(ii) There being no reduction in the level of strategic grants awarded to the AONB, Biosphere, Go North Devon, Northern Devon Voluntary Service and the Citizens Advice Bureau;

(h) That the Medium Term Financial Strategy 2019-2023 in paragraph 5.1.5 of the report as part of the Policy Framework be adopted;

(i) That the Capital Programme 2018-19 to 2021-22 as highlighted in paragraph 5.2 be approved.

REASONS FOR DECISIONS/RECOMMENDATIONS

(a) The 2018-19 latest forecast is reported to ensure Executive maintain budgetary control for the rest of the financial year.

(b) To ensure Executive has assurance on the financial standing of the Council and risks associated with the budgetary framework.

(c) Decisions on the level of Council Tax need to be taken by Executive as part of recommending next year's budgetary framework for adoption by Council.

(d) To ensure Executive have a savings plan in place to deliver the long-term financial strategy of the Council.

(e) To ensure Executive control the performance improvement activities of the Council.

(f) To ensure that future capital investment is available and targeted to the Council's priorities.

(g) 1610 was a commercial organisation and Exeter Area Rail Project had not provided justification for the award of a strategic grant by the Council.

104. TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20

The Executive considered a report by the Chief Financial Officer (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the Treasury Management Strategy Statement for 2019/20.

The Head of Resources highlighted the following:

- The Council was required to receive and approve three reports each year which included: Prudential and treasury indicators and treasury strategy (first report), Mid Year Treasury Management report (second report) and an Annual Treasury report (third report).
- The Council's investment priorities were security of funds first, portfolio liquidity second and then yield, (return).
- Proposed changes to the Treasury Management Strategy for 2019/20 as detailed in paragraph 5.1 of the report.
- The Council had not engaged in any material commercial investments or non-treasury investments.
- Capital expenditure and net financing need of capital expenditure for 2019/20.
- The Council's underlying need to borrowing as detailed in paragraph 6.2 of the report.
- Borrowing requirements as detailed in paragraph 7 of the report. The underlying need to borrow was increasing in 2019/20 year.
- Investment and borrowing rates. Borrowing rates would continue to be reviewed to avoid incurring higher borrowing costs in the future. It was more cost effective to borrowing internally. Investments were only made on a short term basis.
- The criteria for risk management was largely unchanged from last year.
- The Council would adopt a low risk, immaterial, approach to non-treasury (commercial) investments in line with the investment categories and authorised limits set out in Appendix 2.

RECOMMENDED

That the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2019/2020, including the Treasury Management and Prudential Indicators for 2019/20 to 2021/22, be approved.

REASONS FOR RECOMMENDATIONS

(a) The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) requires the Council to have regard to the Treasury Management Code.

(b) Under section 3(5) of the Local Government Act 2003 the Council is required to have regard to the Prudential Code when setting limits to the level of its affordable borrowing.

(c) This Council is also required under the Code to give prior scrutiny to the treasury management reports by the Overview and Scrutiny Committee before they are reported to the full Council.

105. 10 YEAR CAPITAL STRATEGY 2019-2029

The Executive considered a report by the Chief Financial Officer (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the 10 Year Capital Strategy 2019-2029.

The Head of Resources highlighted the following:

- In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes stating that from 2019/20, all local authorities will be required to prepare a Capital Strategy.
- The Strategy was required to provide a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, an overview of how the associated risk is managed and the implications for future financial sustainability.
- This capital strategy document covers the ten year period from 2019/20 to 2028/29 and will be reviewed annually by Full Council prior to each financial year.
- The Strategy did not include the financial impact of the potential new Leisure Centre or potential addition spend on the Watersports Centre projects.
- Capital Governance arrangements as detailed in paragraph 5.3 of the report.
- The current Medium Term Financial Plan included borrowing costs for the Capital Programme approved earlier on agenda.
- The Capital Strategy for years 2019/20 to 2022/23 (Medium Term) as detailed in paragraph 5.4 of the report.
- The Capital Strategy for years 2023/24 to 2028/29 (Long Term) as detailed in paragraph 5.5 of the report.
- Following the District Council elections in May 2019, there would be a need to undertake a review of the service spend and identify savings to reduce the budget gap (both Revenue and Capital).
- Capital funding and affordability. Projected external borrowing. There was a need to challenge the future projects within the long-term capital expenditure to identify whether they were required or could be delayed. If additional capital receipts were received, there would be a need to use the receipts to reduce the level of borrowing need.
- Risks with the Capital Strategy as detailed in paragraph 5.6 of the report.

RESOLVED that the vote now be taken.

RECOMMENDED

That the Capital Strategy 2019/20 to 2028/29 be approved.

REASONS FOR RECOMMENDATION

(a) The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) requires the Council to have regard to the Treasury Management Code.

(b) To ensure Executive has assurance on the financial standing of the Council and risks associated with the capital strategy.

(c) To ensure Executive have plans in place to deliver the long-term financial strategy of the Council.

(d) To ensure that future capital investments are available and targeted to the Council's priorities.

Councillor R. Cann left the meeting.

106. URGENT WORKS NOTICE FOR BUNKSLAND FARM, EAST ANSTEY

The Executive considered a report by the Conservation Officer (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding an urgent works notice for Bunksland Farm, East Anstey.

The Conservation Officer circulated photographs of Bunksland Farm to the Executive which had been provided by the structural engineer.

The Conservation Officer highlighted the following:

- Confirmed that the farm was located within the parish of East Anstey.
- Bunksland Farm was a grade II* listed building dating from the late medieval period. It contained historic fabric and features of considerable significance. The farmhouse was in a very poor condition and had suffered some internal collapse. The ownership of the farm was not confirmed, therefore works required to prevent further deterioration of the building would not be undertaken, unless by a third party.
- North Devon Council had the power to serve an Urgent Works Notice on the building, carry out the works in default, and ultimately reclaim the expenditure when ownership is established.
- The farm had not been registered with the Land Registry and there were no deeds.
- The property had been vacant since 2009.
- The Executors were in the process of trying to register the property with the Land Registry.
- A charge would be placed on the property in order to recover the costs of the Council in undertaking the urgent works.
- The Executors had received a valuation from Stags, who had given an estimation of between £475,000 to £500,000 for the farm and land.

In response to questions, the Head of Corporate and Community advised that in order to speed up the process of marketing the property once the works had been undertaken he suggested that recommendation 2.3 be amended to delete the wording “once ownership of the building is confirmed”. If the property was not registered then the Council could become a mortgagee in possession.

DECISIONS

(a) That it be noted that the Head of Place is to use his delegated authority to serve an Urgent Works Notice under Section 54 of the Planning (Listed Buildings and Conservation Areas) Act 1990 on Bunksland Farm, East Anstey;

(b) That expenditure of up to £50,000 be approved to be funded from the Executive Contingency Reserve to carry out works subject to confirmation of a grant made to North Devon Council by Historic England to underwrite up to 80% of the unrecoverable costs of carrying out the works specified in the Notice;

(c) That steps be taken to recover the costs of the Urgent Works Notice and a charge be placed on the property in order to recover the costs of the Council in undertaking the urgent works;

(d) That delegated authority be given to the Head of Place, in consultation with the Portfolio holder, to agree the details for the expenditure of the capital sum and any grant secured for the project.

REASONS FOR DECISIONS

(a) Section 54 (1) of the Planning (Listed Buildings and Conservation Areas) Act allows Local Authorities to execute works which appear to them to be urgently necessary for the preservation of a listed building in their area. Section 54(5) of the Act requires the Authority to give the owner not less than seven days notice in writing of the intention to carry out the works, and Section 55 of the Act allows the local authority to recover the expenses of carrying out the works from the owner.

(b) In the case of Bunksland Farm, the service of an Urgent Works Notice is the most effective means of ensuring that the listed building is stabilised, and further immediate deterioration is prevented, pending the establishment of a long term plan to secure the future of this significant heritage asset.

(c) Historic England have indicated their willingness to underwrite up to 80% of the unrecoverable costs of serving the Notice and carrying out the works to the building. When the question of ownership is resolved, NDC may take steps to recover the costs from the owners, and at that stage will need to repay Historic England the corresponding proportion of the grant.

107. CONTINUATION OF MEETING

RESOLVED that it being 1.00 pm that the meeting continue in order for the remaining business to be transacted.

Councillor Yabsley left the meeting.

108. 2, 4 AND 6 WILDER ROAD, ILFRACOMBE

The Executive considered a report by the Estates Officer (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the Council's freehold interest in numbers 2, 4 and 6 Wilder Road, Ilfracombe.

The Estates Officer highlighted the following:

- North Devon Council owned the freehold interest in numbers 2, 4 and 6 Wilder Road, Ilfracombe which were let on long leases to Young Devon. The two properties are used as a shared house and hostel accommodation for young people.
- Following a flash flood last year, it was established that there were serious repairs needed to the structure and exterior of numbers 4 and 6, which were suffering significantly from rising damp. The Council faced considerable costs in carrying out repairs.
- The lease arrangements for the three properties. The leases restricted the user to providing accommodation for young persons. The Council had a duty to provide accommodation for young persons. Access to such accommodation was a valuable resource. There was limited control from a freehold perspective. There was a planning restriction on the property.
- Options available to the Council as detailed in paragraphs 4.2, 4.3 and 4.4 of the report.

DECISIONS

(a) That the Council dispose of numbers 2, 4 and 6 Wilder Road, Ilfracombe to include separate agreement with the Council for housing provision;

(b) That authority be delegated to the Head of Resources to negotiate/agree a way forward with the tenants, in consultation with Portfolio Holders and Ward Member.

REASONS FOR DECISIONS

(a) That consideration is given to whether investing in carrying out the repairs to the property is an appropriate use of funding for NDC.

(b) The current costs of putting the building into repair and ongoing liabilities would be mitigated to NDC if the freehold was passed to the tenants.

(c) A separate, stand alone management/operational agreement could be put in place with Young Devon, giving NDC, EH&H, more direct access to the accommodation for emergency accommodation provision. A clawback to NDC would also be incorporated.

(d) Estates Officers have concerns over the future management liabilities NDC may have in continuing to hold the freehold interest in the properties. Both in terms of costs and liability for the occupants.

(e) As background, these assets have been considered as viable for disposal as surplus assets since 2012. They were included on the initial disposal list in 2013, and a dialogue opened with the sitting tenants, with a view to obtaining valuation advice to agree a disposal figure. The primary reason for this being Estates concern over the occupational leases, minimum levels of return and the ongoing liabilities to NDC in terms of escalating repair costs going forward.

(f) The assets were withdrawn from the surplus assets lists at EH&H request because of the nature of the accommodation they provided. However, it is our view as Estates Officers, that the lease structures do not provide any substantial security to NDC in prioritising our requirements for Temporary Accommodation needs and this could be secured more effectively by a separate standalone management or operational agreement with Young Devon.

(g) Furthermore, the anticipated and unknown future repair costs to NDC arising out of the current leases, outweigh the limited benefits to NDC of getting access to the accommodation for our own clients.

109. SERVICE PLANS, FOOD SAFETY AND HEALTH AND SAFETY

The Executive considered a report by the Lead Officer, Food, Health and Safety (circulated previously), the options and/or alternatives and other relevant facts set out in the report regarding the Service Plans for Food Safety and Health and Safety.

The Lead Officer, Food, Health and Safety highlighted the following:

- It was a legal requirement of the Health and Safety Executive and the Food Standards Agency that the service plans were approved by Council.
- The Plans covered a two year period for 2019/21.
- Types of work that Environmental Health undertook.

RECOMMENDED

That the Food Safety Service Plan and Health & Safety Service Plan for 2019/21 be approved.

REASON FOR RECOMMENDATION

By noting and approving the contents of the report, the requirements of the Health & Safety Executive and the Food Standards Agency can be met.

Chairman
The meeting ended at 1.11 pm

NOTE: The above decisions shall not take effect until the five clear working days have elapsed from the date of publication: Tuesday 5 February 2019.