

**NORTH DEVON COUNCIL**

Minutes of a meeting of Policy Development Committee held at Barum Room - Brynsworthy on Thursday, 13th February, 2020 at 10.00 am

PRESENT: Members:

Councillor D. Spear (Chair)

Councillors Campbell, Hunt, Jenkins, Mack, Walker and York

Officers:

Head of Resources and Accountancy Services Manager.

**40. APOLOGIES**

There were no apologies for absence received.

**41. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 9TH JANUARY 2020 (ATTACHED).**

RESOLVED, that the minutes of the meeting held on 9<sup>th</sup> January 2020 (circulated previously) be approved as a correct record and signed by the Chair.

**42. DECLARATIONS OF INTEREST.**

There were no declarations of interest announced.

**43. NOTICE OF MOTION FROM COUNCIL ON 15TH JANUARY 2020 - MINUTE 87(B).**

The Committee considered a notice of motion from Council on 24th July regarding minute 87(b).

The Chair invited the Head of Resources to address the Committee in relation to the notice of motion by Councillor Walker to Full Council.

The Head of Resources outlined that a request had been made by Councillor Walker to include a leaflet with the Council Tax Bills to raise awareness of fraud to the North Devon Council constituents. He advised that Council had considered the request. However, with the added cost of producing 50,000 leaflets together with the environmental impact it was felt that there were possibly other ways of communicating the message to the residents of the North Devon area. Options discussed included publishing awareness of new fraudulent activities on the Council's website together with the promotion of awareness on social media.

Councillor Walker addressed the Committee and explained that the reason that she had requested the inclusion of a leaflet was to ensure that those hard to reach residents that might not use the internet were still made aware of the potential of fraudulent activities. She added that the banks had been very pro-active in raising awareness of the potential risks to their customers and whether there might be the potential to seek sponsorship from the banks to include a leaflet with the bill for the next year.

The Head of Resources advised that the Council could work with national fraud organisations to explore the most appropriate mechanism for raising public awareness.

In response to a question regarding whether or not there were any other mass methods of communication with local residents at the same time, the Head of Resources advised that whilst there were other methods of communication the Council Tax Bill was the only paper method which currently went to all local residents.

In response to a further question regarding whether a note could be added to the Council Tax Bill, the Head of Resources advised that the contents of the bill was quite prescriptive in terms of legislation. He added that provided that the leaflets were small, there would be minimal impact upon the postage cost. The Council would be exploring the option of creating an online portal for the Council Tax Bills, which would significantly reduce the current costs associated with printing 50,000 bills.

RESOLVED:

- (a) that the Council engage with national fraud organisations to explore the most appropriate mechanism for raising public awareness in relation to fraud;
- (b) that the Communications Manager liaise with the local media to ascertain whether they would be prepared to publicise the risk of fraudulent activity; and
- (c) that a leaflet be handed out at the North Devon show to raise awareness of the ongoing problem.

**44. PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 3 OF 2019/20.**

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

The Accountancy Services Manager highlighted the following:

- As at 31<sup>st</sup> December 2019, the latest forecast net expenditure was £12,512,000, which produced a forecast budget surplus of £6,000. For quarter 2 there was a forecast budget deficit of £87,000, details of which were shown in Appendix A of the report – Variations in the Revenue Budget. The main variances supporting the £93,000 positive movement from quarter two to quarter three included savings within Temporary Accommodation and ICT Software and Devon WAN contract.
- The original budget for 2019/20 included a forecast to achieve £239,000 worth of salary vacancy savings. This was reduced to £214,000 as a result of a virement in respect of the redesign of the salary pay structure. The current position forecasts that would be exceeded by £17,000.
- A review of procedures and processes within Works and Recycling was carried out at quarter two and the Council set targeted spend in respect of the vehicle workshop, challenging resources across all Works and Recycling manual sections and to reduce sickness levels. As a result of these changes the Council factored in a reduction in overtime and agency costs within the quarter 2 projections. The current figures indicated that these targeted reductions were being achieved, although it would continue to be closely monitored until the end of the financial year.
- The sale of recyclable material continued to be an uncontrollable variable where the Council had recently seen a reduction to zero for glass and cardboard, although the sale price of plastic had increased significantly. The continued volatility remained a risk on-going and would be monitored closely.
- At the 31<sup>st</sup> December 2019, the Council was still assuming a £200,000 increase to business rates growth already factored into the budget, the growth was now estimated to be £1,702,000.
- Appendix B – “Movement in reserves and balances” detailed the movements to and from earmarked reserves in 2019/20.
- Appendix C – “Strategic Contingency Reserve” detailed the Strategic Contingency Reserve movements and commitments.
- Appendix D – “Capital Programme”. The Budget and Financial Framework report to Executive 4th February 2019 outlined the Capital Programme for the 2019/20 financial year of £9,609,022.
- Variations of £908,967 were proposed to the 2019/20 Capital Programme as detailed in paragraph 4.4.3 of the report.
- Variations of £528,428 were proposed to the 2020/21 Capital Programme as detailed in paragraph 4.4.4 of the report.
- Variations of £171,413 were proposed to the 2021/22 Capital Programme as detailed in paragraph 4.4.5 of the report.
- The revised Capital Programme for 2019/20 taking into account the budget variations was £8,102,276.
- Actual spend on the 2019/20 Capital Programme, as at 31<sup>st</sup> December 2019 was £3,795,934.
- The overall Capital Programme for 2019/20 to 2021/22 was £31,275,809.
- The Programme of £31,275,809 was funded by Capital Receipts (£14,082,815), External Grants and Contributions (£14,618,838) and Reserves (£2,574,156).

- Once funds had been included in the Capital Programme the Constitution required a separate decision to release those funds. Accordingly the HGV ramp scheme needed the funds to be released so that spending can start within the following three months.
- Treasury Management and Debt Management as detailed in paragraphs 4.5 and 4.6 of the report.

In response to a question regarding significant costs in Waste and Recycling, the Head of Resources advised that the quarter 2 overspends related to manpower and vehicle costs. He explained that the quarter 3 position was slightly better than the original targets that were set. However, the service was still overspending but this had levelled out and was being controlled at an acceptable level.

In response to a question regarding an increase in tax revenue as a result of business rates, the Head of Resources advised that if businesses were to expand then the amount of business rates would increase and the Council would benefit from a percentage of that growth.

The Committee noted a typographical error within recommendation 2.6 of the report, which referred to “Executive” rather than “Members”.

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

#### **45. REVIEW OF CHARGES AND FEES FOR SERVICES 2020/21.**

The Committee considered a report to the Strategy and Resources Committee on 3<sup>rd</sup> February 2020 by the Head of Resources together with a minute extract (circulated previously) regarding the review of Charges and Fees for services for 2020/21.

- This year the guidance was to increase some fees and charges by 3%, although some fees were set by statute and these would be set nationally. Other variations to the 3% increase were set out in 4.3 to 4.8.
- Building Control fees had been set to recoup the cost of providing the services. It was recommended by the Joint Building Control partnership to keep the fees at the 2019/20 levels, which was detailed in appendix B of the report.
- Trade Waste had reviewed the Holiday homes packages and removed packages 1 and 3, replacing the weekly collections with fortnightly collections for holiday homes, which was detailed in appendix C of the report.
- Land Charges fees had 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, as detailed in appendix D.
- There were minimal changes to the Environmental Health fees, as the majority of these were set by statute or set to recover costs. The changes included amendments to the Dangerous Wild Animals, Zoo and residential caravan site licence fees.

- Although the Pannier Market fees had recommended to be increased by 3% it was proposed that the additional £5,000 received was earmarked to be spent on the Pannier Market.
- Garden waste charges had not had an increase for 3 years and it proposed not to increase the fees for the fourth year running.
- The net changes in the charges were expected to result in £28,250 of additional income, which had been included within the draft 2020/21 budget.

In response to question regarding charges applied by the Council for bulky waste collections and whether exceptions could be made in certain circumstances to avoid an increase in fly tipping, the Head of Resources confirmed that the service used to be provided by the Council free of charge. He added that whilst exceptions to the charges were not provided at the current time, it was possible to explore the possibility in the future.

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

**46. REVENUE BUDGET 2020/21, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL STRATEGY 2020-2024.**

The Committee considered a report to the Strategy and Resources Committee on 3<sup>rd</sup> February 2020 by the Chief Financial Officer together with a minute extract (circulated previously) regarding Revenue Budget 2020/21, Capital Programme and Medium Term Financial Strategy 2020-2024.

The Head of Resources highlighted the following:

- Government settlement December 2019. The provisional 2020-21 settlement (included the Rural Services Delivery Grant) was £3.317m. In cash terms this was £48,000 more than 2019/20 (1.5% increase) in line with last year. The Fair Funding Review had been delayed by one year until April 2021. The New Homes Bonus in-year allocation had been allocated for 2020/21 only. There were no legacy payments on the 2020/21 allocation. The Government was intending to consult on the future of housing incentive in spring 2020 to move towards a new, targeted approach. The Rural Services Delivery Grant matched the 2019/20 level. Council Tax levels for District Councils could be increased by up to 2% or £5 whichever was higher. The referendum in relation to Council Tax levels for Town and Parish Councils had been deferred.
- The reduction in Government funding for 2012/13 to 2020/21. Funding had reduced from £28.1bn to £18.5bn (34%) to 2019/20. There were potential significant changes to core funding from the Government from 2021/22 onwards and the Council needed to put plans in place to become more commercial and improve efficiencies across the whole Council.
- Medium Term Financial Plan (2019-23) approved by Council in February 2019 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 saving plans, and

contributions to and from reserves (e.g. vehicle replacement). The forecast budget gap as at this time last year from 2021/22 onwards was outlined.

- New Homes Bonus changes introduced in 2017 and potential changes for 2021/22 year onwards.
- New Homes Bonus provisional level of funding to 2020/21. The level of funding for 2019/20 was £1,445,670. The Medium Term Financial Plan assumed £1.446m, therefore there was an additional £391,000. It was recommended that £250,000 be placed into a reserve for transformation and delivery of the corporate plan. For 2021/22 the projected income was £814,531, therefore there was a potential reduction of over £1m funding on the current level. For 2022/23 the projected income was £434,860, therefore there was potential reduction of over £1.4m funding on the current level. There was uncertainty around future funding and design of the new scheme for 2021/22.
- The 2020/21 Business Rate retention forecast income was £1.986m. The 2020/21 draft budget (above baseline funding) included £1.658m income. Reform of Local Government funding from 2021/22 onwards.
- Local Government Finance funding reforms which included: Spending Review for the period 2021/22; a review of relative needs and resources; Business Rates retention 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 impact on the revenue budget; indicative allocations would be announced in Autumn 2020.
- Council Tax levels for 2019/20 Band D properties had been increased by £5.33 (equivalent to 2.99%). For 2020/21 Rural Councils could increase levels by up to 2% or £5 (whichever higher). By increasing the level by £5 for 2020/21 would increase NDC's proportion of Council Tax for Band D properties from £183.35 to £188.35 (increase of 2.73%). Devon County Council could increase its proportion of Council Tax by up to 2% and an additional 2% for Adult Social care.
- Strategic Grants (Appendix B) – it had been recommended that the level of strategic grants not be reduced. The Medium Term Financial Plan supported the principle of a planned reduction for 2020/21 of around 9%, however the Government finance settlement had been slightly better than forecast, therefore no reduction was recommended for 2020/21.
- Draft Revenue Budget 2020/21 which included: cost pressures and savings; options to balance the budget and how it would be funded. Business rates retention and New Homes Bonus were both at risk of change for 2021/22 year onward.
- Draft Revenue Budget 2020/21 (Appendix A) showed a balanced budget and assumed:
  - 2.73% (£5.00) increase in Council Tax (each 1% equated to circa £63,000).
  - Strategic Grants have not been reduced as originally planned.
  - Parish Grants removed following report and decision made by Strategy and Resources Committee on 4 November 2019 and replaced with new Climate and Environment Grants scheme for smaller Parish Councils outlined in January 2020.

- Additional one-off core Government funding placed into a Transformation Reserve to deliver the Corporate Plan.
- Reserves (Appendix C). General fund balance forecast level at 31 March 2021 was £1.161m (8.7% of net budget). The recommended level was between 5-10%. Earmarked reserves forecast level at 31 March 2021 was £3.336m. In compliance with the Local Government Act 2003, the Chief Financial Officer assured the Committee of the robustness of the estimates and the adequacy of the proposed financial reserves.
- Medium Term Financial Strategy 2020-24 was based on a number of financial assumption 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). Paragraph 5.1.5.6 outlined the assumption on loss of core funding and New Homes Bonus. Paragraphs 5.1.5.8 and 5.1.5.11 in the report provided further detail on the budget gap and what was not included. Appendix D detailed the modelled financial projections.
- Capital Programme for 2019/20 to 2022/23. Investment plans for 2019/20 to 2021/22 totalled £31.276m. 5 business cases for capital funding had been submitted. The cost to the Council was £1.936m. The Project Appraisal Group had scored all of the business cases as “high”. The Watersports Centre potential funding bid had not been included and would be presented to a future Committee. Business cases had been submitted for the following projects:
  - Online consultation software system
  - ICT projects 22-23
  - Vehicle replacement
  - Boyton House re-furbishment
  - Disabled Facility Grants
- The projects would be funded by earmarked reserves (£0.553m) and the borrowing need would increase by £1.383m.
- Future year borrowing costs had been included in the Medium Term Financial Plan. The borrowing costs would increase to £1.278m by 2023-24 (an increase of £0.578m). Borrowing costs increase would be offset by the Leisure Centre maintenance savings and new Leisure Centre contract revenue subsidy income (£0.496m). Without any further capital receipts in addition to the amount that had been forecast already, it was estimated that borrowing costs could increase to £1.480m in 2029-30 due to additional future year vehicle and ICT replacements.
- Draft Capital Programme (Appendix E). The total Capital Programme 2019-20 to 2022-23 was £34.191m which would be recommended to Council for approval on 26 February 2020.
- How the total Capital Programme 2019-20 to 2022-23 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 15 January 2020 approved the Council Tax base; the budget and capital programme would be considered by the Committee on 3 February 2020 and Policy Development Committee on 13 February 2020; Council on 26 February 2020 to consider the approval of the budget and capital programme and setting of Council Tax.

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

- With regards to the potential for reducing New Homes Bonus payments for homes built on appeal, he advised that this related to planning appeals and that it was not currently included in the New Homes Bonus scheme.
- In relation to whether the Council would receive a share of any renewable energy business rates following the potential for installation of solar panels in its car parks, he advised that it would be dependent on the individual value of the car park rates.
- With regards to the government becoming aware of any potential income that the Council made, he advised that the government needed to be aware of the potential budget gap and risks that the Council was faced with.
- In relation to the potential impact on District Councils from County Councils who were struggling to support social services, he advised that the government would redistribute the core grant money where the priority of need was greatest.
- Regarding any potential risk to changes of local government re-organisation, he advised that devolved government had been in the background for quite a while. However, any work in that area had been delayed by the ongoing BREXIT situation. The government might now review the potential for the amalgamation of district Councils or closer working with its neighbouring organisations.
- Any unspent Community Councillor Grant money would be put back into the general budget. If there was any residual balance at the end of the year it could be added to the Climate and Environmental Grants or a separate reserve budget.
- The Car Parks Manager was in the early stages of reviewing the system for car park payments with a view to undertaking a complete review once all avenues had been explored. The charges would remain as they were at the present time.
- Officers were currently in the process of developing a Commercialisation Strategy, which would be presented in April/May 2020. The Council had already purchased eight properties for temporary accommodation and would continue to develop their property portfolio together with projects such as tree planting and other environmental initiatives as opportunities arose.

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



The Committee expressed their appreciation to the Head of Resources and his team for their continued hard work in preparing the budget.

**47. TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21.**

The Committee considered a report to the Strategy and Resources Committee on 3<sup>rd</sup> February 2020 by the Chief Financial Officer together with a minute extract (circulated previously) regarding the Treasury Management Strategy Statement 2020/21.

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).
- The Capital Prudential Indicators 2020-21 to 2022-23 as detailed in paragraph 5.1.
- The Council's Capital Financing Requirement projections as detailed in paragraph 5.2.
- Core funds and expected investment balances as detailed in paragraph 5.3.
- Minimum revenue provision (MRP) policy statement as detailed in paragraph 5.5. The MRP was based on the estimated life of the assets in accordance with the regulations.
- Current portfolio position and borrowing levels would increase as detailed in paragraph 6.1. No difficulties were envisaged in the repayment of borrowing.
- Treasury indicators limits to borrowing activity and the operational boundary as detailed in paragraph 6.2.
- The majority of investment returns were short-term.
- Appendix B would be superseded by the Commercialisation Strategy when this comes forward.
- Economic background as detailed in Appendix C.

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

**48. 10 YEAR CAPITAL STRATEGY 2020-2030.**

The Committee considered a report to the Strategy and Resources Committee on 3<sup>rd</sup> February 2020 by the Chief Financial Officer together with a minute extract (circulated previously) regarding the 10 year Capital Strategy 2020-2030.

The Head of Resources highlighted the following:

- Prior to 2019, the Council only reviewed capital expenditure and financing over a short period of 2-3 years. The revised Prudential and Treasury Management code required all local authorities to prepare a Capital Strategy.
- The capital strategy document covered the ten year period from 2020 to 2030 and would be reviewed annually by Full Council prior to each financial year.
- The Council's Capital Project Governance and appraisal process as detailed in paragraph 4.3 of the report.
- The Capital Strategy for years 2020/21 to 2023/24 (Medium Term) as detailed in paragraph 4.4 of the report.
- The Capital Strategy for years 2024/25 to 2029/30 (Long Term) as detailed in paragraph 4.5 of the report.
- The Watersports Centre potential funding bid had not been included in the Strategy and would be presented to a future Committee.

In response to a question regarding why there was no forecast expenditure for vehicle replacement in 2027-28 and 2028-29, the Head of Resources advised that the purchase date depended upon the lifespan of the vehicle, which was six to seven years. As the majority of vehicles owned by the Council were purchased at similar times they would need to be replaced at the same time.

In response to a further question regard the option of leasing vehicles as opposed to purchasing, the Head of Resources advised that the Council would be exploring the alternative leasing option to ascertain whether it was more cost effective than purchasing new vehicles. He added that this would be explored further as part of the overall review of Waste and Recycling Services.

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

#### **49. WORK PROGRAMME.**

The Committee considered the work programme/forward plan for 2019/20 (circulated previously).

The Chair invited the Corporate and Community Services Officer to address the Committee.

The Corporate and Community Services Officer advised that at the previous meeting there a request to invite the Associate Director of Commissioning Northern and Eastern/Planned Care and Cancer NHS Clinical Commissioning Group back to attend a future meeting following his attendance at the Committee in October 2019. At the previous meeting the Committee also discussed a request to invite a representative to a future meeting to discuss the Devon Doctors out of hour's service. However, there was no formal resolution to agree this and it would need to be resolved in order to proceed with the invitations.

The Chairman welcomed the suggestion and also added that there were some ongoing issues with the closure of pharmacies and requested that it be added to the work programme for discussion at a future meeting.

A further request was made to invite the Crematorium Manager to attend a future meeting to discuss the continuing traffic issues associated with the construction of new houses.

RESOLVED:

- (a) that the Associate Director of Commissioning Northern and Eastern/Planned Care and Cancer NHS Clinical Commissioning Group be invited to attend a future meeting of the Committee;
- (b) that a representative to a future meeting to discuss the Devon Doctors out of hours service and some issues that they were experiencing with the delivery of the service;
- (c) that the closure of pharmacies be added to the work programme for discussion at a future meeting; and
- (d) that Crematorium Manager to attend a future meeting to discuss the continuing traffic issues associated with the construction of new houses.

Chair

The meeting ended at 12.24 pm

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