



West Devon
Borough
Council

West Devon Council

Title:	Summons																																													
Date:	Tuesday, 25th September, 2018																																													
Time:	4.00 pm																																													
Venue:	Chamber - Kilworthy Park																																													
Full Members:	<p style="text-align: center;">Mayor Cllr Davies Deputy Mayor Cllr Leech</p> <p><i>Members:</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Cllr Baldwin</td> <td style="width: 33%;">Cllr Musgrave</td> <td style="width: 33%;"></td> </tr> <tr> <td>Cllr Ball</td> <td>Cllr Oxborough</td> <td></td> </tr> <tr> <td>Cllr Cann OBE</td> <td>Cllr Parker</td> <td></td> </tr> <tr> <td>Cllr Cheadle</td> <td>Cllr Pearce</td> <td></td> </tr> <tr> <td>Cllr Cloke</td> <td>Cllr Ridgers</td> <td></td> </tr> <tr> <td>Cllr Edmonds</td> <td>Cllr Roberts</td> <td></td> </tr> <tr> <td>Cllr Evans</td> <td>Cllr Sampson</td> <td></td> </tr> <tr> <td>Cllr Hockridge</td> <td>Cllr Samuel</td> <td></td> </tr> <tr> <td>Cllr Jory</td> <td>Cllr Sanders</td> <td></td> </tr> <tr> <td>Cllr Kimber</td> <td>Cllr Sellis</td> <td></td> </tr> <tr> <td>Cllr Lamb</td> <td>Cllr Sheldon</td> <td></td> </tr> <tr> <td>Cllr McInnes</td> <td>Cllr Stephens</td> <td></td> </tr> <tr> <td>Cllr Moody</td> <td>Cllr Watts</td> <td></td> </tr> <tr> <td>Cllr Mott</td> <td>Cllr Yelland</td> <td></td> </tr> <tr> <td>Cllr Moyse</td> <td></td> <td></td> </tr> </table>	Cllr Baldwin	Cllr Musgrave		Cllr Ball	Cllr Oxborough		Cllr Cann OBE	Cllr Parker		Cllr Cheadle	Cllr Pearce		Cllr Cloke	Cllr Ridgers		Cllr Edmonds	Cllr Roberts		Cllr Evans	Cllr Sampson		Cllr Hockridge	Cllr Samuel		Cllr Jory	Cllr Sanders		Cllr Kimber	Cllr Sellis		Cllr Lamb	Cllr Sheldon		Cllr McInnes	Cllr Stephens		Cllr Moody	Cllr Watts		Cllr Mott	Cllr Yelland		Cllr Moyse		
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Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.																																													
Committee administrator:	Member.Services@swdevon.gov.uk																																													

- 1. Apologies for Absence**
- 2. Confirmation of Minutes** **1 - 6**
To approve and adopt as a correct record the Minutes of the Meeting of Council held on 24 July 2018
- 3. Declarations of Interest**
Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting.
If Councillors have any questions relating to predetermination, bias or interests in items on this Summons, then please contact the Monitoring Officer in advance of the meeting.
- 4. To receive communications from the Mayor or person presiding**
- 5. Business brought forward by or with the consent of the Mayor**
- 6. To respond to any questions submitted by the public and to receive deputations or petitions under Council Procedure Rule 21**
- 7. To consider question(s) (if any) of which notice has been duly submitted by Members in accordance with Council Procedure Rule 21**
- 8. To consider motions (if any) of which notice has been duly submitted by Members in accordance with Council Procedure Rule 15**
- 9. Medium Term Financial Strategy 2019/20 to 2023/24** **7 - 84**
- 10. To receive the Minutes of the following Committees, to note the delegated decisions and to consider the adoption of those Unstarred Minutes which require approval :** **85 - 110**

(i) Audit Committee
Meeting held on 24 July 2018

(ii) Overview and Scrutiny Committee
Meeting held on 31 July 2018

Meeting held on 4 September 2018

(iii) Development Management and Licensing Committee
Meeting held on 14 August 2018

DM&L 11 Public Participation Scheme

That Council be **RECOMMENDED** that the:-

1. proposed amendments to the Development Management Public Participation Scheme be approved, as set out in Appendix 1 of the agenda report presented to the Committee; and
2. Public Participation Scheme be further amended so that Ward Members are limited to speaking for a maximum of five minutes.

(iv) Hub Committee
Meeting held on 11 September 2018

HC 26 Commercial Property Strategy Amendment

That Council be **RECOMMENDED** to:

1. approve and implement the Commercial Property Strategy (as detailed in Appendix A of the presented agenda report to the Hub Committee); and
2. rescind the currently adopted Commercial Property Acquisition Strategy (as detailed in Appendix E of the presented agenda report to the Hub Committee).

HC 30 Civil Penalties for Breaches of Housing Standards Enforcement Notices

That Council be **RECOMMENDED** to update the existing Enforcement Policy with the Civil Penalty Policy.

HC 32 IT Systems Procurement

That Council be **RECOMMENDED** to endorse the ICT Systems Procurement and approve the recommendations as outlined in the exempt reports that were presented to the Overview and Scrutiny and Hub Committees.

Dated this 17th day of September 2018

Sophie Hosking
Head of Paid Service

Agenda Item 2

At the Meeting of the **WEST DEVON BOROUGH COUNCIL** held in the **COUNCIL CHAMBER, KILWORTHY PARK, TAVISTOCK** on **TUESDAY** the **24th** day of **JULY 2018** at **4.00pm** pursuant to Notice given and Summons duly served.

Present

Cllr M Davies – Mayor (In the Chair)

Cllr R E Baldwin	Cllr R Cheadle
Cllr D W Cloke	Cllr C Edmonds
Cllr J Evans	Cllr L J G Hockridge
Cllr N Jory	Cllr P Kimber
Cllr A F Leech	Cllr J R McInnes
Cllr C Mott	Cllr D E Moyse
Cllr C R Musgrave	Cllr R J Oxborough
Cllr G Parker	Cllr P J Ridgers
Cllr R F D Sampson	Cllr L Samuel
Cllr P R Sanders	Cllr D K A Sellis
Cllr J Sheldon	Cllr B Stephens
Cllr J Yelland	

Head of Paid Service
Acting Lead Specialist Legal
Senior Specialist – Democratic Services
Section 151 Officer
Group Manager – Commercial Services
Lead Specialist – Waste Strategy

CM 19 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs Ball, Cann OBE, Lamb, Moody, Pearce, Roberts and Watts.

CM 20 **CONFIRMATION OF MINUTES**

It was moved by Cllr P R Sanders, seconded by Cllr L Samuel and upon the motion being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that the Council agree the Minutes of the Annual Meeting held on 22 May 2018 as a true record.”

CM 21 **DECLARATION OF INTEREST**

The Mayor invited Members to declare any interests in the items of business to be considered during the course of the meeting. These were recorded as follows:-

Cllr N Jory declared a Disclosable Pecuniary Interest in Item 9(iii): ‘Minutes of Committees: Hub Committee – 17 July 2018’ (Minute CM 24 cii below refers) by virtue of his employment links to Business Information Point and remained in the meeting and abstained from the vote on this unstarred minute.

CM 22 MAYOR'S ANNOUNCEMENTS

The Mayor confirmed that he had no formal announcements to make to this meeting.

CM 23 URGENT BUSINESS

The Mayor informed that he no items of urgent business for consideration at this meeting.

CM 24 MINUTES OF COMMITTEES

a. Overview and Scrutiny Committee – 8 May 2018 and 26 June 2018

It was moved by Cllr J Yelland, seconded by Cllr R Cheadle and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Minutes of the 8 May 2018 and 26 June 2018 meetings be received and noted, with the exception of Unstarred Minute O&S 10”.

In respect of the Unstarred Minute:

i. O&S 10 – Overview and Scrutiny – Draft Annual Report

It was moved by Cllr J Yelland, seconded by Cllr R Cheadle and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Overview and Scrutiny Draft Annual Report for 2017/18 be approved, subject to delegated authority being given to the Senior Specialist – Democratic Services, in consultation with the Committee Chairman, to make the necessary amendments that had been referred to during the Committee meeting.”

b. Development Management and Licensing Committee – 15 May 2018 and 19 June 2018

It was moved by Cllr P R Sanders, seconded by Cllr G Parker and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Minutes of the 15 May 2018 and 19 June 2018 meetings be received and noted”.

c. Hub Committee – 5 June 2018 and 17 July 2018

It was moved by Cllr P R Sanders, seconded by Cllr L Samuel and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Minutes of the 5 June 2018 and 17 July 2018 meetings be received and noted, with the exception of Unstarred Minutes HC 4, HC 12 and HC 17”.

In respect of the Unstarred Minutes:

i. **HC 4 Council Owned Asset Investment and Development**

It was moved by Cllr P R Sanders, seconded by Cllr L Samuel and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that:

1. approval be given to the expenditure of up to £90,000 in order to prepare a detailed business case for each of the proposed Council owned asset investment and development opportunities detailed in section 3 and Appendix 1 of the presented agenda report to the Hub Committee; and
2. it be agreed that officers conclude an appropriate procurement process to commission the work required to produce individual business cases for the identified Asset Investment and Development opportunities.

ii. **HC 12 Items Requiring Urgent Attention – Partnership Funding**

It was moved by Cllr P R Sanders, seconded by Cllr L Samuel, and upon being submitted to the Meeting, it was then declared to be **CARRIED** and “**RESOLVED** that future partnership funding be set for 2019/20 only in line with the proposals outlined in the table at paragraph 3.1 of the agenda report presented to the Hub Committee, with the exception of the four key partnerships being removed from the table as they should be considered separately to establish terms of reference, benefits arising and whether their funding should be allocated to a different funding stream (NB. these four partnerships being: Heart of the South West Local Enterprise Partnership, Tamar Valley Area of Outstanding Natural Beauty, Tamar Estuaries Consultative Forum and World Heritage Site).

iii. **HC 17 Business Rates – Locally Administered Business Rate Relief Policy**

In presenting this unstarred minute, the Leader paid tribute to those officers and Members who had been involved in the Year 1 Policy. In so doing, the Leader wished for it to be noted that, as a consequence of this Policy, the Council had been one of only a handful of local authorities nationally that had been able to distribute all of the funds that it had been allocated during the year.

It was then moved by Cllr P R Sanders, seconded by Cllr L Samuel, and upon being submitted to the Meeting, it was then declared to be **CARRIED** and “**RESOLVED** that the Year 2 Locally Administered Business Rate Relief Policy be adopted.”

CM 25**FRONTLINE SERVICES (WASTE AND CLEANSING PROCUREMENT)**

The Council considered a report that outlined the 'Detailed Solutions' Stage of the Frontline Services (Waste and Cleansing) Procurement process. The report highlighted that, if the Council approved the recommendation of the Project Board, then the procurement process would continue to the 'Final Solutions' Stage, with a further report being brought to the Council meeting to be held on 4 December 2018.

Following his introduction, the lead Hub Committee Member invited questions and it became apparent that some Members wished to raise issues relating to the exempt appendix 1.

It was therefore declared **CARRIED** and "**RESOLVED** that, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting on the grounds that exempt information is likely to be disclosed as defined in Paragraph 3 of Schedule 12(A) to the Act."

Once all Members were satisfied that they had no further questions or issues to raise on the exempt Appendix, it was then declared **CARRIED** and "**RESOLVED** that the press and public be re-admitted to the meeting."

In the ensuing debate, the following points were raised:-

- (a) When questioned, officers confirmed that, in the last financial year, between 5 and 10 local authorities across the country had decided to provide a three weekly residual waste collection;
- (b) In urging support of the recommendation, Members wished to record their gratitude for the amount of work that has been undertaken by lead officers, the Procurement Board and the Waste Working Group to reach this project milestone.

It was then moved by Cllr R F D Sampson and seconded by Cllr L Samuel and declared **CARRIED** and "**RESOLVED** that the progress of the project be noted and the recommendation of the Frontline Services (Waste Procurement) Project Board to continue to the next stage of the competitive dialogue process for waste collection, recycling and cleansing services."

CM 26**FORMATION OF MEMBERS' PLANNING CODE OF PRACTICE WORKING GROUP**

A report was considered that sought to formally establish the Members' Planning Code of Practice Working Group.

During the debate, the following revisions (illustrated in italics) were suggested to the draft terms of reference:-

1. Purpose:

'To review the draft Members Code of Planning Practice before presenting, *in the first instance to the Audit Committee meeting on 9 October 2018 and the next Council meeting thereafter*, a final draft version for approval.'

2. The Operation of the Group

- 'The Group will comprise of 5 Members, a Chairman will be elected at the first meeting.'

It was subsequently moved by Cllr P R Sanders and seconded by Cllr R E Baldwin and declared **CARRIED** and "**RESOLVED** that, with immediate effect and for the remainder of the 2018/19 Municipal Year, that:

1. a Members' Planning Code of Practice Working Group be formally established;
2. Cllrs Cheadle, Mott, Parker, Pearce and Roberts be appointed to serve on this Working Group; and
3. the amended draft Terms of Reference (as set out at Appendix A of the presented agenda report and in the comments outlined above) be approved."

(The Meeting terminated at 4.45 pm)

Mayor

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NOT FOR PUBLICATION

Appendix G to this report is considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council.

Report to: **Council**
Date: **25th September 2018**
Title: **Medium Term Financial Strategy 2019/20 to 2023/24**
Portfolio Area: **CLlr P R Sanders - Budget Setting Process**
Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Committee**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Lisa Buckle** Role: **Group Manager for Strategic Finance (S151 Officer)**

Contact: **Tel. 01803 861413**
Email: lisa.buckle@swdevon.gov.uk

Recommendations:

It is recommended that the Council:

- (i) Notes the forecast budget gap for 2019/20 of £0.45 million and the position for future years**
- (ii) Notes the current options identified and timescales for closing the budget gap in 2019/20 and future years, to achieve long term financial sustainability**
- (iii) Approves Recommendations 1 to 10 as set out within the body of this report.**

1. Executive summary

- 1.1 The Council's Medium Term Financial Strategy (MTFS) is based on a financial forecast over a rolling five year timeframe to 2023/24. The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010.
- 1.2 Between 2009/10 and 2019/20, the Council's Core Government funding has reduced by £3 million.
- 1.3 West Devon has continued to work in partnership with South Hams District Council which has allowed West Devon Borough Council to achieve annual savings of £2.2 million and more importantly protect all statutory front line services.
- 1.4 Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.5 West Devon Borough Council is currently forecasting a **£0.45m budget gap in 2019/20**. This is lower than the £0.7m budget gap for 2019/20 predicted in July 2018, due to the Government announcing in a technical consultation that its preference is to eliminate negative Revenue Support Grant (RSG) for 2019/20. The MTFS (September 18) assumes that negative RSG will be reduced to zero in 2019/20 - which improves the Council's budget position by £0.3m for 2019/20. It is assumed that negative RSG remains in some form (e.g. as part of the business rates baseline reset) from 2020/21 onwards.
- 1.6 There is a further budget gap of £0.56 million in 2020/21. Therefore over the next two years the Council needs to close a budget gap of £1 million (£0.45m in 19/20 and a further £0.56m by 20/21).
- 1.7 It is important to note that this Medium Term Financial Strategy sets out the budget strategy for the Council for the next five years, with annual reviews and updates when items are further known or are announced by the Government (e.g. the Provisional Finance Settlement will be announced by the Government in December 2018).
- 1.8 This is the starting point for developing a meaningful five year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. The Council will then be able to rely on this to inform future decisions.
- 1.9 A Cross Party Member Working Group (Financial Stability Review Group) was set up in November 2017 with defined Terms of Reference to look at the Medium Term Financial Strategy and to further look at options for securing financial stability for the longer term. The Group regularly reports to the Hub Committee.

- 1.10 The Medium Term Financial Strategy was considered by the Overview and Scrutiny Committee on 4th September 2018 (O & S Minute 37 refers). In considering the report, an alternative recommendation for council tax was recommended by the Overview and Scrutiny Committee. This alternative recommendation reflected extra words being 'to endeavour to continue to deliver services' rather than the original wording which was 'to enable continued delivery of services'.

An extract of O & S Minute 37 is below:-

- (a) an alternative to recommendation 1. To reflect the need to be realistic in the current budgetary climate, an alternative recommendation was **PROPOSED** and **SECONDED** to read as follows:-

'That the strategic intention be set to raise Council Tax by the maximum allowed in any given year (without triggering a Council Tax Referendum) *to endeavour to continue to deliver services*. (NB. the actual Council Tax for any given year will be decided by Council in the preceding February);

When put to the vote, this alternative recommendation was declared **CARRIED**.

The other recommendations 2 to 10 were approved unchanged.

- 1.11 The Medium Term Financial Strategy was also considered by the Hub Committee on 11th September 2018. Minute reference number HC25 refers. It was resolved that the Hub Committee recommended to Council recommendations 1 to 10 as set out in the report of 11th September 2018.

2 THE FOUR YEAR SETTLEMENT FUNDING OFFER

- 2.1 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. The Council applied and was accepted for the four year agreement. From 2018/19 onwards, the Council has received no Government funding (Revenue Support Grant, RSG) and the Council will need to be self-sufficient.
- 2.2 Although the four year settlement offered no Revenue Support Grant, it did guarantee the Council its allocations of Rural Services Delivery Grant over the four year period, which equates to £0.37m in 2019/20.
- 2.3 District Councils such as West Devon have also suffered a large reduction in their New Homes Bonus funding (£0.5 million in 17/18) due to the number of years payments being reduced from six years to five years in 17/18 and four years from 18/19 onwards.

- 2.4 The funding being released is to contribute towards adult social care costs, a function carried out by Unitary and County Councils. Between 2009/10 and 2019/20 the Council's Core Government funding will have reduced by £3 million annually.

3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

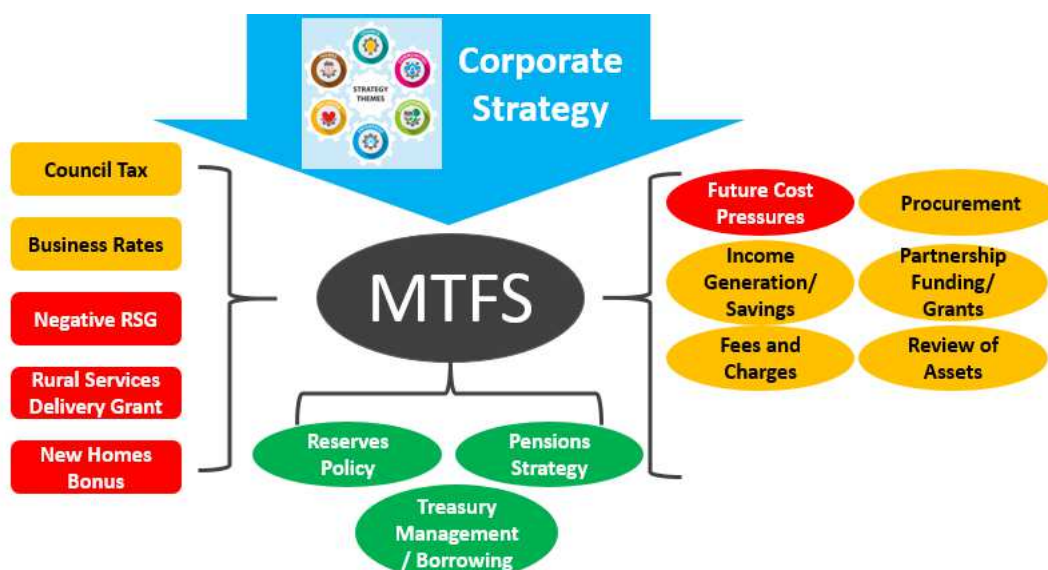
- 3.1 The National Employers made a final pay offer covering 1 April 2018 to 31 March 2020. The majority of employees (those on salaries starting at £19,430 p.a.) have received an uplift of 2% on 1/4/18 and a further 2% on 1/4/19, with those on lower salaries receiving higher increases. The cost of this was £85,000 in 2018/19 and a further £95,000 in 2019/20. This has been reflected in Appendix A. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council.
- 3.2 This report assumes inflation will run at 2% over the five year period. The Consumer Prices Index (CPI) was 2.5% in July 2018.
- 3.3 The predicted interest rate forecast from our treasury management advisors, Link Services, is that interest rates will remain at 0.75% up to September 2019. By December 2020 the bank base rate is predicted to increase to 1.5%.
- 3.4 An increase in council tax of 2.99% for the next five years has been modelled for council tax purposes. This would equate to a Band D council tax for West Devon of £231.63 in 2019/20 as shown in Appendix B.
- 3.5 It has been assumed that the number of properties within the Borough will increase by 160 per annum from 2019/20 onwards – this is an increase of approx. 0.8% - the Council had 20,117.85 Band D equivalent properties in 2018/19.

4. THE COMPONENTS MAKING UP A MEDIUM TERM FINANCIAL STRATEGY (MTFS)

- 4.1 The Diagram below sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Appendix C goes through each of these components in detail and makes recommendations where appropriate. The recommendations are summarised below.

Items in Green denote those elements where the Council has a large degree of control over the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can largely be outside of the Council's control or influence.

Net Budget £7.3 million



Council Tax

- 4.2 Recommendation 1: To set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to endeavour to continue to deliver services. The actual council tax for any given year will be decided by Council in the preceding February.

This Recommendation 1 reflects the alternative recommendation approved by the Overview and Scrutiny Committee on 4th September 2018 (O and S - Minute 37). See 1.10 of the Executive Summary.

Business Rates

- 4.3 The income from Business Rates which West Devon Borough Council retained in 2017-18 was the funding baseline of £1,538,973 plus the pooling gain of £82,000.

Business Rates Pilot for 2019-20

- 4.4 Modelling which has been carried out on the application for 19/20 Pilot status shows that West Devon could gain approximately £250,000 of the £10 million projected 19/20 Devon Pilot gain. This is approximately half of the 18/19 predicted WDBC gain of £460,000. This additional funding of £250,000 would be a one-off amount for 2019/20 only.

- 4.5 Recommendation 2: To submit an application for Pilot status for 2019/20 and to agree a 40% District/34% Devon County Council/1% Fire split for the 75% scheme, with the agreement to remain part of the Devon Business Rates Pool for 2019/20 if the Pilot bid is not successful.

Recommendation 3: To actively lobby Central Government and Devon MPs to support a 2019/20 Devon Pilot bid

Recommendation 4: To actively lobby and engage with the Government, Devon MPs and other sector bodies such as the District Councils Network and the Rural Services Network, for a realistic business rates baseline to be set for the Council for 2020 onwards.

Negative Revenue Support Grant

- 4.6 The negative RSG currently included within the Council's funding allocation for 2019/20 amounts to £293,377. If the Government eliminates this, as an outcome of the consultation process, the Council's budget position is bettered by £300K for 2019/20 – this betterment is already included within the modelling in Appendix B. The Council is hopeful the Government will reverse it, as this is the Government's preferred option in the consultation.

The Medium Term Financial Strategy assumes that negative RSG will be reduced to zero in 2019/20 and this reduced funding pressure has been built into the latest modelling set out in this report. If the position changes, the MTFS will be updated to reflect this. It is assumed that negative RSG remains in some form (e.g. as part of the business rates baseline reset) from 2020/21 onwards.

Recommendation 5: That WDBC responds to the technical consultation in support of the Government eliminating Negative Revenue Support Grant and continues to lobby for Rural Services Delivery Grant allocations which adequately reflect the cost of rural service provision.

New Homes Bonus

- 4.7 The Government released a consultation in July which stated their intention to increase the 0.4% baseline. They have also stated that 2019-20 represents the final year of NHB funding and from 2020 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue.

Recommendation 6: To use £375,000 of New Homes Bonus funding for 2019-20 to fund the revenue base budget and then reduce to £100,000 by 2020-21 and £50,000 by 2021-22 for modelling purposes.

Reserves Policy

- 4.8 Current Levels of Reserves: £1.2 million Unearmarked Reserves and Earmarked Reserves of £4 million. The Council's Net Budget is £7.3 million for 2018/19. Therefore Unearmarked Reserves equate to 16% of the Council's Net Budget.

Recommendation 7: That the annual level of contribution to Earmarked Reserves (£50,000) and the adequacy of the existing level of Unearmarked Reserves (£1.2 million) and Earmarked Reserves (£4 million) is delegated to the Cross Party Member Working Group (Financial Stability Review Group - FSRG) to review and make recommendations by the end of October. This will assess the adequacy of Reserves levels in light of future plans and pressures.

Pensions Strategy (Actuarial Valuation)

- 4.9 Recommendation 8 - That the Council takes specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. It is also recommended that the Council has early dialogue with DCC and the actuaries with regards to the Council having an input into the actuarial assumptions used for the 2019 Actuarial Valuation. Options will be taken back to the Council's Audit Committee on 22nd January to consider.

Treasury Management and Borrowing Strategy

- 4.10 The Council has taken external treasury management advice on the Council's overall borrowing levels and debt levels and this advice is attached in Exempt Appendix G. Their recommendation is that the Council limits its overall borrowing envelope for its whole operations and services to £50 million. This advice is based on a range of benchmarking of indices that they have undertaken. Borrowing needs to be proportionate and affordable and with always having regard to the risks involved in the repayment of the debt.

Sensitivity analysis is in Appendix F. The Government guidance on Investments and proportionality is shown in Appendix H.

Recommendation 9 – That the Council sets an Upper Limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £50 million as per Exempt Appendix G.

Future Cost Pressures

- 4.11 Recommendation 10: To continue with the Local Government terms and conditions of employment Green Book for at least 2019/20. To review all options for reducing staff costs by varying terms from the Green Book from 2020/21, with an initial report back by the end of 2018/2019.

Income Generation/Savings and Fees and Charges

- 4.12 The Council's Extended Leadership Team will present further budget options to Members for income generation/savings/reduced expenditure, as part of the Budget Setting Workshop being planned for Monday 8th October.

Procurement

- 4.13 The Council is currently procuring its waste collection, recycling and cleansing services through a competitive dialogue process. The latest report was to Council on 24th July. Council Minute CM25 refers. The procurement process will now continue to the 'Final Solutions' stage, with a further final report being brought to the Council meeting of 4th December 2018. Any financial implications of this are not included in the Modelling in Appendices A and B.

Partnership Funding/Grants

- 4.14 Following reports to both the Overview and Scrutiny Committee (26th June) and the Hub Committee, it has been approved by Council (Minute CM24 – Council 24th July 2018) to reduce funding to Partnerships by £14,000 for 2019/20.

Review of Assets

- 4.15 The Council's Asset Base is £22.3 million at 31 March 2018. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council's Assets.

5 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

- 5.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 5.2 **Appendix A** to the Medium Term Financial Position sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. **These figures in Appendix A show the changes to the existing base budget.**

(As set out in Appendix A)	2019/20	2020/21	2021/22	2022/23	2023/24
Cost Pressures	£470,000	£415,000	£260,000	£260,000	£335,000
Contributions to Earmarked Reserves	£50,000	£50,000	£50,000	£50,000	£50,000
Savings and additional income	£(231,500)	£(249,000)	£(198,000)	£(390,000)	Nil

6. OVERALL POSITION – BUDGET GAP

- 6.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £7.3 million in 2018/19. A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by 2.99% (shown in Appendix B).
- 6.2 The following table illustrates the predicted budget gap from 2019/20 onwards for the Council as shown in Appendix B:

Cumulative Budget Gap	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	Total Aggregated Budget Gap £
Modelling Appendix B (assumes -ve RSG is Zero in 2019/20)	453,332	1,012,847	999,816	638,144	724,313	3,828,452

- 6.3 In the Modelling in Appendix B, the total budget gap is £453,332 in 2019/20 and this is predicted to rise to £1,012,847 in 2020/21 (the £1,012,847 assumes the budget gap in 19/20 of £453,332 has not been closed). The aggregated Budget Gap is £3.8 million.

7 FINANCIAL SUSTAINABILITY AND TIMESCALES

7.1 The Council is progressing various options for closing the budget gap in 2019/20 and future years, to achieve long term financial sustainability. The table below sets out a timescale for those options and the various strands that the Council is exploring.

Option	Possible Budget Impact	Timescale
<p>Public Conveniences A budget saving of £50,000 in 2019/20 has been included within the total budget savings modelled.</p>	£50,000	Report to the Hub Committee in October 2018
<p>Pensions Strategy (Actuarial Valuation) It is recommended for the Council to obtain specialist pensions advice on its Pensions position (informing the actuarial valuation). Options to be reported to the January Audit Committee.</p>	To be quantified (could be up to £100,000)	Report to the Audit Committee 22 nd January 2019
<p>Waste Procurement The Council is currently in a waste procurement process through competitive dialogue. The procurement process will now continue to the 'Final Solutions' stage, with a further final report being brought to the Council meeting of 4th December 2018. Any financial implications of this are not included in the Modelling in Appendix B.</p>	To be quantified	Council meeting 4 th December 2018
<p>Council Tax Reduction Scheme The grant to Town and Parish Councils has been reduced by 8.6% over the four year period of the finance settlement. Members have an option over whether to withdraw funding in 2020/21.</p>	£59,000 for 2020/21 onwards	Hub Committee November 2018.
<p>Asset Review On 5th June 2018, the Hub Committee considered a report on Council Owned Asset Investment and Development opportunities. The Council will prepare detailed business cases on the opportunities in the report and report back to Members.</p>	To be quantified	Within three months

Option	Possible Budget Impact	Timescale
<p>Savings identified by the Extended Leadership Team (ELT) The ELT held a Budget session on 15th August and have identified options to present to Members at the Members' Budget Workshop arranged for 8th October</p>	To be quantified	Members' Budget Workshop arranged for 8 th October
<p>Funding Options</p>		
<p>Negative Revenue Support Grant (RSG) The Council is hopeful the Government will reverse negative RSG in 19-20, as this is the Government's preferred option in the consultation. The Medium Term Financial Strategy assumes that negative RSG will be reduced to zero in 19-20.</p>	The Medium Term Financial Strategy assumes that negative RSG will be reduced to zero in 19-20	Anticipated to be known by December 2018 when the Draft Local Government Finance Settlement is published.
<p>Business Rates Pilot status for 2019/20 If the Devon Business Rates Pilot were to be successful for 2019/20, this could give further one-off extra business rates income in 19/20. Based on a 75% growth retention scheme, this could yield up to £250,000.</p>	£250,000 in 2019/20 (one-off funding)	December 2018 when the Draft Local Government Finance Settlement is published.
<p>New Homes Bonus allocations for 2019/20 The NHB allocation for 2019/20 is anticipated to be around £434,000, of which £375,000 is currently projected to be used to fund the Revenue Base Budget. The Council could chose to use a higher amount to fund the Revenue Base Budget but this would leave little funding available for the Capital Programme.</p>	Potentially up to £59,000	NHB allocations will be announced around December 2018. Decisions around its use will be made as part of the Budget Process.

Option	Possible Budget Impact	Timescale
<p>Contributions to Earmarked Reserves The Council could decide not to contribute £25K per annum into an Earmarked Reserve for IT Development and an Earmarked Reserve for Planning (e.g. to fund any appeal costs).</p>	Up to £50K	To be decided as part of the Budget Process
<p>Use of Reserves as a temporary measure The Council will have £316,484 in a Future Financial Stability Earmarked Reserve (this was from the 18/19 projected pilot gain) and there is £439,000 uncommitted in the Invest to Earn Earmarked Reserve and £234,000 uncommitted in the Budget Surplus Contingency Earmarked Reserve. The Council could temporarily utilise Reserves to balance an element of the 2019/20 budget, whilst longer term solutions are being implemented. This would be a very short term solution though.</p>	To be assessed	To be decided as part of the Budget Process – See recommendation 7 in section 4.8 too

7.2 The diagram below shows the Government timetable of key dates. The key dates will be in May 2019 when more details will be known about the Funding Reform and Spending Review 2019. In November 2019, the baseline funding for business rates and the impact of transitional arrangements will be known.



8 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

- 8.1 The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing. A proposed Capital Programme for 2019/20 onwards is set out in Appendix C.
- 8.2 **Commercial Property Acquisition Strategy** – The Council has agreed a commercial property acquisition strategy of up to £37.45 million. To date, three investment properties have been purchased with a value of just over £20 million in aggregate. Purchases made within the strategy will be capital expenditure and will be in addition to the projects outlined in Appendix E.
- 8.3 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made.
- 8.4 A Recommendation has been made as part of this report on the overall Borrowing Limit for the MTFS.
9. **Sensitivity analysis and risk analysis** – The Council carries out sensitivity analysis and risk analysis of its Budget Proposals and this is shown in Appendix F.

10 NEXT STEPS

- 10.1 This MTFS is the starting point for developing a meaningful five year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. The Council will then be able to rely on this to inform future decisions. The different elements that make up a Medium Term Financial Strategy are shown in the diagram in 4.1 and Appendix C. This report is asking Members to set the strategic intention for each of these components of the MTFS.
- 10.2 Officers will continue to work with the Cross Party Member Working Group (Financial Stability Review Group) and the results of this will be incorporated into future Budget reports. Section 7 and Recommendation 7 sets out the potential timescales against the areas identified.

11. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Hub Committee is responsible for recommending to Council the budgetary framework. It is the role of the Overview and Scrutiny Committee to scrutinise the Budget proposals being proposed by the Council. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget report is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p> <p>Appendix G to this report is considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council. The public interest has been assessed and it is considered that, the public interest is better served by non-disclosure to the press and public.</p>
Financial	Y	The financial implications are set out in Section 6 of the report.
Risk	Y	Each of the budget options taken forward by Members will consider the risks of the option.
Comprehensive Impact Assessment Implications		
Equality and Diversity		Equality Impact Assessments are completed for the budget proposals.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Budget pressures and savings

Appendix B – Modelling of the MTFS Position

Appendix C – Components of a MTFS

Appendix D – Schedule of Reserves (Unearmarked and Earmarked)

Appendix E – Capital Programme for 2019-20 onwards

Appendix F – Sensitivity Analysis

EXEMPT Appendix G – Borrowing Advice from Treasury Management Advisers

Appendix H - The Government guidance on Investments and proportionality is shown.

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WEST DEVON BOROUGH COUNCIL

	BASE 2018/19 £	Yr1 2019/20 £	Yr2 2020/21 £	Yr3 2021/22 £	Yr4 2022/23 £	Yr5 2023/24 £
BUDGET PRESSURES						
Waste collection, recycling and cleansing contract (estimate)	190,000	70,000	70,000	70,000	70,000	70,000
Inflation on the street cleaning and public conveniences	10,000	10,000	10,000	10,000	10,000	10,000
ICT future service provision	0	0	150,000	0	0	0
Reduction in planning income	0	0	0	0	0	0
Triennial Pension revaluation	25,000	0	75,000	0	0	75,000
Inflation on goods and services	70,000	70,000	70,000	70,000	70,000	70,000
Increase in salaries - increments and pay and grading	40,000	40,000	40,000	40,000	40,000	40,000
Increase in salaries - pay increase at 2% modelled	85,000	95,000	40,000	40,000	40,000	40,000
Maintenance of trees	40,000	0	(20,000)	0	0	0
Reduction in Recycling credits	25,000	0	0	0	0	0
ICT support contracts - increase the budget to better align to actual expenditure	65,000	95,000	0	0	0	0
Cost of Borough Elections (one-off)	0	50,000	(50,000)	0	0	0
Reduce income target for Kilworthy Park to align to actual income received	25,000	0	0	0	0	0
Reduction in Housing Benefit administration subsidy	16,500	20,000	10,000	10,000	10,000	10,000
National Insurance and National Living Wage	20,000	20,000	20,000	20,000	20,000	20,000
Provision for salary costs for steady state review	20,000	0	0	0	0	0
IT - replace ageing network switches	15,000	0	0	0	0	0
Waste - lease renewal	15,000	0	0	0	0	0
Revenue implication of the waste capital bid in 2017/18 capital programme	13,000	0	0	0	0	0
TOTAL IDENTIFIED BUDGET PRESSURES	674,500	470,000	415,000	260,000	260,000	335,000

WEST DEVON BOROUGH COUNCIL

	BASE 2018/19 £	Yr1 2019/20 £	Yr2 2020/21 £	Yr3 2021/22 £	Yr4 2022/23 £	Yr5 2022/23 £
Contribution to Earmarked Reserves						
(This line shows the annual contributions into the Reserve)						
Contribution to IT Development Reserve (£25K per annum)	25,000	25,000	25,000	25,000	25,000	25,000
Contribution to Planning Reserve (£25K per annum)	25,000	25,000	25,000	25,000	25,000	25,000
Transformation Project (T18) - Approved at 9th December 2014 Council (One-off investment costs)						
Contribution to Strategic Change Reserve to meet redundancy and pension costs - Contributions reduce to zero in 2019/20	10,000	0	0	0	0	0
Total Contribution to Earmarked Reserves	60,000	50,000	50,000	50,000	50,000	50,000

SAVINGS AND INCOME GENERATION IDENTIFIED

	BASE 2018/19 £	Yr1 2019/20 £	Yr2 2020/21 £	Yr3 2021/22 £	Yr4 2022/23 £	Yr5 2023/24 £
Income from investments in commercial property	100,000	100,000	20,000	40,000	120,000	0
Re-procurement of contracts (e.g. savings from Leisure contract)	0	0	100,000	130,000	270,000	0
Opt-in charged garden waste service	122,500	0	0	0	0	0
Car parking income from a review of charges	180,000	0	0	0	0	0
Additional car parking income (to reflect current increase in use in 2017/18)	40,000	0	0	0	0	0
Public Conveniences	0	50,000	0	0	0	0
Review of Accommodation/Office requirements (effective 1 April 2018)	82,000	0	0	0	0	0
Kilworthy Park - reduction in operating costs	0	0	50,000	0	0	0
Housing Benefit recoveries of overpayments (increase income target to reflect actual income being achieved)	85,000	25,000	0	0	0	0
Cessation of accepting cash and cheques (effective 1 April 2018)	35,000	0	0	0	0	0
Planning Fees (increase income target to reflect actual income being achieved)	15,000	25,000	0	0	0	0
Residential Property rental income	0	0	0	28,000	0	0
Reduction in Partnership funding (Minute CM24 - Council 24th July 2018)	15,330	14,000	0	0	0	0
Extra treasury management income	20,000	0	20,000	0	0	0
Trade waste income	15,000	0	0	0	0	0
Introduction of Direct Lets Scheme	10,000	12,000	0	0	0	0
Paperless Committee agendas	3,500	0	0	0	0	0
Council Tax Reduction Scheme - 8.6% reduction in Town and Parish Grant	6,100	5,500	59,000	0	0	0
Charging for duty planning service	6,500	0	0	0	0	0
Charging for food advice/ environmental health fees and charges	5,000	0	0	0	0	0
Savings from the re-procurement of the Insurance contract	35,000	0	0	0	0	0
Saving on external audit fees for 2018-19	8,000	0	0	0	0	0
TOTAL SAVINGS AND INCOME GENERATION	783,930	231,500	249,000	198,000	390,000	0

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Modelling Scenario A - Modelling assumptions: Assumes Council Tax is increased by 2.99% annually; that negative Revenue Support Grant is eliminated in 19/20 and no pilot gain for 19/20 has been assumed.						
Line	BASE	Yr1	Yr2	Yr3	Yr 4	Yr5
No.	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23	2023/24 £
1	7,423,225	7,313,795	7,098,963	6,705,449	6,780,480	7,012,151
2	674,500	470,000	415,000	260,000	260,000	335,000
3	(783,930)	(231,500)	(249,000)	(198,000)	(390,000)	0
4 Projected Net Expenditure:	7,313,795	7,552,295	7,264,963	6,767,449	6,650,480	7,347,151
Funded By:-						
5	4,524,706	4,696,958	4,875,449	5,060,480	5,252,151	5,450,983
6	96,000	84,000	80,000	80,000	80,000	80,000
7	0	0	0	0	0	0
8	2,049,573	1,620,367	1,650,000	1,690,000	1,730,000	1,780,000
9	0	0	(300,000)	(400,000)	(400,000)	(400,000)
10	460,000	0	0	0	0	0
11	0	372,638	350,000	350,000	350,000	350,000
12	560,000	375,000	100,000	50,000	50,000	50,000
13	-60,000	-50,000	-50,000	-50,000	-50,000	-50,000
14	-316,484					
15 Total Projected Funding Sources	7,313,795	7,098,963	6,705,449	6,780,480	7,012,151	7,260,983
Budget gap/(surplus) per year						
16 (Projected Expenditure line 4 - Projected Funding line 15)	0	453,332	559,514	-13,031	-361,671	86,169
	0					
Actual Predicted Cumulative Budget Gap	0	453,332	1,012,847	999,816	638,144	724,313
Aggregated Budget Gap (if no action is taken in each individual year to close the budget gap annually)	0	453,332	1,466,179	2,465,995	3,104,139	3,828,452

Modelling Assumptions: (Assumes an increase in Band D Equivalent properties of 160 per annum)						
Council Tax (Band D) (an increase of 2.99% per annum has been modelled)	224.91	231.63	238.55	245.68	253.02	260.59
Council TaxBase	20,117.85	20,277.85	20,437.85	20,597.85	20,757.85	20,917.85

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Council Tax

- Average Band D total bill was £1,896 for 2018-19 (WDBC Band D of £224.91 equates to a 12% share of the council tax bill)



- 2018/19 increase of £6.52 to £224.91 (2.99%) – a 1% increase raises £47,000
- Government Council Tax referendum threshold higher of £5 or 2.99% for 2018-19 (2.99% was set to track CPI inflation) – The Government are currently consulting on applying the same thresholds for 2019-20. Latest CIP July 18 – CPI 2.5%, RPI 3.2%
- The Government has not announced any plans to change the council tax system or to carry out a council tax revaluation within the near future. In 2017/18 the Council had 25,426 properties on the Valuation List, the make of up of which was 3,440 (Band A), 6,381 (Band B), 5,294 (Band C), 4,121 (Band D), 3,334 (Band E), 1,761 (Band F), 1,013 (Band G) and 82 properties in Band H. There are more Band B properties in the Borough than any other Band (representing 25%). Council Tax Reduction Scheme for claimants will be a separate report on the September Hub Committee agenda.

Council Tax Strategy Options: Members have options to either freeze council tax or to raise council tax anywhere between zero and 2.99%. Anything above 2.99% currently requires a council tax referendum, which is a costly exercise. Recent funding settlements from the Government are based on the assumption that Councils increase council tax by the maximum allowed.

Recommendation 1: To set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to endeavour to continue to deliver services.

If this recommendation were to be agreed, it would have the following impact on council tax:

Council Tax	2018/19 CURRENT YEAR	2019/20 Year 1	2020/21 Year 2	2021/22 Year 3	2022/23 Year 4	2023/24 Year 5
Band D	£224.91	£231.63	£238.55	£245.68	£253.02	£260.59
£ Increase		£6.72	£6.92	£7.13	£7.34	£7.57
% Increase		2.99%	2.99%	2.99%	2.99%	2.99%

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Business Rates

- Self-sufficient local government: Business Rates Retention (BRR) of **growth above the business rates baseline**. The Government introduced the BRR system in April 2013 with the aim of providing a direct link between business rates growth (economic growth) and the money councils have to spend on local services.
- The title of the scheme (Business Rates Retention) has caused public confusion – as it implies that Councils are able to keep 40% of **all of** the business rates that they collect. This is not the case. Councils are only able to keep a share of any business rates growth above a baseline set by the Government.
- The baseline is the amount of money that the Government has assessed that the Council needs to keep to fund its services, based on a needs formula. The Baseline is around £1.5 million for West Devon (rising to £1.6 million in 2019/20). Out of the business rates collected of £10 million, the Council keeps approximately 16 pence in every £1 to run its services. The rest is paid back to the Government and a proportion goes to Upper Tier Councils e.g. the County Council, to pay for their services.
- There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline. The Council retains a Business Rates Volatility Earmarked Reserve to cope with any fluctuations in business rates and at 31.3.18 the balance on this Reserve was £0.5m. The Council's appeals provision was £1.03m.
- Since 2013/14 (when Business Rates Retention was introduced with a 50% scheme), the Council has been part of a Devonwide Business Rates Pool which has included all of the Devon District Councils (except South Hams for some of the latter years), Plymouth City Council (Lead Authority), Devon County Council and Torbay Unitary Council. The Pool has made Pooling gains every year and West Devon receives a share of the gains. The table below shows the business rates position from the 2017/18 Accounts.

Business Rates Income receivable 2017/18 (collected)	£10,032,307
Add on Section 31 Grants and Small Business Rates Relief	£1,780,809
TOTAL	£11,813,116
WDDBC share (40% - see next page)	£4,725,247
Less Tariff (amount deducted and paid to Government)	£(3,017,068)
Total Business rates remaining after the Tariff (A)	£1,708,179
Funding Baseline 17/18 (money retained by WDDBC) (B)	£1,538,973
Growth (Business Rates achieved over the Baseline) (A-B)	£169,206
Levy paid of (50%)	£(84,603)

The Council received £82,000 from the 2017-18 Devon Pooling Gain (which was £4.47 million across Devon Councils). **Therefore the income from Business Rates which West Devon Borough Council retained in 2017-18 was the funding baseline of £1,538,973 plus the pooling gain of £82,000.**



Business Rates Pilot 18/19

- In 2018/19 the Devon Authorities applied to the Government to be a business rates Pilot area and Devon was chosen by the Government to be one of ten Pilot areas nationally.
- Financial modelling showed that the Devon business rates area could benefit by somewhere in the region of up to £19 million by becoming a pilot in 2018/19. This is Councils' share of the level of growth above the business rates baseline which is estimated for Devon. The modelling showed that West Devon could benefit by approximately £460,000. This is one-off additional revenue money for the year of the pilot only (2018-19). Some of this funding has been used to fund the revenue base budget in 2018-19 and the remainder of £316,484 has been put into a future financial stability earmarked reserve.
- West Devon is a low growth area as shown overleaf (growth above baseline in 2017/18 was £169,000). West Devon is a beneficiary of the pooling and pilot arrangements as the growth across the whole of Devon is divided up amongst all Devon Councils. In order to share financial rewards more evenly across the Pilot area, the 2018/19 Devon Pilot includes minimum funding levels for Districts (£0.5m) and the Unitaries/DCC (£1.5m). WDBC benefits from the minimum funding levels.
- In the future as Council funding is more reliant on business rates income, it puts West Devon in a more precarious position than most Councils due to its low growth and it is extremely important that the Council remains within the Devon pooling and pilot arrangements.
- The bid set out how pilot status for Devon would meet the principles of assisting financial sustainability for the District Councils, higher levels of investment in economic regeneration in Devon and support for Upper Tier Councils with the growing financial cost pressures of areas such as adult social care and children's services.
- The diagram below compares the split of business rates income under the 50% scheme (from 2013/14 to 2017/18) to the 100% scheme (Pilot status in 2018/19) to the 75% scheme (recommendation to apply for Pilot status for 2019/20). The 75% scheme will be rolled out nationally from 2020/21 onwards.

Split of business rates income	50% scheme (Devon Pool) From 2013/14 to 2017/18	100% scheme (Devon Pilot status) 2018/19 only	75% scheme (Application for Pilot status) For 2019/20
WDBC (see note)	40%	40%	40%
Central Government	50%	Nil	25%
DCC	9%	59%	34%
Fire	1%	1%	1%
Total	100%	100%	100%

NOTE: Even though West Devon starts off with a 40% share, a tariff is then deducted and paid over to Central Government, and therefore the amount of money West Devon ends up keeping is its business rates baseline funding amount plus any Pooling or Pilot Gain each year.

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Business Rates Pilot 19/20

- The Government has invited applications for Business Rates Pilots for 2019/20 for Councils to pilot 75% Business Rates Retention. The deadline is 25th September 2018. There will be less Pilots allowed for 2019/20 than 2018/19 and less funding available. There will be lots of competition from other areas around the country.
- As shown overleaf, this does not mean that West Devon would be able to retain 75% of its business rates income. West Devon Borough Council would retain its business rates baseline income (of £1.62 million for 19/20) plus the Pilot gain.
- Modelling which has been carried out on the application for 19/20 Pilot status shows that **West Devon could gain approximately £250,000** of the projected £10 million 19/20 Devon Pilot gain. This is approximately half of the 18/19 predicted WDBC gain of £460,000. This additional funding of £250,000 would be a one-off amount for 2019/20 only.
- The 2019/20 Pilots will not have a ‘no detriment’ clause applied. However the safety net has also been increased to 95% (it is 92.5% currently), to reflect the additional risk locally that the 75% retention introduces and this will apply pilot wide and not to individual authorities. The modelling undertaken on the 19/20 Pilot position shows that the Devon Councils would receive a higher level of minimum resources under a Pilot (£224m) than under Pooling arrangements (£220m). Therefore the risks of the no detriment clause have been considered and are assessed as low risk.
- The Government will make available safety net payments if a Council’s business rates income falls by a certain amount. This will provide support if, for example a major local employer closes. The safety net payments will be funded by a levy paid by those Councils whose business rates revenue increases by a disproportionate amount compared to their needs.
- Business Rates reliefs will be kept under review and the Council will actively pursue a strategy to ensure that all businesses that should be paying are paying.

Recommendation 2: To submit an application for Pilot status for 2019/20 and to agree a 40% District/34% Devon County Council/1% Fire split for the 75% scheme, with the agreement to remain part of the Devon Business Rates Pool for 2019/20 if the Pilot bid is not successful.

Recommendation 3: To actively lobby Central Government and Devon MPs to support a 2019/20 Devon Pilot bid

Business Rates Baseline Re-set for 2020-21 onwards



The future for Business Rates in 2020 onwards

- One of the largest financial risks that the Council is facing is around how the Government will re-set the Business Rates Baseline for the Council in 2020 onwards when the 75% scheme is rolled out nationally. Many factors will influence this, including the Government's Fairer Funding Review.

Recommendation 4: To actively lobby and engage with the Government, Devon MPs and other sector bodies such as the District Councils Network and the Rural Services Network, for a realistic business rates baseline to be set for the Council for 2020 onwards.

Rural Services Delivery Grant



- Rural Services Delivery Grant – The 2018/19 funding was increased from £65m to £81m. This has meant extra RSDG funding of £91,726 for 2018/19 -the Council's allocation increased to £464,365. The £464,365 has been built into the Council's business rates baseline due to the Council's Pilot status. The amount of RSDG for 2019/20 is anticipated to be £372,638 as per Appendices B and C. The Government has not indicated what RSDG allocations will be post 2019/20 (£350K assumed post 2020).
- The Strategy for Rural Services Delivery Grant (RSDG) is that the Council will continue to provide local evidence of the cost of delivering services in rural areas, in order to lobby for higher allocations of RSDG as has happened in previous years.

Negative Revenue Support Grant



Business Rates Tariff Adjustment in 2019/20 (Negative Revenue Support Grant)

- The Business Rates Tariff Adjustment is an amount in 2019/20 which increases an authority's tariff. It is applied where cuts to a Council's Settlement Funding Assessment (SFA) cannot be achieved through further cuts to the Revenue Support Grant (RSG), as the RSG is already zero. In effect the Tariff Adjustment is negative Revenue Support Grant which the Government chose to reflect through a change to the tariff, although this change has nothing to do with the business rates system and has caused confusion.
- In a technical consultation issued on 24 July 2018, the Government has set out its preferred option to eliminate Negative Revenue Support Grant in 2019/20. This would cost the Government £153m as negative RSG affects 168 Councils (with both West Devon and South Hams being affected).
- The negative RSG currently included within the Council's funding allocation for 2019/20 amounts to £293,377. **If the Government eliminates this, as an outcome of the consultation process, the Council's budget position is bettered by £300K for 2019/20.** The Council is hopeful the Government will reverse it, as this is the Government's preferred option in the consultation.
- **The Medium Term Financial Strategy assumes that negative RSG will be reduced to zero in 2019/20** and this reduced funding pressure has been built into the latest modelling set out in this report. If the position changes, the MTFS will be updated to reflect this.
- It is assumed that negative RSG remains in some form (e.g. as part of the business rates baseline reset) from 2020/21 onwards.

Recommendation 5: That WDBC responds to the technical consultation in support of the Government eliminating Negative Revenue Support Grant and continues to lobby for Rural Services Delivery Grant allocations which adequately reflect the cost of rural service provision.



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Council and residents working together to create strong and empowered communities

New Homes Bonus

- The New Homes Bonus was introduced in 2011 to provide a clear incentive for local authorities to encourage housing growth in their areas. It rewards local Councils for additional homes added to the council tax base, as well as long term empty properties brought back into use. The Council receives £1,272 per property over the baseline plus £280 per affordable home. The Council has modelled an extra 160 properties per annum in its Taxbase (estimate of housing growth).
- Following consultation, the Government has implemented reforms to the scheme to sharpen the incentive for housing growth. The length of New Homes Bonus payments was reduced in length from 6 years to 5 years in 2017-18 and 4 years from 2018-19.
- From 2017-18 the Government has introduced a national baseline for housing growth of 0.4% below which New Homes Bonus will not be paid, which the Government has said reflects a percentage of housing that would have been built anyway. The baseline equated to 98 Band D Equivalent properties for West Devon. **So for the first 98 extra properties per annum the Council receives no NHB.**
- **The Government released a consultation in July which stated their intention to increase the 0.4% baseline. They have also stated that 2019-20 represents the final year of NHB funding** and from 2020 onwards they will explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. The Government will consult widely on any changes prior to implementation.
- The table below shows possible levels of NHB (or an alternative introduced post 2020) and how this could be used.

	2018-19	2019-20	2020-21	2021-22
Amount of NHB	642,946	433,971	130,000?	80,000?
To fund Capital (affordable housing)	(65,000)	(50,000)	TBA	TBA
To fund the Revenue Base Budget	(560,000)	(375,000)	(100,000)	(50,000)
Funding remaining/shortfall	17,946 remaining	8,971	TBA	TBA

Recommendation 6: To use £375,000 of New Homes Bonus funding for 2019-20 to fund the revenue base budget and then reduce to £100,000 by 2020-21 and £50,000 by 2021-22 for modelling purposes.



Reserves Policy

- Current Levels of Reserves: £1.2 million Unearmarked Reserves and Earmarked Reserves of £4 million
- The Council's Net Budget is £7.3 million for 2018/19. Therefore Unearmarked Reserves equate to 16% of the Council's Net Budget.
- The Council currently makes an annual contribution to Earmarked Reserves of £25,000 to the IT Development Reserve and £25,000 to the Planning Reserve.
- It is recommended that the annual level of contribution to Earmarked Reserves (£50,000) and the adequacy of the existing level of Earmarked Reserves (£4 million) is delegated to the Cross Party Member Working Group (Financial Stability Review Group - FSRG) to review and make recommendations by the end of October. This will assess their adequacy in light of future plans and pressures.
- Recommendations from the FSRG can be built into the next iteration of the MTFS (20th November 18)
- £316,484 from the 2018/19 Budget (pilot gain) was put into a Future Financial Stability Earmarked Reserve and there is £0.4m uncommitted in the Invest to Earn Earmarked Reserve and £0.2m uncommitted in the 2016/17 Budget Surplus Contingency Earmarked Reserve.

Minimum level of Reserves to be held

- As part of the Medium Term Financial Plan report to Members in July 2018, it was approved to retain the same policy of maintaining a minimum level of Unearmarked Reserves of £750,000. The Unearmarked Reserves (General Fund) balance of £1.197 million stands above the minimum balance of £750,000 and acts as a safeguard against unforeseen financial pressures. Given the increase in financial risks which the Council faces, the Council should consider increasing this level through a stepped increase over the next five years, to reflect the new level of risks. The increased financial risks are in part from the Council's commercial property acquisition strategy where prudential borrowing of up to £37.45 million has been approved.
- Further detail on the Council's Unearmarked and Earmarked Reserves is set out in Appendix D of the Medium Term Financial Strategy.

Recommendation 7: That the annual level of contribution to Earmarked Reserves (£50,000) and the adequacy of the existing level of Unearmarked Reserves (£1.2 million) and Earmarked Reserves (£4 million) is delegated to the Cross Party Member Working Group (Financial Stability Review Group - FSRG) to review and make recommendations by the end of October. This will assess the adequacy of Reserves levels, in light of future plans and pressures.

Pension Strategy (Actuarial Valuation)



- WDBC currently pays a 13.3% employer pension contribution for staff in the Local Government Pension Scheme. This is called the future service contribution rate. This is the anticipated cost to the Council of the pension rights that staff will accrue in the future and is expressed as a percentage (%) of pensionable payroll. Employees pay a separate amount out of their salary into the Pension Fund (the employee contribution).
- In addition to the 13.3%, the Council pays an annual sum of £500,000 into the Pension Fund as a past service deficit annual contribution. This cost arises where the cost of pension rights that have already been accrued turn out to be higher than expected. This happens where the Fund experience differs from previous assumptions. The Council has been paying this sum annually for a long period of time.
- The Pension Fund has an Actuarial Valuation every 3 years which re-calculates the employer contributions that need to be paid for the next three years and the deficit contributions. Below are the results of the 2016 Actuarial Valuation. The Council is currently paying the Deficit off over a 17 years recovery period. An option could be to extend the 17 years deficit recovery period to align with the period of other employers within the Devon Pension Fund (which is longer e.g. 20 to 25 years) and to increase the affordability of these payments in the next Actuarial Revaluation or to pay a lump sum. The Council has currently included a £75,000 cost pressure for 2020/21 for the Triennial Pension Valuation and the Council will take specialist advice on this.

WDBC Pension Fund	2016 Actuarial Valuation
Assets	£22.2 million
Liabilities	£(29.4) million
Deficit	£(7.2) million
Funding Level	76%
Deficit Recovery Period	17 years

Recommendation 8 - That the Council takes specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. It is also recommended that the Council has early dialogue with DCC and the actuaries with regards to the Council having an input into the actuarial assumptions used for the 2019 Actuarial Valuation. Options will be taken back to the Council's Audit Committee on 22nd January 2019 to consider.

Treasury Management /Borrowing Strategy



The Council's Treasury Management Strategy details its borrowing limits and specifies approved institutes for investment, (with maximum limits), based on credit ratings and other pertinent factors. It also publishes Prudential Indicators which set investment and borrowing performance indicators to ensure that the Council stays within these guidelines.

- Borrowing Limits – The current Treasury Management Strategy (approved March 2018) shows the approved level of Operational Borrowing Limits:

2018/19 – Operational Boundary of £47.5 million

2019/20 onwards – Operational Boundary of £47.5 million (the operational boundary includes some headroom for unforeseen circumstances)

This reflects the current level of the Council's Commercial Property Acquisition Strategy of up to £37.45 million. In addition the Council has also approved to borrow £2.65 million for waste vehicles and £1.5 million for Leisure Investment (in addition to the £2.1 million borrowing for Kilworthy Park). This totals £43.7 million. Note the Council may also wish to undertake borrowing for community housing schemes.
- The Council has taken external treasury management advice on the Council's overall borrowing levels and debt levels and this advice is attached in Exempt Appendix G. Their recommendation is that the Council limits its overall borrowing envelope for its whole operations and services to £50 million. This advice is based on a range of benchmarking of indices that they have undertaken. Borrowing needs to be proportionate and affordable and with always having regard to the risks involved in the repayment of the debt. The next Treasury Management Strategy for 2019/20 would look to increase the Operational Boundary Limit to £50 million if Recommendation 9 below is approved. Members are able to set a higher borrowing limit if they wish to do so. The S151 Officer's advice is to keep borrowing levels within the £50 million limit advised. Sensitivity analysis is in Appendix F. The Government guidance on Investments and proportionality is shown in Appendix H.
- The Council will have to publish new indicators for Investments in 2018-19 and these include indicators such as the following:

 - Level of debt compared to Net Service Expenditure (proportionality)
(This indicator would be £50 million/ £8.9 million = a factor of 5.6)
 - Gross and Net income from investment portfolios
 - Vacancy levels and tenant exposures
 - Net income from property investments, compared to interest costs on debt

Recommendation 9 – That the Council sets an Upper Limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £50 million as per Exempt Appendix G.

Treasury Management /Borrowing Strategy (continued)

- The Council maintains regular engagement with our Treasury Management advisors and constantly seeks their advice on our strategic direction and key operational decisions. The Council's Borrowing Strategy will be to borrow appropriately to meet the Council's objectives as a form of financing. The key is affordability criteria and the Council being able to service that borrowing.
- The Council will set a framework around the borrowing through its annual Treasury Management Strategy. There will be regular (at least annual) reviews of the Council's borrowing levels and the Council will weigh up opportunities against that borrowing limit. The key borrowing mechanism is through the PWLB. However the Council will continue to explore other sources e.g. Municipal Bonds Agency

Minimum Revenue Provision

(repaying the Principal element of debt repayments)

- The Council has currently approved the following Minimum Revenue Provision Policy through its Treasury Management Strategy for 2018/19. No changes are currently proposed to the Council's MRP Policy but this will be kept under regular review. If there are projects which officers feel would warrant a different approach, this will be brought back to Members on a business case basis for approval to vary the current MRP Policy.

Borrowing	MRP Methodology
Commercial Property acquisition (Borrowing of up to £37.45 million)	Annuity Method (over the 50 years) Under this calculation, the revenue budget bears an equal annual charge (for principal and interest) over the life of the asset by taking into account the time value of money. Under this example, the MRP charge in Year 1 on a £37.45 million borrowing would be £367,000, this rises to £377,000 in Year 2 etc.
Waste Fleet, Leisure Investment and Kilworthy Park	Asset Life Method MRP is charged using the Asset Life method – based on the estimated life of the asset. This option provides for a reduction in the borrowing need over approximately the assets' life.

Investments

The Council has widened its use of approved counterparties from countries with a minimum sovereign credit rating of AA-. The criteria, time limits and monetary limits applying to institutions are set out within the Council's treasury management strategy approved at Council on 27th March 2018.

COUNCIL

Delivering
efficient and
effective services

Future Cost Pressures

- The Council's Strategy is to identify cost pressures as early as possible. Cost pressures can be annual or one-off and can arise for a variety of reasons e.g. legislative changes, increase in demand, factors beyond the Council's control e.g. market conditions such as recycling rates, economic conditions or natural events.
- Appendix A of the Medium Term Financial Strategy (MTFS) sets out the cost pressures which have been identified for the next five years and these total £470,000 for 2019/20.
- The Medium Term Financial Position has included a cost pressure of £70,000 for Inflation and increases on Goods and Services. The main items are £20,000 for Business Rates increases, £2,500 for the Apprenticeship Levy, £7,500 Utilities inflation and an amount of £40,000 is to fund a 2.5% uplift on other expenditure budgets.
- The strategy takes account of a 1% rise in pay, however, the Council needs to respond to national pay bargaining. The Council has built the 2% pay award for 2019/20 which has already been agreed into the MTFS and this equates to £95,000. Thereafter 1% has been profiled each year for years 2 to 5 of the MTFS.
- Consideration should be given during any review of the MTFS as to whether to continue with the Local Government terms and conditions of employment Green Book. It is recommended to continue with this for at least 2019/20. It is also recommended to review all options for reducing staff costs by varying terms from the Green Book from 2020/21, with an initial report back by the end of 2018/2019.
- A cost pressure of £95,000 has been included in 19/20 for ICT Support contracts, to better align the budget to actual expenditure. The ICT budget was set assuming that the Civica solutions introduced by the T18 Transformation Programme would perform as required. In practice, additional solutions were procured in order to maintain services where using the Civica solution was not practical. This was explained in detail in the Medium Term Financial Position report to the Hub Committee on 17th July 2018.
- A further cost pressure for £150,000 has been shown in 2020/21 for ICT future service provision. A separate report for IT procurement is also on the agenda for the September Hub Committee for consideration.
- The strategy will be to state cost pressures as they come onto the horizon and to put mitigation in place through the budget setting process on an annual basis.
- **Recommendation 10: To continue with the Local Government terms and conditions of employment Green Book for at least 2019/20. To review all options for reducing staff costs by varying terms from the Green Book from 2020/21, with an initial report back by the end of 2018/2019.**

Income Generation / Savings



Fees and Charges

- The Council's Extended Leadership Team will present further budget options to Members for income generation/savings/reduced expenditure, as part of the Budget Setting Workshop being planned for Monday 8th October.
- The Extended Leadership Team will bring forward business cases to Members to invest in technology to make savings or reduce costs in the base budget. This could also be through working with Partners e.g. Town and Parish Councils.
- During 2019/20, there will be a report to Members on options on the restructure of the Senior Leadership Team which will be reviewed. This will be for a decision within the first six months of the new Council.
- Income from Fees and Charges will be annually reviewed and set. Some fees and charges are set by statute (e.g. planning fees) and others are set on a cost recovery basis e.g. licensing.
- The Council's strategy is that COP Leads will work with Hub Lead Members to review fees and charges on a regular (at least annual) basis and these will be presented to the relevant Committee or Council for approval as part of the budget setting process.
- For those not prescribed, fees will be set at a realistic rate following appropriate consultation e.g. car parking tariffs or charging for public conveniences (20p).
- Some income will be incidental e.g. recycling and will be market led in terms of income received. The strategy will be to share that risk with the contractor.
- The Council will continue to carry out paid consultancy work for other Local Authorities for example business transformation (T18), Human Resources (carrying out assessments using the behavioural framework) – to generate income for WDBC.
- Assets and Estate Management – the strategy is that rental income will be at market rates and rents are reviewed in a timely manner with active debt recovery. The Council has target occupancy levels, though rent free periods can also be allowed in limited circumstances where there is a business need.

**ENVIRONMENT**

Protecting, conserving and enhancing our built and natural environment

Procurement

- The Council's strategy is to market test its services through a pragmatic and rational approach and to look at the whole value for money case in terms of whether or not to procure. This would include soft market testing and taking procurement advice around the legislative framework.
- Where the Council does go out to procurement, there will be a balance between cost and quality. The Council's strategy is to build flexibility and risk sharing into the Council's contracts, whilst retaining value for money and having the ability to make potential changes on the contract.
- The Council will look to procure externally, where appropriate, keeping risk in mind. Where the Council doesn't have the necessary in-house expertise, the cost of using external advisers will be included within the cost of the project.
- The Council will also future proof its services. For example ICT contracts are much more dynamic and ever-changing and more suited to shorter contracts. Other services such as waste are more suited to longer term contracts.
- The Council is currently procuring its waste collection, recycling and cleansing services through a competitive dialogue process. The latest report was to Council on 24th July. Council Minute CM25 refers. The procurement process will now continue to the 'Final Solutions' stage, with a further final report being brought to the Council meeting of 4th December 2018.

**COMMUNITIES**

Council and residents working together to create strong and empowered communities

Partnership Funding/Grants

**WELLBEING**

Supporting positive, safe and healthy lifestyles and helping those most in need

- Following reports to both the Overview and Scrutiny Committee (26th June) and the Hub Committee, it has been approved by Council (Minute CM24 – Council 24th July 2018) to reduce funding to Partnerships by £14,000 for 2019/20.
- The Council's SeaMoor Lotto (Community Lottery) and the Crowdfunder will help certain projects / groups. Partners will be able to join the Lottery facilitated by the Council in order to raise funding.

Review of Assets



COMMUNITIES

Council and residents working together to create strong and empowered communities

ENTERPRISE

Creating places for enterprise to thrive and business to grow



- The Council's Asset Base is £22.3 million at 31 March 2018. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council's Assets.
- On 5th June 2018, the Hub Committee considered a report on Council Owned Asset Investment and Development opportunities. The Council will prepare detailed business cases on the opportunities in the report and report back to Members within three months.
- **Commercial Property Acquisition Strategy** – The Council has agreed a commercial property acquisition strategy of up to £37.45 million. To date, three investment properties have been purchased after 31st March 2018 with a value of just over £20 million in aggregate (54% of the portfolio of £37.4m). A further income projection of £100,000 from investments in commercial property has been built into the 2019/20 Base Budget.
- The Council's commercial property acquisition strategy has multiple objectives as stated below:
 - i) To help the Council continue to deliver and/or improve frontline services in line with the Council's adopted strategy & objectives
 - ii) To support regeneration and the economic activity of the Borough, the LEP area and the South West Peninsula (in that priority order)
 - iii) To enhance economic benefit/business rates growth
 - iv) To assist with the financial sustainability of the Council through yield being an ancillary benefit.

West Devon Borough Council is a business rates pilot area for 2018/19, which sets out the economic objectives of the pilot area.

- New property acquisitions are assessed against the Council's multiple objectives and the criteria which are set out in the Strategy. It is envisaged that the gross yield (an ancillary benefit) will average 5.85%.

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EARMARKED AND UNEARMARKED RESERVES

1.1 The Council's Net Budget is £7.3 million in 2018/19. It is still recommended to retain the same policy of maintaining a minimum level of Unearmarked Reserves of £750,000 but to look to increase this in a stepped way over the five year period of the Medium Term Financial Strategy.

1.2 There is a need to maintain un-earmarked revenue reserves to provide stability for both medium and longer term planning and to provide a contingency against unforeseen events. In setting the minimum level at £750,000, the following have been taken into account:

- The size of the authority
- The volatility of some income and expenditure budgets due to a dependency on the weather, tourism and state of the economy
- The risks faced by the Council with regard to funding unforeseen events
- Uncertainty over future Government funding and Business Rates
- Uncertainty over future New Homes Bonus allocations

1.3 The Unearmarked Reserves (General Fund) balance of £1.197 million stands above the minimum balance of £750,000 and acts as a safeguard against unforeseen financial pressures.

1.4 **Specific Earmarked Reserves** - The level and commitments for each reserve are kept under review each year to make sure the committed balance is adequate for its purpose (in accordance with LLAP Bulletin 99, a guide on 'Reserves' from the Chartered Institute of Public Finance).

1.5 A schedule of Earmarked Reserves for 17/18 is shown below. The Council has Earmarked Reserves of £4 million.

1.6 The tables below show the movements on the two Earmarked Reserves that were set up as part of the Budget approved for 2016/17.

2017/18	Balance at 31 March 2017 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2018 £000
EARMARKED RESERVES				
General Fund				
Car Parking Maintenance	440	(5)	-	435
ICT Development	24	(19)	25	30
JSG Future Options	46	(35)	-	11
Planning Policy & Major Developments	39	(60)	65	44
16/17 Budget Surplus Contingency	669	(287)	-	382
Innovation Fund (Invest to Earn)	906	(182)	-	724
Outdoor Sports & Recreation	7	-	11	18
Waste & Cleansing Options Review	80	-	-	80
Community Housing Fund	248	(5)	-	243
Leisure Services	174	-	57	231
Support Services Trading	-	-	8	8
Environmental Health Initiatives	-	-	20	20
Habitats Reserve	13	(3)	-	10
Landscape Maintenance	5	-	-	5
Invest to Save	27	-	-	27
Elections	24	-	-	24
DCC Localism Support Officer	4	-	1	5
REIP – Localism Projects	1	(1)	-	-
New Burdens CLG	3	-	-	3
CLG – Assets Community Value	8	-	-	8
Neighbourhood Planning Grants	58	(11)	-	47
World Heritage Key Site	5	-	-	5
Cannons Meadow	16	(3)	-	13
Millwood Homes	15	-	-	15
DCC Public Health	6	-	-	6
Revenue Grants	59	-	161	220
Business Rates Retention Scheme	218	-	291	509
Town Teams & Economic Grants	23	-	-	23
Flood Works	18	(3)	-	15
New Homes Bonus	227	(963)	961	225
Homelessness	30	-	65	95
Strategic Change	111	(51)	227	287
Planning Enforcement	5	-	-	5
Maintenance Fund	223	-	-	223
S106 Monitoring	-	-	19	19
TOTAL EARMARKED REVENUE RESERVES	3,732	(1,628)	1,911	4,015

Car Parking Maintenance - In line with the Council's car parking strategy, a car parking maintenance reserve is maintained to ensure that major planned works on car parks can be carried out at the appropriate time, in line with a cyclical programme of maintenance and repairs.

16/17 Budget Surplus Contingency – This reserve was created as part of the 2016/17 Budget setting process. There is an uncommitted balance remaining of £234,000.

Innovation Fund (Invest to Earn) – This fund has an uncommitted balance of £439,000. The remainder of this fund will be used to acquire and develop land within West Devon to support local housing need (Hub Committee 12/9/17).

Community Housing Fund – This reserve was set up to hold the Community Housing Fund Grant. We are working on developing a community housing initiative, which is designed to help local residents to determine and deliver appropriate and affordable housing for their communities.

Business Rates Retention Scheme - The business rates reserve covers any possible funding issues from the new accounting arrangements.

New Homes Bonus – This reserve was established to show how New Homes Bonus funding has been used on an annual basis.

Strategic Change Reserve (T18) – This reserve was set up to finance one off investments under the Council's Transformation Programme that are required for development or the release of ongoing efficiencies. This reserve was funding pension strain costs. The pension strain costs have now all been funded and this reserve has an uncommitted balance of £206,000.

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Capital Programme for 2019-20 onwards

1. CAPITAL PROGRAMME 2019/20 to 2021/22

1.1 The table below shows an outline capital budget proposal for the Capital Programme for 2019/20 to 2021/22.

	2019/20	2020/21	2021/22
Village Halls and Community Projects (Note 1)	TBA	TBA	TBA
Affordable Housing (Note 2)	50,000	50,000	50,000
Private Sector Renewals including Disabled Facilities Grants	763,715	800,000	800,000
TOTAL CAPITAL PROGRAMME	813,715	850,000	850,000
Suggested method of funding the Capital Programme:			
Better Care funding towards DFGs (assumed will match the spend)	(763,715)	(800,000)	(800,000)
New Homes Bonus (Required to fund the Capital Programme)	50,000	50,000	50,000

Note 1 – The Capital requirements for Village Halls and Community Projects will be assessed annually.

Note 2 – Affordable Housing

Within the last year, the capital programme has helped to support the following schemes:

- Cannonsmead Cottages, South Tawton. This is a scheme of 6 units all for rented accommodation which will be advertised through Devon Home Choice once complete. The properties will be owned and managed by Rural Specialists Hastoe Housing. Completion is expected to be in the middle of next year. Consultation events took place earlier last year and officers will raise awareness of this scheme prior to its completion.
- Walkham Meadows, Horrabridge. This scheme is 10 units in total and all of which will be for affordable rent. The scheme is being owned and managed by DCH who also own the properties on the adjacent scheme. The properties will be advertised through Devon Home Choice and awareness events will take place in Horrabridge prior to completion.

The affordable housing capital programme has been vital in the delivery of affordable homes, particularly within our rural communities. Recent spend of the capital programme money were for rural schemes in Horrabridge and South Tawton. This £50,000 capital funding each year is likely to be needed in the future due to the reduction in off site contributions that were previously collected. This is due to changes in the National Planning Policy Framework which means the Council cannot collect payments in lieu of affordable housing on 5 or less units. Historically the authority was able to take up to £14k per unit which could be added to s106 monies to provide subsidy for future developments like South Tawton.

In terms of the capital programme, housing officers would like to ask for £50,000 to support schemes similar to the above. Developments have not come forward in a timely manner which would have provided a commuted sum and therefore this amount is requested to enable affordable housing developments to come forward. The funding is paid directly to the housing association on receipt of an invoice.

Note 3 - Commercial Property Acquisition Strategy – The Council has agreed a commercial property acquisition strategy of up to £37.45 million. To date, three investment properties have been purchased with a value of just over £20 million in aggregate. Purchases made within the strategy will be capital expenditure and will be in addition to the projects outlined in this Appendix.

Note 4 – Pay on Entry for Public Conveniences

A report is being considered by the Hub Committee on the future provision of public conveniences. Depending on the outcome of the recommendations on the report, there maybe a requirement to purchase pay on entry equipment of between £50,000 to £60,000, which it is recommended is funded from the Strategic Change Earmarked Reserve.

Sensitivity analysis and risk analysis of the Budget Proposals 2019-20

1. The budget assumes approximately £3 million of income from fees and charges, recycling and investments. Whilst this assumption is realistic, given the position of the economy there is a risk that income could fall or be less than anticipated. A 5% reduction in income would result in a loss of £150,000.
2. The Budget Proposals rely on proposed savings over the next 5 years of £1.07 million. A 5% reduction in the savings would equate to £53,500.
3. The Budget Proposals assume budget pressures over the next 5 years of £1.74 million. A 5% increase in the budget pressures would equate to £87,000.
4. Council Tax Income and New Homes Bonus have been modelled based on an extra 160 Band D Equivalent properties per annum increase. Each extra property attracts 1,272 in NHB. If this figure were to actually be say 100 properties (i.e. 60 properties less), this would mean that Council Tax Income would be £14,000 less and New Homes Bonus income would be £76,000 less.
5. Council Tax has been assumed in the Budget Proposals to increase by £6.72 to £231.63 in 2019/20. The additional council tax income this would generate is £136,000. If council tax for 2019/20 were to remain at £224.91, the income from council tax would be overstated by this amount in the Budget Proposals.
6. If Council Tax income collection fell by 1% (collection in 17/18 was 97.6%), this would mean a reduction of council tax income of £47,000. Similarly if Business Rates income collection fell by 1% (collection in 17/18 was 98.0%), this would mean a reduction in business rates income of £16,000.
7. Income from investments has been assumed to increase in line with the expected interest rate forecasts in Section 3. A 0.25% variation in interest rates on investment income equates to £20,000.
8. An allowance of 2% for inflation is included in the budget. Inflation costs are being managed through cost effective procurement.

9. The capital programme is funded by receipts, grants, and contributions. Realistic assumptions about these have been made for the future.
10. Known liabilities have been provided for and there are no significant outstanding claims.
11. **Borrowing Levels**

Exempt Appendix G gives advice on the borrowing level for the Council and the Interest payments on the borrowing as a percentage of available Reserves. The tables below show the impact that a change of Interest payable at 2.5% on borrowing to 3% on borrowing has on this Indicator.

Total Borrowing	Interest repayments at 2.5%	Level of Reserves £5.2m (£1.2m Unearmarked and £4m Earmarked)	Interest payments (at 2.5%) as % of available Reserves
£35m	£875,000	£5.2m	16.8%
£50m	£1,250,000	£5.2m	24.0%
£75m	£1,875,000	£5.2m	36.1%

Total Borrowing	Interest repayments at 3%	Level of Reserves £5.2m (£1.2m Unearmarked and £4m Earmarked)	Interest payments (at 3%) as % of available Reserves
£35m	£1,050,000	£5.2m	20%
£50m	£1,500,000	£5.2m	28.8%
£75m	£2,250,000	£5.2m	43.3%

Summary & conclusion

Sensitivity analysis and risks are identified above with a potential total adverse revenue effect for 2019/20 of £599,500. However, revenue reserves are recommended to be maintained at a minimum of £750,000. I therefore confirm the robustness of the Budget Proposals and the adequacy of the reserves.

Mrs Lisa Buckle, Strategic Finance Lead (S151 Officer)

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STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

(3rd Edition)

Issued under section 15(1)(a) of the *Local Government Act 2003* and effective for financial years commencing on or after 1 April 2018

POWER UNDER WHICH THE GUIDANCE IS ISSUED

1. The following Guidance is issued by the Secretary of State under section 15(1)(a) of the *Local Government Act 2003*. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.

DEFINITION OF TERMS

2. In this guidance the **2003 Act** means the *Local Government Act 2003*.
3. **Local authority** has the meaning given in section 23 of the *2003 Act*. To the extent that this guidance applies to parish councils and charter trustees (see paragraph 11) a reference to a local authority includes those councils and trustees.
4. The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
5. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments*, which are subject to separate regulatory regimes and therefore are not covered by this guidance.
6. A **credit rating agency** is one of the following three companies:
 - Standard and Poor’s;
 - Moody’s Investors Service Ltd; and
 - Fitch Ratings Ltd.
7. For the purposes of this guidance a **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

8. The **Treasury Management Code** means the statutory code of practice issued by CIPFA: *“Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition”*.
9. The **Prudential Code** means the statutory code of practice, issued by CIPFA: *“The Prudential Code for Capital Finance in Local Authorities, 2017 Edition”*.
10. The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

APPLICATION

Effective date

11. This guidance applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.
12. Strategies presented to Council or equivalent before 1 April 2018 but relating to 2018-19 and future financial years do not need to include all of the additional disclosures required by this edition of the guidance should it not prove practical or cost effective to do so. If a local authority chooses not to include the new disclosures in its 2018-19 Strategy, it must include the disclosures in full in the first Strategy presented to full Council or equivalent after 1 April 2018.

Local authorities

13. This guidance applies to all local authorities in England.
14. This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

KEY PRINCIPLES

Transparency and democratic accountability

15. For each financial year, a local authority should prepare at least one Investment Strategy (“the Strategy”). The Strategy should contain the disclosures and reporting requirements specified in this guidance.
16. The Strategy should be approved by the full council. For authorities without a full Council, the Strategy should be approved at the closest equivalent level. The

Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.

17. Where a local authority proposes to make a material change to its Strategy during the year a revised Strategy should be presented to full council or equivalent for approval before the change is implemented.

18. The Strategy should be publicly available on a local authority's website. Where a parish council or charter trustee does not maintain its own website, they should post a public notice detailing how local residents can obtain a copy of the Strategy, free of charge.

19. Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Strategy can be published in those documents instead of in the Strategy.

Contribution

20. Investments made by local authorities can be classified into one of two main categories:

- Investments held for treasury management purposes; and
- Other investments.

21. Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code. They should disclose that the contribution that these investments make to the objectives of the local authority is to support effective treasury management activities. The only other element of this Guidance that applies to treasury management investments is the requirement to prioritise Security, Liquidity and Yield in that order of importance.

22. Local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority. It is for each local authority to define the types of contribution that investments can make and a single investment can make more than one type of contribution.

Use of indicators

23. The Strategy should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return

received. Where investment decisions are funded by borrowing the indicators used should reflect the additional debt servicing costs taken on.

24. Local authorities should consider the most appropriate indicators to use, given their risk appetite and capital and investment strategies. Whilst this guidance does not prescribe specific indicators or thresholds, the indicators used should be consistent from year to year and should be presented in a way that allows elected members and the general public to understand a local authorities' total risk exposure from treasury management and other types of investment.

25. Where a local authority has entered into a long term investment or has taken out long term debt to finance an investment the indicators used should allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

Security, Liquidity and Yield

26. A prudent investment policy will have two underlying objectives:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds invested are available for expenditure when needed.

27. The generation of **yield** is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities.

28. When entering into treasury management investments, local authorities should consider security, liquidity and yield in that order of importance.

29. When entering into other types of investments local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

Security

Financial Investments

30. Financial investments can fall into one of three categories:

- **Specified investments;**
- **Loans;** and
- Other **Non-specified investments.**

Specified Investments

31. An investment is a specified investment if all of the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]*.
- The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
 - i. The United Kingdom Government;
 - ii. A local authority in England or Wales (as defined in section 23 of *the 2003 Act*) or a similar body in Scotland or Northern Ireland; or
 - iii. A parish council or community council.

32. For the purposes of paragraph 32 the Strategy should define high credit quality. Where this definition incorporates ratings provided by credit rating agencies paragraph 42 is relevant.

Loans

33. A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

34. Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:

- Total financial exposure to these type of loans is proportionate;
- They have used an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;
- They have appropriate credit control arrangements to recover overdue repayments in place; and
- The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

Non-specified investments

35. A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.

36. For non-specified investments (i.e. those not meeting the criteria in paragraph 31), the Strategy should:

- Set out procedures for determining which categories of investments may be prudently used (and where these procedures involve the use of credit ratings, paragraph 32 is relevant).
- Identify which categories of investments have been defined as suitable for use.
- State the upper limits for the maximum amounts both individually and cumulatively that may be held in each identified category and for the overall amount held in non-specified investments and confirm that investments made have remained within those limits.

Non-financial investments

37. As defined in paragraph 4 of this guidance non-financial investments are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. Local authorities should consider whether the asset retains sufficient value to provide security of investment using the fair value model in *International Accounting Standard 40: Investment Property* as adapted by proper practices.

38. Where the fair value of non-financial investments is sufficient to provide security against loss, the Strategy should include a statement that a fair value assessment has been made within the past twelve months, and that the underlying assets provide security for capital investment.

39. Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the Strategy should provide detail of the mitigating actions that the local authority is taking or proposes to take to protect the capital invested.

40. Where a local authority recognises a loss in the fair value of a non-financial investment as part of the year end accounts preparation and audit process, an updated Strategy should be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk Assessment

41. The Strategy should state the local authority's approach to assessing risk of loss before entering into and whilst holding an investment, making clear in particular:

- How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
- Whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons.
- How the local authority monitors and maintains the quality of advice provided by external advisors.
- To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.
- Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.
- What other sources of information are used to assess and monitor risk.

Liquidity

42. For financial investments that are not treasury management investments or loans the Strategy should set out the procedures for determining the maximum periods for which funds may prudently be committed and state what those maximum periods are and how the local authority will stay within its stated investment limits.
43. For non-financial investments the Strategy should set out the procedures for ensuring that the funds can be accessed when they are needed, for example to repay capital borrowed. It should also state the local authority's view of the liquidity of the investments that it holds, recognising that assets can take a considerable period to sell in certain market conditions. Where local authorities hold non-financial investment portfolios they can choose to assess liquidity by class of asset or at a portfolio level if appropriate.

Proportionality

44. Where a local authority is or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Strategy should detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. In addition, the Strategy should detail the local authority's contingency plans should it fail to achieve the expected net profit.
45. The assessment of dependence on profit generating investments and borrowing capacity allocated to funding these should be disclosed as a minimum over the life-cycle of the Medium Term Financial Plan. However, an assessment of longer term risks and opportunities is recommended.

Borrowing in advance of need

46. Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.
47. Where a local authority chooses to disregard the Prudential Code and this Guidance and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:
- Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and
 - The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

Capacity, skills and culture

48. The Strategy should disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.
49. The Strategy should disclose the steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.
50. Where appropriate the Strategy should comment on the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values.

ANNEX A – INFORMAL COMMENTARY ON THE STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

Power under which this Guidance is issued [paragraph 1]

1. The **Local Government Act 2003**, section 15(1), requires a local authority "...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...".
2. The guidance on investments in the main part of this document is issued under section 15(1) of the 2003 Act and authorities are therefore required to have regard to it. This part (**Annex A**) contains an informal commentary ("the commentary") on the Statutory Guidance.
3. Two codes of practice issued by the *Chartered Institute of Public Finance and Accountancy* (CIPFA) contain investment guidance which complements the MHCLG guidance. These publications are:
 - *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*
 - *The Prudential Code for Capital Finance in Local Authorities*
4. Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] as amended*.

Objectives in updating the Guidance

5. The 2nd edition of this Guidance, which was issued in 2010, reflected concerns raised by the CLG and Treasury Select committees as part of their enquiries into the financial crash of 2007-8. The key areas of focus were:
 - The practice of investing for yield, especially in Icelandic Banks;
 - The need for transparent investment strategies; and
 - The use of Treasury Management advisors.
6. The changes made to the 3rd edition of this Guidance reflect changes in patterns of local authority behaviour. Some local authorities are investing in non-financial assets, with the primary aim of generating profit. Others are entering into very long term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects that are in line with their wider role for regeneration and place making.

7. In addition, the National Audit Office and the Public Accounts Committee have raised a number of concerns about local authority behaviour that this guidance aims to address. These are:

- Local authorities are exposing themselves to too much financial risk through borrowing and investment decisions;
- There is not enough transparency to understand the exposure that local authorities have as a result of borrowing and investment decisions; and
- Members do not always have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

Effective Date [paragraphs 11-12]

8. This Guidance applies from 1 April 2018. It supersedes all previous editions of the Guidance.

9. The Guidance requires local authorities to produce a number of additional disclosures. Many local authorities already produce these as part of internal reporting and risk management procedures. However, if these disclosures are not currently produced, then local authorities do not need to prepare them in full for Strategies presented to full Council or equivalent before 1 April 2018. Those local authorities who do not include the required disclosures in their 2018-19 strategies, should present them for approval the first time the relevant Strategy is updated or superseded.

Local Authorities [paragraphs 12-13]

10. This Guidance applies to all local authorities, who hold or during the next financial year intend to hold financial or non-financial investments, solely or in part to generate revenue income.

11. It applies to parish councils whose investments exceed the thresholds set out in paragraph 14. The decision to lower the financial threshold for parish councils has been taken in recognition that some parishes have begun to engage in commercial ventures. As parish councils tend to be fairly small and to obtain a greater percentage of their funding directly from council tax payers than other types of local authority, it is right that they demonstrate that they have carefully considered the expertise that they need to manage the risks arising from their strategy.

Transparency and democratic accountability [paragraphs 15-19]

12. The Government believes that local authorities need to be better at explaining “why” not just “what” they are doing with their investment activity. That means that the sector needs to demonstrate more transparency and openness and to

make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

13. The additional disclosures required by the Guidance should be included in a single document presented to full Council or the equivalent. Although the Guidance refers to an Investment Strategy, providing that all of the disclosures are easy for interested parties to find and are in or linked from a single document, a separate Strategy does not need to be prepared. The Strategy should be updated at least annually.
14. Subject to the provisions in paragraph 35 and 36 of the commentary, local authorities can exclude specific non-financial investments from the required disclosures on grounds of commercial confidentiality. The Government expects that non-disclosure on grounds of commercial confidentiality will be an exceptional circumstance. A local authority should only determine that it would breach commercial confidentiality to include an investment in the disclosures on receipt of appropriate professional advice, using the same criteria as would be used to exclude the public from a Council meeting. Local authorities should reassess whether the commercial confidentiality test is met every time a new Strategy is presented to full Council or the equivalent.
15. Under Regulation 17 of the *The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012* as amended overview and scrutiny committee members have right of access to any confidential information relating to any decision by any committee or any member of the executive of their council. Nothing in this Guidance has the power to override this regulation.
16. Assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the *Local Government Act 2003* should not be classified as non-financial investments for this purpose.
17. If disclosures are already produced in another document that is publicly available then a local authority can provide a link to the disclosures from the Strategy rather than reproducing them. The exception is disclosures contained in the Statutory Accounts, which do not meet the requirements of this Strategy. This is because local authority statutory accounts can be complex and difficult for users who are not familiar with local government accounting to understand and statutory accounts are prepared to a higher level of materiality than local authorities should use for internal risk management.

Contribution [paragraphs 20-22]

18. Local authorities may have several different objectives, when deciding to acquire an asset. If an asset is not solely held for yield, then a local authority may have a different risk appetite or be willing to accept a lower return than it otherwise would.

19. Each local authority should determine how it categorises different types of contribution, and each investment can have more than one type of contribution. A non-exhaustive list of types of contribution include:

- Yield/profit
- Regeneration
- Economic benefit/business rates growth
- Responding to local market failure
- Treasury management

20. Where a local authority classifies an investment as contributing to regeneration or local economic benefit, it should be able to demonstrate that the investment forms part of a project in its Local Plan.

Use of indicators [paragraphs 23-25]

21. Local authorities should present a range of indicators to allow members and other interested parties to understand the total exposure from borrowing and investment decisions. The indicators should cover both the local authority's current position and the expected position assuming all planned investments for the following year are completed. The indicators do not need to take account of Treasury Management investments unless these are expected to be held for more than 12 months.

22. The Guidance requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. We recommend that, the indicators in the table below are used. Where local authorities have a different risk appetite or different expectation of returns depending on the contribution(s) each type of investment makes, they should consider presenting the indicators, classified by type of contribution or risk appetite.

Debt to net service expenditure (NSE) ratio	<i>Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</i>
Commercial income to NSE ratio	<i>Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.</i>
Investment cover ratio	<i>The total net income from property investments, compared to the interest expense.</i>
Loan to value ratio	<i>The amount of debt compared to the total asset value.</i>
Target income returns	<i>Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.</i>
Benchmarking of returns	<i>As a measure against other investments and against other council's property portfolios.</i>
Gross and net income	<i>The income received from the investment portfolio at a gross level and net level (less costs) over time.</i>
Operating costs	<i>The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.</i>
Vacancy levels and Tenant exposures for non-financial investments	<i>Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.</i>

23. Where appropriate, local authorities should consider including targets or limits set by members alongside the outturn. Where there has been a significant change in year on year performance against any of the indicators presented local authorities should include an explanation in the Strategy.

24. Local authorities can choose to present additional indicators in the Strategy should they believe that it would enhance understandability and transparency to do so.

Security, liquidity and yield [paragraphs 26-29]

25. For treasury management and other financial investments local authorities should continue to prioritise **SECURITY, LIQUIDITY** and **YIELD** in that order of importance.

26. Whilst consideration of **security** and **liquidity** is important for loans and non-financial investments, the relative balance between objectives may be different depending on the nature and objectives in making a specific investment.

Security and liquidity

Loans [paragraphs 33 – 34, 40]

27. Loans to joint ventures, local SMEs or third sector bodies, and wholly owned companies fall within the scope of the Guidance. When considering security and liquidity of loans local authorities should set limits for their total exposure and apply the expected loss model in line with the requirements of *IFRS 9 Financial Instruments*.

Non-financial investments [paragraphs 37-40, 43]

28. Where a local authority has a non-financial investment, it will have an asset that can be realised to recoup the sums invested. Therefore, the Guidance requires local authorities to consider security by reference to the value of the asset relative to purchase price and to set out the plans to recoup the investment if realising the asset would not recoup the sums invested. In the period immediately after purchase, it is normal for the directly attributable costs of purchasing a non-financial investment to be greater than the realisable value of the asset. In this scenario, all the Strategy needs to disclose is how long the local authority expects it to take for the increase in asset values to provide security for the sums invested and the assumptions underpinning that expectation.

29. Non-financial investments are by their nature illiquid. However, this does not mean that the local authority does not need to plan for realising a part of its non-financial investment portfolio, for example to repay debt. The liquidity of the non-financial investment portfolio should be considered over the repayment period of any debt taken out to acquire assets, which could be very long term. Given current trends such as the scale and pace of technology driven change, there is no guarantee that non-financial investments will continue to deliver value over their lifetime. To manage this risk, local authorities need to have plans to realise the capital tied up in non-financial investments if required. In addition, the Strategy should consider the trade-offs between accepting capital loss and refinancing debt incurring additional debt servicing costs by doing so, if appropriate.

Proportionality [paragraphs 44-45]

30. Local authorities need to consider the long term sustainability risk implicit in becoming too dependent on commercial income or in taking out too much debt relative to net service expenditure.

31. In addition, whilst under statute, local authority debt is secured on the revenues of that authority, in practice, there is no realistic prospect of the revenues of any local authority being sufficient to pay back debt equating to many multiples of the sum of NNDR and Council Tax Income, without a pervasive and long term impact on service delivery. It is unclear whether local authorities who have adopted a debt financed commercial investment strategy have realistic plans to manage failure. Whilst the Government recognises the importance of local authorities taking on debt to enhance service provision, irrespective of the source of finance, it does not believe that it should do the same for commercial investments.
32. For this reason, the Guidance introduces a new requirement that in every local authority, full council or its nearest equivalent, sets limits that cannot be exceeded for gross debt compared to net service expenditure, and for commercial income as a percentage of net service expenditure.
33. If a local authority has exceeded these limits through investments taken out prior to the introduction of this Guidance, it does not need to dispose of investments currently held. However, authorities who have exceeded their self-assessed limits should not enter into any further investments, irrespective of how these are financed, other than short term investments required for efficient treasury management.

Borrowing in advance of need [paragraphs 46-47]

34. The Prudential Code, issued by CIPFA has always contained a statement that local authorities should not borrow more than, or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The purpose of repeating that statement in this Guidance is to make it clear that it extends to borrowing taken on to finance the acquisition of non-financial as well as financial investments.
35. Local authorities can still finance the acquisition of financial on non financial investments from capital receipts generated from the sale of surplus assets. However, they should not repurpose receipts allocated to the acquisition of assets that contribute to service delivery to fund the purchase of investments, solely to avoid the requirements against borrowing in advance of need.
36. If exceptionally a local authority, chooses not to have regard to the provision on borrowing to fund investment activity the Guidance requires them to explain, in their Strategy, the rationale for this decision.
37. The purpose of this disclosure is to allow external auditors, tax payers and other interested parties to understand why the local authority has chosen to disregard

the Guidance, and to hold the authority to account should they believe there is not sufficient reason for doing so.

Capacity, Skills and Culture [paragraphs 48-50]

38. In the Public Accounts Committee report of 18 November 2016¹, members raised concerns that, locally elected members may not always have the background and expertise to understand the risks associated with the decisions that they are being asked to make. For this reason the Guidance extends the requirements on capacity and skills to members and any statutory officers involved in or responsible for signing off on investment decisions.
39. Members do not necessarily need formal training in understanding investment risks to satisfy the requirements of the Guidance. Depending on their level of expertise a presentation setting out the risks and opportunities of an investment strategy/specific investment in terms a layman would understand, may be sufficient to meet the new requirements.
40. The Government is aware that many local authorities have brought in outside expertise to identify and negotiate investment opportunities. Whilst this can be an effective method of risk management, it is important that those negotiating deals understand that they are not operating in a purely commercial environment and that the prime purpose of a local authority is to deliver statutory services to local residents. Therefore, the Strategy should comment on how they have been made aware of this.

¹ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2015/financial-sustainability-local-authorities-16-17/>

Agenda Item 10

At a Meeting of the **AUDIT COMMITTEE** held in Meeting held in the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **24th** day of **July 2018** at **10.00am**

Present: Cllr M Davies (Chairman)

Cllr J Hockridge
Cllr B Stephens
Cllr L Watts

Officers in attendance:

Section 151 Officer
Chief Internal Auditor
Reece Batley, KPMG
Senior Case Manager – Democratic Services.

Also in attendance: Cllr C Edmonds (lead Hub Committee Member)

*** AC 8 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs K Ball, B Cann OBE and B Lamb.

*** AC 9 CONFIRMATION OF MINUTES**

The Minutes of the Committee Meeting held on 19 June 2018 were confirmed and signed by the Chairman as a correct record.

*** AC 10 KPMG EXTERNAL AUDIT REPORT 2017/18**

The Committee considered the KPMG External Audit Report 2017/18. Mr Reece took the Committee through the four risk areas that were identified before the start of the audit being:

- Valuation of Property Plant and Equipment
- Pension Liabilities
- Faster Close (to close the Accounts one month earlier by the end of May 2018)
- Allocation of shared costs

Mr Reece concluded that KPMG had identified no issues with any of the four risks and would be issuing a clean audit opinion (an unqualified opinion)

It was then **RESOLVED** that:

The KPMG report be noted.

AC 11 AUDITED STATEMENT OF ACCOUNTS 2017/18 AND ANNUAL GOVERNANCE STATEMENT 2017/18

Cllr Edmonds took Member through the report. There were no questions asked as both Cllr Edmonds and the Chairman of the Audit Committee commented how these were the same Accounts as the Draft Accounts

presented in June, with only minor disclosure changes. He thanked the finance team for all their hard work.

It was then **RESOLVED** that:

1. The wording of the Letter of Representation (Appendix A);
2. The Audited Statement of Accounts for the financial year ended 31 March 2018 (Appendix B);
3. The Annual Governance Statement post audit (Appendix C);
be **APPROVED**

*** AC 12 ANNUAL TREASURY MANAGEMENT REPORT**

Cllr Edmonds introduced the report stating the slightly lower than anticipated returns were partly due to interest rates not rising as quickly as anticipated and the investment in CCLA having an entrance cost attached. Therefore the investment will return a higher yield in future years.

It was then **RESOLVED**

1. That the actual 2017/18 prudential and treasury indicators in the report be **Approved**; and
2. The Annual Treasury Management report for 2017/18 be noted

(The Meeting terminated at 10.20 am)

Dated this

Chairman

At a Meeting of the **OVERVIEW & SCRUTINY COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **31st** day of **JULY 2018** at **2.00 pm**.

Present:

Cllr J Yelland – Chairman
Cllr R Cheadle – Vice-Chairman

Cllr R E Baldwin	Cllr J Evans
Cllr P Kimber	Cllr D E Moyse
Cllr C R Musgrave	Cllr G Parker
Cllr T G Pearce	Cllr D K A Sellis
Cllr J Sheldon	

Head of Paid Service
Senior Specialist – Commercial Services
Senior Specialist – Democratic Services
Specialist – Performance and Intelligence

Also in Attendance: Cllrs C Edmonds, B Lamb, A F Leech, R J Oxborough, C Mott and R F D Sampson

***O&S 16 APOLOGIES FOR ABSENCE**

Apologies for absence for this meeting were received from Cllrs D W Cloke, J R McInnes, J B Moody and P J Ridgers.

***O&S 17 CONFIRMATION OF MINUTES**

The minutes of the Meeting of the Overview and Scrutiny Committee held on 26 June 2018 were confirmed and signed by the Chairman as a true and correct record.

***O&S 18 DECLARATIONS OF INTEREST**

Members and officers were invited to declare any interests in the items of business to be considered during the course of this meeting, but there were none made.

***O&S 19 PUBLIC FORUM**

There were no issues raised during the Public Forum session at this meeting.

***O&S 20 DRAFT HUB COMMITTEE FORWARD PLAN**

During consideration of the most recently published Hub Committee Forward Plan, the Committee made reference to:-

- (a) the intention for an additional agenda item entitled: 'Commercial Property Acquisition Strategy Update' to be added to the Forward Plan for consideration at the Hub Committee meeting on 11 September 2018;
- (b) the number of particularly significant agenda items that were scheduled for consideration at the Hub Committee meeting on 11 September 2018. In noting the contents of the Plan, Members expressed their concerns over the likely size of the next Hub Committee meeting agenda. As a consequence, the Committee requested that the Chairman contact the Leader of the Council to relay these concerns;
- (c) the Tamar Valley AONB Management Plan Review 2019-24. With regard to the proposal for this Review to be presented to the Hub Committee meeting on 11 September 2018, a Member advised that she had already received a copy of the draft version of the Plan. In commending its content, the Member was of the view that the wider membership should also be in receipt of a copy before its presentation to the Hub Committee. Such was its linkages to the Joint Local Plan (JLP) that a Member also felt that the JLP Joint Steering Group should be given the opportunity to comment on the draft Plan prior to its adoption.

***O&S 21 UPDATE REPORT ON GARDEN WASTE SERVICE**

Members considered a report that provided an update on the garden waste service that had now been in operation for a twelve month period.

In presenting the report, the lead Hub Committee Member advised that the Waste Working Group was actively looking at methods of promoting the service to increase resident uptake.

During the ensuing discussion, the following points were raised:-

- (a) In response to a question, it was confirmed that trend analysis did not indicate any significant increases in cases of fly tipping in the Borough since the charging scheme had been in place;
- (b) Following the most recent waste analysis exercise, officers advised that there was no significant evidence of green waste being placed with residual waste. However, the Committee was advised that there was a number of instances of food waste being placed with residual waste and Members acknowledged the need for this to be addressed;
- (c) Due to the particularly dry and warm weather this year, Members noted that it was difficult to obtain an accurate assessment of how successful the first year of this scheme had been;

- (d) Some Members expressed their regret that the wider membership had delayed the initial decision to implement this scheme. As a consequence, this delay had resulted in a negative financial impact that the Council could ill afford at this time;
- (e) With regard to the £40 annual subscription charge, the Committee was informed that this was broadly consistent with the fees applied by other local authorities who provided a similar service. Members proceeded to confirm their belief that a £40 annual charge remained appropriate for the service;
- (f) Whilst accepting that there would be some complexities, some Members were of the view that uptake in the service would be increased if residents could sign up to the scheme anytime throughout the year. In reply, it was agreed that the Waste Working Group would look into this matter in more detail at a future meeting.

It was then:

RESOLVED

That the contents of the update report and the views of the Committee (as outlined in the minutes above) be noted.

***O&S 22 EXCLUSION OF PUBLIC AND PRESS**

RESOLVED

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act is involved.

***O&S 23 FINANCIAL STABILITY REVIEW GROUP: PROGRESS UPDATE**

The Committee considered an exempt Briefing Note that had also been presented to the Hub Committee meeting on 17 July 2018 for consideration (Minute *HC 15 refers).

In discussion, the Committee welcomed the update and wished to put on record its thanks to the lead officers and Members of the Review Group for the progress that was being made.

It was then:

RESOLVED

That the contents of the Briefing Paper be received and noted.

***O&S 24 RE-ADMITTANCE OF PUBLIC AND PRESS**

RESOLVED

That the public and press be re-admitted to the meeting.

***O&S 25 ECONOMY WORKING GROUP – VERBAL UPDATE**

In his introduction, the lead Hub Committee Member for Economy highlighted some of the challenges that were preventing the Working Group from making real progress. To overcome these challenges, the lead Member was strongly of the view that there was a need for some form of officer resource to be available in order to support the economic development agenda.

During the ensuing debate, the following points were made:-

- (a) A number of Committee Members supported the views of the lead Member and recognised that Enterprise and '*creating places for enterprise to thrive and businesses to grow*' was a recently adopted Corporate Strategy Theme by the Council. Having been informed that any additional resource was likely to be a further budget pressure for the Council, it was **PROPOSED** and **SECONDED** that:
1. The Economy Working Group be asked to produce a paper for consideration at a future Hub Committee meeting that indicates the requirements for a dedicated officer resource; and
 2. With this information and, in preparation of the draft 2019/20 Budget and the Medium Term Financial Strategy, consideration be given to providing sufficient officer resource to support the local economy and the Corporate Strategy Theme relating to Enterprise.

When put to the vote, this proposal was declared **CARRIED**.

- (b) The Committee noted that one of the areas of focus for the Peer Review Team that was visiting the Council to undertake a review in September 2018 was to be on economic regeneration;
- (c) Some Members regretted the fact that Business Rates did not link in any shape or form to the actual performance of a business and felt that this was a shortcoming that needed to be addressed by Central Government. As a way forward, it was suggested that a Member may wish to submit a motion to this effect for consideration at a future Council meeting.

It was then:

RESOLVED

1. That the Economy Working Group be asked to produce a paper for consideration at a future Hub Committee meeting that indicates the requirements for a dedicated officer resource; and
2. With this information and, in preparation of the draft 2019/20 Budget and the Medium Term Financial Strategy, consideration be given to providing sufficient officer resource to support the local economy and the Corporate Strategy Theme relating to Enterprise.

***O&S 26**

QUARTER 1 PERFORMANCE MEASURES

The Committee considered a paper that presented the performance measures for Quarter 1.

By way of an introduction, the lead Hub Committee Member made reference to his review into both the performance measures reported and the appropriateness of the targets that were aligned to these measures. In so doing, the Member advised that it was his intention for the findings of this review to be presented to a meeting of the Committee in the autumn. For clarity, the lead Member confirmed that this review would include the design, format and layout of the measures and Members were encouraged to share their views with the lead Member before the findings were presented.

In the ensuing debate, particular reference was made to:-

- (a) planning enforcement cases. The Committee welcomed the performance trend whereby the number of cases closed during June 2018 had exceeded the number of new cases received. Some Members highlighted the effectiveness of the recent sessions with local ward Members during which it had been agreed that a number of historical cases should no longer be pursued. It was felt that such ongoing dialogue between officers and local Members was critical to ensure that this positive trend continued;
- (b) accessing the latest information on the performance dashboards. Some concerns were raised that officers were not regularly updating the dashboard information and it was therefore requested that officers follow up on this point outside of this Committee meeting.

It was then:

RESOLVED

That the performance levels against target communicated in the Balanced Scorecard and the performance figures supplied in the background and the exception report be noted.

***O&S 27 JOINT LOCAL PLAN: STANDING AGENDA ITEM**

By way of an update, one of the Joint Steering Group (JSG) Members advised the Committee that:-

- Due to illness and unavailability, it was noted that there had been a further delay in the receipt of the interim findings from the Examination in Public. It was now hoped that the report would be received during mid-August; and
- In respect of a meeting that was taking place at this current time in Plymouth that related to a potential Marine Park, it was hoped that those officers and Members who were in attendance would provide feedback to the wider membership.

***O&S 28 TASK AND FINISH GROUP UPDATES**

(a) Partnership Funding Review

Since a decision had now been made by the Council at its meeting on 26 July 2018 (Minute CM 24 cii refers), the Committee agreed that the Partnership Funding Review Task and Finish Group should now be formally disbanded.

***O&S 29 RURAL BROADBAND WORKING GROUP UPDATE**

During the update, reference was made to:-

- (a) the invite having been extended to the Connecting Devon and Somerset Programme Manager to attend a future Committee meeting. The Committee was of the view that, in the event of its future meeting dates not being convenient for the Programme Manager to attend, then an alternative date should be sought with this matter being considered at an all Member Briefing instead;
- (b) a useful report that had been produced that illustrated the linkages between the positive impact on the Cornish Economy and the increased Superfast Broadband provision in the county. It was agreed that the Vice-Chairman would share the contents of this report with the Council's representative on the Connecting Devon and Somerset Programme Board.

***O&S 30 ANNUAL WORK PROGRAMME 2018/19**

The Chairman introduced the latest version of the Work Programme for the next 12 months.

In discussion, it was agreed that:

- (a) the Work Programme would in the future include the relevant lead Hub Committee Member alongside each item; and
- (b) the Vice-Chairman would prepare a Scrutiny Proposal Form for further consideration on a particular issue that would seek to ensure that the Council had obtained value for money from a recent Consultants' report.

***O&S 31 MEMBER LEARNING AND DEVELOPMENT OPPORTUNITIES ARISING FROM THIS MEETING**

In discussion, the Committee was reminded of the contacts details for the recently appointed Member IT Support Officer and Members were urged to utilise his expertise.

In addition, Members were encouraged to discuss their thoughts on the Performance Measures review with the lead Hub Committee Member before the findings of this exercise were presented to the Committee in the autumn.

(The meeting terminated at 3.50 pm)

Chairman

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At a Meeting of the **OVERVIEW & SCRUTINY COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the 4th day of **SEPTEMBER 2018** at **2.00 pm**.

Present:

Cllr J Yelland – Chairman
Cllr R Cheadle – Vice-Chairman

Cllr R E Baldwin	Cllr D W Cloke
Cllr P Kimber	Cllr D E Moyse
Cllr T G Pearce	Cllr P J Ridgers

Group Manager – Customer First and Support Services
Section 151 Officer
Community Of Practice Lead – IT
Senior Specialist – Democratic Services

Also in Attendance: Cllrs C Edmonds, N Jory and L Samuel

* **O&S 32** **APOLOGIES FOR ABSENCE**

Apologies for absence for this meeting were received from Cllrs J Evans, J R McInnes, J B Moody, C R Musgrave, G Parker, D K A Sellis and J Sheldon.

* **O&S 33** **CONFIRMATION OF MINUTES**

The minutes of the Meeting of the Overview and Scrutiny Committee held on 31 July 2018 were confirmed and signed by the Chairman as a true and correct record.

* **O&S 34** **DECLARATIONS OF INTEREST**

Members and officers were invited to declare any interests in the items of business to be considered during the course of this meeting, but there were none made.

* **O&S 35** **PUBLIC FORUM**

There were no issues raised during the Public Forum session at this meeting.

* **O&S 36** **DRAFT HUB COMMITTEE FORWARD PLAN**

During consideration of the most recently published Hub Committee Forward Plan, the Committee made reference to the Hub Committee meeting agenda for its 11 September 2018 meeting that had recently been published. In so doing, Members acknowledged that the size of the agenda for this meeting was more manageable than had been suggested on the last Forward Plan.

* O&S 37 **MEDIUM TERM FINANCIAL STRATEGY PRESENTATION**

The Section 151 Officer delivered a presentation that outlined a series of recommendations on the Medium Term Financial Strategy.

In the ensuing discussion, reference was made to:-

- (a) an alternative to recommendation 1. To reflect the need to be realistic in the current budgetary climate, an alternative recommendation was **PROPOSED** and **SECONDED** to read as follows:-

‘That the strategic intention be set to raise Council Tax by the maximum allowed in any given year (without triggering a Council Tax Referendum) *to endeavour to continue to deliver services.* (NB. the actual Council Tax for any given year will be decided by Council in the preceding February);

When put to the vote, this alternative recommendation was declared **CARRIED**.

- (b) the pressure being placed on low income households. By continuing to raise Council Tax, some Members highlighted the additional pressure and financial burden being placed on residents. Officers advised that this point was recognised and a revised Council Tax Reduction Scheme was due to be presented to the next Hub Committee that would recommend the adoption of a revised Council Tax Reduction Scheme. It was confirmed that the proposed revisions would result in a more needs assessed approach being adopted;
- (c) the Business Rate Pilot status for 2019/20. Assuming that the bid was supported, then the intention was for Central Government to inform those applicants who had been successful before the end of the year;
- (d) the planning reserve. Having been informed that there were very little monies remaining in the planning reserve, the Committee recognised the need for it to be replenished;
- (e) levels of Reserves. A Member expressed his opposition to any potential proposal being put forward to draw down reserves in order to balance the Council’s 2019/20 Budget;
- (f) the Pension Strategy. Some Members felt that there were opportunities in respect of the Strategy and, in expressing the view that the investment return on the Pension Fund had not been particularly good, it was suggested that Fund Committee representatives should be invited to attend a future meeting of the Committee;

- (g) setting an Upper Limit on External Borrowing. The majority of Members were supportive and considered it to be prudent to cap an upper limit on Council borrowing;
- (h) Informal Council sessions. Since a number of elements of the Committee debate had referred to discussions at a recent Informal Council session, some Members were of the view that the format of these should be reviewed. In particular, requests were made for consideration to be given to an agenda being circulated in advance and notes being recorded;
- (i) the Employment Green Book. Whilst Members felt it incumbent to review all options in relation to the Green Book, it was recognised that any proposals to vary terms would be difficult to resolve.

It was then:

RESOLVED

That the Committee express the following views to the Hub Committee and the Council as part of the development of the Medium Term Financial Strategy:

1. That the strategic intention be set to raise Council Tax by the maximum allowed in any given year (without triggering a Council Tax Referendum) to endeavour to continue to deliver services. (NB. the actual Council Tax for any given year will be decided by Council in the preceding February);
2. That an application be submitted for Business Rate Pilot status for 2019/20, with agreement being given to a 40% District / 34% Devon County Council / 1% Fire split for the 75% scheme. In the event of the Pilot bid being unsuccessful, that agreement be given to the Council remaining part of the Devon Business Rates Pool for 2019/20;
3. That Central Government and Devon MPs be actively lobbied to support a 2019/20 Devon Pilot bid;
4. That the Council actively lobby and engage with the Government, Devon MPs and other sector bodies (e.g. the District Councils Network and the Rural Services Network) for a realistic Business Rates Baseline to be set for the Council for 2020 onwards;
5. That the Council responds to the technical consultation in support of the Government eliminating Negative Revenue Support Grant. In addition, the Council should continue to lobby for Rural Services Delivery Grant allocations that adequately reflect the cost of rural service provision;
6. That £375,000 of New Homes Bonus funding be used for 2019/20 to fund the Revenue Base Budget and then reduce this funding to £100,000 by 2020/21 and £50,000 by 2021/22 for modelling purposes;

7. That a review be undertaken by the Financial Stability Review Group into the annual level of contributions to Earmarked Reserves (£50,000) and the adequacy of the existing level of Unearmarked Reserves (£1.2 million) and Earmarked Reserves (£4 million) with recommendations being made by the end of October 2018. (NB. this will assess the adequacy of Reserves levels in light of future plans and pressures);
8. That the Council takes specialist pension advice on the options for the Council's Pension position, with the aim of reducing the current contributions, increasing affordability, whilst best managing the pension deficit;
9. That the Council sets an Upper Limit on External Borrowing (for all Council Services) as part of the Medium Term Financial Strategy of £50 million;
10. That the Council continue with the Local Government Terms and Conditions of the Employment Green Book for at least 2019/20. That a review of all options for reducing staff costs (by varying terms from the Green Book from 2020/21) be undertaken, with an initial report being presented back before the end of 2018/19.

*** O&S 38 EXCLUSION OF PUBLIC AND PRESS**

RESOLVED

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act is involved.

O&S 39 IT PROCUREMENT

The Committee considered an exempt report that provided an update on the IT Procurement exercise.

In discussion, the Committee expressed its support for the proposed way forward.

It was then:

RESOLVED

That the Committee endorse the IT Procurement exercise and recommend to the Hub Committee that the proposed way forward (as outlined in the exempt agenda report presented to the Committee) be approved.

*** O&S 40 RE-ADMITTANCE OF PUBLIC AND PRESS**

RESOLVED

That the public and press be re-admitted to the meeting.

*** O&S 41 JOINT LOCAL PLAN: STANDING AGENDA ITEM**

By way of an update, the Committee noted that the latest predictions were that the Plan would be presented to the three Councils for adoption early in 2019. Such had been the time slippages already, the importance of the Plan before presented to the Councils before the May 2019 local elections was stressed.

In respect of the five year land supply issue, officers could only reaffirm that the weight given to the Plan was still a matter for individual Planning Inspectors to determine. Therefore, at this time, the Council could not emphatically claim that it currently had an adequate supply. As a result, the importance of this point being borne in mind during the Development Management decision-making process was emphasised.

A Member also stated that, until a Plan was adopted, a number of Neighbourhood Planning Groups had put their work on hold.

Finally, the Committee asked that officers arrange a Joint Local Plan (JLP) Member Briefing Session be arranged in the next few months.

*** O&S 42 TASK AND FINISH GROUP UPDATES**

The Chairman informed that the Committee did not currently have any reviews being undertaken by Task and Finish Groups.

*** O&S 43 RURAL BROADBAND WORKING GROUP UPDATE**

During the update, reference was made to confirmation that the Connecting Devon and Somerset Programme Manager would be attending the next Committee meeting on 2 October 2018. As a consequence, it was agreed that a meeting of the Working Group should be convened to take place before this date to consider compiling a list of all Member questions to send to the representative in advance of 2 October 2018.

*** O&S 44 ANNUAL WORK PROGRAMME 2018/19**

The Chairman introduced the latest version of the Work Programme for the next 12 months.

In discussion, it was agreed that:

- (a) a Task and Finish Group should be appointed to review the outreach services that were currently being provided in Okehampton. By way of a target, it was intended that the Group should present its findings to the Committee meeting on 6 November 2018. Whilst it was agreed that Cllr Cheadle would chair this Group, expressions of interest would be sought from the wider Committee Members to join him on this Group;
- (b) an additional agenda item entitled: 'Localities: Action Plan' should be added to the Programme for consideration at this Committee meeting on 6 November 2018.

*** O&S 45 MEMBER LEARNING AND DEVELOPMENT OPPORTUNITIES ARISING FROM THIS MEETING**

In discussion, the Committee was reminded of the contacts details for the recently appointed Member IT Support Officer and Members were urged to utilise his expertise.

In addition, Members were reminded that the Committee had requested a JLP Member Briefing and the annual budget setting workshop had been arranged to take place on Monday, 8 October 2018.

(The meeting terminated at 4.00 pm)

Chairman

At a Meeting of the **DEVELOPMENT MANAGEMENT & LICENSING COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **14th** day of **AUGUST 2018** at **10.00am**

Present: Cllr P R Sanders – Chairman

Cllr R E Baldwin Cllr W G Cann OBE
Cllr L J G Hockridge Cllr B Lamb
Cllr C Mott Cllr D E Moyse
Cllr G Parker Cllr T G Pearce
Cllr J Yelland

COP Lead Development Management (PW)
Planning Senior Specialist (AHS)
Planning Specialist (CS)
Solicitor (SN)
Specialist Democratic Services (KT)

***DM&L 06 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr A Roberts for whom Cllr B Lamb substituted.

***DM&L 07 DECLARATION OF INTEREST**

Members were invited to declare any interests in the items of business to be considered and the following were made:

Cllr R E Baldwin declared a Personal Interest in application **0978/18/OPA**: Outline application with all matters reserved for 1 no. live work unit – Land west of Cannon Barn Cottages, Lewdown, by virtue of knowing the applicant when he was his local Ward Member, and he remained in the meeting for the duration of this item and took part in the debate and vote on this application;

Cllr C Mott declared a Personal Interest in application **0978/18/OPA**: Outline application with all matters reserved for 1 no. live work unit – Land west of Cannon Barn Cottages, Lewdown, by virtue of knowing the applicant and being his local Ward Member, and she remained in the meeting for the duration of this item and took part in the debate and vote on this application;

Cllr T G Pearce declared a personal interest in all applications by virtue of being a Member of the Devon Building Control Partnership. He remained in the meeting and took part in the debate and vote on the item.

***DM&L 08 CONFIRMATION OF MINUTES**

The Minutes of the Development Management and Licensing Committee Meeting held on 19 June 2018 were confirmed and signed by the Chairman as a correct record.

***DM&L 09 PLANNING, LISTED BUILDING, TREE PRESERVATION ORDER AND ENFORCEMENT REPORTS**

The Committee considered the applications prepared by the Development Management Specialists and considered also the comments of Town and Parish Councils together with other representations received, which were listed within the presented agenda reports and summarised below, and **RESOLVED**:

(a) Application No: 0978/18/OPA Ward: Bridestowe

Site Address: Land west of Cannon Barn Cottages, Lewdown

Outline application (all matters reserved) for 1no. live/work unit

Case Officer Update: None

Speakers included: Objector: Mrs Audrey Murphy; Supporter – Mrs Gill Makin; Parish Council representative – Cllr Dunn; local Ward Members – Cllrs Mott and Hockridge

RECOMMENDATION: Refusal

COMMITTEE DECISION: Refusal

***DM&L 10 PLANNING APPEALS UPDATE**

The Committee received and noted the updated list of Planning Appeals including Enforcement Appeals.

DM&L 11 AMENDMENTS TO THE PUBLIC PARTICIPATION SCHEME FOR DEVELOPMENT MANAGEMENT

The Committee were presented with a report that sought approval to amend the Development Management Public Participation Scheme in light of General Data Protection Regulations.

During discussion, one Member stated that restricting all speakers other than Ward Members was not right, and it was **PROPOSED, SECONDED** and on being put to the vote declared **LOST** that Ward Members also be restricted to speaking for three minutes. Whilst Members did not agree with a restriction of three minutes, they did agree that a restriction in line with the existing Council Procedure Rules to speak for five minutes would be appropriate. It was then **PROPOSED, SECONDED** and on being put to the vote declared **CARRIED**, that the public participation scheme be further amended so that Ward Members are limited to speaking for a maximum of five minutes. It was made clear that this would not restrict Ward Members sitting on the Development Management and Licensing Committee from being able to take further part in the debate on an application.

One Member asked that the public participation scheme be amended to include notification that the meeting may be recorded. Another Member asked that the scheme be amended to clearly show that questions of clarity could be asked of each speaker.

It was then:

RESOLVED that Council be **RECOMMENDED**:

1. That the proposed amendments to the Development Management Public Participation Scheme be approved, as set out in Appendix 1; and
2. The Public Participation Scheme be further amended so that Ward Members are limited to speaking for a maximum of five minutes

(The Meeting terminated at 11.40am)

Chairman

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At a Meeting of the **HUB COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **11th** day of **SEPTEMBER, 2018** at **2.00pm**

Present: Cllr P R Sanders – Chairman
Cllr L Samuel – Vice Chairman

Cllr C Edmonds Cllr N Jory
Cllr A F Leech Cllr C Mott

In attendance: Head of Paid Service
Group Manager Customer First and Support Services
Section 151 Officer
Group Manager Business Development
Group Manager Commercial Services
Benefit Specialist
COP Lead Environmental Health
COP Lead IT
Specialist Assets and Place Making
Specialist Democratic Services

Other Members in attendance:
Cllrs Cann OBE, Cheadle, Lamb, Moody, Moyse,
Pearce and Yelland

***HC 21 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs Oxborough, Roberts and Sampson.

***HC 22 DECLARATIONS OF INTEREST**

Members were invited to declare any interests in the items of business to be discussed and the following were made:

Cllr Samuel declared a personal interest in Item 12: Civil Penalties for breaches of Housing Standards Enforcement Notices, by virtue of being a landlord.

***HC 23 MINUTES**

The Minutes of the Hub Committee meeting held on 17 July 2018 were confirmed and signed by the Chairman as a correct record.

***HC 24 FINANCIAL STABILITY REVIEW GROUP UPDATE**

In accordance with the Council decision at its meeting on 27 March 2018 (Minute CM 73 refers) for updates to be included as a standing agenda item, the Lead Member for Assets and Environment circulated to Members an update on the work of the Financial Stability Review Group. The Group were due to meet again on 18 September, 2018.

The Lead Member for Assets and Environment had also circulated a note that outlined the intention of Plymouth City Council (PCC) to consult on the possibility of establishing a Marine National Park based on the Plymouth Sound. The Committee endorsed the view that West Devon Borough Council should seek to engage in a collaborative partnership with PCC and as a formal consultee.

HC 25

MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2023/24

Members were presented with a report that set out the Council's Medium Term Financial Position over a rolling five year timeframe to 2023/24. The Council, along with other local authorities, had faced unprecedented reductions in Government funding since the Comprehensive Spending Review in 2010.

The Leader presented the report and the s151 Officer and Head of Paid Service responded to questions that arose. Recommendations relating to pensions and staff terms and conditions had caused some concern but the Leader explained the rationale for the recommendations.

During discussion, some Members felt that Recommendation 9 within the presented report that related to Treasury Management and Borrowing Strategy should be amended to reflect that Council should set the upper borrowing limit. The s151 Officer outlined the external advice that had been received that led to the presented recommendation, and in response to a question, the ramifications of ignoring that advice. Other Members felt it was appropriate to accept the advice given.

It was then **PROPOSED, SECONDED** and on being put to the vote declared **LOST**, that the Hub Committee does not make a recommendation on the Upper Limit for External Borrowing (for all Council Services) and instead defers that decision to Council as part of the Medium Term Financial Strategy as per Exempt Appendix G. As a result, the recommendation as set out in the presented report was approved as part of recommendation 3 below, which stated that the Hub Committee recommend to Council an Upper Limit of £50 million on External Borrowing.

It was then **RESOLVED** that the Hub Committee:

1. note the forecast budget gap for 2019/20 of £0.45 million and the position for future years;
2. notes the current options identified and timescales for closing the budget gap in 2019/20 and future years, to achieve long term financial sustainability; and
3. **RECOMMENDS** to Council to approve recommendations 1 to 10 as set out in the presented report.

HC 26

COMMERCIAL PROPERTY STRATEGY AMENDMENT

Members were presented with a report that sought approval and implementation of a new commercial property strategy which combined the ability to make property acquisitions with in-borough asset developments, in line with the 'Enterprise' corporate strategic objective of creating places for enterprise to thrive and business to grow.

The Lead Member for Assets presented the report.

It was then **RESOLVED** that Council be **RECOMMENDED** to:

1. Approve and Implement the commercial property strategy as detailed in Appendix A of the presented report; and
2. Rescind the currently adopted commercial property acquisition strategy as detailed in presented Appendix E.

***HC 27 QUARTER 1 REVENUE BUDGET MONITORING 2018/2019**

Members were presented with a report that enabled monitoring of income and expenditure variations against the approved budget for 2018/19, and provided a forecast for the year end position.

The Lead Member for Resources and Performance presented the report.

It was then **RESOLVED** that the Hub Committee note the forecast income and expenditure variations for the 2018/19 financial year and the overall projected underspend of £19,000.

***HC 28 WRITE OFF REPORT**

The Lead Member for Resources and Performance introduced a report that informed Members of the debt written off for revenue streams within the Revenue and Benefits service. Debts up to the value of £5,000 were written off by the s151 Officer under delegated authority. Permission was sought to write off individual debts with a value of more than £5,000. The Lead Member advised the Committee of the background to the debt for which permission was sought. The s151 Officer confirmed that the debt was written off as a whole but that the cost to the Council was a portion of that debt.

It was then **RESOLVED** that:

1. in accordance with Financial Regulations, that the s151 Officer had authorised the write-off of individual West Devon Borough Council debts totalling £27,950.96 as detailed in Tables 1 and 2 be noted; and
2. the write off of individual debts in excess of £5,000 totalling £26,564.80, as detailed in Table 3 of the presented report, be approved.

***HC 29 COUNCIL TAX REDUCTION SCHEME 2019/20**

Members were presented with a report that set out the annual requirement for Councils to revisit their existing council tax support scheme and decide whether to replace or revisit their scheme, the requirements for changing the scheme and the associated time constraints.

The Lead Member for Health and Wellbeing presented the report. The Benefit Specialist responded to questions of clarity.

It was then **RESOLVED** that:

1. The proposal to consult on Option 1 (as set out in section 4 of the presented report) on a banded scheme which would assess the maximum level of Council Tax Reduction based on the net income of the claimant and partner, be approved; and
2. The results of the consultation exercise be presented back to the Hub Committee prior to a revised scheme being considered for approval by the Council.

HC 30 CIVIL PENALTIES FOR BREACHES OF HOUSING STANDARDS ENFORCEMENT NOTICES

Members were presented with a report that outlined how Civil Penalties had been introduced by government legislation as an alternative to traditional criminal law enforcement against landlords, mostly relating to Housing offences. Local Authorities had the power to set civil penalty amounts locally up to a statutory maximum. Civil Penalties allowed for a higher financial penalty than the currently low court fines, they would provide an effective deterrent and protect residents against rogue landlords, unscrupulous letting agents and other poor business practices. Civil penalties would also deliver more cost efficient and faster enforcement in the area of housing disrepair.

The Lead Member for Health and Wellbeing presented the report. The COP Lead Environmental Health responded to questions and confirmed that there was statutory guidance that provided details on the considerations to be taken into account as part of the fine setting process.

It was then **RESOLVED** that Council be **RECOMMENDED** to update the existing Enforcement Policy with the Civil Penalty Policy.

***HC 31 TAMAR VALLEY AONB MANAGEMENT PLAN 2019-2024 CONSULTATION DRAFT**

Members were presented with a report that outlined the process of the review of the Management Plan for the Tamar Valley AONB, the issues identified for consideration within the Plan review, and detailed the method by which members could contribute to the formal consultation response by the Council, with a view to bringing the final Plan to Hub Committee for adoption in early 2019.

The Lead Member for Assets and Environment presented the report, and the Specialist Assets and Place Making responded to questions. During discussion, it was confirmed that the Management Plan would have a separate annex that would cover planning matters and would interact with Neighbourhood Plans and the emerging Joint Local Plan. It was also confirmed that the annual contribution paid to the TVAONB was towards production and delivery of the Management Plan, and the majority of projects were separately grant funded.

It was then **RESOLVED** that:

1. The content of the Consultation Draft of the Management plan be noted, and members send any comments to the author of the report for incorporation into a formal Council consultation response before the end of October 2018;
2. Authority be delegated to the COP Lead Place making the final content of the formal Council consultation response; and
3. The final version of the Management plan for 2019-2024 be brought to Hub Committee prior to adoption in early 2019.

HC 32 IT SYSTEMS PROCUREMENT

(Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information))

Members were presented with an exempt report that sought direction on a preferred option in respect of the IT systems procurement.

The Lead Member for Resources and Performance presented the report.

It was then **RESOLVED** that the Hub Committee endorse the ICT systems procurement and recommendations to Council, as set out in the presented report.

(The meeting terminated at 4.07pm)

Chairman

(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF HC 25, 26, 30 and HC 32 WHICH ARE RECOMMENDATIONS TO THE COUNCIL MEETING TO BE HELD ON 25 SEPTEMBER 2018, WILL BECOME EFFECTIVE FROM WEDNESDAY 19 SEPTEMBER 2018 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).

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