

Public Document Pack

Mid Devon District Council

Environment Policy Development Group

Thursday, 30 January 2020 at 4.00 pm
Exe Room, Phoenix House, Tiverton

Next ordinary meeting
Tuesday, 10 March 2020 at 5.30 pm

Those attending are advised that this meeting will be recorded

Membership

Cllr B G J Warren
Cllr E J Berry
Cllr W Burke
Cllr D R Coren
Cllr B Holdman
Cllr R F Radford
Cllr R L Stanley
Cllr J Wright

A G E N D A

Members are reminded of the need to make declarations of interest prior to any discussion which may take place

- 1 **Apologies and substitute Members**
To receive any apologies for absence and notices of appointment of substitute Members (if any).
- 2 **Declarations of Interest under the Code of Conduct**
Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
- 3 **Public Question Time**
To receive any questions relating to items on the Agenda from members of the public and replies thereto.

Note: A maximum of 30 minutes is allowed for this item.
- 4 **Minutes of the Previous Meeting** (*Pages 3 - 8*)
Members to consider whether to approve the minutes of the last meeting of the Group held on 14th January 2020 as a correct record.

- 5 **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
- 6 **Draft Budget** (*Pages 9 - 32*)
To receive details of the draft budget due to be presented to Cabinet on 13th February 2020.
- 7 **Net Zero Working Group**
The Group to agree the revised membership of the Net Zero Working Group and to appoint additional members.
- 8 **Identification of Items for Future Meetings**
Note: This item is limited to 10 minutes. There should be no discussion on the items raised.

Stephen Walford

Chief Executive

Wednesday, 22 January 2020

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Member Services Officer in attendance so that all those present may be made aware that is happening.

Members of the public may also use other forms of social media to report on proceedings at this meeting.

Members of the public are welcome to attend the meeting and listen to discussion. Lift access the first floor of the building is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available. There is time set aside at the beginning of the meeting to allow the public to ask questions.

An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, or

If you would like a copy of the Agenda in another format (for example in large print) please contact Carole Oliphant on:

Tel: 01884 234209

E-Mail: coliphant@middevon.gov.uk

Public Wi-Fi is available in all meeting rooms.

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **ENVIRONMENT POLICY DEVELOPMENT GROUP**
held on 14 January 2020 at 5.30 pm

Present

Councillors

B G J Warren (Chairman)
E J Berry, D R Coren, B Holdman,
R F Radford, R L Stanley,
Ms E J Wainwright and J Wright

Also Present

Councillor(s)

R M Deed and L D Taylor

Also Present

Officer(s):

Jill May (Director of Corporate Affairs and Business Transformation), Kathryn Tebbey (Head of Legal (Monitoring Officer)), Joanne Nacey (Group Manager for Financial Services), Stuart Noyce (Group Manager for Street Scene and Open Spaces), Catherine Yandle (Group Manager for Performance, Governance and Data Security), Philip Langdon (Solicitor), Clare Robathan (Scrutiny Officer), Vicky Lowman (Environment and Enforcement Manager) and Carole Oliphant (Member Services Officer)

55 APOLOGIES AND SUBSTITUTE MEMBERS (00.00.55)

There were no apologies or substitute members.

56 DECLARATIONS OF INTEREST UNDER THE CODE OF CONDUCT (00.01.18)

There were no declarations made.

57 PUBLIC QUESTION TIME (00.01.27)

There were no members of the public present.

58 MINUTES OF THE PREVIOUS MEETING (00.01.53)

The minutes of the previous meeting held on 26th November 2019 were agreed as a true record and **SIGNED** by the Chairman.

59 CHAIRMAN'S ANNOUNCEMENTS (00.02.54)

The Chairman informed the Group of the need to have a special meeting to discuss the budget proposals before they were considered by Cabinet. The Group agreed the meeting be arranged for 30th January 2020 at 4pm.

The Chairman invited Cllr Ms E J Wainwright to give an update on the Net Zero Working Group.

Cllr Ms E J Wainwright informed Members that a new web page had been launched which concentrated on the DCC taskforce, she explained that the working group would be looking at additional content to assist community groups. She explained that a press release was due shortly which would inform the public what MDDC had already done to reduce its carbon footprint and what would be done moving forward. She explained that the Carbon Baseline report had lots of tangible things which could be achieved and that this would be investigated at the next Net Zero working group meeting.

60 **FINANCIAL MONITORING (00.07.51)**

The Group Manager for Finance explained to the Group that the October variance was a £95k deficit and this had increased to £234k in November.

She provided Members with the main areas of movement since the October monitoring report which included:

- Environmental Services - Net S106 expenditure was slightly less than previously forecast (£9k) and that this was offset by Ear Marked Reserves (EMR).
- Waste – (£15k) Garden waste and permit sales were down against budget but numbers may pick up before year end.
- Cemeteries – Income below previously forecast (£10k)
- Planning – S106 expenditure had increased by £82k, but this was offset by EMR transfer. Planning income was a further £20k less than forecast at the October monitoring.
- IT – A salary pressure had been reduced by £11k.
- Revenues and Benefits – Housing Benefit Overpayments Recovery forecasts had dropped another £60k – revised forecast following identification of some duplication.
- NNDR – Retained Business Rates were forecast to be £48k lower than forecast in October following appeals.

In response to questions raised she confirmed that she would provide details of the £20k Planning income forecast and what this included.

She explained that the Budget setting process included trend analysis and assumptions of income to the end of the financial year.

61 **ENVIRONMENT EDUCATIONAL ENFORCEMENT POLICY (00.18.01)**

The Group had before it a *report of the Group Manager for Street Scene and Open Spaces detailing changes to the Environment Educational Enforcement Policy.

The Group discussed enforcement and neighbouring authorities who were using independent companies to carry out enforcement action in their areas. The Group discussed the pros and cons of using outside contractors and gave consideration to:

- Current officer capacity to deal with litter enforcement
- Costs for employing a contractor to carry out enforcement duties
- How complaints about fixed penalty notices issued by a contractor would be handled

- The Enforcement Policies were valid for 10 years so a decision with regard to the use of contractors would need to be settled prior to adopting them
- The capacity of the current legal team to deal with non-payment of fines issued by contractors
- The appetite for external companies to run operations in Mid Devon as the opportunity for profit was not guaranteed
- The possibility of joint arrangements with a neighbouring authority to employ a contractor for enforcement duties

The Group **AGREED** that officers explore a private company to undertake enforcement duties throughout the District and to investigate working with neighbouring authorities to provide a contracted out service. Members requested that a report be brought back to a future meeting of the Policy Development Group giving clear recommendations on the options available for contracted out enforcement duties and the costs associated with them.

(Proposed by the Chairman)

Fly Tipping Policy

The Group discussed the amended Fly Tipping Policy and considered the following points:

- Scenarios when prosecution would not be appropriate
- The maximum fines set by the Government
- Compliance with the code of prosecutors for prosecutions
- The need to publicise successful prosecutions
- The use of mobile CCTV
- The cost of purchasing mobile CCTV equipment

The Group Manager for Performance, Governance and Data Security explained that a Policy on the use of CCTV, which would include mobile CCTV units, was currently being investigated by officers and that this would be presented to the Community PDG by July.

The Group **RECOMMENDED** to the Cabinet that:

- i) The amended Fly Tipping Policy (Appendix A) be renewed
- ii) The fixed penalty notices be increased from £200 to £400 for fly tipping
- iii) The powers to use CCTV, subject to investigation into the powers allowed under regulations, to assist with fly tipping fixed penalty notices be authorised

(Proposed by the Chairman)

Littering from Vehicles Policy

The Group discussed the Littering from Vehicles policy and agreed that the delegation of powers to officers was not clear. Members requested that this be updated and the Constitution be amended if required.

The Group **RECOMMENDED** to the Cabinet that:

- iv) The Littering from Vehicles Regulations 2018 Policy (Appendix B) be adopted subject to confirmation of delegated powers to officers.

(Proposed by the Chairman)

Compulsory Recycling Policy

The Group discussed the Compulsory Recycling Policy and considered the following:

- The need to tell residents that they had to recycle and what they can recycle
- Residents living in flats
- Different district recycling schemes
- Education about food waste

The Group **RECOMMENDED** to the Cabinet that:

- a. The revised Compulsory Recycling Policy to follow government guidelines (Appendix C) be adopted subject to: the inclusion of information on what could currently be recycled

(Proposed by the Chairman)

Public Space Protection Order

The Group discussed the Public Space Protection Order and Members felt that the document presented required further work before the consultation process began. The Solicitor explained that the current dog fouling order was due to end in October 2020.

The Group **AGREED** that the Public Space Protection order should be deferred until the March meeting of the Environment Policy Development Group for officers to prepare and present a revised covering report and plan that could be recommended to Cabinet for public consultation.

(Proposed by Cllr R L Stanley and seconded by Cllr D R Coren)

Abandoned Vehicle Policy

The Group discussed the Abandoned Vehicle Policy and consideration was given to the following:

- Clarification of Authorisations
- What amounts to service
- Letter in ordinary post was sufficient for giving notice

The Group **RECOMMENDED** to the Cabinet that:

- v) The amended Abandoned Vehicle Policy be adopted (Appendix E)

(Proposed by the Chairman)

Stray Dog Policy

Members advised that they required changes to some of the wording of the Policy and that the process for dealing with dogs with microchips should be added as an appendix to the policy.

The Group **RECOMMENDED** to the Cabinet that:

- vi) The amended Stray Dog Policy be adopted subject to:
 - i. 3.6 Unclaimed strays – the wording be amended to: By destroying it humanely and by a qualified veterinary surgeon
 - ii. 4.0 Penalties and payments – Remove the administration and kennelling specific fees and replace with ‘current contractor fees’
 - iii. Inclusion of the process for dealing with dogs with microchips

And:

- vii) Authority for the Environment and Enforcement Manager to be the officer appointed under section 149 of the Environmental Protection Act 1990 be granted. (Appendix F)

(Proposed by the Chairman)

Note: *Report previously circulated and attached to the minutes.

62 **PERFORMANCE AND RISK (01.45.23)**

The Group had before it and **NOTED** a *report of the Group Manager for Performance, Governance and Data Security presenting Members with an update on performance against the corporate plan and local service targets for 2019-20 as well as providing an update on the key business risks.

Note: *Report previously circulated and attached to the minutes.

63 **IDENTIFICATION OF ITEMS FOR FUTURE MEETINGS (01.48.45)**

No additional items were identified.

(The meeting ended at 7.21 pm)

CHAIRMAN

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ENVIRONMENT PDG 30 JANUARY 2020

BUDGET 2020/21 - UPDATE

Cabinet Member Cllr Alex White
Responsible Officer Andrew Jarrett, Deputy Chief Executive (S151)

Reason for the report: To review the revised draft budget changes identified and discuss any further changes required in order for the Council to move towards a balanced budget for 2020/21. Also, to highlight the impact of the proposed changes on the Medium Term Financial Plan (MTFP).

RECOMMENDATION:

- 1) To consider the updated budget proposals for 2020/21 included in Appendix 1 and 2 and the Capital Programme included in Appendix 4.
- 2) To consider the proposal to make a payment in advance of the next 3 Years' Pension Deficit (see Section 4)
- 3) To note the revised Medium Term Financial Plan (MTFP).
- 4) To consider the proposed revision of the minimum General Reserves (General Fund) limit to £2m see Section 5 and Appendix 6.

Relationship to the Corporate Plan: To deliver our Corporate Plan's priorities within existing financial resources.

Financial Implications: The current budget for the General Fund shows a deficit of £234k. In addition we have predicted a funding deficit of £1.630m on our General Fund in 2021/22. This highlights the need to take steps to plan for further reductions to our ongoing expenditure levels.

Legal Implications: None directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

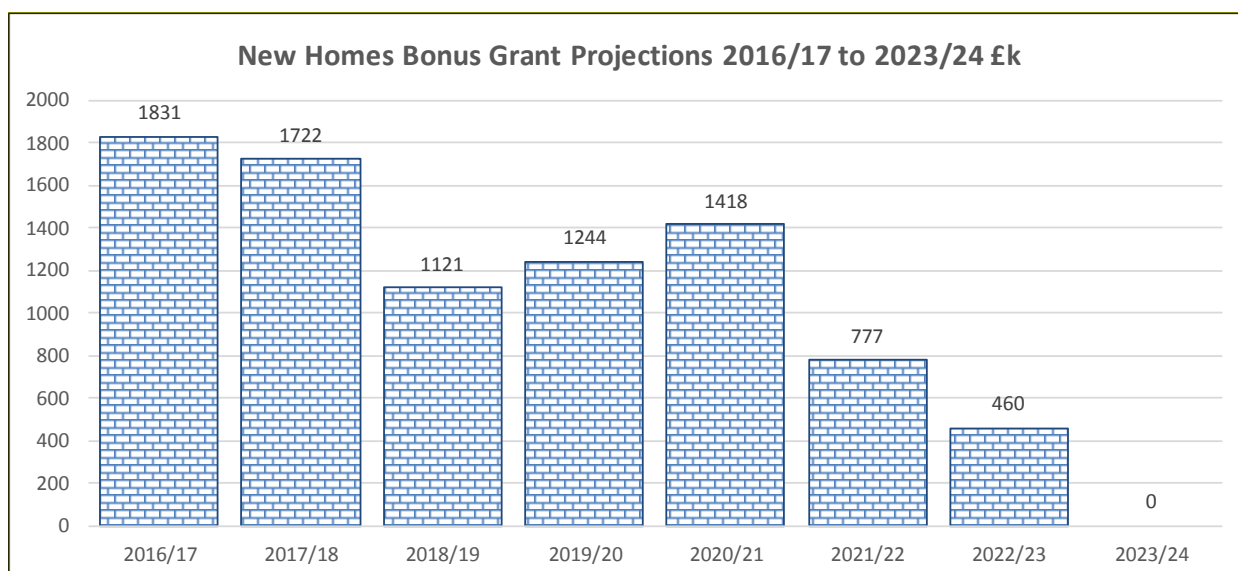
Risk Assessment: In order to comply with the requirement to set a balanced budget, management must ensure that the proposed savings are robust and achievable. We must also ensure that the assumptions we have used are realistic and prudent. Failure to set a robust deliverable budget puts the Council at risk of not being able to meet its commitments and casts doubt on its "going concern" and VFM status.

Equality Impact Assessment: There are no Equalities Impact implications relating to the content of this report.

Climate Change Assessment: The allocation of resources will impact upon the Council's ability to implement/fund new activities linked to climate change, as the MTFP sets the broad budgetary framework for the Council over the coming years.

1.0 Introduction

- 1.1 As this Report has been compiled, we have just received the Provisional Settlement from Central Government for 2020/21. The Provisional Settlement has confirmed the assumptions we have made in our budget setting. Members will recall that we are expecting only a one-year settlement as the Fair Funding Review and Business Rates Baseline reset has been delayed by a year. The Provisional Settlement has brought us an additional £88k in Business Rates in relation to previous years' assumptions. Due to the uncertainty of the baseline reset in 21/22 and the fact that we do not confirm our Business Rates levels until the end of January, we are proposing to put these funds in the Business Rates Smoothing Reserve which helps address the volatility of Business Rates and the impact of appeals.
- 1.2 Within our assumptions we have increased the Council Tax on a Band D property by £5. The Provisional Settlement has confirmed this will be within the referendum limits which have previously stood at 1.99% but in recent years have been higher with an additional choice of £5 for Shire districts. This would give us an extra £28k over the 1.99% limit
- 1.3 We have also based our New Homes Bonus (NHB) income on the current methodology. Although we are prudent in limiting the amount of NHB we use to support our revenue services, we need the future funding stream to support our capital projects.
- 1.4 The Provisional Settlement confirmed our fears that NHB will be eliminated over the next 3 years and there is no confirmation of a replacement. This is a significant risk to our Capital Programme funding. Below is a table showing how NHB has reduced over the last few years.



NB. 16/17 was the first and only year we received 6 years' payment. Followed by 5 years' in 17/18; 4 years' in 18/19, 19/20 and 20/21. We believe we will receive 2 years' in 21/22; 1 in 22/23 and then nil 23/24. From 17/18 councils have also suffered a 0.4% top-slice of growth.

2.0 2020/21 General Fund Budget – Revised Position

- 2.1 Since the first round Cabinet and PDG meetings the Finance team and Group Managers have been revisiting a range of budgets to deliver more savings or increase income levels. These options will have been discussed with the relevant portfolio holders.
- 2.2 The table below shows the position that was reported to Cabinet in October 2019 and highlights the movements since then to arrive at the current budget gap position. A more detailed view is shown in Appendix 2.

Table 1 – Reconciliation of Major 2020/21 Budget Variances

Movements	Amount £k
20/21 Budget Shortfall (Cabinet Report 17/10/19)	346
Further Cost Pressures identified	293
Additional Savings identified	-613
Change in Pensions Lump sum and rate	41
Additional Rural Services Delivery Grant	-92
Reduction (net) recharge to HRA	100
Minimum Revenue Provision (MRP) reduction	-10
Pensions Deficit – upfront payment	-32
Impairment of 3Rs loan	131
Business Rates Forecast adjustment	261
Use of Earmarked Reserves – for specific pressures	-248
Amendment to Car Parking increase	57
Draft budget gap for 2020/21	234

3.0 Consultation

- 3.1 Members will be aware that we undertook a Public Consultation alongside our budget setting process to capture the priorities of our communities. This has helped inform our deliberations and ensure that we understand what is most important to our council taxpayers and in particular, the services they want us to protect wherever possible.

4.0 Pension Fund

- 4.1 We have been notified by the Devon Pension Fund that the employers' contributions for 20/21 will need to increase from 14.7% to 16.6% this adds £177k to our costs but is partly offset by a reduction in our lump sum payment of £134k. This is reflected in the detailed Gap Tracker (Appendix 2).
- 4.2 We have also been given two options by the Pension Fund to reduce our future lump sum payments by paying in advance. Option 1 allows us to make an advance payment but this would be spread over the whole of the deficit period. Option 2 which is our preferred option allows us to pay 3 years' deficit lump sum payments in advance and to take a 4.5% reduction in the lump sum cost. With our return on investments generally providing less than 1%, this is an attractive proposal to reduce costs. In-keeping with accountancy practice, the benefit and cost would be spread across the 3 years although the cash will be paid in one tranche. This would reduce our budget gap by c£32k for each of the next 3 years.

4.3 Members are asked to approve Option 2 in the recommendations.

5.0 Minimum Level of Reserves

5.1 Budget Setting is a good time to consider the level of reserves required to fund known pressures (from earmarked reserves) and adhoc pressures which would need to be found from General Reserves.

5.2 We have undertaken a review of General Reserves. The methodology used and recommendation of a minimum level of £2m is shown in Appendix 6.

6.0 Medium Term Financial Plan (MTFP)

6.1 The table below shows the effect of the proposals in this budget report on the MTFP over the next four years.

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/2024 £
Net Service Costs	10,297,692	10,367,148	10,766,796	10,265,068	10,405,650
Net Interest Costs	-279,540	-158,104	-100,416	-7,082	-5,082
Provision for Repayment of Borrowing	292,620	767,540	842,140	841,420	1,100,830
Earmarked Reserves - New Homes Bonus	1,243,500	1,418,190	776,750	460,260	0
Earmarked Reserves - Other	-1,375,540	-615,013	24,787	80,887	465,067
General Reserves	0	0	0	0	0
Total Budget Requirement	10,178,732	11,779,761	12,310,057	11,640,553	11,966,465
Funded By:					
Retained Business Rates	-3,213,601	-3,142,727	-3,014,940	-3,061,859	-3,114,850
Business Rates prior year surplus/deficit	778,906	-95,230	0	0	0
Pooling Dividend	-100,000	-150,000	-150,000	-150,000	-150,000
Revenue Support Grant	0	0	0	0	0
Rural Services Delivery Grant	-466,695	-466,695	-466,695	-466,695	-466,695
BR Levy Surplus Grant	-33,408	0	0	0	0
New Homes Bonus	-1,243,500	-1,418,190	-776,750	-460,260	0
Council Tax-MDDC	-5,829,104	-6,064,831	-6,272,132	-6,482,973	-6,697,396
Council Tax prior year surplus/deficit	-71,330	-112,000	0	0	0
Total Funding	10,178,732	11,544,903	10,680,517	10,621,787	10,428,941
Gap – Increase/In-year	0	234,857	1,394,682	-610,774	518,758
Gap – Cumulative	0	234,857	1,629,540	1,018,766	1,537,524

7.0 SW Mutual Bank

7.1 Members will recall that we invested £50k alongside other District councils to facilitate the first stage of a proposal by SW Mutual to establish branches across the South West. Please see Appendix 5 for an update from the founders.

8.0 Conclusion

8.1 It is encouraging that the Council has managed to significantly close the budget gap of £346k discussed at earlier meetings, considering the factors that have been outside of our control such as inflation; the increase in Employers' pension contribution rates and business rates volatility.

8.2 Moving forward Members and officers need to look to the pressures over the next few years reflected in our recently updated MTFP and our need to address ongoing pressures which cannot be satisfactorily addressed by the one-off use of reserves.

8.3 In order to conclude the statutory budget setting process, this updated draft budget position will go through Cabinet, another round of PDG's, Scrutiny, and a final meeting of the Cabinet before being agreed at Full Council on the 26 February 2020. During this period officers will continue to identify and examine further savings possibilities that can reduce the current budget gap.

Contact for more information: Andrew Jarrett – Deputy Chief Executive (S151) / ajarrett@middevon.gov.uk / 01884 234242

Background Papers: Draft 2020/21 Budget Papers
Provisional Settlement Email

Circulation of the Report: Leadership Team, Cabinet Member for Finance,
and Group Managers

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GENERAL FUND REVENUE ACCOUNT DRAFT BUDGET SUMMARY 2020/21

	2019/2020 Annual Budget	Movement	2020/2021 Proposed Budget
Notes	£	£	£
Cabinet	4,864,030	80,231	4,944,261
Community	3,526,058	(153,413)	3,372,645
Economy	(466,080)	(76,922)	(543,002)
Environment	2,735,050	(27,660)	2,707,390
Homes	1,169,080	166,120	1,335,200
TOTAL NET DIRECT COST OF SERVICES	11,828,138	(11,644)	11,816,494
Net recharge to HRA	(1,571,110)	89,480	(1,481,630)
Provision for the financing of capital spending	333,280	466,541	799,821
NET COST OF SERVICES	10,590,308	544,377	11,134,685
PWLB Bank Loan Interest Payable			
Finance Lease Interest Payable	44,420	3,920	48,340
Interest from Funding provided for HRA	(49,000)	-	(49,000)
Interest Receivable / Payable on Other Activities	167,580	272,298	439,878
Interest Received on Investments	(442,540)	(154,782)	(597,322)
Transfers into Earmarked Reserves	2,267,363	329,687	2,597,050
Transfers from Earmarked Reserves	(2,146,050)	352,180	(1,793,870)
Proposed Contribution from New Homes Bonus Reserve	(253,350)	253,350	-
TOTAL BUDGETED EXPENDITURE	10,178,731	1,601,030	11,779,761
Funded by: -			
Revenue Support Grant	-	-	-
Rural Services Delivery Grant	(466,695)	(5)	(466,700)
New Homes Bonus	(1,243,503)	(174,687)	(1,418,190)
BR Levy Re-distribution	(33,408)	33,408	
Retained Business Rates	(3,213,597)	(24,360)	(3,237,957)
Business Rates Deficit	778,906	(874,136)	(95,230)
Business Rates Pooling Dividend	(100,000)	(50,000)	(150,000)
CTS Funding Parishes	-	-	-
Collection Fund Surplus	(71,330)	(40,670)	(112,000)
Council Tax (£29,040.60 x £208.84)	(5,829,104)	(235,723)	(6,064,827)
TOTAL FUNDING	(10,178,731)	(1,366,173)	(11,544,904)
REQUIREMENT TO BALANCE THE BUDGET	-	234,857	234,857

Current Assumptions: -

1. Council Tax has been increased by £5 from £203.84 to £208.84 with an increased property growth of 444.
2. 2020/21 Salary budgets include an increase of 2% for all scales.
3. All earmarked reserves have been reviewed and adjustment made based upon existing need.
4. All income flows have been reviewed and adjusted for changes in demand and unit price.
5. Investment income has been based upon the existing lending criteria now in force.
6. Support services have been calculated in accordance with the annual process.
7. New Homes Bonus receipts based on existing legislation changes.
8. BR Deficit - 18/19 Significant increase in appeals provision resulted in a 19/20 Deficit. 19/20s growth although not reflected in year, results in a surplus in 20/21.

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Appendix 2 – Budget Movements since Cabinet Meeting 17 October 2019

	£k
Budget Gap as reported to Cabinet 17 Oct 2019	346
Cost Pressures	
Interest income decrease	27
Replacement of Etarmis – Flexi recording system	25
Planning - FTE Housing Enabling role	22
Reduction in the drawdown of vehicle reserve	12
Rental income - rent reduction - Market Walk	13
Devon Rural Housing Partnership - Support Enabling role	8
Paving at Pannier Market	20
Revs and Bens - CT Software – new modules	28
Various alignments of budgets	34
Carlu Close - Business Rates	11
Membership of SWEEG - Climate change £5k per annum	5
Vehicle Contract reduction of EMR - pressure	16
General fund housing projects – Rough sleeping - to be funded from EMR	72
Sub-Total	293
Proposed Savings	
Public Health - Scores on Doors revisits	-2
Public Health - Private water supplies extra income	-2
Public Health - Chargeable enforcement for housing standards	-4
Street cleansing - Emptying bins on canal	-10
Grounds maintenance - Review of rates to 3rd parties - full cost recovery	-10
Rationalisation of DMS onto IDOX - Funding from EMR as saving not ready	-7
Bus station - increase 5p per visit - Property	-2
Play area inspections - increase cost to parishes reduce grass cutting	-4
Reduce flat time leisure	-11
Trade waste - increase customer base and charges - net	-60
Waste - mini-round reschedule - vacancy removal	-25
Round 2 - Interest costs decrease (reduction in number of lease vehicles)	-19
Increase in CT base following growth forecasts - from Revenues	-33
Econ Dev - Non-renewal of Exe Rail Grant	-3
Planning Performance agreements	-4
Econ Dev - Pre-App Advice - agreed at Cabinet 17 Oct 2019	-2
Waste Shared savings with Devon CC	-50
Grounds Maintenance restructure	-35
Leisure - 5% increase and growth -	-30
Collection calendars	-16
Bulky waste charges	-2
Increase GW charge	-10
Remove weed team	-53
Reduce flower beds	-13
Shared transport manager with ECC	-20
Cut remaining Public Convenience budget	-10
Rental income - Fore Street letting vacant properties	-16
New mgt arrangements	-51
Dual use recharge to DCC	-50

Restructure - Revs and Bens	-59
Sub-Total	-613
Change in Pension Lump Sum and contribution rates	
Pensions lump sum reduction	-134
Uplift in Ers contribution rate to 16.6%	175
Sub-Total	41
General	
Additional Rural Services Delivery Grant	-92
Reduction in HRA Recharge - TBC	100
MRP movement	-10
Pension Deficit Saving by paying upfront	-32
Impairment of 25% of 3Rs working capital	131
Reduction in Parking charges following Cabinet decision	57
Sub-Total	154
Business Rates - Fluctuations	
BR - Renewables surplus/deficit adjustment - follows appeals	90
Business Rates – latest forecast	249
Prov Settlement - BR Improvement	-89
Reduction in BRR due to change in multiplier	11
Sub-Total	261
Use of Earmarked Reserves	
Net transfer from BR Smoothing	-135
Other various transfer from EMRs – Appendix 3	-113
Sub-Total	-248
<i>Budget Gap as agreed at Cabinet 16 Jan 2020 = £234,857</i>	234

2020-21 BUDGETS

Transfers into Earmarked Reserves

SERVICE	EMR		MAINT 20/21 BUDGET	PLANT 20/21 BUDGET	EQUIPMENT 20/21 BUDGET	VEHICLES 20/21 BUDGET	OTHER 20/21	NEW HOMES BONUS	
CP540	EQ686	PAYING CAR PARKS (MACHINE REPLACEMENT SINKING FUND)			3,000.00				
IT800	EQ754	PHOENIX HOUSE PRINTING			2,200				
ES100	EQ766	CEMETERIES	25,000						
ES450	EQ767	PARKS & OPEN SPACES	25,000						
GM960	EQ760	GROUNDS MAINTENANCE - PLANT		14,360					
LD201	EQ720	ELECTION COSTS - DISTRICT					25,000		
LD300	EQ721	DEMOCRATIC REP & MANAGEMENT					5,000		
PR810	EQ728	STATUTORY DEVELOPMENT PLAN					100,000		
PS880	EQ765	BUS STATION	5,000						
PS990	EQ685	FORE STREET MAINT S.FUND	5,000						
PS992	EQ685	MARKET WALK MAINT S.FUND	20,000						
RS140	EQ837	LEISURE SINKING FUND			75,000				
WS725	EQ761	KERBSIDE RECYCLING		20,000					
WS725	EQ763	RECYCLING MAINT SINKING FUND (DEPOT FLOOR)	2,700						
WS710	EQ839	WASTE PRESSURE WASHER			2,500				
IT400	EQ755	ICT EQUIPMENT SINKING FUND			189,500				
IE435	EQ653	NEW HOMES BONUS GRANT						1,418,190	
PS980	EQ837	PROPERTY MAINTENANCE	100,000						
FM100	EQ756	FLEET CONTRACT FUND				559,600			
TOTAL			182,700	34,360	272,200	559,600	130,000	1,418,190	2,597,050
2019/20			182,700	34,360	272,200	409,600	125,000	1,243,500	2,267,360
Movement			-	-	-	150,000	5,000	174,690	329,690

Transfers from Earmarked Reserves

SERVICE	Reserve		UTILISE NHB	OTHER	
EQ638	EQ638	DEV CONT LINEAR PARK		(4,170)	
EQ640	EQ640	W52 POPHAM CLOSE COMM FUND		(1,950)	
EQ641	EQ641	W67 MOORHAYES COM DEV FUND		(1,630)	
EQ642	EQ642	W69 FAYRECROFT WILLAND EX WEST		(4,620)	
EQ643	EQ643	W70 DEVELOPERS CONTRIBUTION		(6,650)	
EQ644	EQ644	DEV CONT WINSWOOD CREDITION		(3,080)	
ES733	EQ652	PUBLIC HEALTH		(52,090)	
PR225	EQ824	GARDEN VILLAGE PROJECT		(55,360)	
PR400	EQ653	BUSINESS DEVELOPMENT - GRAND WESTERN CANAL	(45,000)		
PR400	EQ653	BUSINESS DEVELOPMENT - ECONOMIC DEVELOPMENT PROJECTS	(80,000)		
IT400	EQ653	ICT EQUIPMENT SINKING FUND	(189,500)		
PR810	EQ728	STATUTORY DEVELOPMENT PLAN		(61,890)	
IE440	EQ659	NNDR EMR		(150,500)	
FM100	EQ756	FLEET CONTRACT FUND		(521,770)	
RS100	EQ837	PROPERTY MAINTENANCE		(347,000)	
PS992/PS995	EQ838	GENERAL FUND SHOPS		(30,000)	
Various	EQ653	NHB TO FUND ADDITIONAL PROJECTS FLAGGED IN CAPITAL - DEEMED REVENUE IN NATURE	(110,000)		
FP100	EQ755	ICT EQUIPMENT SINKING FUND		(20,000)	
CS900	EQ753	CENTRAL COPY EQUIPMENT FUND		(7,000)	
HG320	EQ752	HOMELESSNESS EMR		(101,660)	
		RELEASING OF RESERVES TO FUND THE 20/21 GF BUDGET			
TOTAL			(424,500)	(1,369,370)	(1,793,870)
2019/20			(587,850)	(1,811,550)	(2,399,400)
Movement			163,350	442,180	605,530

	Estimated Capital Programme 2020/21 £k	Estimated Capital Programme 2021/22 £k	Estimated Capital Programme 2022/23 £k	Estimated Capital Programme 2023/24 £k	Total £k
<u>Estates Management</u>					
<u>Leisure - Site Specific</u>					
<u>Lords Meadow Leisure Centre</u>					
Dance Studio space challenge		220			220
Passenger lift upgrade		30			30
<u>Exe Valley Leisure Centre</u>					
Hanovia UV unit		35			35
Tennis court dome / multi purpose area			150		150
ATP replacement				250	250
Boilers and CHP		90			90
Mansafe roof harness point access				40	40
Fitness Studio equipment				214	214
<u>Culm Valley sports centre</u>					
Reception and managers office extension		90			90
Remodelling dance studio		150			150
External doors		50			50
ATP replacement			250		250
<u>Leisure - Other</u>					
Reception infrastructure review - all sites	120				120
All Leisure Etarmis - Security Wipe - (linked to security project).	30				30
Total Leisure	150	665	400	504	1,719
<u>Other MDDC Buildings</u>					
<u>Phoenix House</u>					
Cooling options AHU				150	150
Etarmis - Security Wipe - (linked to security project).	50				50
Mansafe roof harness point access				60	60
Automatic doors		80			80
Boiler replacement & controls	90				90
<u>General Car parks</u>					
MSCP Capital Project - Phase 2	589				589
<u>MDDC Depot sites</u>					
Carlu Close - Water containment for Waste Transfer Station	80				80
Carlu Close - Fuel tank			75		75
Industrial Estate- Kings Mill		100	100		200
Hard surfacing - Kings Mill		50			50
Land acquisition for operational needs	400				400
Depot Design and Build		250	3,500		3,750
<u>MDDC Shops/industrial Units</u>					
Market Walk - Flat roof replacement	30	30			60
Market walk - Phase 2 of landscaping improvements			55		55
<u>Play Areas</u>					
Open Space infrastructure		50	50		100
<u>Public Conveniences</u>					
West Exe South - Remodelling - additional parking spaces	90				90
<u>Other Projects</u>					
Fire dampeners - Corporate sites	80				80
MDDC CCTV Review & replacement		50			50
Total Other	1,409	610	3,780	210	6,009
<u>HIF Schemes</u>					
Cullompton Town Centre Relief Road (HIF) bid	3,705	4,141	6,504		14,350
Tiverton EUE A361 Junction Phase 2 (HIF) (bid)	250	4,700	3,200		8,150
Total HIF Schemes	3,955	8,841	9,704	-	22,500
<u>ICT Projects</u>					
Final phase of Desktop estate replacement/refresh	50				50
Hardware replacement of Network Core Switch which provides all voice and data connectivity for PH and remote sites.			80		80
Workstation refresh				50	50
Secure WIFI Replacement				25	25
MPLS Remote site contract ends July 2021 - Install costs		20			20

Other ICT Service related projects

Replacement Access Database - Property Services		100			100
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Total ICT	50	120	80	75	325
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Private Sector Housing Grants

Disabled Facilities Grants-P/Sector	572	577	581	586	2,316
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Wessex Reinvestment Trust Grants Scheme	75				75
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Total PSH Grants	647	577	581	586	2,391
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TOTAL GF PROJECTS	6,211	10,813	14,545	1,375	32,944
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Other General Fund Development Projects

Other projected 3 Rivers Borrowing	10,889	19,709	21,335	25,500	77,433
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3 Rivers Scheme - Riverside Development (rear of Town Hall) Tiverton	2,746	177			2,923
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3 Rivers scheme - Knowle Lane, Cullompton	7,192	3,598			10,790
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Waddeton Park, Post Hill, Tiverton	3,605	4,895	3,605	220	12,325
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TOTAL GF OTHER DEVELOPMENT PROJECTS	24,432	28,379	24,940	25,720	103,471
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GRAND TOTAL GF PROJECTS	30,643	39,192	39,485	27,095	136,415
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HRA Projects

Existing Housing Stock

Major repairs to Housing Stock	2,260	2,260	2,260	2,260	9,040
Renewable Energy Fund	150	250	250	250	900
Home Adaptations - Disabled Facilities	300	300	300	300	1,200

* Housing Development Schemes

HRA regeneration scheme 1	2,000				2,000
HRA regeneration scheme 2		1,500			1,500
HRA regeneration scheme 3			3,000		3,000
Garages Block - Redevelopment		800			800
Affordable Housing/ Purchase of ex RTB	500	500	500	500	2,000
* Proposed Council House Building / Other schemes subject to full appraisal					
Depot rationalisation		850			850

Total HRA Projects	5,210	6,460	6,310	3,310	21,290
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HRA ICT Projects

Mobile working Hardware		25			25
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Total HRA ICT Projects	-	25	-	-	25
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GRAND TOTAL HRA PROJECTS	5,210	6,485	6,310	3,310	21,315
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GRAND TOTAL GF + HRA Projects	35,853	45,677	45,795	30,405	157,730
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MDDC Funding Summary

General Fund

	2020/21	2021/22	2022/23	2023/24	Total
	£k	£k	£k	£k	£k
EXISTING FUNDS					
Capital Grants Unapplied Reserve	792	577	706	711	2,786
Capital Receipts Reserve	70	70	70	69	279
NHB Funding	1,047	1,013	442	477	2,979
Other Earmarked Reserves	92	62	123	118	395
HIF Funding	430	8,358	8,857	-	17,645
Subtotal	2,431	10,080	10,198	1,375	24,084

NEW FUNDS					
PWLB Borrowing	28,212	29,112	29,287	25,720	112,331
Subtotal	28,212	29,112	29,287	25,720	112,331

Total General Fund Funding	30,643	39,192	39,485	27,095	136,415
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Housing Revenue Account

	2020/21	2021/22	2022/23	2023/24	Total
	£k	£k	£k	£k	£k
EXISTING FUNDS					
Capital Receipts Reserve	1,861	1,711	2,161	707	6,440
NHB Funding	21	21	21	21	84
HRA Housing Maintenance Fund	846	2,146	1,546	-	4,538
Other Housing Earmarked Reserves	2,482	2,582	2,582	2,582	10,228
Subtotal	5,210	6,460	6,310	3,310	21,290

NEW FUNDS					
Revenue Contributions		25			25
Subtotal	-	25	-	-	25

Total Housing Revenue Account Funding	5,210	6,485	6,310	3,310	21,315
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TOTAL FUNDING	35,853	45,677	45,795	30,405	157,730
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Appendix 6

Minimum Level of Reserves Review

Background Information

It is particularly pertinent when there are significant challenges to councils' budgets and when Central Government funding is falling at an exceptional rate, to consider how this risk is being mitigated and how exposed the Council is to adhoc events, risks and pressures.

With this in mind, the Deputy Chief Executive (S151) requested a review of reserves and for the minimum acceptable level of General Reserves to be challenged to establish whether it is appropriate and to benchmark against other councils to see how we compare and whether we are over-exposed to risk.

Approach and Methodology

Reserves are reviewed by this Council on an annual basis to give assurance that they are appropriate and adequate. Due to the constraints on the Council's budget it is not possible to mitigate every eventuality and it would be imprudent to set aside funds simply as a percentage of net expenditure "just in case" without any further scrutiny. With the current challenges associated with setting a balanced budget, earmarking reserves is an important exercise and each year a review is done to challenge the levels and intended use of these reserves. In some cases, earmarked reserves are deemed to be no longer required/too high and are returned to general reserves.

In order to arrive at an appropriate level for General Reserves (GF), various publications were reviewed and the Council was benchmarked against its nearest neighbours in terms of size, demography, Business Rates (NDR) value per head etc.*.

- LAAP Bulletin 99 Local Authority Reserves and Balances
- CIPFA Stats Nearest Neighbours Model*
- Audit Commission "Striking a Balance" Questionnaire
- CIPFA Delivering Good Governance in Local Government
- Financial Diagnostic Report - LGA

Mitigating Risk – General Reserves

The CIPFA LAAP Bulletin says "When reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:

- A working balance to help cushion the impact of uneven cashflows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves.

- A means of building up funds to meet known or predicted requirements – via earmarked reserves (legally part of the General Fund).

As part of the review of the adequacy of the general reserves balance, it is prudent to consider the particular risks that the Council faces and how these are mitigated by earmarked reserves and other mechanisms.

There are a number of general risks which are relevant to all or most councils and for the most part are mitigated by a robust approach to budget setting within the MTFP. These include inflation and interest rates; the timing of capital receipts; demand led pressures; the delivery of efficiency savings; the availability of Government grants and general funding; and the general financial climate. These risks are considered at every stage of the budget setting process and the experience of the S151 Officer and senior finance officers will be fundamental in identifying and addressing the pressures relating to these risks.

An indicator of the risks particular to the Council is the Risk Register. This captures those risks which need to be managed and monitored as they can potentially have a very detrimental effect on the financial or reputational standing of the Council. We have therefore used the Council's risk register as the starting point for the risk matrix.

Quantifying the Financial Risk

The risk-based assessment gave a range of appropriate "minimum" general reserves levels as £1.7m to £2.2m. With consideration to the Council's challenges in setting a balanced budget it is considered that the level currently held in General Reserves is adequate and it would not be necessary to increase this amount in line with an arbitrary percentage.

Striking a Balance Questionnaire

The Audit Commission's (though now defunct) questionnaire is a good aide memoire to highlight the areas a Council should consider when assessing the minimum level of reserves. It also draws on benchmarking to establish how other councils mitigate their risks. This questionnaire and the CIPFA stats Nearest Neighbour Model were used to benchmark against 12 other councils which have similar attributes. The average minimum level of general reserves for the 13 councils for which budget levels were available, was 8.73% as opposed to the 18.74% that Mid Devon Council currently holds. It was also significant that Mid Devon's level of Earmarked Reserves stand at 124.57% of Net Expenditure which is the highest of the 13 councils included. This should give assurance over our ability to mitigate risks without having to over-inflate our General Reserves level,

Conclusion and Next Steps

The risk assessment and Audit Commission questionnaire are useful tools in establishing Mid Devon's minimum level of general reserves. This must be caveated with the assertion that if the Council relies on reserves to address a budget gap it will be immediately exposed to a heightened risk if it does not remain above the minimum level.

With reference to the analysis that has been undertaken and with attention to the risks that the Council faces and its limited ability to mitigate risk, a recommendation is made to adjust the minimum level of reserves to £2m.

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