

Mr S Hearse
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Date: 1 February 2021

MEETING OF INTERNAL OVERVIEW & SCRUTINY COMMITTEE

On:	Tuesday 9 February 2021	At:	10.00 am
Venue:	Virtual Meeting via Zoom with Public Access via YouTube https://tinyurl.com/TorrigeYouTube		

NOTICE OF MEETING

Temporary measures during the Coronavirus Pandemic:

Members of the public attending meetings or taking part in the public forum are advised that all Internal Overview & Scrutiny meetings taking place during the Covid-19 Pandemic will be filmed for live or subsequent broadcast via the YouTube channel - <https://tinyurl.com/TorrigeYouTube>

To:	Councillor P Watson (Chair) Councillor P Hames (Vice-Chair) Councillors: R Boughton, C Cottle-Hunkin, J Gubb, S Langford, J Manley, T Inch and S Newton Non elected Members: Mr S Dengate and Mr I Harper
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Members are requested to turn off their mobile phones for the duration of the meeting

AGENDA

PART I - (OPEN SESSION)

1.	Apologies For Absence
2.	Minutes (Pages 3 - 8) Confirmation of the minutes of the meeting held on 15 December 2020.
3.	Action List (Pages 9 - 11)
4.	Public Contributions

5.	<p>Declaration Of Interests</p> <p>Members with interests should refer to the agenda item and describe the nature of their interest when the item is considered.</p>
6.	<p>Urgent Matters Brought Forward With The Permission Of The Chair</p>
7.	<p>Agreement of Agenda Items Part I And II</p>
8.	<p>Medium Term Financial Strategy 2020/21 - 2024/25 (Pages 12 - 53)</p> <p>To receive the report of the Finance Manager (S151 Officer).</p>
9.	<p>Consideration Of The Forward Plan (Page 54)</p> <p>To review the Forward Plan.</p>
10.	<p>Exclusion Of The Public</p> <p>The Chairman to move:-</p> <p>That the public be excluded from the remainder of the meeting because of the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act 1972.</p>
	<p>Meeting Organiser: Mary Richards, tel 01237 428705</p>
	<p>Centre for Public Scrutiny – website http://www.cfps.org.uk/</p>

MR S DENGATE	X			X		
CLLR GUBB, J	X			X		
CLLR HAMES, P	X			X		
MR I HARPER	X			X		
COUNCILLOR HURLEY			X			X
CLLR INCH, A	X					X
CLLR LANGFORD, S	X			X		
CLLR MANLEY, J	X			X		
CLLR NEWTON, S						
CLLR WATSON, P	X			X		

Vote: Minutes 29 September 9 For, 1 Abstention
Minutes 10 November 8 For, 2 Abstentions

48. ACTION LIST

The action list was reviewed and updated.

49. PUBLIC CONTRIBUTIONS

There were no public contributions.

50. DECLARATION OF INTERESTS

Members were reminded that declarations of interest should be made as and when the specific agenda item to which they related was under discussion.

51. URGENT MATTERS BROUGHT FORWARD WITH THE PERMISSION OF THE CHAIR

The Chair advised that Item 9, Capital Programme, was to be deferred until the February meeting when more information would be available.

The Chief Executive explained that the Internal Overview & Scrutiny Committee was to have scrutinised this following the review by Community & Resources. At their meeting on 7 December, Community & Resources had requested more detailed information around some of the projects and funding. The capital programme will be brought back to the next Community & Resources meeting and the Internal Overview & Scrutiny Committee will then scrutinise this, alongside the rest of the budget, in February.

52. AGREEMENT OF AGENDA ITEMS PART I AND II

There were no Part II items.

53. COVID-19 - HOME WORKING AND ZOOM MEETINGS

The HR & Comms Manager gave a brief summary of the impact of Covid in relation to home working, Zoom meetings, work/life balance and potential savings.

- Most staff, with the exception of the Waste & Recycling teams, had been working from home for some of the time. Attendance in the office, if required, was on a rota basis.
- Overall financial savings against budget were 88%, the largest component being councillor mileage payments
- Additional costs of approximately £4,000 had been incurred for Zoom licences – there are 83 registered users with TDC e-mail addresses and 23 hosts.
- All staff and councillors have access to Microsoft Teams.
- 809 virtual meetings had taken place via Zoom between March and October 2020 with almost 5,000 participants – accuracy of the figures to be checked
- Prior to Christmas 2 – 3% of staff worked from home. Since 23 March this figure had increased to 80%.
- Additional laptops, monitors, and mobile phones had been provided to facilitate home working.

A staff survey had recently been carried out with a specific focus on home working. The primary concerns were around feelings of social isolation, difficulties communicating with colleagues and dedicated working spaces.

Further analysis of the survey will be undertaken and the details shared.

During the ensuing discussions, the following observations/requests were made:

- It was requested that a similar survey to the staff survey be rolled out to councillors.
- When looking at how future meetings will be held once Covid has passed, consideration should be given to the impact of reduced travel on the carbon footprint. Figures relating to the carbon cost, both of reduced travel and holding Zoom meetings were requested.
- Mental health was a concern, and guidance had been issued to managers about keeping in touch with staff. Occupational health support was also available.
- Exclusion due to poor broadband – Overall connectivity and internet speeds had been better than anticipated
- Legislation surrounding remote meetings extends until May. The LGA is lobbying the government for an extension or changes to the legislation. There are also some discussions on hybrid meetings.
- Recruitment – There had been a number of new starters. Interviews had been both virtual and face to face.
- The HR & Comms Manager will come back with more detailed information about the level of savings in relation to reduced travel.

54. CAPITAL PROGRAMME

Item deferred to February meeting.

55. TREASURY INVESTMENT OPTIONS

The Finance Manager (S151 Officer) presented the report which summarised actions taken in relation to investing in “Green” Treasury Deposits and the outcomes of the Income generation Task & Finish Group’s discussions.

Having considered the options for ethical investment within the framework of TDC’s Treasury Management Policy and the 3 criteria for investment (security, liquidity and yield), the Income Generation Task & Finish Group had reached the conclusion they would like the council to undertake short-term treasury deposits, where possible, in an ethical and green manner. The following criteria had been set:

- Green Treasury Deposits are made with UK Banks (or Building Societies) that are F1 rated (Fitch)
- The interest rate is within 0.20% of standard treasury deposits.

Any changes to the Treasury Management Policy would have to be approved by Full Council, so all members would have an opportunity to voice their opinion.

It was noted that there was currently no difference between the interest rate for standard treasury deposits and “green” deposits.

Clarification was provided that, should there be a future divergence between the rates for standard and “green” treasury deposits, TDC would seek the better return.

The Chief Executive suggested that investment is reported through the quarterly business report and an item should be included which identifies the notional cost of investing in these types of funds as opposed to the rate which could have been achieved from other types of funds. If members no longer wished to invest in this way, the Treasury Management Policy could then be updated at a later stage.

It was proposed by Councillor Hames, seconded by Councillor Watson and –

Resolved:

That a recommendation be made to Full Council that the Treasury Management Policy be updated to prioritise “Green” Treasury Deposits where they meet the following criteria:

- That monies are deposited with UK Banks (or Building Societies) that have a Fitch F1 rating and
- That the interest rate is within 0.20% of standard treasury deposits.

A recorded vote was taken.

COMMITTEE MEMBER	FOR	AGAINST	ABSTAIN
CLLR BOUGHTON, R			
CLLR COTTLE-HUNKIN, C	X		
MR S DENGATE	X		
CLLR GUBB, J	X		
CLLR HAMES, P	X		
MR I HARPER	X		
CLLR D HURLEY	X		
CLLR INCH, A	X		
CLLR LANGFORD, S	X		
CLLR MANLEY, J	X		
CLLR NEWTON, S			
CLLR WATSON, P	X		

(Vote: For – unanimous)

56. REVIEW OF QBR

The Strategy, Performance & ICT Manager explained that members had approved the Strategic Plan and he now sought to align the actions and measures of the QBR with the Strategic Plan. A Zoom meeting in early January was being proposed. The QBR Review Group will consider, over a few meetings, what they would like to see in the QBR.

The group will comprise, Cllrs Watson, Hames, Newton, Langford and Mr Dengate.

57. CONSIDERATION OF THE FORWARD PLAN

The Forward Plan was reviewed.

The Capital Programme to be added to the February meeting.

It was hoped that the carbon plan will be ready before the May meeting and an extraordinary may be convened.

Future review – Conservation areas, listed buildings and the resource available for enforcing. To include a review of the listings.

Grounds maintenance and update on homeworking and Zoom to be included within one of the next 2 meetings.

It was noted that county elections take place on 2 May, 2 days before the May meeting.

An explanation was requested on the criteria, scoring and weighting of Capital PIDs. The Chief Executive advised that an informal Capital PID event was to be set up to look at the detail, prior to the review of the Capital PID programme by Community & Resources and Internal Overview & Scrutiny. The proposed date is 13 or 14 January and it is hoped the format will be interactive.

The Chief Executive explained the PID process and criteria. Currently, PIDs are being added to the programme whether or not they meet the criteria.

The meeting commenced at 2.00 pm and closed at 3.00 pm

Chair:

Date:

OVERVIEW & SCRUTINY (INTERNAL) COMMITTEE – 15 December 2020
Action List

Minute No. / Date	Action	Person responsible for Action and date contacted	Most recent Update	Action Status
Minute 69	<p>That a response be made to the relevant offices of Central Government raising concerns about the local authority settlements over the years and the uncertainty that it is creating.</p> <p>It was agreed a response will be made when Central Government papers are released for consultation.</p> <p>09/07/20189 – It is unlikely this will be before summer 2020</p> <p>05/11/2019 - Due to the forthcoming General Election, the Fair Funding Review papers are not likely to be released for consultation until the new year, possibly in the spring.</p> <p>11/02/2020 - Consultation papers expected to be issued in Spring.</p>	Chief Executive	18/08/2020 – The comprehensive spending review is expected towards the end of the year. However, should there be a 2nd wave of Covid-19, it might be delayed to the start of next year. Further information will be provided as it comes forward	Ongoing

Minute 53 15 Dec 2020	<u>Covid-19 - Home working and Zoom meetings</u> Figures relating to the number of Zoom meetings and participants to be checked	Senior Electoral and Democratic Services Officer	e-mail sent to Cttee members by Tom Vanstone – 17/12/20	Completed
Minute 53 15 Dec 2020	<u>Covid-19 - Home working and Zoom meetings</u> Member survey be rolled out to councillors.	HR & Comms Manager	e-mail sent by HR 13/01/2021	Completed
Minute 53 15 Dec 2020	<u>Covid-19 - Home working and Zoom meetings</u> Figures relating to the carbon cost, both of reduced travel and holding Zoom meetings to be provided.	HR & Comms Manager	e-mail sent 16/12/2020.	
Minute 53 15 Dec 2020	<u>Covid-19 - Home working and Zoom meetings</u> To provide more information about the level of savings in relation to reduced travel.	HR & Comms Manager	e-mail sent 16/12/2020.	

Minute 55 15 Dec 2020	<u>Treasury Investment Options</u> Investment reported through the QBR to include an item which identifies the notional cost of investing in green deposits as opposed to the rate which could have been achieved from other types of funds	Finance Manager (S151 Officer)	Response from Finance Manager (S151 officer) on 16/12/2020. There won't be any action until the policy is formally adopted by Full Council and we start to make green deposits, I would not expect this before the end of the current financial year.	Ongoing
Minute 56 15 Dec 2020	<u>Review of QBR</u> To set up Task & Finish Group meeting.	Strategy, Performance & ICT Manager	e-mail sent 16/12/2021 23/12/2020 – Meeting set	Completed

Agenda Item 8

Agenda Item

REPORT OF Section 151 Officer

To: Internal Overview & Scrutiny

Subject: Budget 2021/22, Medium Term Financial Strategy 2021/22 – 2025/26

Date: 9th February 2021

Reference:

PURPOSE OF REPORT: For Members to consider, formulate and recommend the Budget 2021/22 to Full Council.

The Medium Term Financial Strategy (MTFS) indicates the possible extent of the budget and funding shortfall that the Council will face in the future. It is an aid in identifying the extent of service changes that the Council will need to make to achieve a balanced budget in each financial year up to 2025/26

1. Introduction

- 1.1. The Medium Term Financial Strategy (MTFS) provides an annual update of the Council's financial situation for the current and forthcoming five years. It illustrates through the application of forecasts and assumptions where and how spending pressures could materialise; how different funding sources may change and the savings plans required to manage any identified revenue budget gap.
- 1.2. The MTFS provides the basis for the members to consider the 2021/22 budget and also whether an increase in Council Tax should be recommended to Full Council for 2021/22.
- 1.3. Whilst considering the 2021/22 Budget and the MTFS it is prudent to review and assess the levels and types of financial reserves the Council holds. This review is conducted in light of the levels of risk the Council faces and the potential financial impact if a major risk comes to fruition.
- 1.4. *The Council's capital investment plans and funding are discussed later in this report.*

2. Impact of Covid-19

- 2.1 Local Authorities across the country have been significantly impacted by the Covid-19 pandemic. Central Government restrictions on businesses and its citizens have increased the workload of all Councils, with local authorities having to administer the payment of:
 - Business Support Grants
 - Self-Isolation payments
 - Hardship grants

The finances of all local authorities have been hit by a downturn in their income from fees and charges and increased costs associated with the pandemic. Central Government in recognition of the impact Covid-19 has had on Council's Finances, has provided various tranches of grant support pertaining to the additional expenditure incurred by Councils. In addition Central Government has introduced a scheme to compensate Councils up to 75% of their lost income from Fees and Charges, provided the Fees and Charges have not been lost as a result of the waiving charges to assist business or individuals

For the financial year 2020/21 despite the challenges faced by the pandemic Torridge is anticipated to have surplus on its revenue account. At the time of this report this is anticipated to be circa £642k which will be set aside to fund the gap on its capital programme.

2.2 The financial impact of Covid-19 will be felt beyond the current financial year and this subject is discussed later in the report. In the Local Government settlement published on the 17th December 2020, Central Government outlined further Covid-19 measures in support of local government, namely:

- Tranche 5 of Covid-19 support grant funding £1.5bn – (£404k Torrridge)
- Extension of the lost Fees and Charges compensation scheme to cover April – June 2021
- Local Council Tax Support Grant - £670m nationally (£72k Torrridge)

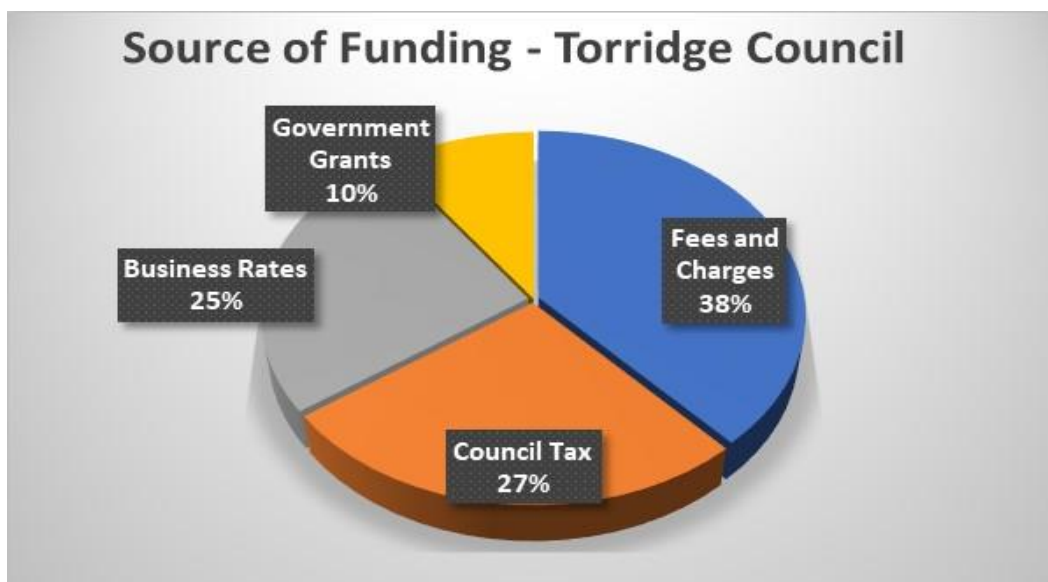
However the financial consequences arising from Covid-19 will potentially be felt for several years to come, and at the time of writing this report the Council is unclear as to the exact financial consequences.

- Reduced income from short term treasury deposits arising from Bank of England base rate cuts
- Increased costs of providing leisure services
- Increased claims for local council tax support arising from recession
- Increased empty business rate reliefs
- Uncertainty regarding Fees and Charges income

3. Recap – Sources of Funding for Torrridge Council

3.1. Whilst 2020/21 has been a unique year as a result of the Covid-19 pandemic and its impact will certainly be felt throughout 2021/22, it is important to note that the fundamentals of Torrridge’s income remain the same.

Detailed in the chart below, are the budgeted sources of funding for Torrridge Council in 2020/21. (** Actual Central Government funding has been significantly higher in 2020/21 because of the pandemic).

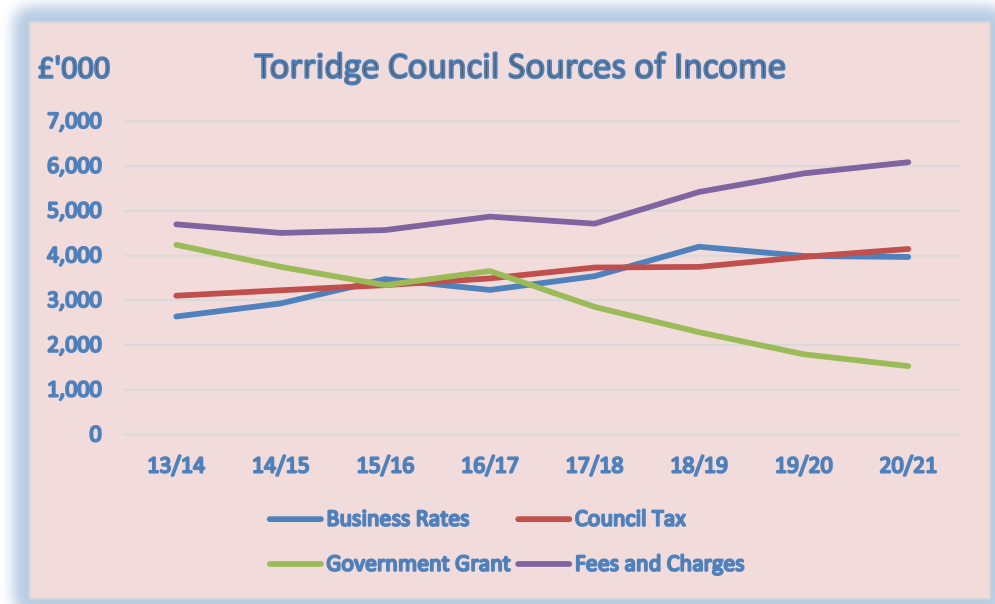


The monetary values of the sources of funding above are:

Fees and Charges	£6.1m
Council Tax	£4.1m
Business Rates	£3.9m
Central Government Grant	£1.5m
Gross Income	£15.6m ****

*** excludes Housing benefit subsidy circa £12m where the Council acts as an agent for the Department of Work and Pensions.

3.2. Torridge Council along with other District Council are increasingly reliant upon monies it generates from fees and charges, council tax and business rates, the movement away from Central Government grant funding is illustrated below.



4. Delayed reform of Local Government Financing

4.1 Significant changes to local government financing were due to be implemented effective from the financial year 2021-22. However as a result of the Covid-19 pandemic these plans have been put on hold. The timetable for reform of local government financing is not known at this juncture. The delayed changes are summarised below:

- **Comprehensive Spending Review** – This will determine the total value of Central Government spending and the share allocated to the local authority sector.
- **Fair Funding Review** – This will determine the share of the local authority ‘pot’ assigned to individual local authorities such as Torridge District Council
- **Business Rates Retention** – The current system of business rate retention will change, currently Torridge retains 40% of the business rates collected within its area.
- **Business Rates Revaluation** – Periodically the Valuation Office undertakes a review of Business Rates. The aim of the exercise is not to raise more revenue from Business rates (at a national level it is cost neutral) but to reflect changes in market rents between different categories of properties.
- **Replacement of New Homes Bonus** – Since 2011/12 local authorities have been rewarded for increases in the number of properties liable for Council Tax and reductions in long term empty properties. Central Government has signalled that the current system of New Homes Bonus Funding will be replaced.

5. 2020-21 Provisional Local Government Financial Settlement

5.1 The provisional settlement was published on the 17th December 2020; the key points to note are:

• Core Spending Power

- Central Government have indicated that the Core Spending power for Councils in 2021-22 will be 4.5% higher compared with 2020-21. However for Torridge District Council with the reduction in New Homes Bonus funding ***there has been no increase to its core spending power***. It should be noted that 86% of the increase in Core Spending power relates solely to allowable increases in Council Tax ***not extra money*** from Central Government.

Core spending power consists of

- Revenue Support Grant
- Retained Business Rates and Section 31 grants (compensation for increases to Business Rates reliefs etc)
- New Homes Bonus Income
- Lower Services Grant
- Rural Services Delivery Grant
- Additional Social Care Grants (not applicable to Torridge)
- Income from Council tax - assuming that the tax base grows and that councils **increase council tax up to their Referendum Limit**.

• Council Tax Referendum Limits

- The Council Tax referendum limits for Shire Districts such as Torridge will be a £5 increase for a Band D equivalent property or 2% which ever is the greater. A £5 increase to a Band D property within Torridge equates to 2.96%.
- Upper tier authorities such as Devon County Council and Devon & Somerset Fire Authority can increase their Council Tax by 2%. The County Council can also raise their Council Tax by a further 3% by way of an Adult Social Care Precept
- Police and Crime Commissioners Council Tax Referendum limit is £15 per Band D equivalent, for Devon & Cornwall Police Commissioner this equates to 6.8%.
- There are no referendum limits for Town and Parish Councils

• Rural Services Delivery Grant (RSDG)

- In recognition that Councils in sparsely populated areas incur additional costs, such as refuse collection, Central Government provides a Rural Services Delivery Grant to rural authorities such as Torridge.
- The RSDG for 2021/22 has been confirmed nationally at £85m an increase of £4m. For Torridge this means its RSDG for 2021/22 will be £497,300 an increase from £473,799 in 2020/21.

• Revenue Support Grant (RSG)

- Central Government has provided an inflationary uplift of 0.55% to Torridge Council's Revenue Support Grant, the funding for 2021-22 being £132k.

• New Homes Bonus (NHB)

- Nationally New Homes Bonus (NHB) funding has reduced from £907m in 2020/21 to £622k, as legacy payments from prior years have ceased. For Torridge this has seen a dramatic reduction in its NHB funding reducing to £381k in 2021/22 compared with £924k in 2020/21; **a reduction of £543k**.

- The Council has traditionally earmarked 50% of NHB funding to its capital program; the reduction in NHB funding is one of the significant contributory factors to the deficit on the capital program discussed later in the report.
- **Social Care Grant Funding**
 - Central Government has confirmed there will be a new Social Care Grant of £1.7bn for adult and children services; an increase of £300m from 2020/21. As a Shire District Torridge Council does not have responsibility for adult social care.
- **Lower Tier Services Grant**
 - Central Government has announced a new un-ringfenced grant funding for 2021/22 of £111m, Torridge's allocation is £295k, it is not known at this juncture if this is recurrent grant funding; or simply an allocation to mitigate the loss of NHB funding whilst a replacement scheme for NHB is worked up
- **Better Care Funding (BCF)**
 - The 2020-21 Better Care Fund remains unchanged at £2.077 billion Torridge's BCF in 2020/21 is not finalised but will be in the region of circa £1m. Specific allocations are normally received after the start of the financial year. These monies are ring fenced for Disabled Facility Grants
- **Homelessness funding**
 - The government announced an increase to Torridge's homelessness grant funding of £43k, bringing the total grant funding received up to £246k
- **Local Tax Income Guarantee (Business Rates and Council Tax)**
 - In recognition that the local tax revenue of local authorities have been hit by the Covid-19 pandemic, Government has announced that Councils will be compensated up to 75% of their loss tax income.

£268k is projected to be received in respect of lost business rate income (however this grant funding will not be physically paid until Jan 2022, but will be accrued against the 2020/21 financial year).
- **Covid-19 funding**
 - The Government has announced Covid-19 funding reflecting the expected impact into the financial year 2021/22 of £1.55bn, of which Torridge Council's share is £404k.
 - Nationally Government has allocated £670m in Local Council Tax support Grant funding, the allocation of funding to local authorities being based upon increases in their Local Council Tax support claims. Torridge has seen very modest rises up to this point in its number of claims for local council support throughout the pandemic and consequently its funding is only £72k. However it is unclear as to whether claims will increase as the pandemic continues.
 - The compensation scheme for lost fees and charges has been extended to June 2021.

6. Council Tax

- 6.1 Central Government assessment of Core Spending Power (the resources available to local authorities) is built on the expectation that Council Tax will increase year on year in line with the approved referendum limits; currently 2% or £5 per Band D Equivalent, whichever is the greater.
- 6.2 In 2020-21 the average Band D equivalent Council Tax within Torridge is £1,984.24 of which the amount levied by Torridge Council was £168.66, with an estimated collectable tax base of 24,333 Band D Equivalent properties. This equates to a Council Tax income for Torridge of £4.1m for the financial year 2020/21.

6.3 On the 14th December 2020 Full Council approved the tax base for 2021-22 at 24,035.

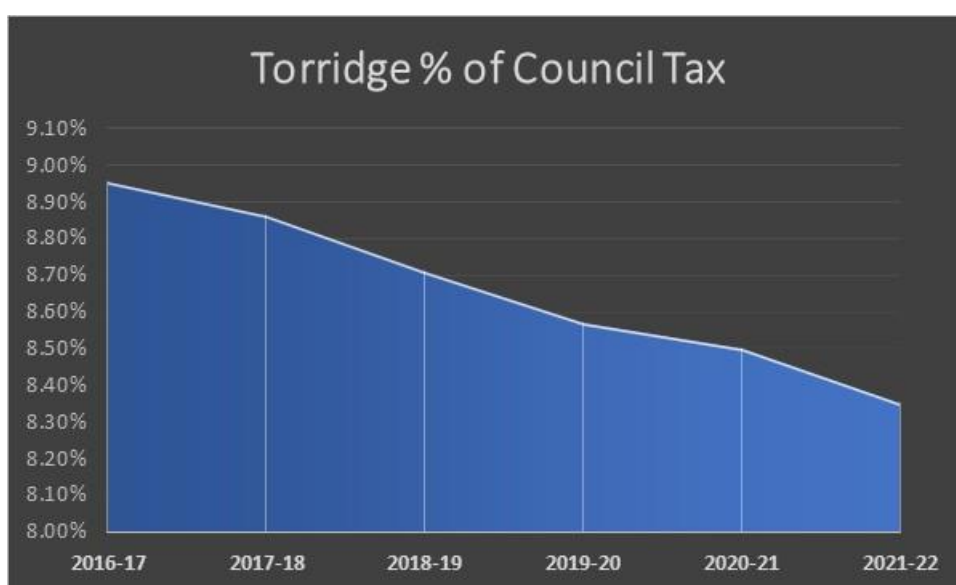
6.4 Whilst by statute councils are obliged to report their tax base in Band D equivalents and increases to Council Tax are referenced to the Band D equivalent, however the majority of properties within Torridge fall within Bands A-C. The table below shows the number of properties liable for Council Tax by band, the Torridge element of the Council Tax levied and the how much a £5 increase on a Band D Equivalent would be by Band for 2021-22.

Council Tax Band	Number of Properties	2020-21 Torridge Charge	Annual Impact of £5 increase	Weekly increase in Pence
A	8,194	112.44	£3.33	6.41
B	7,231	131.18	£3.89	7.48
C	6,995	149.92	£4.44	8.55
D	5,744	168.66	£5.00	9.62
E	3,320	206.14	£6.11	11.75
F	1,114	243.62	£7.22	13.89
G	371	281.1	£8.33	16.03
H	29	337.32	£10.00	19.23
	32,998			

As the table above shows 68% of properties within Torridge fall within Bands A – C and so would pay less than the £5 equivalent referendum limit.

The Council Tax levied by Torridge is only one component of the Council Tax bill levied on its residents. Over recent years the proportion of Council Tax levied by Torridge Council has been in decline. This is due to a combination of factors such as Devon County Council being able to raise a social care precept, above inflation rate increases for Devon and Cornwall Police Commissioner. and the absence of referendum limits for Town and Parish Councils.

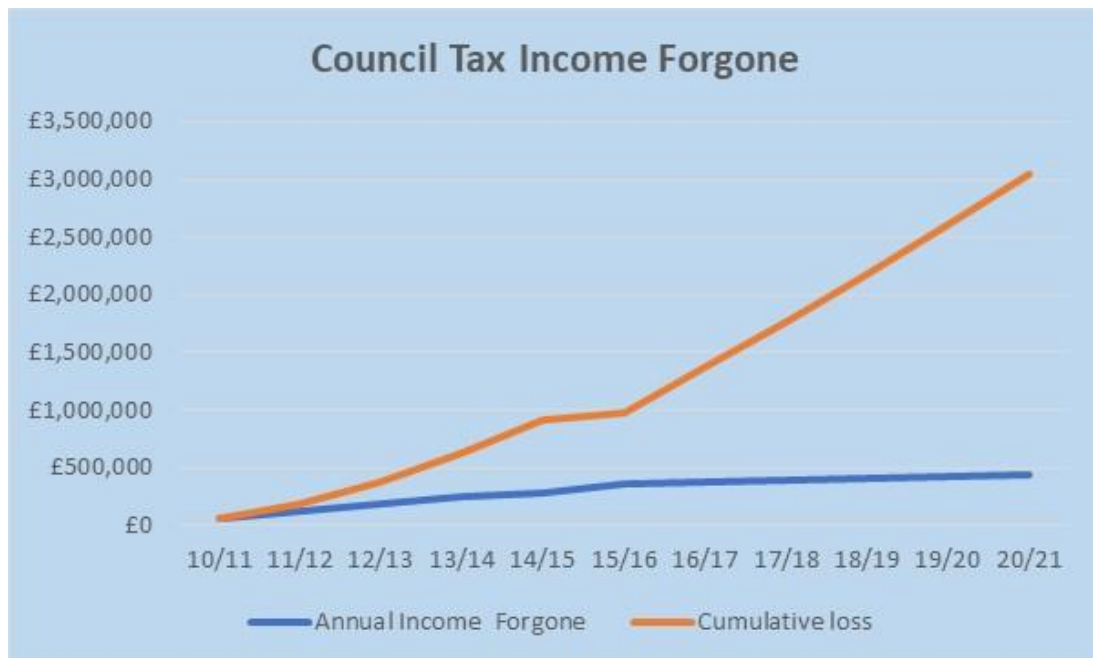
The table below shows the percentage of the council tax retained by Torridge Council. The 2021/22 figure assumes increases by preceptors to their maximum (and Parish and Town Council precept increase of 2%).



6.5 It is vitally important to consider the longer term impact of council tax increases as once a charge has been included in the tax base it has a much longer financial benefit than simply

the year it was increased. Once a decision has been made to not increase Council Tax, it is not possible to make up the “shortfall” in the subsequent financial years. Referendum limits do not accommodate previous years below referendum level increases.

- 6.6 Members in previous financial years made the decision to freeze Council Tax, in some years the Council was partly compensated by **non recurrent** council tax freeze grant funding from Central Government. The graph below shows the impact of freezing the Council Tax in prior years has had upon the income the Council can currently collect from Council Tax.



Cumulatively the Council has forgone circa £3m from not increasing its council tax in line with referendum limits. On an annual basis the Council’s council tax income would be circa £440k more if council tax has risen by the referendum limits since 2010/11.

7. Business Rates Retention

- 7.1 Under the Business Rate Retention Scheme (BRRS) introduced in 2013/14 Torridge Council retains 40% of the business rates collected within the Torridge area. Prior to 2013/14 local authorities such as Torridge collected business rates on an agency basis on behalf of Central Government, with Central Government bearing any losses arising from non-collection and business rate appeals.
- 7.2 Whilst Torridge Council benefits from any growth in business rates income within its area, it also shares the risk of lost income arising from non-collection and business rate appeals. Since its inception the scheme has become increasingly complex with Central Government introducing new reliefs, most notably pertaining to small businesses. Local authorities such as Torridge are compensated for the loss of business rate income resulting from increased reliefs by Section 31 Grants.
- 7.3 As a result of the Covid-19 pandemic the amount of Business Rates Torridge collected in 2020/21 was significantly reduced as a result of Central Government decision to award relief from business rates to a wide range of businesses such as the retail sector. Consequently the amount of business rates collectable within Torridge in 2020/21 fell from circa £11.4m to £4.5m. There have been no announcements regarding any extension of these Covid-19 reliefs into 2021/22.

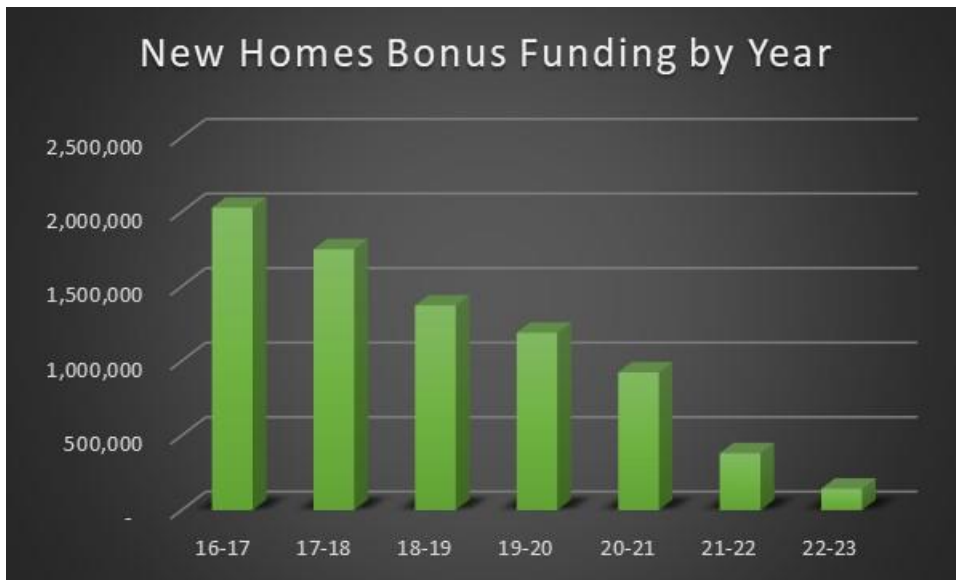
8. New Homes Bonus (NHB)

- 8.1 New Homes Bonus was introduced in 2011/12; it rewarded Councils for increases in the number of properties liable for Council Tax within their areas. Local Authorities were also rewarded for decreases in the number of long term empty properties (over 6 months). Initially the rewards earned by Councils were retained for 6 years; however this reduced to 4 years in 2018/19.

Also in 2017/18 the Central Government introduced a deadweight adjustment of 0.4%; essentially Councils only received NHB funding for housing growth **above** 0.4%. For Torridge this equated to circa 100 Band D equivalent properties.

The Government has signalled the end of the current NHB scheme but has not yet provided any detail as to how any replacement scheme would operate. With the projected demise of the NHB scheme any grant funding arising from increased properties number in 2019/20 and 2020/21 were only payable for one year (2020/21 & 2021/22 respectively). The tables below illustrate the impact for Torridge of declines in NHB funding.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Year 1	260,467						
Year 2	406,950						
Year 3	380,737	380,737					
Year 4	213,264	213,264					
Year 5	326,392	326,392	326,392				
Year 6	440,255	440,255	440,255	440,255			
Year 7		388,873	388,873	388,873	388,873		
Year 8			216,647	216,647	216,647	216,647	
Year 9				143,526	143,526	143,526	143,526
Year 10					174,530		
Year 11						21,280	
	2,028,065	1,749,521	1,372,167	1,189,301	923,576	381,453	143,526



50% of New Homes Bonus funding has been previously earmarked to support the Council's capital program. The reductions in NHB funding, will clearly have a dramatic impact on the funding of the Council's capital program.

9. Budget 2021-22

- 9.1 Full Council on the 24th February 2020 agreed a net revenue budget of £9.737m for 2020/0; the Medium Term Financial Strategy (MTFS) highlighted to members a deficit for 2021/22 of £259k increasing to £293k by 2024-25.

The budget setting process for 2021/22 has identified various pressures and savings, and incorporates various assumptions; which are detailed below:

9.1.1 Assumptions

- **Council Tax Income**

Council Tax collection rates for 2020-21 are projected to be 96.5% against a target collection rate of 99%. At the start of the Covid-19 pandemic in line with central government guidance the Council did not actively pursue outstanding council tax debt, court dates were also unavailable between April and June 2020. A more normal collection regime is now in place, and Government has indicated it expects Councils to recover the vast majority of outstanding council tax debt.

It is assumed that the Council Tax collection rate **will be 97.45% in 2021/22**, and will rise by 0.5% a year until 2024/25, when it will return to 98.95%.

The MTFS projections detailed later assume Council Tax will rise up to the referendum levels for each financial year (e.g. £5 per band D equivalent).

- **Business Rates**

Government had previously signalled a business rate revaluation would be undertaken for 2021/22, with the pandemic this has been delayed.

It also signalled that there would be changes to the business rate retention system with the local share of business rates being retained rising to 75%. Currently the local share of business rate is 50% with lower tier authorities such as Torridge retaining 40%, upper tier authorities like Devon County retaining 9% and Fire Authorities 1%. This change to the system of local business rate retention has been delayed.

With the onset of the pandemic and the various lockdowns, Central Government provided substantial relief from business rates; as a consequence the amount of business rates to be collected from Businesses within Torridge fall from £12m to circa £4.5m in 2020/21; with the Council being compensated for the income not being collected by Section 31 grant monies.

As at the time of this report Government has made no indication as to whether the Covid-19 reliefs will continue into 2021/22. Minimal growth is projected on the Council's Business Rate base over the life of the MTFS.

- **Income from Short Term Treasury Deposits**

At the onset of the Covid-19 pandemic the Bank of England cut interest rates to 0.1%, this has resulted in a very substantial decline in interest income the Council can earn on its short term treasury management deposits. The shortfall in 2021/22 compared to the 2020/21 budgeted income figure is projected to be £125,000; interest rates (and therefore interest income) are not expected to recover to pre Covid-19 levels until 2025-26.

- **Income from Fees and charges**

In 2020/21 the Covid-19 pandemic severely hit local authorities' income from fees and charges; within Torridge the biggest area of income decline was Car Parking in particular the months of April – June 2020 when the country went into a national lockdown. There was minimal loss of income from the Council's other fees and charges.

Government introduced a scheme whereby Councils were compensated for up to 75% for their lost fees and charges income arising from the Covid-19 pandemic. Government has announced that this scheme will continue for the first quarter of the financial year 2021/22.

It is assumed that there will be no loss of income in 2021/22 arising from the Covid-19 pandemic; this will of course be dependent upon the course the pandemic takes and how quickly and successfully the roll out of the Covid-19 vaccine is.

- **Pay awards**

The 2020 spending review stated, "In order to protect jobs and ensure fairness, pay rises in the public sector will be restrained and targeted in 2021/22". Consequently the public sector pay will be frozen in 2021/22 with the exception of those earning under £24,000 who will receive an additional £250.

Whilst Local Government is not technically part of the public sector for pay awards it should be noted that the local government settlement does not include any additional funding for pay awards. Consequently the Local Government Association is likely to follow Central Government's lead on pay awards.

The following is assumed for pay awards within the MTFS

- 0% for 2021/22 (£250 for those earning under £24,000)
- 1% for 2022/23
- 1.5% for 2023/24
- 2% thereafter

- **Leisure**

As members are aware the Covid-19 pandemic has had a significant impact upon the delivery of leisure services. The Council has had on-going discussions with its leisure provider 1610 regarding additional costs of operating leisure facilities in a Covid-19 secure manner.

The current contract with 1610 expires in March 2022, and the Council is currently exploring its options as to how it can deliver a leisure service going forward. The longer term impact of Covid-19 on leisure services is unknown but it would be reasonable to assume that any future leisure provision will incur significantly increased costs.

The 2020/21 budgeted management fee paid to 1610 for operating its leisure facilities is £128k, the MTFS assumes these costs will rise by £150k per annum.

9.2 Pressures and Potential Savings

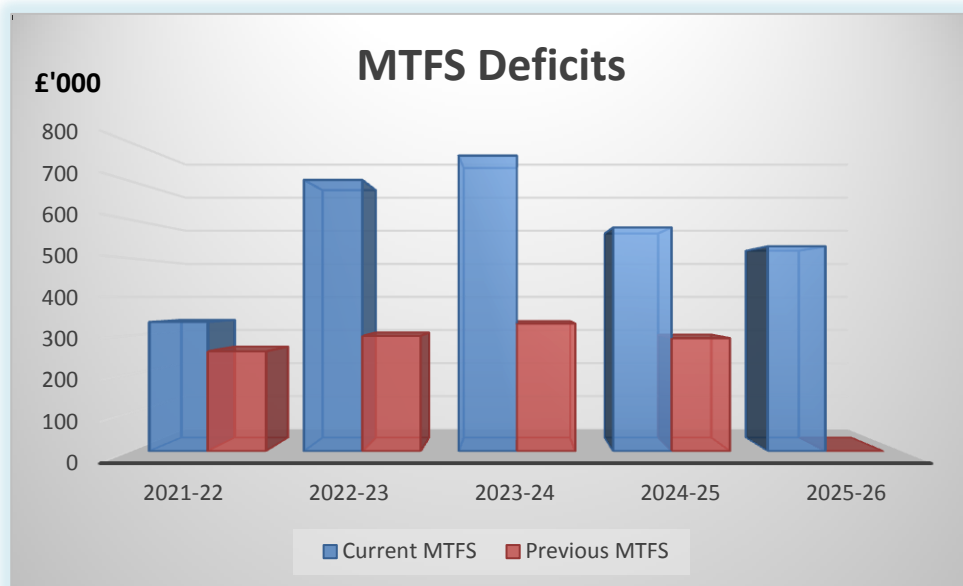
The tables below summarises the major movements on funding and expenditure identified since the Council's MTFS was last reported to members in February 2020.

	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
	adverse / (favourable)	adverse / (favourable)	adverse / (favourable)	adverse / (favourable)
Funding Gap as per 2021/22 MTFS	335	704	767	581
Funding Gap as per 2020/21 MTFS	259	299	331	293
Adverse Movement	76	405	436	288
Funding				
RSG & RSDG	(14)	(14)	(14)	(15)
New Homes Bonus	309	546	690	690
Lower Tier Services Grant	(297)	(297)	(297)	(297)
Covid-19 2021/22 grants	(405)	0	0	0
Council Tax	37	85	65	20
***** Business Rates	3,174	136	66	(158)
Subtotal	2,804	456	510	240
Expenditure				
Salary - assumed pay awards	(21)	(57)	(55)	(1)
Vacancy Factor	(150)	(150)	(150)	(150)
Interest Receivable (Temp Deposits)	125	110	85	50
Funding of Environmental Centre	-	170	170	170
Homelessness Grant Funding	(43)	(43)	(43)	(43)
Minimum Revenue provision	(28)	(28)	(28)	(28)
Burton Arts Gallery - Mgmt fee	(30)	(30)	(30)	(30)
Inflation	17	17	17	17
Refuse related savings	(170)	(170)	(170)	(170)
Increased costs of leisure	150	150	150	150
Other expenditure savings & Pressures	(13)	(38)	(38)	(38)
Housing Benefit Subsidy shortfall	50	50	50	50
Subtotal	(112)	(19)	(42)	(23)
Transfer to / (from) Reserve				
Capital Contribution - Leisure, Car Parks & General Maintenance	180	180	180	180
2021/22 contribution to Capital	280	0	0	0
2021/22 contribution to support apprentices	125	0	0	0
**** Transfers pertaining to Business Rates	(3,072)	(84)	(84)	(0)
Transfers pertaining to Council Tax	(17)	(17)	(17)	0
Transfer to Capital Funding Reserve (NHB)	(23)	(22)	(21)	(21)
Transfer to Economic Development reserve	(42)	(42)	(42)	(42)
Transfer to Property Maintenance backlog reserve	(80)	(80)	(80)	(80)
Posts funded from reserve	31	31	31	31
Subtotal	(2,617)	(34)	(33)	69

**** In 2020/21 the Business Rate Collection Fund is projected to have a deficit of circa £3m, this is because of the increased business rate relief awarded arising from the Covid19 pandemic. Collection fund accounting rules mean this loss can only be realised in the next financial year (2021/22).

Councils such as Torridge were compensated for their lost business rate income by increased Section 31 grants, this additional grant income has been sent aside into reserve in 2020/21 to cover the 2020/21 collection fund losses (realisable in 2021/22).

The projected funding shortfalls for the life of the MTFs are shown below compared with the reported deficits as at February 2020.



The key financial pressures highlighted in the previous table are:

Capital Related.

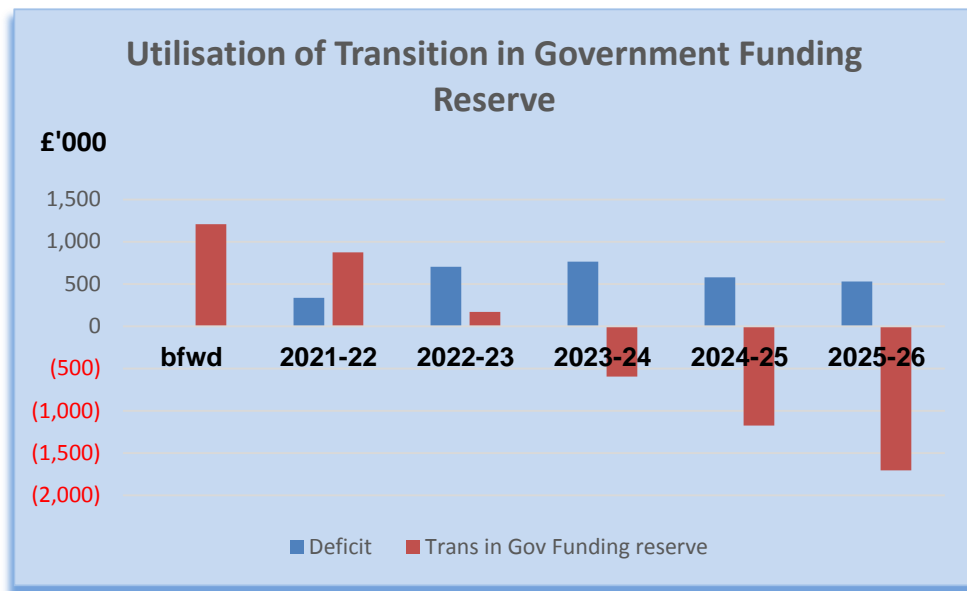
- Reduction in New Homes Bonus funding – circa £700k
- Funding for the Environmental Centre - £170k
- Capital contribution to Car Parks and General Maintenance - £180k

Revenue

- Loss of income from short term treasury deposits - £125k in 2021/22
- Anticipated increased costs of Leisure - £150k

The Council holds a Transition in Government Funding reserve to be used to balance the revenue budgets until such time as savings or additional revenue streams are identified. The current balance on the Transition in Government funding reserve is £1.2m.

As the chart below demonstrates the projected revenue deficits over the life of the MTFS show the Transition in Government Funding reserve being exhausted early in 2023-24 unless remedial action is taken.



10 Funding 2022/23 onwards

10.1 The recent local authority settlement announced by Central Government only covered the financial year 2021/22. As alluded to in 4.1 above, major changes to the regime for local authority financing have been anticipated, however the Covid19 pandemic have put these plans on hold.

The MTFS report to members in February 2020 outlined these potential changes to local authority funding in detail. No further detail is available at the time of this report and consequently no update can be provided. However some key observations should be considered:

- **Comprehensive Spending Review (CSR)**

In light of the increase in the national debt arising from the response to the Covid-19 it would be reasonable to assume that any future CSR will seek to moderate central government expenditure. It is likely that NHS spending will be protected and other areas of central government expenditure such as local government will bear a significant burden of any reduced governmental funding.

- **Fair Funding Review**

The fair funding review determines the share of the local authority pot that is assigned to individual local authorities such as Torrington. Essentially it assigns funding based on the relative need of local authorities.

With the increased expenditure burdens of adult and children's social care for upper tier authorities, it is unlikely that Shire Districts such as Torrington will benefit from the fair funding review.

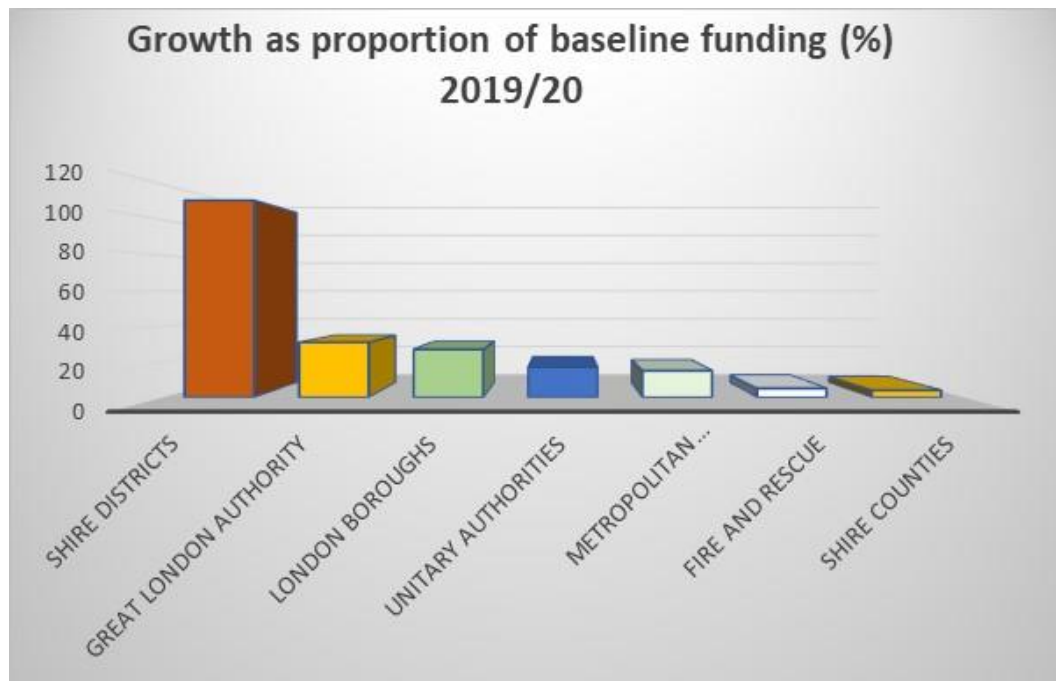
- **Business Rate Retention**

With the introduction of local Business Rate Retention in April 2013, 50% of business rates were retained locally, 40% being retained by billing authorities such as Torridge, 9% to upper tier authorities such as Devon County Council and 1% to Fire Authorities; the balance (50%) being retained by Central Government.

Central Government also proposed that 75% of business rates would be retained locally, with the balance of 25% being retained by Central Government. The splits between the various local authority sectors have yet to be determined.

Since the introduction of business rate retention in 2013 shire districts such as Torridge have benefited significantly, whilst shire counties have only seen modest benefits from the introduction of business rate retention. This is due to the relatively high percentage of business rates retained by Shire Districts (40%) and their relatively low need (i.e. they don't have responsibility for adult social care, education, highways etc.). Conversely shire counties like Devon County Council retain a relatively low percentage of business rates (9%) whilst having high need (adult social care, education, highways etc.).

The table below shows the growth in funding from business rates by local authority sector, as is clear shire districts have been by far the main beneficiaries of the current system



Any new business retention scheme introduced will involve some form of funding reset. It is not known at this juncture how much of the business rate growth Shire Districts like Torridge have enjoyed since 2013 it will be able to retain. It would be prudent to conclude the new system of business rate retention will involve **some transfer of resources from Shire Districts to Shire Counties.**

11 Capital

Appendix 1 details the funding shortfall on the Council's capital program of £5.7m, and outlines how this may be bridged.

Previously the Council set aside 50% of its New Homes Bonus (NHB) funding into its capital program, however as illustrated previously the level of NHB funding has been in sharp decline and will cease after 2022/23. The loss of NHB funding has been a significant contributory factor to the increased capital funding gap

Members should note that the current approved capital program of the Council is £23m, after incorporating the suggested new PiDs (Project Initiation Documents) the value of the capital program rises to £26.9m

It should also be borne in mind that only £7.7m of the capital funding required is actually held in the councils' reserves or grants monies already received, with the remainder of the funding coming from:

- Future revenue contributions to Capital (primarily contributions towards the replacement of refuse and street cleansing vehicles)
- Future Capital receipts
- Grant funding
- Approved borrowing

It is important to understand that the Councils' capital and revenue budgets are interconnected, whilst the funding gap on the capital program could be funded by borrowing the servicing of the borrowing costs is borne by the Council's revenue budgets, which are already projecting deficits over the life of the MTFS.

The funding gap of £5.7m can be broken down into three distinct areas:

- Approved Capital items and specific PiDs - £3.3m
- Environmental Centre increased costs - £1.5m
- Rolling Program of capital works - £0.9m

Approved Capital items and specific PiDs

There is potential to close this funding gap by a combination of:

- Realising savings on existing capital projects most notably on the Burrows Centre
- Utilisation of various capital receipts (it should be borne in mind these receipts are far from guaranteed), consequently it is prudent to set aside a contingency for non-receipt of capital disposals and to account for future PIDs
- Setting aside the projected surplus on the 2020/21 revenue budget of £642k to capital.
- Utilisation of £275k from the 2021/22 revenue budgets

Environmental Centre

The Environmental Centre report previously presented to members detailed the difficulties the Council faces operating out of its existing depots. The current estimate for the delivery of an Environmental Centre located within Bideford is circa £7m an increase of £1.6m on the current capital budget (subject to procurement and tender process), of which borrowing would have to finance £5.6m.

The annual cost of servicing borrowing of £5.6m are £392k, however the operational efficiency of operating out of an Environmental Centre (increased recycling income) are £222k giving an annual cost pressure of £170k. As detailed in Appendix 1 the funding shortfall of £170k could be mitigated by raising the annual charge by £5 per annum for

three years (from £35 to £50) this would generate additional income of £180k per annum. It should be borne in mind that the decision for Torridge residents to subscribe to the Council's garden waste service is voluntary.

It is recommended that the Council increase its Garden Waste charges to £50 per annum (with rises of £5 per annum over for 2021/22 – 2023/24) to meet the additional costs of the Environmental Centre,

Rolling Program of Capital works

The Council has an extensive property portfolio to maintain and refurbish; with the demise of the NHB funding, there is a requirement for the Council to set aside monies from its annual revenue budgets to meet future capital commitments. An annual figure of £180k is felt to be a prudent amount to set aside on a recurrent annual basis. For information the Council's land and building property portfolio is valued at just under £30m.

As detailed within Appendix 1, there are various options available to fund the additional required revenue contribution towards capital. The recommended option being to raise car parking charges within the Council's "Tourist" areas (Westward Ho! and Appledore) in line with other similar localities across the South West. Alternatively the Council could seek to reduce its non-statutory expenditure; the areas highlighted within appendix 1 being:

- Reduce leisure provision
- Reduce member grants
- Close Public Conveniences
- Stop grants to voluntary sectors organisations
 - CCAB
 - TTVS

However the Council particularly in the current circumstances recognises the important role these services provide to our communities. It is recommended that the Council seeks to raise its' parking charges as detailed within the Capital report.

12 Council Reserves

12.1 In addition to the Transition in Government Funding reserve, the Council holds other reserves, the majority of which have been assigned for Capital purposes. The make-up of the Council's reserves is as below:

	£'000
Capital Reserves	5,900
Transition in Government Funding Reserve	1,208
Other Earmarked Reserves	2,343
Total	9,441

12.2 In addition to the specific reserves held above, a sum of £1.084m is also set aside as the General Fund Balance, which is there to deal with unforeseen events that are not budgeted for due to their unpredictability e.g. loss of income due to recession and cannot be met from other available resources in year. The balance on the General Fund being 11.1% of the Council's Annual net budget

12.3 The current level of monies held is considered appropriate in light of the existing and increased levels of risks associated with Torridge's current operational activities and responsibilities and the sum held is periodically risk assessed taking account of any new and emerging risks.

12.4 The Council utilises transfers to reserve to set aside funds for future commitments. The table below outlines the funds to be set aside over the MTFs, based upon the assumptions made regarding the Council's income post 2021/22.

Planned Reserve transfers	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2023/24 £'000
Vehicle Replacement Reserve	554,324	554,324	554,324	554,324	554,324
ICT replacement Reserve	80,000	80,000	80,000	80,000	80,000
General Contribution to Capital	208,470	22,660	22,021	21,369	20,703
General Contingency Reserve	70,000	70,000	70,000	70,000	70,000
Property Backlog Reserve	155,000	155,000	155,000	155,000	155,000
Other Reserves Transfers	3,708	3,708	3,708	3,708	3,708
Total	1,071,501	885,691	885,052	884,400	883,734

Other reserves transfers include contributions to fund posts, such as apprentices, fund district elections etc.

12.5 Based upon the assumptions discussed above and the movement to /(from) reserves detailed above; the table below summarises the Council's projected budgets over the MTFS.

Area	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Cost of Service	9,233	9,301	9,685	10,016	10,317
Reserve Movement	(1,801)	712	642	673	603
Other - Financing etc	(245)	124	89	54	9
Projected Revenue Budgets	7,186	10,136	10,415	10,743	10,929
Government Grants	(1,713)	(1,082)	(949)	(960)	(971)
Council Tax	(4,238)	(4,365)	(4,562)	(4,786)	(4,956)
Business Rates	(900)	(3,986)	(4,138)	(4,416)	(4,470)
Projected Funding	(6,851)	(9,433)	(9,649)	(10,162)	(10,397)
Contribution from Reserve to Balance	335	704	767	581	532

13 Bridging the Gap

13.1 Members have considered a variety of options for bridging the gap.

- Increased charges
- Stopping discretionary services
- Reducing levels of service for mandatory services

It was felt that reductions to discretionary services would impact most on the vulnerable within our communities; whereas the burden of increased car parking and garden waste would fall upon those who benefit / want the service and tend to be borne by the more affluent; additionally visitors to our tourist locations.

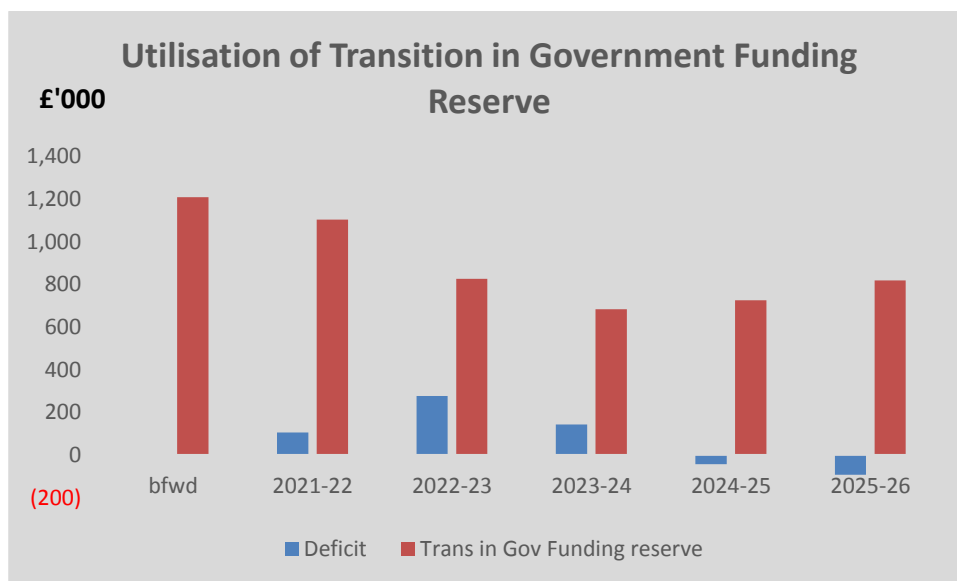
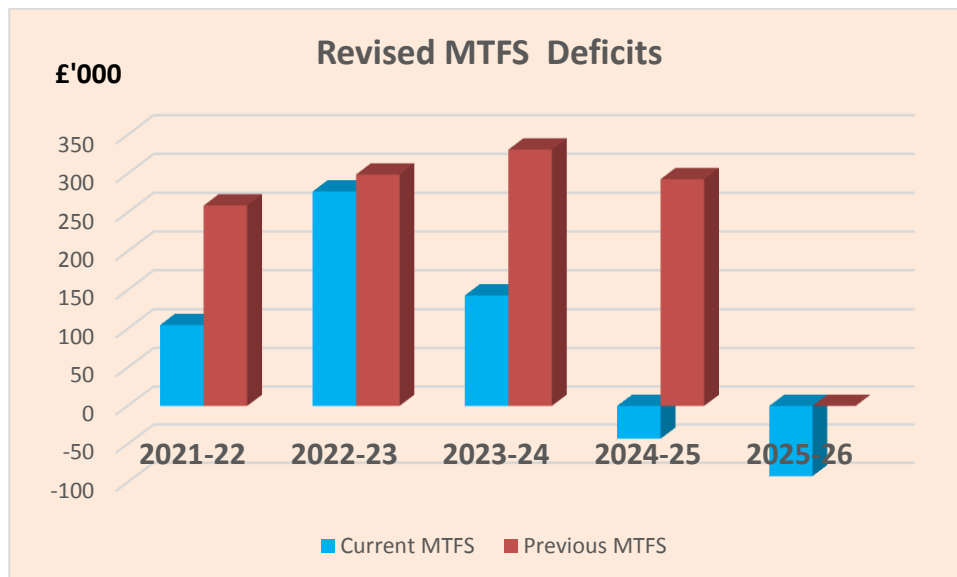
Whilst the member event recommended increases to car parking, they were mindful of continuing support to local businesses, consequently it was proposed to retain the 30p charge for the first 30 minutes and offer free parking on Saturdays in December in the lead up to Christmas.

13.2 From the recommendations considered the following have been modelled;

- Increase car parking charges within Westward Ho! and Appledore by circa 60% for the summer season, e.g. the charge for 1 hour would rise from £1 to £1.60 over three years, e.g. £1 to £1.20 (2021/22) to £1.40 (2022/23) and to £1.60 (2023/24)
- Increase car parking charges by 50% within Westward Ho! and Appledore by circa 50% for the winter season, e.g. the charge for 1 hour would rise from 60p to 90p over three years, e.g. 60p to 70p (2021/22) to 80p (2022/23) to 90p (2023/24)
- Increase charges within our Towns by circa 50% with the increases being spread over 3 years. For example the charge for 1 hour at Riverbank Long Stay car park in Bideford would rise from 60p to 70p (2021/22) to 80p (2022/23) and to 90p (2023/24)
- Increase other charges, permits etc by between 5 and 11%
- Increase Garden Waste charges by £5 per annum for the next three financial years up to £50 per annum the current annual charge for garden waste being £35.

	2021/22	2022/23	2023/24	2024/25	2025/26
Area	£'000	£'000	£'000	£'000	£'000
Cost of Service	9,003	8,875	9,062	9,393	9,694
Reserve Movement	(1,801)	712	642	673	603
Other - Financing etc	(245)	124	89	54	9
Projected Revenue Budgets	6,956	9,710	9,792	10,120	10,306
Government Grants	(1,713)	(1,082)	(949)	(960)	(971)
Council Tax	(4,238)	(4,365)	(4,562)	(4,786)	(4,956)
Business Rates	(900)	(3,986)	(4,138)	(4,416)	(4,470)
Projected Funding	(6,851)	(9,433)	(9,649)	(10,162)	(10,397)
Contribution from /(to) Reserve to Balance	105	278	144	(42)	(91)

The impact of these recommendations on the projected revenue deficit and utilisation of the Transition in Government Funding reserve are detailed in the tables below. The increased income from Car Parking and Garden Waste service brings the budgets back into balance by 2024/25 whilst maintaining a balance on the Transition in Government Funding Reserve; which is needed to manage the unknown impact of changes to local government finances referenced in paragraph 4.



14. ROBUSTNESS OF THE BUDGET

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (s151 Officer) of a billing or major precepting authority to report to Members on the following matters.

- The robustness of the estimates made for the purposes of the budget calculations.
- The adequacy of the proposed financial reserves contained within the budgets.

Robustness of Estimates

The estimates have been calculated based upon the information contained within the work and associated papers and guidance used to forecast the Medium Term Financial Strategy 2021/22 to 2025/26 within this report.

The estimate of income from 2022/23 arising from the following changes (discussed above) represents the greatest uncertainty.

- Comprehensive Spending Review
- Fair Funding Review
- 75% Business Rate Retention
- New Homes Bonus
- Business Rate Revaluations

As a result of the Covid-19 pandemic it is anticipated that Businesses rate appeals will be submitted as a result of a material change in circumstances, this are likely to focussed on office accommodation and retail. The extent of the any reduction in Business Rate income for the Council is unknown as the extent of any potential central government support.

The final consideration is that this Council has a robust performance management framework in place with regular reports being presented to the Senior Management Team, Overview & Scrutiny (Internal) and Community & Resources Committees. This framework provides additional reassurance that budgets are proactively monitored and controlled throughout the financial year.

Taking all of the above into consideration, the budget which has been recommended for approval by Council is sufficiently robust for members to use it as a basis for approving the proposed Council Tax for 2021/22 and the use of financial reserves.

15. Risk Assessment

The major risks associated with the achievement of both the Budget 2020/21 and the MTFS is that the major assumptions and forecasts highlighted in section 9 are significantly different to that considered to be the position now. They are forecasts so we do expect them to change in both positive and negative ways and the Finance Team regularly monitor and update our forecast position when new information comes to light.

The long term impact of the Covid-19 pandemic cannot be foreseen with any degree of certainty.

Implications

Legal Implications

The Council is required to set a balanced annual budget.

Financial Implications

These are contained in the report.

Human Resources Implications

These will form part of the detailed budget consideration.

Sustainability Implications

These will form part of the detailed budget consideration.

Equality/Diversity

These will form part of the detailed budget consideration.

Risk Management

The Council will be required to reduce net expenditure over the medium term. The MTFS (section 14) indicates the level of reduction required and reduces the risk of not achieving a balanced budget or identifying savings that are not achievable.

Compliance with Policies and Strategies

Forms part of the strategy process.

Lead Member Views

Councillor Hodson:

Date of Consultation – 29th January 2021

“Whilst it is always difficult to recommend and justify a decision to increase the Council Tax in any year, it is my opinion a necessity given the financial challenges faced by the Council. Council Tax is one of few areas that we have control over to manage our finances and we must plan not just for next year, but for the future and, therefore, I support the recommendations in the report.

The funding of the Council extensive capital program has been a pressing concern. The sharp decline in New Homes Bonus funding which has traditionally contributed a significant proportion of the Council’s capital funding needed to be addressed, and the recommendations approved by Community and Resources will put both the capital program and revenue budgets back into balance.

Community and Resources are to commended for recognising that increases to Garden Waste charges and targeted increases to Car Parking charges, were by far the more palatable option than reductions in service provision”.

Conclusion

The report highlights the challenges faced by Torridge Council in an increasingly uncertain environment, in particular the pressing need to address the shortfall in funding for the Council’s capital program. Assuming the recommendations below are accepted the Council will be well placed to meet the financial challenges ahead.

17. Recommendations:

That members consider the recommendations by Community and Resources to Full Council on the 25th January 2021

- a) Torrridge's Band D Council Tax for 2021/22 be increased by £5 (2.96%) from £168.66 to £173.66 per year.
- b) Torrridge's Net Revenue Budget 2021/22 is £6.956m
- c) The contributions to the Council's reserves as outlined in paragraph 12.4 are approved.
- d) The new PiDs detailed in Appendix 1 – Capital Report are added to the Council's approved capital programme.

That members note the decisions made by Community and Resources as detailed below (see also attached Decision Notice)

- e) That the garden waste collection charges currently £35 per annum; is increased by £5 per annum for 2021/22, 2022/23 & 2023/24 at which point the charge will be £50 per annum, as detailed in Appendix 1 Capital Report section 3.7.3
- f) Increase car parking charges within Westward Ho! and Appeldore as detailed in Appendix 1 Capital Report section 3.7.4 (increase phased in over 3 years)
- g) Increase car parking charges within the Towns of Bideford, Holsworthy and Torrington as detailed in Appendix 1 Capital Report section 3.7.4 (increase phased in over 3 years)
- h) Increase other car parking permits charges as detailed in the Appendix 1 Capital Report section 3.7.4

That members note:

The Chief Finance Officer (s151 Officer) assurance of the robustness of the budget 2021/22 set out in section 14 of the report.

Note the assumptions and forecast applied to develop the MTFS outlined in section 9

Note the risks associated with the Budget 2021/22 and MTFS outlined in section 13

SUPPORTING INFORMATION

Consultations:	Date of Consultation – 29th January 2021
	Leader - Councillor Ken James
	Deputy Leader – Councillor Claire Hodson
	Officers Consulted –
	Steve Hearse Chief Executive
	Sean Kearney Head of Communities and Place
	Staci Dorey Head of Legal & Governance

Contact Officer:	David Heyes – Section 151 Officer
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Background Papers:

REPORT OF Section 151 Officer
To: Internal Overview & Scrunity
Subject: Capital Programme 2021/22 – 2025/26
Date: 9th January 2021

Reference:

PURPOSE OF REPORT: For Members to update the Capital Programme, for new Project Initiation Documents (PIDs), inflationary pressures, and ensure there is sufficient funding for the Capital Programme to balance.

1. Introduction

- 1.1. The Capital Programme is an ongoing forecast of capital investment in Torridge and the resources that are available to fund these plans.
- 1.2. This report sets out the challenges facing the council to ensure the capital programme is fully funded going forward. These are:
 - Inflation – Build cost / Tender Price inflation of existing capital projects.
 - New PID's – To maintain & improve the councils existing infrastructure
 - Funding Shortfall – Due to Inflation and additional PIDs, but also arising from changes to capital funding such as the “New Homes Bonus”.

2. Capital Programme Overview

- 2.1. Torridge's Capital Programme is an ongoing forecast of the resources the Council is planning to invest in its assets and future development opportunities and whilst projects are allocated to specific years, by nature, projects quite often span financial years and resources follow.
- 2.2. The existing approved Capital Programme includes planned investment of £23.1m over the period 2020/21 to 2025/26 (6years).
- 2.3. The Capital Programme is projected forward to 2025/26 to cover the funding of the next round of refuse vehicles.
- 2.4. All capital projects proposed for inclusion in the Council's Capital Programme must be supported by a Project Initiation Document (PiD). The PiD will outline in sufficient detail what the project entails, the costs and benefits it is expected to achieve with particular reference to how it will contribute to Torridge's Strategic Plan and the plans for implementation.
- 2.5. Members have recommended:
 - New Capital PIDs for inclusion in the Capital Program.
 - Closing the Gap by:
 - i. Using Projected Capital Receipts/Project Savings/Contribution from 20-21
 - ii. Increasing Green Waste Charges by £5 per year for each of the next three years
 - iii. Increasing Car Park Charges in both Tourist areas (Westward Ho! / Appledore), and Towns (Bideford/Torrington/Holsworthy)

3. Capital Programme 2020/21 to 2025/26 (6 Years)

3.1. The table below details the approved capital programme for the period 2020/21 – 2025/26, at £23.1m

Capital Programme 20/21 to 25/26	2021/22 To 2025/26
	£'000s
Approved Programme	23,087
Funding	(20,922)
Shortfall	2,165

3.2. The Funding of the capital programme is broken down as follows:

Total Capital Programme - APPROVED	2021/22 To 2025/26
	£'000s
Current Approved Capital Projects	23,087
Current Capital Reserves & Grants Received	(7,681)
Current Shortfall	15,406
Forecast (Rev Contribution, Cap Receipts, Cap Grants)	(8,241)
Forecast Shortfall (before borrowing)	7,165
Approved borrowing	(5,000)
Forecast Shortfall (After borrowing)	2,165

As the table above shows only £7.7m of the Council capital funding is actually held in reserve or in capital grants already received.

Future High Street Fund

FHSF (Future High Street Fund)	£ £'000s
FHSF (Future High Street Fund) - Project Cost	9,687
Capital Receipts (Residential unit sales)	(2,960)
FHSF Grant	(4,287)
Borrowing (PWLB)	(2,440) *
Funding from TDC	-

* Interest and repayments covered by income from rental units

The Council was unsuccessful in its bid for Future High Street funding, consequently this project has been removed from the capital programme.

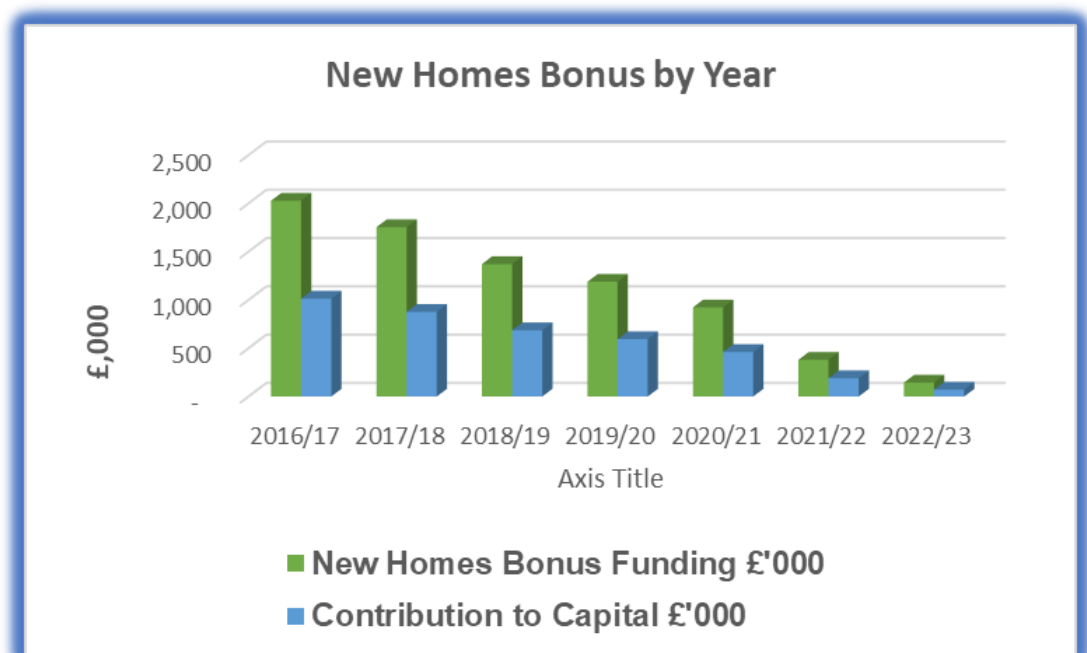
However this does not affect the capital programme funding gap, as the project was designed to be self-financing

The project still remains live and alternative sources of funding are still being sought, which if successful would bring the project back into the Capital Programme.

3.3. Sources of Funding:

The New Homes Bonus (NHB), has been declining over the last several years.

The NHB contributed £1m of funding to the capital programme in 2016/17, 2022/23 will be the last year of this funding stream



Rolling Programmes

Two PIDs have been created to represent continuing capital maintenance requirements of the Council's assets.

Annual Funding

An alternative funding source needs to be found to replace the funding that the New Homes Bonus previously provided. Annual contributions from revenue would meet this requirement, however, the source of these contributions needs to be found (i.e. Additional Income vs Cost Savings)

3.4. Capital Programme – New PIDs (Project Initiation Document)

The suggested new PIDs for members to approve are listed below.

New / Suggested PIDs		2021/22 To 2025/26
<u>PIDs - Rolling Programmes</u>		Per Year
1	Car Parks	80
2	Capital Improvement Program - Property Assets	100
<i>Note: Funded from Annual revenue contribution</i>		180
		£'000s
		400
		500
		900
<u>New PIDs - To be funded from Capital Improvements Programme</u>		
3	Riverbank house Phase 2 (IT, Greenhouse)	200
4	Windmill Lane Refurb	60
5	Bridge Buildings (if not sold)	60
		320
<u>New PIDs - Funded from Planned maintenance Reserve</u>		
6	Muslim Burials	40
7	Skate Park Acoustics	60
8	Harbour (Shipping works)	70
9	Westward Ho WC Drains	35
		205

Rolling Programmes – Annual contributions from revenue to ensure the continuing capital maintenance requirements of the Council's assets (funding will need to be identified for these)

New PIDs (3-5) will to be funded from the Rolling Programmes – Specific projects that would come out of the rolling programmes (if approved)

New PIDs to be funded from “Planned Maintenance” reserve – Capital maintenance works that are required, which can be funded from existing reserve.

New / Suggested PIDs		2021/22	To	2025/26
<u>New PIDs (no Current Funding)</u>		Year	£'000s	
10	Leisure Contingency	21/22	350	*
11	Depot - Increased Costs		1,550	
12	Town Hall Roof - Increased Costs	Over 2 - 3 yrs	760	
			2,660	
<u>Notice of Motion (No PID at this stage)</u>		£'000s		
Notice of Motion - Pannier Mkt & Market House		220		
Notice of Motion - Retractable Cover (Pool in Vic Park)		56		
		276		
Total of Suggested new PIDs			3,765	

* Includes £450k for new road (possibility of some grant funding)

* Includes Land for future development into commercial units

Future Projects to note:

Linear Defence - Increased Costs (Northam Burrows/W-Ho!)	3,000	^
1610 / Leisure - Rolling Programme		#

^ Match funding from the Environment Agency (£1,500K)

To be considered when future leisure provision is reviewed

Works related to the Linear defences at Westward Ho! have not been included within the capital program. There is recognition that at some point in the future significant expenditure will have to be incurred, the initial estimate of this costs being in the region of £3m. It is anticipated that the Environment Agency would share the costs of any works with the Council on an equal share basis.

Future Capital maintenance of our leisure centres has not been included, as this is dependant on how leisure services are provided once the current contract with 1610 has come to an end, and the nature of our future leisure provision.

New PIDs (no Current Funding)

These Projects are a significant risk to the Council if not undertaken, and there is no current funding identified.

Notice of Motion

These are currently not formal PIDs, however there is a specific "Notice of Motion" relating to them. There is no funding available or identified relating to these, and inclusion of these would increase the shortfall of the capital programme further.

When the rolling program of capital works and new PiDs, Leisure Contingency, increased costs associated with the Environmental Centre and works on the Town Hall roof are added to the existing capital program; the funding gap rises to £5.7m.

Total Capital Programme - with NEW PiDs	2021/22 To 2025/26	Total Funding	Shortfall
	£'000s	£'000s	£'000s
Current Approved Capital Projects	23,087	(20,923)	2,165
New PiDs:			
Rolling Programme (funded additional income or savings - to be identified)	900		900
New PiDs (Planned Maintenance Reserve funded)	240	(240)	-
New PiDs (no Current Funding)	1,110		1,110
New Environment Centre (Increased Costs)	1,550	-	1,550
Capital Projects (After New PiDs)	26,887	(21,163)	5,725

3.5 Closing the Gap:

The Gap of £5.7M can be split in to three distinct areas, and each of these looked at in turn:

Shortfall can be broken down in to three distinct areas:		£'000s
1	Approved Capital Programme & New Specific PiDs	3,275
2	New Environmental Centre	1,550
3	Rolling Programmes (Future Funding)	900
Total Shortfall		5,725

Gap 1.

This relates to the existing approved capital programme, and the additional new specific PIDs (excluding the environmental centre)

1 Approved Capital Programme & New Specific PIDs		
	£'000s	£'000s
Existing Capital Programme - Shortfall		2,165
PIDs - to maintain existing Buildings & Equipment		1,110
Existing Assets (Shortfall)		3,275
Current Programme Savings		
Burrows Centre	541	
Projects completed under budget	144	
Capital Receipts		
Cleave Wood Capital Receipts	1,280	
Tadworthy	600	
Bridge Buildings	335	
Westward Ho! Park (Received Nov 2020)	100	
Contingency for non receipt + Future PIDs	(500)	
Contribution from 20/21	642	
Contribution from 21/22	275	
		3,417
Existing Assets (Surplus)/Shortfall		(142)

As the table above shows a combination of

- savings on the existing capital program
- future capital receipts (after setting aside a contingency for receipts not materialising)
- setting aside the projected surplus from the 2020/21 revenue budgets and
- contribution from the 2021/22 revenue budgets

can reduce the funding gap from £5.7M Gap down to £2.5M

Gap 2.

The gap relating to the new Environmental Centre can be bridged by borrowing from the PWLB.

This additional borrowing would require annual capital and interest payments, which put pressure on the councils revenue budget.

To fund these pressures additional savings or additional income are required.

2 New Environmental Centre	
	£'000s
PID - To Build a new Environmental Centre	1,550
Represents the increased borrowing required. There is a detailed review of the environmental centre scheduled later in the month	
The Borrowing for the centre (in the approved project), is funded from increased income, and cost savings.	
Therefore for the project to be approved in it's new state, this also should be the case.	
Therefore overall borrowing will increase to	5,600
Annual Cost	392
Identified Savings and increased revenue	(222)
Additional Savings to find (in order for the project to go ahead)	170

Green Waste Charges:

An increase of £5 per year for the next three years, would generate additional income of around £180K (per year). The charges for Devon authorities and Cornwall are shown for comparison. As can be seen Torridge is currently the cheapest provider of Garden Waste collection services.

Green Waste Charges		Per Collection
Torridge	£35.00	£1.40
Mid Devon	£50.00	£2.00
East Devon	£48.00	£1.92
Cornwall	£43.00	£1.72
West Devon	£40.00	£1.60
North Devon	£36.00	£1.44

If Green waste charges are increased, and further borrowing authorised for the new environmental centre, then this gap can also be closed, reducing the gap further to £0.9M

Gap 3.

To close the final gap £180K of increased income or cost savings needs to be found:

3 Rolling Programmes (Future Funding)			
	£'000s		
Rolling Programmes (Future Funding)	900		
Annual Revenue to generate or savings to find:	180		
Income Generation:	£'000s	£'000s	£'000s
Parking Charges:			
<i>Note: - Keep 30p for 30 mins to help local businesses</i>			
<i>- look at free Saturday parking in December to help local businesses</i>			
	Yr1	Yr2	Yr3
Tourist Locations <i>(increase to comparable sites in SW)</i>	63	122	178
Towns <i>(increase by 10p per hour - each yr)</i>	96	162	238
Other Parking charges <i>(increase by 11%/9%/5%)</i>	11	22	27
	170	306	443
Surplus for Revenue Budget:	(10)	126	263

3.6 Income Generation and/or Service Reductions:

Members have discussed the ways in which the gap could be closed.

Service reductions were considered as well as cutting discretionary grants, however it was noted that such reductions have a larger impact on the more vulnerable residents, whereas increasing charges tends to impact the more affluent residents and tourists.

Members were overall in favour of:

- Increasing car parking charges
- Increasing Green Waste charges by £5 for each of the next 3 years

These increases in charges result in the Capital Programme being brought into balance, along with the Revenue Budget:

Medium Term Financial Strategy		21-22	22-23	23-24	24-25	25-26	
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Provisional Funding Gap		335	730	793	607	558	
Cummulative							3,023
Transition in Government Funding							1,208
Cummulative Deficit							1,815
							3,023
Green Waste Charges		(60)	(120)	(180)	(180)	(180)	(720)
Parking Tourist Areas (W-Ho!, Appledore)		(63)	(122)	(178)	(178)	(178)	
Parking Towns (Bideford/Holworthy/Torrington)		(96)	(162)	(238)	(238)	(238)	
Other Parking		(11)	(22)	(27)	(27)	(27)	(1,805)
Adjusted Funding Gap		105	304	170	(16)	(65)	
Cummulative							498

3.7 Recommendations from Members:

- 3.7.1 Approve the new PIDs
- 3.7.2 Utilise Capital Receipts, Project savings, Contribution from 2020/21 and Contribution from 21/22 to close Gap no.1
- 3.7.3 Increase Green waste Charges by £5 per year for the next three years to close Gap no.2 (Green Waste charges 21/22 £40, 22/23 £45, 23/24 £50)
- 3.7.4 Close Gap 3 and reduce the gap on the revenue budget by increasing Parking charges:
- In Towns (Bideford, Holworthy, Torrington) by approx. 10p per hour
 - (note for each of the next three years – details by car park are in Section 4.0)
 - In Tourist Locations (Westward Ho! and Appledore) by approx. 20p per hour
 - (note for each of the next three years – details by car park are in Section 4.0)
 - Other Parking charges (Permits) (see section 4.0 for details)

4.0 Car Parking Charges – Increased charges over the next three years, by car park:

Detailed charges covering the next three years, for each of the following:

- Short Stay Car Parks (Towns)
- Long Stay Car Parks (Towns)
- Westward Ho! (Tourist) – Summer
- Westward Ho! (Tourist) – Winter
- Appledore (Tourist) – Summer
- Appledore (Tourist) – Winter
- Permits

Short Stay Car Parks (Towns)				
Current		Yr 1	Yr2	Yr3
30 mins	£ 0.30	£ 0.30	£ 0.30	£ 0.30
Per Hour	£ 1.00	£ 1.10	£ 1.20	£ 1.30
Bridge Street Car Park	Bideford	(no 30p for 30 mins)		
Manor Car Park	Bideford			
Riverbank Car Park (Short Stay)	Bideford	(no 30p for 30 mins)		
The Pill Car Park	Bideford	(no 30p for 30 mins)		
The Quay Car Park	Bideford			

Long Stay Car Parks (Towns)				
Current		Yr 1	Yr2	Yr3
1 Hr	£ 0.60	£ 0.70	£ 0.80	£ 0.90
2 Hrs	£ 1.20	£ 1.40	£ 1.60	£ 1.80
4 Hrs	£ 2.00	£ 2.50	£ 2.70	£ 3.00
Day	£ 3.00	£ 3.50	£ 3.70	£ 4.00
Riverbank Car Park (Long Stay)	Bideford			
Clarence Wharf	Bideford			
Honestone Street	Bideford			
Manor Car Park	Holsworthy			
Barley Grove	Torrington			
Sydney House Car Park	Torrington			

Westward Ho! Tourist - Summer

Current		Yr 1	Yr2	Yr3
30 mins	£ 0.30	£ 0.30	£ 0.30	£ 0.30
1 Hr	£ 1.00	£ 1.20	£ 1.40	£ 1.60
2 Hrs	£ 2.00	£ 2.40	£ 2.80	£ 3.20
4 Hrs	£ 4.00	£ 5.00	£ 6.00	£ 7.00
Day	£ 7.00	£ 9.00	£ 11.00	£ 12.00

Westward Ho! Main

Westward Ho! Slipway (no 30p for 30 mins)

Northam Burrows (Wilkey'S Field)

Westward Ho! Tourist - Winter

Current		Yr 1	Yr2	Yr3
30 mins	£ 0.30	£ 0.30	£ 0.30	£ 0.30
1 Hr	£ 0.60	£ 0.70	£ 0.80	£ 0.90
2 Hrs	£ 1.20	£ 1.40	£ 1.60	£ 1.80
4 Hrs	£ 2.00	£ 2.50	£ 2.70	£ 3.00
Day	£ 3.00	£ 3.50	£ 3.70	£ 4.00

Westward Ho! Main

Westward Ho! Slipway (no 30p for 30 mins)

Northam Burrows (Wilkey'S Field)

Appledore Tourist - Summer

Current		Yr 1	Yr2	Yr3
30 mins	£ 0.30	£ 0.30	£ 0.30	£ 0.30
1 Hr	£ 0.60	£ 0.80	£ 1.00	£ 1.20
2 Hrs	£ 1.20	£ 1.60	£ 2.00	£ 2.40
4 Hrs	£ 2.00	£ 3.40	£ 4.40	£ 5.40
Day	£ 3.00	£ 6.00	£ 7.50	£ 9.00

Churchfields

Odun Road (no 30p for 30 mins)

Appledore West

Appledore Tourist - Winter				
Current		Yr 1	Yr2	Yr3
30 mins	£ 0.30	£ 0.30	£ 0.30	£ 0.30
1 Hr	£ 0.60	£ 0.70	£ 0.80	£ 0.90
2 Hrs	£ 1.20	£ 1.40	£ 1.60	£ 1.80
4 Hrs	£ 2.00	£ 2.50	£ 2.70	£ 3.00
Day	£ 3.00	£ 3.50	£ 3.70	£ 4.00
Churchfields				
Odun Road (no 30p for 30 mins)				
Appledore West				

Note:

Where there is currently a 30 minutes for 30p option, this will be kept to help local business, it is not Proposed to extend this to car parks that don't currently have this option.

Permits				
Permit Type	Current	Yr 1	Yr2	Yr3
Business: - Valid in all long stay car parks (excluding Westward Ho!) - Mon to Sat				
Business - Yearly	£ 263.00	£ 313.00	£ 375.60	£ 406.90
Business - Monthly	£ 27.00	£ 36.00	£ 42.00	£ 42.00
Resident: - 4pm to 10am (Mon to Sat) and all day Sunday				
Residents - Yearly	£ 60.00	£ 70.00	£ 80.00	£ 90.00
Season: - Valid in all long stay car parks (excluding Westward Ho!) - any day of the week				
Season - Yearly	£ 315.00	£ 365.00	£ 438.00	£ 474.50
Season - Monthly	£ 32.00	£ 40.00	£ 50.00	£ 55.00
T Business: - Only for businesses based on The Pill Bideford. Valid in the Pill Car Park				
T Business - Yearly	£ 756.00	£ 800.00	£ 800.00	£ 800.00
Tourist - Weekly permit, maximum of two weeks per applicant in any 12 month period				
Tourist - Weekly	£ 20.00	£ 25.00	£ 25.00	£ 25.00

Implications

Legal Implications

The Council is required to set a balance annual budget

Financial Implications

These are contained in the report

Sustainability Implications

These will form part of detail budget considerations

Compliance with Policies and Strategies

Forms part of the strategy process

SUPPORTING INFORMATION

Contact Officer: David Heyes – Section 151 Officer



DECISION NOTICE

Committee:	Community & Resources
Date of Meeting	25 January, 2021
Date of Decision Notice	26 January, 2021

The following decisions made at the above Committee will come into force (unless marked as an Urgent Decision) on the expiry of five working days from the publication of this Notice if not called-in by the Overview & Scrutiny Committee.

Unless the Overview & Scrutiny Committee decides to refer a called-in decision either back to the relevant Committee or to Council, the decision will come into force (a) on the expiry of the five working day deadline for the Overview & Scrutiny Committee to meet to discuss the call-in or (b) on the date of the Overview & Scrutiny meeting if it is decided not to refer the decision further.

Community & Resources

25 January, 2021

PART I

Miscellaneous Fees and Charges 2021 - 2022

Resolved:

That the charges for services to be effective from 1 April 2021 as set out in the Appendix attached to the report be agreed.

Budget 2021-22, Medium Term Financial Strategy 2021-22 - 2025-26

Resolved

- a) That the garden waste collection charges currently £35 per annum; be increased by £5 per annum for 2021/22, 2022/23 & 2023/24 at which point the charge will be £50 per annum, as detailed in Appendix 1 Capital Report section 3.7.3 attached to the Report.
- b) That car parking charges within Westward Ho! and Appledore as detailed in Appendix 1 Capital Report section 3.7.4 attached to the report be increased (increase phased in over 3 years)
- c) That car parking charges within the Towns of Bideford, Holsworthy and Torrington as detailed in Appendix 1 Capital Report section 3.7.4 attached to the report be increased (increase phased in over 3 years)
- d) That other car parking permit charges as detailed in the Appendix 1 Capital Report section 3.7.4 attached to the report be increased.

Recommendations to Full Council

- e) That Torridge's Band D Council Tax for 2021/22 be increased by £5 (2.96%) from £168.66 to £173.66 per year.
- f) That Torridge's Net Revenue Budget 2021/22 be £6.956m
- g) That contributions to the Council's reserves as outlined in paragraph 12.4 of the report be approved.
- h) That the new PiDs detailed in Appendix 1, Capital Report, attached to the Report be added to the Council's approved capital programme.

PART II

Environmental Centre

Resolved:

That recommendations a) and e) as set out the report be agreed.

OVERVIEW & SCRUTINY (INTERNAL) COMMITTEE – FORWARD PLAN 2020/21

Cycle 1	Cycle 2	Cycle 3	Cycle 4	Cycle 5	Cycle 6	Cycle 7	Cycle 8
2 June 2020	7 July 2020	18 August 2020	29 Sept. 2020	10 Nov. 2020	15 Dec 2020	23 March 2021	4 May 2021
2pm	10.00am	2.00pm	2.00pm	2pm	2pm	2pm	2pm
Work Programme & Forward Plan 2019/20 (Following items from previous cancelled meeting) QBR Q3 Ethical Investment	End Of Financial Year QBR	QBR Q1 Environmental and Social Governance	2 - Call- In's from <u>C&R 7.9</u> Westward Ho! site Burton Art Gallery	QBR Q2 Review of Treasury Investment Options (dependent on whether income generation T&F meet prior)	Treasury Investment Options feedback from Income Generation T&F Covid-19 – Home working and Zoom meetings Review of QBR – setup T&F Group <u>Budget Special</u> <u>9 Feb. 2021</u> <u>10am</u> Capital Programme	QBR Q3 QBR review – to receive an update from the T&F Group Update on homeworking and Zoom	Grounds Maintenance

Standing Items	Income Generation – Report of the Task & Finish Group
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KEEP UNDER REVIEW

Harbour Board Working Group	LGA Consultation
Land Charges	Economy – Chair to discuss with Ext Chair – joint meeting, once Economic Development Strategy is ready for review.
Officer / Member	External Grants T&F Group (Joint with External Scrutiny)

FOR FUTURE REVIEW

Central Government re Local Authority Settlements (SH) – Summer 2020
Peer Review
Empty homes – funding a dedicated post
Bideford Harbour – new ideas review
Presentation of the estuary Strategy
The Fishdock
Affordable Housing
Conservation areas and listed building and the resource available for enforcing. To include a review of the listings.