Agenda for Cabinet

Wednesday, 8 February 2017; 5.30pm

Members of Cabinet

Venue: Council Chamber, Knowle, Sidmouth, EX10 8HL
View directions

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Members of the public exercising their right to speak during Public Question Time will be recorded.

1 Public speaking
2 Minutes of 11 January 2017 (pages 4-9), to be signed as a true record
3 Apologies
4 Declarations of interest
5 Matters of urgency
6 There are no confidential items that officers recommended should be dealt with in this way.

7 Forward Plan for key decisions for the period 1 March 2017 to 30 June 2017 (pages 10-12)

8 Minutes of the Housing Review Board held on 12 January 2017 (pages 13-21)

9 Minutes of the Strata Joint Executive Committee held on 16 January 2017 (pages 22-24)

10 Minutes of the Strata Joint Scrutiny Committee held on 16 January 2017 (pages 25-28)

11 Minutes of the Strategic Planning Committee held on 17 January 2017 (pages 30-35)
Recommendations for Cabinet consideration can be found on page 29

12 Minutes of the Joint Overview and Scrutiny Committees held on 18 January 2017 (pages 37-42)
Recommendations for Cabinet consideration can be found on page 36

13 **Programme of meetings 2017/18** (pages 43-45)
To consider the draft programme of meetings for the next civic year. This programme will be referred to the Annual Meeting of the Council. Members are asked to agree to the proposed date of Wednesday 17 May 2017 for the Annual Meeting.

This arrangement is to meet the legal requirement to hold an Annual Meeting and also such other meetings as are necessary for the conduct of the Council's business in accordance with its Constitution.

Part A matters for key decision

14 **Revenue and Capital Estimates 2017/18** (pages 46-50)
Cabinet adopted draft Revenue and Capital Estimates for 2017/18 at its meeting on 11 January 2017. A meeting of the Overview and Scrutiny Committees reviewed those budgets on 18 January and the Housing Review Board considered the Housing Revenue Account budgets on 12 January. Cabinet now is to consider these comments and proposals and make final recommendations to Council.

15 **Treasury Management Strategy 2017/18 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy –** (pages 51-52)
The Chartered Institute of Public Finance and Accountancy (CIPFA) produce a Code of Practice for Treasury Management for Public Services. One of the main recommendations of this code is the requirement for an annual Treasury Management Strategy to be formally adopted by the Council. There is also a requirement to set prudential indicators relating to all treasury activities that the authority will undertake in the forthcoming financial year.
Appendix 1 – Treasury Management Strategy 2017/18 (pages 53-100)

16 **Financial Monitoring Report 2016/17 - Month 9, December 2016** (pages 101-106)
This report gives a summary of the Council's overall financial position for 2016/17 at the end of month nine (31 December 2016).

Part A matters for decision

17 **Heart of the South West Devolution Update** (pages 107-116)
This report provides an update following the July 2016 'in principle' Council approvals to move forward with negotiations for a devolution deal and the

establishment of a Combined Authority, both subject to further report and the approval of the 17 councils.
Appendix 1 - Driving productivity in the Heart of the South West Consultation Paper (Green Paper) (pages 117-169)

18 **Urgent asbestos works required to Council housing stock** (pages 170-171)
To agree an exemption request for urgent works relating to the presence of asbestos containing material across 2 sites within the Council's housing stock.
Appendix 1 – Exemption to Contract Standing Orders (pages 172-175)

19 **Consultation on draft proposals to introduce a new Public Space Protection Order – Anti-Social Behaviour and Controlled Drinking etc in Exmouth and Sidmouth** (pages 176-178)
To seek Cabinet approval to undertake a consultation process introducing a Public Space Protection Order (PSPO) to target antisocial behaviour within Exmouth town centre and the surrounding area, and to replace existing Designated Public Places Orders to control the consumption of alcohol within areas of Exmouth and Sidmouth. The facility to introduce PSPOs is included within the Anti-Social Behaviour Crime and Policing Act 2014.
Appendix 1 – Draft Anti-Social Behaviour, Crime and Policing Act 2014 (pages 179-182)
Appendix 2 – PSPO maps (pages 183-191)
Appendix 3 – PSPO Guidance notes (pages 192-193)

20 **Energy Act 2011 and the Minimum Energy Efficiency Standards (MEES) from April 2018** (pages 194-199)
The Council's Corporate Asset Management Plan highlights the need to respond to the implications of the Energy Act 2011. The Action Plan adopted by the Asset Management Forum in July 2015 has now been completed. This report summarises current industry thinking, the Act's potential impact on East Devon District Council's tenanted property portfolio and recommended mitigation measures.

21 **Monthly Performance reports – December 2016** (pages 200-202)
Performance information for the 2016/17 financial year for December 2016 is supplied to allow the Cabinet to monitor progress with selected performance measures and identify any service areas where improvement is necessary.
Appendix 1 - December 2016 snapshot

22 **Banking Arrangements** (pages 203-204)
To review the provision of the general banking facilities as the present contract is due for renewal.

EAST DEVON DISTRICT COUNCIL
Minutes of the meeting of Cabinet held at Knowle, Sidmouth on 11 January 2017

Attendance list at end of document

The meeting started at 5.30pm and ended at 6.39pm

*114 **Public Speaking**
There were no members of the public present who wished to speak.

*115 **Minutes**
The minutes of the Cabinet meeting held on 14 December 2016 were confirmed and signed as a true record.

*116 **Declarations**
None

*117 **Matter of urgency**
None

*118 **Matters referred to the Cabinet**
There were no matters referred to the Cabinet by the Overview and Scrutiny Committees.

*119 **Exclusion of the public**
There were no confidential items that officers recommended should be dealt with in this way.

*120 **Forward Plan**
Members noted the contents of the forward plan for key decisions for the period 1 February 2017 to 31 May 2017.

*121 **Notes of the Exmouth Regeneration Programme Board held on 1 December 2016**
Members received the notes from the Exmouth Regeneration Programme Board held on 1 December 2016.

*122 **Notes of the Community Fund Panel held on 7 November 2016**
Members received the notes of the Community Fund Panel held on 7 November 2016

RESOLVED (1) that the following recommendations be approved

Minute 7 - Consideration of applications received for Rent Support Grant (RSG)

1. that in the cases of Exmouth Rugby Football Club, Honiton Rugby Football Club, Withycombe Rugby Football Club, and Port Royal, no Rent Support Grant be given. The Panel felt there was not enough of an identifiable need for a grant to mitigate a modest rent increase. It also felt clubs were substantial, with the amount paid for the facilities a modest percentage of overall turnover.

2. that Mountbatten Park Sports and Social Club, Seaton Bowling Club and 5th Exmouth St Andrews Sea Scout Group should receive a Rent Support Grant equivalent to 20% of the total increase in new rent over existing rent being applied in each of the next five years. This would mean that full new lease rentals would effectively not be payable until year 6.

3. that Asset Management Forum consider the outcomes of the first round of RSG and make recommendations on the scheme's future.

*123 **Minutes of the Recycling and Waste Partnership board held on 7 December 2016**

Members received the Minutes of the Recycling and Waste Partnership board held on 7 December 2016

RESOLVED (1) that the following be noted

Minute 46 - Recycling and Waste Partnership Board updated terms of reference
Minute 47 - Mobilisation update
Minute 48 - Joint contract review and operational update
Minute 49 - STRATA business case - IT update

RESOLVED (2) that the following decisions be supported

Minute 50 - Options to avoid a four week gap in waste collections at change over
an update report be received at the next meeting of the Recycling and Waste Partnership Board.
Minute 54 - Otter Rotters update
a district wide garden waste collection service be reviewed following completion of the new contract phase two roll out.

*124 **Notes of the New Homes Bonus held on 13 December 2016**

Members received the notes of the New Homes Bonus held on 13 December 2016

RESOLVED that the following be agreed
the recommendations of the Panel in respect of applications received under the scheme

125 **Minutes of the Capital Strategy & Allocation Group held on 14 December 2016**

Members received and noted the minutes of the Capital Strategy & Allocation Group held on 14 December 2016

Recommended that the Group's recommendations be referred to Council and considered during the annual budget process.

*126 **Draft Revenue and Capital Budgets 2017/18**

The Strategic Lead, Finance presented the draft revenue and capital budgets for 2017/18 for adoption by the Cabinet before consideration by a joint meeting of the Overview and

Scrutiny Committees (18 January) and meeting of the Housing Review Board (12 January).

Recommendations from these meetings would be presented to the Cabinet on 8 February 2017 when members will finalise budget proposals to be recommended to Council.

The Portfolio Holder Finance congratulated Simon Davey and his team for their hard work.

RESOLVED:
that the draft revenue and capital estimates are adopted and shall be forwarded to the joint meeting of the Overview and Scrutiny Committees and to the Housing Review Board for their consideration.

REASON:
There is a requirement for 2017/18 to set balanced budgets and to levy a Council Tax.

*127 **2017/18 Council Tax Base**

This report set out the tax base for 2017/18 which included the breakdown for each parish, expressed in terms of Band D equivalent properties on which the council tax would be based. This was an important component in the Council's budget setting process for 2017/18.

RESOLVED:
1. that the tax base for 2017/18 at 57,477 Band D equivalent properties, and
2. the amount for each parish and as detailed under section 3 of the report, be confirmed

REASON:
The calculation of the tax base was prescribed under the Local Authorities (Calculation of Council Tax Base)(England) Regulations 2012 which came into force on 30 November 2012. This was made under powers of the Local Government Finance Act 1992.

See also Local Government Finance Act 1992 (as amended) & the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 (as amended).

The Council Tax Base was defined as the number of Band D equivalent properties in a local authority's area. The tax base was necessary to calculate Council Tax for a given area.

128 **Joint Safeguarding Policy for Devon**

The Strategic Lead, Housing, Health & Environment explained that Districts across Devon had produced and had been adopting a joint safeguarding policy designed to protect children and vulnerable adults. In raising safeguarding standards it was seen that all were working towards the same outcomes and that a consistent policy approach would be useful. The policy covers children and adults in one high-level statement, and incorporated modern slavery and counter terrorism. This would update and replace the existing safeguarding policies.

RECOMMENDED:
that the Joint Safeguarding Policy be adopted and implemented.

REASON:
To ensure that there was a ‘fit for purpose’ safeguarding policy in place for the organisation.

*129 **Monthly Performance reports – November 2016**
The report set out performance information for November 2016. This allowed Cabinet to monitor progress with selected performance measures and identify any service areas where improvement was necessary.

There were three indicators that were showing excellent performance:
1. Percentage of planning appeal decisions allowed against the authority's decision to refuse
2. Days taken to process Housing Benefit/Council Tax Benefit new claims and change events
3. Working days lost due to sickness absence

There were no performance indicators showing as concern.

RESOLVED:
that the progress and proposed improvement action for performance measures for the 2016/17 financial year for November 2016 be noted.

REASON:
the performance reports highlighted progress using a monthly snapshot report; SPAR report on monthly performance indicators and system thinking measures in key service areas including Development Control, Housing and Revenues and Benefits.

*130 **Stockland Neighbourhood Plan to be formally ‘made’**
The Stockland Neighbourhood Plan has now passed referendum and it must be formally ‘made’ by East Devon District Council for it to form part of the development plan.

RESOLVED:
1. that the Stockland Neighbourhood Plan be ‘made’ so it forms part of the development plan, and
2. that Members congratulate the Neighbourhood Plan Group on their hard work.

REASON:
The Stockland Neighbourhood Plan received a majority ‘yes’ vote in the referendum as required by the regulations and there was no substantive reason not to ‘make’ the Plan.

*131 **Response to Uplyme Neighbourhood Plan Submission**
To agree the response by this Council to the current consultation for the Uplyme Neighbourhood Plan.

Additional text was added to the Council’s comments number 3 - Policy UHG4 in the report. The final paragraph reads;

‘Following the recent publication of the East Budleigh with Bicton Neighbourhood Plan Examiner’s report, the Examiner recommended removal of the policy that allocated a rural exception site on the basis that a rural exception site is one that does not comply with, and is an exception to, policy and the allocation of one would cause confusion for a decision maker. We would therefore advise an amendment to the policy to remove references to the allocations being exceptions and instead allocate them as 'affordable housing sites'.'

RESOLVED:

1. that Members note the formal submission of the Uplyme Neighbourhood Plan and congratulate them on their hard work and commitment in its production, and
2. that the Council make the representations set out in paragraph 5.2 of the report, with delegated authority given to the Chief Executive, in consultation with the Monitoring Officer and Ward Member, to consider further the representation in relation to Policy UHG4 and as necessary make amendments to it.

REASON:

To ensure that the view of the District Council is recorded and informs the consideration of the neighbourhood plan by the Independent Examiner.

Attendance list

Present:

Andrew Moulding	Deputy Leader/Strategic Development and Partnership (Deputy Leader in the Chair)

Portfolio Holders:

Iain Chubb	Environment
Jill Elson	Sustainable Homes and Communities
Phil Twiss	Corporate Services
Ian Thomas	Finance
Philip Skinner	Economy
Tom Wright	Portfolio Holder Corporate Business

Cabinet Members without Portfolio:

Geoff Pook

Cabinet apologies:

Paul Diviani	Leader
Eileen Wragg	

Non-Cabinet apologies:

Paul Carter
Maddy Chapman
Alan Dent
Pat Graham
Ian Hall
Cherry Nicholas
Brenda Taylor

Also present (for some or all of the meeting)

Councillors:

Megan Armstrong
Brian Bailey
David Barratt
Peter Bowden
Colin Brown
Jenny Brown
John Dyson
Peter Faithfull

Steve Gazzard
Roger Giles
Graham Godbeer
Geoff Jung
Rob Longhurst
Darryl Nicholas
Marianne Rixson
Pauline Stott
Mark Williamson

Also present:
Officers:
Mark Williams, Chief Executive
Richard Cohen, Deputy Chief Executive
Simon Davey, Strategic Lead – Finance
John Golding, Strategic Lead – Housing, Health & Environment
Henry Gordon Lennox - Strategic Lead - Governance and Licensing
Karen Jenkins, Strategic Lead - Organisational Development and Transformation
Amanda Coombes, Democratic Services Officer

Chairman .... Date...

EAST DEVON DISTRICT COUNCIL

Forward Plan of Key Decisions - For the 4 month period 1 March 2017 to 30 June 2017

This plan contains all the (i) important decisions that the Council and (ii) Key Decisions that the Council's Cabinet expects to make during the 4-month period referred to above. The plan is rolled forward every month.

Key Decisions are defined by law as "**an executive decision** which is likely :–

(a) to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
(b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the Council's area

In accordance with section 9Q of the Local Government Act 2000, in determining the meaning of "significant" in (a) and (b) above regard shall be had to any guidance for the time being issued by the Secretary of State.

A public notice period of 28 clear days is required when a Key Decision is to be taken by the Council's Cabinet even if the meeting is wholly or partly to be in private. Key Decisions and the relevant Cabinet meeting are shown in bold.

The Cabinet may only take Key Decisions in accordance with the requirements of the Executive Procedure Rules set out in Part 4 of the Constitution and the Local Authorities (Executive Arrangements)(Meetings and Access to information)(England) Regulations 2012. A minute of each key decision is published within 2 days of it having been made. This is available for public inspection on the Council's website http://www.eastdevon.gov.uk, and at the Council Offices, Knowle, Sidmouth, Devon. The law and the Council's constitution provide for urgent key decisions to be made without 28 clear days notice of the proposed decisions having been published. A decision notice will be published for these in exactly the same way.

This document includes notice of any matter the Council considers to be Key Decisions which, at this stage, should be considered in the private part of the meeting and the reason why. Any written representations that a particular decision should be moved to the public part of the meeting should be sent to the Democratic Services Team (address as above) as soon as possible. **Members of the public have the opportunity to speak on the relevant decision at meetings (in accordance with public speaking rules) unless shown in *italics*.**

Obtaining documents

Committee reports made available on the Council's website including those in respect of Key Decisions include links to the relevant background documents. If a printed copy of all or part of any report or document included with the report or background document is required please contact Democratic Services (address as above).

Decision		List of documents.	Lead/reporting Officer	Decision maker and proposed date for decision	Other meeting dates where the matter is to be debated / considered	Operative Date for decision (assuming, where applicable, no call-in)	Part A = Public meeting Part B = private meeting [and reasons]
1.	Street Markets and Street Trading Consultation Outcomes		Deputy Chief Executive	Licensing and Enforcement 15 February 2017	Overview 29 November 2016	23 February 2017	Part A
2.	Sidmouth Beach Management Plan		Strategic Lead – Housing, Health and Environment	Council 26 April 2017	Cabinet 8 March 2017	27 April 2017	Part A
3.	Relocation update		Deputy Chief Executive	Council 26 April 2017	Cabinet 8 March 2017	27 April 2017	Part A
4.	Public Toilet Review		Service Lead – Street Scene	**Cabinet 5 July 2017**	Asset Management Forum 15 June 2017	13 July 2017	Part A
5.	Sports and Activity clubs – Rent and Rent support Scheme Outcomes		Deputy Chief Executive	Council 26 July 2017	Cabinet 5 July 2017	27 July 2017	Part A

Table showing potential future important / key decisions which are yet to be included in the current Forward Plan

Future Decisions		**Lead / reporting Officer**	**Consultation and meeting dates (Committees, principal groups and organisations) To be confirmed**	**Operative Date for decision** **To be confirmed**
1	Specific CIL Governance Issues	Deputy Chief Executive **(RC)**		
2	Business Support – options for the future	Deputy Chief Executive **(RC)**		

The members of the Cabinet are as follows: Cllr Paul Diviani (Leader of the Council and Chairman of the Cabinet), Cllr Andrew Moulding (Strategic Development and Partnerships Portfolio Holder), Cllr Tom Wright (Corporate Business Portfolio Holder), Cllr Phil Twiss(Corporate Services Portfolio Holder), Cllr Philip Skinner (Economy Portfolio Holder), Cllr Iain Chubb (Environment Portfolio Holder), Cllr Ian Thomas (Finance Portfolio Holder), Cllr Jill Elson (Sustainable Homes and Communities Portfolio Holder), and Cabinet Members without Portfolio - Cllr Geoff Pook and Cllr Eileen Wragg. Members of the public who wish to make any representations or comments concerning any of the key decisions referred to in this Forward Plan may do so by writing to the identified Lead Member of the Cabinet (Leader of the Council) c/o the Democratic Services Team, Council Offices, Knowle, Sidmouth, Devon, EX10 8HL. Telephone 01395 517546.

February 2017

EAST DEVON DISTRICT COUNCIL

Minutes of a Meeting of the Housing Review Board held at Knowle, Sidmouth on 12 January 2017

Attendance list at end of document

The meeting started at 2.30pm and ended at 4.50pm.

***37 Public Speaking**

There were no questions raised by members of the public.

The Chairman informed those present that the meeting of the Housing Revenue Account Business Plan Task and Finish Forum due to be held on 20 January 2017 had been postponed.

***38 Minutes**

The minutes of the Housing Review Board meeting held on 8 September 2016 were confirmed and signed as a true record.

***39 Declarations of Interest**

Mike Berridge: Personal interest - family member lives in a Council owned property and a housing tenant.
Joyce Ebborn: Personal interest - housing tenant
Victor Kemp: Personal interest – housing tenant and in dispute with the Council over an adaptation request to his property.
Cllr Jim Knight: Personal interest - family member lives in a Council owned property and another family member lies in a housing association property.
Pat Rous: Personal interest - housing tenant.

***40 Forward plan**

The Strategic Lead, Housing, Health and Environment presented the forward plan and advised Members that the forward plan acted as a reminder of agenda items to come forward to future meetings. Members were reminded that they could add further issues to the next forward plan by informing either himself or the Democratic Services Officer.

RESOLVED: that the forward plan be noted.

41 Draft Housing Revenue Account 2017/18

The Strategic Lead – Housing, Health and Environment's report provided the Board with details of the draft Housing Revenue Account (HRA) for 2017/18. The account showed the main areas of anticipated income and expenditure on landlord activities for the year ahead. Producing a HRA was a statutory requirement for Council's who managed and owned their stock, and was a key document for the Board to influence.

2012/13 saw the major reform to social housing finance and a move to self-financing, which involved the Council taking on debt rather than paying a subsidy to government from tenants' rents. As a result of this and careful budget management over many years a healthy HRA balance was showing going into the new financial year. The budget had been produced in accordance with HRA Business Plan assumptions.

The Council had a timetable for the production of its budgets for 2017/18, which involved the development of draft estimates and scrutiny by various member and officer groups. The report presented an opportunity for the Housing Review Board to input into this process.

The Strategic Lead – Housing, Health and Environment explained the format of the report and it was noted that the 2016/17 and 2017/18 budgets were very consistent. The biggest issue was the second year of the 1% rent reduction, and this had been factored into next year's budget. A generous allowance had been made for the loss of income due to voids and rent arrears. The Board acknowledged that rent collection performance was critical for the income of the HRA. A healthy HRA surplus was predicted and the purpose of the volatility fund was explained to the Board. Other features of the budget were included on the agenda and would be discussed later during the meeting.

The Strategic Lead – Housing, Health and Environment introduced the new housing accountant and thanked him for his help in compiling the budget.

RECOMMENDED: that the draft housing revenue account 2017/18 report be approved.

42 Draft housing service plan 2017/18

The Strategic Lead – Housing, Health and Environment's report presented the draft ervice plan for the Housing Service, covering the period 2017/18 for the Board's consideration. The Service Plan was a document that was produced annually and which set out the key achievements over the past year and the forthcoming issues to be faced by the service. A range of service improvements were identified, performance data reported, consultation proposals outlined and budget information provided.

The Strategic Lead – Housing, Health and Environment explained that this year's plan was a similar style and format, with no dramatic changes from the previous year. It was noted that there had been considerable staff changes, with existing staff being successfully promoted. The plan would be considered by the joint Overview and Scrutiny Committees, before being presented to Cabinet for consideration and then to Council for adoption.

RECOMMENDED: that the draft Housing Service Plan for 2017/18 be approved.

43 Support and alarm service charges to sheltered homes 2017/18

The Landlord Services Manager's report updated the Board on the current position regarding the support and Home Safeguard charges and services to customers, and suggested that the final year of the three year phased in support charges anticipated for 2017/18 was not applied. The benefit of this would be to tenants as their support charges would remain at the current level, instead of rising to the expected levels in April 2017. This would be an added burden on the Housing Revenue Account, although it had been included in the budget estimates for 2017/18. The burden would reduce as tenants, that the Council currently subsidised, decreased because the subsidy only applied to those that were tenants of sheltered housing and resident at 6 April 2015. New tenants moving in would pay the full amount.

RECOMMENDED: that the previously agreed final year of the three year phased introduction of support charges in sheltered housing is not applied.

***44 Insurance claim settlement**

The report of the Senior Technical Officer updated the Board on the final settlement of the storm damage insurance claim, with regard to inclement weather and damp/water penetration to tenants' homes as a direct result of the 2013/14 storms. It was noted that approval had been given by the Strategic Lead – Housing, Health and Environment for the outstanding insurance claim to be settled for the total of £1.5 million. Work had been undertaken to properties before the insurance claim settled, including some improvement works.

The Strategic Lead – Housing, Health and Environment thanked the Senior Technical Officer for the massive amount of work involved with repairing the properties and settling the claim.

RESOLVED: that it be noted that the outstanding insurance claim be settled for the total of £1.5 million.

45 New models of housing delivery

The Board was presented with a report which explored the emerging options for development and stock holding being established by some councils in response to the complex operating environment. The report looked at the merits of a joint venture company and a local housing company for the delivery of affordable housing funded by the Council. It also considered the key drivers and considerations when establishing a new housing delivery vehicle and the benefits that might be derived by operating a development programme and providing housing management arrangements outside of the constraints of the housing revenue account.

The Strategic Lead – Housing, Health and Environment also gave a presentation on the new models of housing delivery. This included:

- The context of the housing revenue account and its constraints.
- Motivations for establishing a new housing delivery model.
- The drivers and ambition to be more effective in meeting the wider housing needs of the area.
- Permissive, enabling powers.
- Flexible range of tenancy options and rent setting.
- What and where next.

In summary the Board supported this exciting opportunity. There was a need to be clear about benefits, implications and risks surrounding a new business model and culture change required.

The Board welcomed the idea and were supportive of this approach. They felt that the local housing company option should be progressed, rather than a joint venture company.

RECOMMENDED:

1. that the Housing Review Board support the outline proposal to establish a Local Housing Company in preference to joining a Joint Venture arrangement,
2. that the Housing Review Board invites the Strategic Lead – Housing, Health and Environment to work up the Local Housing Company proposal, including an initial risk assessment and due diligence considerations;
3. that a further report is bought back to the Housing Review Board and to Cabinet on the findings and suggested way forward.

46 Tenancy strategy and policy review

The Board's approval was sought for the revised tenancy strategy and tenancy policy, which had been updated to reflect current good practice and procedures.

The tenancy strategy set out what the Council would do as a landlord and what it expected Registered Providers working in East Devon to do. It explained expectations with regard to affordability, length and type of tenancies, reviews and assistance at the end of a tenancy, disposal and conversion of stock, mobility, transfers, downsizing and under occupation, choice based lettings, vulnerable groups, and properties with adaptations.

The tenancy policy focused more on what the Council would do as a landlord. It set out how it would ensure the right type of tenancy was allocated to each tenant, how it would address issues of under occupation of properties and how it would provide family or adapted properties where these were required. It also set out the circumstances in which affordable rents would be charged. The policy included sections on:

- tenancy agreements
- tenancy types and conditions
- sustaining tenancies
- tackling tenancy fraud
- ending the tenancy
- succeeding to a tenancy
- tackling under occupation
- adapted properties
- transfers
- mutual exchanges.

RECOMMENDED: that the revised tenancy policy and tenancy strategy be approved.

47 Alternative models to deliver housing repairs and maintenance

Consideration was given to the report of the Strategic Lead – Housing, Health and Environment which started to explore alternative models for future delivery of the housing repairs service to achieve higher levels of performance and improved value for money. New service delivery models could be widened to include improvement programmes, servicing and other works to tenants' homes. The drivers for exploring alternative models for providing this service included the need for budget efficiencies and building on the high levels of performance currently achieved. There was also an opportunity to have greater control over the repairs and maintenance of tenants' homes whilst drawing on contractors' expertise and sharing the risks with them.

The Strategic Lead – Housing, Health and Environment explained wholly owned subsidiaries and joint venture companies and the principles and advantages of these. The drivers for a more sophisticated procurement of repairs and maintenance to Council homes were:

- greater control over the service
- cost savings and efficiencies
- incentives for service improvement

The report suggested that external consultants be commissioned to undertake a focused piece of work looking at the current trends in the sector, the options for alternative service delivery models and the opportunities for providing tenants a more cost efficient, high performing service.

RECOMMENDED: that the Strategic Lead – Housing, Health and Environment be authorised to appoint consultants to scope, appraise and advise on alternative service delivery options for the repairs and maintenance of tenants' homes.

48 Extension of responsive repairs and voids contract

The Property and Asset Manager's report recommended that a one year extension be awarded to allow a full options appraisal with regard to future contract options to take place, followed by a tender process to secure future contracting arrangements for responsive repairs and void work to properties. It was noted that current contractor performance was good and continuing to improve and that officers had a good working relationship with the contractors.

RECOMMENDED: that the current responsive day to day repairs and void work to Council housing stock contract is extend for one year, from July 2017 to July 2018.

49 Asbestos management policy update

The Property and Asset Manager's report informed the Board that the asbestos policy and associated procedures agreed in January 2016 was now due for further review in order to reflect changes in current legislation and to incorporate good practice across the sector.

RECOMMENDED:

1. that the revised asbestos management plan and procedures for the Council's housing stock be approved (subject to approval from a specialist asbestos consultant).
2. that an additional £100,000 be approved for the management of asbestos in the housing stock.

50 Legionella management plan and procedures

The Property and Asset Manager's report advised members of the Council's responsibilities in relation to legionella management within its housing stock and to ensure that appropriate testing and management of risks was undertaken. It was noted that a 'legionella awareness leaflet' was being created specifically for tenants to raise awareness of the topic and to ensure that good practice was promoted in terms of how tenants managed their homes.

RECOMMENDED: that the legionella management plan be approved.

51 Review of landlord disabled adaptation policy

In 2014 the Housing Review Board agreed a revised landlord adaptation policy. The Property and Asset Manager's report set out a further review to the policy and recommended that the policy be reviewed every two years or sooner if there was a significant legislative need to review.

RECOMMENDED:

1. that the revised landlord disabled adaptation policy for Council homes be approved.
2. that the 2017/18 revenue budget for adaptations be increased to £100,000.

52 Installation of air source heat pumps at Rodney Close, Exmouth

The Property and Asset Manager's report set out a proposal to install an alternative form of heating at Council owned properties in Rodney Close, Exmouth. In line with the objectives to improve the energy efficiency of the Council's housing stock, this was an ideal opportunity to explore the benefits that renewable energy could bring. Rodney Close was a 25 unit sheltered housing scheme which was 'off gas' and currently had night storage heaters. This form of heating system was not particularly efficient and was expensive to run.

Air source heat pumps were an alternative form of heating. They worked by absorbing heat from outside and directing this within the building as hot air. Evidence suggested that a high efficiency heat pump could provide up to 4 times as much heat as a standard electric heater. The units would be installed on the outside of individual properties and were designed to withstand the toughest of winter climates. The units were deemed extremely reliable with impressive low running costs. The units came with an easy to use controller that was installed on the inside of the property with two functions, one for heating and one for hot water temperature

RECOMMENDED: that the heating upgrade scheme proposed at Rodney Close, Exmouth be approved and rolled out during 2017.

***53 Shared house update**

The Property and Asset Manager's report brought members up to date with the outcome of the retrofit work for the shared house at 102 St Andrews Road, Exmouth. The report included learning from the project, final costs and letting arrangements. The finished property provided six furnished bedrooms with en-suite shower rooms, an office with en-suite facilities, shared dining, kitchen and utility areas.

Rooms were being allocated through Devon Home Choice and would be let to single people between 21 and 55 years of age. Day to day management of the shared house would be the responsibility of the Landlord Services team.

There had been tenant involvement in the project from the very beginning. The initial idea for a shared house came from the Virtual Housing Team, which includes a tenant member. Tenants were involved in selecting kitchen fittings, paint colours, colour and types of flooring and carpets. There was also tenant produced artwork in the communal areas.

It was noted that the project lapsed in time, which had cost implications, and the budget overran. The major additional costs were outlined in the report. The building was retrofitted to enerPhit standards, which would produce energy efficiency and running cost savings.

The project had received positive local and national publicity and had been shortlisted for a Housing Innovation Retrofit Scheme award.

RESOLVED: that it be noted that the work to the shared house in St Andrews Road, Exmouth is now complete and the property is let.

54 Right to Buy update

The Housing Enabling and Allocation Manager's report provided the Board with an update on property acquired using Right to Buy (RTB) receipts and commuted sums. It also set out proposals for future spending. Properties that had exchanged and completed since September 2016 were detailed in the report. It was noted that the allocated amount of commuted sums for affordable housing from the Fortfield Hotel had now been spent. There were limited commuted sums from elsewhere in the district that were available to use. The deadline to spend Right to Buy receipts by the end of December 2016 had been met. The next deadline was to spend approximately £130,000 of RTB receipts by the end of April 2017 – representing two or three additional property purchases.

The report proposed to purchase two or three properties in Exmouth. There were limited commuted sum monies for Exmouth so the remaining 70% would need to be funded either from the Housing Revenue Account or by borrowing from the Public Works Loan Board (PWLB).

The report also put forward options for working with Registered Providers to spend the RTB receipts and to borrow money from the PWLB to match fund receipts.

RECOMMENDED:

1. that the update report on the use of Right to Buy receipts and commuted sums to secure suitable property to add to the Council's housing stock be noted.
2. that delegated authority be given to the Strategic Lead – Housing, Health and Environment, Portfolio Holder for Sustainable Homes and Communities and Chair of the Housing Review Board to approve further purchases to meet Right to Buy spending deadlines using either Housing Revenue Account funding or a loan from the Public Works Loan Board as match funding.
3. that the options put forward be noted and supported, including working with Registered Providers to spend the Right to Buy receipts.
4. that delegated authority be given to the Strategic Lead – Housing, Health and Environment, Portfolio Holder for Sustainable Homes and Communities and Chair of the Housing Review Board to approve bids from Registered Providers for grant.
5. that delegated authority be extended to the Strategic Lead – Governance and Licensing so that the implementation of a Registered Provider agreement and Registered Provider bidding criteria can be approved.

***55 Annual report to tenants 2015/16**

The annual report to tenants 2015/16 was included on the agenda for the Board's information.

RESOLVED: that the annual report to tenants 2015/16 be noted.

***56 HouseMark annual benchmarking report**

The Information and Analysis Officer's report presented the results of HouseMark's cost and performance benchmarking exercise using 2015/16's financial and performance data, it also used some costs and performance from 2014/15 as a comparison. The report compared EDDC with its peers in a number of key areas across the housing service. It was noted that the services scored were doing well, although some costs were high compared to peers.

RESOLVED: that the HouseMark 2015/16 benchmarking report be noted.

57 Housing Review Board recruitment

Consideration was given to the Democratic Services Officer's report which reviewed the recruitment and selection procedures for tenant and leaseholder members of the Housing Review Board and for independent community representative Board members. The revised process ensured that the recruitment and selection process for all co-opted members of the HRB was consistent. Arrangements would also be put in place to avoid the necessity for holding an election, which would be a costly exercise.

The report proposed that in order to involve existing members of the Board in the selection of new co-opted members, three Board members put their names forward to work with officers on the selection process when a vacancy on the Board occurred. Alternatively all existing Board members could be involved in the process, in which case a 'meet the Board' event could be organised for applicants and an opportunity for the Board to choose the new member(s). The Board agreed that three members (one tenant, one councillor and one independent representative) should be selected and members were asked to put their names forward.

RECOMMENDED:

1. that the revised recruitment and selection process of co-opted members of the Housing Review Board be adopted.
2. that three current Board members be selected to assist in the selection of co-opted members; these were Councillor Jim Knight, tenant Mike Berridge and independent community representative Christine Drew.
3. that the terms of reference of the Housing Review Board be updated accordingly.

***58 Date of the next Housing Review Board meetings**

The Board noted the date of the next HRB meeting.
Thursday 9 March 2017 – 2:30pm, Council Chamber, Knowle, Sidmouth

Attendance list
Present:

Cllr Pauline Stott (Chairman)
Cllr Megan Armstrong
Cllr Jim Knight
Cllr Brenda Taylor

Co-opted tenant members:
Pat Rous (Vice Chairman)
Mike Berridge
Joyce Ebborn
Victor Kemp

Independent community representatives:
Christine Drew

Officers:
Isaac Aisu, HRA Accountant
Sue Bewes, Landlord Services Manager
Natalie Brown, Information and Analysis Officer
Emma Charlton, Housing Projects Officer
Mark Dale, Senior Technical Officer
Simon Davey, Strategic Lead - Finance
Michelle Davidson, Housing Adviser
Amy Gilbert-Jeans, Property and Asset Manager
John Golding, Strategic Lead - Housing, Health and Environment
Marian Hitchcock, PA to Strategic Lead Housing, Health & Environment and Housing
Paul Lowe, Housing Enabling & Allocations Manager
Andrew Mitchell, Housing Needs & Strategy Manager
Jane Reading, Tenant & Communities Section Leader
Giles Salter, Solicitor
Alethea Thompson, Democratic Services Officer
Melissa Wall, Housing Projects Officer
Mark Williams, Chief Executive

Also present:
Cllr Jill Elson, Portfolio Holder – Sustainable Homes and Communities
Cllr David Barrett
Cllr Peter Faithful
Cllr Tom Wright
Jose Ireland, Tenant Scrutiny Panel
Jim Kelleher, Tenant Scrutiny Panel
Sylvia Martin, Tenant Scrutiny Panel

Apologies:
Cllr Ian Hall
Angela Bea, tenant
Julie Bingham, independent community representative
Cllr Steve Gazzard
Cllr Ian Thomas, Portfolio Holder - Finance

Chairman .... Date..

STRATA - JOINT EXECUTIVE COMMITTEE

Monday 16 January 2017

Present:-

Councillor Jeremy Christophers (Chair)
Councillors Edwards and Moulding

Non-Voting Members:-

Nicola Bulbeck, Karime Hassan and Mark Williams

Also Present

Chief Operating Officer, Assistant Director Finance, The Teignbridge Strata Director, Programme & Resource Manager, The Strategic Lead for Human Resources, Strategic Lead Finance (EDDC) - Strata Director, Business Development Manager, Infrastructure and Support Manager, Security and Compliance Manager, Document Centre Manager and Democratic Services Manager (Committees)

In attendance

Representative from Devon Audit Partnership

1 APOLOGIES

Apologies for absence were received from Councillor Paul Diviani – Leader - East Devon District Council.

2 MINUTES

The minutes of the meeting held on the 27 September 2016 were taken as read and signed by the Chair as correct.

3 DECLARATIONS OF INTEREST

No declarations of disclosable pecuniary interest were made.

4 STRATA BUDGET MONITORING DECEMBER 2016/17

The Director (Finance Lead) presented the report advising Members on the financial progress of Strata during the first nine months of 2016-17, including a project outturn assessment against savings agreed in the budget.

Members were advised that at the nine month stage the Board was projecting a revenue saving of about £70,000 against the target of £254,052 in the original business case. At the start of the financial year a revenue saving of only £27,000 was projected due to the approval to move staff to new Strata Terms and Conditions and the main reason that the savings had now increased were that the planned redundancies were now lower than estimated in the Budget.

RESOLVED that the report be noted.

5 LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part I, Schedule 12A of the Act.

6 UPDATE ON STRATA IMPLEMENTATION PLAN CREATING A REVISED BUSINESS PLAN 2017/18

The report of the Chief Operating Officer, Strata and Strata Board was submitted which advised Members of the progress that Strata had made in the Implementation Plan, sought approval for changes to the Business Plan and approval for capital expenditure.

The Chief Operating Officer gave a presentation, Members were updated on the following:-

- Main aims of Strata when it was formed in 2014
- Staff restructure
- New Data Centre
- savings target would now be achieved in year 13
- possible risk of Pension liability
- reduced costs to all Councils
- risk reduction
- increase capacity for change
- main work streams
- infrastructure
- issues with software.

The Director (Finance Lead) advised Members of the revaluation of the Pension fund liability and that Strata had been treated as a high risk although the three Councils had given an undertaking to cover the pension liability. The Board would be looking to challenge the recovery of the deficit over the three years as this had implications for the three Councils.

Members discussed the implications of the revaluation and supported the Board in approaching Devon County Council for a review of the recovery of deficit in the Pensions Fund.

The Chief Operating Officer advised Members that Strata Officers had been working with the software provider to address the bugs that had occurred in the system which had cause a delay in the roll out of the Global desk top.

Strata Joint Scrutiny Committee considered the report at its meeting on 16 January 2017 (3pm) and Councillor Howe reported that Scrutiny had raised some concerns regarding paying for the maintenance of software when it was still causing issues in the roll out of the Global Desk Top.

RECOMMENDED that the three Councils approve:-

(1) the Revised Business Plan for Strata;

(2) the adoption of the revised Business Plan for Strata which includes a revised savings profile; and

(3) the following additions to their capital programmes to allow the 2017/18 convergence plan and new contact centre software to be delivered

Capital Funding 2017/18 for Software Convergence Plans		
Organisation	**Contribution %**	**Capital Funding**
East Devon District Council	36.692	£190,615
Exeter City Council	35.936	£186,687
Teignbridge District Council	27.372	£142,198
Total		**£519,500**

7 INTERNAL AUDIT OF GOVERNANCE ARRANGEMENTS

The Teignbridge Strata Director presented the Strata Internal Audit Governance Arrangements 2015/16 report produced by the Devon Audit Partnership.

Members were advised that the Devon Audit Partnership opinion was that the Governance Arrangements were good. The Board would address the actions as identified in the report.

In response to Members, the Teignbridge Strata Director commented that report would be brought to the JSC and JEC regarding the appropriateness and level of reporting.

RESOLVED that the report be noted and requested that Strata implement actions as identified.

8 CHIEF OPERATING OFFICER

As this was Chris Powell's last meeting before his retirement the Committee thanked Chris for his vision in the setting up of Strata and his hard work on the progress that Strata had made. They wished him well for his future.

(The meeting commenced at 5.30 pm and closed at 6.15 pm)

Chair

STRATA JOINT SCRUTINY COMMITTEE

Monday 16 January 2017

Present:-

Councillors Dewhirst, Haines, Leadbetter, Lyons, Prowse, Jung, Howe and Sheldon

Also Present

Chief Operating Officer, The Teignbridge Strata Director, Security and Compliance Manager, Assistant Director Finance, Strategic Lead Finance (EDDC) - Strata Director, Programme & Resource Manager, Business Development Manager, Infrastructure and Support Manager, Document Centre Manager and Democratic Services Officer (Committees) (HB)

1 CHAIR

In the absence of Councillor Dent, the meeting was chaired by Councillor Howe of East Devon District Council.

2 APOLOGIES

These were received from Councillors Dent and Musgrave.

Councillor Sheldon was substituting for Councillor Musgrave.

3 MINUTES

The minutes of the meeting held on 15 September 2016 were taken as read and signed by the Chair as correct.

4 DECLARATIONS OF INTEREST

In respect of Min No 9, Councillor Jung declared an interest in that part of the report referring to DSG Retail.

5 QUESTIONS FROM THE PUBLIC UNDER PROCEDURAL RULES

None.

6 QUESTION FROM MEMBERS OF THE COUNCILS UNDER PROCEDURE RULES

None.

7 **STRATA BUDGET MONITORING QUARTER III : 2016/17**

The Director responsible for Finance presented the report setting out the financial progress of Strata during the first nine months of 2016/17, including a projected outturn assessment against the savings set out in the Business Plan.

The original business case for Strata had set out a savings profile over the initial 10 year period of the company. Approval to move staff to new Strata terms and conditions had meant that a revenue saving of only £26,964 was projected at the start of the financial year. The key variations were set out in the report which included additional income to finance Firmstep annual maintenance from Exeter City Council.

At the nine month stage, the Board was projecting a revenue saving for the Councils of about £70,000 for 2016/17 against the target of £254,052 in the original business case. The Councils had requested additional equipment and, at present, there were outstanding payments of £240,068 to be invoiced.

Strata Joint Scrutiny Committee noted the report.

8 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC**

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items on the grounds that they involved the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part I, Schedule 12A of the Act.

9 **UPDATE ON STRATA IMPLEMENTATION PLAN CREATING A REVISED BUSINESS PLAN 2017/18**

Councillor Jung declared an interest in that part of the report referring to DSG Retail.

On Behalf of the Strata Board, the Chief Operating Officer presented the report advising of the progress that Strata had made in the Implementation Plan, seeking approval for changes to the Business Plan and to gain approval for capital expenditure.

He presented the second review against the original Business Case, the report examining the vision, finances, technology, the convergence plan and the organisation and comparing the current situation with the May 2014 Business Case. His presentation detailed progress on the three key requirements of reducing cost, reducing risk and increasing capability for change. It was delivering strongly in the first two areas and beginning to make in-roads into the latter as a result of more systems and software becoming common, or converged, across the three Councils.

The savings profile had moved as a result of the restructure costs, an extended Global Desktop rollout, and changes to the Software Convergence Plans. The revised Global Desktop rollout had required contracts and resources to be kept on for an additional year with the intention of completing the roll out by April 2017 and this had increased costs.

Taking a number of factors into account, the latest convergence plan forecasted that the original savings total would be achieved over a slightly longer period between years 12 and 13. During the ten year plan period, revenue savings of £5.3m were now forecast. Should the councils decide to remain with original convergence assumptions then savings would revert to closer to those stated in the 2014 Business Plan.

The Director (Finance Lead) advised Members of the revaluation of the Pension fund liability and that Strata had been treated as a high risk although the three Councils had given an undertaking to cover the pension liability. It was the intention to challenge the recovery of the deficit over the three years as this had implications for the three Councils.

Members discussed the implications of the revaluation and supported the intention of approaching Devon County Council for a review of the recovery of deficit in the Pensions Fund.

The Chief Operating Officer advised Members that Strata Officers had been working with the software provider to address the bugs that had occurred in the system which had caused a delay in the roll out of the Global desk top.

Strata Joint Scrutiny Committee noted the report and requested approval by three constituent Councils of:-

(1) the Revised Business Plan for Strata;

(2) the adoption of the revised Strata business plan which included a revised savings profile; and

(3) the following additions to their capital programs to allow the 2017/18 convergence plan and new contact centre software to be delivered.

	% Contribution	Capital Funding
East Devon District Council	36.692%	£190,615
Exeter City Council	35.936%	£186,687
Teignbridge District Council	27.372%	£142,198
Total		£519,500

10 INTERNAL AUDIT OF GOVERNANCE ARRANGEMENTS

The Teignbridge Strata Director presented the internal audit report on governance and the Board’s proposed actions produced by the Devon Audit Partnership.

Following an earlier report on “IT Systems” which had been judged “Good”, a second report on Governance was also judged as “Good”. It was noted that the draft Business Plan had highlighted some of the findings as items for review and should assist with the delivery of the company’s business objectives and responsibilities. There were no significant matters arising from the audit and the recommendations made served to strengthen what were mainly reliable procedures.

“Good standard” levels of assurance had been given for each of the following areas:-

- Partnership Arrangements;
- Risk Management;
- Performance Management; and
- Governance Overview.

Strata Joint Scrutiny Committee noted the report.

(The meeting commenced at 3.00 pm and closed at 4.10 pm)

Chair

SCRUTINY WORK

The Chair invited feedback on the report of the Committee Chair on findings resulting from Members’ enquires conducted with service users.

Strata Joint Scrutiny Committee agreed that the report be included on the agenda for the next Committee meeting on 16 March 2017.

Recommendations for Cabinet consideration from the meeting of the Strategic Planning Committee on 17 January 2017

Minute 28 Adoption of Gypsy and Traveller Site Design and Layout Supplementary Planning Document

RECOMMENDED: that Cabinet adopts the Gypsy and Traveller Site Design and Layout Supplementary Planning Document, as agreed by the committee.

Minute 31 Status of Planning Guidance

RECOMMENDED: that Cabinet confirms withdrawal of the Planning Guidance shown in the table at 2.5 listed as 'Withdraw' in the committee report "Status of Planning Guidance" as reported to the Strategic Planning Committee on 17 January 2017.

EAST DEVON DISTRICT COUNCIL

Minutes of a meeting of the Strategic Planning Committee held at Knowle, Sidmouth on 17 January 2017

Attendance list at end of document

The meeting started at 10.00am and ended at 11.50am.

In the absence of the Chairman, the Vice Chairman, Cllr Bowden, chaired the meeting. The Committee agreed to Cllr Howe acting as Vice Chairman for the meeting.

***23 Public speaking**

The Chairman welcomed everyone present to the meeting. There were no members of the public that wished to speak.

***24 Minutes**

The minutes of the Strategic Planning Committee meeting held on 21 November 2016 were confirmed and signed as a true record.

***25 Declarations of interest**

Cllr Mike Howe; Minute 26
Interest - Personal
Reason: Property and business owner in Clyst St Mary

26 Greater Exeter Strategic Plan – Local Development Scheme and other matters

The report before the committee set out the next stages for agreement, in order to progress the production of the Greater Exeter Strategic Plan (GESP). These included:

- Agreement of a revised timetable, starting with consultation in February 2017 on an Issues Report, Greater Exeter Draft Statement of Community Involvement (SCI), and Housing and Employment Land Availability Assessment (HELAA) “call for sites”;
- Governance arrangement of each authority approving the GESP at each relevant stage; with a recommended member steering group consisting of the relevant portfolio holder from each of the five authorities; plus a joint informal advisory reference forum to comment on plan drafts. Member briefings would also be included to permit all councillors to review and comment on draft plan proposals;
- Agreeing the Issues Report for publication and consultation. This would fulfil a requirement to consult at an early stage, but also help introduce and explain the reasoning behind the agreed strategy;
- Supporting a joint SCI that covers GESP specific consultation only, as existing SCI policies for each authority do not currently match and would be time consuming to review and consolidate;
- Resourcing appropriately to deal with workload.

The committee were supportive of the recommendations, and comments included:

- Any work must also include co-operation with Somerset and Dorset – this would be included in the process of producing a GESP; Links should also be made with the Local Enterprise Partnership (LEP);
- The GESP needs to take into account the growth plan and economic aspirations of the district – the GESP was understood to be more than a “planner’s plan” with a strategic view covering other factors such as economic growth;
- Seeking assurances that the GESP would not subsume the Local Plan recently agreed – councillors were assured that the decisions still rested with them to agree as a Council, with the GESP following the same process as the Local Plan in

requiring it to be evidence based. The GESP was explained as a strategic level of plan, not containing specific detail as found in some sections of the Local Plan;
- Working together with the other authorities at this early stage allowed greater scope for influence, including in aspects such as equitable distribution of housing allocation;
- The GESP and the Local Plan were not in competition with each other – there would be a level of synergy between them; this meant moving away from the traditional tiered approach of plans to apply to applications, to material weight of factors from both plans;
- Development Management Committee would refer to the Local Plan as taking preference on application decisions until the GESP emerges; then the GESP will start to carry greater weight, but only in the strategic elements of decision making;
- Housing allocation numbers may well increase over the years purely because of the growing demand over time, but again any suggestion of number had to be evidence based;
- Software previously identified for detailing land within the five-year land supply would be investigated to see if it could be used across the areas for efficiencies in linking up land identified for development;
- Governance arrangements set out in the report were welcomed to ensure Councillor involvement, but concern was raised that there were too many forums and groups of a similar nature that could lead to duplication, differing influences and added pressure on busy councillors. Some form of rationalisation of the groups would be helpful;
- Infrastructure in the greater Exeter area needed careful consideration and not just a review of the existing measures, and some of the problems with road junctions were used as examples; the strategic plan of the County Council would needed to be taken into account with creating the GESP, and vice versa;
- Keen to take opportunity to influence the plan for the wider area at this early stage to ensure that Councillors can comment on and influence the GESP.

RECOMMENDATION that Council

1. The process of production of the Greater Exeter Strategic Plan is agreed, noting that it may be subject to review as the plan is prepared;

2. The draft budget for 2017/18 includes £78,000 per annum for up to 3 years (with a review of resources after 2 years) be made available for the appointment of two additional temporary members of staff to provide sufficient capacity in the Planning Policy Team to be able to work on the Greater Exeter Strategic Plan, and to avoid delays in production of the planned Development Plan Documents (DPDs) and Supplementary Planning Documents (SPDs) and other planning policy work to deliver the development proposed in the Local Plan.

3. In the event that recommendations 1 and 2 are agreed that the following actions to progress work on the Strategic Plan also be agreed:

a) The timetable for the Greater Exeter Strategic Plan;

b) The Local Development Scheme be updated to include the Greater Exeter Strategic Plan with immediate effect;

c) The Greater Exeter Strategic Plan be prepared under Section 28 of the Planning and Compulsory Purchase Act 2004, without the need for a statutory joint planning committee;

d) a Member Steering Group be set up with a representative from each of the five councils, to which East Devon's Portfolio Holder for Strategic Development and Partnerships be appointed, with Portfolio Holder for Economy as his deputy;

e) a joint informal advisory reference forum is set up consisting of 5 councillors each from Devon, East Devon, Exeter, Mid Devon and Teignbridge to consider and make comments on draft plan proposals before they are formally considered by each council;

f) that the Strategic Planning Committee be authorised to deal with all aspects of the preparation of the Greater Exeter Strategic Plan on behalf of the Council, save for the final adoption of the Strategic Plan which shall remain with the Council;

g) that resolving any inconsistencies arising from the decisions of individual councils is delegated to the Chief Executive in consultation with the Portfolio Holder for Strategic Development and Partnerships.

RESOLVED: that the Strategic Planning Committee:

1. Approve the "Issues" document and the draft Greater Exeter Statement of Community Involvement for consultation purposes;
2. Delegates authority to the Service Lead - Planning Strategy and Development Management to agree minor changes to wording, corrections and minor format changes which may be required and to agree to the consultation being carried out provided Council agrees recommendations 1 and 2 above.

***27 Proposed changes to New Homes Bonus**

The report updated the Committee on the implications of the government's provisional announcement of the Local Governance Finance Settlement on the bonus scheme.

The proposed changes to the scheme are:

- Reduction in the number of years payments are made from 6 years to 5 years in 2017 – 18, and then 4 years from 2018 – 19 for existing and future years allocation;
- No payment will be made on housing growth below 0.4% of the council tax base in each year.

Unless there was a change in government policy, there would be no grant by 2020. A white paper was pending from the government, but there was no indication at this stage of a replacement scheme. Councillors expressed the success of the scheme and concern on the implications if no replacement scheme was brought in.

RESOLVED: that the Strategic Planning Committee notes the District Council's Network briefing note on proposed changes to the New Homes Bonus, and writes to each local Member of Parliament to outline the implications of the scheme reduction.

28 Adoption of Gypsy and Traveller Site Design and Layout Supplementary Planning Document

The Gypsy and Traveller Site Design and Layout Supplementary Planning Document, previously considered by the committee, had been subject to consultation. Feedback from that consultation had been considered and some amendment made to produce the final plan before the committee.

A further report would come forward on the implications of implementation and cost of delivery of such sites; this report covered setting a standard for sites.

RESOLVED: that the amendments to the Gypsy and Traveller Site Design and Layout Supplementary Planning Document be agreed.

RECOMMENDED: that Cabinet adopts the Gypsy and Traveller Site Design and Layout Supplementary Planning Document, as agreed by the committee**.**

*29 Heat Network Strategies for the West End

The report by the Projects Director for the Exeter and East Devon Growth Point set out in technical detail the development of heat networks and energy networks, including the analysis by the Centre for Energy and Environment. Working towards bringing forward technologies and energy sources locally were stressed, linked to the original zero carbon objective. This necessitated a need for a heat network strategy to make provision that enables the scaling up of renewable energy technologies to deliver increased CO_2 emissions reduction. The strategy would be used as part of the evidence base for the Cranbrook Development Plan Document (DPD).

The technologies were an exciting opportunity for ground-breaking work at Cranbrook on energy delivery.

Comments by councillors included:

- Ensure clear cost analysis on the technologies proposed, so that technologies adopted for energy delivery were not expensive. In response, explanation was given on the robust examination of the Cranbrook DPD of which this strategy would form part of the evidence base and so be fully tested;
- Need for more education of councillors on the technologies available;
- Look for co-operation, competitiveness and sustainability from energy providers.

RESOLVED:

1. that the ‘Heat Network Strategies for the West End’ report be adopted as part of the evidence base for the Cranbrook Development Plan Document (DPD);
2. that the recommendations in the ‘Heat Network Strategies for the West End’ report form the basis for framing polices and proposals within the Cranbrook DPD for achieving zero carbon development at Cranbrook, and inform subsequent decision making on development proposals at Cranbrook and the wider West End.

*30 South Marine Plan Draft for consultation – November 16

The draft plan by the Marine Management Organisation is currently under consultation until late January 2017. The draft plan, when adopted, contains policies that, as well as guiding development that affects the marine environment, could also be relevant to the consideration of planning applications with close links to the coast, with a direct overlap between terrestrial planning and the “intertidal” zone. The report set out what elements of the proposed plan were most relevant to the Council.
Legal observations were amended to those shown on the printed agenda as being “contained within the report”.

In response to a question about the involvement of the Ministry of Defence, the response was that they were sometimes required as a consultee, but this was rare. However the adoption of the plan gave clear policy to consider if such a planning application arose –

examples given included for an offshore wind farm.

RESOLVED:
1. that the Strategic Planning Committee recognises the importance of the draft Marine Plan to the activities of the Council, including planning decisions, policy development and advice on neighbourhood planning;
2. that the Council submits comments of support in response to the consultation on the draft Marine Plan.

31 Status of Planning Guidance

The report set out the consolidation process of planning guidance, to seek out elements that were now outdated or superseded. This included relating to sites that have been developed, and the adoption of a new Local Plan.

The specific elements were set out in the report for the committee to consider for withdraw, including the reasons for removing it. This consolidation would give clarity to the Development Management Committee on planning guidance for their use in determination of planning applications.

The work of the service was commended in ensuring that relevant guidance was retained and updated.

RECOMMENDED: that Cabinet confirms withdrawal of the Planning Guidance shown in the table at 2.5 listed as ‘Withdraw’ in the committee report “Status of Planning Guidance” as reported to the Strategic Planning Committee on 17 January 2017.

RESOLVED: that the Strategic Planning Committee;
1. Confirms that the former Supplementary Planning Guidance documents listed in the table at 2.5 as “Change status to endorsed” in the committee report be used as guidance to inform decision making.
2. Notes the further work required to update the Conservation Area Appraisals and agrees that the existing documents continue to be used as guidance to inform decision making in the meantime.

Attendance list
Committee Members:
Councillors
Peter Bowden – Vice Chairman in the Chair
Mike Howe – Acting Vice Chairman

Mike Allen
Susie Bond
Peter Burrows
Jill Elson
Graham Godbeer
Geoff Jung
David Key
Rob Longhurst
Philip Skinner
Brenda Taylor
Mark Williamson

Also present (present for all or part of the meeting):
Councillors:
Geoff Pook
Colin Brown
Brian Bailey
Tom Wright
Peter Faithfull

Officers present (present for all or part of the meeting):
Mark Williams, Chief Executive
Matt Dickins, Planning Policy Manager
Ed Freeman, Service Lead – Strategic Planning and Development Management
Chris Rose, Development Manager
Henry Gordon Lennox, Strategic Lead – Governance and Licensing
Debbie Meakin, Democratic Services Officer

Apologies
Committee Members:
Andrew Moulding

Chairman .... Date..

Recommendations for Cabinet consideration from the joint meeting of the Overview and Scrutiny Committees on 18 January 2017

Minute 4 Draft Service Plans for 2017/18

RECOMMENDED by the Overview and the Scrutiny Committees that the Services Plans for 2017/18 be amended in light of comments relating to:

a the addition of a performance indicator for local land charges searches;

b the addition of an objective to review charges that could be made for planning related activity (this is in line with the Transformation Strategy);

c Planning's key performance indicator on planning application determination timescales be amended to align to the figures reported to Government;

d the addition of drafting a rural economic strategy;

and that those reviewed Service Plans for 2017/18 be recommended to Council for adoption.

Minute 5 Draft Revenue and Capital Budgets 2017/18

RECOMMENDED by the Overview and Scrutiny Committees:

1. that the Council increases the Council Tax for 2017/18 by £5 per year;
2. that the draft Capital Budget for 2017/18 be recommended to Council and the committees support the inclusion of the Axminster Heritage Centre grant of £50K.
3. that the draft Revenue Budget for 2017/18 be recommended to Council, subject to the inclusion of:
   a) Greater Exeter Strategic Plan £234,000 one off sum;
   b) Economic Development Officer £38,500 per year;
   c) Property Records Officer £22,500 per year;
   d) Business Administration Apprentice £16,880 per year – expected to be for an 18 month placement;
   e) Corporate Property Systems Development £22,500 one off sum;

   and the deferral of the transformation strategy saving relating to Street Scene - recharge event cost clear up, until a review of the implications of the recharge by the is undertaken by the Scrutiny Committee, and their recommendations considered.

EAST DEVON DISTRICT COUNCIL

Minutes of a meeting of the Overview and Scrutiny Committees held at Knowle, Sidmouth on 18 January 2017

Attendance list at end of document

The meeting started at 9.00am and ended at 12.55pm. Councillor Roger Giles acted as Chairman for the joint meeting, with Councillor Graham Godbeer acting as Vice Chairman in the absence of Councillor Peter Bowden.

***1 Public speaking**

There were no public speakers at the meeting.

***2 Declarations**

Minute 4: Councillor Jill Elson; personal interest; Community Transport
Minute 4: Councillor Andrew Moulding; personal interest; Trustee of the Axminster Heritage Centre
Minute 4: Councillor John Dyson; personal interest; Trustee of Folk Festival committee

3 Draft service plans for 2017/18

The committees considered the service plans for 2017/18 and discussion arose as follows:

Countryside and Arts

- Separate arrangements for the parking of theatre production staff were in place for the Manor Pavilion car park; with an estimated £10K set up fee to make this car park pay and display, the projected income was between £20K and £30K for first year
- A number of savings had already been incorporated into the service through the Transformation Strategy.

Environmental Health and Car Parks

- In response to comments about difficulties in enforcing dog fouling offences, the committee were reminded about the work of the team to proactively discourage such offences, and that the majority of dog owners in the District were responsible in picking up dog mess;
- Overall the District had a positive record on air pollution and the Honiton air quality management area order may be revoked this year;
- Work continued in reviewing car park charges, considering feedback from users to help establish how to simply as much as possible the charges in the District;
- Every mobile catering business/vendor should be properly registered and are not exempt from displaying a certificate;
- The car park adjacent to the library and surgery in the Blackmore area of Sidmouth, owned by the Council, would be one of the sites considered for taking on to manage more effectively; there was also planned work on the car park at Camperdown Terrace to increase capacity.

Finance

- The suggestion of an additional performance indicator for local land charge searches was made. During 2016, significant delays in the processing of property searches had arisen from a shortage of trained staff. This situation had now been resolved, with an expectation to reach normal processing times by February 2017; however the suggestion was made for the re-introduction of a performance indicator for the Scrutiny committee to monitor.

Governance and Licensing

- A question was posed about where the Council's transparency aims could be found and members where referred to previous Cabinet minutes which reiterated the Council's position on transparency.

Growth Point Services

No specific comments were made on this service plan.

Housing

No specific comments were made on this service plan.

Organisational Development and Transformation

No specific comments were made on this service plan.

Planning

- The percentage of affordable housing delivered should be reported regularly. At present the number isn't recorded as a percentage but could be calculated;
- Review planning application fees and pre-application fees;
- Habitat and flood mitigation measures are very stringent;
- In response to a question about the performance monitoring of the government eight week target for determination of a planning application, the committee were informed that a further systems thinking review has delivered some options for amended working, which is currently being trialed. Until the trials have been completed, the service is not in a position to evaluate if current staffing levels are right to deliver the service and improve on that performance target. The performance monitoring report will also need updating to reflect what the government now requires in reporting performance.

Property and Estates

- Discussions ongoing with the office of the Police and Crime Commissioner, Town Council and other interested parties on the future of the Exmouth CCTV system;
- Staffing issue with service needs resolving to ensure projects are delivered.

Economy and Regeneration

- Future publication to councillors and officer on local economic intelligence possible now that appropriate officer in place;
- Will include in March report to the Overview Committee on Economy the rural economy element expressed by members.

Streetscene

- Report coming forward on public toilet review;
- Service continues to work with Otter Rotters to get an improved collection service of garden waste; if it proves not possible for that organisation to provide a district wide service, other options will be explored;
- Service is working towards a solution to resolve compactor skip drop off of waste;
- DCC recycling credits issue has progressed and a model has been put forward by DCC to deduct any reasonable processing costs and split remaining value 50/50.

RECOMMENDED by the Overview and the Scrutiny Committees that the Services Plans for 2017/18 be amended in light of comments relating to:

a the addition of a performance indicator for local land charges searches;

b the addition of an objective to review charges that could be made for planning related activity (this is in line with the Transformation Strategy);

c Planning's key performance indicator on planning application determination timescales be amended to align to the figures reported to Government;

d the addition of drafting a rural economic strategy;

and that those reviewed Service Plans for 2017/18 be recommended to Council for adoption.

4 Draft Revenue and Capital Budgets 2017/18

The Cabinet report of 11 January 2017 outlined the financial position with a balanced budget produced in line with the Financial Plan, assuming a Council Tax increase of £5 for 2017/18. The draft budget showed a surplus position.
Included in the draft budget were savings identified through the Transformation Strategy. Three additional bids were presented to the committees alongside the draft budget, for consideration for inclusion.

Council Tax increase

The increase of £5 equated to £290K of income lost if not agreed. Not increasing at this level has a cumulative negative impact on future years.

A suggestion was made for a review of property values against council tax banding, which may reveal more income available.

The committees supported the assumed increase of £5 a year

Additional bids

The Portfolio Holder for Strategic Development and Partnerships presented the bid for the Greater Exeter Strategic Plan (GESP) – budget allocation requested of £234,000 one off sum. As set out in the report, this sum represented two posts for three years to enable the planning team to continue the work related to the documents linked to the Local Plan as well as work on the GESP. The timing was key to ensure that the Council was involved in the very early stages of the plan, to both comment and influence the plan as it emerges. The Strategic Planning Committee had recommended that this sum be included in the draft budget in their meeting the previous day.

In response to a comment about ensuring the GESP was properly integrated with the LEP priorities, the Portfolio Holder outlined that the wider area concept of development plans gave a better chance of securing funds from the LEP.

The committees discussed the benefits to early involvement in the process and felt the addition to the budget was necessary.

The Portfolio Holder for Economy presented the bid for the Economic Development Officer – budget allocation requested £38,500 per year. Whilst this was an ongoing cost to the Council in future years, he felt that the post was urgently required to help deliver the work the Council expected.

The committee discussed the benefits of the post in helping to deliver a wider investment by business in the area and the aspirations of the Council to promote local economic growth and productivity, as well as increase the development of employment land and business premises.

The Portfolio Holder for Economy presented the bid for Additional Resources in Estates Team – budget allocation requested £39,380 per year and one off sum of £22,500.
The additional resources request covered:

- Property Records Officer £22,500 per year;
- Business Administration Apprentice £16,880 per year – expected to be for an 18 month placement;
- Corporate Property Systems Development £22,500 one off sum.

Clarification was sought on the work covered by these additional posts if agreed, and the form of software needed to integrate the property records to help inform all services of the council. Some discussion arose over the existing post, now classed as a Service Lead for Estates and Property Services, which had been uplifted in the budget in order to secure the right candidate in competition with the private sector rate. After debate, the conclusion was to agree to the inclusion of the item into the draft budget, but an update on the success of the expansion of the service would need to come to the Scrutiny Committee at a future date.

Savings identified from the Transformation Strategy
The Cabinet report detailed the agreed savings from the Transformation Strategy where some variance had been calculated from the original budgeted savings.

From this list, the committees sought clarification, including on the following:

- StreetScene - recharge event cost clear up. Members commented on the impact a recharge would make on festival organisers who already faced considerable costs in putting on an event, such as the Ottery St Mary Tar Barrel event, or the Sidmouth Folk Festival. Other events using Council owned land already included an element of the hire fee to cover clear up costs. The total saving identified for this recharge was £9K. The recharge was considered in light of how this cost only benefitted one area of the District; others argued that the benefits of the events outweighed this idea because of the economic benefit to the towns and knock on effect to the District. A suggestion was made to look at recharging an element to mobile food sellers at such events, as a means of recovering part of the cost;
- Homesafeguard – income from fees. The Portfolio Holder for Homes and Communities outlined the work involved in setting appropriate fees, including listening to feedback from tenants and private home users of the service;
- A review of officer travel payments was less difficult to negotiate with staff and unions if the budget pressure was stronger, this is likely to be the case in future years but at this stage, other transformation savings had balanced the budget for 2017/18.

Application for capital grant from the Axminster Heritage Centre
A grant request of £50K from the Axminster Heritage Centre had been included in the draft Capital Budget 2017/18, but highlighted for discussion because the grant related to an asset that was not owned by the Council.
Councillor Andrew Moulding spoke about the developing work in regeneration of Axminster, with the Heritage Centre being a key part of the development of the town centre. He outlined some of the offer of the centre and the benefits of it to both the local community and visitors to the area.

The centre was also adept at sourcing other funding, and was unlikely to spend this grant unless other funding bids proved successful.

Members of the committees questioned why an asset not belonging to the Council should be linked to the capital programme. The committees agreed that in this instance, the grant should be included, but supported the suggestion that the Audit and Governance Committee should review how such applications are considered to be included within the capital programme.

Budget book queries
Clarification was sought on a number of elements of the draft budget detail. In response to those queries:

- Markets variance under the Economy portfolio related to the reduction of market activity for the council now being just the market building in Sidmouth town centre;
- The variance for the AONB and countryside teams related to the additional contribution towards the habitat mitigation wardens;
- Income for the sale of the Knowle building was set out in the capital programme financing: in year capital receipts General Fund.

RECOMMENDED by the Overview and Scrutiny Committees:

1. that the Council increases the Council Tax for 2017/18 by £5 per year;
2. that the draft Capital Budget for 2017/18 be recommended to Council and the committees support the inclusion of the Axminster Heritage Centre grant of £50K.
3. that the draft Revenue Budget for 2017/18 be recommended to Council, subject to the inclusion of:
   a) Greater Exeter Strategic Plan £234,000 one off sum;
   b) Economic Development Officer £38,500 per year;
   c) Property Records Officer £22,500 per year;
   d) Business Administration Apprentice £16,880 per year – expected to be for an 18 month placement;
   e) Corporate Property Systems Development £22,500 one off sum;

   and the deferral of the transformation strategy saving relating to Street Scene - recharge event cost clear up, until a review of the implications of the recharge by the is undertaken by the Scrutiny Committee, and their recommendations considered.

RECOMMENDED by the Overview and Scrutiny Committees to the Audit and Governance Committee that a review of the procedure for considering capital grants for assets not owned by the Council being included in the Capital programme, be undertaken.

RESOLVED that the Scrutiny Committee receive an update report from the Estates Team on the work of their service one year after the recruitment of the Property Records Officer and Business Administration Apprentice, subject to the agreement of those posts being included in the Revenue Budget for 2017/18 by Council on 22 February 2017.

Attendance list (present for all or part of the meeting):
Committee Members present:
Roger Giles
Graham Godbeer
Simon Grundy
Dean Barrow
Mike Allen
Marianne Rixson
Marcus Hartnell
Bill Nash
Bruce De Saram
Maddy Chapman
Cherry Nicholas
Peter Faithfull
Rob Longhurst
John Humphreys

Other Members
Ian Thomas
Iain Chubb
Andrew Moulding
Tom Wright
Jill Elson
Philip Skinner
Phil Twiss
Paul Diviani
John Dyson
Geoff Jung

Officers present:
Richard Cohen, Deputy Chief Executive, Development, Regeneration and Partnership
Simon Davey, Strategic Lead - Finance
John Golding, Strategic Lead – Housing and Environment
Henry Gordon Lennox, Strategic Lead – Governance and Licensing
Ed Freeman, Service Lead – Planning Strategy and Development Management
Charlie Plowden, Service Lead – Countryside and Leisure
Laurelie Gifford, Financial Services Manager
Donna Best, Principal Estates Surveyor
Debbie Meakin, Democratic Services Officer

Apologies:
Mark Williams, Chief Executive

Alan Dent
Cathy Gardner
Val Ranger
Peter Bowden
Ian Hall
Pauline Stott

Chairman .... Date..

DATES FOR COUNCIL, CABINET & COMMITTEE MEETINGS 2017/2018

Unless otherwise indicated meetings will normally be held at Knowle, Sidmouth. Not all meetings are open to the public and not all business at other meetings can be considered in the public part of the meeting Please check the weekly newsletter 'The Knowledge' for most up to date details of forthcoming meetings

MAY 2017

Wednesday	17		**ANNUAL COUNCIL**	6.30 pm

JUNE

Tuesday	6		Development Management	10.00 am
Tuesday	6	**	STRATA Joint Scrutiny Committee (Civic Centre, Exeter)	5.30 pm
Wednesday	7	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	7		Cabinet	5.30 pm
Thursday	8		Housing Review Board	2.30 pm
Tuesday	13		Overview Committee	6.00 pm
Thursday	15		Asset Management Forum	9.30 am
Tuesday	20	**	STRATA Joint Executive Committee (Civic Centre, Exeter)	5.30 pm
Wednesday	21	††	Licensing and Enforcement Sub (if required)	9.30 am
Tuesday	22		Scrutiny Committee	6.00 pm
Wednesday	28	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	29		Audit and Governance Committee (DO NOT MOVE)	2.30 pm

JULY

Tuesday	4		Development Management	10.00 am
Wednesday	5	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	5		Cabinet	5.30 pm
Thursday	6		Asset Management Forum	9.30am
Tuesday	11		Strategic Planning Committee	10.00 am
Wednesday	12	††	Licensing and Enforcement Sub (if required)	9.30 am
Tuesday	18		Standards Committee	10.00 am
Wednesday	19	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	20		Scrutiny Committee	6.00 pm
Wednesday	26	††	Licensing and Enforcement Sub (if required) (Cttee Room)	9.30 am
Wednesday	26		**COUNCIL**	6.30 pm

AUGUST

Tuesday	1		Development Management	10.00 am
Wednesday	2	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	2		Cabinet (if required)	5.30pm
Wednesday	9	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	16	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	23	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	23	†	Licensing and Enforcement Committee	9.30 am
Thursday	24		Scrutiny Committee (if required)	6.00 pm
Wednesday	30	††	Licensing and Enforcement Sub (if required)	9.30 am

SEPTEMBER

Tuesday	5		Development Management	10.00 am
Wednesday	6	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	6	**	STRATA Joint Scrutiny Committee (Civic Centre, Exeter)	5.30 pm
Wednesday	6		Cabinet	5.30pm
Thursday	7		Asset Management Forum	9.30 am
Thursday	7		Housing Review Board	2.30 pm
Tuesday	12		Overview Committee	6.00 pm
Wednesday	13	††	Licensing and Enforcement Sub (if required)	9.30 am
Tuesday	19		Strategic Planning Committee (if required)	10.00 am
Wednesday	20	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	21		Audit and Governance Committee	2.30 pm
Thursday	21		Scrutiny Committee	6.00 pm
Tuesday	26	**	STRATA Joint Executive Committee (Civic Centre, Exeter)	5.30 pm
Wednesday	27	††	Licensing and Enforcement Sub (if required)	9.30 am

OCTOBER

Tuesday	3		Development Management	10.00 am
Wednesday	4	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	4		Cabinet	5.30 pm
Thursday	5		Asset Management Forum	9.30 am
Tuesday	10		Strategic Planning Committee	10.00 am
Wednesday	11	††	Licensing and Enforcement Sub (if required)	9.30 am
Tuesday	17		Standards Committee	10.00 am
Wednesday	18	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	19		Scrutiny Committee	6.00 pm
Wednesday	25	††	Licensing and Enforcement Sub (if required) (Cttee Room)	9.30 am
Wednesday	25		**COUNCIL**	6.30 pm
Tuesday	31		Development Management	10.00 am

NOVEMBER

Wednesday	1	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	1		Cabinet	5.30 pm
Thursday	2		Asset Management Forum	9.30 am
Thursday	2		Housing Review Board	2.30 pm
Tuesday	7		Overview Committee	6.00 pm
Wednesday	8	††	Licensing and Enforcement Sub (if required)	9.30 am
Tuesday	14		Strategic Planning Committee (if required)	10.00 am
Wednesday	15	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	15	†	Licensing and Enforcement Committee	9.30 am
Thursday	16		Audit and Governance Committee	2.30 pm
Thursday	16		Scrutiny Committee	6.00 pm
Wednesday	22	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	29	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	29		Cabinet	5.30 pm
Thursday	30	**	STRATA Joint Scrutiny Committee (Civic Centre, Exeter)	5.30 pm

DECEMBER

Tuesday	5		Development Management	10.00 am
Wednesday	6	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	7		Asset Management Forum	9.30 am
Thursday	7		Strata Joint Executive (Civic Centre, Exeter)	5.30 pm
Wednesday	13	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	13		COUNCIL	6.30 pm
Wednesday	20	††	Licensing and Enforcement Sub (if required) Cttee Room	9.30 am

JANUARY 2018

Wednesday	3	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	3		Cabinet	5.30 pm
Thursday	4		Asset Management Forum	9.30 am
Tuesday	9		Development Management	10.00 am
Wednesday	10	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	11		Housing Review Board	2.30 pm
Tuesday	16		Strategic Planning Committee	10.00 am
Wednesday	**17**		**Joint Overview & Scrutiny – Service Planning & Budget**	**9.00 am**
Wednesday	17	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	18		Audit and Governance Committee	2.30 pm
Tuesday	23		Standards Committee	10.00 am
Wednesday	24	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	31	††	Licensing and Enforcement Sub (if required)	9.30 am

FEBRUARY

Tuesday	6		Development Management	10.00 am
Wednesday	7	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	7		Cabinet	5.30 pm
Thursday	8		Asset Management Forum	9.30 am
Wednesday	14	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	14	†	Licensing and Enforcement Committee	9.30 am
Wednesday	21	††	Licensing and Enforcement Sub (if required) Cttee Room	9.30 am
Thursday	22		Scrutiny Committee	6.00 pm
Wednesday	28	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	28		COUNCIL – setting Council Tax and agree budgets	6.30 pm

MARCH

Tuesday	6		Development Management	10.00 am
Wednesday	7	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	7		Cabinet	5.30 pm
Thursday	8		Asset Management Forum	9.30 am
Thursday	8		Housing Review Board	2.30 pm
Tuesday	13		Overview Committee	6.00 pm
Wednesday	14	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	15		Audit and Governance Committee	2.30 pm
Thursday	15	**	STRATA Joint Scrutiny Committee (Civic Centre, Exeter)	5.30 pm
Tuesday	20		Strategic Planning Committee (if required)	10.00 am
Tuesday	20	**	STRATA Joint Executive (Civic Centre, Exeter)	5.30 pm
Wednesday	21	††	Licensing and Enforcement Sub (if required)	9.30 am
Thursday	22		Scrutiny Committee	6.00 pm
Wednesday	28	††	Licensing and Enforcement Sub (if required)	9.30 am

APRIL

Tuesday	3		Development Management	10.00 am
Wednesday	4	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	4		Cabinet	5.30 pm
Thursday	5		Asset Management Forum	9.30 am
Tuesday	10		Strategic Planning Committee	10.00 am
Wednesday	11	††	Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	18		Licensing and Enforcement Sub (if required)	9.30 am
Thursday	19		Scrutiny Committee	6.00 pm
Tuesday	24		Standards Committee	10.00 am
Wednesday	25		Licensing and Enforcement Sub (if required) Cttee Room	9.30 am
Wednesday	25		**COUNCIL**	6.30 pm

MAY

Tuesday	1		Development Management	10.00 am
Wednesday	2		Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	2		Cabinet	5.30 pm
Wednesday	9		Licensing and Enforcement Sub (if required)	9.30 am
Wednesday	16		Licensing and Enforcement Sub (if required) Cttee Room	9.30 am
Wednesday	16		**Annual meeting of the Council – to be confirmed**	6.30 pm

Time to be arranged

† The Licensing and Enforcement Committee includes within its functions the Licensing Act 2003, Gambling Act 2005, and all matters relating to hackney carriages and private hire.

†† Sub-Committee of the Licensing and Enforcement Committee whose functions are primarily to deal with hearings under the Licensing Act 2003 and Gambling Act 2005.

** STRATA Executive and Scrutiny meetings will be held at the Civic Offices, Exeter unless advised otherwise – please check the Knowledge.

Notes:

- ❑ Devon County Council Budget meeting time tabled for ?? February 2018
- ❑ Meetings of the Standards Sub Committees will be arranged as required.

Report to:	**Cabinet**
Date of Meeting:	8 February 2017
Public Document:	Yes
Exemption:	None
Review date for release	None
Agenda item:	**14**
Subject:	**Revenue and Capital Estimates 2017/18**

Purpose of report:

The Cabinet adopted draft Revenue and Capital Estimates for 2017/18 at its meeting on 11 January 2017. A meeting of the Overview and Scrutiny Committees reviewed those budgets on 18 January and the Housing Review Board considered the Housing Revenue Account budgets on 12 January.

Proposals from those meetings are detailed in this report and the minutes of those meetings are contained on this agenda. It is now for Cabinet to consider those comments and proposals and to make final recommendations to Council.

As part of the Prudential Code for Capital Finance in Local Authorities the Council is required to set prudential indicators as part of its budget setting process, these indicators are detailed in the Treasury Management Strategy 2017/18 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy included on the Cabinet agenda and reflect the proposals and details in this report.

Recommendation:

1. **Net Revenue General Fund Estimate of £13.782m is approved as referenced in 2.6 of the report.**

2. **A Council Tax increase is approved of £5 a year giving a Band D council tax of £131.78 a year for 2017/18.**

3. **That the Housing Revenue Account Estimates with a net surplus of £0.522m is approved.**

4. **That the Net Capital Budget totalling £13.087m is approved.**

5. **A Council Tax requirement for West Hill Parish Council is agreed at £55,000 for 2017/18 giving a Council Tax Band D amount of £50.41.**

Reason for recommendation:

There is a requirement for the Council to set a balanced budget for both the General Fund and Housing Revenue Account and to levy a Council Tax for 2017/18.

Officer:

Simon Davey, Strategic Lead – Finance; sdavey@eastdevon.gov.uk

	tel: 01395 517490
Financial implications:	Details contained in the report
Legal implications:	The requirements for budget setting and council tax are set out in statute and regulations which the finance team take account of in the preparation of the report. The duties of the Council's Section 151 Officer include the requirement to make recommendations to ensure that the Council maintains an adequate level of reserves, when considered alongside the risks the Council faces and the general economic outlook
Equalities impact:	Low Impact Equality impact was considered by budget managers with finance officers during the budget preparation stage with consideration given to any budget variation which could result in any service changes being assessed as high, medium, or low in terms of equality impact. Due to the fact that no high or medium impacts were identified it is deemed that a full impact assessment is not necessary for implications in the budget proposals.
Risk:	Low Risk Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record has been considered in order to prepare robust budget proposals. The assessment of low risk has been made on the basis of the 2017/18 budget proposal and the mitigation of financial uncertainties as detailed in the report. Future budget considerations and risks from 2018/19 onwards will be considered in the Council's Medium Term Financial Plan.
Links to background information:	-
Link to Council Plan:	Funding allocation to meet the Council Plan

1. Introduction.

1.1 The Cabinet adopted draft revenue and capital estimates on the 11 January 2017.

1.2 The estimates and associated service implications were then considered by:

- A joint meeting of the Overview and Scrutiny Committees on 18 January.

- The Housing Review Board considered the Housing Revenue Account (HRA) estimates at its meeting on 12 January.

- We also invited comment from the business community to the Council's draft budget proposals.

1.3 This report leads on from the draft Revenue and Capital Budgets 2017/18 report presented to Cabinet on the 11January; this gave significant narrative on the budget proposals including the detailed estimate proposals presented in the budget book and service plans. A link to this report is provide here for reference http://eastdevon.gov.uk/media/1968759/110117-cabinet-combined-agenda.pdf , a link to the draft budget book is here http://eastdevon.gov.uk/papers/cabinet/110117bpcabinetdraftbudgetbook201718.pdf and a link to the service plans is here http://eastdevon.gov.uk/council-and-democracy/council-business/our-plans/service-plans/

2. Update and Summary of recommendations to Cabinet.

2.1 The minutes of the joint meeting of the Overview and Scrutiny Committees on 18 January and the Housing Review Board meeting of 12 January are contained on this agenda.

General Fund Budget

2.2 The draft General Fund budget adopted by Cabinet proposed a balanced budget with a net General Fund Revenue Estimate of £13.785m. No amendments were proposed to change the estimates building to this figure. This sum included £0.355m unallocated within the draft budget (surplus) to be used for special items bids to be considered by the Joint Overview and Scrutiny Committee.

2.2.1 Special Item bids

The special Item bid proposals for consideration are detailed below with the recommendation of the Overview and Scrutiny Committees to Cabinet.

Item	**Special Item Bids 2017/18**	**£**	**Recommended for inclusion in 2017/18 budget**	
			Overview Committee	**Scrutiny Committee**
1.	Greater Exeter Strategic Plan – One off sum	234,000	Yes	Yes
2.	Economic Development Officer – Annual cost	38,500	Yes	Yes
3.	Additional resources Estates Team – Property Records Officer (25% funded from HRA) – Annual cost (after HRA contribution)	22,500	Yes	Yes
4.	Additional resources Estates Team – Business Administration Apprentice – Changed to one off sum (18 months)	25,320	Yes	Yes
5.	Additional resources Estates Team – Corporate Property Systems Development – One off sum	22,500	Yes	Yes
Total recommended to be included in 2017/18 budget £342,820				

2.3 **Council Tax Level**

Members of both Committees recommended to Cabinet a Council Tax increase of £5 a year (3.9%) raising the charge from £126.78 to £131.78 a year for a band D property as included in draft budget.

2.4 **Transformation Strategy Savings**

In considering the savings obtained from the Transformation Strategy both Committees recommended excluding from the 2017/18 budget £9,000 savings relating to Street Scene proposed recharging of event clear up costs; events such as for Ottery St Mary Tar Barrels, Folk Festival and Carnivals. Members requested this be deferred until a review could be undertaken and details presented for further consideration.

2.5 No budget amendments have been proposed by the business community.

2.6 If Cabinet accept the above recommendations on the General Fund Budget this leaves a small surplus of £3,180 (£355,000 originally unallocated/ surplus less special items recommended of £342,820 less £9,000 transformation savings to be deferred). It is recommended this sum of £3,180 is set aside for 2018/19 to mitigate slightly the costs of the special item bids recommended which will have cost implications each year; this will then give a balanced budget position for 2017/18 without a transfer to or from the General Fund Balance required. **This gives a revised net budget for 2017/18 of £13,782m.**

Housing Revenue Account Budget

2.7 The draft Housing Revenue Account (HRA) budget adopted by Cabinet proposed a surplus of £0.522m. No amendments were proposed to the draft budget originally adopted by Cabinet.

Capital Budget

2.8 No amendments have been proposed to the draft capital budget and both Committees recommended retaining a £50,000 grant to Axminster Heritage Centre.

3. Council's Balances and Reserves

3.1 Details are contained in the draft Revenue and Capital Budgets 2017/18 report presented to Cabinet on the 11 January.

3.2 The General Fund Balance is estimated to be above the top end of the adopted range at the end of 2016/17 and this will be considered by Members at Outturn stage when the final position is known.

4. The Prudential Code for Capital Finance in Local Authorities

4.1 The Prudential Code for Capital Finance in Local Authorities gives the requirement to report on a series of prudential indicators, which are designed to support and record local decision making. These indicators are required to be part of the Council's budget setting process show the overall effect on various financing and borrowing strategies that the Council plans to adopt over the next three financial years. These indicators will be monitored and reported and when necessary updated to reflect any changes in policy.

4.2 This Council's prudential indicators are contained in the Treasury Management Strategy 2017/18 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy included on the agenda and reflect the proposals and details in this report.

5. West Hill Parish Council – 2017/18 Budget and precept

5.1 Following earlier decisions of the Council, the first elections to the new Parish Council will take place in May 2017. Prior to that there is a need for this Council to set the initial precept for the Parish Council.

5.2 The Chief Executive working with the West Hill Parish Council Campaign Group has proposed a budget of £55,000 for 2017/18, resulting in a parish Band D council Tax of £50.41 (Taxbase of 1,091). In addition the Parish Council will also receive a council tax support grant of £123. For completeness this proposal is included in this report to ensure a recommendation, if accepted by members, is made to Council.

Report to:	**Cabinet**
Date of Meeting:	8 February 2017
Public Document:	Yes
Exemption:	None
Review date for release	None
Agenda item:	**15**
Subject:	**Treasury Management Strategy 2017/18 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy**
Purpose of report:	The Chartered Institute of Public Finance and Accountancy (CIPFA) produce a Code of Practice for treasury management for Public Services. One of the main recommendations of this code is the requirement for an annual Treasury Management Strategy to be formally adopted by the Council. There is also a requirement to set prudential indicators relating to all treasury activities that the authority will undertake in the forthcoming financial year.
Recommendation:	**Cabinet recommends that:** **1. Council adopts this Treasury Management Strategy including the Prudential Indicators for 2017/18;** **2. Council approves the Minimum Revenue Provision Policy Statement; and** **3. Council approves the updated list of counterparties.**
Reason for recommendation:	The Council is required to formally adopt a Treasury Management Strategy and set prudential indicators before the beginning of the financial year.
Officer:	Janet Reeves – Accountant Janet.Reeves@eastdevon.gov.uk 01395 516551 Extension 2033
Financial implications:	Contained within the report
Legal implications:	As indicated in the accompanying report, the Treasury Management Strategy must be prepared in line with the statutory framework and related guidance and the finance team has confirmed that this has been done
Equalities impact:	Low impact

Risk:	Low risk The Council would fail to comply with CIPFA recommended “best practice” for treasury management.
Links to background information:	• The relevant background information is included within the appendices.
Link to Council Plan:	Continuously improving to be an outstanding Council.

East Devon District Council Treasury Management Strategy 2017/18

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

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1. **Introduction**

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council's risk or cost objectives.

The Council operates its treasury management function with reference to the Chartered Institute of Public Finance & Accounting Guidance laid out in the Code of Practice for Treasury Management in Public Services (CIPFA Code) and the Department for Communities & Local Government (CLG) Guidance on Local Government Investments.

CIPFA defines treasury management as:

> *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

The Council adopts the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. All treasury management matters are undertaken in accordance with the code, which recommends best practice in treasury management, including setting a strategy and reporting requirements.

1.2 Reporting Requirements

Under the CIPFA Code and CLG Guidance the Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and Treasury Indicators and Treasury Strategy

This, the first, and most important report covers:

- the capital plans (including prudential indicators);

- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report

This will update members with the progress of the capital position, amending prudential indicators as necessary, and noting whether any policies require revision.

An annual treasury report

This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

In addition to the above reports, Cabinet will be provided with an overview of treasury return against budget and prediction of likely outturn and year end variance as part of the financial monitoring reports presented to Members throughout the year.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by Cabinet.

1.3 Treasury Management Strategy for 2017/18

The strategy for 2017/18 covers two main areas:

Capital issues

- the capital plans and the prudential indicators; and
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and,
- policy on use of external providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Training and Review

The CIPFA Code requires the Strategic Lead Finance (Section 151 Officer) to ensure that all Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny for treasury management. The following training has been undertaken by Members. During October 2015 Capita Asset Services provided a training session tailored towards Members in relation to treasury management. In addition, individual Members are given the opportunity to meet the Council's Treasury team to discuss treasury matters.

The training needs of treasury management officers are periodically reviewed. There is a post with specific responsibility for treasury management within the accountancy team and the Council is committed to ensuring the holder has the relevant qualifications and has access to the training and support required to undertake this role.

In addition, the Council's treasury management team is a member of the South West Treasury Management Benchmarking Group hosted by Capita Asset Services. This group has members from approximately 14 authorities and provides a forum for interpreting Treasury Management data across the area and sharing best practice. The group also allows the opportunity to consider any potential forthcoming treasury management risks, the early identification of which can aid proactive investment management.

The Council maintains an internal audit function through the South West Audit Partnership (SWAP). SWAP undertakes a periodic internal audit review of the treasury management function. In the latest audit by SWAP, which covered the 2015/16 financial year, the treasury management function was given a Substantial Opinion, which is the highest level of assurance available.

Further review is also provided by the external audit team, currently KPMG, who consider the reporting of treasury management data within the financial statements as part of their external audit opinion work.

1.5 Treasury Management Consultants

The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented, and subjected to regular review.

2 THE CAPITAL AND PRUDENTIAL INDICATORS 2015/16 – 2019/20

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirmation of the capital expenditure plans.

These indicators help show the effect of the financing and borrowing strategy that the Council plans to adopt over the next three financial years.

The Prudential Code and the indicators set, support the system of capital investment in the authority. They are set with regard to:

- Service objectives – strategic planning for the authority
- Stewardship of assets – asset management planning
- Value for money – option appraisal
- Prudence and sustainability – external borrowing implications
- Affordability – implications for council tax and housing rents
- Practicality – achievability of the forward plan

The indicators also act as an early warning system, to flag up if the Council decides to set capital programmes without the necessary finances to fund them.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Table 1 shows both actual capital expenditure incurred in 2015/16 and estimates for the years 2016/17 to 2019/20.

Table 1. Total Capital Expenditure to be incurred (Actual and Estimated)					
	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**	**£000**
General Fund	5,064	*10,901	7,996	5,678	1,342
HRA	479	2,953	625	625	625
Sub Total	**5,543**	**13,854**	**8,621**	**6,303**	**1,967**
Major Repairs	4,764	5,150	4,466	4,466	4,466
Total	**10,307**	**19,004**	**13,087**	**10,769**	**6,433**

*This includes the estimated £6m for the refuse contract fleet.

These figures show the Council's capital programme net of any grants or contributions received from third parties. The total capital expenditure also includes that related to major repairs, which for accounting purposes is shown within the HRA. The above financing need excludes other long term liabilities, such leasing arrangements which already include borrowing instruments.

The Council's Capital Programme is funded from various sources:

- Use of capital receipts (sale proceeds from assets)
- Contributions from revenue budgets
- Capital grants e.g. Environment Agency Grants, Disabled Facility Grant
- Contributions from other parties e.g. Devon County Council

Table 2 below summarises the above capital expenditure plans per the budget and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2. Financing of Capital Expenditure					
	Actual	**Per 2017/18 Estimates**			
Capital expenditure	**2015/16 £000**	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
Non-HRA	5,064	10,901	7,996	5,678	1,342
HRA	5,243	8,103	5,091	5,091	5,091
Total	**10,307**	**19,004**	**13,087**	**10,769**	**6,433**
Financed by:					
Capital receipts	(1,166)	(1,473)	(625)	(1,625)	(7,571)
Grants	(1,312)	(3,968)	(3,095)	(2,780)	(2,697)
Reserves	(1,539)	(934)	(1,478)	2,462	4,125
Revenue contributions to capital funding	(4,840)	(5,479)	(4,466)	(4,466)	(4,650)
Repayment of loans linked to a specific capital receipt	0	0	0	0	4,360
Internal borrowing	0	(7,150)	0	0	0
Net financing need for the year	**1,450**	**0**	**3,423**	**4,360**	**0**

Any planned expenditure in excess of the above funding streams is known as an unfunded balance which can be met from reserves or borrowing. The Capital Reserve at the 2015/16 year end stood at £2.405m.

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility within the lease payment and so the Council is not required to separately borrow for these schemes. As at the end of 2015/16 the Council will have no such schemes within the CFR.

In summary the CFR represents the Council's underlying need to borrow for capital purposes less any principal already repaid.

Table 3 shows both the actual CFR for 2015/16 and the estimates for 2016/17 to 2019/20. The Council is asked to approve these projections.

Table 3. Capital Financing Requirement (CFR)					
	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**	**£000**
General Fund	2,037	1,612	4,912	5,720	1,228
Housing Revenue Account	83,398	81,908	80,597	79,010	77,093
Totals	**85,435**	**83,520**	**85,509**	**84,730**	**78,321**
Movement in CFR	**(436)**	**(1,915)**	**1,989**	**(779)**	**(6,409)**
Movement in CFR Represented by					
Net Financing need for the year	1,450	0	3,423	4,360	0
Less MRP* and other financing movements	(1,886)	(1,915)	(1,434)	** (5,139)	*** (6,409)
	(436)	**(1,915)**	**1,989**	**(779)**	**(6,409)**

* MRP – Minimum Revenue Provision

** This includes the repayment of temporary borrowing in 2017/18

*** This includes the repayment of the short-term office relocation loan.

2.3 Current Portfolio Position of Gross Debt

Table 4 shows the Council's gross debt for 2015/16 and the estimated debt balance at each year end from 2016/17 to 2019/20. This includes the potential short-term cash flow borrowing.

Table 4. Total Borrowing Outstanding					
	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**	**£000**
Borrowing					
General Fund	2,037	1,962	7,262	8,080	3,598
Housing Revenue Account	83,398	81,908	80,597	79,010	77,093
Total Borrowing	**85,435**	**83,870**	**87,859**	**87,090**	**80,691**

2.4 Gross Debt v Capital Financing Requirement (CFR)

A comparison of the Council's Gross Debt to CFR is required by the Prudential Code, with explanations of any variances, to ensure that over the medium term the council only borrows to fund its capital programme. This is shown in Table 5.

Table 5. Gross Debt v Capital Financing Requirement					
	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**	**£000**
Gross Debt	85,435	83,870	87,859	87,090	80,691
Total CFR	85,435	83,520	85,509	84,730	78,321
Sub total	**0**	**350**	**2,350**	**2,360**	**2,370**
Cash Flow Borrowing	0	350	2,350	2,360	2,370
Variance	**0**	**0**	**0**	**0**	**0**

The cash flow borrowing above represents the maximum bank overdraft plus an estimate of potential short term funding to cover year end requirements. The strategy is managed to avoid such short term, and it is unlikely that this borrowing will need to be called upon but it has been included here to reflect a potential 'worse case' scenario. This table clearly demonstrates that the borrowing undertaken is only to fund the Council's capital programme.

2.5 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement*:*

For all unsupported borrowing (including finance leases) the MRP policy will be:

- Asset life (Annuity) Method; – MRP is the principal element for the year of the annuity, required to repay over the asset life, the amount of capital expenditure financed by borrowing (option 3).

This option provides for a reduction in the borrowing need over approximately the asset's life. The use of this option by EDDC is consistent with the prior year, and is recognised by CIPFA as being the most popular option in practice.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. In practice a loan repayment scheme has been defined based on the business plan, with a balance being struck between repaying as soon as possible and allowing the HRA to generate sufficient surpluses as a cushion against uncertainties and to carry out improvements to stock.

Repayments included for finance leases are applied as MRP.

2.6 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

The Council is asked to approve the following indicators:

2.6.1 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 6 shows how this indicator is calculated. A positive figure indicates external debt.

Table 6. Basis of Calculation for Ratio of Financing Costs to Net Revenue Stream				
General Fund (GF):				
Financing costs Minimum Revenue Provision Plus Interest charged on loans and Finance Leases Less Interest earned on investments	÷	**Budget requirement** Revenue Support Grant + Council Tax	=	**The ratio of financing costs to net revenue stream (General Fund)** as a %
Housing Revenue Account (HRA):				
Financing costs Voluntary Revenue Provision Plus Interest charged on loans and Finance Leases Less Interest earned on investments	÷	**Budget requirement** Council house tenants income +/- Contribution to or from HRA reserves	=	**The ratio of financing costs to net revenue stream (HRA)** as a %

Table 7 shows both the actual ratio of financing costs to net revenue stream for 2015/16 and the estimates for 2016/17 to 2019/20.

Table 7. Ratio of Financing Costs to Net Revenue Stream					
	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	%	**%**	**%**	**%**	**%**
General Fund	(1.60)	(3.07)	(2.97)	(2.88)	(4.21)
HRA	20.89	23.40	22.60	23.82	24.67

The estimates of financing costs include current commitments and the proposals in the budget report.

The General Fund ratio reflects the estimation that a higher level of investment income is received compared to that paid out in borrowing. These ratios do not include the impact of financing ‘political’ investments such as associated with Beer CLT, as the latter are cost neutral to the Council and therefore do not impact tax payers.

The HRA ratio changes are as a result of the principal associated with the HRA self financing loans becoming due.

2.6.2 Incremental Impact of Capital Investment Decisions on Council Tax and Average Weekly Housing Rents

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council’s existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as some aspects of Government support, which are not published over a three year period.

Table 8 shows the incremental impact of capital investment decisions proposed in the budget report. Only the financing costs associated with the General Fund capital loans are included within the calculation of impact on annual council tax, and only the financing costs associated with HRA capital loans are included within the calculation of the impact on average weekly housing rent. These figures have been adjusted in the same way as those in Table 7, as explained above.

Table 8. Incremental Impact of New Capital Investment Decisions on Council Tax and Weekly Housing Rents					
	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£	**£**	**£**	**£**	**£**
Band D Annual Council Tax	1.30	1.28	1.05	2.11	1.46
Average Weekly Housing Rent	16.34	18.47	17.63	18.89	20.36

The indicator takes into account the Council Tax base of 57,477 (2016: 56,404) and housing stock of 4,188 (2016: 4,211) for 2017/18.

3 Borrowing

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury and prudential indicators, the current and projected debt positions and the annual investment strategy.

Currently all project borrowing is undertaken via the Public Works Loan Board (PWLB), however officers review alternative sources of borrowing and select those offering the lowest cost to the Council at the time the funding is required.

3.1 General Fund

The Council's General Fund (GF) currently has one annuity loan associated with the delivery of services. This is in relation to recycling and refuse and it will have a remaining capital balance of £0.266m as at the end of 2016/17. The annual debt repayment for this loan is £0.072m (including interest of £0.011m for 2016/17). This loan is at a fixed rate of interest and includes an annual repayment of both principal and interest, which due to its nature vary each year depending on the loan balance.

During 2015/16 the Council borrowed £1.45m from PWLB to finance a loan issued to Leisure East Devon (LED) to fund the leisure centre enhancement programme. In effect this loan should not cost EDDC anything as LED is responsible for covering the principal and interest repayments. A further facility of £0.4m was available to be drawn down by LED, and this was drawn down in December 2016 on similar terms to the previous advances. Although it had been planned to take out a loan from PWLB to cover this additional cash flow, it has been financed by internal disinvestment instead.

During 2016/17, the GF repaid the maturity loan of £0.305m from PWLB. The Council had previously loaned the same amount onto Beer Community Land Trust Limited at the same rates as those charged to EDDC by PWLB. Also, during 2016/17, Beer Community Land Trust repaid the Council £0.015m, leaving £0.290m outstanding. A refinancing agreement for this amount has been put in place so that Beer Community Land Trust continues to be responsible for interest on and repayments on this lower amount. Having repaid the PWLB loan, the Council now finances this cash flow by internal disinvestment.

In practice the borrowing strategy is dependent on the amount and timing of expenditure, given the market conditions at the time, and the capital financing requirement is likely to be funded via a combination of external fund disinvestment, and/or loans from PWLB.

3.2 Housing Revenue Account (HRA)

As at 31 December 2016 the HRA had 23 PWLB Loans totalling just over £83.4m. Of these, 22 are maturity loans (principal repayable at the end of the loan) varying in remaining duration from 1 - 22 years taken out under the Government's self financing regime. The 23rd loan is an annuity loan (repaying principal each year) which was taken out in March 2011 for 17 new build properties. It is expected that the 2017/18 year-end position on these loans will be £80.6m.

The remaining capital balance on the 22 maturity PWLB loans will total £81.3m at the end of this financial year. The interest payments associated with these loans is £2.5m during this financial year.

The loan repayments have been profiled in line with the business plan, whereby the HRA generates resources to be able to repay the principal, with a balance being struck between repaying as soon as possible and allowing the HRA to generate sufficient surpluses as a cushion against uncertainties and enabling it to carry out improvements to stock.

The HRA annuity loan will have an outstanding capital balance of £0.619m at the end of this financial year. During 2016/17 £0.039m was paid out against this loan which included interest of £0.006m. This loan is at a fixed rate of interest and includes an annual repayment of both principal and interest, which due to its nature vary each year depending on the loan balance.

The estimated effect of these Capital loans is a decrease of £0.23 in the proportion of the Council's Band D tax level used for capital financing costs. This decreases from £1.28 in 2016/17 to £1.05 in 2017/18, (Table 8).

The actual effect of financing these loans on average weekly rents was £16.34 in 2015/16, (£14.24 in 2014/15), (Table 8).

3.3 Cash Flow or Temporary Borrowing

In addition to borrowing for capital purposes, the Council also borrows in the short-term to meet day to day shortages in its call account. This borrowing requirement is inherent within the operation of this account and is normally covered overnight via the call account overdraft and cleared the next day.

In some instances, particularly around the year end, the overdraft may not provide a sufficient short-term buffer, and in these instances the Council can borrow via the market at fixed rates for a fixed term of less than 3 months.

At the end of 2015/16 there was no requirement for short-term borrowing over the year end, and currently there is no indication that such borrowing will be required at the end of 2016/17.

3.4 Treasury Indicators: Limits to Borrowing activity

As part of the CIPFA code for Treasury Management it is recommended that the Council is informed of the anticipated borrowing limits required for the forthcoming financial year.

In addition to loans mentioned earlier, the Council will still need to make use of short term borrowing to meet day to day cash flow shortfalls.

The limits on the level of borrowings are stated below at 3.5 and 3.6.

3.5 The Operational Boundary for External Debt

This is the limit which external debt is not normally expected to exceed. This is the prudent level of external debt that the Council estimates will be required during any one year in terms of its capital financing and cash flow requirements. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt. The Council is asked to approve these limits and to delegate authority to the Section 151 Officer to be allowed to exceed these agreed limits if necessary, and report back to Cabinet, immediately after the event.

Table 9 shows both the actual operational boundary for external debt for 2015/16 and the estimates for 2016/17 to 2019/20. The operational boundary for any particular year has to be the higher of the opening and closing positions during that year.

Table 9. Operational Boundary for External Debt (Estimated)

	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**	**£000**
Borrowing - General Fund	2,037	2,037	7,262	8,080	8,080
Other LTL's* - General Fund	361	0	0	0	0
General Fund Total	**2,398**	**2,037**	**7,262**	**8,080**	**8,080**
Borrowing - HRA	84,426	83,398	81,908	80,597	79,010
Other LTL's* - HRA	0	0	0	0	0
HRA Total	**84,426**	**83,398**	**81,908**	**80,597**	**79,010**
Overall Total	**86,824**	**85,435**	**89,170**	**88,677**	**87,090**

*****LTL’s – Long Term Liabilities, e.g. Finance lease costs.

3.6 The Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

There is also a statutory limit determined under section 3 (1) of the Local Government Act 2003. In this case the Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The authorised limit is based on the Council's estimate of the most likely and prudent requirement for external debt (borrowing) during the year (the operational boundary) plus additional headroom for unanticipated cash movements, including those due to slippage.

For the General Fund the headroom is set at £3.0m.

For the HRA a debt cap of £87.844m set by the Government as the authorised limit has been used.

External debt is the sum of both debt to fund capital items, and short term borrowings to meet day to day cash flow variations.

In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt and to delegate authority to the Section 151 Officer (Strategic Lead Finance), to operate within the total limit for any individual year.

It is the duty of the Section 151 Officer to ensure that the authorised limits are consistent with the Council's current and future capital requirements. These limits should take account of risk management strategies, with regard to capital schemes and all future cash flow predictions, including the headroom referred to above for unexpected cash movements.

Table 10 shows the actual external debt for 2015/16 and the Authorised Limit for external debt for 2016/17 to 2019/20, based on estimates for capital expenditure and financing. The Council is asked to approve the following authorised limits:

Table 10. Authorised Limit for External debt (Estimated)					
	Actual	**Per 17/18 Estimates**			
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**	**£000**
Borrowing - General Fund	2,037	5,037	10,262	11,080	11,080
Other LTL's* - General Fund	361	0	0	0	0
General Fund Total	**2,398**	**5,037**	**10,262**	**11,080**	**11,080**
Borrowing - HRA	84,426	87,844	87,844	87,844	87,844
Other LTL's* - HRA	0	0	0	0	0
HRA Total	**84,426**	**87,844**	**87,844**	**87,844**	**87,844**
Overall Total	**86,824**	**92,881**	**98,106**	**98,924**	**98,924**

*****LTL's – Long Term Liabilities, e.g. Finance lease costs.

The Council's actual external debt at 31 March 2016 was £86.82m (General Fund £2.40m and HRA £84.42m).

3.7 Prospects for Interest Rates

The Council has appointed Capita Asset Services as its treasury advisor and part of its service is to assist the Council to formulate a view on interest rates.

Appendix 1 provides the full detail of Capita's interest rate forecast and central view.

The key point to note being that the bank rate is currently forecast to remain at 0.25% until the quarter to June 2019 when it is forecast to increase to 0.50%, with a further increase to 0.75% in the quarter to December 2019.

3.8 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs and improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates; and,
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing within the same period, and the Council is required to agree upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

3.9 Interest Rate Exposure

Based on the projected investment and borrowing requirements of the Council over the next three years the upper limit on fixed and variable interest rate exposure is outlined in Table 11. These rates are consistent with those in the 2016/17 strategy.

Table 11. Interest Rate Exposure

	General Fund		HRA	
	Fixed	**Variable**	**Fixed**	**Variable**
2017/18 Limits				
Borrowing	100%	20%	100%	20%
Investments	60%	100%	60%	100%
2018/19 Limits				
Borrowing	100%	20%	100%	20%
Investments	60%	100%	60%	100%
2019/20 Limits				
Borrowing	100%	20%	100%	20%
Investments	60%	100%	60%	100%

With the exception of the bank overdraft, all borrowing the Council undertakes is at a fixed rate of interest.

Investments have a 100% variable upper limit, as currently the majority of returns are variable including the external investment funds, ‘savings’ account, and money market fund investments. The fixed element of investments reflect fixed deposits, and non-treasury management, policy based investment decisions. All investments of this nature are on a fixed term basis, whereby any interest chargeable on a project is then recharged on to the project itself, the idea being that in cost terms there is a nil impact on the Council. The loan to LED as referred to elsewhere within this report is one such example of a policy based investment decision.

The upper limit on variable borrowing at 20% ensures a level of certainty for Council borrowing, and thus cash outflows. The upper limit on fixed investments helps to protect the council from interest rate risk. For example it is not in the best interests of the Council to have too much cash tied up in a fixed return investment in the event of an interest rate rise, which would mean better returns may be had elsewhere. Variable rate investments often track the base rate, thus removing the risk associated with upward interest rate changes.

3.10 Maturity Structure of Borrowing

This is the amount of projected long term capital borrowing that is due for repayment in each period expressed as a percentage of total borrowing. A limit is set to reduce the Council’s exposure to large sums falling due in any one period.

At any point the actual percentages of debt projected to mature in each year will add up to 100%, but the proposed indicator is for a range of approved percentages. This gives discretion within an approved range to the treasury team. It does mean that each ‘set’ of figures will sum to more than 100%.

The council is asked to approve the following limits as outlined in Table 12:

Table 12. Limits on Maturity Structure of Fixed Rate Borrowing as % of Total Borrowing

		General Fund		HRA	
		Upper Limit	Lower Limit	Upper Limit	Lower Limit
Current Year	2016/17	20%	0%	20%	0%
Next yr	2017/18	20%	0%	20%	0%
Y2-5	2018/19 - 2021/22	75%	0%	20%	0%
Y6 -10	2022/23 - 2026/27	20%	0%	20%	0%
Y11+	2027/28 – 2056/57	25%	0%	80%	0%

The upper limit in the General Fund for year’s two to five is due to the impact of cash flow timings associated with the repayment of the potential relocation loan. This loan is funded from capital receipts associated with the project and therefore does not represent a significant maturity risk to the Council.

Within the HRA the majority of the loans are over the longer term, as aligned to the HRA business plan, resulting in the upper limit being higher from 2027 onwards.

The upper limits on the maturity structure of borrowing will shift slightly each year as the maturity dates draw closer. However the limits shown are in line with expectations based on the funding plans.

The actual amounts maturing in each period are shown in Table 13 and reflect both the actual and potential loan commitments as referred to elsewhere within this strategy.

Based on capital borrowing plans included in the budget the current projected maturity structure of borrowing is shown in Table 13:

Table 13. Estimated Maturity Structure of Fixed Rate Borrowing as % of Total Borrowing

		General Fund		HRA	
		Projected Borrowing Amount Maturing £000	**Total**	**Projected Borrowing Amount Maturing £000**	**Total**
Current Year	2016/17	425	4.33%	1,490	**1.79%**
Next yr	2017/18	124	1.26%	1,310	**1.57%**
Y2-5	2018/19 - 2021/22	8,249	83.99%	8,383	**10.05%**
Y6 -10	2022/23 - 2026/27	369	3.76%	18,750	**22.48%**
Y11-20	2027/28 - 2036/37	654	6.66%	52,876	**63.40%**
Y21-30	2037/38 - 2046/47	0	0%	450	**0.54%**
Y31-40	2047/48 - 2056/57	0	0%	139	**0.17%**
		9,821	**100.00%**	**83,398**	**100.00%**

In addition to the above, the Council has an overdraft limit of £0.35m and can, if required, borrow for periods less than 3 months at fixed rates, in order to meet daily cash flow requirements. The strategy is managed so as to avoid short term fixed borrowing where possible.

3.11 Upper Limit for Total Principal Sums Invested over 364 days

Only the Council's external funds can be invested for over 364 days and these total £30.94m. In practice the Council can access this money with 3 days notice.

3.12 Policy on Borrowing in Advance of Need

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. For example the Council cannot borrow in advance of need purely to profit from the investment of extra sums borrowed.

The Strategic Lead Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance will be made within the constraints that it will:

- be limited to no more than the expected increase in borrowing need;
- occur not more than 12 months in advance of need); and,
- be agreed with the Section 151 Officer and Portfolio Holder for Finance in advance.

The risks associated with any borrowing in advance will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.13 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to Cabinet at the earliest meeting following its implementation.

4 Annual Investment Strategy

4.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

The Council's overriding investment policy objective is to prudently manage the Council's funds, ensuring that risks are minimised whilst maximising returns. The Council's investment priorities in order of importance are:

- Security of the invested capital
- Liquidity of the invested capital
- Yield (return on investment)

In accordance with the above objective and in order to minimise risk to the principal sums invested, the Council sets parameters which are assessed when considering the credit risk of potential counterparties to include on the lending list. These parameters include the minimum acceptable credit quality of counterparties, i.e.their creditworthiness, and their net asset value as applicable. The counterparty list also enables diversification and thus avoidance of concentration risk.

The creditworthiness methodology used to create the counterparty list takes account of the ratings, watches and outlooks published by three ratings agencies, as advised by CIPFA. The agency data used is that published by Fitch, Moody's, and Standard & Poors.

The Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and therefore other sources of information are used as relevant including:

- Financial press articles (macro-economic, banking, and individual institutions)
- Share price
- Other information pertaining to the banking sector
- Annual accounts of Building Societies

4.2 Creditworthiness Policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in and criteria for choosing investment counterparties with adequate security, as well as monitoring that security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Strategic Lead Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified and this list provides an overall pool of counterparties considered high quality which the Council may use, rather than defining the types of investment instruments that are to be used (i.e. cash, floating rate notes, and certificates of deposit).

Counterparty ratings are monitored on a real time basis via notifications received from Capita Asset Services as the agencies publish modifications. In addition a full review of the counterparty list is carried out on a regular basis.

The security of the Council's financial assets is paramount, and whilst the strategy needs to be clear in this area it also needs be sufficiently comprehensive and itterative in order to provide operational flexibility within, what at times, is a volatile macroeconomic environment. As the financial backdrop changes it is essential that the strategy is set to enable an efficient response to those changes.

The 2017/18 strategy allows for investments of up to £2.0m to be deposited with UK incorporated banks, or those banks entitled to receive UK deposits. However the reality is that the banks have not been willing to accept cash investments for the amounts and periods the Council has been able to offer. Market sentiment indicates that this will continue into the foreseeable future with the added risk that call account returns are likely to reduce. This demonstrates that whilst it is important to include a range of parameters within a comprehensive strategy it is also important to recognise the practicality of such parameters.

The Council manages the majority of its internal investments via money market funds and a range of building societies in line with the creditworthiness criteria referred to below.

In order to address the need for flexibilty, and to ensure the spread of risk, access to an investment portal has been arranged which allows officers to review and potentially transact with a small range of money market funds directly. All money market funds considered suitable with reference to the creditworthiness criteria will be approved for use by the Section 151 Officer before an account is opened. The Council currently has access to four money market funds; if appropriate operationally, consideration will be given to opening an additional money market fund in the future.

This strategy was changed to include corporate bonds within its creditworthiness criteria for the first time in 2016/17. The reason behind this is to provide further investment opportunities given the particularly low returns currently being offered by several of the building societies commonly used by EDDC. Investments in corporate bonds are limited to a duration of less than 1 year, must be AAA rated and have a maximum value of £2m per investee. The Council will not trade corporate bonds directly, but will trade via a specialist investment intermediary, whose fee is linked to the return. Given the short duration it is anticipated the majority of trades will be via the secondary market.

A very difficult investment environment remains. Whilst counterparty risk appears to have eased, it remains at elevated levels and economic forecasts abound with uncertainty. However, the UK also has a very accommodating monetary policy - reflected currently in a 0.25% bank rate.

EDDC's Treasury Management Strategy therefore needs to be sufficiently flexible to allow it to adapt to changing economic circumstance whilst ensuring the security of funds invested.

The Council's proposed creditworthiness criteria are included in the Table 14 below.

Table 14. Creditworthiness Criteria		
Organisation	**Criteria**	**Max Amount**
External (Long Term) Investment Fund		
Collective investment schemes (e.g. bond funds)	AAA long-term rating backed up with lowest volatility rating (V1/S1)	60% of External Fund total
Cash Flow/Internal Investments		
Deposit Building Societies	With over £5 Billion in total assets	£3m
Deposit Building Societies	With over £1 Billion in total assets	£2m
Deposit with UK incorporated Banks	Minimum F1, A1 or P1 short term backed up by A long term credit rating	£2m

Deposit with Banks Incorporated outside the UK but entitled to accept deposits in UK	Minimum F1+, A1+ or P1+ short term backed up by AA- long term credit rating	£2m
Money Market Funds	AAA long-term rating	£3m
UK Local, Police & Fire Authorities		£3m
UK Government Treasury Bills/Gilts		No limit
Corporate Bonds	AAA and less than one year duration	£2m

The ‘deposits’ referred to in Table 14 refer to either cash, floating rate notes or certificates of deposit.

The Council will not invest in subsidiaries that do not have a credit rating in their own right and a separate FSA licence from the parent company.

In the event of a downgrade resulting in a counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

Any changes in counterparty ratings or other criteria that put the counterparty below the minimum criteria whilst the Council holds a deposit will be brought to the attention of the Strategic Lead Finance and the Portfolio Holder for Finance immediately, with an appropriate response decided on a case-by-case basis.

The Council’s current counterparty list is included at Appendix 3.

It is recommended that Cabinet approves the creditworthiness criteria above.

4.3 Specified and Non-Specified Investments

Specified Investments are required to be in Sterling and have a maximum maturity of 1 year and be of ‘high credit quality’.

The definition of ‘high credit quality’ is set out below:

- Investments in Banks Incorporated in the UK with a credit rating of at least A/F1, A1 or P1 with a limit of £2m on the amount invested.

- Investments in Banks Incorporated outside of the UK but entitled to accept deposits in the UK, per the Bank of England Prudential

Regulation Authority list of banks, with a credit rating of at least AA-/F1+/A1+/P1 with a limit of £2m on the amount invested.

- Investments in collective investment schemes, including money market funds, structured as Open Ended Investment Companies (OEIC's) with a long term rating of AAA for Constant Net Asset Value (CNAV) funds and AAA V1/S1 for Variable Net Asset Values (VNAV).

- Internal Investments less than 6 months, up to agreed limits, in UK Building Society's with an asset basis of over £1 billion.

- Corporate bonds rated AAA of less than one year duration.

All investments over 1 year in duration and/or not meeting the definition of high credit quality listed above are classified as non-specified investments.

The Council limits non-specified treasury investments to 10% of the value of its investment portfolio at the point of investment, with the maximum amount invested being in line with criteria outlined in Table 14.

4.4 Current Investment and Borrowing Position

The current position on debt and investment principal as at 31 December 2016 is show in Table 15.

Table 15. Current Investment and Borrowing Position		
	£M	
Short Term Internal Investments		
Bank of Scotland call account	1.00	
Public Sector Deposit Fund (Money Market Fund)	2.80	
Amundi Money Market Fund –Short Term (GBP)	2.00	
Goldman Sachs Sterling Liquid Reserves Fund (Money Market Fund)	0.00	
Morgan Stanley Liquidity Funds – Sterling Liquidity Fund (Money Market Fund)	3.00	
Fixed Term Cash Deposits < 1 Month	0.00	
Fixed Term Cash Deposits < 2 Month	2.00	
Fixed Term Cash Deposits < 3 Month	0.00	
Fixed Term Cash Deposits < 4 Month	4.00	
Fixed Term Cash Deposits < 5 Month	0.00	
Fixed Term Cash Deposits < 6 Month	0.00	
Fixed Term Cash Deposits < 1 Year	1.00	
	15.8	**33.80%**
External Investments		
Royal London Asset Management - Cash Plus Fund	15.49	**33.14%**
Payden & Rygel - Sterling Reserve Fund	15.45	**33.06%**
	30.94	
Total Investments	**46.74**	
Borrowing		
Short Term Cash Flow Borrowing	0.00	
PWLB Loan (General Fund) < 20 years	1.61	
PWLB Loan (HRA) < 40 years	83.40	
	85.01	

4.5 Externally Managed Funds

The Council currently has over £30m invested, split equally between the following pooled investment vehicles, OEIC's:

- Cash Plus Fund – Royal London Asset Management (RLAM)
- Sterling Liquidity Fund – Payden & Rygel

4.6 End of year investment report

At the end of the financial year, the Council will be provided with a detailed report on its investment activity as part of the Annual Treasury Report.

5. Other Items

5.1 Use of Reserves

The draft 2017/18 budget has been compiled on the basis that the Council will make the following withdrawals from reserves:

	£000
General Fund Reserves	0
Capital Reserves	1,478
	1,478

The final amount to be withdrawn from reserves is subject to the final decision of Full Council on 22nd February 2017.

The need to withdraw any further funds from the investment portfolio will be kept under review and assessed on a case by case basis with reference to the economic climate at the time.

6. Appendices

1. Interest rate forecasts
2. Economic background
3. Current counterparty list
4. The treasury management role of the Section 151 Officer

Appendix 1: Interest Rate Forecasts 2017 - 2020 (provided by Capita Asset Services as at 17 January 2017)

This information has been provided by Capita Asset Services. The following table gives their central view.

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Capita Asset Services Interest Rate View	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%	-
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	-
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	-
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	-
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	-
Bank Rate														
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%	-
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%
5yr PWLB Rate														
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	-
Capital Economics	1.40%	1.60%	1.80%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%	3.20%
10yr PWLB Rate														
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	-
Capital Economics	2.20%	2.30%	2.40%	2.55%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%	3.60%
25yr PWLB Rate														
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	-
Capital Economics	2.75%	2.90%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%	4.15%
50yr PWLB Rate														
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	-
Capital Economics	2.70%	2.80%	2.90%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%	4.10%

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically *generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.*

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, ***downside risks to current forecasts*** *for UK gilt yields and PWLB rates currently include:*

- *Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.*
- *Major national polls:*
    - *Italian constitutional referendum 4.12.16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.*
    - *Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.*
    - *Dutch general election 15.3.17;*
    - *French presidential election April/May 2017;*
    - *French National Assembly election June 2017;*
    - *German Federal election August – October 2017.*
- *A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats*
- *Weak capitalisation of some European banks, especially Italian.*
- *Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.*
- *UK economic growth and increases in inflation are weaker than we currently anticipate.*
- *Weak growth or recession in the UK's main trading partners - the EU and US.*

The potential for ***upside risks to current forecasts*** *for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -*

- *UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.*
- *A rise in US Treasury yields as a result of Fed funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.*
- *The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding*

bonds as opposed to equities and leading to a major flight from bonds to equities.

- *A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).*

Investment and borrowing rates

- *Investment returns are likely to remain low during 2017/18 and beyond;*
- *Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;*
- *There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.*

Appendix 2: Economic Background (provided by Capita Asset Services as at 20 December 2016)

UK. ***GDP growth rates*** *in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.6%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.*

The ***referendum vote for Brexit*** *in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.*

The ***Monetary Policy Committee, (MPC), meeting of 4th August*** *was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.*

The ***MPC meeting of 3 November*** *left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.*

The latest MPC decision included a forward view that ***Bank Rate*** *could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the* *terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.*

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, ***consumers*** *have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in quarter 4 grew reasonably strongly, increasing by 1.2% and added 0.1% to GDP growth. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, by December it had fallen back to -7indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.*

Bank of England GDP forecasts *in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.*

Capital Economics' GDP forecasts *are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.*

The Chancellor *has said he will do 'whatever is needed' i.e. to* ***promote growth****; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn*

Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

*The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16).This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.*

*What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.6% in December. However, prices paid by factories for inputs are rising very strongly although producer output prices are still lagging well behind.*

***Gilt yields, and consequently PWLB rates**, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.*

***Employment** had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.*

***<u>USA.</u>** The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at*

+0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.5% signalled a rebound to strong growth. The Fed embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the ***presidential election*** *in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.*

Trump's election has had a profound effect on the ***bond market and bond yields*** *rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.*

In the first week since the US election, there was a major shift in ***investor sentiment*** *away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.*

<u>EZ.</u> *In the Eurozone,* ***the ECB*** *commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its*

March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

***EZ GDP growth** in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.*

There are also significant specific political and other risks within the EZ: -

- ***Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.*
- ***Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.*
- *The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.*
- ***4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has*

been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.

- ***Dutch general election 15.3.17****; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.*
- ***French presidential election;*** *first round 13 April; second round 7 May 2017.*
- ***French National Assembly election June 2017.***
- ***German Federal election August – 22 October 2017.*** *This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.*
- *The core EU, (note, not just the Eurozone currency area), principle of* ***free movement of people*** *within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.*

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. *Economic growth in* ***China*** *has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the* *central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.*

Economic growth in ***Japan*** *is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.*

Emerging countries. *There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.*

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

For information: Brexit timetable and process

- *March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50*
- *March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.*
- *UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.*
- *The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.*
- *The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.*
- *If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.*
- *On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.*

- *The UK will then no longer participate in matters reserved for EU members, such as changes to the EU’s budget, voting allocations and policies.*
- *It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.*

Appendix 3:

Internal Counterparty List 2016-17 as at 31 December 2016

Building Societies				
		Total Assets £'000	**Assets > £1 Billion**	**Max Investment £**
1	Nationwide	207,622,000	YES	3,000,000
2	Yorkshire	43,231,000	YES	3,000,000
3	Coventry	33,672,000	YES	3,000,000
4	Skipton	16,612,000	YES	3,000,000
5	Leeds	14,329,000	YES	3,000,000
6	Principality	7,409,000	YES	3,000,000
7	West Bromwich	5,725,000	YES	3,000,000
8	Newcastle	3,462,000	YES	2,000,000
9	Nottingham	3,319,000	YES	2,000,000
10	Cumberland	2,129,000	YES	2,000,000
11	Progressive	1,737,000	YES	2,000,000
12	National Counties	1,567,000	YES	2,000,000
13	Saffron	1,130,000	YES	2,000,000
14	Cambridge	1,128,000	YES	2,000,000
15	Monmouthshire	1,073,000	YES	2,000,000

Money Market Funds			
	Amundi Money Market Fund - Short Term (GBP)	AAA	3,000,000
	CCLA – Public Sector Deposit Fund	AAA	3,000,000
	Goldman Sachs Sterling Liquid Reserves Fund	AAA	3,000,000
	Morgan Stanley Liquidity Funds – Sterling Liquidity Fund	AAA	3,000,000

Banks	UK or Irish bank with presence in UK and a short term Fitch rating of F1 or higher.			
UK High Street Banks		**Short Term Fitch Rating**		**Max Investment £**
	Lloyds Banking Group			
	Lloyds TSB	F1		2,000,000
	Bank of Scotland	F1		2,000,000
	Others			
	Santander UK PLC	F1		2,000,000
	Barclays	F1		2,000,000
	HSBC Bank plc	F1+		2,000,000

Non-UK Banks		Short Term Fitch Rating	Long Term Fitch Rating	Max Investment £
	Abu Dhabi (U.A.E)			
	National Bank of Abu Dhabi	F1+	AA-	2,000,000
	Australia			
	Australia and New Zealand Banking Group Ltd	F1+	AA-	2,000,000
	Commonwealth Bank of Australia	F1+	AA-	2,000,000
	National Australia Bank Ltd	F1+	AA-	2,000,000
	Westpac Banking Corporation	F1+	AA-	2,000,000
	Canada			
	Bank of Montreal	F1+	AA-	2,000,000
	Bank of Nova Scotia	F1+	AA-	2,000,000
	Canadian Imperial Bank of Commerce	F1+	AA-	2,000,000
	Royal Bank of Canada	F1+	AA	2,000,000
	Toronto Dominion Bank	F1+	AA-	2,000,000
	Netherlands			
	Cooperatieve Rabobank U.A.	F1+	AA-	2,000,000
	Singapore			
	DBS Bank Ltd	F1+	AA-	2,000,000
	United Overseas Bank Ltd	F1+	AA-	2,000,000
	Sweden			
	Svenska Handelsbanken AB	F1+	AA	2,000,000
	U.S.A			
	Bank of New York Mellon, The	F1+	AA	2,000,000
	Wells Fargo Bank NA	F1+	AA	2,000,000

UK Local, Police and Fire Authorities			3,000,000

Appendix 4: The treasury management role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Report to:	**Cabinet**
Date of Meeting:	8 February 2017
Public Document:	Yes
Exemption:	None

East Devon District Council

Agenda item: **16**

Subject: **Financial Monitoring Report 2016/17 - Month 9 December 2016**

Purpose of report:

This report gives a summary of the Council's overall financial position for 2016/17 at the end of month nine (31 December 2016).

Current monitoring indicates that:

- The General Fund Balance is being maintained at or above the adopted level.
- The Housing Revenue Account Balance will be maintained at or above the adopted level.
- There is a sufficient Capital Reserve to balance this year's capital programme.

Recommendation: **The variances identified as part of the Revenue and Capital Monitoring process up to Month nine be acknowledged.**

Reason for recommendation:

The report updates Members on the overall financial position of the Authority following the end of each month and includes recommendations where corrective action is required for the remainder of the financial year.

Officer: Laurelie Gifford lgifford@eastdevon.gov.uk

Isaac Aisu iasu@eastdevon.gov.uk

Financial implications: Contained within the report

Legal implications: There are none arising from the recommendations in the report.

Equalities impact: Low Impact

Risk: Low Risk

In compiling this report we have looked at all large, high risk and volatile budget areas. Predicted spending patterns have been linked to operational activity and all material budgets have been subject to thorough risk assessments by operational managers and finance staff. Any continuing variances in spending patterns will then be considered as part of the medium term financial strategy

Links to background information:

Link to Council Plan: Funding this outstanding place

1. Report in full Introduction

1.1 The purpose of this monitoring report is to update members of the Cabinet on the overall financial position of the Authority following the end of month four.

2. Investment Income

Consumer-level inflation figures hit a 2-year high of 1.2% in November 2016, with rising prices for clothing and technology goods being key components of the increase. At the wholesale level, core prices (which exclude volatile elements such as food, drink and petrol) increased by 2.2% on the year, the highest annual increase since February 2016.

Looking ahead, the cost of imports will continue to upwardly impact on prices, with the Bank of England (BoE) forecasting consumer level prices to rise to 2.8% by mid-2018. Nevertheless, Mark Carney has previously stated that the Bank will tolerate some overshoot of its inflation target.

The BoE has warned that despite retail sales growth being relatively robust even after the Brexit vote, the depreciation in Sterling will increasingly feed through into the economy in the form of higher prices next year, causing growth to slow.

Over the coming months the economic outlook for Britain remains unclear as plans for Brexit have yet to be finalised. While the threat of this and higher prices via Sterling depreciation weighed in, the GfK Consumer Confidence Index registered a modest increase in December.

In addition to Brexit progress, the US election result has added a fresh layer of uncertainty to markets.

The base rate was cut from 0.50% to 0.25% in August 2016. Capita Asset Services (CAS) did not alter their forecasts for bank base rate in December, with no rate increase forecast until Q3 2019. Capital Economics now expect the bank rate to remain at 0.25% from Q4 2016 to Q2 2019 when it will increase to 0.50% and then increase again to 0.75% in Q4 2019.

There does still remain some value with longer term investments with suitable counterparties and options will need to be explored. However, the economic climate detailed above has resulted in the loss of income in the table below.

Investments	**Annual Budget £000**	**Variation as at Month 9 £000**	**Predicted Outturn Variation £000**
External investments (Net of Fees)	(236)	(5)	12
Internal investments	(65)	32	38
Total	**(301)**	**27**	**50**

3. General Fund Position as at Month Nine

3.1 The following table shows the original budget set for the year and a total of the supplementary estimates approved to date. In year variances identified which are likely to affect the outturn for the year are detailed below:

	£000
Original Budget Requirement (set 25/02/16)	**11,473**
Revenue projects funded from earmarked reserves – agreed by Council at 2015/16 Outturn.	885
Use of GF balance to date	303
Local plan inspections – Slipped to 2017/18 – Reserve funded	(60)
Cemetery software purchase slipped to 2017/18 – Reserve funded	(12)
Month 9 predicted over (under) spend at year end detailed below	(1,129)
Predicted Budget Outturn	**11,460**

A summary of the predicted over and under spends to the Year End are shown below:

Predicted over / (under) spends	**Variation as at Month 9 £000**	**Predicted Outturn Variation £000**
Economy and Regeneration		
Building control staff and equipment savings offset £30k reduction in fee income previously reported	(41)	30
Environment services		
Car park income seasonal fluctuation (£20k already reported)	(120)	(80)
Street Scene services		
Refuse and recycling savings include £274k contract reduction on vehicle purchase	(358)	(477)
Recycling credits income difficult to quantify due to invoicing process with DCC	50	50
Slippage of Beach management projects to 2017/18	(100)	(100)
Parks savings on plant and contractors due to efficiencies	0	(67)
Finance Portfolio		
Additional housing benefits overpayments recovery	(314)	(400)
Land charges income below budget projections offset by savings on scanning costs slipping to 2017/18	2	25
Strategic Planning & Development Portfolio		
Planning fees income	49	35
Growth point vacancies offsetting grants awaited	(90)	(145)
Planning policy savings on staff, technical support and grant income	(66)	(55)
Sustainable Homes and Communities Portfolio		
Increase in Homesafeguard customer income	(50)	(40)
Portfolio variations	**(1,038)**	**(1,224)**
Portfolio Variations previously reported	204	45
Investment Income variations as above	27	50
Predicted Outturn Total Variations GF	**(807)**	**(1,129)**

3.2 These variations will have the following overall effect on the Council's General Fund Balance:

	£000
General Fund Balance 01/04/16	**(3,625)**
Less: Planned use/contribution to General Fund balance (Enterprise Zone CAB 11/5/16)	25
Available General Fund balance 2016/17	**(3,600)**
Reported previous months	278
Predicted net over / (under) spend to year end net of Year end transfers to Earmarked Reserves (from above)	(1,129)
Predicted General Fund Balance 31/03/17	**(4,451)**

The Council has an accepted adopted range for the General Fund Balance to be within the range of £2,800k to £3,600k. The predicted balance of £4,451k is currently projected to be above this range. The final position will be considered at outturn reported in June 2017.

3.3 An analysis of the main income streams is shown below:

	Annual Budget £000	**Variation at Month 9 £000**	**Predicted Outturn Variation £000**
Building Control fees	(526)	(4)	60
Car Park income	(3,101)	(120)	(100)
Local Land Charges income	(283)	2	25
Planning fees Income	(1,447)	49	35
Recycling income	(1,338)	50	50

3.3 Summary of Other Reserves:

	Balance B/f 2016/17 £000	**Spend to date £000**	**Estimated additional Spend/ (Income) £000**	**Predicted Balance C/f to 2017/18 £000**
Asset Maintenance Reserve	**(1,035)**	38	0	**(997)**
Business Rates Volatility Reserve	**(933)**	0	0	**(933)**
LABGI Reserve	**(173)**	78	47	**(48)**
New Homes Bonus Volatility Reserve	**(1,431)**	0	0	**(1,431)**
Transformation Reserve	**(530)**	12	45	**(473)**

4. Housing Revenue Account Position up to Month 9

4.1 A summary of the predicted over and under spends identified so far to the year end is shown below:

	Variation at Month 9 **£000**	**Predicted Outturn Variation** **£000**
Income	(900)	(907)
HRA Flood Insurance Claim to be transferred to HRA reserves	0	(1,051)
Supervision and Management	(187)	(209)
Predicted Outturn Total Variations HRA	**(1,087)**	**(2,167)**

The above position is a result of more rental income from Sheltered accommodation properties which went up by CPI plus 1% (the budget assumed a 1% reduction as the position with Government was unclear at the time of setting the budget) and good void refurbishment and consequent reletting of these properties.

The following table shows the original budget surplus for the year and the total variations as identified above, which are likely to affect the budget to give a revised budget surplus/deficit for the year.

	£000
Original Budget surplus	**(213)**
Month 9 predicted net (under)/overspend to year end	(2,167)
Predicted Budget (Surplus)/Deficit HRA	**(2,380)**

4.2 The variations identified above will have the following effect on the Housing Revenue Account Balance:

	£000
Housing Revenue Account Balance (01/04/16)	**(5,135)**
Predicted budget requirement as above	(2,380)
Predicted HRA Balance (31/03/17)	**(7,515)**

The recommended level for the HRA balance has been agreed at £2.1m (£500 per property). The current balance is well above the recommended level and in addition £4.4m is held in a volatility reserve. These balances will be required to mitigate the effect of the 1% rent reduction and the sale of high value stock through Right to Buy. Members have also considered the spending levels required from reserves in meeting the need to spend Right to Buy receipts.

5. Capital Programme Position up to Month 9

5.1 The following tables currently estimate the total required from the Capital Reserve is £903k leaving £1,502k remaining in the reserves at year end.

Capital Reserve	£000	£000
Brought forward balance 1 April 2016		**(2,405)**
Funding for 2016/17		903
Balance carried forward to 2016/17		**(1,502)**

5.2 Capital Programme and financing:

	£000	£000
Net Capital Programme Budget (Council 24/02/16)		**18,541**
2015/16 scheme costs slipped into 2016/17	8,451	
Revised 2016/17 budget		26,992
Capital Programme variations previous months		(7,626)
		19,366
Capital Programme variations Month 9		
Knowle relocation rescheduled	224	
Exmouth Town Hall rescheduled	335	
Queen's Drive Leisure Area Infrastructure additional per CAB	810	
Queen's Drive Leisure Area Infrastructure rescheduled	(756)	
Refuse vehicles savings	(1,000)	
Reallocation of HRA Major repairs budgets	(4)	
Total variations this month		**(391)**
Predicted Capital Budget Requirement Month 9		**18,975**

Capital Programme financed by	£000	£000
Use of Capital Receipts	(1,473)	
External Loans/Internal borrowing	(7,150)	
S.106 funding	(1,473)	
Other grants and contribution	(341)	
General Fund contribution	(14)	
HRA Contribution	(5,466)	
New Homes Bonus	(2,155)	
Predicted Capital Reserve (Requirement) / Contribution	(903)	
Total Funding		**(18,975)**

Heart of the South West Devolution Update

Summary:	This report provides an update following the July 2016 'in principle' Council approvals to progress negotiations for a devolution deal and the establishment of a Combined Authority, both subject to further report and the approval of the 17 councils This report also outlines proposals for the: • Preparation and approval of a HotSW Productivity Plan to take forward the HotSW Prospectus for Productivity which was prepared in support of the partnership's aspirations to secure a devolution deal and approved by the councils in February 2016. • Creation of a formal HotSW Joint Committee of the local authorities, national park authorities and partners to take forward the Productivity Plan. The proposals outlined above are covered by common recommendations in this report to be considered by all of the councils during February/March 2017.
Recommendations:	**That the Cabinet endorses and recommends that Full Council:** **1. Notes the update about the HotSW Combined Authority / devolution deal proposals (including noting that a Joint Committee, if established, will have responsibility for developing future 'deal' and combined authority proposals for recommendation to the constituent authorities)**; **2. Approves the proposals for the HotSW Productivity Plan preparation and consultation proposals (including noting that a Joint Committee, if established, will have responsibility for approving and overseeing the implementation of the Productivity Plan);** **3. Agrees:** **(a) 'In principle' to the establishment of a HotSW Joint Committee with a Commencement Date of Friday 1st September 2017 in accordance with the summary proposals set out in this report;** **(b) That the 'in principle' decision at (a) above is subject to further recommendation and report to the constituent authorities after the County Council elections in May 2017 and confirmatory decisions to: approve the establishment of the Joint Committee; a constitutional 'Arrangements' document; an 'Inter-Authority Agreement' setting out the support**

	arrangements; appoint representatives to the Join Committee; and appoint an Administering Authority.
Reasons for Recommendations:	The urgent and essential need to improve productivity across the HotSW area is the driver for the recommendations in this report. The Productivity Plan will replace the Local Enterprise Partnership's Strategic Economic Plan. It will be the key strategic document for the partners to engage with Government on a range of investment opportunities and powers emerging from the Industrial Strategy and the National Infrastructure Fund. The recommendations also reflect the position reached with the Government on the Combined Authority / devolution deal matters. With no agreement in sight on either issue the Leaders wish to put in place an alternative formal collaboration arrangement at HotSW level to maintain and take forward the momentum achieved by the partnership. The HotSW Joint Committee will provide a formal strategic partnership to complement and maximise the ability of local sub-regional arrangements to deliver their aspirations. It will allow the partners to collaborate to agree and deliver the Productivity Plan as well as engage effectively with the Government, other deal areas and other LEPs on a range of policy agendas. It will allow the partnership to test and improve its ability to work together as a potential precursor to the establishment of a Combined Authority at some point in the future. It will also provide a mechanism to work alongside and influence the LEP on strategic investment decisions affecting the HotSW area and to secure improvements to LEP governance and accountability. Without a Joint Committee in place at this time at a strategic level, the HotSW area is likely to find itself disadvantaged in terms of taking advantage of Government policy initiatives and new funding opportunities compared to those areas that have and are establishing formal strategic partnerships. Although a Joint Committee cannot undertake the full range of functions of a Combined Authority, it would provide a mechanism towards the establishment of a Combined Authority if deemed appropriate, including the potential to operate as a shadow Combined Authority at some point in the future.
Consultations undertaken:	Throughout the development of proposals for devolution, Members and the public have been kept informed of developments. Communications include press releases, newsletters and publication of the Devolution Statement of Intent and Prospectus for Productivity. This emphasis on consultation will continue with the proposed Productivity Plan over the spring of 2017 and this will inform the final Plan to be approved in the autumn of 2017.

Financial Implications:	Costs associated with the early work on the Productivity Plan preparation largely relate to officer time which is being provided 'in kind' by the authorities and partners. Specifically some direct costs will be met by the Local Enterprise Partnership across the common agendas of the LEP and the partnership. The establishment of a Joint Committee provides a low cost option compared to a Combined Authority structure. It is anticipated that the Committee will receive considerable in kind support from partners and direct running costs will be limited to potentially providing direct officer support for the meetings, if there is insufficient 'in-house' capacity, and the costs of the meetings themselves. In respect of the latter, meeting costs can be minimised through the use of council premises for meetings if that is the wish of the authorities. The assumption at this stage is that the direct support costs will be kept to a minimum but could potentially rise to an estimated maximum of £40k per annum as a shared cost between all constituent authorities. The final costs figure will be dependent on the views of the leaders on the issues raised above. Clarification on these issues will be sought before the decision point is reached in the summer to establish the Joint Committee. It is anticipated at this stage that even if the costs are at the upper figure detailed above then in the first year (2017/18) of the operation of the Joint Committee the costs are likely to be covered by the residual devolution budget so requiring no further call for funding from the authorities. In addition to the direct costs of administering the Joint Committee there is also the issue of a budget to fund its work. At this stage it is recommended that this should be an early issue for discussion and recommendation by the Joint Committee, once established, as this will be dependent on the eventual work programme. In coming to their decision about a Joint Committee, Members might like to consider the potential cost/impact of not working in this way and the potential loss of investment to the area. Through recent funding initiatives and policy it is clear that Government is looking for areas to come together and articulate their vision and priorities across footprints wider than their organisational boundary or sub-regional areas. The areas that work on wider boundaries are more successful in securing funding. A recent example of this is the Growth Deal funding settlements announced in the Autumn Statement to the Northern Powerhouse and Midlands Engine authorities, who work through formal governance arrangements, when compared with the wider South West. The proposal put before you sets out a low risk, low cost option to work in a more formal way to capitalise on opportunities arising from future Government strategies and funding strands.

Legal Implications:	Each of the partners' legal teams and Monitoring Officers will be involved in the development of the detail of the Joint Committee. The Joint Committee will be instigated through a simple 'Arrangements' document setting out the functions, membership and operation of the Committee as well as an Inter-Authority Agreement setting out how the authorities will support the Committee. These documents will be recommended for approval in the summer but a summary of the principles and issues to be covered are set out in this report. Somerset County Council has been the lead authority for the Governance work-stream within the Partnership and the Council's Chief Executive and Monitoring Officer have developed the outline proposal for the Joint Committee in consultation with the Leaders and Chief Executives Group.					
HR Implications:	None.					
Risk Implications:	Risk implications will continue to be addressed at all stages of these proposals. The Secretary of State is yet to formally clarify his position on the HotSW devolution proposal although the overall policy direction seems to be becoming clearer. In the circumstances the Leader feel that the partnership needs to move forward with the priority development of the HotSW Productivity Plan and that this can best be achieved through the establishment of a formal Joint Committee in place of the current informal governance arrangements. This will put a formal governance structure around the Productivity Plan preparation, approval and delivery so minimising risk to the County Council and the other partner authorities. It will give partners the ability to negotiate with Government at pace, particularly on the emerging Industrial Strategy but without the statutory commitment required to establish a Combined Authority. Without a Productivity Plan and Joint Committee in place the Council and its partners will be at a disadvantage in negotiating and lobbying Government on a range or policy initiatives including the growth agenda and are likely to miss out on potential funding streams.					
	Likelihood		**Impact**		**Risk Score**	
Other Implications (including due regard implications):	<u>Equalities, Community Safety, Sustainability, Health and Safety, Privacy, Health and Well-being Implications</u> The partnership will develop an Equality Impact Needs Assessment that will inform the development and adoption of the Productivity Plan.					

	Any final decisions on the matters covered in this report will be subject to specific implications and impacts being considered as part of the decision making process.

1. Background

1.1. Combined Authority / Devolution Deal update

1.1.1 Following the in-principle agreement by Heart of the South West (HotSW) local authorities to move towards a Combined Authority model to deliver its devolution deal, the Government has changed and the EU Referendum has taken place. Both of these events have had a significant impact on Government policy and in particular the approach to devolution.

1.1.2 Members will recall that before the change of Government the previous Secretary of State had indicated his support for the establishment of a Combined Authority for the HotSW area and indicated that a Mayor would not be imposed or be a pre-condition of any initial devolution deal. Although it was made clear that a Mayor was required to achieve extensive funding and powers, the partnership was encouraged to push the limits of an initial deal, with the potential for further deals in the future. At that stage in the early autumn of 2016, the Autumn Statement presented the first opportunity for the announcement of an initial deal. It was also acknowledged that the HotSW LEP would not be penalised in Growth Deal 3 negotiations through not agreeing to a Mayor.

1.1.3 These indications were sufficient for the councils to pass resolutions in July / August 2016 to agree to the principle of creating a non-Mayoral Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a devolution deal for the area.

1.1.4 Following the change of Government, the new Secretary of State has given a clear indication that a Mayoral Combined Authority is required in order to achieve a significant devolution deal.

1.1.5 Our view is that the partnership must maintain the momentum achieved to date by putting in place arrangements across the HotSW area to deliver our key ambition of raising productivity and avoid the area being disadvantaged compared to its neighbours. Pending any progress being made on 1.1.4 above, and to allow the area to capitalise on the emerging, national Industrial Strategy, the Leaders are recommending the following at this stage:

- The creation of a HotSW Productivity Plan to develop the strength of the Heart of South West's economy; and
- That consideration is given to the creation of a Joint Committee of HotSW partners to drive the development and delivery of the Productivity Plan and be the basis for identifying further public sector reform opportunities for recommendation to the partner authorities.

1.2 HotSW Productivity Plan

1.2.1 The report to Council on X July 2016 set out that regardless of whether the area entered into a devolution deal with Government the partnership intended to continue with the development of a Productivity Plan for the area to deliver the aspirations set out in the Prospectus for Productivity agreed by the Councils in February 2016. This remains the priority of the partnership.

1.2.2 The Productivity Plan, which replaces the LEP's Strategic Economic Plan, will guide the long term growth aspirations for the area and will be our key strategic document for engaging with Government and our communities on future prosperity. In the absence of a combined authority / devolution deal at this stage a mechanism is required to enable the partners to collaborate formally to maximise what can be achieved within existing structures and resources through new ways of working as well as continue negotiations with Government over a range of policy agendas to help deliver the partnership's productivity ambitions.

1.2.3 The latest research from Exeter University confirms that the area has one of the best employment rates in the country. However, too many of those jobs are part-time and low paid. The area significantly lags behind the rest of the UK in terms of its productivity and the key to our future prosperity is to address this disparity

1.2.4 Productivity is defined as: "the amount of goods and services that a person, industry or country produces per hour." The more good and services that are produced, the more productive – and ultimately wealthy – an economy is. There are 5 drivers of productivity which must all be addressed for productivity to rise:

1. Competition
   - Which encourages business to innovate and be more efficient; and
   - Access to national and international markets through good infrastructure.

2. Enterprise
   - New business opportunities for existing firms and start-ups where competition encourages new ideas and ways of working; and
   - Support for businesses and entrepreneurs.

3. Investment in physical capital
   - Machinery, equipment, buildings and infrastructure. More capital generally means that more can be done, better and quicker; and
   - Infrastructure and somewhere to 'set up shop' are essential, and investment capital must be available.

4. Skills
   - Skills are needed to take advantage of investment in new technologies and ways of running a business; and
   - Skills alone can determine productivity but so do good management, creativity and investment.

5. Innovation

- The successful exploitation of new ideas: technology, products or ways of working boost productivity, for example as better equipment works faster; and
- Research and development and general support for innovators is essential.

1.2.5 Our Prospectus for Productivity confirms our commitment to increasing productivity across the Heart of the South West to ensure a successful future economy. We know the new Secretary of State for Business, Energy and Industrial Strategy, who is developing the Industrial Strategy, is keen to hear and reflect the local narrative in his strategy. The Productivity Plan will provide the platform for the area to engage with Government on this agenda with a view to delivering our collective aspirations for growth in the Heart of the South West.

1.2.6 The Productivity Plan will be developed through an evidence base produced by the LEP's Future Economy Group and engagement with stakeholders and the community. In developing the Plan a range of issues will be explored:

- Productivity in the public and private sector
- Understanding how the local economy works and interventions required to guide investment decisions
- Bringing together local government, business community, public, the universities and other groups
- The need to build an inclusive economy with growth for all.

1.2.7 Work to create the Productivity Plan is intended to be a fully inclusive process involving all stakeholders and will include public consultation. It will take the form of several stages as follows:

W/c 23 January – 10 March 2017 – a discussion paper will be shared shortly with all Councils. This 'Green Paper' will set out some of the emerging challenges for Heart of the South West productivity identified by the LEP's Future Economy Group. The results from this discussion paper will form the basis of a formal consultation paper on the vision and priorities for a Productivity Plan.

May 2017 (post County Council elections) – A formal consultation 'White Paper' will be released to all Councils and stakeholders. This will be a public consultation to directly inform the content of the Productivity Plan.

September 2017 – The Productivity Plan will be considered for formal adoption.

1.3 HotSW Joint Committee Proposal

1.3.1 Members of all councils will be aware of the work on developing the Combined Authority proposal for the HotSW area. This work was suspended following the change of government focus outlined elsewhere in this report. The partnership decided that until we have clarification locally from the Secretary of State of the criteria for moving forward on devolution, it would take forward a less risky and more cost effective short term option of forming a HotSW Joint Committee to oversee and own the development and delivery of the

Productivity Plan. Although the Joint Committee would not have the statutory status of a Combined Authority and cannot therefore deliver the full range of benefits that a Combined Authority can, it has the potential to provide cohesive, coherent leadership and formal governance to agree and oversee delivery of the Productivity Plan and bring forward other pan-HotSW proposals for recommendation to the constituent authorities, as desired and necessary. Its role will focus on collaboration, negotiation and influencing with full delegated decision making responsibilities limited to agreeing and overseeing the implementation of the HotSW Productivity Plan. All other matters where a decision is required will be referred back to the constituent authorities for approval.

1.3.2 Ultimately the aims of the Joint Committee through delivery of the Productivity Plan will be to:

- Improve the economy and the prospects for the region by bringing together the public, private and education sectors;
- Increase our understanding of the economy and what needs to be done to make it stronger;
- Ensure that the necessary strategic framework, including infrastructure requirements, is in place across the HotSW area to enable sub-regional arrangements to fully deliver local aspirations; and
- Improve the efficiency and productivity of the public sector.

1.3.3 The creation of a single strategic public sector partnership covering the HotSW area will: facilitate collaborative working; help us to remove barriers to progress; and will provide the partnership with the formal structure to engage with Government at a strategic level to maximise the opportunities /benefits available to the area from current and future government policy. It will also enable the constituent authorities and partners to have discussions with neighbouring councils / combined authorities / LEP areas on South West peninsula priorities and issues as well as the ability to move swiftly towards a devolution deal and Combined Authority model in the future if the conditions are acceptable.

1.3.4 A Joint Committee will also provide a formal mechanism for the constituent authorities to engage effectively with the LEP across common boundaries and agendas. The LEP is in the process of adopting a new assurance framework as part of new government requirements which require improvements in the LEP's transparency and accountability. The direct involvement of the LEP in the Joint Committee on many common agendas will provide a mechanism to enable the councils to have a more direct involvement in and greater influence over the activities of the LEP.

1.3.5 The detail of the proposed functions of the Joint Committee and how it will operate will be set out in a draft 'Arrangements' document which will be presented to the constituent authorities for approval in the summer . The reason for only seeking an 'in principle' approval to the creation of a Joint Committee at this stage is because of the local County Council elections scheduled for May 2017. Therefore final decisions to establish the Joint Committee will be sought from all authorities in July / August with a view to the Committee being established on the 1st September 2017.

1.3.6 In detail the proposed functions of the Joint Committee are as follows:

(a) Develop, own and implement the HotSW Productivity Plan in collaboration with the LEP.
(b) To identify and develop proposals (for recommendation to constituent authorities / partner agencies as necessary) in response to policy opportunities presented by the Government to secure functions and funding for the benefit of improving productivity. Examples include Industrial Strategy, Brexit, and Devolution.
(c) Develop and make recommendations to the constituent authorities / partner agencies for actions emerging from the work of the Brexit Opportunities and Resilience Task Group
(d) Continue discussions / negotiations with the Government / relevant agencies to secure delivery of the Government's strategic infrastructure commitments, eg, strategic road and rail transport improvements
(e) Identify opportunities for rationalising / improving existing public sector governance arrangements and make recommendations to the constituent authorities/partners..
(f) To work with the LEP to identify and deliver improvements to the LEP's democratic accountability and to assist the organisation to comply with the revised (November 2016) LEP Assurance Framework. This includes formally endorsing the LEP's assurance framework on behalf of the constituent authorities as and when required and before it is formally approved by the LEP's Administering Authority.
(g) To ensure that adequate resources (including staff and funding) are allocated by HotSW partners to enable the objectives in (a) to (f) above to be delivered.

1.3.7 In addition to the functions set out above, the Joint Committee Arrangements document will set out in detail:

(a) Membership arrangements: based on1 Authority (and to include the 2 National Park Authorities, 1 Member (normally the Leader of the Council / Chairman of the National Park Authority), 1 named substitute member and 1 vote. Partner organisations such as the LEP and the Clinical Commissioning Groups will also have non-voting membership of the Joint Committee
(b) Standing Orders / Rules of Procedure: An Administering Authority will be identified to support the operation of the Committee and it will be recommended that the Standing Orders and Rules of Procedure of the Administering Authority will apply to the operation of the Committee. This will include the usual Access to Information rules which apply to local authority meetings.
(c) Provisions to enable a Constituent Authority to formally withdraw from the Joint Committee and for the Joint Committee to be dissolved.
(d) Appointment of a Chairman and Vice-Chairman on an annual basis.
(e) The ability for the Joint Committee to appoint sub-committees or establish working groups as required.

1.38 A draft Inter-Authority Agreement will accompany the 'Arrangements' document for approval in the summer. This will detail how the Joint Committee will be supported and set out the obligations on the constituent authorities.

In particular this document will set out the Administering Authority functions in support of the operation of the Committee including the provision of financial, legal, constitutional and administrative support to the Committee.

The Agreement will also include:

(a) The cost sharing agreement setting out how the costs of running the Joint Committee will be met by the constituent authorities
(b) The roles and responsibilities of the constituent authorities in support of the Joint Committee
(c) The roles and duties of the Chief Executives' Advisory Group that will support the Joint Committee
(d) Accounts, Audit, Insurance arrangements
(e) Confidentiality, Equal Opportunities, Data Protection provisions
(f) Dispute Resolution provisions.

1.3.9 In addition to the Arrangements and Agreement documents, as part of the summer approval recommendations, the constituent authorities will also be asked to confirm nominations for Joint Committee membership; and appoint an Administering Authority to support the Committee.

Devolution
for the Heart of the South West

Driving productivity in the

Heart of the South West

Consultation Paper (Green Paper)

DRAFT

CONTENTS

FOREWORD

In March 2014, the Heart of the South West LEP published the area's Strategic Economic Plan. It set out how we planned to maximise economic growth across our area to transform the prospects of the Heart of the South West and establish a legacy of prosperity for future generations.

The Heart of the South West LEP area enjoys many benefits. The exceptional quality of our environment will provide vital lifeblood to our tourism and agricultural sectors and attract new digital and technology companies. With the advent of Hinkley Point C and new nuclear across the UK, we will be able to create a truly momentous shift in the opportunities for our businesses.

Since the publication of our Strategic Economic Plan Government has rightly turned its attention to the challenge of productivity. It will shortly publish its Industrial Strategy and we need to be able to articulate clearly our local aspirations.

Government also remains committed to devolution. In response to this the Heart of the South West area has published its devolution prospectus, Devolution for Heart of the South West: A Prospectus for Productivity (March 2016). 17 local authorities, two National Parks, the Local Enterprise Partnership and the three Clinical Commissioning Groups across the area are committed to working collectively to deliver greater prosperity and wellbeing, and to improving our contribution to the prosperity of the nation. Central to the delivery of this Deal is the development of a Productivity Plan and a single investment programme.

The Heart of the South West LEP area has therefore agreed to develop a Productivity Plan that will:

- Set out our long term strategic ambitions to raise productivity and set out a clear plan for achieving this ambition;
- Support the delivery of the devolution agenda for our area;
- Establish a place based agenda for the proposed Government Industrial Strategy; and
- Replace the current Strategic Economic Plan.

The recent economic and political upheavals, combined with the decision to leave the European Union has created a degree of uncertainty. It is critical at this time to understand and build upon our strengths and address the relative weaknesses in our economy. In that way we will build resilience and remain competitive in the face of such uncertainties.

This consultation document is just the first stage in the process of developing a Productivity Plan for our area. Through this we aim to engage with the wider community of businesses and stakeholders to identity the key issues that we must address if we are to improve the productivity of the Heart of the South West LEP area and build our future economy.

We urge our partners to provide their valuable feedback to this consultation in order to create a robust and meaningful Productivity Plan that has the backing of all stakeholders (engagement@torbay.gov.uk). Our strength is built upon our partnership, and we look forward to hearing your views on our plans for the delivery of transformational growth in the Heart of the South West.

Steve Hindley Chairman, Heart of the South West LEP	John Osman Councillor on behalf of the Heart of the South West Local authorities

EXECUTIVE SUMMARY

"The productivity gap is well known, but shocking nonetheless: We lag the US and Germany by some 30 percentage points. But we also lag France by over 20 and Italy by 8.

Which means in the real world, it takes a German worker 4 days to produce what we make in 5; which means, in turn, that too many British workers work longer hours for lower pay than their counterparts"

Chancellor of the Exchequer Autumn Statement 2016

The UK is facing a critical productivity challenge; this is not a new challenge but the scale is increasing significantly - the gap between the UK and other G7 countries is the largest it has been for 30 years. This means UK workers are working longer to produce less than our main international competitors. The benefits of increased productivity are largely felt in increased wages so the level of our productivity is directly connected to levels of household income, our ability to pay for public services and ultimately our quality of life.

The position for the Heart of the South West LEP area is even more stark. Our success in recent years has been in growing the number of people in employment. With 80% of our population employed, the HotSW area enjoys employment rates not just above the UK average, but close to the best performing countries in Europe. Despite this, our LEP area ranks 32nd out of 39 LEP areas in England for the level of productivity. And productivity varies considerably within the LEP area.

There is not a "quick fix" to this challenge but the rewards are significant; **if the gap between the existing UK productivity rate and the Heart of the South West was closed, every household in our area would be £11,500 better off per year, every year**. If the Heart of the South West matched productivity levels found in Germany, the increase per household would be even greater at £20,000 per year, every year.

The HotSW Productivity Plan will set out how our area will come together to address this challenge. It will set out the contribution the HotSW area can make to closing the UK's productivity gap and how we will be an integral part of the forthcoming industrial strategy. It will form the basis of negotiations with Government for investment and devolved powers and it will act as a focal point to corral local resources.

This document is the beginning of that process. It sets out the challenges in more detail, showing how we compare with other parts of the UK and highlighting the differences within our area. Not only does productivity vary across the HotSW geography but it is clear that levels of wages are an important measure. So it is important that considering sub-regional geographies means we reflect not just on the productivity differences but also how people move across our area and how other measures, such as wages, are also important factors in building a clear picture of our challenges and opportunities.

We also have some key assets to build upon. The recent Science and Innovation Audit highlighted our competitive advantage in aerospace, nuclear, environmental data and high tech marine. Part of the challenge is realising the opportunities in these high productivity sectors whilst also considering the productivity implications for sectors which are traditionally lower in productivity but have higher levels of employment, such as tourism.

There are 5 recognised drivers of productivity, set out below with a snapshot of the current HotSW position:

Skills: there is a clear link to having higher levels of skills and higher levels of productivity. The HotSW area has good attainment levels at GCSE but then performance drops off with a lower than average proportion of pupils progressing to higher education. Workforce qualifications are in line with other areas of England though we lag behind the best performing LEP areas such as Oxford. Almost one third (29%) of vacancies were difficult to fill due to skills shortages in 2015 and the density of skills shortages in the Heart of the South West was among the highest of all the LEP areas. Investment in in-work training for employees is lower than other parts of England, though given the growth in new technology this may be being met in other ways. It is important to understand this and to ensure the opportunity from the apprenticeship levy is maximised.

Innovation: there is a clear link between the level of investment in innovation, research & development, and an area's productivity. On numerous measures HotSW performs towards the lower end of the scale in terms of levels of innovation. We have some strengths, such as in Clinical Sciences, Environmental Sciences and Life Sciences. However, creating the right conditions to support more of our businesses to increase levels of innovation is crucial; this includes maximising the impact from our world-class education sector and the clear competitive advantages identified in the Science & Innovation Audit.

Enterprise: our business base is dominated by small businesses employing less than 5 people. Whilst business survival rates are high, there are fewer new businesses being created in HotSW than in other parts of the country and fewer foreign-owned businesses – both key drivers of productivity. Furthermore the proportion of the workforce in private sector employment has not grown as strongly as in other LEP areas. Our sector mix differs from other parts of the country, for example we have a lower proportion of the high productivity finance sector, though in general, whatever the mix productivity in each sector is lower than the national average. This is true even in sectors where it could be argued the HotSW area has a traditional strength, such as agriculture.

Competitiveness: Competition improves productivity by creating incentives to innovate and ensures that resources are allocated to the most efficient firms. Key components of competition are the market size and whether the businesses are exporting or competing in national and international markets and on these measures HotSW lags behind other areas of the UK. Improving access to markets is vital, which links to the 5th driver of productivity

Infrastructure: access to markets and peripherality of an area are key components in its productivity and the HotSW area faces long standing challenges in terms of road and rail connectivity. In addition, although it is improving, access to and use of superfast broadband remains behind other LEP areas.

Alongside the drivers of productivity, there is continued considerable investment in housing. Whilst not a driver of productivity in itself, this is critical to address the affordability issue for the area and provide housing for a population growing in part due to a high level of inward migration from other parts of the UK; people who, amongst other things, are attracted by our outstanding natural environment and quality of life. These have a part to play in our overall offer and we need to be clear on what this is.

So these are the challenges facing us as we seek to play our part in growing the UK's overall productivity. These challenges give rise to many critical questions; for example at a broad level such as what sort of area do we want to be, or at a detailed level such as how we improve levels of entrepreneurship. We are seeking your views by 10th March on these and other issues so we can start to set out what a Productivity Plan may begin to look like; please send your responses to engagement@torbay.gov.uk. We will consult again on this in the summer when we will consult on a draft productivity plan. Set out below are some questions that might guide your response.

Questions for Consultation

Given the evidence presented below and the opportunities and challenges our area is facing, we would like your feedback on the following questions. When developing feedback, setting out the rationale behind it would be very helpful in building the evidence base.

General questions

- What would a successful economy look like?
- Should we aspire to reach South East levels of productivity?
- If we do aspire to this, does this mean we want our area to be the same as the south east and if not then what sort of area do we want to be?
- What in your view would make the biggest impact to productivity in HotSW?
- What is the main barrier to raising productivity in your business/sector (including public sector)?
- What driver is most important – skills, infrastructure etc?

- How do we build on our natural capital assets?
- What is the role for the public sector in improving the HotSW productivity levels?

Skills

- How do we raise the aspirations of our young people?
- What skills do we need now and in the future?
- How do we ensure adults continuously upskill?
- What will encourage businesses to invest in skills?
- What scope is there to increase apprenticeships?
- How do we improve our digital skills in the region?
- How do we retain more graduates in the region?
- How do we attract talent from outside the region?

Enterprise

- What is currently inhibiting business growth?
- How can we get more people to start a business and what could we do to help?
- How do we support rural businesses?
- How do we identify and support more "scale ups" and how do we help businesses to grow?
- How do we encourage entrepreneurs and an entrepreneurial culture?
- How do we improve access to finance for business growth?
- What other incentives would improve entrepreneurial activity?
- What are the challenges in terms of leadership and management and what should we do to help?

Innovation

- How do we improve the innovation ecosystem – the process by which ideas move into new or better products and services - to strengthen the innovative capacity in business and public sector?

- What incentives will improve technology transfer and encourage universities and business to work more closely together?

- How do we promote creativity in support of innovation?

- How do we support R&D and build on existing strengths?

- How do we best support knowledge exchange and clustering?

Competition and Infrastructure

- What should our priorities be for transport infrastructure?

- Do we have appropriate business premises / science parks?

- What are the key barriers to investment capital?

- How important is housing provision and affordability to raising productivity?

- How do we improve access to Broadband and Superfast Broadband?

- How do we improve our export capabilities?

- What should be the priority in terms of improving connectivity?

Other

- What other key considerations should we be taking into account to grow productivity in Heart of the South West?

INTRODUCTION

Productivity is the foundation of wages, living standards, opportunities and prosperity. Wide geographic differences are at the root of much of the inequality in the UK today[1].

The HotSW Local Enterprise Partnership, the 17 local authorities, the National Parks and the three Clinical Commissioning Groups in the Heart of the South West area are committed to developing a joint Productivity Plan. As a first stage in this process we are gathering our evidence base and undertaking an extensive consultation with our partners on the nature of the issues that we face, and the solutions. We want your help in developing our future vision as well as a plan of action for our economy.

This consultation paper aims to guide the first stage of the consultation process. We would like to hear your views on the nature of the challenges we face and the key drivers that underpin our productivity performance both now and in the future. This paper sets out the position our area is currently in, with comparisons to national and international benchmarks where relevant.

Once we have compiled your views we will consult again on the outcome of this process so we that can focus on developing a clear plan of action for the future (see below for details).

The Productivity Challenge

When we talk about the economy we often talk about growth but the pursuit of 'growth' and the pursuit of 'productivity growth' are not the same thing. Growth can be achieved either by:

- increasing the number of people who are in work or the number of hours they work; or by
- increasing the value of the goods or services that each person in work produces[2] per day or per hour.

Productivity generally refers to how efficiently inputs (labour and capital) are used to produce outputs (goods and services). Productivity is important as it is directly linked to living standards – a country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.

[1] P4 *Unlocking Regional Growth: Understanding the Drivers of Productivity across the UK'S regions and nations*, CBI 2016

[2] Which may be measured per person, per job or per hour.

For businesses, productivity matters because it determines how much they can pay their staff, how quickly they can grow and what they can invest in their businesses.

Historically, economic growth in the Heart of the South West has been linked very closely to levels of employment – the more people in work, the bigger the economy is.

> "Higher productivity increases household incomes. Productivity is the single most important determinant of average living standards…"
>
> *'Fixing the Foundations', HM Government, July 2015*
>
> "The productivity gap is well known, but shocking nonetheless: We lag the US and Germany by some 30 percentage points. But we also lag France by over 20 and Italy by 8.
>
> Which means in the real world, it takes a German worker 4 days to produce what we make in 5; which means, in turn, that too many British workers work longer hours for lower pay than their counterparts"
>
> *Chancellor of the Exchequer Autumn Statement 2016*

The primary challenge outlined in the Heart of the South West Strategic Economic Plan and the Devolution Prospectus is that our productivity continues to lag behind national levels. Productivity in the Heart of the South West is currently under 80% of the UK average.

However areas of higher unemployment and inactivity remain within Heart of the South West. Across the area employment is at historically high levels, around 80%; economists would see these sort of levels as close to "full employment". So to achieve continued growth in household wealth and income levels and support a good quality of life for all our residents, we need to look at a different kind of "growth".

Rather than simply growing the number of people in work, we need to grow the value of what they produce. We need to move from thinking about "growth" to thinking about "productivity".

The Devolution Deal Prospectus states that HotSW needs "more, better jobs, a healthier, higher skilled labour market and new homes for our growing population".

The challenge then is how to achieve this rise in productivity given the nature of Heart of the South West's economic base and infrastructure?

The Heart of the South West has had historically low levels of productivity compared with the UK average; **if the gap between the existing UK productivity rate and the Heart of the South West was closed, every household in our area would be £11,500 better off per year, every year**.

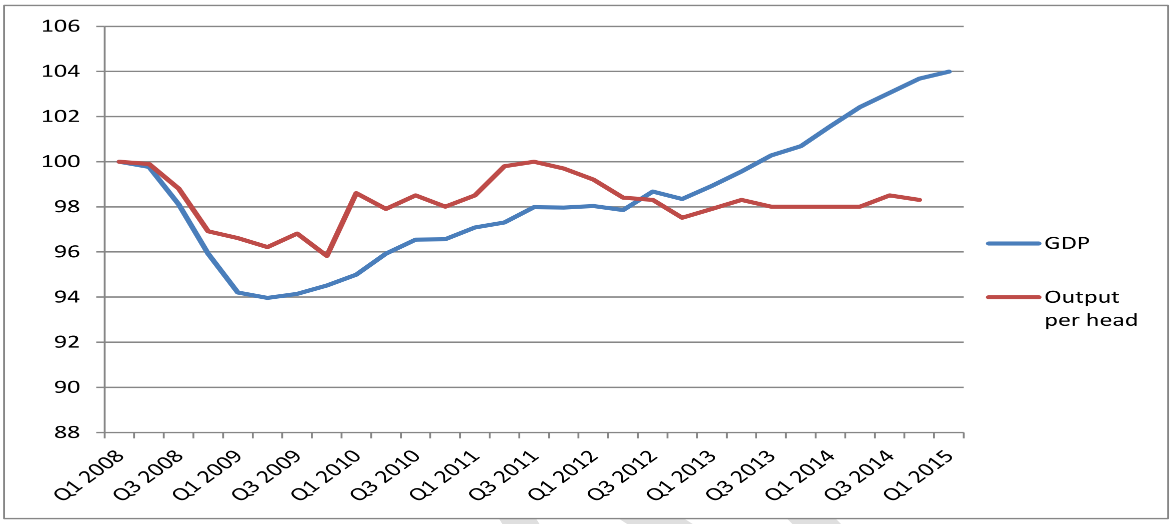
Increasing our productivity will increase the wealth and help improve the quality of life of everyone in the Heart of the South West. If the UK closed the productivity gap with Germany, every household in the UK would be £8,500 better off per year, every year.

If the Heart of the South West achieved levels of GVA per head found in Germany, **the increase per household would be even greater at £20,000 per year, every**

THE PRODUCTIVITY CHALLENGE

Since 2010, the UK economy has been growing and the total output of the UK economy (Gross Domestic Product (GDP)) has been rising. However, this rise has been entirely the result of an increase the volume of people in employment. UK productivity, output per head, remains lower than it was before the recession.

Figure 1: GDP & Output per head[3], constant prices, UK, Q1 2008 = 100



Source: GDP and the Labour Market - Q1 2015 Quarterly Update

International comparisons

Although the UK narrowed its productivity gap with the rest of the G7 over the first half of the 2000s, between 2002 and 2007 UK GDP per hour rose faster than any other G7 country. That trend has now been in reverse since the financial crisis and since 2007 productivity has risen slower than any other country apart from Italy. As a result UK output per hour is now 20% below the average for the other G7 advanced economies - the widest productivity gap since 1991. Measures to boost UK productivity formed a key part of the Chancellor's Autumn Statement 2016.

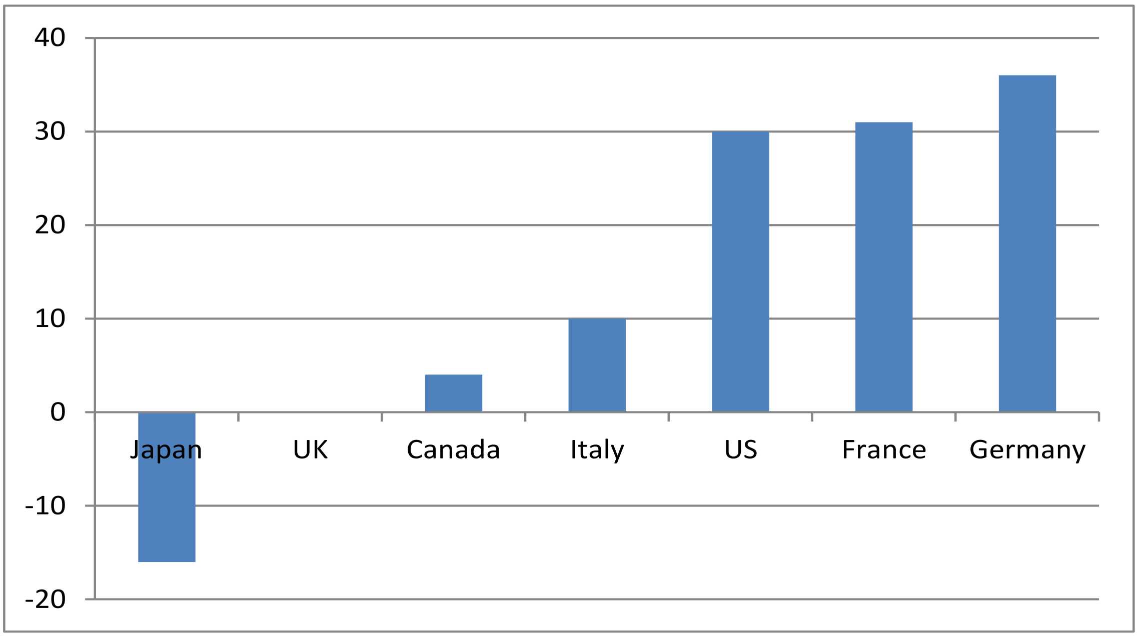
As the CBI points out:

The UK falls behind on international comparisons of productivity and this is also true at the regional level. Nine out of ten UK cities perform below the European average, and more than half are among the 25% least productive cities on the continent. And the UK has fallen further behind its international peers[4].

[3] Output per head = GDP divided by the total population

[4] P14 *Unlocking Regional Growth: Understanding the Drivers of Productivity across the UK'S regions and nations*, CBI 2016

Figure 2: Current price GDP per hour worked[5], G7 countries, 2014, UK=100



Source: OECD

The case for a shift in policy focus, away from 'growth and jobs' to addressing this productivity gap, is made absolutely clear in the Government's Productivity Plan, 'Fixing the Foundations', published in July 2015.

> *Productivity is the challenge of our time. It is what makes nations stronger, and families richer. Growth comes either from more employment, or higher productivity. We have been exceptionally successful in recent times in growing employment. We are proud of that. But now in the work we do across government we need to focus on world-beating productivity, to drive the next phase of our growth and raise living standards[6].*

Why is productivity important?

In the context of globalisation, raising productivity is essential to enable companies to be competitive internationally, to exploit opportunities in emerging markets and to attract

[5] In formal terms, Gross Value Added (GVA), the unit used for measuring growth and productivity at anything below national level[5], equals the value of the 'outputs' of an enterprise (normally measured by turnover) less the 'inputs' (the cost of bought in goods and services). GVA is, in effect, the income that is available to businesses to be used to cover expenses (wages, dividends, pensions etc.), savings (profits), long-term investment (depreciation), and (indirect) taxes.

Productivity is the total GVA of a geography, sector or enterprise divided by a measure of labour input. The measure of labour input may be the number of jobs, the number of full-time equivalent jobs (FTE) or the number of hours worked. Generally, using the number of hours worked or FTE jobs is preferable, as this removes differences that result from variations in the level of part-time working in different geographies.

The high level of part-time working in our area results in HotSW ranking 38th out of the 39 LEP areas for GVA per job filled, but 32nd out of 39 LEP areas for GVA per hour worked.

[6] Fixing the foundations: Creating a more prosperous nation, HM Treasury, July 2015

foreign direct investment. Productivity growth is also central to ensuring that real wages rise across the economy.

Research suggests that roughly 50% of the value generated in the UK economy accrues to employees in the form of wages and a further 10% takes the form of non-salary employee compensation, such as pensions[7]. So, raising productivity raises earnings, which in turn raises income tax receipts and VAT on personal expenditure, reduces the number of people claiming in-work benefits and helps to balance the budget, as Fixing the Foundations points out.

> *'Higher productivity will improve the public finances. The Office for Budget Responsibility (OBR) estimated in 2014 that in a high productivity scenario public sector net debt would fall to 56.7% by 2019-20, while under a low productivity scenario debt would rise to 86.6%'*

Raised productivity also allows for increased capital investment and higher spending on research and development, which are central to international competitiveness and key determinants of foreign direct investment. It also helps to pay for social good such as protecting the natural environment, health and care.

Why focus on productivity now?

Productivity has typically bounced back quickly post recessions but that this time it's different. The persistent weakness in productivity has challenged economists (the productivity puzzle") and there are many alternative theories to explain it[8], including: weakness in investment that has reduced the quality of equipment employees are working with; the banking crisis leading to a lack of lending to more productive firms; employees within firms being moved to less productive roles; and slowing rates of innovation and discovery. None is sufficient on its own to explain entirely what has happened, making it difficult to predict when and if productivity growth will return to pre-crisis rates of growth. It is this "productivity puzzle" that makes the issue particularly urgent now.

On 16th November 2016, new figures revealed that UK unemployment had fallen 37,000, to 1.6 million, hitting an 11-year low.

Our area mirrors this trend. As The 20% of people who aren't working includes many who are effectively outside the labour market, such as carers, people who have retired early, people who are bringing up children, who have acute physical or mental health

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[7] *Missing out - Why ordinary workers are experiencing growth without gain, Resolution Foundation, July 2011*

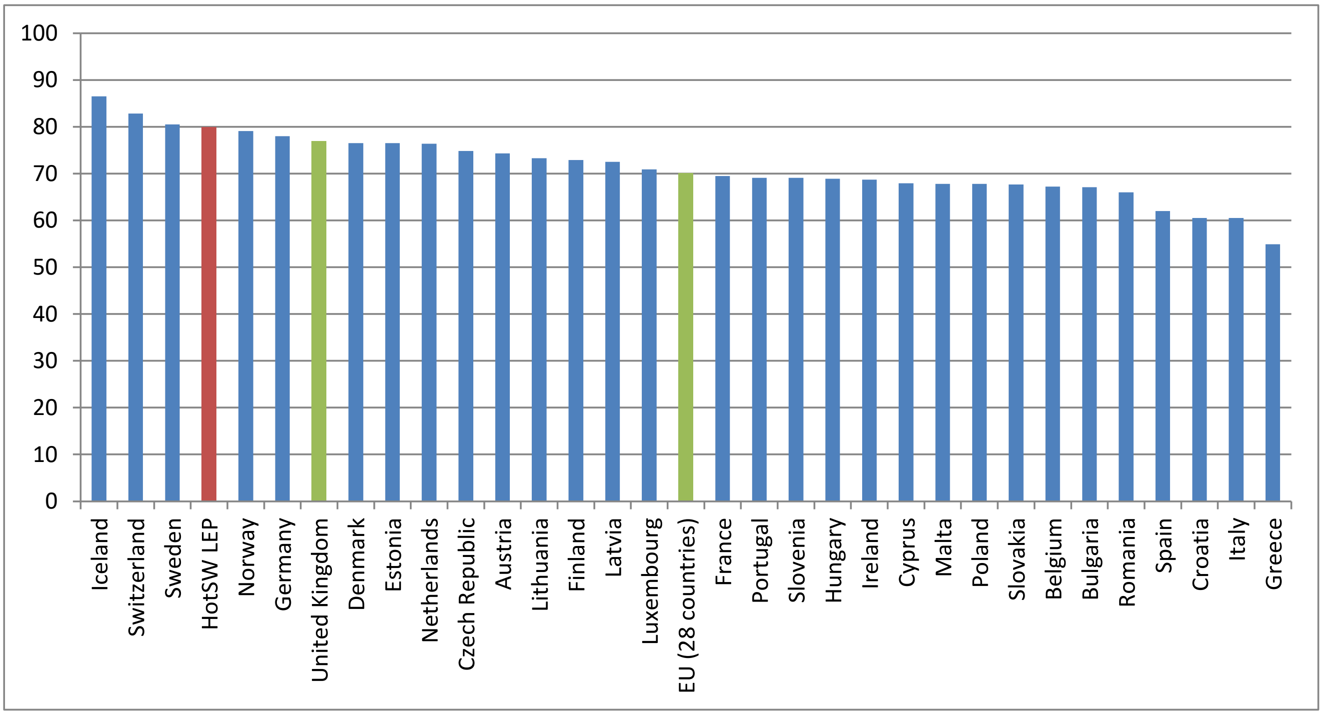
[8] D Harari, House of Commons Briefing Paper: Productivity in the UK, Number 06492, 22 November 2016, House of Commons

problems or who are in prison. A growth strategy based simply on raising employment rates among such populations is unlikely to succeed.

Figure 3 shows, the proportion of adults (aged 20 to 64) who are in employment in HotSW in particular is high, in relation to the UK and EU averages. In Mid Devon, East Devon, Sedgemoor and South Somerset the employment rate for this group is above that of Iceland, the EU 28 nation with the highest employment rate.

The 20% of people who aren't working includes many who are effectively outside the labour market, such as carers, people who have retired early, people who are bringing up children, who have acute physical or mental health problems or who are in prison. A growth strategy based simply on raising employment rates among such populations is unlikely to succeed[9].

Figure 3: Employment Rate, 20 to 64 Year Olds, EU Countries, 2015 (Eurostat)



Source: Eurostat

There is, of course, scope to deliver growth by increasing employment volumes, rather than employment rates, through inward migration. Indeed, inward migration, particularly

[9] The 20% also includes people who are homeless, who have problems with drug misuse, who are long-term unemployed or leading chaotic lives and who are difficult to support into work. In short, as any Work Programme provider will confirm, delivering growth by further increasing the employment rate is becoming increasingly difficult.

of highly skilled adults from other parts of the UK and EU, has been a driver of growth for HotSW in recent decades.

Industrial balance

Productivity varies enormously from one industrial sector to another. GVA per full time employee (FTE) in Finance and Insurance activities (£58,400) is two and a half times that found in Hospitality and Food services.

Figure 4: GVA per Employee, employment volumes and intensity, HotSW, 2015shows GVA per FTE in the HotSW area for the major industrial sectors, as well as the proportion of all HotSW employment found in that sector and a 'location quotient'[10].

It shows that HotSW has:

- a denser than average concentration of employment in Public Administration which, having high GVA per FTE, boosts average productivity for the LEP area as a whole;
- low levels of employment in the highly productive Financial and Insurance activities and Information and Communication sectors; and
- high densities of employment in a number of relatively low productivity sectors, including: Arts, entertainment & recreation; Accommodation and Food Services; Agriculture and Human health & social work (including care), a number of which employ large volumes of people.

Figure 4: GVA per Employee, employment volumes and intensity, HotSW, 2015

Employment (jobs, 000s)		% of all	
	GVA per FTE	employment	LQ
E : Water supply; sewage, waste	67,129	0.9%	1.41
O : Public administration	61,625	5.0%	1.14
K : Financial and insurance activities	58,432	1.4%	0.41
J : Information and communication	50,262	2.4%	0.59
S : Other service activities	48,010	2.7%	0.93
C : Manufacturing	46,463	8.8%	1.12
H : Transportation and storage	41,418	3.2%	0.71
P : Education	40,902	8.8%	1.02
F : Construction	39,742	7.5%	1.15
G : Wholesale and retail trades	37,292	15.3%	1.04
M : Professional, scientific & technical	34,912	6.5%	0.75
Q : Human health & social work activities	34,562	15.0%	1.21
A : Agriculture	29,936	2.5%	2.18
N : Administrative & support services	28,591	6.0%	0.70
I : Accommodation & food services	22,732	8.4%	1.25
R : Arts, entertainment and recreation	17,196	3.3%	1.14

[10] Location quotients show whether the concentration of employment
score below 1) than the UK average.

Source: HotSW Economic Model, Oxford Economics

So is HotSW's productivity gap due to differences sectoral balance of the economy or because workers are less productive in all sectors of the economy?

In reality both factors have a role and productivity lags the national average in all sectors apart from Public Administration. In some sectors, such as Finance and Insurance Services and Information and Communication, the gap is extremely large (Figure 5). Research undertaken Devon County Council concluded that we lack high concentrations of higher productivity sectors, but all sectors are less productive than the national average.

Figure 5: GVA per FTE, HotSW v. UK, 2015

	HotSW	UK	HotSW as a % of UK
A : Agriculture	29,936	33,413	90%
C : Manufacturing	46,463	59,901	78%
E : Water supply; sewage, waste	67,129	92,194	73%
F : Construction	39,742	46,856	85%
G : Wholesale and retail trades	37,292	44,662	83%
H : Transportation and storage	41,418	46,804	88%
I : Accommodation & food services	22,732	27,146	84%
J : Information and communication	50,262	78,007	64%
K : Financial and insurance activities	58,432	106,213	55%
M : Professional, scientific & technical	34,912	44,138	79%
N : Administrative & support services	28,591	32,838	87%
O : Public administration	61,625	56,235	110%
P : Education	40,902	43,849	93%
Q : Human health & social work activities	34,562	35,496	97%
R : Arts, entertainment and recreation	17,196	32,156	53%
S : Other service activities	48,010	52,261	92%
All Sectors	45,894	54,377	84%

Source: HotSW Economic Model, Oxford Economics

The sectors within HotSW that have seen the fastest productivity gains over the last five years are: Wholesale & retail, Professional, scientific & technical; Administrative & support services and Information & Communication.

The Productivity Plan will need to address:

- how to seek to reduce dependency on low productivity sectors, by promoting investment in higher value-added areas of the economy; and
- how to improve productivity in all sectors, or perhaps those (such as care) in which local employment concentrations are particularly dense.

Policy Context

The new Chancellor, Philip Hammond in his first Autumn Statement in 2016 continued Government's commitment to productivity and the devolution agenda. It is intended that this Productivity Plan will helps us compete for resources from Government programmes and policies.

Following the publication of Fixing the Foundation in 2015, the Chancellor's Autumn Statement 2016 announced the introduction of a National Productivity Investment Fund (NPIF). This fund will provide for £23 billion of spending between 2017-18 and 2021-22. The plan builds on existing plans for major investment over this Parliament, including the biggest affordable house building programme since the 1970s, resurfacing 80% of the strategic road network, the investment in the railways, and prioritising science and innovation spending. The NPIF will take total spending on housing, economic infrastructure, and R&D to £170 billion over the next 5 years.

Industrial Strategy

The Industrial Strategy is now in development by Government and a consultation paper is anticipated early in 2017 at which point a national conversation will commence.

Early indications are that there will need to be a local response and places and sectors/industrial clusters will need to articulate their needs and issues in the coming months. The development of the Productivity Plan will enable HotSW to make a detailed response.

The HotSW area will be articulating what it wants to see from and contribute to an Industrial Strategy and this consultation will support that. The Strategy is likely to include continued work towards higher productivity, including through the development of the science and research base in the UK; delivery of infrastructure projects; increased house-building and continued support for regional development of cities and other economic areas outside London.

The new Business, Energy & Industrial Strategy (BEIS) Minister Greg Clark has set out some parameters for what we might expect:

- a long-term, sustained approach to policy making

- active engagement from government in promoting and defending those things that contribute to a successful environment in which businesses can prosper

- to be aware of and capitalise on our strengths whilst seeking new opportunities.

Devolution

Devolution Deals represent the principal mechanism through which recent UK Governments have sought to respond to demand for more place-based decision-making in England. The deal-making process is a challenge to established ways of working, nationally and locally. It represents a significant development in relation to public service reform, local economic growth, and local democratic accountability in England.

Whilst it is England's urban areas have been the first movers towards devolution since November 2014, areas with significant rural populations are now developing devolution deals. While the early devolution deals were primarily done with urban areas in the North, there are now major deals in the early stages in large parts of the South of England[11].

The government has said it remains committed to devolving powers to support local areas to address productivity barriers. The government will transfer to London, and to Greater Manchester, the budget for the Work and Health Programme, subject to the two areas meeting certain conditions, including on co-funding. The government has also confirmed the Greater London Authority's (GLA) affordable housing settlement. The government will continue to work towards a second devolution deal with the West Midlands Combined Authority and will begin talks on future transport funding with Greater Manchester.

Work for the Local Government Association on devolution suggests that what is emerging is 'asymmetric devolution' in which the main catalysts of change are 'bottom-up' aspirations and demands for higher levels of autonomy to respond to place-based challenges and potential. A strong evidence base, sound partnership, cohesive strategy and track record all appear to be in place before a deal is in prospect.

Partners across Heart of the South West set out the ambition around devolution in a prospectus published in spring 2016. The productivity plan is a key part in moving to the next stage of this process.

Local infrastructure

The government will award £1.8 billion to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals. £556 million of this will go to the North of England, £392 million to LEPs in the midlands, £151 million to the east of England, £492 million to London and the south east, and £191 million to the south west. Clearly only a

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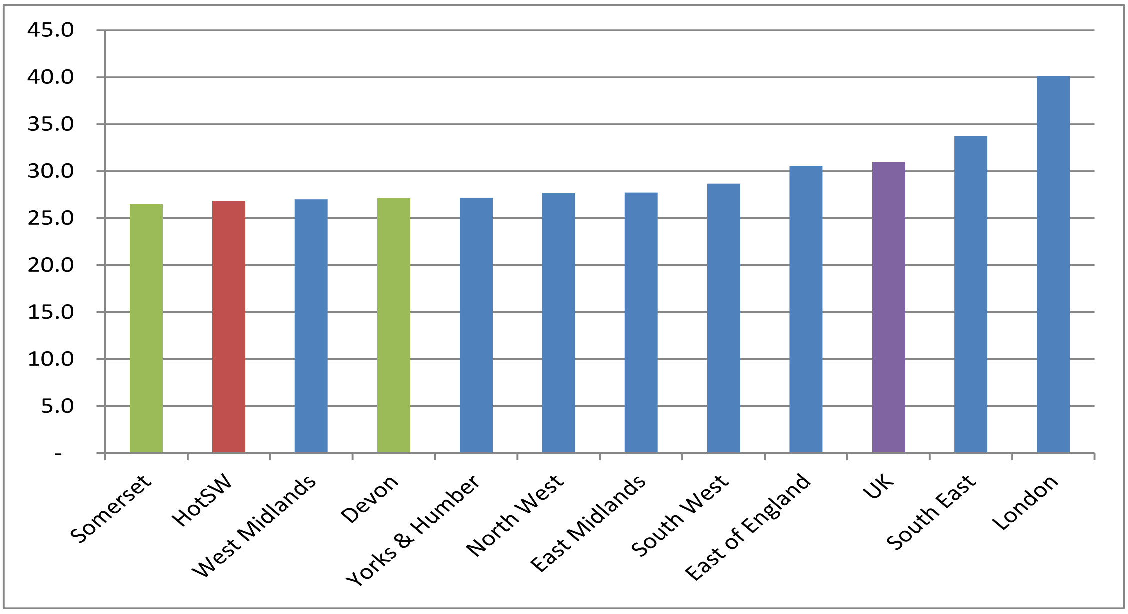
[11] *Learning from English Devolution Deals: A report by New Economy for the Local Government Association,* LGA 2016

proportion of this will come to HotSW. This funding of local infrastructure will improve transport connections, unlock house building, boost skills, and enhance digital connectivity.

PRODUCTIVITY IN THE HEART OF THE SOUTH WEST LEP AREA

As Figure 6 below shows, GVA per hour worked in the HotSW LEP area is lower than in any other English region. At £26.80 per hour it is £8.00 per hour, or 26%, lower than the productivity of the South East region.

Figure 6: GVA per hour worked, 2014



Source: ONS Subregional Productivity

Measured in terms of 'filled jobs' the productivity gap with the South East is even greater, at 32%, because those living in HotSW work more hours than those in the South East, perhaps to supplement low incomes resulting from low productivity and lack of full time opportunities.

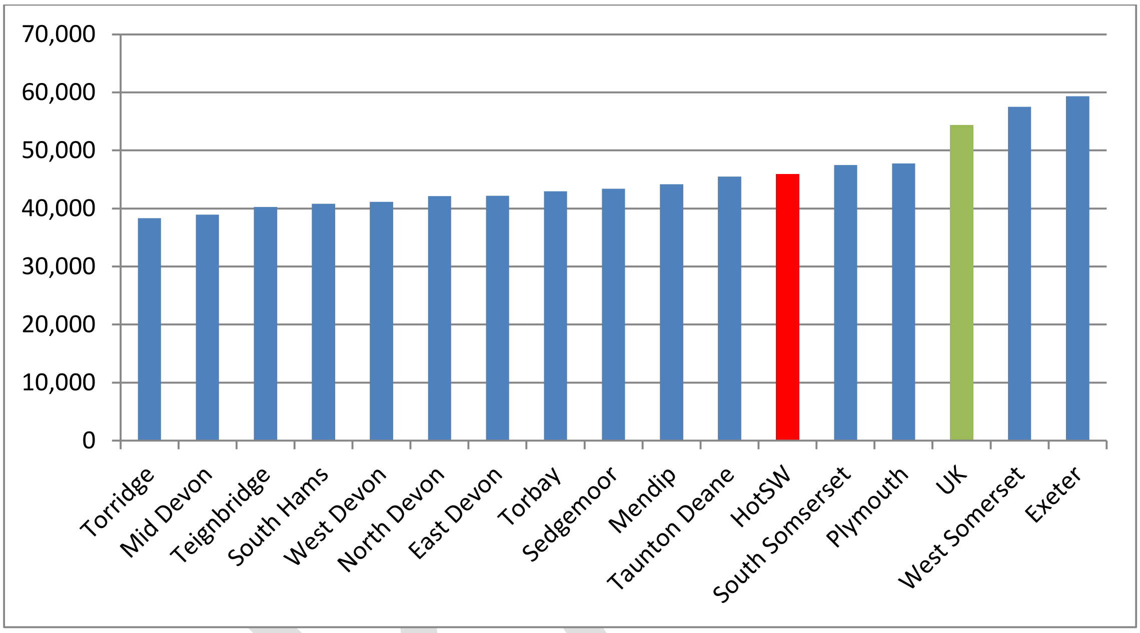
Over the decade to 2014, HotSW LEP's productivity has slipped from 88.1% of the UK average in 2004 to 86.6%, despite a rally from a low of 85.6% in 2011. In the South East, productivity has been stable, rising minimally from 108.4% of the UK average in 2004 to 109% in 2014. It is important to note that the productivity performance of London and South East skews the figures substantially, and thus perhaps do not provide the best comparators. So considering it in another way, in 2014, 5 of the UK's 12 regions or countries had higher levels of productivity relative to the UK then they did in 2007, however the South West as a whole saw a fall[12].

Productivity performance also differs across the HotSW LEP area and inevitably the use of county or LEP averages disguises large differences in the industrial structure, knowledge and capital intensity of production in different localities.

[12] D Harari, House of Commons Briefing Paper: Productivity in the UK, Number 06492, 22 November 2016, House of Commons

Figure 7 (below) shows that within HotSW, GVA per FTE ranges from £59,300 in Exeter to £38,300 in Torridge and that it is higher than the UK average in Exeter (£59,300) and West Somerset (£57,000). GVA per FTE in Plymouth (£47,800) was third highest within the LEP area but below the UK average. It is important to note however that whilst this data may provide a guide it can sometimes be misleading. The presence of a nuclear power station in West Somerset for instance will be reflected in the figures but perhaps does not reflect the nature of the economy of that area as a whole.

Figure 7: GVA per Full Time Employee, 2015 (est.)



Source: Oxford Economics, HotSW impact model

The areas that have seen the fastest growth in GVA per FTE since the economic crisis (2009) have been: Sedgemoor (17%), Exeter (16%), Plymouth (13%), South Somerset and Torridge (both 12%) and West Devon (11%). The productivity gap with the national average has narrowed in these areas. In other parts of the LEP it has widened.

Looking at the proportion of employment found in the three traditionally 'higher pay level' occupations ('Managers, directors & senior officials'; 'Professionals' and 'Associate Professionals') provides some insight into the 'quality' of employment on offer in different parts of the LEP area. Figure 8 shows that while the proportion of employment in these higher level occupations has been growing, its distribution and growth rate across different geographies has been uneven.

Many of areas with the highest concentrations of employment in these occupations, have also seen the fastest growth.

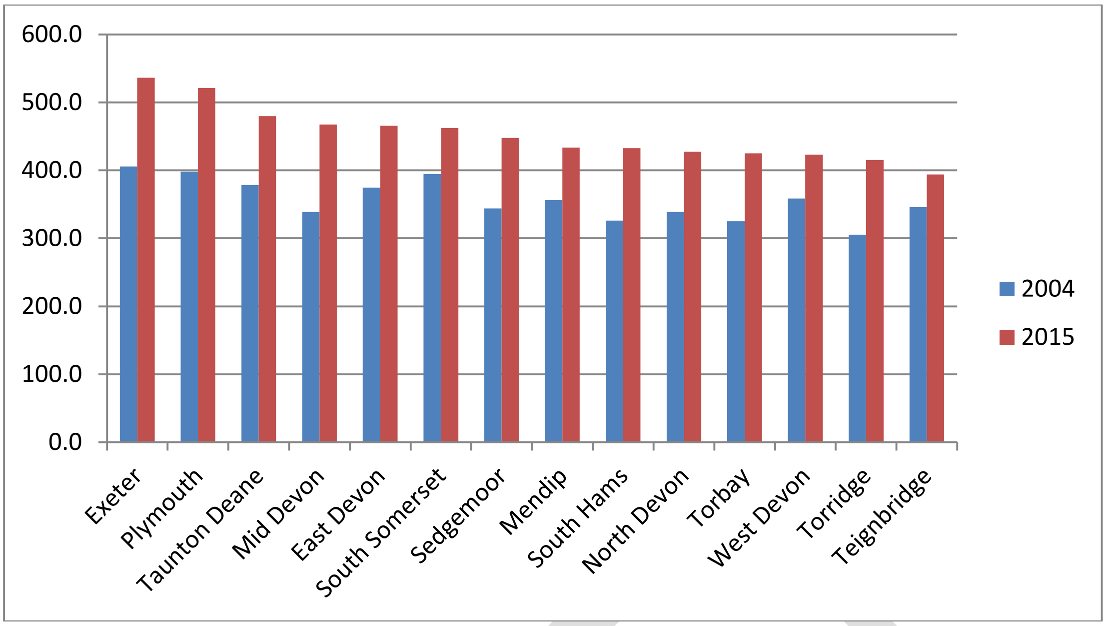
For example the concentration of employment in these occupations in Torridge is likely to owe something to high levels of owner-management, whereas the rapid growth of higher-level employment in the conurbations is due to growth in professional employment, including that within the public sector over this extended period.

Figure 8: Employment in Higher Level Occupations, Workplace based, 2004 - 2015

Source: Annual Population Survey, via NOMIS

As Figure **9** shows, wages are highest in the urban centres (other than Torbay) and some areas around them.

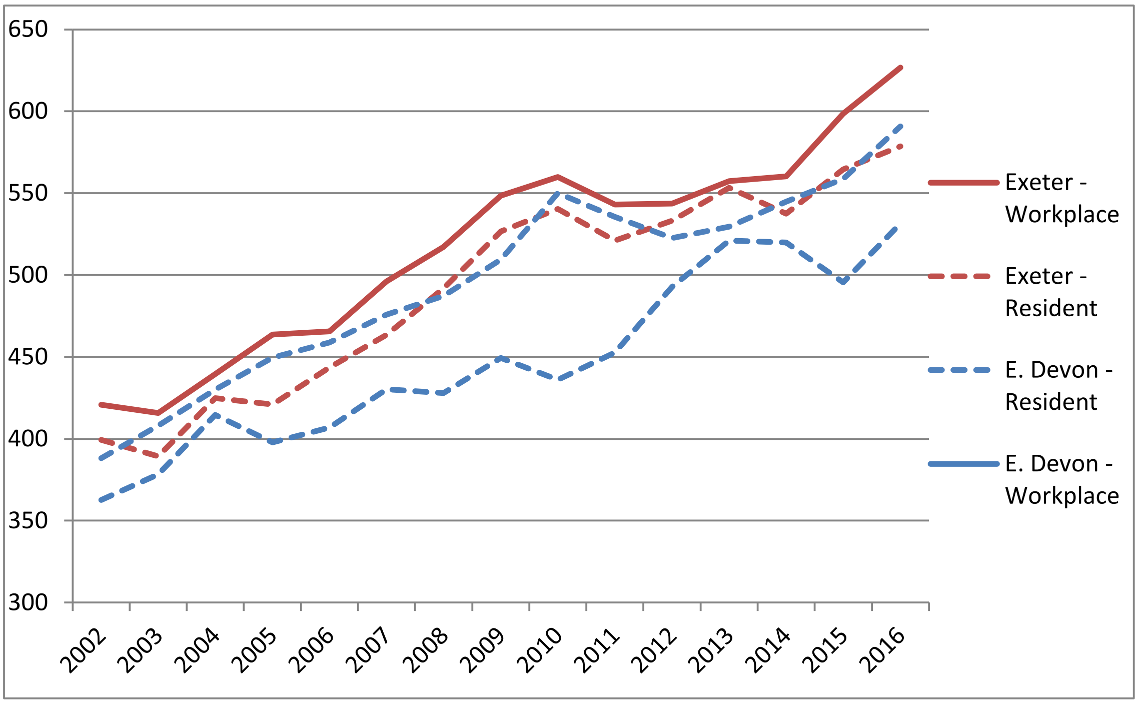
Figure 9: Workplace based gross hourly wages, 2001 – 2015



Source: Annual Survey of Hours and Earnings (Data for West Somerset is unreliable)

So it is important to bear in mind that because productivity and GVA are workplace based measures, they are not of themselves indicators of the economic fortunes of a particular geography. For example, productivity in Exeter is high. This flows into high workplace based wages. But, inward commuting to well-paid jobs means that the average weekly wages of Exeter residents is £48 per week below those of who work in the city.

Conversely, because significant numbers East Devon residents commute to these well paid jobs in Exeter, the average residence based wage for East Devon is £59 per week higher than the work-place based wage in East Devon. Although simple, this example illustrates the importance of understanding the economic relationships between geographical areas or indeed of understanding the workings of wider functional economic geographies.



Source: Annual Survey of Hours and Earnings

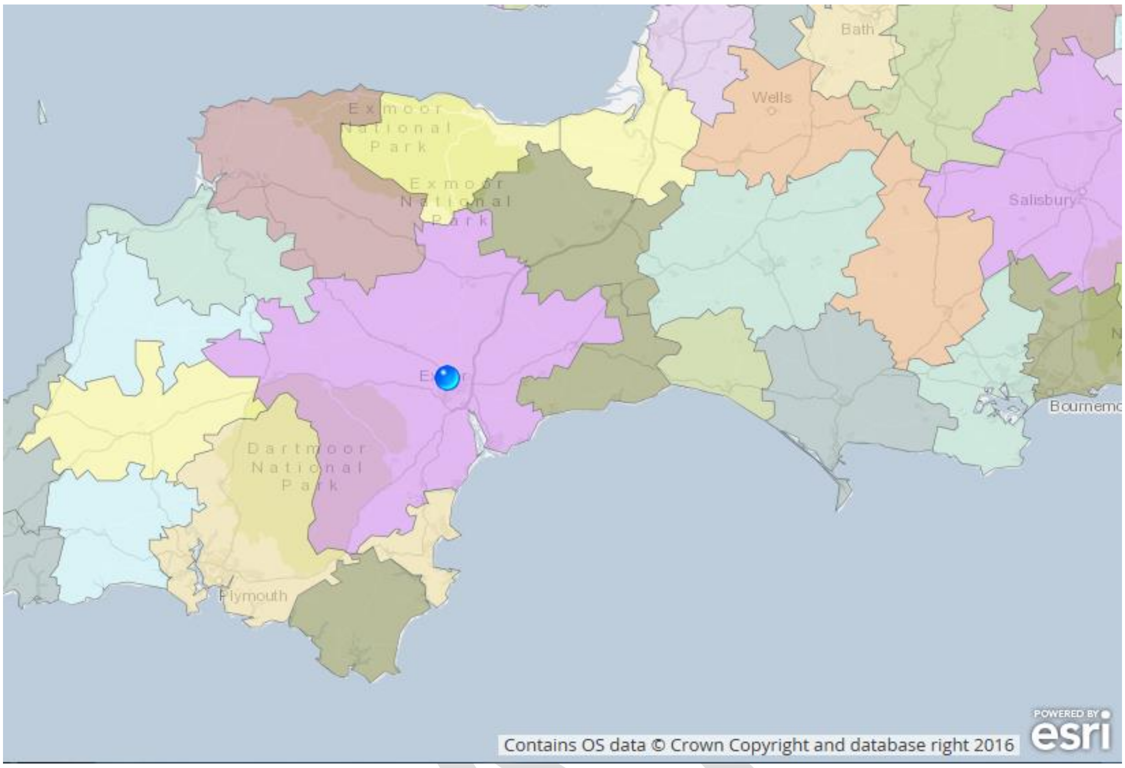
Functional economic geographies

Commuting patterns identified by the 2011 Census returns have been used to create analytical geography called 'Travel to Work Areas'[13]. These are the closest we have to functional economic geographies. Exeter is the largest functional economic area in the Heart of the South West LEP area, accounting for around one quarter of the population aged 16 and over (352,400 residents). This is followed by Plymouth with 290,100 residents, Yeovil with 149,700 residents and Torquay & Paignton (129,800).

Commuting patterns are such that overall 71% of the working population of the Heart of the South West LEP live and work within the area. Overall, more than 47,700 people commute into the area from outside to work while almost 54,600 commute out. This generates an overall net 'loss' of 6,850 though commuting flows. As one would expect, the districts of Exeter (+26,200) and Plymouth (+4,700) gain from commuting although Torbay (-4,400), Somerset (-8,200) and 'all other Devon CC districts (except Exeter)' lose (-25,150).

[13] The current criteria for defining TTWAs are that at least 75% of the area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area. The area must also have an economically active population of at least 3,500.

Figure 10 Travel to work areas in the Heart of the South West



Source: ONS

BUILDING ON OUR STRENGTHS

In our Devolution Deal Prospectus we set out some of our key strengths. Most recently these have been confirmed by the publication of the South West England and South East Wales Science and Innovation Audit (2016).

The Heart of the South West covers most of the south west peninsula. Its 1.7 million residents live in a mixture of rural and urban settings served by a stunning natural environment and rich cultural heritage. Our natural capital is thus a great asset.

Most of our businesses are small and medium sized enterprises (SME) employing fewer than five people, providing excellent potential for growth and innovation. We are also home to cutting edge engineering and manufacturing industries including companies of global significance:

Aerospace and advanced engineering industries employ more than 23,000 people and contribute over £1billion to the economy. Businesses in the area also have specialisms in advanced electronics/photonics, medical science and wireless and microwave technologies. Many of these businesses and associated supply chains are located across the LEP area.

Analysis of the comparative advantages of our local assets has identified that the Exeter City Region can make a unique contribution by becoming a globally recognised centre of excellence in weather and environment-related data analytics. Exeter is home to the Met Office, the city leads Europe in combined environmental science, data and computational infrastructure, hosting 400 researchers in environmental and sustainability science. From 2017, it will also host the most powerful supercomputer in Europe.

The first of the UK's new generation of nuclear reactors being constructed at Hinkley Point will deliver substantial economic benefits across the south west. It is part of our growing low carbon and energy sector and offers £50billion worth of business opportunity in the nuclear sector within a 75-mile radius of Hinkley Point.

Heart of the South West is a global centre of excellence for marine science and technology, including Plymouth University's Marine Institute and the Plymouth Marine Laboratory, South Yard and the LEPs first Enterprise Zone.

There are 30 working fishing ports across the Heart of the South West, ranging from England's two largest fishery landings at Brixham and Plymouth to smaller traditional operations at locations such as Ilfracombe and Clovelly.

The South West Marine Energy Park, the country's first, serves the wider south west peninsula, and offers direct access to superb physical assets and resources including the north Devon and north Somerset marine energy coasts for opportunities in wind, tidal and nuclear energy.

Our mixed economy also serves our traditional strengths. Our tourist and visitor economy attracts millions of visitors per year and our food and drink sector has a significant impact on national GVA (4.2% in 2011). Whilst our largest employment sectors remain public administration, health and education, our Local Enterprise Partnership's Strategic Economic Plan recognises our area as having 'New World' potential if opportunities can be capitalised upon and the right conditions for growth created.

DRIVERS OF PRODUCTIVITY

To really understand productivity and develop policies to influence it we need to understand what factors drive productivity in our economy. In this section we look in more depth at the key drivers of productivity.

The UK Treasury recognises five key drivers of productivity:

- Skills

Skills complement physical capital, and are needed to take advantage of investment in new technologies and ways of running a business.

Skills alone can determine productivity but so does good management, creativity and investment.

- Innovation

The successful exploitation of new ideas: technology, products or ways of working boost productivity, for example as better equipment works faster.

Research and development and general support for innovators is essential.

- Enterprise

New business opportunities for existing firms and start-ups where competition encourages new ideas and ways of working.

Support for businesses and entrepreneurs

- Investment in physical capital

Businesses require machinery, equipment, buildings and infrastructure. More capital generally means that more can be done, better and quicker.

Infrastructure and somewhere to 'set up shop' are essential, and investment capital must be available.

- Competition

Creates incentives to innovate and forces existing firms to be more efficient.

National and international markets must be available. Infrastructure is key.

SKILLS

Over the last century, productivity growth has gone hand in hand with rising human capital, as more people have become educated, and to a higher level. However, the UK suffers from several weaknesses in its skills base that have contributed to its longstanding productivity gap with France, Germany and the US.

Fixing the Foundations, HM Treasury, 2015

The link between skills and productivity

There is a broad body of research to show that investing in skills and learning benefits:

- **Society** through higher employment, a healthier population, greater civic participation and less crime;
- **Individuals** by raising their likelihood of being in employment, leading to improved wages, economic resilience and by contributing to their life-satisfaction;
- **Employers** who gain a more productive and innovative workforce and are better able to adapt to changing economic conditions; and
- **Economies** by increasing employment rates and the productivity of the workforce.

Figure 11: The positive link between UK city skill levels and economic growth

Source: Swinney, Larkin & Webber, What Works Centre Review, Employment & Training, 2014.

The link between skills and economic growth holds nationally, across countries and at a local level for towns and cities.

Recent studies have established a causal connection from the local skills base to local earnings, productivity and employment growth. The recent study by the CBI also found that educational attainment is the single most important driver of productivity[14] differences around the UK. The CBI report also found that people do not move around the UK as much as you might expect, with only 3% of the working age population moving to another region in a given year. So for businesses to be able to drive growth, it needs to focus on people leaving education with the right skills.

School age education in HotSW

Levels of educational attainment at GCSE vary across HotSW. The proportion of students who gain five or more GCSEs at A* to C grades, including English and Maths, is higher than the national average in all parts of the LEP area apart from Plymouth. Torbay and Devon also exceed the national average for the proportion of students who gain the English Baccalaureate[15].

Table 1: GCSE and equivalent results, 2015/16

	5+ A*-C grades including English and mathematics GCSEs	Pupils w ho achieved the English Baccalaureate
England	**52.8**	**22.8**
Devon	58.3	23.2
Plymouth	51.9	20.9
Somerset	55.2	19.8
Torbay	58.2	25.8

Source: National Statistics - SFR 48 / 2016

However, by the age of eighteen performance slips and the average point score per Level 3 qualification falls to slightly below the England average in all HotSW area's upper tier authorities. Torbay, with its grammar schools, performs well for the proportion of A Level students who attain the highest grades, at AAB or better. Others areas lag on all measures.

[14] Unlocking Regional Growth: Understanding the Driers of Productivity Across the UK'S Regions and Nations, December 2016, CBI

[15] The English Baccalaureate is attained by students secure a grade C or above at GCSE level across a core of five academic subjects – English, mathematics, history or geography, the sciences and a language.

Table 2: Attainment of level 3 state-funded students, 2015/16

	All Level 3 students	A level students	
	Average Point Score per entry	APS per entry	Percentage of students achieving grades AAB or better at A level
England	**32.23**	**31.52**	**21.6**
Devon	31.35	30.17	18.4
Plymouth	29.46	28.76	15.0
Somerset	31.27	29.81	17.2
Torbay	31.86	31.95	23.4

Source: National Statistics – SFR 49 / 2016

Higher level skills

A worry for those concerned with fostering a highly skilled and highly productive economy in the HotSW LEP area is that the drop in attainment seen at Key Stage 5 appears to flow through into surprisingly low levels of progression to higher education. In 2013/14, only 44% of students from state-funded schools and colleges in Devon and Somerset went on to a UK higher education institution, a figure 14 percentage points below the England average of 58%. Torbay and Plymouth performed better than Devon and Somerset but still slightly lagged the national average. Notably Torbay, whose grammar schools account for a higher than average percentage of state-funded students, have a significantly higher progression to Russell Group universities than the national average.

Table 3: Destinations of students from state-funded schools who entered an A Level in 2012/13 at in 2013/14

	Any education destination	Further education college	UK higher education institution	*Russell Group (incl. Ox. and Cam.)*	Employment w ith training	Other employment
England	**72%**	**6%**	**58%**	**17%**	**3%**	**3%**
Devon	62%	8%	44%	13%	4%	10%
Plymouth	71%	8%	51%	12%	3%	7%
Somerset	59%	8%	44%	14%	9%	7%
Torbay	67%	5%	52%	23%	4%	5%

Source: National Statistics – KS5 Destination Measures

In 2013/14, 9,300 students qualified for undergraduate honours degrees in the HotSW area, ranking HotSW 15th out of 39 LEPs for volume of graduates. Of these, 36% graduated with STEM qualifications, a figure slightly higher than the national average (34%).

Another way of looking at graduate retention is to examine how many locally domiciled students find work in the local area, irrespective of where they studied. In 2012/13, 72% of students in the Heart of the South West LEP area were working in the South West of England six months after graduation, placing the LEP area 14th on this measure[16].

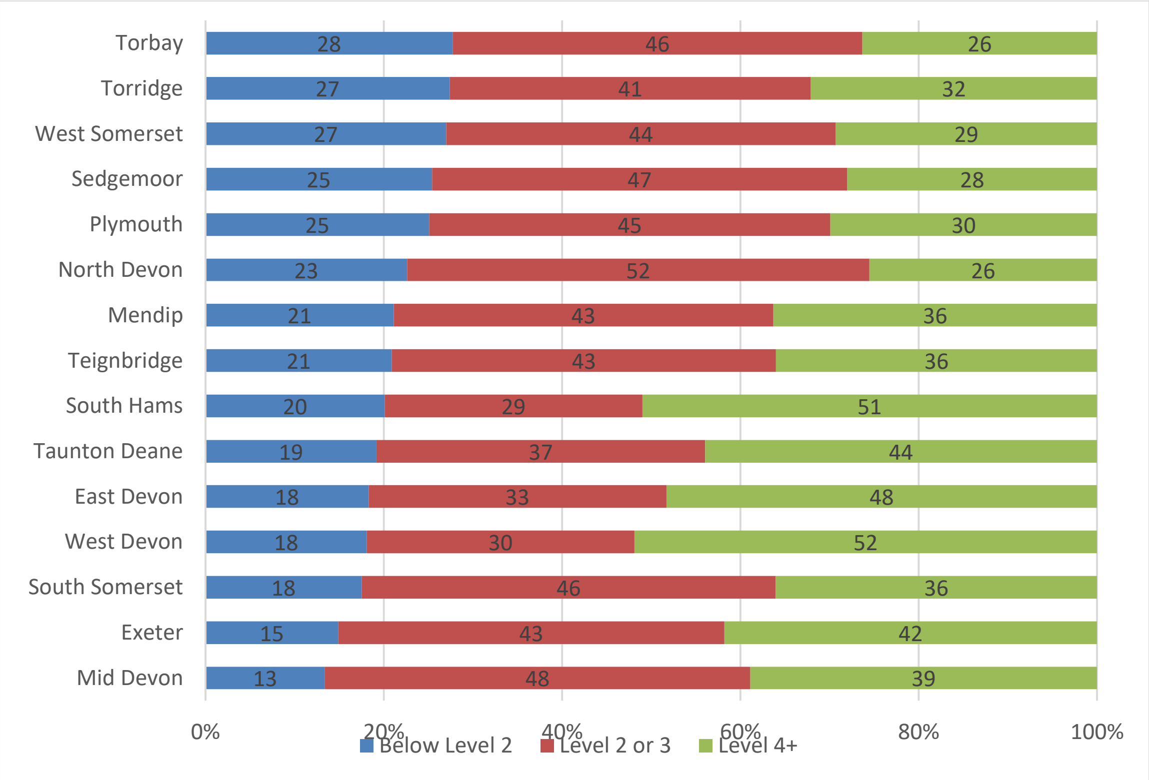
Workforce qualifications

Qualification levels among the resident population are broadly on par with the national average with more than one third (36%) holding at least a degree level qualification or equivalent or above.

However, this is well short of the most highly qualified LEP areas of Oxfordshire (52%), London (50%) and Thames Valley Berkshire (48%)[17].

Figure 12 reveals big differences in the highest qualifications held by the residents living in different parts of the LEP area. Residents living in the South Hams and West Devon, for example, are around twice as likely to hold a degree level qualification (or equivalent) than those living in Torbay, North Devon, Sedgemoor and West Somerset.

Figure 12 Highest qualification held by the resident population: January to December 2016



[16] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546999/bis-15-344-mapping-local-comparative-advantages-in-innovation-framework-and-indicators.pdf

[17] Annual Population Survey, January to December 2015 (Resident population aged 16 to 64).

Source: Annual Population Survey

Skills imbalances

While relatively few employers report skills shortages (5%), almost one third (29%) of vacancies were difficult to fill due to skills shortages in 2015. The density of skills shortages in the Heart of the South West was among the highest of all the LEP areas – and comparable to those in Enterprise M3, Swindon & Wiltshire and Tees Valley. The majority of employers with skills shortage vacancies report negative consequences most commonly, increased workload for other staff but also difficulties meeting customer demands, loss of business or orders, increased operating costs and delay developing new products or services. Furthermore, the Heart of the South West LEP is among 13 LEP areas that reported difficulties with staff retention.

There is little evidence that imbalances within the existing workforce are any more prevalent than the national average. For example, skills deficiencies (so called 'skilled gaps') within the existing workforce affects around 5% of employees and 14% of establishments locally – similar proportions to the national average and the proportion of employers reporting they have 'underutilised staff' is lower than the England average[18].

Employer investment in skills

Despite the efforts of successive governments, the proportion of employees who report having undertaken training that took them away from the workforce has fallen dramatically over the last fifteen years.

Successive initiatives have had little long-term impact on this decline. Although employers may be finding new ways to meet their skills needs – e.g. via informal and on-line learning – the fall in off-the-job training and concerns about skill shortages, particularly in technical areas, is a concern and challenges us to find new and better ways of driving employer ownership and investment in skills.

There is a relationship between an employer's capacity to train its workforce and its potential for productivity gains and growth. The latest UK Employer Skills Survey revealed that Heart of the South West LEP area businesses are less likely to have a training plan or budget[19] than is the case nationally. While the majority (64%) of local respondents reported that their establishment had provided training over the previous 12 months, this was the joint lowest incidence of training of all the LEP areas (with Cumbria, Leeds City Region and The Marches). This may reflect to some extent the high proportion of micro business in the area.

[18] 25% of establishments in the Heart of the South West LEP area reported that they had employees with both qualifications and skills that are more advanced than required for their current job role. This compares to 30% nationally. Within the LEP area, 6.4% of employees were 'underutilised' according to this measure, compared to 7% nationally.

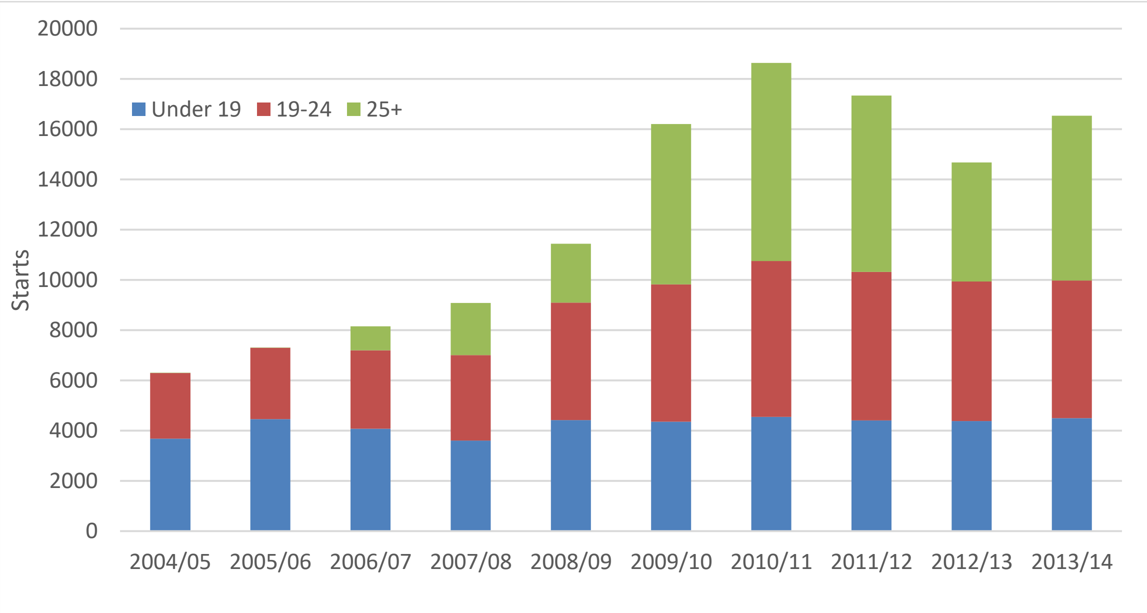
[19] UK Employer Skills Survey, 2015 UKCES

Apprenticeships

The introduction of the Apprenticeship levy provides an opportunity to encourage employers to take greater responsibility for staff development. This applies not just to new appointees, but to the upskilling and re-skilling of an ageing workforce, which may struggle to keep pace with the rate of technological change. The expansion in Apprenticeship starts locally, particularly among adults aged over 25, is illustrated in Figure 13.

While the majority (63%) of Apprenticeships remain at intermediate level (typically Level 2), the number of Advanced Apprenticeships[20] (Level 3) and Higher Apprenticeships[21] has increased rapidly. The profile of Apprenticeships starts across the LEP area by sector subject area suggests that most are in: health, public services and care; business administration and law; retail and commercial enterprise and engineering and manufacturing technologies. These broadly mirror the profile of starts nationally albeit with a greater emphasis locally on health, public services and care.

Figure 13 Apprenticeship starts across the Heart of the South West by age group: 2004/05 to 2013/14



Source:

If we look at the profile of Apprenticeship starts by sector subject area with local employment we see that:

[20] 34% of Apprenticeships in 2014/5 were Advanced Apprenticeships.
[21] 3% of apprenticeships in 2014/5 were Higher Apprenticeships.

- We have a larger share of starts in health, public services and care than might be expected, given those sectors' share of total employment, and a smaller share of starts in retail and commercial enterprise

- Broadly, there is a balanced share of starts and employment in engineering and manufacturing technologies. There is potential for a greater share of starts in: Information and Communication Technology; arts, media and publishing; education and training; leisure, travel and tourism; and construction, planning and the built environment.

INNOVATION

'Innovation is the successful exploitation of new ideas. New ideas can take the form of new technologies, new products or new corporate structures and ways of working. Such innovations boost productivity, for example as better equipment works faster and more efficiently, or better organisation increases motivation at work.'

Fixing the Foundations, HM Treasury, 2015

The importance of knowledge investments that help to generate new products, processes and ideas or to produce existing goods and services more efficiently is well understood. These innovations lead to returns in the form of increased profit and economic activity wider returns for society as a whole.

Research suggests that:

- public science investment can trigger a 'crowding in' effect, with each extra £1 of public funding leveraging additional private funding of between £1.13 and £1.60[22]; and
- every £1 of public or private funding invested in science and R&D generates a rate of return, measured by an increase in Total Factor Productivity[23] (TFP) of 20%;

Of course, the ability of public research and development funding to generate productivity improvements, particularly at an industry-level, depends on the R&D intensity of that industry and the 'absorptive capacity' of that industry.

This means that the translation of R&D investment into productivity improvements requires the building of 'absorptive capacity', i.e. ecosystems capable of translating R&D into innovative processes, products and services. There is considerable evidence on the importance of clustering, as firms come together to benefit from the better exchange of ideas, people, supply chains, training, business support and knowledge-exchange opportunities.

[22] *'Rates of return to investment in science and innovation'* Frontier Economics for BIS, July 2014

[23] Total-factor productivity (TFP) accounts for effects in output that are not caused by the traditionally measured inputs of labour and capital. Technology growth and efficiency are the two of the biggest drivers of Total Factor Productivity. It is used as a measure of an economy's long-term technological change or technological dynamism. Total Factor Productivity is often seen as the real driver of growth within an economy and studies reveal that whilst labour and investment are important contributors, Total Factor Productivity may account for up to 60% of growth within economies.

Current performance and comparator

According to data from the UK Innovation Survey, firms across England spent an average of 2.5% of their turnover on innovation between 2008 and 2010, rising to over 5% in areas such as Oxfordshire.

HotSW performs poorly against this measure, ranking 32nd of 39 LEPs, with firms on average spending just 1.7% of turnover on innovation expenditure. Similarly, Business Expenditure on R&D (BERD) per full-time employee (FTE) was £350 in HotSW, ranking the LEP 31st of 39 LEP areas, far below leading geographies such as Cambridge, where BERD per FTE was £2,500.

If we look at the proportion of firms engaged in product or process innovation, again HotSW performs poorly, ranking 33rd of 39 LEP areas. Furthermore, local private sector enterprises are less likely than average to believe their organisation is a market leader in terms of business approach[24].

Patent data[25] – another useful indicator of innovative activity – suggest that the LEP area appears mid-table when ranked against other LEP areas in terms of the overall number of patents[26] but ranks close to the bottom of the table when this is expressed on a per capita basis[27]. The Centre for Cities ranks Exeter 22nd and Plymouth 40th of 63 cities for the number of patents granted per 100,000 of population.

There are relatively small shares of employment locally in knowledge intensive market services (8.5%) compared to the national average (12.5%) but the share in high or medium high technology manufacturing sectors (3%) is marginally higher than the national average. In both cases, however, the Heart of the South West LEP ranks among the least knowledge-driven market economies in the country. Partly reflecting this, at 6% the Heart of the South West LEP area ranks in the lower third of LEP area for its share of employment in science and engineering professional and associate professional occupations[28].

Despite this, the HotSW LEP has reasonable strengths in terms of its publicly funded R&D assets. The LEP ranks 19th of 39 LEP areas for the total volume of income generated by Higher Education interactions with the Business Community, via contract research, continuing professional development (CPD), consultancy and facilities and equipment related services. It ranks 19th for income generated from businesses per full-time academic staff member.

[24] 34% of private sector respondents rated their establishment at least 4 out of 5 on a scale from their establishment very rarely leading the way to often leading the way in terms of business approach.

[25] This is a way of measuring the scale of innovation activity but can be misleading as patents are registered where the head office is not where the invention occurs.

[26] Mapping Local Comparative Advantages in Innovation, EIUA and Impact Science

[27] Building Advantage: Local Enterprise Partnership Area Economies in 2014, The LEP network.

[28] Annual Population Survey, 12 months to June 2016.

In essence, the data suggests that, although the LEP has some valuable assets that actively support business R&D, much of this work takes place outside the region, and there is scope to encourage a greater focus by such institutions on the local growth and productivity agenda.

If we look at our University research expertise, defined by publication impact, HotSW LEP has particular strengths in:

- **Clinical Sciences** - Behavioural Neuroscience, Cognitive Psychology, Psychology and Virology.
- **Environmental Science**s - Energy, Environmental Chemistry, Environmental Science, Renewable Energy.
- **Life Sciences** - Agricultural, Animal Science, Aquatic Science, Ecology, Genetics, Molecular Biology, Physiology, Toxicology.

The UK Government and European Union (EU) are asking regions to differentiate themselves and to foster regional comparative advantage by building on local assets (natural, industrial, intellectual) to become world class in specific technologies or industries. This policy, known as 'Smart Specialisation' by the EU, underpins the recent Science and Innovation Audits and will be increasingly important to winning R&D 'challenge' funding in future.

HotSW LEP has identified eight science and innovation areas of smart specialisation: aerospace, agri-food, big data, environmental futures, healthy ageing, marine, nuclear and electronics/photonics.

The South West England and South East Wales Science and Innovation Audit published in 2016, was one of only five pilot audits in England[29]. The Science and Innovation Audit has identified the world-leading research strengths and innovative industrial capacity of South West England and South East Wales and the enormous potential of the region to prosper in the new knowledge economy and, indeed, to lead in digital innovation and advanced engineering.

It has focused on the pre-eminent strengths in the region in aerospace and high value engineering, microelectronics, new energy systems, digital industries, and environmental technologies. It is clear that there is extraordinary potential to better integrate these sectors and to provide greater innovative potential by focused investment. The audit also identifies the need for skills development in the new technologies that are being created in the region.

With the significant opportunities sit real concerns that urgent action is required to optimise delivery of the Government's forthcoming Industrial Strategy and to ensure that

[29] http://gw4.ac.uk/sww-sia/

appropriate national and local investments are made to maintain our lead over the rest of the world.

The Science and Innovation Audit suggests that working with our neighbours, our area can deliver a resurgence in manufacturing, building on the opportunities afforded by digital innovation and the strength of the science base. This will enable us to build on our strengths to drive innovation, increase productivity and deliver a sustainable flow of exports, GVA, growth and jobs to the benefit of the UK.

ENTERPRISE

'*The seizing of new business opportunities by both start-ups and existing firms'* is a critical determinant of productivity.

In 2015, there were 7,000 new business 'births' in the HotSW LEP area, and 5,500 'deaths', resulting an additional 1,500 active businesses. Although this is positive, the most productive and dynamic regions are characterised by higher rates of new business formation and destruction. The fact, therefore, that the business births as a proportion of the business stock in HotSW (11%) was considerably below the England average (15%) and far below the most productive geographies, such as London (19%) in 2015, is a concern[30].

This relatively low rate of new business creation affects all parts of the LEP area since even the most dynamic – Plymouth (14%) and Torbay (13%) have rates of new business formation that are lower than the national average. Rates are lowest in West Somerset (8%) and Torridge (9%). The Centre for Cites 2016 report ranked Exeter and Plymouth among the bottom 10 cities nationally for business start-up in 2014[31].

New businesses in HotSW have higher than average five years' survival rate. This is clearly positive for the entrepreneurs involved, but it is also due to the comparative lack of competition faced by business operating in internal markets that are isolated from the main urban centres, which is a brake on productivity growth.

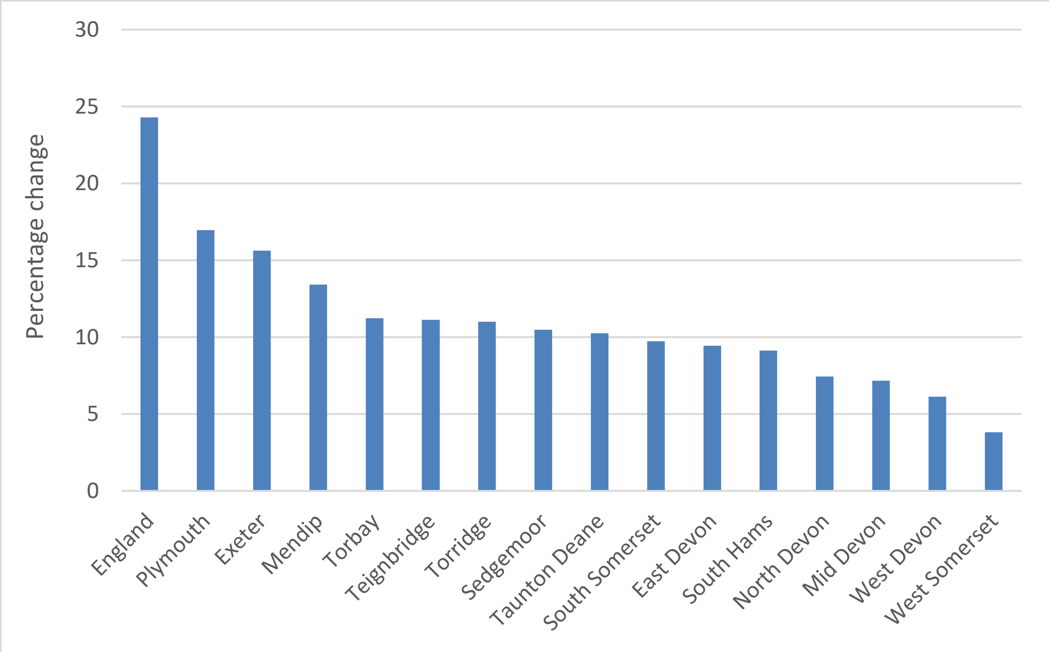
While the number of enterprises in the LEP area has increased each year between 2011 and 2016, this has been at a much slower rate than the national average (11% compared to 24%). Indeed, the HotSW LEP area recorded the lowest percentage increase in its business population of all the LEP areas over this period. Growth has been relatively slow in all parts of the LEP but fastest in Plymouth and Exeter (Figure 14).

In all areas, the vast majority of enterprises are very small. The LEP has fewer than average large and medium sized companies. In 2015, 1.6% of HotSW's enterprises had over 50 employees, compared to 2.0% nationally, and 0.3% had over 250 employees, compared to 0.4% nationally. It probably the case, but hard to demonstrate, that HotSW LEP has a slightly higher than average prevalence of 'lifestyle businesses'.

[30] Business Demography, ONS
https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyreferencetable

[31] http://www.centreforcities.org/wp-content/uploads/2016/01/Cities-Outlook-2016.pdf

Figure 14 Change in number of enterprises within Heart of the South West LEP area: 2011 to 2016



Source: Count of Enterprises via NOMIS

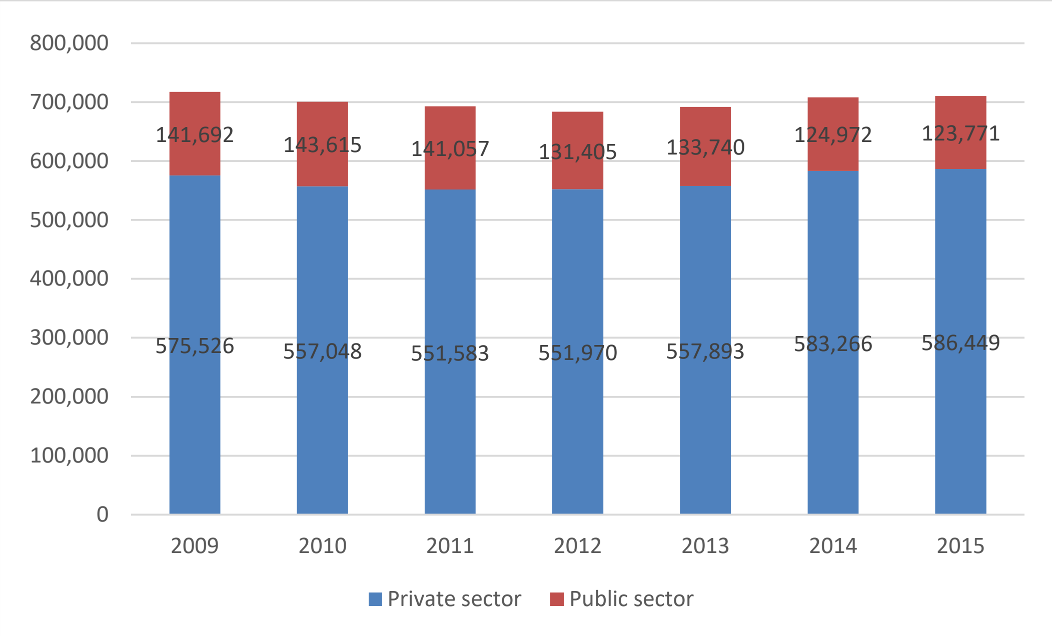
However, the HotSW LEP has the second highest share of sole proprietors (25%) among enterprises of all the LEP areas – well above the national average of 17% and second only to Cornwall and the Isles of Scilly (29.5%)[32]. Within the LEP area the share of sole proprietors rises to 31% in West Somerset, 30% in Torridge, 29% in West Devon, 29% in Mid Devon and 29% in North Devon. The high number of SMEs and sole traders could be indicative of lack of employment opportunities associated with the prevalence of larger firms and institutions.

Almost all enterprises within the LEP area (99%) are in the private sector, and private sector businesses account for the majority of employment (83%)[33]. Figure 15 reveals the different contributions the private and public sector have made to overall employment levels between 2009 and 2015. The contribution of the public sector has fallen steadily over the period and was 13% lower in 2015 than in 2009. Private sector employment, by contrast, declined initially but has recovered so that levels in 2015 were 2% higher than in 2009. This is the slowest rate of private sector employment growth recorded by LEP areas and is well below the national average of 11%. Private sector employment growth 'hotspots' between 2009 and 2015 were London (22%), Oxfordshire (14%), Cheshire and Warrington (13%), Greater Birmingham and Solihull (13%) and Hertfordshire (13%). London accounted for 36% of all private sector employment growth in England over the period.

[32] UK Business Counts, 2015

[33] This is on par with the England average of 82%.

Figure 15 Employment in the private and public sector: Heart of the South West LEP area: 2009 to 2015



Source: BRES via NOMIS

The Business Support landscape has been subject to significant reorganisation in recent years. The Growth Hub, which has recently become operational, provides on-line business advice and support and sign-posting to specialist services. The extent to which the specialist services are currently available, e.g. to 'gazelle' companies or knowledge-intensive start-ups, are adequate to deliver a productivity-led growth ambition, is open to question.

Foreign ownership

Analysis of the impact of ownership structure on productivity suggests that significant benefits could be gained by expanding the representation of establishments that are part of multinational organizations, particularly US and other non-UK multinationals in the lagging regions. Clearly Brexit will also have an impact here but that is as yet unclear.

The potential supply of foreign direct investment is however, limited and competition strong internationally for what is available. The Heart of the South West has low levels of foreign ownership within its business community: around a third of one percent (0.34) of VAT and/or PAYE based enterprises in the LEP area in 2016 had a global ultimate parent based outside the UK. This compares to 2.19% and 2.11% respectively, in Thames Valley Berkshire and London, which have the highest share of foreign ownership among all LEP areas.

COMPETITION AND INFRASTRUCTURE

According to ONS Productivity Handbook,[34] competition, which is largely a function of market size and market access, *'improves productivity by creating incentives to innovate and ensures that resources are allocated to the most efficient firms. It also forces existing firms to organise work more effectively.'*

A key component of competition will be the market size and whether the businesses are exporting or competing in national markets.

Key to this is also access to markets through greater connectivity. Good infrastructure and connectivity allows businesses to access markets. More peripheral regions tend to be less productive as they are at a significant distance from their markets (see section on Infrastructure below).

Exporting

The recent CBI research[35] found that productivity can also be influenced by whether or not a firm is an exporter. The process of exposing businesses to the competitive pressures of international markets requires them to become more competitive but also encourages them to be innovative, the combination of which helps to raises their productivity.

The research also found that businesses are more likely to export if they are foreign-owned, conduct research and development, employ graduates and have been established for more than 20 years[36].

The CBI estimates that there are a large number of potential exporters who are not exporting today and that most regions have between 10% and 15% of firms that have characteristics similar to other firms in their sector that are currently exporting.

The CBI points to the need to help non-exporters with the support and initiative to take the leap and venture into international markets which could help to generate productivity gains. It suggests that targeted and consolidated government assistance can be successful in this respect, such as sector-focused trade commissioners to help identify opportunities in new markets, and funding to help firms "land" in a specific market through co-working spaces within firms in the export market, attending overseas meetings and making the right contacts.

[34] Productivity Theory and Drivers, Office for National Statistics,

[35] ibid

[36] Harris and Moffat. Investigation into links between internationalisation and firm performance. November 2014.

Markets

Enterprises with the South West of England are among the least likely nationally to trade across Europe (16%) or other parts of the world (14%) and are among the most likely to trade within their host region (81%)[37].

LEP level data on exporting is rather sparse, however research suggests that:

- the HotSW has the one of the lowest export propensities among LEP areas. In 2010, one quarter (24.6%) of firms with ten or more employees in a section of industries, were actively exporting goods and services. This compared to the UK average of 33%[38].

- one-fifth (21%) of employers responding to the Heart of the South West Business Survey in 2012 reported trading internationally (either within or beyond the EU). The most common reasons for not exporting were that the business was too small, or that it was 'not appropriate'. When asked what assistance would help respondents to trade more widely, the most common response was 'none' although finance was the most commonly cited opportunity for support among those respondents that identified a particular area of assistance[39].

- At 13%, the HotSW had one of the lowest shares of employment in export-intensive industries of all LEP areas in 2015[40].

Product market strategies

A significant share of private sector businesses in the Heart of the LEP area are actively competing on quality, sophistication and market leadership[41], however, the share is lower than the national average (43% compared to 46%) and is significantly lower than in the leading LEP areas where around half are competing at this level.

Transport

There are two main economic aims of transport spending[42].

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[37] Market distribution of all enterprises, 2012-14

[38] http://www.mylocaleconomy.org/wp-content/uploads/2014/03/REVIEW-OF-LEP-AREA-ECONOMIES-2014.pdf

[39] Heart of the South West Business Survey reported in Somerset Economic Assessment 2013 http://www.somersetintelligence.org.uk/somerset-economic-assessment

[40] BRES via NOMIS, 215

[41] Figures relate to the share of enterprises responding to the UK Employer Skills Survey who reported very high or high product market strategies (i.e. they compete more on product and service quality, sophistication and market leadership than price).

[42] The Eddington Transport Study. Main report: Transport's role in sustaining the UK's productivity and competitiveness, Sir Rod Eddington, December 2006

1) To reduce transport costs to businesses and commuters (for example by reducing congestion – and thus saving time - or by reducing fares).

2) To stimulate national or local economies by raising the productivity of existing firms and workers or by attracting new firms and private sector investment.

The 2006 Eddington Review estimated that a 5% reduction in travel times nationally would be worth around 0.2% of GDP annually (Eddington 2006)[43] and recommended that the key priorities should be growing and congested areas where there is growing demand for transport.

The 'What Works Centre' review[44] also points out that infrastructure investment can be expensive and that, as a result, productivity benefits can be outweighed by the costs of provision, particularly when infrastructure is used to try to turn around struggling economies. Because infrastructure is durable, places that have seen slow growth also tend to have relatively large amounts of infrastructure per person.

Econometric analysis by M. Boddy et al[45] looking at the correlation between productivity and travel time from London suggests that peripherality has an important role in explaining regional productivity differentials and that investment in transport infrastructure to reduce journey times to and from the capital could make a significant difference. This report also points out that the lag is unlikely to be solely due to differences or penalties in terms of travel times, but due to agglomeration effects, suggesting that reducing journey times could potentially spread the positive effects of agglomeration (the better exchange of people, ideas, supply chains etc.) focused on London.

Current Performance

There are just two main road routes from London into HotSW: the M4/M5 and the A30/ A303, of which much is a single carriageway trunk road. Both routes are prone to disruption due to road accidents, adverse weather and congestion, making travel times unpredictable and unreliable. An obvious solution to the risk of dependency on the M5/M4, would be to make the A30/A303 a dual carriageway from beginning to end, a project that many consider vital. Partners are also working to deliver series of improvements on the A30/A303 corridor and to address a series of Pinch Point across the LEP area.

Unsurprisingly, average vehicle speeds on locally managed 'A' roads during the weekday morning peak – a measure of congestion – are lower in Plymouth (19.7 mph) and Torbay (23.3 mph) than in Somerset (29.7 mph) and Devon (31.4 mph) and in all

[43] ibid

[44] Evidence Review 7: Transport, 2015. What Work in Local Growth

[45] Regional Productivity Differentials: Explaining the Gap Martin Boddy1, John Hudson,2 Anthony Plumridge3 and Don J. Webber

areas except Torbay where speeds have remained the same, average speeds in 2013/14 were slower than those in 2006/7. For contrast, average speeds in Inner London were 12.3 mph in 2013/4.

Table 4 Estimated road journey times between selected locations: 2016

	Taunton	Exeter	Plymouth	Birmingham	London
Taunton	X				
Exeter	45m (34 miles)	x			
Plymouth	1h 20m (74 miles)	53m (45 miles)	x		
Birmingham	2h 21m (138 miles)	2h 49m (173 miles)	3h 26m (211 miles)	x	
London	2h 55m (165 miles)	3h 24m (200 miles)	4h 0m (238 miles)	2h 17m (126 miles)	x

Source: The AA Journey Planner

Table 5 Estimated train journey times between selected locations: 2016

	Taunton	Exeter	Plymouth	Birmingham	London
Taunton	X				
Exeter	25m	x			
Plymouth	1h 26m	59m	x		
Birmingham	2h 05m	2h 32m	3h 33m*	x	
London	1h 42m	2h 8m	3h 7m	1h 13m	x

Note: Fastest service arriving before 9am (arrives at 09:58)*
Source: Trainline.com

Broadband

Broadband internet, like many other ICTs, is a ‘general purpose technology’ with functions across many areas of economic and social life, and is an enabler of innovation in those fields. For firms and their workers, broadband allows for efficiencies in production both by lowering costs (e.g. for data storage, advertising or working with suppliers) and by enabling innovation (e.g. reaching new customers online or employing data analytics). These productivity gains can translate into higher wages and possibly higher levels of employment, although firms may also shed staff as a result of technological change. Broadband may also lower the barriers to starting a business, particularly in sectors like retail.

It is important to recognise that there may be winners and losers from these changes. If broadband increases productivity by increasing competition, some firms will go out of business (e.g. conventional retailers). Broadband can help accelerate automation, may penalise less skilled workers doing routine tasks, or provide access to a wider labour pool, including from abroad, which might depress wages locally.

The lessons drawn from the 'What Works Centre' review[46] is that Broadband, like many ICTs, is a 'disruptive' technology that creates winners and losers and is not a silver bullet for local economic development. Improved broadband can have a positive impact on firm productivity but much of the benefit that may accrue is dependent on firms making other structural and strategic changes, e.g. to work organisation or to the adoption of applications for supply chain management. Broadband seems to benefit skilled workers more than low- or un-skilled workers. Furthermore, where there is evidence that broadband has a positive local economic impact this may be due to in-migration, e.g. tele-working by the skilled freelancers in attractive rural areas. Existing households may not be the biggest beneficiaries.

The review of the evidence on broadband's productivity impacts by the What Works Centre for Local Economic Growth points out that while there may be a need subsidise broadband provision in rural areas, the economic benefits of its introduction into rural areas is not as large as for urban areas (which creates the need for the subsidy).

Current performance and comparator

The BIS report Mapping Local Comparative Advantages in Innovation (July 2015) identifies that in 2014:

- 18.8% of internet users in the HotSW LEP area had access to broadband at speeds of over 30mbs, ranking the LEP 36th out of 39 LEP areas
- 55% of had access to broadband at over 10mbs, placing us in the bottom quartile of LEPs on this measure
- Only two LEP areas (Marches and Cumbria) had slower average download speeds than those found in HotSW.

The Centre for Cities ranks Exeter and Plymouth, 46th and 22nd respectively, out of 62 cities for access to Superfast Broadband.

Capital Investment by firms

Alongside investment in transport and broadband infrastructure, capital investment in new machinery, equipment and buildings is a key driver of productivity. In the words of the ONS Productivity Handbook*, 'The more capital workers have at their disposal, generally the better they are able to do their jobs, producing more and better quality output.'*

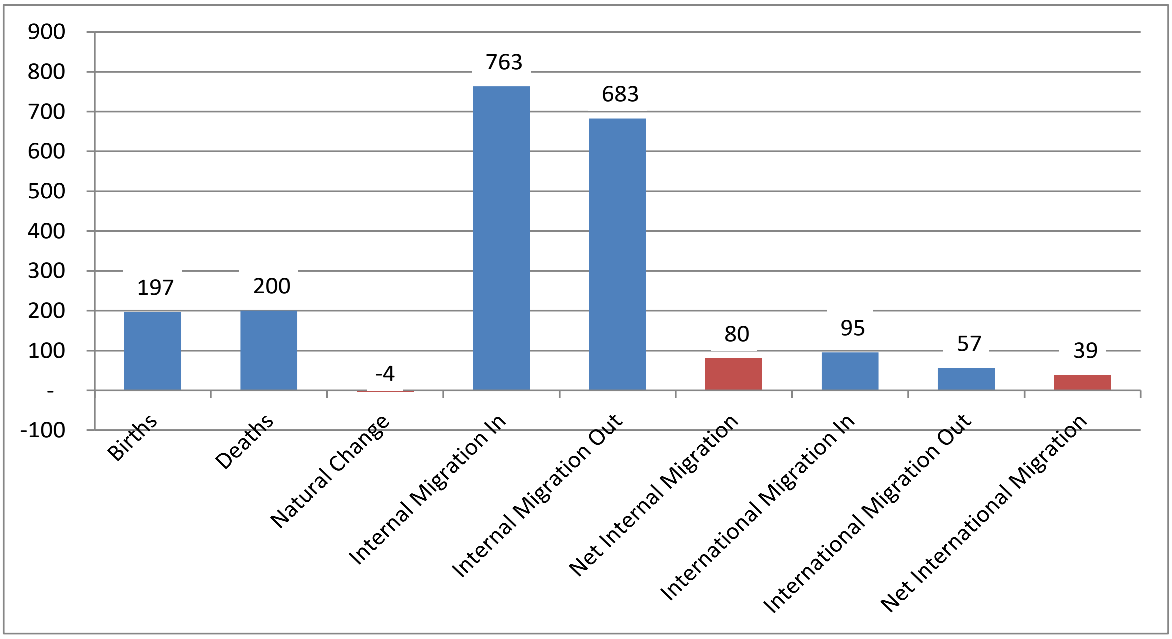
[46] Evidence Review 6: Broadband, 2015, What Works in Local Growth

Business investment nationally has generally followed an upward trajectory since the final quarter of 2009[47] although the spatial patterns of this investment are unknown as data is not published at the subnational level.

Housing

Investment in housing of itself does not increase productivity. GVA per FTE in construction is below the all sector average both in HotSW and the UK, implying that having a greater proportion of total employment in construction may actually reduce average productivity. However, such a narrow analysis overlooks the role of inward migration in driving economic growth in the HotSW LEP area. Figure 19 breaks down projected population growth for 2015 to 2025 into its various components. Although Brexit has added an element of uncertainty, the projections suggest that population growth will be entirely attributable to net inward migration.

Figure 16: Components of projected population change, HotSW 2015 - 2025



Source: ONS – Population Projections

The impact of this inward migration on productivity growth, as opposed to economic growth, is difficult to quantify. The statistics include both: older people coming to the region to retire, whose presence may fuel the growth of less productive industries (e.g. care); and significant numbers of adults in their thirties and forties, many returning to their home region with valuable skills and experience picked up in other parts of the country. These skilled migrants and 'native returners' are acknowledged as an important driver for productivity led growth and it is clearly the case that the availability and price of

47 https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/quarter3julytosept2016provisionalresults

housing will be a factor in their decision making, along with wider considerations around the quality of life and quality of public services such as schooling.

The Centre for Cities ranked Exeter as the 7th least affordable city in the UK for housing and Plymouth 39th in 2015.

Natural Capital

HotSW is the ideal location to trail blaze natural capital-led productivity growth. It is rich in natural capital, spectacular coastline, substantial land area within National Parks/Areas of Outstanding Natural Beauty.

The area is reliant on abundant natural assets – and the ecosystem services that derive from them – to power economic growth. Our coastline, moorlands and countryside attract more domestic tourists than any other UK region.

Employment in sectors that depend directly on natural capital, such as agriculture and fisheries, is proportionately higher than any other UK area. However in contrast, there is also more potential for increasing economic benefits from natural capital than in any other region. Nevertheless, dependence on its natural capital makes the region vulnerable to the natural capital decline.

CONSULTATION ON THE PRODUCTIVITY PLAN

This consultation paper is the first stage in the development of the Heart of the South West Productivity Plan.

Timetable and process

Productvity Plan Green Paper Consultation
January - 10 March 2016

Review of Consultation Feedback - End March 2016

Productivity Plan White Paper Consultation
May - 16 June 2016

Final Productivity Plan - September 2016

Heart of the South West Productivity Plan Green Paper

Responses are invited to this Consultation paper. The closing date for written submissions is **10th March 2016.**

Written submissions should be sent to: engagement@torbay.gov.uk

Set out in the Executive Summary is list of key questions that we would like you to address. These are intended for guidance only so please do not feel limited to these questions if there are other issues you feel should be addressed by the Productivity Plan.

During this period we will be gathering and publishing additional evidence, which will be available on http://www.torbay.gov.uk/devolution

We will also be running consultation events with our LEP leadership groups which bring together a wide range of stakeholders, and more widely with businesses and other stakeholder networks, so look out for notification of consultation events.

Productivity Plan White Paper Consultation

Feedback from Stakeholders and the LEP Leadership Groups will be brought together with expert analysis and captured in a Productivity Plan White Paper.

The White Paper will set out the outcomes of the consultation process and will form a further stage in the consultation, setting out what the productivity plan may start to look like. The second stage White Paper Consultation will take place between May – 16th June 2016.

Final Productivity Plan

Following sign off by the LEP and local authorities the Plan will published in September 2016.

Report to:	**Cabinet**	
Date of Meeting:	8 February 2017	
Public Document:	Yes	
Exemption:	None	
Review date for release	None	
Agenda item:	**18**	
Subject:	**Urgent asbestos works required to Council housing stock**	

Purpose of report:

To agree an exemption request for urgent works relating to the presence of asbestos containing material (ACM) across 2 sites within the Councils housing stock.

This report is written to advise Cabinet that exemption to standing orders has been applied in order to complete urgent works relating to the presence of asbestos containing material (ACM) across 2 sites within the Councils housing stock.

Two recent surveys have highlighted exposure to ACM across 2 sites and there is now the need to urgently act in order to lower the risks currently faced. The two sites concerned are;

- **Home Safeguard Offices, Lymebourne Park, Sidmouth**. Basement area currently out of bounds due to ACM found to be present
- **Poplar Mount sheltered flats, Axminster**. Loft space area currently out of bounds due to ACM found to be present.

As an immediate safety precaution the areas are both currently closed off and no access is currently permitted without the support of an asbestos specialist who can carefully manage any urgent need to enter the spaces, this requires significant works and cost in terms of creating an enclosed area that can be safely accessed. This also requires time that in many scenarios of needing to access the area we would not have as we would be faced with an emergency situation.

Recommendation:

To note the exemption to Contract Standing Orders to enable the removal of the ACM in order to ensure access can be resumed to the two sites.

Reason for recommendation:

To ensure the ongoing health and safety of sites that may need to be accessed at anytime of the day or night to ensure service delivery is maintained.

Officer:

Amy Gilbert-Jeans, Property and Asset Manager. agilbert@eastdevon.gov.uk ext. 2578

Financial implications:

The financial implications are detailed in the report. The costs will be met through the Asbestos Work budget in the Housing Revenue Account

	(£100,000), if more cases are identified which take costs above this sum then any overspend that may occur later in the year will have to be met by the HRA Balance; this will be monitored and reported to members through the budget monitoring process.
Legal implications:	The contract value falls below the threshold set out in the Public Contracts Regulations 2015 and therefore the EU procurement procedure does not apply and an exemption can be validly used pursuant to the Council's Contract Standing Orders Rule 3.2. The rationale for the exemption having been used is sound.
Equalities impact:	Low Impact
Risk:	High Risk Risks highlighted in request for exemption to contract standing orders form attached to this report.
Links to background information:	.
Link to Council Plan:	Delivering and promoting our outstanding environment

East Devon District Council

REQUEST FOR EXEMPTION TO CONTRACT STANDING ORDERS

A request for exemption to Contract Standing Orders (CSO) can be made under CSO 3.1 – 3.5. No exemption can be used if the EU Procedure applies.

Name: Amy Gilbert- Jeans	Date: 4th January 2017
Service: Housing	Team: Property and Asset

Total contract value:

Lymebourne; **£ 19, 514.55 exc VAT** (Note this is a maximum price prediction- worst case scenario, based on a maximum number of air tests, final quotation is likely to be slightly lower)

Poplar Mount; **£ 54, 975.00- £67,183.00 exc VAT**

Background (including product and supplier details, costs etc:

In line with current legislation, asbestos surveys have recently identified asbestos exposures in the following locations;

- Lymebourne Park Home Safeguard Office basement, EX10 9HY. Asbestos containing material (ACM) is present in the basement, this has been used during the building of the site for the purpose of fire protection.
- Poplar Mount sheltered housing flats, Axminster loft spaces EX13 5QE. ACM is present in the loft due to it being used as fire breaks between properties.

There is the need to urgently arrange for both areas to be environmentally cleaned including the appropriate removal of asbestos where appropriate. Both areas require access on a regular basis and the current status of restricted access is presenting significant risks to service delivery.

The basement at Lymebourne Park is the location of the Home Safeguard server which is running the Home Safeguard telephony/alarm system on a day to day basis. At anytime of the day or night access might be required in order to reach the server, the inability to do this risks the entire system of Home Safeguard becoming non operational.

The basement area also houses the two boilers that heat the 10 tenanted flats and the Home Safeguard offices, again in the event of a boiler failure the area would need to be accessed urgently in order to ensure heat and hot water can be maintained for tenants and staff working in the Home Safeguard Offices.

A similar situation is present at Poplar Mount with regards to the loft area housing all of the passenger lift servicing equipment. The lift is in need of an urgent service (to be completed by end of January) in the event of this service not being able to be undertaken then the lift will need to be shut down on a temporary base as it will not meet compliance requirements for servicing.

Shutting the lift down will have serious consequences for tenants and in some cases we may need to consider re-locating tenants if they are unable to use the steps to access their properties.

Business Reasons for an Exemption:

Although the following are justifiably accepted as valid reasons for an exemption to Contract Standing Orders, they are closely monitored and should be applied only in cases where a full procurement exercise is not a viable option. (Tick appropriate boxes)

	✓	Which CSO rule?
An Emergency	X	
Goods or Services to existing systems or kit	X	
Purchase or repair of patented or proprietary articles sold only at a fixed price		
Effective competition is prevented by government control		
Goods and/or Services recommended by a Central Government Department		
Extension to an existing contract for the purpose of achieving Best Value		
Purchase or Sale by Auction		
Where the Contract is with a Public Utility Company or other organisation which will assume liability for the works on completion e.g. sewer adoption		
Other Reasons (please provide details)		

Business Benefits for an Exemption:

The environmental clean and removal works are urgently required in order to ensure access can be re-instated in both areas in the event of a number of scenarios that will risk service delivery.

Of particular urgency is the need for the basement area of Home Safeguard to be accessible due to the event of the Home Safeguard servers being in need of attention or the heating system for the Lymebourne house breaking down.

Asbestos environmental cleans are a specialist area with a limited number of contractors able to undertake such works.

We have recently been accessing the services of Kovia Ltd who are on the Advantage South West approved list of suppliers (we are members of Advantage South West) and have found them to be a reliable and trusted contractor.

We are in the process of carrying out a mini competition to call off the approved list of Advantage South West suppliers, but this arrangement is not yet in place and will not be until March 2017.

Due to the urgency of the current situation faced, it is it is proposed that Kovia Ltd are appointed to undertake these 2 projects as a matter of urgency.

What are the implications to the following:

Finance: Risk of failure in our duty to manage these risks could result in a monetary fine from the HSE.
Human Resources: There are risks to the health of employees, contractors and tenants if they were to come into contact with the contaminated areas. This is why the appropriate precautions have been taken with regards to sealing off the areas and not allowing any access to any personnel. Completion of the environmental cleans will ensure access can be re-instated.
ICT: n/a
Asset Management: The work will ensure we are protecting our assets and meeting all necessary areas of compliance.
Strategic and/or Operational Objectives: Ensuring a safe, working environment for all employees and contractors.

Risk Assessment:
Detail risks here: Risk of exposure to asbestos to staff, contractors and tenants Risk of action being taken by the HSE for failure of compliance Risk to delivery of the Home Safeguard service, which could lead to loss of life's if alarm system is unable to function. Or attach print from the RM system

Signature of line manager or service head
[redacted] 5/1/17
Supporting signature of Chief Procurement Officer
[redacted] 4/1/17
Supporting signature of Strategic Lead - Finance
[redacted] 4/1/17.

Supporting Signature of Strategic Lead - Legal, Licensing & Democratic Services
[redacted]

PLEASE NOTE:

Rule 3.2 requires you to prepare a report for Cabinet to support the action taken.

Procurement is required to keep a Register of Exemptions. **Please ensure that your report to Cabinet is copied to Procurement.**

Report to:	**Cabinet**
Date of Meeting:	8 February 2017
Public Document:	Yes
Exemption:	None
Review date for release	None
Agenda item:	**19**
Subject:	**Consultation on draft proposals to introduce a new Public Space Protection Order – Anti-Social Behaviour and Controlled Drinking etc in Exmouth and Sidmouth**
Purpose of report:	To seek Cabinet approval to undertake a consultation process introducing a Public Space Protection Order (PSPO) to target antisocial behaviour within Exmouth town centre and the surrounding area, and to replace existing Designated Public Places Orders to control the consumption of alcohol within areas of Exmouth and Sidmouth. The facility to introduce PSPOs is included within the Anti-Social Behaviour Crime and Policing Act 2014.
Recommendation:	**To carry out a consultation on the introduction of a new PSPO as required by the Anti-Social Behaviour Crime and Policing Act 2014.**
Reason for recommendation:	In order to meet the requirements to carry out a consultation before introducing a PSPO.
Officer:	Janet Wallace, Principal Environmental Health Officer, jwallace@eastdevon.gov.uk
Financial implications:	There are no direct financial implications.
Legal implications:	In imposing a PSPO a Local Authority must be satisfied on reasonable grounds that two conditions are met: 1. The first condition is (a) activities carried on in a public space within the authority's area have had a detrimental effect on the quality of life in the locality, or (b) it is likely that activities will be carried on in a public place within the area that they will have such an effect. 2. The second condition is that the effect or likely effect of the activities (a) Is of a persistent or continuing nature (b) Is, or is likely to be , such as to make the activities unreasonable, and (c) Justifies the restrictions imposed by the notice

	The Act expressly requires a local authority to have particular regard to the rights of freedom of expression and freedom of assembly, as set out in Articles 10 and 11 of the Convention of Human Rights.
Equalities impact:	Medium Impact. The need for appropriate controls on specified anti-social behaviours and the consumption of intoxicants is necessary in order to minimise the impact of these behaviours on other members of the public, and to discourage the irresponsible use of intoxicants to promote health and well –being.
Risk:	Low risk. The consultation is a requirement of the Act and is necessary in order to create the required orders.
Links to background information:	Anti-Social Behaviour Crime and Policing Act 2014 Home Office Statutory Guidance on the Act July 2014 Draft PSPO, accompanying maps, and general guidance notes
Link to Council Plan:	Encouraging communities to be outstanding, delivering and promoting our outstanding environment and continuously improving to be an outstanding Council.

1. Report

1. A Public Space Protection Order is a new tool under the Anti-Social Behaviour Crime and Policing Act 2014 which is intended to deal with a particular nuisance or problem affecting a specified area that is detrimental to the local community's way of life. This provision can be used for a wide range of problems. The area may be as small as a play park or as large as the district of the local authority as a whole.

2. A PSPO can be made by the council if it is satisfied on reasonable grounds that the activities carried out, or likely to be carried out, in a public space:
    - Have had, or are likely to have, a detrimental effect on the quality of life of those in the locality;

   And that the effect or likely effect of the activities:

    - Is or is likely to be persistent or continuing in nature;
    - Is or is likely to be unreasonable and
    - Justifies the restrictions imposed.

3. There is provision in the legislation to incorporate existing Designated Public Protection Orders (which refer to controlled drinking only) into the new PSPOs, in fact it would happen by default on 20th October 2017 if nothing were done. This process provides an opportunity to review those orders and introduce additional controls if appropriate. There are 2 existing DPPOs in East Devon which apply to Sidmouth Market Place and Seafront and to The Strand and Manor Gardens in Exmouth. Additional controls appear to be needed in Exmouth and no changes are proposed to the current controls at Sidmouth.

4. PSPOs may be used to control a range of activities where there is evidence of detriment. The new proposals relate to possession of intoxicating substances (including alcohol),

urination and defecation, aggressive begging, and behaving in a way likely to cause harassment or intimidation. They will also give Police Officers the power to disperse groups of people behaving in these ways.

The new proposals have been requested by the neighbourhood policing team in Exmouth. An Impact Statement provided by the Exmouth town Neighbourhood Beat Manager has stated that there were 135 reported incidents of anti-social behaviour of this type in the area of the Magnolia Centre, London Inn car park, Chapel Street and The Strand in the year September 2015 to September 2016. There have been reports of the public use of legal highs, drinking alcohol excessively, urinating in public, smashed bottles and aggressive begging as well as aggressive behaviour towards members of the public and shop workers. There have also been issues with litter and evidence of drug paraphernalia being left as a result of groups congregating for drinking and drug dealing.

5. If a PSPO is introduced it will remain in force for 3 years at which point it will be reviewed, amended and renewed as appropriate.

6. A person observed not to be complying with the PSPO is liable to receive a fixed penalty notice. This can be up to £100 but we are recommending that the fine is set at £80 which is the same as the other proposed PSPOs in East Devon. The alternative is to take enforcement action in the Magistrates Court. Police Officers will be able to enforce the requirements of the orders at the time of the incidents. Where sufficient evidence of breaches or persistent behaviour are obtained this will be forwarded to the Environmental Health Team for a fixed penalty to be issued. An Enforcement Policy and Memorandum of Understanding will be implemented to set out how this joint working will be achieved.

7. There is a requirement in the legislation for interested parties to be consulted about the proposals. Consultees will include Exmouth and Sidmouth town councils, all district councillors, and business representatives in Exmouth town centre. Devon County Council, Devon and Cornwall Police and the Police and Crime Commissioner will also be consulted. There will be a press release drawing attention to the web based consultation, with paper copies available on request, and there will also be an opportunity for members of the public to comment via the EDDC website.

8. It is proposed to carry out the consultation during February and March which will allow time for the new orders to be introduced during Spring 2017. Responses will be considered and if appropriate the orders will be amended prior to the final draft being submitted to Cabinet and Council for approval.

EAST DEVON DISTRICT COUNCIL

The Anti-Social Behaviour, Crime and Policing Act 2014

Public Spaces Protection Order 2017

The Control of Anti-Social Behaviour and the Consumption of Intoxicating Substances in Exmouth and Sidmouth

This Order is made by East Devon District Council ("The Council") under the Anti-Social Behaviour, Crime and Policing Act 2014 Section 59 ("the Act") and remains in force for a period of 3 years from the date of the Order.

1. The Order relates to the designated streets and public spaces described in Schedule 1 below and defined by the line edged red on the plans attached to this Order ("the restricted areas"), being public spaces in the Council's administrative area to which the Act applies:

2. For the purposes of this Order,

   "Intoxicating Substances" is given the following definition (which includes Alcohol and substances which are commonly referred to as 'legal highs'): "Substances with the capacity to stimulate or depress the human central nervous system".

   Exemptions will apply in cases where the substances are used for a valid and demonstrable medicinal use, given to an animal as a medicinal remedy, are cigarettes or vaporisers (tobacco products), or are food stuffs regulated by food safety legislation, or where the use of the intoxicating substances falls within the curtilage of a premises licenced for the sale and consumption of alcohol, and within the operating hours of such.

   An authorised officer shall be a Police Constable, Police Community Support Officer or East Devon District Council Officer, who must be able to present their authority upon request.

   The term 'street' includes any road or footway to which the public have access without payment. "Public Space" includes parks and retail car parks to which the public have access without payment.

Exemptions shall apply where a person urinating is making use of an authorised temporary public urinal/toilet that has been provided in accordance with any specification issued by East Devon District Council, and with its agreement.

For this purpose 'unauthorised' means without the express written consent of any owner of the land (or any person having control over or an interest in the land in question).

3. The Council is satisfied that the 2 conditions below have been met, in that

   (a) Activities carried on in the restricted areas as described below, have had a detrimental effect on the quality of life of those in the locality, or it is likely that these activities will be carried on in the street or public space and that they will have such an effect.

   The said activities being
   - the failure to surrender intoxicating substances in their possession when asked by an authorised officer,
   - urination or defecation within a street or public open space,
   - aggressive requests for money within a street or public open space,
   - causing intimidation harassment alarm or distress,
   - the failure to disperse away from a group when asked by an authorised officer.

   (b) The effect, or likely effect, of the activities described above, is, or is likely to be, of a persistent or continuing nature, is, or is likely to be, such as to make the activities unreasonable, and justifies the restrictions imposed by the Order.

BY THIS ORDER

4. The effect of this Order is to impose the following prohibitions and/or requirements at all times:

(i) Intoxicating substances including alcohol

A person shall be guilty of an offence, if at any time in a street or public space, he does not surrender any intoxicating substance including alcohol in their possession when requested by an authorised officer if:

a) They are found to be ingesting, inhaling, injecting, smoking or otherwise using intoxicating substances

b) They are in possession of such intoxicating substances with the intent of using such intoxicating substances within this area, or
c) The authorised person has reasonable grounds to believe that such person is using or intends to use the intoxicating substance within the said area.

(ii) Urination and defecation within a street or public open space

A person shall be guilty of an offence, if at any time in a street or public space, he urinates or defecates.

(iii) Aggressive Requests for money

A person shall be guilty of an offence if, at any time in a street or public open space, he makes unsolicited or unauthorised requests for money whether expressly requested or impliedly requested from persons not known to him.

(iv) Intimidation, harassment, alarm or distress.

A person shall be guilty of an offence if, at any time in a street or public space, he behaves individually or in a group in a manner which has resulted, or is likely to result, in a member of the public being intimidated, harassed, alarmed or distressed.

An authorised officer is permitted to ask people within a group to disperse immediately or by such time as may be specified. A person shall be guilty of an offence if they do not disperse away from that group of people.

5. The Order will remain in force for a period of three years from the date of this Order, unless extended by further Orders under the Council's statutory powers.

6. A person guilty of an offence under Section 4 is liable on summary conviction to a fine not exceeding level 3 on the standard scale or a fixed penalty notice of £80.

   Liability to conviction for the offence may be discharged by the payment of a fixed penalty notice issued by an authorised officer. The amount of the fixed penalty notice shall be £80 and it shall be payable to East Devon District Council.

   Where a fixed penalty notice is issued no proceedings will be taken for the offence before the end of the period of 14 days following the date of the notice. The person served may not be convicted of the offence if the fixed penalty notice is paid before the end of the 14 day period.

Schedule 1

This order applies in the following designated areas:

Exmouth

The Strand and surrounding area including: Manchester Street, Manchester Road, Elm Grove, Chapel Hill, Queen Street, Tower Street, High Street, Rolle Street.
The Magnolia centre and surrounding area including: Parade, Crudges Lane, Market Street, Magnolia Centre and Magnolia Walk, Chapel Street, Church Street, Margaret Street, London Inn car park and Lower Fore Street.
Station car park and surrounding area including: Commercial vehicle park, Bus station, Sports Centre grounds, Marine Way and Imperial Road.
The Manor Gardens
The Plantation and surrounding area: Bath Road, The Pavilion Grounds, Gunfield Gardens and Madeira Walk.

Sidmouth (Section 4(i) only)

The Esplanade, Sidmouth (from its junction with the Millenium Walkway in the west to its furthermost point nearest The Ham in the east)
The Market Square , Dove Lane, Prospect Place, Kings Lane

By resolution of East Devon District Council dated ………….

The Common Seal of the

East Devon District Council

Hereunto affixed this….day of …………2017

in the presence of

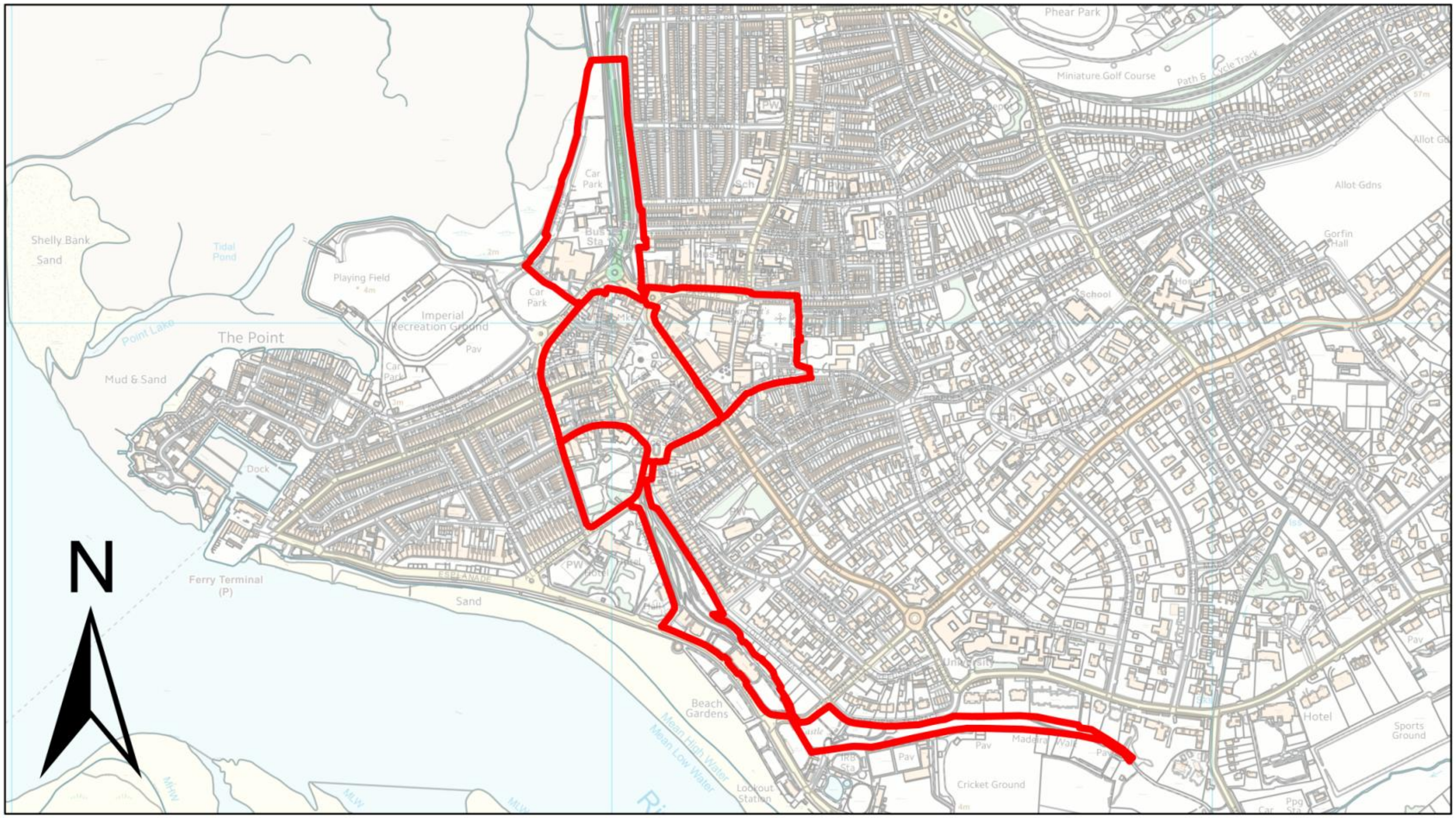
Strategic Lead – Governance and Licensing

Chief Executive

Public Space Protection Order 2017 – Exmouth and Sidmouth

1. Exmouth Proposed Order

Exmouth - Proposed Order



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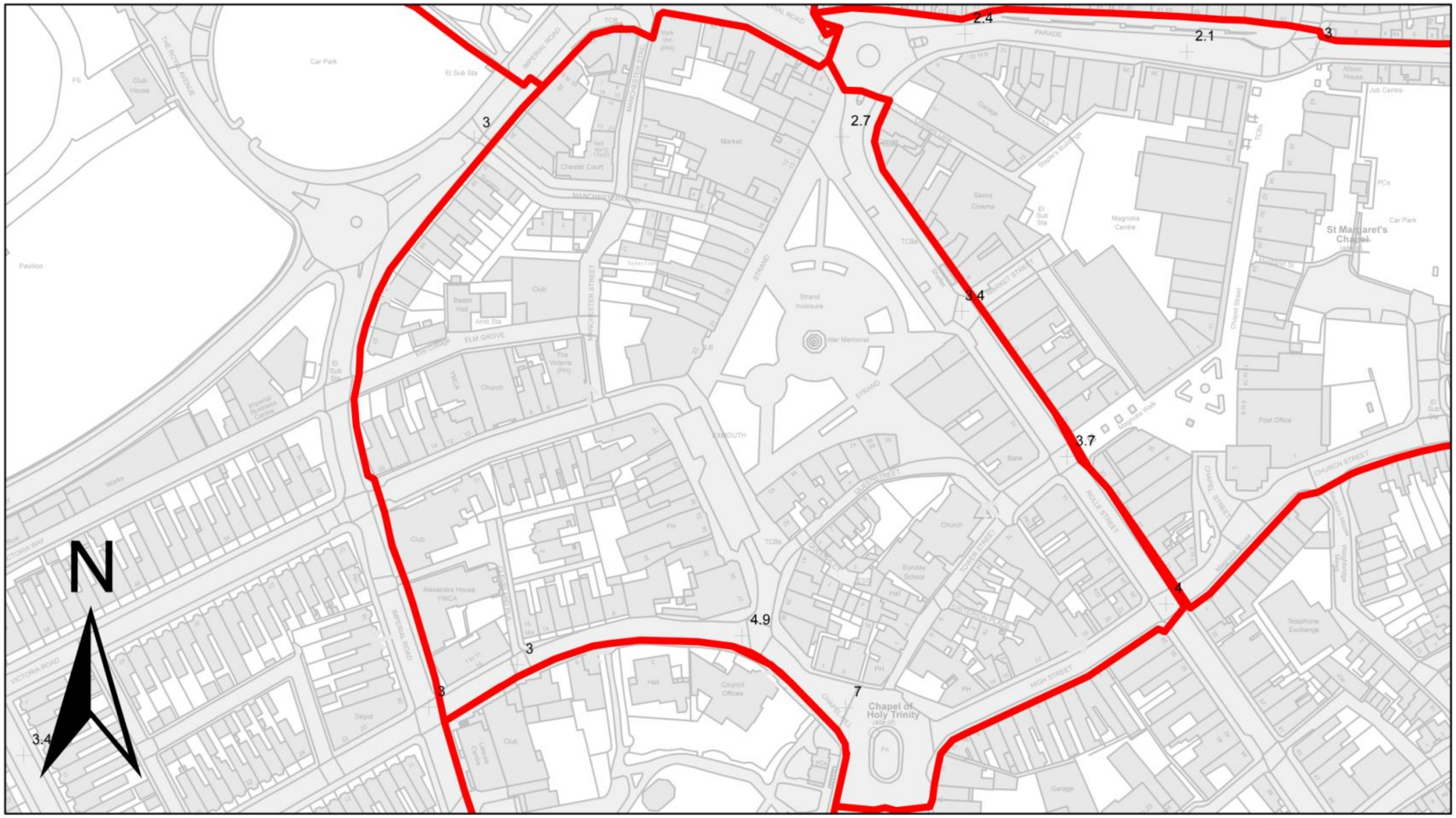
1. The Strand and surrounding area, Exmouth

Exmouth - Proposed Order



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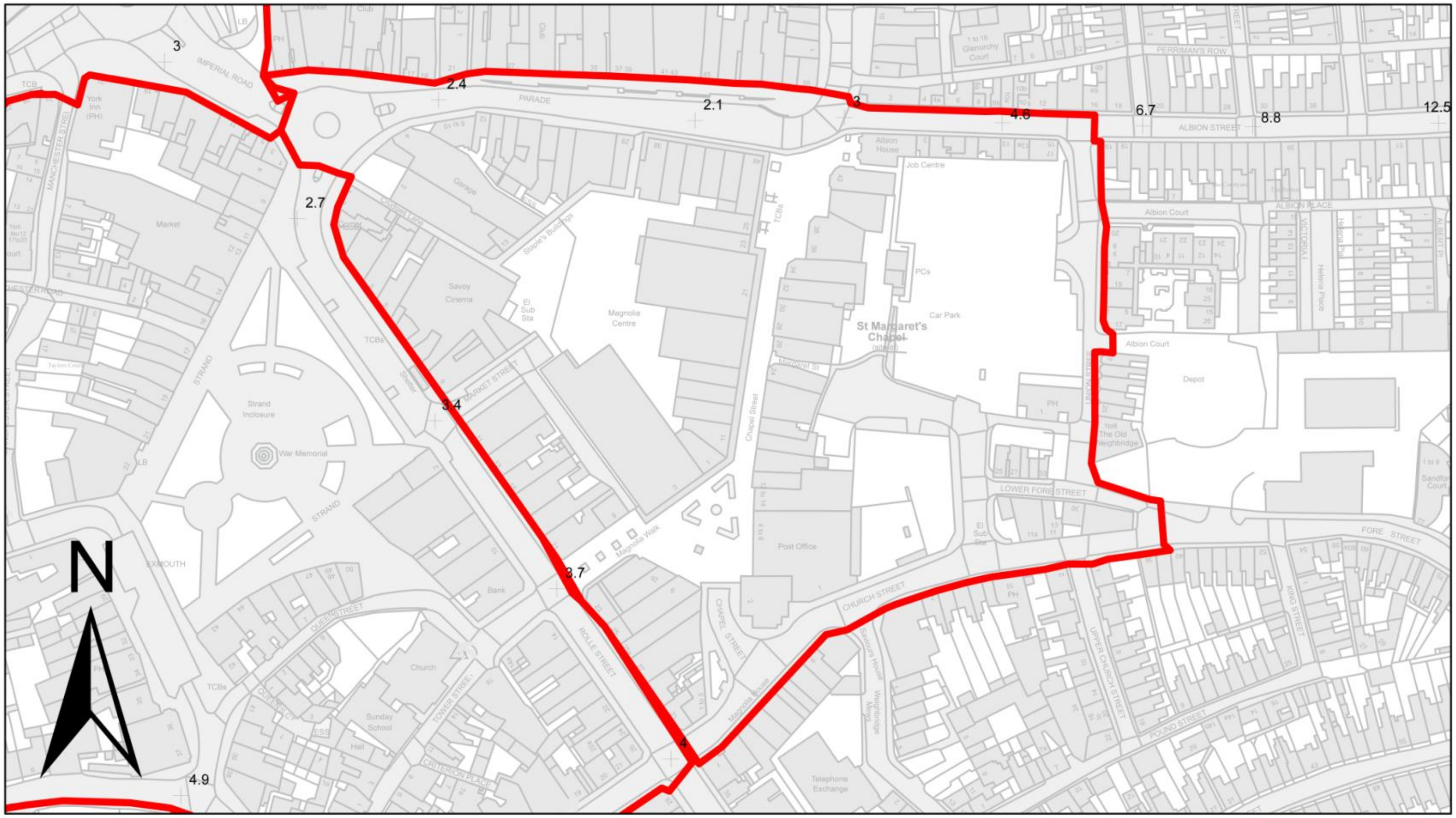
2. The Magnolia Centre and surrounding area, Exmouth

Exmouth - Proposed Order



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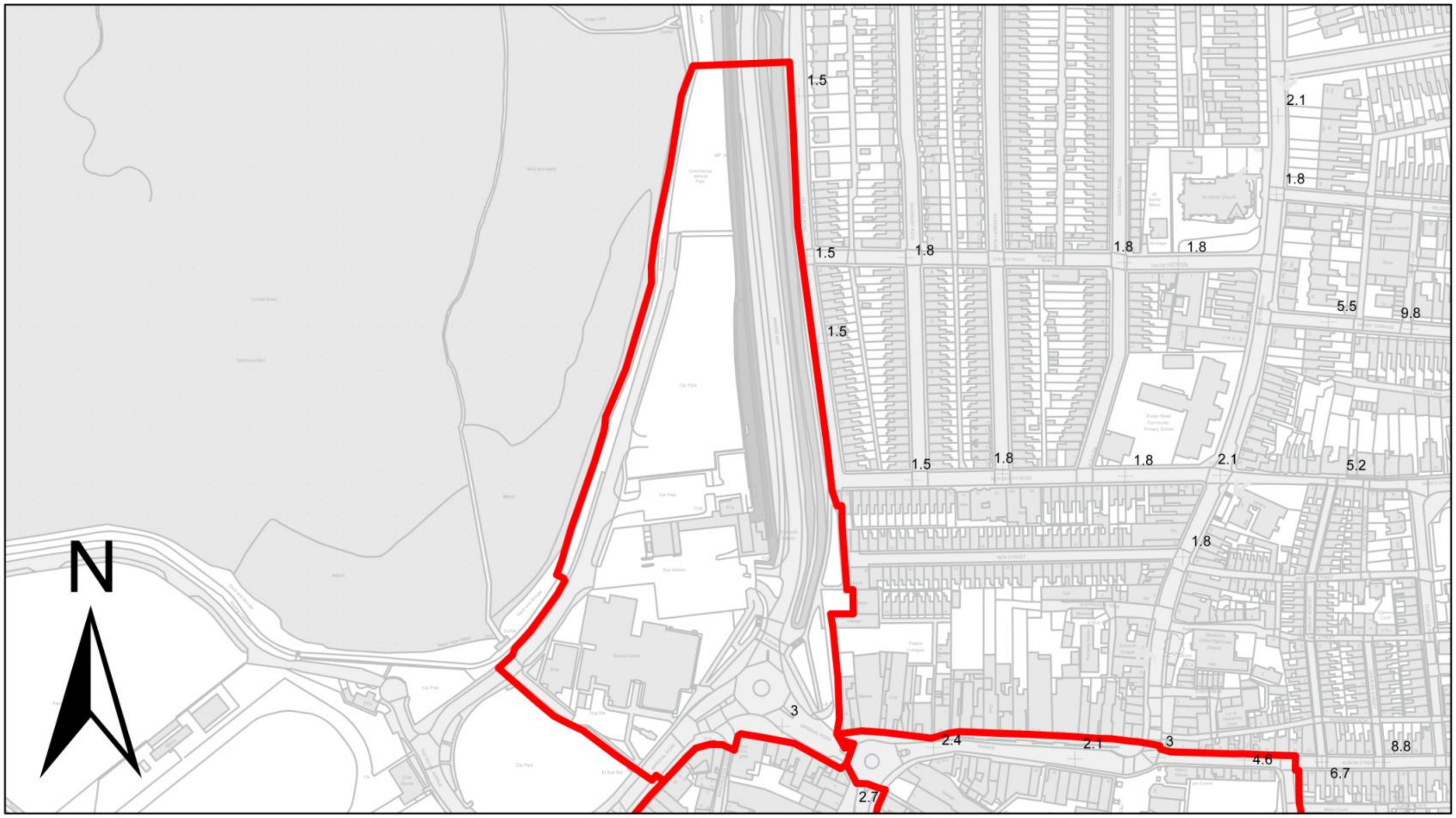
3. Station car park and surrounding area, Exmouth

Exmouth - Proposed Order



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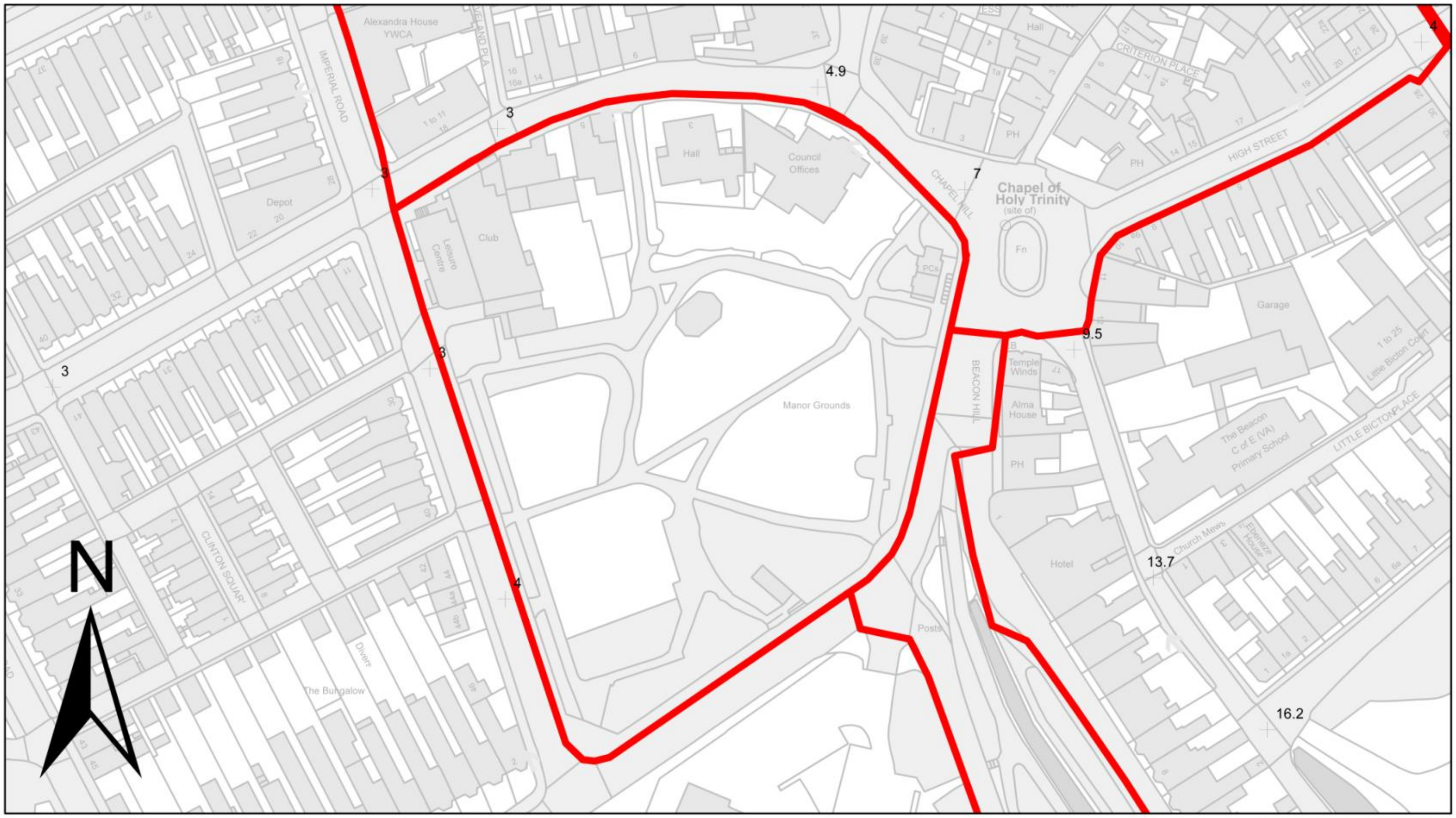
East Devon District Council

4. The Manor Gardens, Exmouth

Exmouth - Proposed Order



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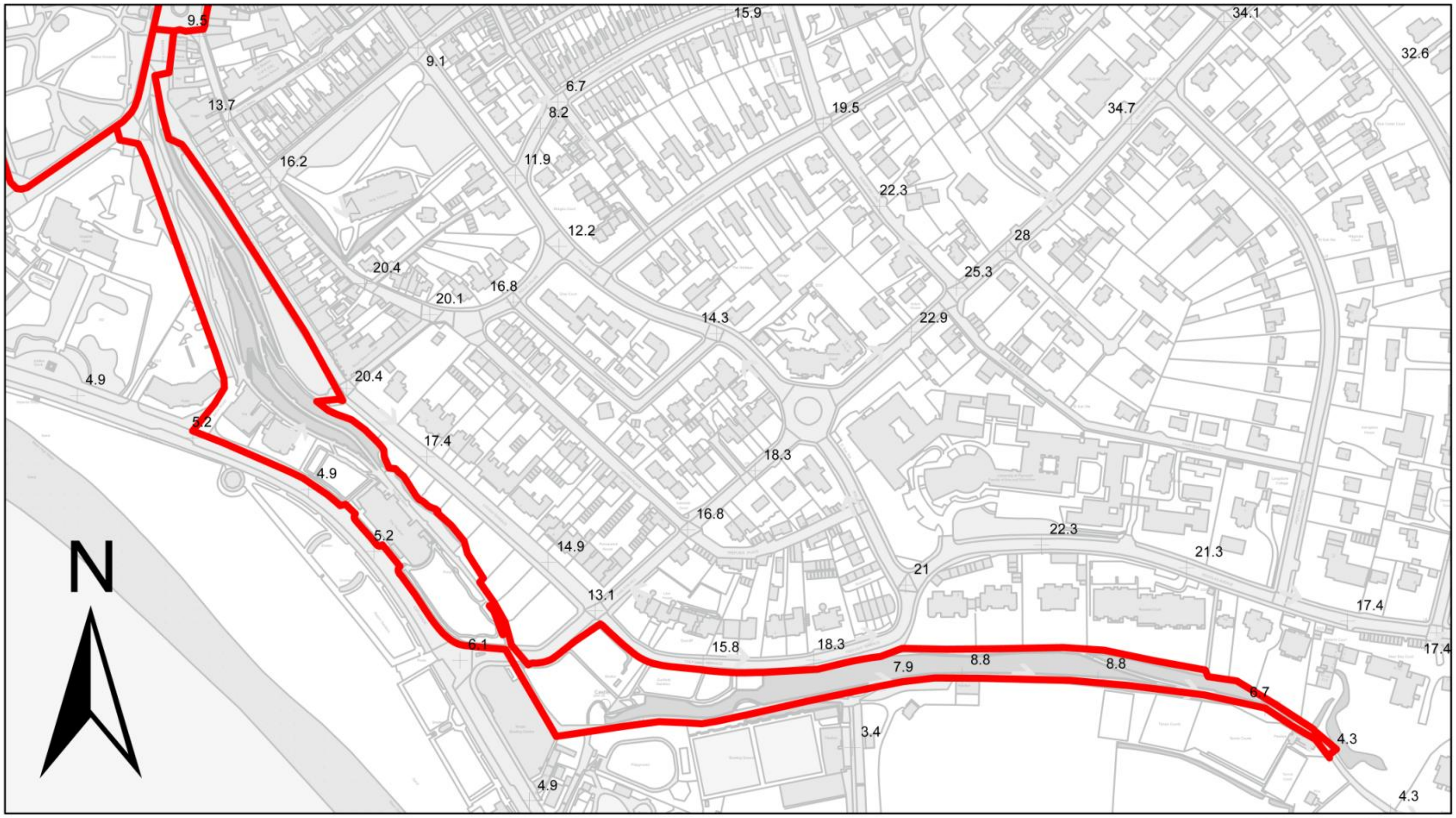
5. The Plantation and surrounding areas, Exmouth

Exmouth - Proposed Order



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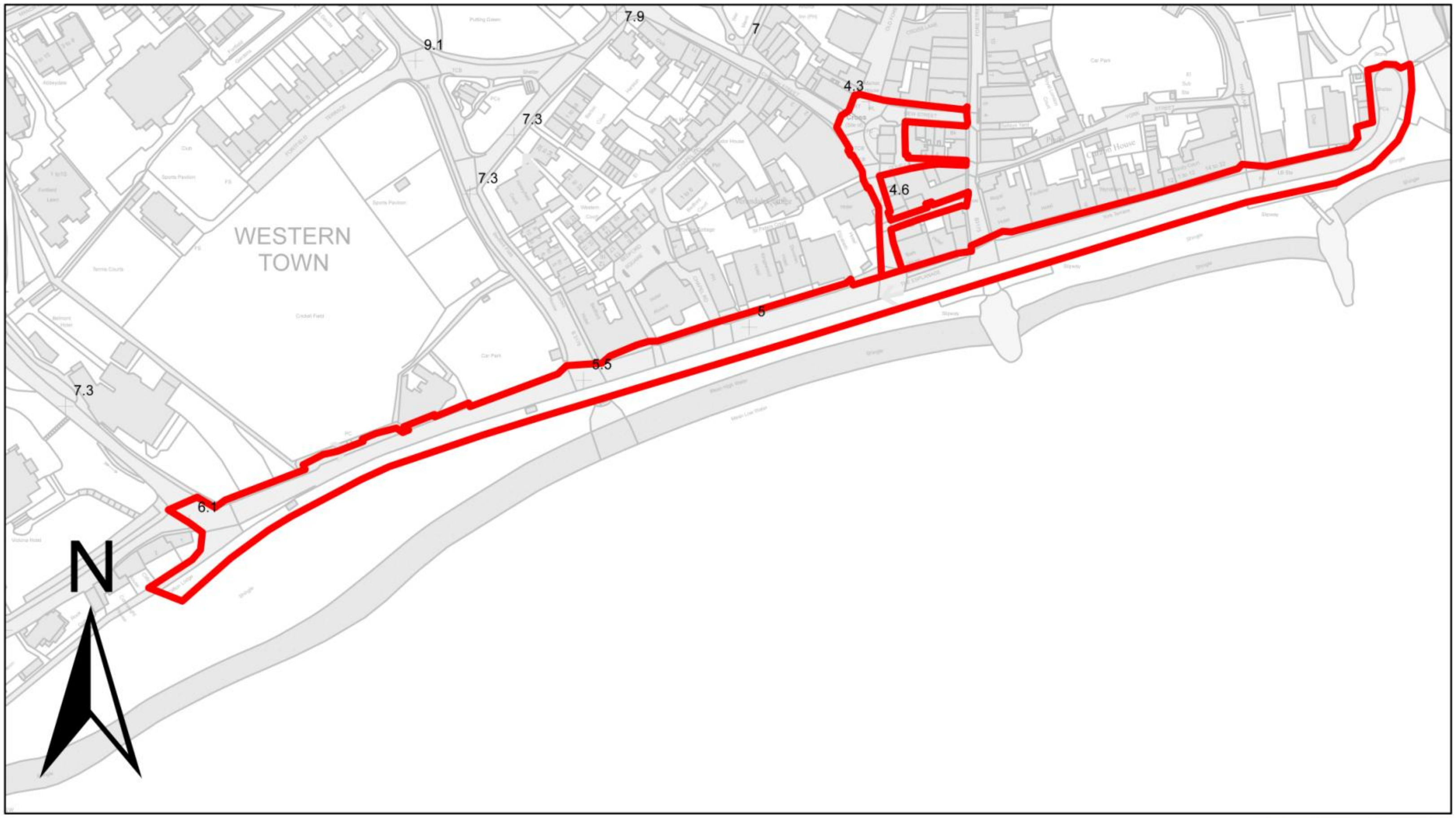
6. The Esplanade, Sidmouth

Sidmouth - Proposed Order



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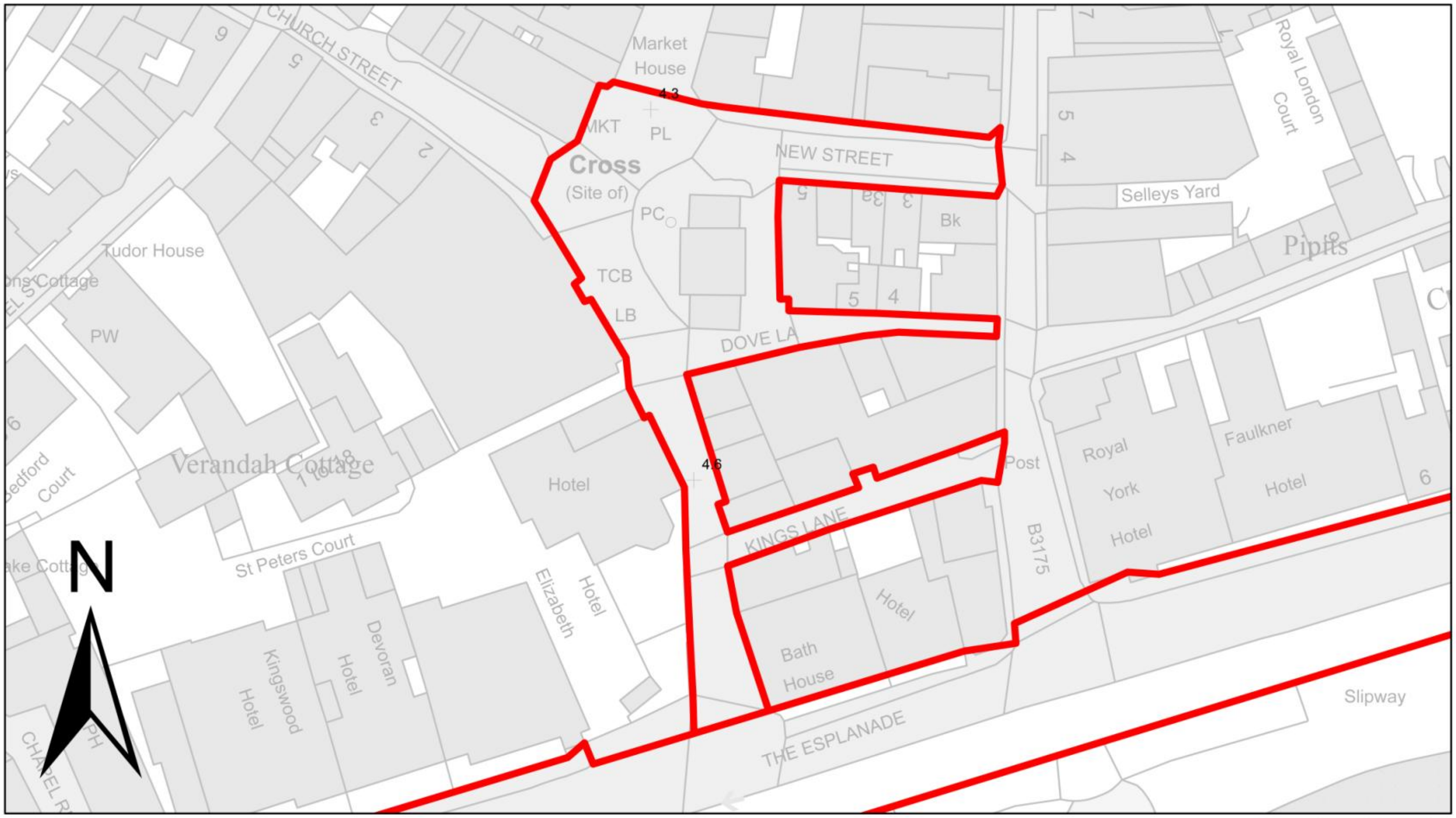
7. The Market Square, Dove Lane, Prospect Place and Kings Lane, Sidmouth

Sidmouth - Proposed Order



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East Devon District Council

EDDC Environmental Health December 2016

General Guidance: Introducing a new PSPO

1. The Test.

A PSPO can only be made if East Devon District Council is satisfied on reasonable grounds that the activities carried out or likely to be carried out in a public space:

- Have had, or are likely to have, a detrimental effect on the quality of life of those in the locality

And that the effect or likely effect of the activities:

- Is, or is likely to be, persistent or continuing in nature
- Is, or is likely to be, unreasonable
- Justifies the restrictions imposed.

The restrictions can be blanket restrictions or requirements, or they can be targeted against certain behaviours by certain groups at certain times.

The Council can make a PSPO for any public space. A public space is one to which the public have access, on payment, as of right or by virtue of express or implied permission.

The council should consider whether the land falls into the following categories: Registered common land, registered town or village green, or open access land. If land is registered green, it receives considerable statutory protection under the 'Victorian Statutes'. In terms of open access land, there are various national limitations on which activities are included in the access rights.

2. Incorporating requirements into proposed PSPOs.

The Environmental Health team are leading on the introduction of new PSPOs for the council and intend to incorporate existing dog control orders together with some new controls which relate to activities that are currently unregulated and yet have a detrimental effect on the quality of life of people living in the district. An example of this is a control on feeding seagulls on the beaches and promenades of the seaside towns across the district.

3. Configuration of PSPOs.

There will be a number of PSPOs introduced over time. The first two will be:

- A PSPO covering the whole of East Devon and including most dog controls.
- A PSPO covering seashores and promenades and incorporating controls on responsible dog ownership and feeding seagulls.

4. Consultation.

Before making a PSPO, the Council must consult with the local police. This must be done formally through the Chief Officer of the police and the Police and Crime Commissioner.

The Council must also consult whichever community representatives they think appropriate. In East Devon this will include at least all district councillors and all Town and Parish councils.

The Council should discuss any proposed PSPO which might affect a public right of way with the highway authority in advance. The local highway authority can also advise on user rights on the right of way and on which user groups should therefore be consulted.

The Council must publish the draft order on their website.

When the final measures are agreed, the PSPO must be published in accordance with regulations made by the Secretary of State and must:

- Identify the activities having the detrimental effect
- Explain the potential sanctions available on breach
- Specify the period for which the PSPO has effect.

The maximum duration of a PSPO is three years but they can last for shorter periods of time if appropriate.

At any point before expiry, the Council can extend the PSPO by up to three years if necessary. If an extension is carried out, the Council must consult with the local police before this is done.

5. <u>Transitioning from an existing public place order or dog control order.</u>

Where a designated order is already in force, it will be treated as a PSPO from 20th October 2017 and will be valid for a period of three years following commencement of the new power. EDDC intends to introduce PSPOs before that date in order to incorporate amendments to the requirements in the existing orders.

6. <u>Penalties for breach.</u>

It is an offence for a person, without reasonable excuse, to:

- Do anything that the person is prohibited from doing by a PSPO
- Fail to comply with a requirement to which the person is subject under a PSPO.

A person guilty of an offence is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

Enforcing officers are more likely to issue a fixed penalty notice of £80 as the most appropriate sanction to discharge any liability to conviction for the offence. If the fixed penalty notice is not paid within the required timescale, court proceedings can be initiated.

A PSPO may be introduced in the future to control drinking in certain areas. It is not an offence to drink alcohol in a controlled drinking zone. However, it is an offence to fail to comply with a request to cease drinking or surrender alcohol in a controlled drinking zone. This is also liable on summary conviction to a fine not exceeding level 3 on the standard scale.

7. <u>Enforcement of PSPOs.</u>

Enforcement is the responsibility of a wide group of officers, including council officers, people accredited under the community safety accreditation scheme, police officers and PCSO's. Members of these groups and the local community will be encouraged to provide evidence of breaches for Environmental Health officers to pursue.

Report to:	**Cabinet**
Date of Meeting:	8 February 2016
Public Document:	Yes
Exemption:	None
Review date for release	None
Agenda item:	**20**
Subject:	**Energy Act 2011 and the Minimum Energy Efficiency Standards (MEES) from April 2018**
Purpose of report:	The Council's Corporate Asset Management Plan highlights the need to respond to the implications of the Energy Act 2011. The Action Plan adopted by the Asset Management Forum in July 2015 has now been completed. This report summarises current industry thinking, the Act's potential impact on East Devon District Council's tenanted property portfolio and recommended mitigation measures.

East Devon District Council

Recommendations:

1. Continue to monitor developments in guidance on the application of this legislation from now until April 2018, and beyond to April 2023. Changes in the legislation between now and April 2018 are possible.
2. Note that in order to cover the worst case scenario, a bid for commitment in the capital programme for installation of low energy lighting in workspace units at Riverside (Seaton), Manstone (Sidmouth), and Salterton Workshops (Budleigh) in 2018 was made. The total budget estimate for this is approx. £85,000 + VAT.
3. Note that a capital programme bid has been made for the installation of a roof mounted solar PV system and low energy lighting at East Devon Business Centre Honiton. The total cost budget is £60,000 with £5,000 per annum estimated savings.
4. From now until April 2018, ensure the impact of these regulations are considered in the drafting of any new leases, particularly in relation to alterations to the premises by tenants, and responsibility for improvements required by the new legislation.

Reason for recommendation:

1. Statutory compliance and good practice as a Local Authority and Landlord of commercial premises.

2. To minimise the potential inability to let certain properties (if exemptions do not apply) and therefore a potential reduction in revenue income.

3. To avoid the potential reputational damage and financial loss from Trading Standards imposing a penalty notice on EDDC for non-

compliance.

4. To reduce the carbon footprint of EDDC's estate and running costs at its operational buildings.

Officer: Donna Best, Principal Estates Surveyor
Ext.1584
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Simon Allchurch, Senior Building Surveyor
Ext. 2625
sallchurch@eastdevon.gov.uk

Financial implications: The 2 bid items are under consideration by the Capital Allocation Group.

Legal implications: Legal Services will give advice on the individual properties as and when they fall to be dealt with. The legislation is complex and has the potential for change so due consideration will need to be given at each stage of this process

Equalities impact: Low Impact

There are not considered to be any adverse impact on any groups with protected characteristics.

Risk: Medium Risk

Failure to mitigate the impact of the new standards could limit the Council's ability to let some of its workspace premises in the future and suffer a consequential loss in income revenue. In addition, this could have an adverse effect on existing business tenants.

Links to background information:

1. Current official guidelines on the Energy Act 2011 and Minimum Energy Efficiency standards (MEES)
2. Hi Devon Report (Unit 8, Riverside Workshops, Seaton)
3. Asset Management Plan Energy Act 2011 Action Plan

Link to Council Plan: Developing an outstanding local economy
Continuously improving to be an outstanding council

1. Background

1.1 From April 2018, the proposed changes brought about by the **Energy Act 2011** and the **Minimum Energy Efficiency Standards (MEES)** would make it unlawful to let residential or commercial properties with an EPC Rating of F or G (the lowest 2 grades of energy efficiency). Only new leases and lease renewals are within the scope of the legislation from April 2018, with all existing leases coming in five years later, from April 2023.

1.2 The legislation is very complex and contains provisions for a range of exemptions which can be applied for from April 2017. There is a lack of clear guidance from The Department of

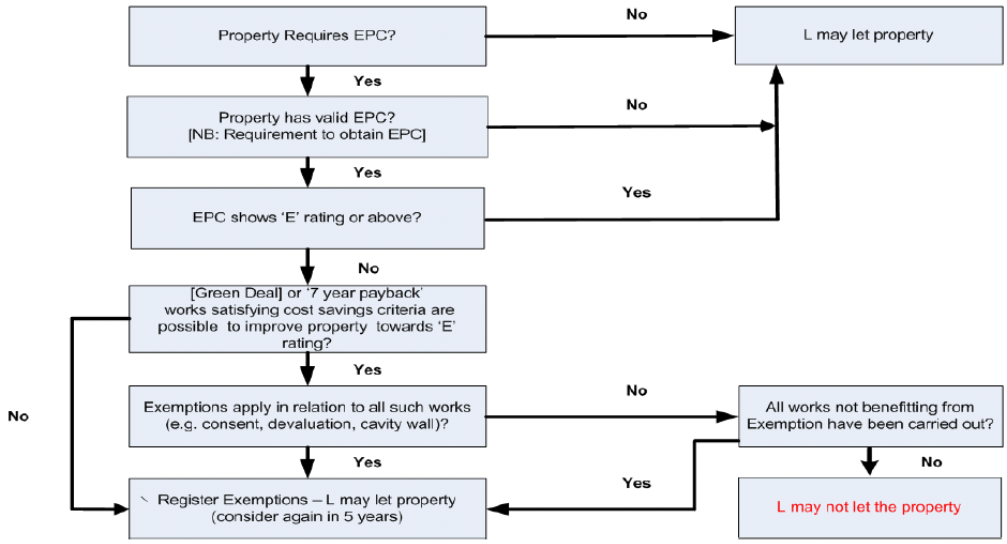
Communities and Local Government (DCLG) on how it will be applied in practice to the range of different lease types and tenure scenarios.

1.3 The MEES applies to landlords, including intermediate landlords but it does not apply to owner occupiers, tenants, licensors, or licensees.

1.4 Relevant properties are those which are tenanted already or are intended to be let, predicated on EPC being required, and below an EPC asset rating of "E" (which is the definition of a sub-standard property).

1.5 This report summarises current industry thinking and its potential impact on East Devon District Council's tenanted non residential property portfolio.

2.0 From April 2018, can a landlord let the property (new leases and lease renewals)?



3.0 How will this affect East Devon District Council's tenanted non residential property portfolio?

3.1 To capture the maximum potential exposure to risk, we have assumed that all of our tenanted property requires an EPC and, due to the easy in/easy out nature of the leases on our workshop premises, that they would all be affected by the legislation from April 2018, rather than from April 2023.

3.2 In partnership with qualified energy assessors, HI Devon Energy Assessment of Newton Abbot, we have carried out a trial case study, using Unit 8 Riverside Workshops in Seaton, during a change of tenant period earlier this year. This Unit currently has a D rating, issued in 2010, and valid until 2020. It has since been re-roofed with insulation levels upgraded to current Building Regulations standards.

3.3 They have modelled different scenarios and the results were not consistent with a common sense approach. It showed that there are no obvious upgrades to the building which are likely to be cost effective and beneficial for the occupier and that will achieve a rating suitable for post 2018, unless alternative approaches are issued to the DCLG assessment methodology. Unit 8, even though it has been re-roofed (and insulation consequently upgraded), comes out with a lower rating than it did in 2010. This has prompted HI Devon to highlight the issues found with the DCLG, and we await a response and/or updates to the EPC modelling assessment methodology. See Appendix 2 for full Hi Devon Report.

3.4 The list of tenanted commercial premises currently forecast as affected by new legislation is as follows:

Property	Town	Lease expiry/renewal date	Energy Act Applicable from	Current Rating if known	Notes
Unit 1 Millwey Rise Workshops	Axminster	2019	Apr-18	G (324)	
Unit 2 & 2A Millwey Rise Workshops	Axminster	2021	Apr-18	F (126)	
Units 4, 4a &-5 Millwey Rise Workshops	Axminster	2021	Apr-18	-	
Unit 5A Millwey Rise Workshops	Axminster	Vacant	Apr-18	-	
Unit 5B Millwey Rise Workshops	Axminster	2021	Apr-18	E (104)	
Unit 6 Millwey Rise Workshops	Axminster	Operational	Apr-18	-	Streetscene
Unit 7 Millwey Rise Workshops	Axminster	2020	Apr-18	-	
Unit 8 Millwey Rise Workshops	Axminster	2021	Apr-18	G (187)	
Unit 9 Millwey Rise Workshops	Axminster	2019	Apr-18	-	
Unit 1 Salterton Workshops	Budleigh Salterton	2020	Apr-18	D (76)	
Units 2 & 3 Salterton Workshops	Budleigh Salterton	2020	Apr-18	-	
Unit 4 Salterton Workshops	Budleigh Salterton	2020	Apr-18	-	
Unit 5 Salterton Workshops	Budleigh Salterton	2021	Apr-18	-	
Unit 6 Salterton Workshops	Budleigh Salterton	2021	Apr-18	-	
Unit 7 Salterton Workshops	Budleigh Salterton	2020	Apr-18	-	
Unit 8 Salterton Workshops	Budleigh Salterton	2021	Apr-18	D (100)	
Unit 9 Salterton Workshops	Budleigh Salterton	2021	Apr-18	F (129)	
Unit 10 Salterton Workshops	Budleigh Salterton	2020	Apr-18	-	
Unit 1 Riverside Workshops	Seaton	2019	Apr-18	-	
Unit 2 Riverside Workshops	Seaton	2018	Apr-18	G (205)	
Unit 3 Riverside Workshops	Seaton	2019	Apr-18	-	
Unit 4 Riverside Workshops	Seaton	2019	Apr-18	-	
Unit 5 Riverside Workshops	Seaton	2021	Apr-18	-	
Unit 6 Riverside Workshops	Seaton	2019	Apr-18	-	
Unit 7 Riverside Workshops	Seaton	2020	Apr-18	D (84)	
Unit 8 Riverside Workshops	Seaton	2022	Apr-18	D (77)	
Unit 9 Riverside Workshops	Seaton	2020	Apr-18	C (54)	
Unit 10 Riverside Workshops	Seaton	2020	Apr-18	-	
Unit 11 Riverside Workshops	Seaton	2019	Apr-18	C (56)	
Unit 12 Riverside Workshops	Seaton	2019	Apr-18	-	
Unit 13 Riverside Workshops	Seaton	2020	Apr-18	-	
Unit 14 Riverside Workshops	Seaton	2022	Apr-18	D (99)	
Unit 1 Manstone Workshops	Sidmouth	2021	Apr-18	-	
Unit 2 Manstone Workshops	Sidmouth	2019	Apr-18	C (64)	
Unit 3 Manstone Workshops	Sidmouth	2021	Apr-18	-	
Unit 4 Manstone Workshops	Sidmouth	2019	Apr-18	-	
Unit 5 Manstone Workshops	Sidmouth	2022	Apr-18	F (143)	
Unit 6 Manstone Workshops	Sidmouth	2021	Apr-18	-	
Unit 7 Manstone Workshops	Sidmouth	2019	Apr-18	-	
Unit 8 Manstone Workshops	Sidmouth	2020	Apr-18	C (71)	

Property	Town	Lease expiry/renewal date	Energy Act Applicable from	Current Rating if known	Notes
Unit 9 Manstone Workshops	Sidmouth	2019	Apr-18	G (180)	
Madeira Bowling Club	Exmouth	Sep-18	Sep-18	-	
Foxholes Café	Exmouth	Oct-18	Oct-18	-	
Sidmouth Market Building	Sidmouth	Oct-19	Oct-19	-	
Exmouth Lawn Tennis Club (Madeira Walk)	Exmouth	Jul-21	Jul-21	-	
Bumble & Bee Cafe	Exmouth	Feb-23	Feb-23	-	
Axminster Leisure Centre	Axminster	2035	Apr-23	-	Let to LED
Broadclyst Leisure Centre	Broadclyst	2035	Apr-23	-	Let to LED
Colyton Leisure Centre	Colyton	2035	Apr-23	-	Let to LED
Exmouth Leisure Centre	Exmouth	2035	Apr-23	-	Let to LED
Exmouth Pavilion Theatre	Exmouth	2035	Apr-23	-	Let to LED
Exmouth Tennis & Fitness Centre	Exmouth	2035	Apr-23	-	Let to LED
Marpool Workshops	Exmouth	2012	Apr-23	-	
Octagon Kiosk	Exmouth	TBC	Apr-23		
Phear Park Cafe	Exmouth	2035	Apr-23		Let to LED
Radway Cinema	Exmouth	Jan-16	Apr-23		
Savoy Cinema	Exmouth	2029	Apr-23		
Channel View Café	Exmouth	2080	Apr-23		
Exmouth Cricket Club (The Maer)	Exmouth	2031	Apr-23		
Exmouth Rifle and Pistol Small Bore Club	Exmouth	TBC	Apr-23		
Exmouth Rowing Club (Former Lifeboat Station)	Exmouth	2042	Apr-23		
Exmouth Rugby Football Club (Imp Rec)	Exmouth	2030	Apr-23		
Littleham Village Hall	Exmouth	2040	Apr-23		
Phear Park Bowling Club	Exmouth	2035	Apr-23		Let to LED
Withycombe Rugby Football Club	Exmouth	2028	Apr-23		
Honiton Cattle Market	Honiton	2027	Apr-23		
Honiton Leisure Centre	Honiton	2035	Apr-23		Let to LED
Honiton Swimming Pool	Honiton	2035	Apr-23		Let to LED
Honiton TIC, Lace Walk Car Park	Honiton	TBC - vacant	Apr-23	D (81)	
Martial Arts Centre (Former Squash Court)	Honiton	Jan-17	Apr-23		
New Street Premises (Former Methodist Chapel)	Honiton	TBC - vacant	Apr-23	E (117)	
Ottery St Mary Leisure Centre	Ottery St Mary	2035	Apr-23		Let to LED
Seafield Gardens Tennis Pavilion	Seaton	2035	Apr-23		Let to LED
Chine Café (The Hideaway)	Seaton	2040	Apr-23	-	
Seaton Bowling Club (Seafield Gardens)	Seaton	TBC	Apr-23		
Seaton Cricket & Lawn Tennis Club	Seaton	2036	Apr-23		
Seaton Town Football Club	Seaton	2025	Apr-23		
Sailing Club (Port Royal)	Sidmouth	2026	Apr-23		
Sidbury United AFC	Sidmouth	TBC - vacant	Apr-23		
Sidmouth Leisure Centre	Sidmouth	2035	Apr-23		Let to LED
Sidmouth Swimming Pool	Sidmouth	2035	Apr-23	-	Let to LED
Connaught Gardens Cafe	Sidmouth	2046	Apr-23		Listed Building
Norman Lockyer Observatory	Sidmouth	2035	Apr-23	-	Listed Building
Sidmouth Bowling Club	Sidmouth	Mar-18	Apr-23		
Unit 42 Greendale Business Park	Woodbury Salterton	2036	Apr-23		Suez Depot

4.0 Mitigation Measures

4.1 We need to carefully consider the drafting of new lease terms between now and 1st April 2018 (and 1st April 2023) in respect of EPC's and the Energy Act.

4.2 Areas to consider:-

4.2.1 EPC: Prohibit the Tenant from carrying out an EPC without express Landlord's approval, as new EPC ratings will supersede earlier ones, and therefore give potential for a property previously rated as an E or higher, to suddenly become a non-compliant F or G.

4.2.2 Alterations: Prohibition on any tenant's works that adversely affect EPC rating and transfer of responsibility to tenant for any consequential energy improvements that are required as a result of their alterations.

4.2.3 Leases of Whole: Should the tenant be required to carry out MEES works as part of their repairing/statutory compliance obligations?

4.2.4 Leases of Part: Should landlord be able to recover the cost of the MEES works via the service charge?

4.2.5 Landlord's rights: Should they be expanded to allow the landlord to enter and carry MEES works?

4.2.6 Rent Review: New assumption that premises can be "lawfully let" and consider treatment of MEES works carried out by landlord or tenant.

4.3 Property & Estates Services will work with the Legal Team to ensure new leases protect the Council in so far that we can.

4.4 It is recommended that works to install low energy lighting in workspace units in Seaton, Sidmouth and Budleigh Salterton are scheduled for 2018. The total budget estimate for this is approx. £85,000 + VAT. These works are anticipated to increase the energy efficiency rating of the units.

4.5 It is recommended that a roof mounted solar PV system and low energy lighting be installed at the East Devon Business Centre, Honiton at an estimated cost of £60,000. The estimated annual saving in the electricity costs are £5,000. This project is not required for compliance with the Energy Act, but will reduce the carbon footprint of EDDC's estate and running costs of one of its major buildings.

4.6 The Asset Management Forum considered the contents of this report on 3rd November 2016 and agreed the recommendations be made to Cabinet.

Report to:	**Cabinet**
Date of Meeting:	8 February 2017
Public Document:	Yes
Exemption:	None
Review date for release	None
Agenda item:	**21**
Subject:	**Monthly Performance Report December 2016**
Purpose of report:	Performance information for the 2016/17 financial year for December 2016 is supplied to allow the Cabinet to monitor progress with selected performance measures and identify any service areas where improvement is necessary.
Recommendation:	**That the Cabinet considers the progress and proposed improvement action for performance measures for the 2016/17 financial year for December 2016.**
Reason for recommendation:	This performance report highlights progress using a monthly snapshot report; SPAR report on monthly performance indicators and system thinking measures in key service areas including Development Management, Housing and Revenues and Benefits.
Officer:	Karen Jenkins, Strategic Lead – Organisational Development and Transformation kjenkins@eastdevon.gov.uk ext 2762
Financial implications:	There are no direct financial implications
Legal implications:	There are none arising from the recommendations in this report
Equalities impact:	Low Impact
Risk:	Low Risk A failure to monitor performance may result in customer complaints, poor service delivery and may compromise the Council's reputation.
Links to background information:	• Appendix A – Monthly Performance Snapshot for December 2016 • Appendix B - The Performance Indicator Monitoring Report for the 2016/17 financial year up to December 2016 • Appendix C – System Thinking Reports for Housing, Development Management and Streetscene for December 2016
Link to Council Plan:	Continuously improving to be an outstanding Council

Report in full

1. Performance information is provided on a monthly basis. In summary most of the measures are showing acceptable performance.

2. There are three indicators that are showing excellent performance:
   - Percentage of planning appeal decisions allowed against the authority's decision to refuse
   - Days taken to process Housing Benefit/Council Tax Benefit new claims and change events
   - Working days lost due to sickness absence

3. There are no performance indicators showing as concern.

4. Monthly Performance Snapshot for December is attached for information in Appendix A.

5. A full report showing more detail for all the performance indicators mentioned above appears in Appendix B.

6. Rolling reports/charts for Housing, Development Management and Streetscene appear in Appendix C.

Monthly Performance Snapshot – December 2016



This monthly performance snapshot shows our performance over the last month:

- **4.5 days** to process your Housing or Council Tax Benefit claims
- **94%** of invoices received by us are paid within 10 days
- An estimated **43%** of all waste collected was recycled in December
- **99.45%** of rent due on council owned homes collected % excluding former tenant arrears (98.28% including former tenant arrears).
- Less than **3 days** on average to clear fly tipping cases, dealing with **41** cases in December
- We dealt with 144 reactive building maintenance cases at EDDC's public buildings during December 2016, this compares with 184 in the previous month, and 151 in December of 2015.
- THG's latest Present Makers 2016 Exhibition saw **1,526 visitors** in total (average of 49 per day) **+25%** on last year and sales of **£10,094 +17%** on last year.

Latest headlines:

- We've recycled over 1500 Christmas Trees this year. The chipped trees will be used as mulch and pathways in parks & gardens.
- The new improved recycling service starts in Exmouth on 16th Feb 2017, which includes collection of cardboard, mixed plastics, tetra pack cartons and small electrical items for the first time.
- Housing's Landlord Service evicts tenants for anti-social behaviour, repossessing flats in Exmouth and Honiton
- Housing's Christmas Fete in Newton Poppleford was a full house with children's choir, book sale and lots of festive fun, raising proceeds for Devon Air Ambulance.
- 'Light up Lymebourne and Arcot', organized by Housings's Landlord Service, encouraged residents to decorate their windows for Christmas. Council staff dressed up in Christmas outfits and joined the community sing along with the 'La La Choir'.
- The pantomime Cinderella has been a huge success, with sell out performances at the Manor Pavilion Theatre, Sidmouth.
- The new What's on Theatre Guide for 2017 is now available covering all the shows from Feb- June and due to the popularity of it, 8,000 have been printed.
- Financial year to date figures for the Thelma Hulbert gallery: sales **+33%,** donations **+50%,** visitors **+24%,** Friends memberships **+68%**. Friends and Donations already exceed the total figures for last year with three months still to go!

Report to:	**Cabinet**
Date of Meeting:	8 February 2017
Public Document:	Yes
Exemption:	None
Review date for release	None
Agenda item:	**22**
Subject:	**Banking Arrangements**
Purpose of report:	To review provision of our general banking facilities as our contract with Lloyds Bank plc is due for renewal
Recommendation:	**To approve the exemption to the Council's contract standing orders and to approve renewal of our contract with Lloyds Bank plc for 5 years**
Reason for recommendation:	The service provided by Lloyds Bank plc is satisfactory and the cost and amount of work involved in switching to another provider would outweigh the marginal annual savings achieved.
Officer:	Janet Reeves – Accountant Janet.Reeves@eastdevon.gov.uk 01395 516551 Extension 2033
Financial implications:	Contained within the report
Legal implications:	The Council's contract standing orders would normally require this to be tendered given that it is a 5 year contract worth circa £100k. Cabinet can authorise an exemption to following our contract standing orders under Rule 3.1 where the contract value falls below EU procurement thresholds, which this does. The reasons given are acceptable to permit the exemption.
Equalities impact:	Low impact
Risk:	Low risk The Council needs to contract with a bank that can provide an efficient and wide range of banking services to suit the requirements of the Council and its customers in as cost-effective way as possible.
Links to background information:	.
Link to Council Plan:	Continuously improving to be an outstanding Council

Report in full

1. East Devon District Council maintains its banking contract with Lloyds Bank. The contract was due for renewal in the latter part of 2016. A benchmarking survey was commissioned from Focus on Banking, who are independent specialists in reducing banking costs and improving use of banking systems.

2. The purpose of commissioning the survey from Focus on Banking was to enable the Council to make an informed decision about whether to renew the Lloyds Bank contract or whether to go out to tender for the future supply of banking services.

3. The report by Focus on Banking reviewed current Lloyds Bank charges for various transactions and account services. It compared the individual cost of these and also the overall cost, to that which Lloyds Bank and two competitors would be likely to tender for an identical provision of services to EDDC, as if it were a new local authority customer. *(We were advised that not all the big banks would be interested in tendering to a local authority and so only those who would be were considered).*

4. Focus on Banking concluded Lloyds Bank's current overall cost was slightly less competitive than the comparatives and advised renegotiating certain transaction charges. This was done and Lloyds has proposed a reduction effectively bringing the annual cost down to that of a "new customer tender", (as calculated by Focus on Banking) .

5. We will save £3,478 on our current annual cost bringing the figure for Lloyds Bank down to £19,545 per annum. The comparative figures for the two competitors are £16,051 and £21,757 respectively. The saving per annum that would be achieved by switching to a new bank is marginal. In addition to the saving on the current annual cost, Lloyds Bank, as part of agreeing new terms, has confirmed some free services to the Council, which under the old contract should have been charged but were never billed and it considers there are other cost savings to be achieved in other financial transactions which it will work with us to accomplish.

6. Lloyds Bank is providing an efficient service that satisfies EDDC's requirements so there are no operational reasons necessitating a change to a different banking provider and so cost is the only consideration.

7. Although the figure for Lloyds Bank is not the lowest by a marginal amount, there are other factors that need to be taken into account. For example, switching banks would involve changes to interfaces between EDDC's accounting/other systems and the new bank's systems and inevitably, EDDC's employees would need to spend a considerable amount of time on the changeover. It is understood that a change of this type typically costs £20,000, once employee time costs and IT system change costs are taken into account.

8. For this reason it is proposed that EDDC renews its contract with Lloyds Bank for a 5 year period.

9. A request is made for an exemption to Contract Standing Orders to enter into a 5 year contract with Lloyds Bank plc to provide the Council's main banking facilities without going to tender, on the basis (a) that a benchmarking exercise has been carried out which shows that the cost of providing services is comparable and (b) that the switching process would itself cause burden. This contract falls below EU tender requirements.