



Agenda for Overview Committee Thursday, 12th November, 2020, 6.00 pm

Members of Overview Committee

Councillors: N Hookway (Chair), V Johns (Vice-Chair), M Allen, B De Saram, I Hall, M Hartnell, F King, T Woodward, K Blakey, S Bond, V Ranger, S Gazzard and S Jackson

Venue: Online via the Zoom App. All Councillors and registered speakers will have been sent an appointment with the meeting link.

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Tuesday, 3 November 2020

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1 Public Speaking

Information on [public speaking](#) is available online.

2 Minutes of the previous meeting (Pages 3 - 7)

3 Apologies

4 Declarations of interest

Guidance is available online to Councillors and co-opted members on making [declarations of interest](#).

5 Matters of urgency

Information on [matters of urgency](#) is available online.

6 Confidential/exempt item(s)

To agree any items to be dealt with after the public (including press) have been excluded. There are **no** items that officers recommend should be dealt with in this way.

7 Draft Financial Strategy 2021 - 2031 (Pages 8 - 27)

8 High Street TAFF & Our Towns Scheme update (Pages 28 - 30)

9 Forward Plan (Page 31)

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If you are recording the meeting, you are asked to act in a reasonable manner and not disrupt the conduct of meetings for example by using intrusive lighting, flash photography or asking people to repeat statements for the benefit of the recording. You may not make an oral commentary during the meeting. The Chairman has the power to control public recording and/or reporting so it does not disrupt the meeting.

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

[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Overview Committee held Online via the Zoom App on 24 September 2020. All Councillors and registered speakers will have been sent an appointment with the meeting link.

Attendance list at end of document

The meeting started at 6.00 pm and ended at 8.16 pm

59 Public Speaking

There were no members of the public wishing to speak.

The Chairman advised that a letter had been received from a resident, Mr Stephen Pemberton, regarding the Sidmouth beach management plan, Pennington Point and East Beach. Mr Pemberton having agreed, the letter was read out by a Democratic Services Officer and expressed the following views:

- It appeared that EDDC had little or no intention of doing what was needed for Sidmouth
- Sidmouth residents had been silenced
- There was a lack of progress and accountability by EDDC
- The administration had been led by EDDC Senior Officer views
- The priority was the hole at Pennington Point exacerbated by the erosion along East Beach
- Revetment and rock island(s) were required for Pennington Point and East Beach

It was agreed to consider the matter under the Forward Plan.

60 Minutes of the previous meeting

The minutes of the previous meeting held on 27 February 2020 were approved and signed as a correct record.

61 Declarations of interest

Minute 64. Update on referral from the Cabinet meeting 21 July 2020.
Councillor Andrew Moulding, Personal, Patron of Arc.

Minute 64. Update on referral from the Cabinet meeting 21 July 2020.
Councillor Ian Hall, Personal, Devon County Councillor, DCC Mental Health Champion, Vice-Chairman of the Trustees of Arc, Chair of Cloakham Lawns Sports Centre.

62 Matters of urgency

There were no matters of urgency.

63 Confidential/exempt item(s)

There were no items to be dealt with in this way.

64 **Update on referral from the Cabinet meeting 21 July 2020**

At the previous meeting the Committee had debated motions in support of the Local Authority Mental Health Challenge and the Healthy Weight Declaration. Notes to summarise and supplement the debate, with recommendations for the Committee to approve, had been circulated.

Andrew Ennis, Service Lead Environmental Health and Car Parks, presented the notes on the Local Authority Mental Health Challenge and highlighted the range of commitments and expertise which would be required, some of which was beyond existing resources and budgets.

Members discussed the following points:

- The prevalence of mental health problems was significant and likely to worsen as a result of the Covid-19 pandemic
- 44 other District Councils had Mental Health Champions and had signed the Challenge
- Cabinet was being asked at its next meeting to consider the re-introduction of a limited number of Member Champions, including a Mental Health Champion and this was supported by the Committee
- There was support for the appointment of a dedicated Officer to engage with local communities
- There was a need to ensure that poor mental health did not become mental illness
- The Council needed a robust framework to safeguard the mental health of all Members and Officers
- Members noted the recommendation to Cabinet of the Housing Review Board to approve the need for the recruitment of a specialist Mental Health Support Officer to work within the housing services team

Cllr Hall proposed the following recommendations to Cabinet which were seconded by Cllr de Saram and **RESOLVED**:

RECOMMENDATIONS:

1. That Cabinet notes that our Public Health Strategic Plan already recognises the importance of mental as well as physical health
2. That during the Covid-recovery phase we continue to work with our partners within existing parameters
3. That Cabinet notes that specialist skill sets are required for mental health interventions; this is the role of the Devon Partnership Trust and other agencies. EDDC does not have dedicated or experienced officer resource for mental health
4. As an interim measure to ensure that Members and Officers are signposted to appropriate support if necessary
5. That surveys are sent to Members and Officers to capture information on the current state of mental health
6. That Cabinet is requested to consider appointing a lead Officer for mental health in the organisation in conjunction with the request for a mental health Officer from the housing service and that Cabinet agrees the recommendation to appoint a Member Champion for mental health
7. That bespoke training for Members and Officers be provided on mental health.

It was noted during the course of the meeting that the minutes would be added as a late item to the agenda for the Cabinet meeting of 30 September 2020.

Andrew Ennis presented the notes on the Healthy Weight Declaration and outlined the 14 commitments which would be required should the Council sign up to the Declaration.

It was noted that, to date, only County Councils had signed up to the Declaration.

Cllr de Saram proposed the following recommendations to Cabinet which were seconded by Cllr Gazzard and **RESOLVED**:

RECOMMENDATIONS:

1. That Cabinet notes the contribution that our activities identified in our Public Health Strategic Plan make towards encouraging healthy weight
2. That during the Covid-recovery phase we continue to work with our partners within existing parameters
3. That Cabinet recognises that our partners' priorities are also changing in response to Covid-recovery
4. That Cabinet notes that our current priorities do not offer us the scope to afford additional resourcing at this time, but that this is reviewed after six months

It was agreed that the Healthy Weight Declaration be added to the Forward Plan in order to keep the matter under review.

65 **Forward Plan**

With regard to the Forward Plan, the Committee discussed the following:

Next meeting

The meeting on 12 November 2020 would consider the Draft Financial Strategy 2021-2031 and an update on the High Street TAFF and Our Towns Scheme.

Sidmouth Beach Management Plan

In response to the letter from Mr Stephen Pemberton, Cllr Jung advised the following:

- Cllr Jung had been engaged in correspondence with Mr Pemberton who had declined offers to meet and discuss the Sidmouth beach management plan
- EDDC had provided reassurances that it was progressing with the beach management plan
- Interested groups had attended forum meetings and had expressed their views
- EDDC had conferred with the Environment Agency regarding the recent cliff fall and noted that the works could not be classed as emergency works
- The cost of installing off shore islands as requested would be prohibitive

Economic recovery plan

Cllr Moulding proposed that an economic impact assessment of the Covid-19 pandemic be added to the Forward Plan as an urgent item.

In response, Cllr Arnott advised that a Devon County Council Officer had been tasked with economic recovery. Following the statement by the Chancellor of the Exchequer earlier in the day, Cllr Arnott had written to Officers for an assessment of the business support which had been announced.

Assisted housing needs

Cllr Hall proposed that the provision of assisted housing units be added to the Forward Plan. This topic would require scoping.

Proposal form and scoping template

The Committee discussed the use of a proposal form and scoping template to assist with future work programming and to ensure that the right work would come forward at the right time whilst using resources as effectively as possible. Use of the forms could be reviewed at a future date.

Governance Review working party

It was noted that work on the Governance Review had been suspended due to the Covid-19 pandemic and agreed that this item should be retained on the Forward Plan.

The Forward Plan was noted.

Attendance List

Councillors present:

N Hookway (Chairman)
V Johns (Vice-Chairman)
B De Saram
I Hall
M Hartnell
F King
T Woodward
K Blakey
S Bond
S Jackson
S Gazzard

Councillors also present (for some or all the meeting)

P Arnott
C Brown
P Faithfull
G Jung
P Millar
A Moulding

Officers in attendance:

Andrew Ennis, Service Lead Environmental Health and Car Parks
Henry Gordon Lennox, Strategic Lead Governance and Licensing
Andrew Hancock, Service Lead StreetScene

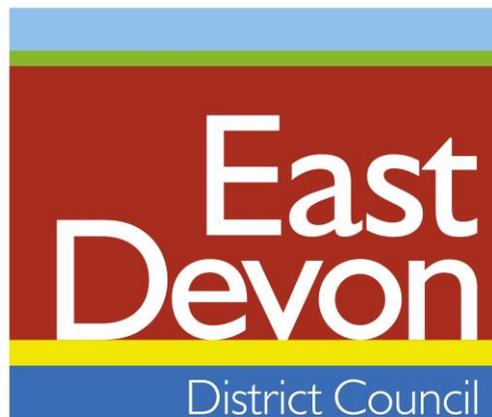
Susan Howl, Democratic Services Manager
Sarah Jenkins, Democratic Services Officer
Debbie Meakin, Democratic Services Officer
Shirley Shaw, Planning Barrister

Councillor apologies:

M Allen
V Ranger

Chairman

Date:



Financial Plan (2021 -2031)

1. About this Plan

Our Financial Plan considers the General Fund ¹ position and the Capital Programme ², the third area of the Council's finances the Housing Revenue Account ³ is reviewed and monitored within its own 30 year Business Plan.

The purpose of this Plan is to define how the Council will structure and manage its finances over the next ten years in order to deliver services to residents and support the objectives detailed within the Council Plan.

The Financial Plan also links with other key plans and documents of the Council including Service Plans, Treasury Management Strategy and input from the Budget Setting and Capital Allocations Panel (Member Group) and the Council's Senior Management Team.

The Financial Plan requires the preparation of an annual Medium Term Financial Plan Model (MTFP) and is an essential part of the budget setting process. The MTFP provides a financial model and forecast of the cost of providing services over a rolling ten-year period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources.

As well as considering the General Fund, the MTFP also reviews the affordability of the Council's capital investment programme, matching its forecast potential available funding against planned capital spending over a five year horizon.

The development of a ten-year financial model is based upon a number of assumptions and perceived risks which clearly become more difficult to predict as the period covered lengthens. However, as a broad principle the model has been developed on the basis of 'reasonable and prudent' forecasts and assumptions in accordance with sound accounting practice.

2. Fundamental principles

Underpinning this plan, the following fundamental principles have been adopted by the Council:

- To secure the financial stability of the Council as we continue to respond and recover from the Pandemic.
- Annually, a balanced revenue budget will be set with expenditure to be limited by the amount of available resources.
- The General Fund balance will be maintained at the adopted level.

1. The General Fund records day to day spending on the delivery of Council services 2. Capital Programme spending relates to the purchase or enhancement of assets, expenditure that has a benefit greater than a year. 3. Housing Revenue Account records spending on Council Housing and its landlord function.

- If required to balance the budget resources will be redirected from low to high priority services to meet objectives set out in the Council Plan.
- Council Tax increases will be kept within annually announced government guidelines to ensure a local referendum is not triggered.

In considering the capital budget, the Council will continue to follow the methodology of scheme scoring and prioritisation. The Council will also seek to maximise the use of its assets.

3. Financial background

Of recent years the most significant impacts on the Council's finances came from the Comprehensive Spending Review in 2010 and following Spending Reviews where the Government cut local authorities funding to tackle the financial crisis at the time.

The Council has seen a reduction in Government funding of 60p in the pound.

The MTFP has the added pressure of inflationary increases, continued low investment income, an increasing call on services, members' ambitions to enhance and improve services, a new commitment to a carbon reduction programme and the wish to keep to moderate increases in fees and charges.

These factors have shaped the finances of the Council over recent years and placed it in a continuing difficult position of setting balanced budgets.

The Council has a good track record of delivering balanced budgets, meeting its spending plans and Council Plan outcomes through careful financial management and planning ahead. Careful decisions have been taken where service savings have been made, initiatives taken in the areas of; asset management, shared service provision, systems thinking principles, the persuasion of customers to use more convenient and cost effective means of transacting with the Council, procurement efficiencies and income generation. These initiatives have been implemented with the overall arching principle to protect front line services to the public.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and benefited in additional government funding through New Homes Bonus and extra Business Rate income.

A balanced budget was agreed by Council for 2020/21 despite a projected gap of £0.7m for the year alone, this was achieved as in prior years by following the themes originally contained in the Council's Transformation Strategy and then further refined to 3 key areas:

- Fit for purpose
- Commercialisation
- Careful Choices

There is now a new and significant risk to the financial stability of all Councils through the impact of Covid-19; for this Council this has seen in year unbudgeted costs and a significant decline in income obtained from customer receipts along with a reduction in the collection of business rates and council tax. The continuation of these financial risks are reflected in this Financial Strategy as we look forward.

It is time to reflect going forward on the right approach to balance the Council's budget determined by a new Council Leadership and dealing with and recovery from Covid-19.

4. Medium Term Financial Plan

The base for the MTFP is the 2020/21 approved budget and the current cost of ongoing services, adjusted to take account of a range of unavoidable costs such as pay increases, inflationary pressures, the implementation of any approved changes to the budget and any costs arising from new legislation and associated regulations or changes in resident demand. The MTFP takes account of any forecast variations in the level of both investment and fee income.

The Plan also considers and makes reasonable assumptions about the likely incomes from council tax and central government funding.

The MTFP is designed to model scenarios and to aggregate the sum of all potential financial inputs, to determine whether the Council will have sufficient resources to achieve its objectives, or indeed whether action is required to bridge a funding gap.

In formulating these calculations a number of assumptions have been made and a range of external influences considered. The various risks and pressures are detailed at the end of the Plan with commentary on their potential impact. Brexit was a substantial risk in considering the economic situation and implications on the MTFP but the consequence of the Pandemic is now the central concern.

Appendix A to the Financial Plan contains the summary page of the MTFP including an analysis of costs and inflation applied.

A similar exercise has been undertaken in respect of future capital expenditure, detailing the anticipated level of resources required, together with potential funding sources available to the Council to support its planned programme of works and where there are revenue implications these have been acknowledged within the Plan.

MTFP – Revenue Position

The position on General Fund services is detailed in the table below and shows the current year 2020/21 for comparison and forms the basis from which future assessments have been made. The 2020/21 position is the set budget, the implications effecting this budget are considered going forward.

Some key areas to note in this calculation:

- **Service Budgets** - This position is calculated based on current service provision adjusted where there are known resident demand changes,

contract agreements or legislative requirements. This position does not include any growth in service or staffing to the Council's current service level with the exception of:

- Inclusion of a £50k annual budget for an ecologist position/ or the purchase of expertise when required. This is as a consequence of bio-diversity net gain requirement introduced in planning legislation.
- £195k has been allowed for the development of a Local Plan.
- A significant uplift of £615k per annum has been included as part of the next stage in the Recycling and Refuse Contract. There is also a £730k capital investment requirement.
- Work is still ongoing on determining the implications of the Council's commitment to a carbon reduction programme. The MTFP assumes a commitment ongoing of £323k per annum which although significant and beyond most Councils financial commitment it is short of the full requirement. Without government or other external support the Council does not have the financial ability to meet the full programme but the programme will be progressed and the Council will work to consider how the full agenda can be actioned.
- Service budgets and income budgets from fees and charges are assumed to return to pre covid-19 levels within the MTFP. This follows the 2020/21 budget monitoring position seen after "lock-down" ended. Additional financial assistance to residents dealing with recession it is assumed will come from existing schemes which are Government funded, implications of additional council tax support scheme costs has been accounted for. In terms of additional business support it is assumed this will be within the limits of specific reserves held for this purpose by the Council.

The Council's [2020/21 budget book](#) is a useful reference as it details significant information about the service provision currently provided; costs and income received, staffing resources involved in each area, the assets utilised and number of service users.

- **Government Funding General** - The 2020/21 Local Government Finance Settlement was a one-year spending round only. This put on hold reforms planned for 2020/21; changes to both the local government funding formula and the re-basing and implementation of a new business rate retention scheme. The settlement basically carried forward spending allocations from 2019/20 into 2020/21.

The Government has announced it intends to undertake a full review of local authority funding for 2021/22. Although it has stated that changes to Business Rate Retention Scheme will not be introduced in 2021/22 it has indicated that additional growth being retained by Council's maybe considered.

Understanding this funding position and the implication on other core funding mechanisms (Business Rate Growth and New Homes Bonus) is critical to determining the MTFP position but there is real uncertainty at the moment.

The MTFP assumes a fall to baseline funding for the Council from 2022/23; taking away any growth in business rates (2020/21 budget £1.5m and assumed £2m in 2021/22) and the demise of NHB (2020/21 budget £1.5m). Should funding fall even lower it assumes there would be some transitional arrangements to phase significant decreases.

The Government has in recent months acted to support local authorities through the financial implications of Covid-19 and has stated it will look to support and stabilise local government finances going forward. What this means in reality is unknown and until the Local Government Finance Settlement is announced (normal timescales of late November/early December) it will remain unknown which makes planning extremely difficult.

To add to the complexity of planning ahead the Government is shortly to publish a recovery and devolution white paper which is likely to have an impact on the shape of local government going forward. No assumption of the outcome of this has been addressed in the MTFP.

- **Business Rate income** - this has been assumed under the existing arrangements; the 50% rate retention scheme. The Government had intended to introduce a 75% retention scheme from 2020/21, but this is still under review. The implication is likely to be the same level of funding but with greater incentive to retain additional growth above the Governments funding baseline. This has not been factored in and will be

considered in further updates of the Plan. If introduced in this form then the impact is unlikely to be material in the early years of the Plan.

The MTFP assumes in 2021/22 the Council will be £2m above the baseline funding level (retained growth). This is still considered prudent and does factor in the recent decline in business rate collection through Covid-19. The Council does have reserves to mitigate losses if this level of income does not materialise.

- **Council Tax** - The Government has for a number of years determined rural district councils can increase their council tax by £5 a year or up to 2% whichever is the greatest before triggering a local referendum. This is the level of income the Government assess is available to the Council and the MTFP applies this increase annually. As a result of Covid-19 and reduced collection rates no surplus on the collection fund has been assumed and the base increase as been prudentially set taking account of lower growth and an increase in Council Tax Support costs.
- **New Homes Bonus (NHB)** - Income retained in the General Fund to support revenue costs has been included in budgets for a number of years at £1.5m. The scheme is ending in its current form with the annual amount reducing; this gives £1.5m available in 2021/22 then falls to £0.9m in 2022/23 and then ends. A replacement for NHB has been consulted on with the Government wishing to sharpen the incentivising of housing growth in the most effective way, no announcement of a replacement scheme has been made so no additional income has been included in the Plan at this time.

The MTFP shows a projected deficit for 2021/22 of £0.694m which then increases reaching £5.653m in 2030/31 as a deficit shortfall in the annual budget. Clearly this is an unsustainable pattern and not one that the Council will allow, this updated MTFP is in line with previous assessments and reports to Council. A summary position of the MTFP is given below.

Summary of MTFP- Revenue	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
Net Service Costs	15,592	15,592	16,501	17,623	18,551	19,225	19,801	20,390	21,801	21,605	22,233
Amendments to base budget	-	376	537	378	115	0	0	90	(90)	0	0
Pay & Inflation and other inescapables	-	533	585	550	559	576	589	601	614	628	640
Net Budget Requirement	15,592	16,501	17,623	18,551	19,225	19,801	20,390	21,081	21,605	22,233	22,873
NNDR Gov't baseline	(2,667)	(2,721)	(2,775)	(2,831)	(2,887)	(2,944)	(3,004)	(3,064)	(3,125)	(3,188)	(3,251)
NNDR income above baseline	(1,500)	(2,000)	(300)	(400)	(500)	(600)	(300)	(400)	(500)	(600)	(700)
Rural Grant	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)
Council Tax	(8,828)	(9,204)	(9,586)	(9,972)	(10,364)	(10,760)	(11,161)	(11,568)	(11,980)	(12,396)	(12,818)
External Interest	(857)	(656)	(650)	(675)	(800)	(825)	(825)	(825)	(825)	(825)	(825)
Interest/Loan Repayments	483	500	540	580	600	600	600	600	600	600	600
Collection Fund Surplus	(122)	0	0	0	0	0	0	0	0	0	0
Savings Target - Procurement	(70)	0	0	0	0	0	0	0	0	0	0
Reserves for one off expenditure	(305)	0	0	0	0	0	0	0	0	0	0
New Homes Bonus to support general funding	(1,500)	(1,500)	(922)	0	0	0	0	0	0	0	0
Agreed use of General Fund	0	0	0	(80)	0	0	0	(90)	0	0	0
Total Resources Available	(15,592)	(15,807)	(13,919)	(13,604)	(14,177)	(14,756)	(14,916)	(15,573)	(16,056)	(16,635)	(17,220)
Annual Budget Shortfall if no action taken	-	694	3,704	4,947	5,048	5,045	5,474	5,508	5,549	5,598	5,653
Cumulative financial position for information only as Council is not allowed to take forward a deficit position – expenditure needs funding in year.	-	694	4,398	9,345	14,393	19,438	24,912	30,420	35,969	41,567	47,220

This row shows the shortfall in the annual budget assuming no action is taken.

As stated if no action is taken to reduce budgeted expenditure and/or increase budgeted income then there will be a projected budget shortfall in 2021/22 of £0.694m. This gap in the annual budget grows to £5.653m by 2030/31 at the end of the MTFP period.

However, the Council is unable to set an unbalanced budget, therefore the table below is more useful in looking at the budget gap on the basis that each year's shortfall will be found in turn by reducing expenditure or increasing income in the Council's budget (with a permanent effect). Thereby the shortfall below represents what is required to be found each year.

Table: MTFP Model – Annual budget shortfall assuming previous year’s shortfall was found.

General Fund	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
Budget Shortfall	694	3,010	1,243	101	(3)	428	35	41	48	56

The model identifies the pressures and influences on the Council’s revenue budgets and highlights a shortfall between the Council’s spending requirements and the amount of finance available. Actions will need to be taken to meet these shortfalls and the need to keep finding savings year on year is not to be underestimated.

A clear message from the Plan is there is a need to address the funding gap and there are no resources available for growth unless capacity is found through a combination of; reprioritising spending, the achievement of savings or increased income.

There will be additional service expenditure raised during the annual budget process but within this Plan only unavoidable costs have been included. Debate on these additional items will be held during the budget process and prioritisation of spend considered against existing service spend.

MTFP Revenue - The Way Forward

Previously presented to Members’ alongside the Financial Plan was the Council’s Transformation Strategy which played an integral part in meeting our deficits in the past.

The Transformation Strategy was then developed further into three main themes:

- Fit for purpose – continuous review of the staffing structure to ensure the right posts are in place to support the objectives of the Council and ensuring the Council was being operated efficiently and effectively.
- Commercialisation – This was ensuring the Council looked to maximise income generation from new or existing areas where it was seen customers would value and pay for a service which in turn would generate a profit to help support the overall costs of running the Council. Also linked to this theme was the Council’s investment framework.
- Careful Choices – This was a process of explanation to residents of the financial position of the Council, the cost of services provided and determining prioritise of the public and non-prioritise where costs could be saved.

A combination of the Pandemic, Government intention on tightening property investment and a new Leadership of the Council requires these areas to be reconsidered to determine if this is still the appropriate approach to balancing the Council’s budgets. There are elements/actions within these headings that members are likely to be content on progressing but they do need debating.

This Strategy proposes a two stage approach which is linked to understanding the cause of the MTFP funding gap and reflects the current uncertainty of Government

funding for local authorities and possibly even the shape of local government going forward.

There is a funding gap of £4.9m up to the next District election (2023/24), the assumed change in funding of Business Rates and NHB accounts for £3.1m of this shortfall.

General Fund	2021/22 £000	2022/23 £000	2023/24 £000	Total
MTFP Budget Shortfall	694	3,010	1,243	4,947
<i>Change in Business Rates & NHB</i>	0	2,278	822	3,100
<i>Underlying MTFP shortfall – service costs increasing above income generation</i>	694	732	421	1,847

The changes in funding are uncertain in terms of extent and timing and although likely to be implemented to a degree or to its full extent it puts the Council in a precarious position of having to make significant savings and likely service reductions without being certain on the level and timing of savings required.

It is proposed that the funding gap is addressed in terms of the underlying MTFP shortfall at this stage and although plans should be considered for the larger deficit sum actions are held until there is clarity on timing and extent.

To mitigate and de-risk this approach It is recommended that Council create a new reserve from additional business rates received in 2019/20 (details contained in 2019/20 Outturn Report to Cabinet on 30/9/20) of £2m. This reserve to be used to mitigate and de-risk the implications of the Government funding changes until the outcome is known and can be planned for appropriately. Having such a reserve can then buy time, if required, to fund a sudden fall in funding whilst the Council reshapes its budget, but at a time and to a degree that’s required instead of progressing at this point when there are so many uncertainties.

The immediate shortfall in 2021/22 is estimated at £0.7m this is part of the underlying funding gap and needs to be addressed in preparation for the 2021/22 budget. There are actions previously raised that need to be debated and with member agreement could meet this gap; Fit for Purpose proposals, commercialisation and better use of assets (public conveniences, car parks – reviews in progress) or other areas members may wish to bring forward. Progress on these proposals will be considered through the Budget Setting and Capital Allocations Panel before formalising in reports to Council.

Capital

The Council maintains a programme of capital expenditure designed to improve a wide range of community facilities and local infrastructure. The forward funding projections below only include rolling items and projects identified early by managers; **there will be proposals missing from this list** that will need to be considered for funding out of available resources.

There will be a disparity between the Council’s capital spending aspirations being greater than the amount of finance available. In producing these figures agreed principles have/will be applied:

- Capital works associated with the Housing Revenue Account are self funded; these costs have been included in the HRA business model. Any capital receipts generated from the HRA are used to finance HRA expenditure.
- A capital bid process is in place whereby appraisal forms are completed for each scheme and a scoring methodology applied to prioritise expenditure within resources available. This prioritisation is overseen by the Member Budget Strategy & Capital Allocation Panel.

MTFP Model – Capital Expenditure and Funding Position

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Net Capital Expenditure	15,510	6,721	4,717	4,717	5,148
HRA Financing	(4,906)	(4,906)	(4,906)	(4,906)	(4,906)
GF Capital Receipts	(100)	(100)	(100)	(100)	(100)
External Interest	-	-	-	-	-
New Homes Bonus – allocated	(2,054)	(70)	-	-	-
Sec 106 & Grants	-	-	-	-	-
Project Reserves	-	-	-	-	-
Capital Reserve	-	-	-	-	-
Net Internal/ External Borrowing	(8,450)	(1,645)	(289)	(289)	(142)

The Programme expenditure includes only those schemes already approved by Council and rolling items such as; the provision of statutory disabled facility grants, the public toilet renovation programme, equipment replacement for street scene services and housing improvement schemes (fully funded by HRA contribution). **Bids will come through the annual budget process giving a different picture to that given above and there will be choices to make in order to keep expenditure within resources available.**

The position on internal/external borrowing over the period requires net funding of £10.815m, however the Council’s internal borrowing position improved significantly in 2019/20 through a large capital receipt whereby the Capital Financing Requirement compared with external borrowing moved from under borrowed position of £7.275m to a £1.054m over borrowed position. The implication being significant borrowing has not been required to be factored in to the MTFP revenue position based on the above position.

Key issues to consider for this Plan in terms of capital are:

- Only rolling items, or early request for items, have been included in the MTFP with headroom for essential year on year requests. No amount is included for future coast protection or flood prevention schemes. If any schemes do come

forward, it is assumed they will attract Government funding if of high enough priority.

- Any scheme inclusion in the Programme over and above this core annual expenditure needs to be considered carefully for inclusion in future programmes on a case by case basis to determine if they meet corporate objectives and, if they can be self funded, evidenced in a business case or delivered in conjunction with other agencies/partners. Some schemes will come with no funding but may still be required to be funded due to their nature.
- New Homes Bonus monies allocated to the Capital Programme represents the Balance available after deducting £1.5m to fund the General Fund and it is assumed the grant scheme is ending.

The Way Forward – Capital programme

- There is a clear necessity for the continuation of the member Panel to consider the allocating of capital resources against competing capital scheme bids.
- The programme needs to be populated with realistic expenditure estimates into the future; further work has been undertaken on Council assets costs and these can shortly be populated into the Model but further work is required with other services managers across the Council
- The Project Management Guidelines will continue to be used to inform the capital bid process through detailed capital appraisal forms and Initial Project Proposal Document (IPPD). With the continued monitoring of progress on key projects through the Council's Strategic Management Team and member Panel.

EXTERNAL INFLUENCES AND KEY ASSUMPTIONS WITHIN THE REVENUE MTFP MODEL

- Inflation**

Inflation rates used are identified in Appendix A of the MTFP attached. Although the financial model is based upon what are believed to be a series of prudent assumptions, there is inevitably a risk that some or all factors applied could be inaccurate. The table below summarises the impact of any such inaccuracies that would have a detrimental effect upon the financial plan:

Financial impact of changes in inflation assumptions 2021/22.

Factor	MTFP Predicted Inflation Costs £000	Worse by 0.5% £'000	Worse by 1.0% £'000
Pay, N.I & Pension & other employee costs + other costs	678	156	312

- Investment Returns**

The approach adopted, of budgeting for investment income remains prudent. Investment return predictions have been factored in to continue at less than 1% with a modest increase starting to be reflected from 2023/24 this is materially affecting the position should this not occur. Investment income in 2021/22 has been lowered as base year includes an increase for property investment that was not undertaken.

- Council Tax Income**

The MTFP follows recent Government practice of allowing a £5 a year increase.

Financial impact of changes in council tax levels (2021/22).

Level of council Tax increase	Predicted council tax income	Loss of income in MTFP

	£000	2021/22 £'000
Council tax yield at £5 (3.4%) increase	(9,204)	Nil
Yield at 2.0%	(9,079)	125
Yield at 1.0%	(8,990)	214
Yield at 0.0%	(8,901)	303

This calculation shows a one year effect, this reduction would be lost each year going forward plus the opportunity to increase the level in future on a higher base.

- **Cranbrook & other development**

The expected build rate for Cranbrook has been considered along with service cost implications. Areas such as recycling and refuse collection and street cleansing have been included in the Plan when expected demand requires a stepped increase in cost. Other planned development in the area has been considered alongside these figures. No new large scale development has been factored into the Plan.

- **New Homes Bonus**

Details are covered in the main Strategy the risk in income being below the projections are unlikely as they are based in the main on current known taxbase numbers. The Plan assumes the demise of the current scheme with no income being reflected on a possible substitute scheme. Any such scheme will have positive implication on the MTFP both revenue and capital but no projections can be made on this until Government outline any replacement scheme.

- **Business Rate Income**

The risks associated with Business Rate income has been covered in the Strategy, including the Government's intention of business rates rebasing. A £2m additional benefit has been budgeted in 2021/22 for additional rates above the Council's baseline, this is the sum that will be budgeted and if the actual amount is less through a reduction in assessments or collection of income drops than the difference will be met from the Business Rates Volatility Fund which has a current balance of £0.639m.

Should the Government suddenly rebase for 2021/22 (unlikely but a risk that needs to be considered) then the proposal of setting up a MTFP Risk Reserve of £2m will be used to mitigate this for the year.

- **Brexit**

The risks considered for local authorities centre around:

Direct EU funding – the most obvious financial impact of Brexit for local areas is the loss of future EU funding, predominantly the European Structural and Investment Funds. EDDC currently have no bids planned.

Inward investment – It is unknown how multinational companies will view the UK’s attractiveness as a base for investment post-Brexit. At best, there is likely to be a delay in the creation of the associated new jobs as plans are reviewed, and at worst those jobs may go elsewhere and existing employers may relocate. There is risk in particular around the growth point area particularly around attracting overseas companies onto the science park. The immediate effect on the MTFP would be around business rate income projections as highlighted below.

Business rate income – with the local retention of business rates, councils’ own financial sustainability will increasingly depend on their ability to retain and grow rate-paying businesses. In addition to the inward investment risk already mentioned, councils are more financially vulnerable than before to the ebb and flow of the macroeconomic tide. A pragmatic and prudent approach has been taken in projecting rate income based on previous experience and the knowledge of site availability in the District. This area will be monitored carefully for future refreshes of the Plan.

Demand pressures – the unpredictable impact of Brexit on demand for council services may complicate the management of spending reductions in the coming years. The longer term impact on demand will depend on how well each local economy fares, but there have already been reports of worrying increases in hate crime, requiring a response from local authorities and their partners. To date this has not impacted this Council and no allowance has been made in the Plan for these factors.

Investments and borrowing – The Treasury Management Strategy ensures we monitor the credit ratings of the limited number of deposit takers meeting our stringent investment criteria. In addition, the downgrades to the UK’s rating haven’t yet led to higher borrowing costs, but this is a risk that will be monitored.

Impact on pension fund deficits – pension fund deficits are already a volatile material liabilities on local authority balance sheets. In the short term the impact of very low bond yields is likely to drive up the deficits but to date there has been resilient asset valuations.

Supply of Labour – certain sectors have seen worrying trends in the reduction of labour from abroad however this is not seen as factor effecting this Council. The risk could be around the building industry should the Council enter into future large construction projects.

- **Covid-19**

The direct effect of Covid-19 on the Council’s finances has been presented to members relating to the current financial year 2020/21 and the continuation of the implications in income areas and additional costs has been reflected in the MTFP. The key direct risk is a return to lockdown restrictions in the period the Plan covers from April 2021/22 onwards and although in the main modest income flows have been included in the MTFP this would have a detrimental effect. The assumption is made that Government would give direct financial support as is currently the position.

There are wider implications on the District, its residents and businesses in terms of a recession as a result of Covid. The implications will have to be determined in time with the Plan updated as necessary – Additional welfare support and vulnerability assistance being given by the Council is currently in the main being funded through additional Government monies and it is assumed this will continue rather than a direct significant cost to the Council. The Council has available monies it has set aside to assist with economic

sustainability in the District that it will have to determine how best to deploy but the Plan assumes additional costs will not be over and above what is available.

APPENDIX A (i)

2025/26			2026/27			2027/28			2028/29			2029/30			2030/31		
Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total
		19,224,990			19,801,349			20,389,993			21,081,221			21,605,340			22,232,671
		0			0			0			0			0			0
		0			0			0			0			0			0
		0			0			0			0			0			0
		0			0	90,000		90,000	90,000		(90,000)			0			0
		0			0			0			0			0			0
0		0			0			0			0			0			0
0		0	0		0			0			0			0	0		0
		0			0			0			0			0			0
		0			0			0			0			0			0
		0			0			0			0			0			0
0	0	0	0	0	0	90,000	0	90,000	0	90,000	(90,000)	0	0	0	0	0	0
		0			0			0			0			0			0
		0			0			0			0			0			0
233,362		233,362	238,029		238,029	242,789		242,789	247,645		247,645	252,598		252,598	257,650		257,650
10,204		10,204	10,408		10,408	10,616		10,616	10,829		10,829	11,045		11,045	11,266		11,266
48,510		48,510	49,480		49,480	50,470		50,470	51,479		51,479	52,509		52,509	53,559		53,559
22,909		22,909	23,368		23,368	23,835		23,835	24,312		24,312	24,798		24,798	25,294		25,294
361,197		361,197	369,179		369,179	377,374		377,374	385,789		385,789	394,433		394,433	403,315		403,315
(99,824)		(99,824)	(101,820)		(101,820)	(103,857)		(103,857)	(105,934)		(105,934)	(108,053)		(108,053)	(110,214)		(110,214)
576,359	0	576,359	588,644	0	588,644	601,228	0	601,228	614,120	0	614,120	627,331	0	627,331	640,871	0	640,871
		0			0			0			0			0			0
576,359	0	576,359	588,644	0	588,644	601,228	0	601,228	614,120	90,000	524,120	627,331	0	627,331	640,871	0	640,871
		<u>19,801,349</u>			<u>20,389,993</u>			<u>21,081,221</u>			<u>21,605,340</u>			<u>22,232,671</u>			<u>22,873,542</u>
		2,944,937			3,003,836			3,063,912			3,125,191			3,187,694			3,251,448
		225,590			225,590			225,590			225,590			225,590			225,590
		600,000			300,000			400,000			500,000			600,000			700,000
		10,760,471			11,162,066			11,568,661			11,980,256			12,396,851			12,818,446
		825,000			825,000			825,000			825,000			825,000			825,000
		(600,000)			(600,000)			(600,000)			(600,000)			(600,000)			(600,000)
		0			0			0			0			0			0
		0			0			0			0			0			0
		0			0			0			0			0			0
		0			0			90,000			0			0			0
		0			0			0			0			0			0
		<u>14,755,998</u>			<u>14,916,492</u>			<u>15,573,163</u>			<u>16,056,036</u>			<u>16,635,135</u>			<u>17,220,484</u>
		5,045,351			5,473,501			5,508,057			5,549,304			5,597,536			5,653,058
		(2,980)			428,150			34,556			41,247			48,232			55,522

Report to: Overview Committee

Date of Meeting 12th November 2020

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Our Towns deferral: Recovery and redundancy focus

Report summary:

This report sets out the requirement to postpone completion of the Our Towns Study.

Recommendation:

That members note the reasons for deferring the completion of the Our Towns Study to focus on redundancy response, emergency C-19 grant allocation and economic recovery.

Reason for recommendation:

Context:

The intention behind commissioning the Our Towns study [[Cabinet report](#)] was to undertake a comprehensive analysis of our towns in order to identify investment and funding opportunities, planning policy options, site specific improvements and feasible projects to help create better places.

The process of gathering data for the Our Towns Study was in progress in December 2019. An inception meeting of the Project Steering Group was then held on the 15th January 2020.

A draft copy of the Our Towns project brief was circulated and a number of actions agreed. This included Economic Development leading a mapping exercise and the collation of wider data and evidence. This was to be made available for review by the Project Group in April and commissioning of the work would follow.

Alongside this getting underway, a meeting was to be arranged with Cllrs Hartnell, Hookway and our Deputy CEO to agree the focus and remit for a High St TAFF to complement the work.

The data gathering was then delayed by the urgent redundancy response requirement at Axminster Carpets following their closure in February with the loss of almost 90 jobs.

Our response was to quickly develop, organise and employ a redundancy response network of relevant employment, skills, training and education providers, support agencies and advisors to offer help to all affected staff through a series of drop in workshops.

This response was well received. Regretfully, it was quickly followed by the collapse of Flybe and the loss of almost 1,000 high value jobs. We worked with ECC and DWP to quickly deliver a large scale Jobs Fair on the 10th March at Exeter Corn Exchange.

With the onset of C-19 and the unprecedented impact of lockdown on our businesses, Economic Development were then directed towards development and delivery of our emergency grant programmes, coming to a close at the end of August.

As the country entered steep recession, unemployment has increased dramatically and Economic Development have remained in triage mode. Our focus now is recovery planning and more widespread redundancy support to an increasing number of affected businesses and residents. We are also preparing our next wave of business support and discretionary grant funding allocation after the announcement of the new national restrictions from November the 5th.

Members will be aware that a detailed overview of the impact of the Covid-19 pandemic on the economy of the District, the initiatives that have been undertaken to mitigate this and those that are planned to support to recovery has been reported to Cabinet on the 28th October, 2020 [Report: [Covid-19 Economic Response and Recovery](#)].

Deferment:

The economic landscape has changed so dramatically since the beginning of the year, any prior retail/commercial use demand data will need to be comprehensively updated. Moreover, changes to the planning system are now proposed at such scale that a fresh re-examination and approach to explore town centre redevelopment and regeneration will be required.

We need to ensure that any work that is commissioned is able to respond to this new economic landscape and to seize any opportunities presented by centrally funded initiatives aimed at reinvigorating the High Street and town centre centres more generally.

The brief for this work needs to be recast to ensure that it does not quickly become outdated and that it contributes to wider recovery planning across East Devon. As economic turbulence subsides and reliable baseline demand, footfall and projection data can be developed, our aim is that the town centre assessment can form part of the evidence base for informed policy in the development of the new Local Plan.

We are aware the Heart of the South West Place Group are to commission a Future Towns Study to be completed early next year. This will focus on the economic role, challenges and opportunities for smaller towns in the HotSW area in the context of the Local Industrial Strategy and Government initiatives. In updating the Our Towns project brief, the findings of this work will be considered alongside the One Public Estate funded Thriving Towns Studies for both Axminster and Exmouth. We are also commissioning High St footfall data and business surveys as part of our Reopening High Streets Safely Fund (RHSSF) programme and will ensure this data informs the brief when it can be revisited.

The reality of our current response and recovery work focus is that we cannot currently give an anticipated date for resumption of the Our Towns Study. It will be included as an aspiration in our 2021/22 Service Plan.

Officer: Robert Murray, Economic Development Manager, Growth, Development & Prosperity, rmurray@eastdevon.gov.uk 01395 517514; 0787 5284458

Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

To be completed by Finance.

Legal implications:

To be completed by Legal.

Equalities impact Low Impact

If choosing High or Medium level outline the equality considerations here, which should include any particular adverse impact on people with protected characteristics and actions to mitigate these. Link to an equalities impact assessment form using the [equalities form template](#).

Climate change Low Impact

Risk: Choose a risk level; Click here to enter text on risk considerations relating to your report.

Links to background information

Cabinet Report: 27th Nov, 2019. [Our Towns Study: Understanding East Devon Towns](#)

Cabinet Report: 28th Oct, 2020. [Covid-19 Economic Response and Recovery](#)

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

Overview Forward Plan 2020/21

Meeting date / Priority	Topic
12 November 2020	Draft Financial Strategy 2021-2031 High Street TAFF & Our Towns Scheme – update
tbc	Draft Council Plan
tbc	Assisted housing needs – requires scoping
tbc	Governance Review Working Party – update
tbc	Healthy Weight Declaration – keep under review
tbc	Overview Proposal Form and Scoping Template – keep under review
tbc	Items from joint Overview & Scrutiny Budget meeting on 15 January 2020: Commercialisation Strategy (<i>subsequent to presentation to Cabinet</i>) Consultancy Spend 2020 / 21 (<i>to be referred to Scrutiny Committee</i>)
tbc	Seaton Wetlands tram halt project update
tbc	Climate change – including rising sea levels, coastal erosion, single use plastics, to determine what can be done locally as well as lobby Government and feed in to the Devon Group
tbc	Improving working with Town and Parish Councils
tbc	Public toilet review – consultation plan (<i>review currently on hold</i>)
tbc	Fairer funding from Government for the South West region – clarification from the Chief Executive would be needed
tbc	Transport – specifically fare for 16 – 18 year olds still in education but not qualifying for state help
tbc	Promotion of EDDC services to local residents
tbc	Natural Capital in the Heart of the South West document